FLEXTRONICS INTERNATIONAL LTD.
Form 10-K/A
June 24, 2008

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

Form 10-K/A
Amendment No. 1

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended March 31, 2008

or

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

Commission file number 000-23354

FLEXTRONICS INTERNATIONAL LTD.
(Exact name of registrant as specified in its charter)

Singapore *(State or other jurisdiction of incorporation or organization)*	**Not Applicable** *(I.R.S. Employer Identification No.)*
One Marina Boulevard, #28-00 Singapore *(Address of registrant s principal executive offices)*	**018989** *(Zip Code)*

Registrant s telephone number, including area code
(65) 6890 7188

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 þ No o

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

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 þ No o

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

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

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

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

As of September 28, 2007, the last business day of the registrant s most recently completed second fiscal quarter, there were 610,044,016 shares of the registrant s ordinary shares outstanding, and the aggregate market value of such shares held by non-affiliates of the registrant (based upon the closing sale price of such shares on the NASDAQ Stock Market LLC (NASDAQ Global Select Market) on September 28, 2007) was approximately $6.8 billion.

As of May 19, 2008, there were 836,359,916 shares of the registrant s ordinary shares outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Parts into Which Incorporated
Proxy Statement to be delivered to shareholders in connection with the Registrant s 2008 Annual General Meeting of Shareholders	Part II Securities Authorized For Issuance Under Equity Compensation Plans and Part III

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EXPLANATORY NOTE

Flextronics International Ltd. (Flextronics or the Company) is filing this Amendment No. 1 on Form 10-K/A (this Amendment No. 1) to amend its Annual Report on Form 10-K for the fiscal year ended March 31, 2008, as filed with the Securities and Exchange Commission (SEC) on May 23, 2008 (the Original Filing), for the purpose of providing summary financial and other information relating to the Company s previously held investment in the common stock of Relacom Holding AB (Relacom) as a result of an agreement with the staff of the SEC to provide such information in lieu of the separate audited financial statements of Relacom required under Rule 3-09 of Regulation S-X.

Amendment No. 1 amends the Original Filing as follows

Part II, Item 7, *Management s Discussion & Analysis of Financial Condition and Results of Operations* has been amended to include additional disclosure relating to impairment charges associated with the Company s Relacom investment under the heading Other charges (income), net.

Part II, Item 8, *Financial Statements and Supplementary Data* has been amended to include condensed consolidated statements of operations and cash flows information for Relacom for the periods from March 1, 2007 through the date of disposition on January 7, 2008, from March 1, 2006 through February 28, 2007 and from August 19, 2005 (inception) through February 28, 2006, and to include condensed consolidated balance sheet information as of February 28, 2007 under the heading Summary of Accounting Policies in Note 2 to the Consolidated Financial Statements. In addition, an updated opinion of Deloitte & Touche LLP is included in this Item.

New certifications of the Company s principal executive officer and principal financial officer have been attached as exhibits to this Amendment No. 1. Except as set forth above, no other changes have been made to the Original Filing. This Amendment No. 1 continues to speak as of the date of the Original Filing and the Company has not updated the disclosure in this Amendment No. 1 to reflect events which occurred following the date of the Original Filing. Accordingly, this Amendment No. 1 should be read together with all other filings the Company has made with the Securities and Exchange Commission subsequent to the filing date of the Original Filing.

PART I
FORWARD-LOOKING STATEMENTS

Unless otherwise specifically stated, references in this report to Flextronics, the Company, we, us, our and simil 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, anti plan, expect, intend, estimate and similar expressions identify forward-looking statements, which speak only as of t date of this annual report. These forward-looking statements are contained principally under Item 1, Business, and under Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations. Because these forward-looking statements are subject to risks and uncertainties, actual results could differ materially from the expectations expressed in the forward-looking statements. Important factors that could cause actual results to differ materially from the expectations reflected in the forward-looking statements include those described in Item 1A, Risk Factors and Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations. In addition, new risks emerge from time to time and it is not possible for management to predict all such risk factors or to assess the impact of such risk factors on our business. Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements. We undertake no obligation to update or revise these forward-looking statements to reflect subsequent events or circumstances.

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ITEM 1. *BUSINESS*

OVERVIEW

We are a leading global provider of vertically-integrated advanced design and electronics manufacturing services (EMS) to original equipment manufacturers (OEMs) in the following markets:

- Infrastructure, which includes networking and communications equipment, such as base stations, core routers and switches, optical and optical network terminal (ONT) equipment, and connected home products, such as set-top boxes and DSL/cable modems;

- Mobile communication devices, which includes handsets operating on a number of different platforms such as GSM, CDMA, TDMA and WCDMA;

- Computing, which includes products such as desktop, handheld and notebook computers, electronic games and servers;

- Consumer digital devices, which includes products such as home entertainment equipment, printers, copiers and cameras;

- Industrial, Semiconductor and White Goods, which includes products such as home appliances, industrial meters, bar code readers, self-service kiosks and test equipment;

- Automotive, Marine and Aerospace, which includes products such as navigation instruments, radar components, and instrument panel and radio components;

- Medical devices, which includes products such as drug delivery, diagnostic, telemedicine devices and disposable devices.

We are one of the world s largest EMS providers, with revenue of $27.6 billion in fiscal year 2008. As of March 31, 2008, our total manufacturing capacity was approximately 27.0 million square feet in over 25 countries across four continents. In fiscal year 2008, our sales in Asia, the Americas and Europe represented 56%, 28% and 16% of our total net sales, respectively, based on the location of the manufacturing site. We have established an extensive network of manufacturing facilities in the world s major electronics markets (Asia, the Americas and Europe), with planned expansion into emerging electronics markets, in order to serve the growing outsourcing needs of both multinational and regional OEMs.

Our portfolio of customers consists of many of the technology industry s leaders, including Casio, Cisco Systems, Dell, Eastman Kodak, Ericsson, Hewlett-Packard, Microsoft, Motorola, Nortel, Sony-Ericsson, Sun Microsystems and Xerox.

We are a globally-recognized leading provider of end-to-end, vertically-integrated global supply chain services through which we design, build, ship and service a complete packaged product for our OEM customers. These vertically-integrated services increase customer competitiveness by delivering improved product quality, leading manufacturability, improved performance, faster time-to-market and reduced costs. We remain firmly committed to the competitive advantage of vertical integration, along with the continuous development of our design capabilities in each of our major product categories. Our OEM customers leverage our services to meet their requirements throughout their products entire life cycles. The services we offer across all the markets we serve include:

Printed Circuit Board and Flexible Circuit Fabrication;

Systems Assembly and Manufacturing;

Logistics;

After-Sales Services;

Design and Engineering Services;

Original Design Manufacturing (ODM) Services; and

Components Design and Manufacturing.

We believe that our vertically-integrated capabilities provide us with a competitive advantage in the market for designing and manufacturing electronics products for leading multinational and regional OEMs. Through these services and capabilities, we simplify the global product development process and provide meaningful time and cost savings for our customers.

We have actively pursued acquisitions of businesses and purchases of manufacturing facilities, design and engineering resources and technologies in order to expand worldwide operations, broaden service offerings, diversify and strengthen customer relationships, and enhance our competitive position as a leading provider of comprehensive outsourcing solutions. On October 1, 2007, we completed the acquisition of 100% of the outstanding common stock of Solectron Corporation (Solectron) in a stock and cash transaction valued at approximately $3.6 billion. Through this acquisition, we broadened our EMS capabilities, increased our scale, diversified our customer base and markets, and enhanced our ability to design, build and ship products for, and service, our customers. Refer to Note 12, Business and Asset Acquisitions and Divestitures, to the Consolidated Financial Statements for further discussion.

INDUSTRY OVERVIEW

Outsourcing demand for advanced manufacturing capabilities, design and engineering services and after-market services continues its long-term growth pattern. The total available market for outsourcing electronic manufacturing services continues to remain relatively unpenetrated with penetration rates estimated to be less than 25%. Demand continues to increase for several reasons, including the intensely competitive nature of the electronics industry, the continually increasing complexity and sophistication of electronics products, pressure on OEMs to reduce product costs, and shorter product life cycles. As a result, the number of OEMs that utilize EMS providers as part of their business and manufacturing strategies continues to increase. Utilizing EMS providers allows OEMs to take advantage of the global design, manufacturing and supply chain management expertise of EMS providers, and enables OEMs to concentrate on product research, development, marketing and sales. We believe that OEMs realize the following benefits through their strategic relationships with EMS providers:

- Reduced production costs;
- Reduced design and development costs;
- 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 logistics capabilities; and
- Ability to focus on core branding and R&D initiatives.

We believe that the EMS industry will continue to grow, driven largely by the needs of OEMs to respond to rapidly changing markets and technologies and to reduce product costs. Additionally, we believe that there are significant opportunities for EMS providers to win additional business from OEMs in certain markets or industry segments that have yet to substantially utilize EMS providers.

SERVICE OFFERINGS

We offer a broad range of customer-tailored, vertically integrated services to OEMs. Our traditional service offerings have been significantly enhanced by the acquisition of Solectron. As a result of this acquisition, Flextronics now has the broadest worldwide capabilities in the EMS industry, from design resources to end-to-end, vertically integrated, global supply chain services. We believe that Flextronics s competitive advantages are that we are able to provide more value and innovation to our customers since we offer both global economies of scale in manufacturing, logistics and procurement, as well as market-focused expertise and capabilities in design, engineering and ODM services. As a result of our focus on specific markets, we believe that we are able to better understand complex market dynamics and anticipate trends that impact our OEM customers businesses, and can help improve their market positioning by effectively adjusting product plans and roadmaps to deliver low-cost, high quality products and meet their time-to-market requirements. Our vertically-integrated services allow us to design, build, ship and service a complete packaged product to our OEM customers. These services include:

Printed Circuit Board and Flexible Circuit Fabrication. Printed circuit boards are platforms composed of laminated materials that provide the interconnection for integrated circuits and other electronic components. Semiconductor designs are currently so complex that they often require printed circuit boards with multiple layers of narrow, densely spaced wiring or flexible circuits. The manufacture of these complex multilayer interconnect and flexible circuit products often requires the use of sophisticated circuit interconnections between layers, referred to as vias, and adherence to strict electrical characteristics to maintain consistent circuit transmission speeds. We are an industry leader in high-density, multilayer and flexible printed circuit board manufacturing. We also provide our customers with rigid-flex circuit board design and manufacturing. We manufacture printed circuit boards on a low-volume, quick-turn basis, as well as on a high-volume production basis. We provide quick-turn prototype services that allow us to provide small test quantities to meet the needs of customers product development groups in as little as 48 hours. Our extensive range of services enables us to respond to our customers demands for an accelerated transition from prototype to volume production. We have printed circuit board and flexible circuit fabrication service capabilities in North America, South America, Europe and Asia.

Systems Assembly and Manufacturing. Our assembly and manufacturing operations, which generate the majority of our revenues, include printed circuit board assembly and assembly of systems and subsystems that incorporate printed circuit boards and complex electromechanical components. We often assemble electronics products with our proprietary printed circuit boards and custom electronic enclosures on either a build-to-order or configure-to-order basis. In these operations, we employ just-in-time, ship-to-stock and ship-to-line programs, continuous flow manufacturing, demand flow processes, and statistical process controls. As OEMs seek to provide greater functionality in smaller products, they increasingly require more sophisticated manufacturing technologies and processes. Our investment in advanced manufacturing equipment and our experience and expertise in innovative miniaturization, packaging and interconnect technologies, enables us to offer a variety of advanced manufacturing solutions. Our systems assembly and manufacturing expertise includes the following:

> *Enclosures*. We offer a comprehensive set of custom electronics enclosures and related products and services worldwide. Our services include the design, manufacture and integration of electronics packaging systems, including custom enclosure systems, power and thermal subsystems, interconnect subsystems, cabling and cases. In addition to standard sheet metal and plastic fabrication services, we assist in the design of electronics packaging systems that protect sensitive electronics and enhance functionality. Our enclosure design services focus on functionality, manufacturability and testing. These services are integrated with our other assembly and manufacturing services to provide our customers with overall improved supply chain management.
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> *Testing Services*. We also 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. In addition, we also provide environmental stress tests of board and system assemblies.
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> *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 resources 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 tracking of work in process. We utilize electronic data interchange with our customers and suppliers to implement a variety of supply chain management programs. Electronic data interchange allows customers to share demand and product forecasts and deliver purchase orders and assists suppliers with satisfying just-in-time delivery and supplier-managed inventory requirements.

Design and Engineering Services. We offer a comprehensive range of value-added design and engineering services that are tailored to the various markets of our customers. These services range from contract design services (CDS), where the customer purchases services on a time and materials basis, to ODM services, where the customer purchases a product that we design, develop and manufacture. ODM products are then sold by our OEM customers under the OEMs brand names. Our design and engineering services are provided by our global team of design engineers and include:

User Interface and Industrial Design: We design and develop innovative, stylish and cost-effective products that address the needs of the user and the market. Our front-end creative capabilities offer our OEM customers assistance with the product creation process. These services include preliminary product exploration, market research, 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 and Tooling Design: We offer detailed product and enclosure design for static and dynamic solutions in both plastic and metal for low-to high-volume applications. Additionally, we provide design and development services for prototype and production tooling equipment used in manufacturing.

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

PCB Design: We provide complete printed circuit board (PCB) design services, incorporating high layer counts, advanced materials, component miniaturization technologies, signal integrity and rigid-flex requirements.

Components Solutions. Our components group is a product-driven organization focused on designing and manufacturing complete products for our OEM customers. Our capabilities include the design and manufacture of technologically advanced subsystem solutions for the electronics market. These sub-components include camera modules, power supplies, antennas, RF modules, passive color super-twisted nematic (CSTN) and active thin film transistor (TFT) small and medium form factor display modules for mobile phones, MP3 players, industrial and commercial products and digital cameras. By combining innovative design capabilities with a global manufacturing footprint, we provide our OEM customers with market-leading component technologies that are cost-effectively designed and manufactured while speeding their products time-to-market.

Logistics. We provide global logistics services and turnkey supply chain solutions to our customers. Our worldwide logistics services include freight forwarding, warehousing/inventory management and outbound/e-commerce solutions through our global supply chain network. We leverage new technologies such as XML links to factories, extranet-based management, vendor managed inventory and build-to-order programs, to simultaneously connect suppliers, manufacturing operations and OEM customers. In addition, our SimFlex simulation software tool allows our customers to simulate, analyze and evaluate complex supply chain scenarios, critical operating characteristics and performance metrics, and supply chain trade-offs to ensure supply chain excellence. We offer customers flexible, just-in-time delivery programs allowing product shipments to be closely coordinated with our customers inventory requirements. Increasingly, we ship products directly into customers distribution channels or directly to the end-user. By joining these logistics solutions with worldwide manufacturing operations and total supply chain management capabilities in a tightly integrated process, we believe we enable our OEM customers to significantly reduce their product costs and react quickly to continuously changing market demand on a worldwide basis.

After-Sales Services. We provide a range of after-sales services, including product repair, re-manufacturing and maintenance at repair depots, logistics and parts management, returns processing, warehousing, and engineering change management. These services are provided through a global network of operations, hubs and centers. We support our customers by providing software updates and design modifications that may be necessary to reduce costs or design in alternative components due to component obsolescence or unavailability. Manufacturing support involves test engineering support and manufacturability enhancements. We also assist with product failure analysis, warranty and repair, and field service engineering activities.

Additionally, through our Solectron acquisition we have expanded our after-sales services to include retail technical services. This service specializes in providing customer-facing technical support in retail locations around the globe. We provide point-of-sale assistance in solving technical issues through troubleshooting and fixing electronics products for end users. This further improves our customers competitiveness as this service decreases product return rates, lowers total costs of service, and improves the overall end user experience beyond the initial product sale thereby increasing end user retention for our customers.

STRATEGY

Our strategy is to continue to accelerate our growth and enhance profitability by using our market-focused expertise and capabilities and our global economies of scale to offer the most competitive vertically-integrated global supply chain services to our customers. To achieve this goal, we continue to enhance our core EMS manufacturing, procurement and logistics services with industry-specific expertise in design, engineering and ODM services through the following:

Market-Focused Approach. We intend to continue to invest in growing our market-focused expertise and capabilities to ensure that we can make fast, flexible decisions in response to changing market conditions. By focusing our resources on serving specific industries, we are able to better understand complex market dynamics and anticipate trends that impact our OEM customers businesses, and we can help improve their market positioning by effectively adjusting product plans and roadmaps to deliver low-cost, high quality products, and meet their time-to-market requirements.

Expand Global Manufacturing Capabilities and Vertically-Integrated Service Offering. One of our core strategies is to continue to expand our global manufacturing capabilities and vertically-integrated services. We actively pursue acquisitions to expand our global capabilities and strengthen our vertically-integrated capabilities. Through both internal development and synergistic acquisitions, we enhance our competitive position as a leading provider of comprehensive outsourcing solutions and are able to capture a larger portion of the supply chain. We will continue to selectively pursue strategic opportunities that we believe will further our business objectives and enhance shareholder value.

Expand Our Design and Engineering Capabilities. We have expanded our design and engineering resources as part of our strategy to offer services that help our OEM customers achieve time and cost savings for their products. We intend to continue to expand our design and engineering capabilities by increasing our research and development capabilities, expanding our established internal design and engineering resources, and by developing, licensing and acquiring technologies.

Capitalize on Our Industrial Park Concept. Our industrial parks are self-contained campuses where we co-locate our manufacturing and logistics operations with certain strategic suppliers in low-cost regions around the world. These industrial parks allow us to minimize logistics costs throughout the supply chain and reduce manufacturing cycle time by reducing distribution barriers and costs, improving communications, increasing flexibility, lowering transportation costs and reducing turnaround times. We intend to continue to capitalize on these industrial parks as part of our strategy to offer our customers highly-competitive cost reductions and flexible, just-in-time delivery programs.

Streamline Business Processes Through Information Technologies. We use a sophisticated automated manufacturing resources planning system and enhanced business-to-business data interchange capabilities to ensure inventory control and optimization. We streamline business processes by using these information technology tools to improve order placement, tracking and fulfillment. We are also able to provide our customers with online access to product design and manufacturing process information. We continually enhance our information technology systems to support business growth, and intend to continue to drive our strategy of streamlining business processes through the use of information technologies so that we can continue to offer our customers a comprehensive solution to improve their communications and relationships across their supply chain and be more responsive to market demands.

Focus on Core Activities. As part of our strategy, we continuously evaluate the strategic and financial contributions of each of our operations and focus our primary growth objectives on our core EMS vertically-integrated business activities. We leverage our existing scale and capabilities to accelerate revenue growth and enhance profitability, while narrowing our focus to only those businesses that provide substantial synergy. We also explore non-traditional opportunities to continue to expand our vertical technologies.

COMPETITIVE STRENGTHS

We continue to enhance our business through the development and broadening of our various product and service offerings. Our vision is to create a company of limitless scale and repeatable execution that is creating value that increases our customers competitiveness. We have concentrated our strategy on market-focused expertise and capabilities and our vertically-integrated global supply chain services and we believe that the following capabilities differentiate us from our competitors and enable us to better serve our customers:

Significant Scale and Global Integrated System. We believe that scale is a significant competitive advantage, as our customers solutions are increasingly requiring cost structures and capabilities that can only be achieved through size and global reach. There are cost advantages that can only be achieved by scale. We are a leader in global procurement, purchasing approximately $23 billion of material in our fiscal year ended March 31, 2008. As a result, we are able to use our worldwide supplier relationships to achieve advantageous pricing and supply chain flexibility for our OEM customers.

We have established an extensive, integrated network of design, manufacturing and logistics facilities in the world s major electronics markets to serve the growing outsourcing needs of both multinational and regional OEMs. Our extensive global network of manufacturing facilities in over 25 countries with over 162,000 employees gives us the ability to increase the competitiveness of our customers by simplifying their global product development process while also delivering improved product quality with improved performance and faster time to market. Operating and executing this complex worldwide solutions system is a competitive advantage.

Extensive Design and Engineering Capabilities. We have an industry leading global design service offering with product design engineers providing global design services, products and solutions to satisfy a wide array of customer requirements. We combine our design and manufacturing services to design, develop and manufacture components (such as camera modules) and complete products (such as cellular phones), which are then sold by our OEM customers under the OEMs brand names. We have greatly expanded our design engineering resources, which now exceeds 4,000 engineers, across all of the markets that we serve.

Vertically-Integrated End-to-End Solution. We offer a comprehensive range of worldwide supply chain services that simplify the global product development process and provide meaningful time and cost savings to our OEM customers. Our broad based vertically-integrated end-to-end services enable us to cost-effectively design, build, ship and service a complete packaged product. We believe that our capabilities also help our customers improve product quality, manufacturability and performance, and reduce costs. We continue to expand and enhance our vertically-integrated service offering by adding capacity in plastics, metals, rigid printed circuit boards, and power supplies as well as by introducing new vertically-integrated capabilities in areas such as machining and touch panels.

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

In addition, we have other regional manufacturing operations situated in low-cost regions of the world to provide our customers with a wide array of manufacturing solutions and the lowest manufacturing costs. As of March 31, 2008, approximately 74% of our manufacturing capacity was located in low-cost locations, such as Brazil, China, Hungary, Malaysia, Mexico, Poland, Singapore and Ukraine. We believe we are a global industry leader in low-cost production capabilities.

Customer and End Market Diversification. We believe that we have created a well diversified and balanced company. Through our acquisitions and our internal development, we have diversified our business across multiple end markets, significantly expanding the available market to us. For example, through our acquisition of Solectron we added strength in high-end computing, communications and networking infrastructure, which complemented our existing strength in mobile and consumer electronics. Additionally, we have created a more diversified customer base as evidenced by the reduction of the concentration of sales to our ten largest customers to 55% of net sales in fiscal year 2008 from 64% of net sales in fiscal year 2007. This diversification positions us better to weather end market, customer or product down turns.

Long-Standing Customer Relationships. We believe that a cornerstone to our success, and a fundamental requirement for our sustained growth and profitability, is our long-standing customer relationships. We believe that our ability to maintain and grow these customer relationships is due to our ability to continuously create value that increases our customers competitiveness. This has been achieved through our continued development of a broad range of vertically-integrated service offerings, and our market-focused approach designed to add innovative thinking and create value that increases our customers competitiveness. To achieve our quality goals, we monitor our performance using a number of quality improvement and measurement techniques. We have also received numerous service and quality awards that further validate the success of these programs.

Large Scale Integration Ability. We believe that one of our competitive advantages is our ability to effectively integrate large-scale acquisitions into our global operations. We have the expertise and the resources to successfully acquire, integrate and rationalize both acquisitions and OEM customers manufacturing, logistics and procurement capabilities. These large scale acquisitions and strategic OEM transactions enable us to improve our competitiveness and increase our market share on an accelerated basis. In addition to our recently completed large-scale integration of Solectron, we have integrated large scale strategic OEM transactions with Sony-Ericsson, Xerox, Kyocera, and Nortel.

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 2008, our ten largest customers accounted for approximately 55% of net sales from continuing operations. Our largest customer during fiscal year 2008 was Sony-Ericsson, which accounted for more than 10% of net sales from continuing operations. No other customer accounted for more than 10% of net sales from continuing operations in fiscal year 2008.

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The following table lists in alphabetical order a representative sample of our largest customers in fiscal year 2008 and the products of those customers for which we provide EMS services:

Customer	End Products
Cisco Systems, Inc.	Consumer electronics products
Dell Computer Corporation	Desktop personal computers and servers
Eastman Kodak	Digital cameras and self-service kiosks
Ericsson Telecom AB	Business telecommunications systems and GSM infrastructure
Hewlett-Packard Company	Inkjet printers and storage devices
Microsoft Corporation	Computer peripherals and consumer electronics gaming products
Motorola, Inc.	Cellular phones and telecommunications infrastructure
Nortel Networks Limited	Optical, wireless and enterprise telecommunications infrastructure
Sony-Ericsson	Cellular phones
Sun Microsystems, Inc.	Network computing infrastructure products
Xerox Corporation	Office equipment and components

BACKLOG

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

COMPETITION

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

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

SOCIAL RESPONSIBILITY

Our corporate social responsibility practices are broad in scope, and include a focus on disaster relief, medical aid, education, environmental protection, health and safety and the support of communities around the world. We intend to continue to invest in global communities through grant-making, financial contributions, volunteer work, support programs and donating resources.

Our commitment to social responsibility also includes our mission to positively contribute to global communities and the environment by adhering to the highest ethical standards of practice with our customers, suppliers, partners, employees, communities and investors as well as with respect to our corporate governance policies and procedures, and by providing a safe and quality work environment for our employees.

EMPLOYEES

As of March 31, 2008, our global workforce totaled approximately 162,000 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.

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 in place infrastructures to ensure that our operations are in compliance with all applicable environmental regulations and we do not believe that costs of compliance with these laws and regulations will have a material adverse effect on our capital expenditures, operating results, or competitive position. In addition, we are responsible for cleanup of contamination at some of our current and former manufacturing facilities and at some third-party sites. We engage environmental consulting firms to assist us in the evaluation of environmental liabilities of our ongoing operations, historical disposal activities and closed sites in order to establish appropriate accruals in our financial statements. We determined the amount of our accruals for environmental matters by analyzing and estimating the range of possible 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. While no material exposures have been identified to date that we are aware of, there can be no assurance that additional environmental matters will not arise in the future or that costs will not be incurred with respect to sites as to which no problem is currently known.

We are also required to comply with an increasing number of product environmental compliance regulations focused on the restriction of certain hazardous substances. Our business requires close collaboration with our customers and suppliers to mitigate risk of non-compliance. Most recently, we completed the implementation of our internal conformance program for the European Union s Directive 2002/95/EC (RoHS) and to the first phase of the China RoHS directive. We have developed rigorous risk mitigating compliance programs designed to meet the needs of our customers as well as the regulations. These programs vary from collecting compliance data from our suppliers to full laboratory testing, and we require our supply chain to comply. Non-compliance could potentially result in significant costs and/or penalties. In addition, the electronics industry is subject to the European Union s Waste Electrical and Electronic Equipment (WEEE) directive, which became effective beginning in 2005. Similar legislation has been or may be enacted in other jurisdictions, including in the United States, Canada, Mexico, China and Japan. WEEE requires industry OEMs to assume responsibility for the collection, recycling and management of waste electronic products and components. Although the compliance responsibility rests primarily with OEMs rather than with EMS companies, OEMs may turn to EMS companies for assistance in meeting their WEEE obligations.

INTELLECTUAL PROPERTY

We own or license various United States and foreign patents related 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.

Although we believe that our intellectual property assets and licenses are sufficient for the operation of our business as we currently conduct it, we cannot assure you that third parties will not make infringement claims against us in the future. In addition, we are increasingly providing design and engineering services to our customers and designing and making our own products. As a consequence of these activities, we are required to address and allocate the ownership and responsibility for intellectual property in our customer relationships to a greater extent than in our manufacturing and assembly businesses. If a third party were to make an assertion 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 may not be available to us on commercially acceptable terms, if at all, and any such litigation may not be resolved in our favor. Additionally, litigation could be lengthy and costly and could materially harm our financial condition regardless of the outcome. We also could be required to incur substantial costs to redesign a product or re-perform design services.

FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS

Refer to Note 13, Segment Reporting, to our Consolidated Financial Statements included under Item 8, Financial Statements and Supplementary Data for financial information about our 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 One Marina Boulevard, #28-00, Singapore 018989. Our U.S. corporate headquarters is located at 2090 Fortune Drive, San Jose, California, 95131.

ITEM 1A. *RISK FACTORS*

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

We derive our revenues from customers in the following markets:

- Infrastructure, which includes networking and communications equipment, such as base stations, core routers and switches, optical and ONT equipment, and connected home products, such as set-top boxes and DSL/cable modems;

- Mobile communication devices, which includes handsets operating on a number of different platforms such as GSM, CDMA, TDMA and WCDMA;

- Computing, which includes products such as desktop, handheld and notebook computers, electronic games and servers;

- Consumer digital devices, which includes products such as home entertainment equipment, printers, copiers and cameras;

- Industrial, Semiconductor and White Goods, which includes products such as home appliances, industrial meters, bar code readers, self-service kiosks and test equipment;

Automotive, Marine and Aerospace, which includes products such as navigation instruments, radar components, and instrument panel and radio components;

Medical devices, which includes products such as drug delivery, diagnostic and telemedicine devices.

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

rapid changes in technology, evolving industry standards and requirements for continuous improvement in products and services result in short product life cycles;

demand for our customers products may be seasonal;

our customers may fail to successfully market their products, and our customers products may fail to gain widespread commercial acceptance;

our customers may experience dramatic market share shifts in demand which may cause them to exit the business; and

there may be recessionary periods in our customers markets.

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

As a provider of electronics design and manufacturing services and components, 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.

Cancellations, reductions or delays by a significant customer or by a group of customers have harmed, and may continue to 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.

The short-term nature of our customers commitments and the rapid changes in demand for their products reduce our ability to accurately estimate the future requirements of those 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 achieve cost or other objectives. These demands stress our resources and reduce our margins. We may not have sufficient capacity at any given time to meet our customers demands, and transfers from one facility to another can result in inefficiencies and costs due to excess capacity in one facility and corresponding capacity constraints at another. In addition, because many of our costs and operating expenses are relatively fixed, a reduction in customer demand, or transfer of demand from one facility to another, harms our gross profit and operating income.

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, as well as our current and prospective customers. 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.

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

Sales to our ten largest customers represent a significant percentage of our net sales. Our ten largest customers accounted for approximately 55% and 64% of net sales from continuing operations in fiscal years 2008 and 2007, respectively. Our largest customer during fiscal years 2008 and 2007 was Sony-Ericsson, which accounted for more than 10% of net sales from continuing operations. No other customer accounted for more than 10% of net sales from continuing operations in fiscal year 2008 or 2007.

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 seriously harm our business. If we are not able to timely replace expired, canceled or reduced contracts with new business, our revenues could be harmed.

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.

We have experienced growth in our business through a combination of internal growth and acquisitions, and we expect to make additional acquisitions in the future. Our global workforce has more than doubled in size since the beginning of fiscal year 2001. During that time, we have also reduced our workforce at some locations and closed certain facilities in connection with our restructuring activities. These changes have placed considerable strain on our management control systems and resources, including decision support, accounting management, information systems and facilities. If we do not continue to improve our financial and management controls, reporting systems and procedures to manage our employees effectively and to expand our facilities, our business could be harmed.

We expect that we will continue to transition manufacturing to lower-cost locations and eliminate redundant facilities, and we may be required to take additional restructuring charges in the future as a result of these activities. We also intend to increase our manufacturing capacity in our low-cost regions by expanding our facilities and adding new equipment. Acquisitions and expansions involve significant risks, including, but not limited to, the following:

- we may not be able to attract and retain the management personnel and skilled employees necessary to support newly-acquired or expanded operations;
- we may not efficiently and effectively integrate new operations and information systems, expand our existing operations and manage geographically dispersed operations;
- we may incur cost overruns;
- we may incur charges related to our expansion activities;
- we may encounter construction delays, equipment delays or shortages, labor shortages and disputes and production start-up problems that could harm our growth and our ability to meet customers delivery schedules; and
- we may not be able to obtain funds for acquisitions and expansions on attractive terms, and we may not be able to obtain loans or operating leases with attractive terms.

In addition, we expect to incur new fixed operating expenses associated with our expansion efforts that will increase our cost of sales, including increases in depreciation expense and rental expense. If our revenues do not increase sufficiently to offset these expenses, our operating results could be seriously harmed. Our transition to low-cost manufacturing regions has contributed to significant restructuring and other charges that have resulted from reducing our workforce and capacity at higher-cost locations. We recognized restructuring charges of approximately $447.7 million, $151.9 million and $215.7 million in fiscal years 2008, 2007 and 2006, respectively. Restructuring costs during fiscal year 2008 were primarily incurred in connection with our acquisition of Solectron, and were initiated in order to consolidate and integrate our global capacity and infrastructure as a result of the acquisition. Restructuring costs incurred during fiscal years 2007 and 2006 were primarily associated with the consolidation and closure of several manufacturing facilities, and related impairment of certain long-lived assets. We may be required to take additional charges in the future as a result of these activities. We cannot assure you as to the timing or amount of any future restructuring charges. If we are required to take additional restructuring charges in the future, it could have a material adverse impact on operating results, financial position and cash flows.

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

We have completed numerous acquisitions of businesses and we expect to continue to acquire additional businesses in the future. In particular, on October 1, 2007, we completed our acquisition of Solectron. We are currently in preliminary discussions with respect to potential acquisitions and strategic customer transactions. 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, which is a particular concern in the acquisition of companies engaged in product and software design;
- difficulties managing and integrating operations in geographically dispersed locations;
- the potential for deficiencies in internal controls at acquired companies;
- increases in our expenses and working capital requirements, which reduce our return on invested capital;
- lack of experience operating in the geographic market or industry sector of the acquired business; and
- exposure to unanticipated liabilities of acquired companies.

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

Our components business is dependent on our ability to quickly launch world-class components products, and our investment in development, and 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 primarily includes camera modules, power supplies and CSTN and active TFT small and medium form factor display modules for mobile phones, is part of our strategy to improve our competitive position and to grow our future margins, profitability and shareholder returns by expanding our vertical-integration capabilities. The camera module, power supply and CSTN and active TFT small and medium form factor display modules for mobile phones industries have experienced, and are expected to continue to experience, rapid technological change. The success of our components business is contingent on our ability to design and introduce world-class components that have performance characteristics that 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 make substantial investments in the development of our components capabilities, in resources such as research and development, technology licensing, test and tooling equipment, facility expansions and personnel requirements. We may not be able to achieve or maintain market acceptance for any of our components offerings in any of our current or target markets. The success of our components business will also depend upon the level of market acceptance of our customers end products, which incorporate our components, and over which we have no control.

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

Our achievement of anticipated levels of profitability in our components business is also dependent on our ability to achieve commercially viable production yields and 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. In addition, our components business has not, and in the future may not, result in any material revenues or contribute positively to our earnings per share.

Our substantial investments and start-up and integration costs in our design services business may adversely affect our margins and profitability.

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

Although we enter into contracts with our design services customers, we may design and develop products for these customers prior to receiving a purchase order or other firm commitment from them. We are required to make substantial investments in the resources necessary to design and develop these products, and no revenue may be generated from these efforts if our customers do not approve the designs in a timely manner or at all. Even if our customers accept our designs, if they do not then purchase anticipated levels of products, we may not realize any profits. Our design activities often require that we purchase inventory for initial production runs before we have a purchase commitment from a customer. Even after we have a contract with a customer with respect to a product, these contracts may allow the customer to delay or cancel deliveries and may not obligate the customer to any volume of purchases. These contracts can generally be terminated on short notice. In addition, some of the products we design and develop must satisfy safety and regulatory standards and some must receive government certifications. If we fail to obtain these approvals or certifications on a timely basis, we would be unable to sell these products, which would harm our sales, profitability and reputation.

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

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, even where we have allocated liability to our customers, our customers may not, or may not have the resources to, satisfy claims for costs or liabilities arising from a defective product or component for which they have assumed responsibility.

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

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 are required to register with the 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 by the FDA. If any FDA inspection reveals noncompliance to QSR or other FDA regulations, the FDA may take action against us. FDA actions may include issuing a letter of inspectional observations on FDA Form 483, issuing a warning letter, imposing fines, requiring a recall of the products we manufactured for our customers, issuing an import detention on products entering the U.S. from an off shore facility, or shutting down a manufacturing facility. In the European Community (EC), we are required to maintain certain standardized certifications in order to sell our products and must undergo periodic inspections by notified bodies to obtain and maintain these certifications. Continued noncompliance to the EC regulations could stop the flow of products into the EC from us or from our customers. If any of these actions were to occur, it would harm our reputation and cause our business to suffer.

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

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

- fluctuations in the value of local currencies;
- labor unrest and difficulties in staffing;
- longer payment cycles;
- cultural differences;
- increases in duties and taxation levied on our products;
- imposition of restrictions on currency conversion or the transfer of funds;
- limitations on imports or exports of components or assembled products, or other travel restrictions;
- expropriation of private enterprises; 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 and Mexico, governmental authorities exercise significant influence over many aspects of the economy, and their actions could have a significant effect on us. Finally, 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.

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.

We are subject to the risk of increased income taxes.

We have structured our operations in a manner designed to maximize income in countries where:

- tax incentives have been extended to encourage foreign investment; or

- income tax rates are low.

A number of countries in which we are located allow for tax holidays or provide other tax incentives to attract and retain business. 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. For example, on March 16, 2007, the Chinese government passed a new unified enterprise income tax law which became effective on January 1, 2008. Among other things, the new law cancels many income tax incentives previously applicable to our subsidiaries in China. Under the new law, the tax rates applicable to the operations of most of our subsidiaries in China will be increased to 25%. The new law provides a transition rule which increases the tax rate to 25% over a 5-year period. The new law also increased the standard withholding rate on earnings distributions to between 5% and 10% depending on the resident of the shareholder. The ultimate effect of these and other changes in Chinese tax laws on our overall tax rate will be affected by, among other things, our China income, the manner in which China interprets, implements and applies the new tax provisions, and by our ability to qualify for any exceptions or new incentives.

In addition, the Company and its subsidiaries are regularly subject to tax return audits and examinations by various taxing jurisdictions in the United States and around the world. For example, an acquired subsidiary received an assessment pursuant to a Revenue Agent s Report (RAR) from the Internal Revenue Service (IRS) based on an examination of its federal income tax returns for fiscal years 2001 and 2002. The RAR is not a final Statutory Notice of Deficiency, and the acquired subsidiary filed a protest to certain of the proposed adjustments with the Appeals Office of the IRS.

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 is 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.

Intellectual property infringement claims against our customers or us could harm our business.

Our 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 may require that we indemnify them against the risk of intellectual property infringement. If any claims are brought against us or our customers for such infringement, whether or not these have merit, we could be required to expend significant resources in defense of such claims. In the event of such an infringement claim, we may be required to spend a significant amount of money to develop non-infringing alternatives or obtain licenses. We may not be successful in developing such alternatives or obtaining such licenses on reasonable terms or at all.

Our goodwill and intangible assets could become impaired.

We have a substantial amount of goodwill and other intangible assets attributable to acquisitions. We are required to evaluate goodwill and other intangibles for impairment whenever changes in circumstances indicate that the carrying amount may not be recoverable from estimated future cash flows and, with respect to goodwill, on at least an annual basis. As a result of our annual and other periodic evaluations, we may determine that the intangible asset values need to be written down to their fair values, which could result in material charges that could be adverse to our operating results and financial position.

If OEMs stop or reduce their manufacturing and supply chain management outsourcing, our business could suffer.

Future growth in our revenues depends on new outsourcing opportunities in which we assume additional manufacturing and supply chain management responsibilities from OEMs. Current and prospective customers continuously evaluate our capabilities against other providers and the merits of manufacturing products themselves. To the extent that outsourcing opportunities are not available, either because OEMs decide to perform these functions internally or because they use other providers of these services, our future growth would be limited.

We may be adversely affected by higher commodity costs and 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. These unanticipated component shortages have resulted in curtailed production or delays in production, which prevented us from making scheduled shipments to customers in the past and may do so in the future. 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 for a particular period due to the resulting revenue shortfall and increased manufacturing or component costs. Inflationary and other increases in the costs of these components have occurred in the past and may recur from time to time. Our performance depends, in part, on our ability to incorporate changes in costs into the selling prices for our products.

In addition, our manufacturing and shipping costs may be impacted by fluctuations in the cost of oil and gas. Any fluctuations in the supply or prices for any of these commodities could have a material adverse affect on our profit margins and financial condition.

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

Our manufacturing operations and industrial parks are located in lower cost regions of the world, such as Asia, Eastern Europe and Mexico; however, most of our purchase and sale transactions are denominated in United States dollars, Japanese yen or euros. As a result, we are exposed to fluctuations in the functional currencies of 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 our cash, receivables, and payables of our operating entities. As part of our currency hedging strategy, we use financial instruments, primarily forward purchase and swap contracts, to hedge our

United States dollar and other currency commitments in order to reduce the short-term impact of foreign currency fluctuations on current assets and liabilities. If our hedging activities are not successful or if we change or reduce these hedging activities in the future, we may experience significant unexpected expenses from fluctuations in exchange rates.

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We are also exposed to risks related to the valuation of the Chinese currency relative to other foreign currencies. 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. 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. In order to manage our growth, we will need to recruit and retain additional skilled management personnel and if we are not able to do so, our business and our ability to continue to grow 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.

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 product environmental compliance regulations focused on the restriction of certain hazardous substances. For example, the electronics industry became subject to the European Union s Restrictions on Hazardous Substances and Waste Electrical and Electronic Equipment directives beginning in 2005 and 2006. Similar legislation has been or may be enacted in other jurisdictions, including in the United States and China. RoHS prohibits the use of lead, mercury and certain other specified substances in electronics products and WEEE requires industry OEMs 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 the regulations. These programs vary from collecting compliance data from our suppliers to full laboratory testing, and we 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 OEMS rather than with EMS companies. However, OEMs may turn to EMS companies for assistance in meeting their obligations under WEEE.

In addition, we are responsible for cleanup of contamination at some of our current and former manufacturing facilities and at some third party sites. If more stringent compliance or cleanup standards under environmental laws or regulations are imposed, or the results of future testing and analyses at our current or former operating facilities indicate that we are responsible for the release of hazardous substances, 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.

Our operating results may fluctuate significantly due to a number of factors, many of which are beyond our control.

Some of the principal factors that contribute to the fluctuations in our annual and quarterly operating results are:

changes in demand for our products or services;

our effectiveness in managing manufacturing processes and costs;

our increased design services and components offerings may reduce profitability as we continue to make substantial investments in these capabilities;

the mix of the types of manufacturing services we provide, as high-volume and low-complexity manufacturing services typically have lower gross margins than lower volume and more complex services;

changes in the cost and availability of labor and components, which often occur in the electronics manufacturing industry and which affect our margins and our ability to meet delivery schedules;

our ability to achieve commercially viable production yields and manufacture commercial quantities of our components;

the degree to which we are able to utilize our available manufacturing capacity;

our ability to manage the timing of our component purchases so that components are available when needed for production, while avoiding the risk of purchasing inventory in excess of immediate production needs;

local conditions and events that may affect our production volumes, such as labor conditions, political instability and local holidays;

changes in demand in our customers end markets; and

adverse changes in general economic or geopolitical conditions.

Two of our significant end markets are the mobile devices market and the consumer devices market. These markets exhibit particular strength toward the end of the calendar year in connection with the holiday season. As a result, we have historically experienced stronger revenues in our third fiscal quarter 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 strategic relationships with major customers create risks.

Over the past several years, 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 supply agreements for the production of their products. We intend to continue to pursue these OEM divestiture transactions in the future. There is strong competition among EMS companies for these transactions, and this competition may increase. These transactions have contributed to a significant portion of our revenue growth, and if we fail to complete similar transactions in the future, our revenue growth could be harmed. The 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.

The success of certain of our activities depends on our ability to protect our intellectual property rights.

We retain certain intellectual property rights to some of the technologies that we develop as part of our engineering and design activities in our design and manufacturing services and components offerings. As the level of our engineering and design activities increases, the extent to which we rely on rights to intellectual property incorporated into products is increasing. 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 exposure to financially troubled customers may adversely affect our financial results.

We provide EMS services to companies and industries that have in the past, and may in the future, experience financial difficulty. If our customers experience financial difficulty, we could have difficulty recovering amounts owed to us from these customers, or demand for our products from these customers could decline, either of which could adversely affect our financial position and results of operations.

It may be difficult for investors to effect services of process within the United States on us or to enforce civil liabilities under the federal securities laws of the United States against us.

We are incorporated in Singapore under the Companies Act, Chapter 50 of Singapore. Some of our officers reside outside the United States, and a substantial portion of our assets are located outside the United States. As a result, it may not be possible for investors to effect services of process upon us within the United States. Additionally, judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws may not be enforceable against us. Judgments of U.S. courts based on the civil liability provisions of the federal securities laws of the United States are not directly enforceable in Singapore courts, and Singapore courts may not enter judgments in original actions brought in Singapore courts based solely upon the civil liability provisions of the federal securities laws of the United States.

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 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 may be subject to similar fluctuations. Factors such as fluctuations in our operating results, announcements of technological innovations or events affecting other companies in the electronics industry, currency fluctuations and general market conditions may cause the market price of our ordinary shares to decline.

Implementation of a new information system could disrupt our operations and cause unanticipated increases in our costs.

The ongoing implementation of new worldwide procurement software and systems is a technically intensive process, requiring extensive testing, modifications, customization and project coordination. In addition, from time to time we implement other major enterprise software and systems. We may experience disruptions in our business operations relating to these implementation efforts as a result of complications with the software or systems. Such disruptions could result in material adverse consequences, including loss of information and unanticipated increases in costs.

Our debt level may create limitations

We entered into a $1.759 billion term loan facility, dated as of October 1, 2007, upon completion of the acquisition of Solectron, to pay the cash portion of the acquisition consideration, pay acquisition related costs, and to refinance certain of Solectron s outstanding long-term debt assumed by the Company. As of March 31, 2008 our borrowings under this facility totaled approximately $1.7 billion and in total our long-term debt was approximately $3.4 billion. This increased 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 business strategy.

ITEM 1B. *UNRESOLVED STAFF COMMENTS*

None.

ITEM 2. *PROPERTIES*

Our facilities consist of a global network of industrial parks, regional manufacturing operations, design and engineering and product introduction centers, providing over 27.0 million square feet of manufacturing capacity as of March 31, 2008 (excluding facilities we have identified for closure, as described in Note 9, Restructuring Charges in the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data). We own facilities with approximately 10.5 million square feet in Asia, 3.9 million square feet in the Americas and 2.7 million square feet in Europe. We lease facilities with approximately 4.7 million square feet in Asia, 3.6 million square feet in the Americas and 1.6 million square feet in Europe.

Our facilities include large industrial parks, ranging in size from approximately 300,000 to 5.7 million square feet, in Brazil, China, Hungary, India, Malaysia, Mexico and Poland. We also have regional manufacturing operations, generally ranging in size from under 100,000 to approximately 1.0 million square feet, in Austria, Brazil, Canada, China, Denmark, France, Germany, Hungary, India, Indonesia, Ireland, Israel, Italy, Japan, Malaysia, Mexico, Netherlands, Norway, Poland, Romania, Singapore, Sweden, Taiwan, Ukraine and the United States. We also have smaller design and engineering centers and product introduction centers at a number of locations in the world s major electronics markets.

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

ITEM 3. *LEGAL PROCEEDINGS*

We are subject to legal proceedings, claims, and litigation arising in the ordinary course of business. We defend ourselves vigorously against any such claims. Although the outcome of these matters is currently not determinable, management does not expect that the ultimate costs to resolve these matters will have a material adverse effect on our consolidated financial position, results of operations, or cash flows.

ITEM 4. *SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS*

None.

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 2007 as reported on the NASDAQ Global Select Market.

	High	Low
Fiscal Year Ended March 31, 2008		
Fourth Quarter	$ 11.91	$ 9.26
Third Quarter	13.28	11.19
Second Quarter	12.02	10.80
First Quarter	11.72	10.80
Fiscal Year Ended March 31, 2007		
Fourth Quarter	$ 12.16	$ 10.75
Third Quarter	13.19	11.08
Second Quarter	12.97	9.96
First Quarter	12.46	9.84

As of May 19, 2008 there were 6,428 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 $10.79 per share.

DIVIDENDS

Since inception, we have not declared or paid any cash dividends on our ordinary shares (exclusive of dividends paid by pooled entities prior to acquisition). The terms of our outstanding Senior Subordinated Notes restrict our ability to pay cash dividends. For more information, please see Note 4, Bank Borrowings and Long-term Debt to our consolidated financial statements included under Item 8, Financial Statements and Supplementary Data.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

Information with respect to this item may be found in our definitive proxy statement to be delivered to shareholders in connection with our 2008 Annual General Meeting of Shareholders. Such information is incorporated by reference.

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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, 2003 and reflects the annual return through March 31, 2008, 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*
Among Flextronics International Ltd., The S&P 500 Index
And A Peer Group

* $100 invested on March 31, 2003 in stock or index, including reinvestment of dividends. Fiscal year ending March 31.

	3/03	**3/04**	**3/05**	**3/06**	**3/07**	**3/08**
Flextronics International Ltd.	$ 100.00	$ 195.99	$ 138.07	$ 118.69	$ 125.46	$ 107.68
S&P 500 Index	100.00	135.12	144.16	161.07	180.13	170.98
Peer Group	100.00	177.57	134.10	155.49	92.41	55.05

RECENT SALES OF UNREGISTERED SECURITIES

None.

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INCOME TAXATION UNDER SINGAPORE LAW

Dividends. Singapore does not impose a withholding tax on dividends. Prior to January 1, 2003, Singapore applied a full imputation system to all dividends (other than exempt dividends) paid by a Singapore resident company. Effective on January 1, 2003, tax on corporate profits is final and dividends paid by a Singapore resident company will be tax exempt in the hands of a shareholder, whether or not the shareholder is a company or an individual and whether or not the shareholder is a Singapore resident. However, if the resident company was previously under the imputation system and has un-utilized dividend franking credits as of December 31, 2002, there was a 5-year transition period from January 1, 2003 to December 31, 2007, during which a company remained on the imputation system. Dividends declared by non-resident companies are not subject to the imputation system.

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

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

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

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

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

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

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

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

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ITEM 6. *SELECTED FINANCIAL DATA*

These historical results are not necessarily indicative of the results to be expected in the future. The following table 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,				
	2008(1)	2007	2006	2005	2004
	(In thousands, except per share amounts)				
CONSOLIDATED STATEMENT OF OPERATIONS DATA:					
Net sales	$ 27,558,135	$ 18,853,688	$ 15,287,976	$ 15,730,717	$ 14,479,262
Cost of sales	25,972,787	17,777,859	14,354,461	14,720,532	13,676,855
Restructuring charges(2)	408,945	146,831	185,631	78,381	474,068
Gross profit	1,176,403	928,998	747,884	931,804	328,339
Selling, general and administrative expenses	807,029	547,538	463,946	525,607	469,229
Intangible amortization(3)	112,317	37,089	37,160	33,541	34,543
Restructuring charges(2)	38,743	5,026	30,110	16,978	54,785
Other charges (income), net(4)	61,078	(77,594)	(17,200)	(13,491)	
Interest and other expense, net	101,302	91,986	92,951	89,996	77,241
Gain on divestiture of operations	(9,733)		(23,819)		
Loss on early extinguishment of debt				16,328	103,909
Income (loss) from continuing operations before income taxes	65,667	324,953	164,736	262,845	(411,368)
Provision for (benefit from) income taxes(5)	705,037	4,053	54,218	(68,652)	(64,958)
Income(loss)from continuing operations	(639,370)	320,900	110,518	331,497	(346,410)
Income (loss) from discontinued operations, net of tax		187,738	30,644	8,374	(5,968)
Net income (loss)	$ (639,370)	$ 508,638	$ 141,162	$ 339,871	$ (352,378)
Diluted earnings (loss) per share:					
Continuing operations	$ (0.89)	$ 0.54	$ 0.18	$ 0.57	$ (0.66)

Discontinued operations	$		$	0.31	$	0.05	$	0.01	$	(0.01)
Total	$	(0.89)	$	0.85	$	0.24	$	0.58	$	(0.67)

	2008(1)	2007	As of March 31, 2006 (In thousands)	2005	2004
CONSOLIDATED BALANCE SHEET DATA(6):					
Working capital	$ 2,911,922	$ 1,102,979	$ 938,632	$ 906,971	$ 884,816
Total assets	19,524,915	12,341,374	10,958,407	11,009,766	9,583,937
Total long-term debt and capital lease obligations, excluding current portion	3,388,337	1,493,805	1,489,366	1,709,570	1,624,261
Shareholders equity	8,164,444	6,176,659	5,354,647	5,224,048	4,367,213

(1) On October 1, 2007, the Company completed its acquisition of 100% of the outstanding common stock of Solectron, a provider of value-added electronics manufacturing and supply chain services to OEMs. The results of Solectron s operations were included in the Company s consolidated financial results beginning on the acquisition date. Refer to Note 12, Business and Asset Acquisitions and Divestitures to our consolidated financial statements included under Item 8, Financial Statements and Supplementary Data for further information.

(2) We recognized restructuring charges of $447.7 million, $151.9 million, $215.7 million, $95.4 and $540.3 million (including $11.5 million attributable to discontinued operations) in fiscal years 2008, 2007, 2006, 2005, and 2004, respectively, associated with the consolidation and closure of several manufacturing facilities. Charges incurred during the 2008 fiscal year were primarily in connection with the acquisition and integration of Solectron. Refer to Note 9, Restructuring Charges to our consolidated financial statements included under Item 8, Financial Statements and Supplementary Data for further information.

(3) We recognized a charge of $30.0 million during fiscal year 2008 for the write-off of certain intangible asset licenses due to technological obsolescence.

(4) We recognized $79.8 million, $20.6 million and $29.3 million of net foreign exchange gains primarily related to the liquidation of certain international entities in fiscal years 2007, 2006 and 2005, respectively. We also recognized $7.7 million and $7.6 million in executive separation costs in fiscal years 2006 and 2005, respectively.

We recognized charges of $61.1 million and $8.2 million in fiscal years 2008 and 2005, respectively, for the loss on disposition, other-than-temporary impairment and other related charges of our investments in certain non-publicly traded companies. In fiscal year 2006, we recognized a net gain of $4.3 million related to our investments in certain non-publicly traded companies.

(5) We recognized non-cash tax expense of $661.3 million during fiscal year 2008, as we determined the recoverability of certain deferred tax assets is no longer more likely than not. Refer to Note 8, Income Taxes to our consolidated financial statements included under Item 8, Financial Statements and Supplementary Data for further information.

(6) Includes continuing and discontinued operations for the fiscal years ended March 31, 2006 and prior.

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 leading provider of advanced design and electronics manufacturing services (EMS) to original equipment manufacturers (OEMs) of a broad range of products in the following market segments: infrastructure; mobile communication devices; computing; consumer digital devices; industrial, semiconductor and white goods; automotive, marine and aerospace; and medical devices. We provide a full range of vertically-integrated global supply chain services through which we design, build, ship and service a complete packaged product for our customers. Customers leverage our services to meet their product requirements throughout the entire product life cycle. Our vertically-integrated service offerings include: design services; rigid printed circuit board and flexible circuit fabrication; systems assembly and manufacturing; logistics; after-sales services; and multiple component product offerings.

We are one of the world s largest EMS providers, with revenues from continuing operations of $27.6 billion in fiscal year 2008. As of March 31, 2008, our total manufacturing capacity was approximately 27.0 million square feet in over 25 countries across four continents. We have established an extensive network of manufacturing facilities in the world s major electronics markets (Asia, the Americas and Europe) in order to serve the growing outsourcing needs of both multinational and regional OEMs. In fiscal year 2008, our net sales from continuing operations in Asia, the Americas and Europe represented approximately 56%, 28% and 16%, respectively, of our total net sales from continuing operations, based on the location of the manufacturing site.

We believe that the combination of our extensive design and engineering services, significant scale and global presence, vertically-integrated end-to-end services, advanced supply chain management, industrial campuses in low-cost geographic areas and operational track record provide us with a competitive advantage in the market for designing, manufacturing and servicing electronics products for leading multinational OEMs. Through these services and facilities, we simplify the global product development and manufacturing process and provide meaningful time to market and cost savings for our OEM customers.

We have actively pursued acquisitions and purchases of manufacturing facilities, design and engineering resources and technologies in order to expand our worldwide operations, broaden our service offerings, diversify and strengthen our customer relationships, and enhance our competitive position as a leading provider of comprehensive outsourcing solutions. We have completed numerous strategic transactions with OEM customers over the past several years, including with Sony-Ericsson, Xerox, Kyocera and Nortel. These strategic transactions have expanded our customer base, provided end-market diversification, and contributed to a significant portion of our revenue growth. 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 supply agreements for the production of their products. We will continue to selectively pursue strategic opportunities that we believe will further our business objectives and enhance shareholder value. OEM divestitures and other acquisitions involve numerous risks, including costs associated with integrating, closing and consolidating acquired facilities.

On October 1, 2007, we completed the acquisition of 100% of the outstanding common stock of Solectron in a cash and stock transaction valued at approximately $3.6 billion, including estimated transaction costs. We issued approximately 221.8 million shares of our ordinary stock and paid approximately $1.1 billion in cash in connection with the acquisition. The acquisition of Solectron broadened our service offerings, strengthened our capabilities in the high end computing, communication and networking infrastructure market segments, increased the scale of our existing operations and diversified our customer and product mix. Refer to Note 4, Bank Borrowings and Long-Term Debt and Note 12, Business and Asset Acquisitions and Divestitures for further discussion.

On January 26, 2008, we completed the acquisition of 100% of the common stock of Avail Medical Products, Inc. (Avail). The acquisition of Avail expands our capabilities in the medical market segment, including the design, manufacturing and logistics of disposable medical devices, hand held diagnostics and drug delivery devices and imaging, lab and life sciences equipment.

The EMS industry has experienced rapid change and growth over the past decade. The demand for advanced manufacturing capabilities and related supply chain management services continues to escalate as an increasing number of OEMs have outsourced some or all of their design and manufacturing requirements. Price pressure on our customers products in their end markets has led to increased demand for EMS production capacity in the lower-cost regions of the world, such as China, India, Malaysia, Mexico, and Eastern Europe, where we have a significant presence. We have responded by making strategic decisions to realign our global capacity and infrastructure with the demands of our customers to optimize the operating efficiencies that can be provided by our global presence. The overall impact of these activities is that we have shifted our manufacturing capacity to locations with higher efficiencies and, in most instances, lower costs, thereby enhancing our ability to provide cost-effective manufacturing service in order for us to retain and expand our existing relationships with customers and attract new business. As a result, we have recognized a significant amount of restructuring charges in connection with the realignment of our global capacity and infrastructure.

Restructuring costs incurred during fiscal year 2008 were primarily related to our acquisition of Solectron and consisted of consolidating and integrating our global capacity and infrastructure. These activities, which included closing, consolidating and relocating certain manufacturing and administrative operations, eliminating redundant assets, and reducing excess workforce and capacity, encompassed over 25 different manufacturing locations and were intended to optimize our operational efficiencies post acquisition.

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

- our customers may not be successful in marketing their products, their products may not gain widespread commercial acceptance, and our customers products have short product life cycles;
- our customers may cancel or delay orders or change production quantities;

- integration of acquired businesses and facilities;
- our operating results vary significantly from period to period due to 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;
- our increased design services and components offerings may reduce our profitability as we are required to make substantial investments in the resources necessary to design and develop these products without guarantee of cost recovery and margin generation;
- our ability to achieve commercially viable production yields and to manufacture components in commercial quantities to the performance specifications demanded by our OEM customers; and
- managing growth and changes in our operations.

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

As part of our continuous evaluation of the strategic and financial contributions of each of our operations, we are focusing our efforts and resources on the reacceleration of revenue growth in our core vertically-integrated EMS business, which includes design, manufacturing services, components and logistics. We have divested certain non-core operations and we continue to assess further opportunities to maximize shareholder value with respect to our non-core activities through divestitures, equity carve-outs, spin-offs and other strategic transactions.

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, Summary of Accounting Policies, of the Notes to 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 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. We 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. These provisions were not material to our consolidated financial statements for the 2008, 2007 and 2006 fiscal years.

We provide a comprehensive suite of services for our customers that range from contract design services to original product design to repair services. We recognize service revenue when the services have been performed, and the related costs are expensed as incurred. Our net sales for services from continuing operations were less than 10% of our total sales from continuing operations during the 2008, 2007 and 2006 fiscal years, and accordingly, are included in net sales in the consolidated statements of operations.

Accounting for Business and Asset Acquisitions

We have actively pursued business and asset acquisitions, which are accounted for using the purchase method of accounting in accordance with SFAS No. 141, *Business Combinations* (SFAS 141). The fair value of the net assets acquired and the results of the acquired businesses are included in the Consolidated Financial Statements from the acquisition dates forward. We are 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 identified fair value of the assets and liabilities acquired is recognized as goodwill. Additionally, we may be required to recognize liabilities for anticipated restructuring costs that will be necessary due to the elimination of excess capacity, redundant assets or unnecessary functions.

We estimate the preliminary fair value of acquired assets and liabilities as of the date of acquisition based on information available at that time. 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 impact on our consolidated operating results or financial condition.

Stock-Based Compensation

We account for stock-based compensation in accordance with the provisions of SFAS No. 123 (Revised 2004), *Share-Based Payment* (SFAS 123(R)). Under the fair value recognition provisions of SFAS 123(R), stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense ratably over the requisite service period of the award. Determining the appropriate fair value model and calculating the fair value of stock-based awards at the grant date requires judgment, including estimating stock price volatility and expected option life. If actual forfeitures differ significantly from our estimates, adjustments to compensation cost may be required in future periods.

Restructuring Charges

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

The recognition of these restructuring charges require 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 in exiting these facilities 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. 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 9, Restructuring Charges, of the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data for further discussion of our restructuring activities.

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 carryforwards. 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 recognized non-cash tax expense of $661.3 million during the 2008 fiscal year. This expense principally resulted from management s re-evaluation of previously recorded deferred tax assets in the United States, which are primarily comprised of tax loss carry forwards. We believe that the likelihood certain deferred tax assets will be realized has decreased because we expect future projected taxable income in the United States will be lower as a result of increased interest expense resulting from the term loan entered into as part of the acquisition of Solectron.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48) as an interpretation of SFAS No. 109, *Accounting for Income Taxes* (SFAS 109), which clarifies the accounting for uncertainty in income taxes recognized by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on de-recognition of tax benefits previously recognized. We adopted FIN 48 in the first quarter of fiscal year 2008 and did not recognize any adjustments to the liability for unrecognized tax benefits as a result of the implementation of FIN 48. We are regularly subject to tax return audits and examinations by various taxing jurisdictions in the United States 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 8 Income Taxes of the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data for further discussion of our tax position.

Allowance for Doubtful Accounts

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 collectibility of our accounts receivable based on specific customer circumstances, current economic trends, historical experience with collections and the age of past due receivables. Unanticipated changes in the liquidity or financial position of our customers may require additional provisions for doubtful accounts.

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 make provisions for estimated 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 provisions 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 provisions for inventories due to our customers inability to fulfill their contractual obligations with regard to inventory procured to fulfill customer demand.

Long-Lived Assets

We review property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds its fair value. Recoverability of property and equipment is measured by comparing its carrying amount to the projected discounted cash flows the property and equipment are expected to generate. If such assets are considered to be impaired, the impairment loss recognized, if any, is the amount by which the carrying amount of the property and equipment exceeds its fair value.

We evaluate goodwill for impairment on an annual basis. We also evaluate goodwill and other intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable from its estimated future cash flows. In fiscal year 2008, we recognized an impairment charge of approximately $30.0 million due to the write-off of certain intangible asset licenses due to technological obsolescence. This charge is included in intangible amortization in the consolidated statement of operations for the fiscal year ended March 31, 2008.

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. If the carrying amount of the reporting unit exceeds its fair value, the amount of impairment loss recognized, if any, is measured using a discounted cash flow analysis. If, at the time of our annual evaluation, the net asset value (or book value) of any reporting unit is greater

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than its fair value, some or all of the related goodwill would likely be considered to be impaired. Further, to the extent the carrying value of the Company as a whole is greater than its market capitalization, all, or a significant portion of our goodwill may be considered impaired. To date, we have not recognized any impairment of our goodwill in connection with our impairment evaluations.

Long-term Investments

We have certain investments in, and notes receivable from, non-publicly traded companies, which are included within other assets in our consolidated balance sheets. Non-majority-owned investments are accounted for using the equity method when we have an ownership percentage equal to or greater than 20%, or have the ability to significantly influence the operating decisions of the issuer; otherwise the cost method is used. We monitor these investments for impairment and make appropriate reductions in carrying values if we determine an impairment charge is required, based primarily on the financial condition and near-term prospects of these companies. Our ongoing consideration of these factors could result in additional impairment charges in the future, which could adversely affect our net income. During fiscal year 2008, we recorded charges of $61.1 million for other-than-temporary impairment of our investments in certain non-publicly traded companies. Impairment charges for fiscal years 2007 and 2006 were not material.

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 this document. The data below, and discussion that follows, represents our results from continuing operations. Information related to the results of discontinued operations is provided separately following the continuing operations discussion.

	Fiscal Year Ended March 31,		
	2008	**2007**	**2006**
Net sales	100.0%	100.0%	100.0%
Cost of sales	94.2	94.3	93.9
Restructuring charges	1.5	0.8	1.2
Gross profit	4.3	4.9	4.9
Selling, general and administrative expenses	2.9	2.9	3.0
Intangible amortization	0.4	0.2	0.3
Restructuring charges	0.1		0.2
Other charges (income), net	0.2	(0.4)	(0.1)
Interest and other expense, net	0.4	0.5	0.6
Gain on divestitures of operations			(0.2)
Income from continuing operations before income taxes	0.3	1.7	1.1
Provision for income taxes	2.6		0.4
Income (loss) from continuing operations	(2.3)	1.7	0.7
Discontinued operations:			
Income from discontinued operations, net of tax		1.0	0.2

Net income (loss)	(2.3)%	2.7%	0.9%

Net sales

Net sales during fiscal year 2008 totaled $27.6 billion, representing an increase of $8.7 billion, or 46%, from $18.9 billion during fiscal year 2007, primarily due to the acquisition of Solectron and to new program wins from various existing customers across multiple markets. Sales increased across all of the markets we serve, including;

(i) $4.3 billion in the infrastructure market, (ii) $2.1 billion in the computing market, (iii) $1.5 billion in the industrial, medical, automotive and other markets, (iv) $472.3 million in the consumer digital market, and (v) $328.2 million in the mobile communications market. Net sales during fiscal year 2008 increased by $3.9 billion in Asia, $3.6 billion in the Americas, and $1.2 billion in Europe.

Net sales during fiscal year 2007 totaled $18.9 billion, representing an increase of $3.6 billion, or 23%, from $15.3 billion during fiscal year 2006, primarily due to new program wins from various customers and to a lesser extent, from various business acquisitions. Sales increased across all of the markets we serve, including; (i) $1.9 billion in the mobile communications market, (ii) $529.1 million in the consumer digital market, (iii) $523.0 million in the infrastructure market, (iv) $513.1 million in the industrial, medical, automotive and other markets, and (v) $80.3 million in the computing market. Net sales during fiscal year 2007 increased by $3.0 billion and $817.4 million in Asia and the Americas, respectively, offset by a decline of $239.9 million in Europe.

Our ten largest customers during fiscal years 2008, 2007 and 2006 accounted for approximately 55%, 64% and 63% of net sales, respectively, with Sony-Ericsson accounting for greater than 10% of our net sales during fiscal years 2008 and 2007, and Sony-Ericsson and Hewlett-Packard each accounting for greater than 10% of our net sales during fiscal year 2006.

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. Typically, profitability lags revenue growth in new programs due to product start-up costs, lower manufacturing program volumes in the start-up phase, operational inefficiencies, and under-absorbed overhead. Gross margin often improves over time as manufacturing program volumes increase, as our utilization rates and overhead absorption improves, and as we increase the level of vertically-integrated manufacturing services content. As a result, our gross margin varies from period to period.

Gross profit during fiscal year 2008 increased $247.4 million to $1.2 billion from $929.0 million during fiscal year 2007. Gross margin decreased to 4.3% of net sales in fiscal 2008 as compared with 4.9% in fiscal 2007. The 60 basis point decrease in gross margin was primarily attributable to a 70 basis point increase in restructuring charges recognized during fiscal 2008. The restructuring charges were principally incurred in connection with the Solectron acquisition and were related to restructuring activities for operations that were associated with the company prior to the acquisition of Solectron. The decrease in gross margin was partially offset by an approximate 10 basis point decrease in cost of sales during fiscal 2008 related to favorable changes in customer and product mix, and increased operational efficiencies.

Gross profit during fiscal year 2007 increased $181.1 million to $929.0 million from $747.9 million during fiscal year 2006. Gross margin remained at 4.9% of net sales during each of the respective periods. Gross margin was adversely impacted by 40 basis points primarily attributable to the divestiture of our Network Services division in the September 2005 quarter, together with increases in higher volume, lower margin customer programs, and higher start-up and integration costs associated with multiple new large scale programs in the current period, offset by a 40 basis point reduction in restructuring charges.

Restructuring charges

Restructuring charges during the 2008 fiscal year primarily related to our acquisition of Solectron. These charges were related to restructuring activities which included closing, consolidating and relocating certain manufacturing, design, and administrative operations, eliminating redundant assets and reducing excess workforce and capacity, and encompassed over 25 different manufacturing and design locations. The activities associated with these charges involve multiple actions at each location and will be completed in multiple steps. These actions were initiated in an effort to consolidate and integrate our global capacity and infrastructure so as to optimize our operational efficiencies post acquisition. We believe that the potential savings in cost of goods sold achieved through lower depreciation and reduced employee expenses as a result of the activities associated with these charges will be offset in part by reduced revenues at the affected facilities.

In addition to the restructuring activities related to the acquisition of Solectron, in recent years we have also initiated a series of other 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;
- consolidating and relocating certain manufacturing facilities to lower-cost regions; and
- consolidating and relocating certain administrative facilities.

These restructuring costs included employee severance, costs related to owned and leased facilities and equipment that were no longer in use and were to be disposed of, and other costs associated with the exit of certain contractual agreements due to facility closures. The overall impact of these activities was that we shifted our manufacturing capacity to locations with higher efficiencies and, in most instances, lower costs, and we better utilize our manufacturing capacity. This has enhanced our ability to provide cost-effective manufacturing service offerings, which enables us to retain and expand our existing relationships with customers and attract new business. We may utilize similar measures in the future to realign our operations relative to changing customer demand, which may materially affect our results of operations in the future. We believe that the potential savings in cost of goods sold achieved through lower depreciation and reduced employee expenses as a result of our restructurings will be offset in part by reduced revenues at the affected facilities.

During fiscal year 2008, we recognized restructuring charges of approximately $447.7 million. The activities associated with these charges involve multiple actions at each location, will be completed in multiple steps and will be substantially completed within one year of the commitment dates of the respective activities, except for certain long-term contractual obligations. We classified approximately $408.9 million of these charges as a component of cost of sales. The fiscal year 2008 restructuring charge of approximately $447.7 million is net of approximately $52.9 million of customer reimbursements earned in accordance with the various agreements with Nortel. The reimbursement was included as a component of cost of sales during fiscal year 2008 and is included in other current assets in the Company s Consolidated Balance Sheet as of March 31, 2008. The charges recognized by reportable geographic region, before the Nortel reimbursement, amounted to $178.9 million, $175.2 million and $146.5 million for Asia, Europe and the Americas, respectively. Approximately $202.5 million of these restructuring charges were non-cash. As of March 31, 2008, accrued severance and facility closure costs were approximately $249.6 million, of which approximately $50.0 million was classified as a long-term obligation.

During fiscal year 2007, we recognized restructuring charges of approximately $151.9 million associated with the consolidation and closure of several manufacturing facilities including the related impairment of certain long-lived assets; and other charges primarily related to the exit of certain real estate owned and leased by us in order to reduce our investment in property, plant and equipment. Approximately $146.8 million of the charges were classified as a component of cost of sales. The charges recognized by reportable geographic region amounted to $59.0 million, $49.6 million and $43.3 million for the Americas, Asia and Europe, respectively. As of March 31, 2008, accrued facility closure costs related to restructuring charges incurred during fiscal year 2007 were approximately $22.9 million, of which approximately $11.5 million was classified as a long-term obligation.

During fiscal year 2006, we recognized restructuring charges of approximately $215.7 million associated with the consolidation and closure of several manufacturing facilities, and related impairment of certain long-lived assets. Approximately $185.6 million of the restructuring charge was classified as a component of cost of sales. Restructuring charges recorded by reportable geographic region amounted to $164.5 million, $48.0 million and $3.2 million for Europe, the Americas and Asia, respectively. As of March 31, 2008, accrued facility closure costs related to restructuring charges incurred during fiscal year 2006 were approximately $13.2 million, of which approximately $4.6 million was classified as a long-term obligation.

Refer to Note 9, Restructuring Charges, of the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data for further discussion of our restructuring activities.

Selling, general and administrative expenses

Our selling, general and administrative expenses, or SG&A, amounted to $807.0 million, or 2.9% of net sales, during fiscal year 2008, compared to $547.5 million, or 2.9% of net sales, during fiscal year 2007. The increase in SG&A during fiscal year 2008 was primarily the result of our acquisition of Solectron as well as other business and asset acquisitions over the past year, continued investments in resources necessary to support our revenue growth, investments in certain technologies to enhance our overall design and engineering competencies and an increase in stock-based compensation expense.

Our SG&A amounted to $547.5 million, or 2.9% of net sales, during fiscal year 2007, compared to $463.9 million, or 3.0% of net sales, during fiscal year 2006. The increase in SG&A during fiscal year 2007 was primarily attributable to overall investments in resources necessary to support our accelerating revenue growth, and approximately $25.2 million of incremental stock-based compensation expense from our adoption of SFAS 123(R) during the 2007 fiscal year. The increase in SG&A was partially offset by the divestiture of our Network Services division in the September 2005 fiscal quarter. The improvement in SG&A as a percentage of net sales during fiscal year 2007 was primarily attributable to higher net sales and the divestiture of our Network Services division.

Intangible amortization

Amortization of intangible assets in fiscal year 2008 increased by $75.2 million to $112.3 million from $37.1 million in fiscal year 2007. The increase in expense was principally attributable to the increase in intangibles arising from the Company s acquisition of Solectron in fiscal year 2008, the acquisitions of IDW and Nortel s system house operations in Calgary, Canada in fiscal year 2007, and other smaller businesses that were not individually significant to our consolidated results, and the amortization of other acquired licenses. Additionally, amortization expense during fiscal year 2008 includes approximately $30.0 million for the write-off of certain intangible asset licenses due to technological obsolescence. Amortization of intangible assets in fiscal year 2007 was comparable to 2006.

Other charges (income), net

During fiscal year 2008, the Company recognized approximately $61.1 million in other expense related to the other-than-temporary impairment and related charges on certain of the Company s investments. Of this amount, approximately $57.6 million was attributable to the sale of its investment in Relacom, which was liquidated in January 2008 for approximately $57.4 million of cash proceeds. Relacom s expansion geographically into Eastern Europe and Latin America led Relacom to recognize significant restructuring charges and other costs and resulted in continued losses and diminished cash flows, which reduced the fair value of the investment. Although we believed this degradation in the fair value of our investment in Relacom was temporary, we decided to sell our interest in this non core investment to the majority holder in December 2007 rather than participate in a new equity round of financing by Relacom to support its need for additional capital. As a result, we recognized an impairment loss of approximately $48.5 million in the quarter ended December 31, 2007 based on the price at which it was sold on January 7, 2008. Refer to Note 2, Summary of Accounting Policies of the Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data for further discussion.

During fiscal year 2007, we recognized a foreign exchange gain of approximately $79.8 million from the liquidation of a certain international entity.

During fiscal year 2006, we recognized a foreign exchange gain of $20.6 million from the liquidation of certain international entities and a net gain of $4.3 million related to our investments in certain non-publicly traded companies, offset by approximately $7.7 million of charges related to the retirement of our former Chief Executive Officer.

Interest and other expense, net

Interest and other expense, net was $101.3 million during fiscal year 2008 compared to $92.0 million during fiscal year 2007, an increase of $9.3 million. The increase in expense was primarily attributable to the $1.7 billion in borrowings under our term loan facility used to finance our acquisition of Solectron as well as the refinancing of certain of Solectron s outstanding debt obligations. The increase in interest expense was partially offset by interest and other income earned on the $250.0 million face value promissory note and certain other agreements received in connection with the divestiture of the Software Development and Solutions business during the second quarter of fiscal year 2007, and interest income earned on higher cash balances. Interest and other expense, net in fiscal year 2007 was comparable to fiscal year 2006.

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. See Note 8, Income Taxes, of the Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data for further discussion.

In connection with our acquisition of Solectron, we re-evaluated previously recorded deferred tax assets in the United States, which are primarily comprised of tax loss carryforwards. We believe that the likelihood certain deferred tax assets will be realized has decreased because we expect future projected taxable income in the United States will be lower as a result of increased interest expense resulting from the term loan entered into as part of the acquisition of Solectron. Accordingly, we determined that the recoverability of our deferred tax assets is no longer more likely than not, and thus we recognized tax expense of approximately $661.3 million during fiscal year 2008. There is no incremental cash expenditure relating to this increase in tax expense.

The provision for income taxes in fiscal year 2007 includes an approximate $23.0 million benefit related to the restructuring and other charges we recognized during the 2007 fiscal year. The provision for income taxes in fiscal year 2006 includes $68.6 million of tax expense associated with the divestiture of our Network Services division, offset by a $17.8 million benefit resulting from a reduction in our previously recorded valuation allowances.

The consolidated effective tax rate for a particular period varies depending on the amount of earnings from different jurisdictions, operating loss carryforwards, income tax credits, changes in previously established valuation allowances for deferred tax assets based upon our current analysis of the realizability of these deferred tax assets, as well as certain tax holidays and incentives granted to our subsidiaries primarily in China, Hungary and Malaysia.

In evaluating the realizability of deferred tax assets, we consider our recent history of operating income and losses by jurisdiction, exclusive of items that we believe are non-recurring in nature such as restructuring charges. We also consider the future projected operating income in the relevant jurisdiction and the effect of any tax planning strategies. Based on this analysis, we believe that the current valuation allowance is adequate.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48) as an interpretation of SFAS No. 109, *Accounting for Income Taxes* (SFAS 109). We adopted FIN 48 in the first quarter of fiscal year 2008 and did not recognize any adjustments to the liability for unrecognized tax benefits as a result of the implementation of FIN 48. We are regularly subject to tax return audits and examinations by various taxing jurisdictions in the United States 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 8 Income Taxes of the Notes to Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data for further discussion of our tax position.

Discontinued Operations

In a strategic effort to focus on our core vertically-integrated EMS business, which includes design, manufacturing services, components and logistics, we completed the sale of our Semiconductor and Software Development and Solutions businesses in September 2005 and September 2006, respectively. In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS 144), we have reported the results of operations of these businesses in discontinued operations within the statements of operations for all periods presented.

The results from discontinued operations were as follows:

	Fiscal Year Ended March 31, 2007	2006
Net sales	$ 114,305	$ 278,018
Cost of sales	72,648	172,747
Gross profit	41,657	105,271
Selling, general and administrative expenses	20,707	61,178
Intangible amortization	5,201	16,640
Interest and other (income) expense, net	(4,112)	5,023
Gain on divestiture of operations	(181,228)	(43,750)
Income before income taxes	201,089	66,180
Provision for income taxes	13,351	35,536
Net income of discontinued operations	$ 187,738	$ 30,644

Net income for discontinued operations increased $157.1 million to $187.7 million in fiscal year 2007 as compared with $30.6 million in fiscal year 2006. The improvement in net income was primarily attributable to a $181.2 million pre-tax gain on the divestiture of our Software Development and Solutions business during fiscal year 2007 as compared to a $43.8 million gain on the divestiture of our Semiconductor business during fiscal year 2006, a decrease in minority interest expense associated with our approximately 29% ownership increase in FSS throughout fiscal years 2006 and 2007, and a reduction in the provision for income taxes. The reduction in the provision for income taxes was principally due to lower taxes resulting from the divestiture in fiscal year 2007 as compared to taxes attributable to the divestiture of our Semiconductor business in fiscal year 2006. This improvement in net income from discontinued operations was partially offset by the divestiture of our Software Development and Solutions business on September 1, 2006, and the divestiture of our Semiconductor business during the September 2005 fiscal quarter.

LIQUIDITY AND CAPITAL RESOURCES   CONTINUING AND DISCONTINUED OPERATIONS

As of March 31, 2008, we had cash and cash equivalents of $1.7 billion and bank and other borrowings of $3.4 billion. We also had a $2.0 billion revolving credit facility, under which we had $161.0 million of borrowings outstanding as of March 31, 2008. The $2.0 billion credit facility and other various credit facilities are subject to compliance with certain financial covenants. As of March 31, 2008, we were in compliance with the covenants under our indentures and credit facilities. Working capital as of March 31, 2008 and 2007 was approximately $2.9 billion and $1.1 billion, respectively. As a result of our acquisition of Solectron, our working capital and other tangible and intangible asset balances have materially increased as of March 31, 2008. Refer to Note 12, Business and Asset Acquisitions and Divestitures of the Notes to the Consolidated Financial Statements in Item 8, Financial Statements and Supplementary Data for further details regarding the Company s preliminary allocation of the purchase price to the acquired assets and liabilities assumed of Solectron.

Cash provided by operating activities amounted to $1.0 billion, $276.4 million and $549.4 million during fiscal years 2008, 2007 and 2006, respectively.

During fiscal year 2008, the following items generated cash from operating activities either directly or as a non-cash adjustment to net income:

- non-cash deferred income tax expense of $633.9 million, which is primarily the result of the Company s re-evaluation of previously recorded deferred tax assets in the United States in connection with the acquisition of Solectron, which are primarily comprised of tax loss carry-forwards;

- depreciation and amortization of $450.8 million;

- non-cash charges of $262.1 million, primarily for restructuring activities and other-than-temporary impairment charges on certain of the Company s investments;

non-cash stock-based compensation expense of $47.6 million;

a decrease in inventories of $205.6 million; and

an increase in accounts payable and other liabilities of $450.6 million.

During fiscal year 2008, the following items reduced cash from operating activities either directly or as a non-cash adjustment to net income:

a net loss of $639.4 million;

non-cash interest and other income, and gains on sale of assets of $44.9 million;

an increase in accounts receivable of $242.0 million; and

an increase in other current and non-current assets of $82.5 million.

The increases in our working capital accounts were due primarily to increased overall business activity, which was partially related to our acquisition of Solectron.

During fiscal year 2007, the following items generated cash from operating activities either directly or as a non-cash adjustment to net income:

net income of $508.6 million;

depreciation and amortization of $326.8 million;

non-cash impairment and other charges of $94.9 million;

non-cash stock-based compensation expense of $32.3 million;

an increase in accounts payable and other liabilities of $411.1 million; and

a decrease in other current and non-current assets of $34.6 million.

During fiscal year 2007, the following items reduced cash from operating activities either directly or as a non-cash adjustment to net income:

the pre-tax gain associated with the divestiture of our Software Development and Solutions business in the amount of $181.2 million;

non-cash foreign exchange gain of $79.8 million from the liquidation of a certain international entity;

an increase in inventories of $628.0 million; and

an increase in accounts receivable of $199.5 million.

The increases in our working capital accounts were due primarily to increased overall business activity and in anticipation of continued growth.

During fiscal year 2006, the following items generated cash from operating activities either directly or as a non-cash adjustment to net income:

- net income of $141.2 million;
- depreciation and amortization of $327.1 million;
- non-cash restructuring charges of $63.7 million;
- an increase in accounts payable and other accrued liabilities of $278.8 million; and
- a decrease in accounts receivable of $172.6 million.

During fiscal year 2006, the following items reduced cash from operating activities either directly or as a non-cash adjustment to net income:

- the pre-tax gain associated with the divestitures of our Network Services and Semiconductor businesses in the amount of $67.6 million;
- an increase in inventories of $221.0 million; and
- an increase in other current and non-current assets of $171.5 million.

The increases in accounts payable and other accrued liabilities, and the increase in inventory were due primarily to changes in our product mix as we increased our activity in certain telecommunications infrastructure businesses which carried a lower inventory turnover product profile, as well as increased overall business activity.

Cash used in investing activities amounted to $935.4 million, $391.5 million and $428.9 million during fiscal years 2008, 2007 and 2006, respectively.

Cash used in investing activities during fiscal year 2008 primarily related to the following:

- payments for the acquisition of businesses of $629.2 million, including $423.5 million associated with the acquisition of Solectron, net of cash acquired, and $205.7 for other acquisitions and contingent purchase price payments relating to certain historical acquisitions;
- net capital expenditures of $327.5 million for the purchase of equipment and for the continued expansion of various low-cost, high-volume manufacturing facilities and industrial parks, as well as for the continued investment in our printed circuit board operations and components business; and
- $47.2 million primarily for miscellaneous investments and the purchase of licenses.

Cash provided by investing activities during fiscal year 2008 primarily related to the following:

- proceeds of $57.4 million from the sale of the Company s equity investment in Relacom; and
- proceeds of $11.1 million from the divestiture of certain international entities.

Cash used in investing activities during fiscal year 2007 primarily related to the following:

- net capital expenditures of $569.4 million for the purchase of equipment and for the continued expansion of various low cost, high volume manufacturing facilities and industrial parks, as well as for the continued investment in our printed circuit board operations and components business;
- payments for the acquisition of businesses of $356.4 million, including $215.0 million associated with our Nortel transaction, $18.1 million for additional shares purchased in Hughes Software Systems and $123.3 million for various other acquisitions of businesses, net of cash acquired, and contingent purchase price adjustments relating to certain historical acquisitions; and
- $145.5 million of investments in intangible assets, certain non-publicly traded technology companies and notes receivables.

Cash provided by investing activities during fiscal year 2007 primarily related to the following:

- proceeds of $579.9 million from the divestiture of our Software Development and Solutions business, net of cash held by the business of $108.6 million; and

- proceeds of $100.0 million from the liquidation of certificates of deposits and acquired available-for-sale securities.

Cash used in investing activities during fiscal year 2006 primarily related to the following:

- net capital expenditures of $251.2 million for the purchase of equipment and for the continued expansion of various low cost, high volume manufacturing facilities; and

- payments for the acquisition of businesses of $649.2 million, including $269.7 million associated with our Nortel transaction, $154.3 million for additional shares purchased in Hughes Software Systems, and

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$225.2 million for various other acquisitions of businesses and contingent purchase price adjustments relating to certain historical acquisitions.

Cash provided by investing activities during fiscal year 2006 primarily related to the following:

$518.5 million in proceeds from the divestitures of our Network Services and Semiconductor businesses, net of cash held by the businesses of $33.1 million.

Cash provided by financing activities during fiscal year 2008 amounted to $962.1 million, and cash used in financing activities was $101.0 million and $44.3 million in fiscal years 2007 and 2006, respectively.

Cash provided by financing activities during fiscal year 2008 primarily related to the following:

bank borrowings, net of repayment of bank borrowings and capital lease obligations, amounting to $926.9 million; and

$35.9 million of proceeds from the sale of ordinary shares under employee stock plans.

Cash used in financing activities during fiscal year 2007 primarily related to the following:

net repayment of bank borrowings and capital lease obligations amounting to $122.1 million.

Cash provided by financing activities during fiscal year 2007 primarily related to the following:

$21.2 million of proceeds from the sale of ordinary shares under our employee stock plans.

Cash used in financing activities during fiscal year 2006 primarily related to the following:

the repurchase of $97.9 million principal amount of our 6.25% Senior Subordinated Notes due November 2014.

Cash provided by financing activities during fiscal year 2006 primarily related to the following:

proceeds of $50.0 million from the sale of ordinary shares under our employee stock plans.

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 the ability to move cash balances to meet cash needs under certain circumstances. We do not currently expect such regulations and restrictions to impact our ability to pay vendors and conduct operations throughout the global organization.

On October 1, 2007, we completed the acquisition of 100% of the outstanding common stock of Solectron through the issuance of approximately 221.8 million of our ordinary shares, with a fair value of approximately $2.5 billion, and paying approximately $1.1 billion in cash. Additionally, in connection with the acquisition, we entered into a $1.759 billion term loan facility, dated as of October 1, 2007, to fund the cash portion of the consideration, pay acquisition related costs, and to refinance certain of Solectron s outstanding long-term debt assumed by the Company. As of March 31, 2008, we have borrowed $1.734 billion under the facility and there is no further amount available to the Company under the facility. Refer to the discussion under *Solectron Acquisition Related Debt* in Note 4, Bank Borrowings and Long-Term Debt of the Notes to Consolidated Financial Statements for further details.

As a result of our acquisitions, we have approximately $3.4 billion in total long-term debt outstanding as of March 31, 2008, an increase of approximately $1.9 billion from March 31, 2007. Additionally, we expect to pay between $250.0 million and $350.0 million in cash during fiscal year 2009 for aggregate costs relating to restructuring and integration activities. These payments include estimated amounts that relate to our estimated restructuring charges for operations that were associated with the Company prior to its acquisition of Solectron, and for activities that will be recorded as liabilities assumed from Solectron. Refer to Note 9, Restructuring Charges and Note 12 Business and Asset Acquisitions and Divestitures of the Notes to Consolidated Financial Statements for further discussion.

Working capital requirements and capital expenditures could continue to increase in order to support future expansions of operations, including those related to our recent acquisition of Solectron. Future liquidity needs will also 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, the extent of cash charges associated with any future restructuring activities, 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 continuously sell a designated pool of trade receivables to a third-party qualified special purpose entity, which in turn sells an undivided ownership interest to a conduit, administered by an unaffiliated financial institution. In addition to this financial institution, we participate in the securitization agreement as an investor in the conduit. We also sell certain trade receivables, which are in addition to the trade receivables sold in connection with the securitization agreement discussed above, to certain third-party banking institutions with limited recourse.

We believe that existing cash balances, together with anticipated cash flows from operations and borrowings available under our credit facilities, will be sufficient to fund operations through at least the next twelve months.

It is possible that future acquisitions may be significant and may require the payment of cash. 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 the Company s flexibility as a result of debt service requirements and restrictive covenants, potentially affect our credit ratings, and may limit the company s ability to access additional capital or execute its business strategy. Any downgrades in credit ratings could adversely affect our ability to borrow by resulting in 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.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

On May 10, 2007, we entered into a five-year $2.0 billion credit facility that expires in May 2012, which replaced our $1.35 billion credit facility previously existing at March 31, 2007. As of March 31, 2008, there was $161.0 million in borrowings outstanding under the credit facility. The credit facility requires that the Company maintain a maximum ratio of total indebtedness to EBITDA (earnings before interest expense, taxes, depreciation and amortization), and a minimum fixed charge coverage ratio, as defined. As of March 31, 2008, the Company was in compliance with the covenants under the credit facility.

The Company and certain of its subsidiaries also have various uncommitted revolving credit facilities, lines of credit and other loans in the amount of $754.0 million in the aggregate under which there were approximately $10.7 million and $8.1 million of borrowings outstanding as of March 31, 2008 and 2007, respectively.

As discussed previously, on October 1, 2007, we entered into a $1.759 billion term loan facility in connection with the acquisition of Solectron, under which the Company borrowed $1.734 billion. Of this amount, $500.0 million matures five years from the date of the facility and the remainder matures in seven years. Loans under the facility amortize in quarterly installments in an amount equal to 1% per annum with the balance due at the end of the fifth or seventh year, as applicable. The Company may prepay the loans at any time at 100% of par for any loan with a five year maturity and at 101% of par for the first year and 100% of par thereafter, for any loan with a seven year maturity, in each case plus accrued and unpaid interest and reimbursement of the lender s redeployment costs. The facility requires the Company maintain a maximum ratio of total indebtedness to EBITDA, and as of March 31, 2008, the Company was in compliance with the financial covenants under the facility.

Refer to the discussion in Note 4, Bank Borrowings and Long-Term Debt of the Notes to Consolidated Financial Statements for further details of the Company s 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. As of March 31, 2008, our outstanding debt obligations included: (i) borrowings outstanding related to our Senior Subordinated Notes, (ii) borrowings outstanding related to our Convertible Junior Subordinated Notes, (iii) borrowings outstanding under our Term Loan Agreement, (iv) amounts drawn under our $2.0 billion credit facility and various lines of credit, (v) equipment financed under capital leases and (vi) other term obligations. Additionally, we have leased certain of our facilities under operating lease commitments.

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

	Total	Less Than 1 Year	1 - 3 Years (In thousands)	4 - 5 Years	Greater Than 5 Years
Contractual Obligations:					
Purchase obligations	$ 1,696,723	$ 1,696,723	$	$	$
Long-term debt obligations	3,414,560	27,966	736,575	667,426	1,982,593
Interest on long-term debt obligations	1,048,721	178,992	354,633	335,266	179,830
Total minimum payments under capital lease obligations	2,738	719	852	650	517
Operating leases, net of subleases	614,544	123,578	176,362	104,282	210,322
Total contractual obligations	$ 6,777,286	$ 2,027,978	$ 1,268,422	$ 1,107,624	$ 2,373,262

Borrowings under our term loan agreement bear interest, at the Company s option, either at (i) the base rate (the greater of the agent s prime rate or the federal funds rate plus 0.50%) plus a margin of 1.25%; or (ii) LIBOR plus a margin of 2.25%. Estimated interest for the term loan facility is based on the applicable fixed rate plus a margin of 2.25% for the $747.0 million on which the floating interest payment has been swapped for fixed interest payments, and is based on LIBOR plus a margin of 2.25% for the remaining amounts outstanding. Estimated interest payments for the $2.0 billion credit facility is based on LIBOR plus the applicable margin. Refer to the discussion in Note 4, Bank Borrowings and Long-Term Debt of the Notes to Consolidated Financial Statements for further details.

We adopted FIN 48 in the first quarter of fiscal year 2008 and did not recognize any adjustments to the liability for unrecognized tax benefits as a result of the implementation of FIN 48. We have excluded $275.2 million of FIN 48 liabilities from the contractual obligations table because we cannot make a reasonably reliable estimate of the periodic cash settlements with the respective taxing authorities. See Note 8, Income Taxes of the Notes to 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.

NEW ACCOUNTING PRONOUNCEMENTS

In March 2008, the FASB issued SFAS No. 161 *Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133* (SFAS 161). This statement changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures stating how and why an entity uses derivative instruments; how derivatives and related hedged items are accounted for under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133) and its related interpretations; and how derivative instruments and related hedge items affect an entity s financial position, financial performance and cash flows. SFAS 161 is effective in fiscal years beginning after November 15, 2008 and is required to be adopted by us in the first quarter of fiscal year 2010. We do not expect the adoption of SFAS 161 will have a material impact on our consolidated results of operations, financial condition and cash flows.

In December 2007, the FASB issued SFAS No. 160, *Non-controlling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51* (SFAS 160), which establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the non-controlling interest, changes in a parent s ownership interest and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. The Statement also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. SFAS 160 is effective for fiscal years beginning after December 15, 2008, and is required to be adopted by us in the first quarter of fiscal year 2010. We do not expect that the adoption of the provisions of SFAS 160 will have a material impact on our consolidated results of operations, financial condition and cash flows.

In February 2007, the FASB issued SFAS No. 159, *Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115 (SFAS 159).* SFAS 159 permits entities to choose to measure certain financial instruments and certain other items at fair value at specified election dates. The fair value option may be applied instrument by instrument with certain exceptions and is applied generally on an irrevocable basis to the entire instrument. SFAS 159 is effective in fiscal years beginning after November 15, 2007 and is required to be adopted by us in the first quarter of fiscal year 2009. We do not expect that the adoption of SFAS 159 will have a material impact on our consolidated results of operations, financial condition and cash flows.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157), which defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands the requisite disclosures for fair value measurements. SFAS 157 is effective in fiscal years beginning after November 15, 2007 for financial assets and liabilities, as well as for any other assets and liabilities that are carried at fair value on a recurring basis, and should be applied prospectively. The adoption of the provisions of SFAS 157 related to financial assets and liabilities, and other assets and liabilities that are carried at fair value on a recurring basis is not anticipated to materially impact our consolidated financial position, results of operations and cash flows. The FASB provided for a one-year deferral of the provisions of SFAS 157 for non-financial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a non-recurring basis. We are currently evaluating the impact of adopting SFAS 157 for non-financial assets and liabilities that are recognized or disclosed on a non-recurring basis.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS 141(R)), which replaces SFAS No. 141. SFAS 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired. The Statement also establishes disclosure requirements which are intended to enable users to evaluate the nature and financial effects of the business combination. SFAS 141(R) is effective for fiscal years that begin after December 15, 2008, and should be applied prospectively for all business combinations entered into after the date of adoption. We are currently evaluating the impact of adopting SFAS 141(R).

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 with maturities of three months or less from original dates of purchase. We do not use derivative financial instruments in our investment portfolio. We place cash and cash equivalents with various major financial institutions and limit the amount of credit exposure to the greater of 20% of the total investment portfolio or $10.0 million in any single institution. We protect our invested principal by limiting default risk, market risk and reinvestment risk. We mitigate default risk by investing in investment grade securities and by constantly positioning the portfolio to respond appropriately to a reduction in credit rating of any investment issuer, guarantor or depository to levels below the credit ratings dictated by our investment policy. The portfolio includes only marketable securities with active secondary or resale markets to ensure portfolio liquidity. Maturities of short-term investments are timed, whenever possible, to correspond with debt payments and capital investments. As of March 31, 2008, the outstanding amount in the investment portfolio was $506.7 million, comprised mainly of money market funds with an average return of 2.82%. A hypothetical 10% change in interest rates would not have a material effect on our financial position, results of operations and cash flows over the next fiscal year.

We had fixed and variable rate debt outstanding of approximately $3.4 billion as of March 31, 2008, of which approximately $1.5 billion related to fixed rate debt obligations. As of March 31, 2007, the Company had interest rate swap transactions, which effectively converted $400.0 million of the $402.1 million outstanding of its 6.25% Senior Subordinated Notes, due November 2014, from a fixed to variable interest rate. In November 2007, we terminated the interest rate swap transactions effectively converting these notes back to a fixed interest rate. As of March 31, 2008, fixed rate debt consisted primarily of $809.4 million of Senior Subordinated Notes with a weighted average interest rate of 6.41%, $500.0 million of 1% Coupon Convertible Subordinated Notes, and $195.0 million of Zero Coupon, Zero Yield, Convertible Junior Subordinated Notes.

Variable rate debt obligations were approximately $1.9 billion, which primarily consisted of the previously discussed term loan facility in the amount of $1.726 billion, and $161.0 million outstanding under the Company s $2.0 billion credit facility. Interest on the term loan facility is based at the Company s option on either (i) the base rate (the greater of the agent s prime rate or the federal funds rate plus 0.50%) plus a margin of 1.25%; or (ii) LIBOR plus a margin of 2.25%. As discussed further below, the floating interest rate on $747.0 million of the $1.726 billion outstanding under the term loan facility has been swapped for fixed interest rates over approximately the next three years. Interest on the $2.0 billion credit facility is based at the Company s option on either (i) the base rate (the greater of the agent s prime rate or the federal funds rate plus 0.50%); or (ii) LIBOR plus the applicable margin for LIBOR loans ranging between 0.50% and 1.25%, based on the Company s credit ratings. Variable rate debt also included demand notes and certain variable lines of credit. These credit lines are located throughout the world and are based on a spread over that country s inter-bank offering rate.

In December 2007 and January 2008, the Company entered into swap transactions to effectively convert the floating interest rates on $747.0 million of the amount outstanding under its term loan facility to fixed interest rates ranging between approximately 3.57% and 3.89%. We receive floating interest payments at rates equal to the three-month LIBOR we pay on the $747.0 million of the term loan facility that has been swapped. These swaps expire between October 2010 and January 2011 and are accounted for as cash flow hedges under SFAS 133.

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

As of March 31, 2008, the approximate fair values of our 6.5% Senior Subordinated Notes, 6.25% Senior Subordinated Notes, and 1% Convertible Subordinated Notes were 95.50%, 92.25% and 95.75% of their face values on March 31, 2008, respectively, 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 borrow in various foreign currencies and enter into short-term foreign currency forward and swap contracts to hedge only those currency exposures associated with certain assets and liabilities, mainly accounts receivable and accounts payable, and cash flows denominated in non-functional currencies.

We try to maintain a 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. 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

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contracts as of March 31, 2008 amounted to $2.6 billion and the recorded fair value was not material. The majority of these foreign exchange contracts expire in less than three months and all expire within one year. They will settle in Australian dollar, Brazilian real, British pound, Canadian dollar, China renminbi, Czech koruna, Danish krone, Euro, Hong Kong dollar, Hungarian forint, Israel shekel, Indian rupee, Japanese yen, Malaysian ringgit, Mexican peso, Norwegian krone, Polish zloty, Romanian leu, Singapore dollar, South African rand, Swedish krona, Taiwanese dollar, and U.S. dollar.

Based on our overall currency rate exposures as of March 31, 2008, including derivative financial instruments and nonfunctional currency-denominated receivables and payables, a near-term 10% appreciation or depreciation of the U.S. dollar from its cross-functional rates would not have a material effect on our financial position, results of operations and cash flows over the next fiscal year.

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ITEM 8. *FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA*

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders 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, 2008 and 2007, and the related consolidated statements of operations, comprehensive income (loss), shareholders equity, and cash flows for each of the three years in the period ended March 31, 2008. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on the 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, 2008 and 2007, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, effective April 1, 2006, the Company changed its method of accounting for stock-based compensation in accordance with guidance provided in Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment*.

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, 2008, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated May 23, 2008 expressed an unqualified opinion on the Company s internal control over financial reporting.

/s/ Deloitte & Touche LLP

San Jose, California
May 23, 2008

June 23, 2008 as to the caption Relacom AB included in Note 2.

FLEXTRONICS INTERNATIONAL LTD.

CONSOLIDATED BALANCE SHEETS

	As of March 31, 2008	As of March 31, 2007
	(In thousands, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,719,948	$ 714,525
Accounts receivable, net of allowance for doubtful accounts of $16,732 and $17,074 as of March 31, 2008 and 2007, respectively	3,550,942	1,754,705
Inventories	4,118,550	2,562,303
Deferred income taxes	573	11,105
Other current assets	922,924	548,409
Total current assets	10,312,937	5,591,047
Property and equipment, net	2,465,656	1,998,706
Deferred income taxes	32,598	669,898
Goodwill	5,559,351	3,076,400
Other intangible assets, net	317,390	187,920
Other assets	836,983	817,403
Total assets	$ 19,524,915	$ 12,341,374
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Bank borrowings, current portion of long-term debt and capital lease obligations	$ 28,591	$ 8,385
Accounts payable	5,311,337	3,440,845
Accrued payroll	399,718	215,593
Other current liabilities	1,661,369	823,245
Total current liabilities	7,401,015	4,488,068
Long-term debt and capital lease obligations, net of current portion	3,388,337	1,493,805
Other liabilities	571,119	182,842
Commitments and contingencies (Note 7)		
Shareholders equity		
Ordinary shares, no par value; 835,202,669 and 607,544,548 shares issued and outstanding as of March 31, 2008 and 2007, respectively	8,538,723	5,923,799
Retained earnings (deficit)	(372,170)	267,200
Accumulated other comprehensive loss	(2,109)	(14,340)
Total shareholders equity	8,164,444	6,176,659
Total liabilities and shareholders equity	$ 19,524,915	$ 12,341,374

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

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FLEXTRONICS INTERNATIONAL LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Year Ended March 31,		
	2008	**2007**	**2006**
	(In thousands, except per share amounts)		
Net sales	$ 27,558,135	$ 18,853,688	$ 15,287,976
Cost of sales	25,972,787	17,777,859	14,354,461
Restructuring charges	408,945	146,831	185,631
Gross profit	1,176,403	928,998	747,884
Selling, general and administrative expenses	807,029	547,538	463,946
Intangible amortization	112,317	37,089	37,160
Restructuring charges	38,743	5,026	30,110
Other charges (income), net	61,078	(77,594)	(17,200)
Interest and other expense, net	101,302	91,986	92,951
Gain on divestiture of operations	(9,733)		(23,819)
Income from continuing operations before income taxes	65,667	324,953	164,736
Provision for income taxes	705,037	4,053	54,218
Income (loss) from continuing operations	$ (639,370)	$ 320,900	$ 110,518
Income from discontinued operations, net of tax		187,738	30,644
Net income (loss)	$ (639,370)	$ 508,638	$ 141,162
Earnings (loss) per share:			
Income (loss) from continuing operations:			
Basic	$ (0.89)	$ 0.55	$ 0.19
Diluted	$ (0.89)	$ 0.54	$ 0.18
Income from discontinued operations:			
Basic	$	$ 0.32	$ 0.05
Diluted	$	$ 0.31	$ 0.05
Net income (loss):			
Basic	$ (0.89)	$ 0.86	$ 0.25
Diluted	$ (0.89)	$ 0.85	$ 0.24
Weighted-average shares used in computing per share amounts:			
Basic	720,523	588,593	573,520

Diluted	720,523	596,851	600,604

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,		
	2008	**2007**	**2006**
		(In thousands)	
Net income (loss)	$ (639,370)	$ 508,638	$ 141,162
Other comprehensive income:			
Foreign currency translation adjustment	24,935	(40,081)	(100,472)
Unrealized gain (loss) on derivative instruments, and other income (loss), net of taxes	(12,704)	(1,824)	4,354
Comprehensive income (loss)	$ (627,139)	$ 466,733	$ 45,044

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

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FLEXTRONICS INTERNATIONAL LTD.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

	Ordinary Shares		Retained	Accumulated Other		Total
	Shares Outstanding	Amount	Earnings (Deficit)	Comprehensive Income (Loss)	Deferred Compensation	Shareholders Equity
			(In thousands)			
BALANCE AT MARCH 31, 2005	568,330	$ 5,489,764	$ (382,600)	$ 123,683	$ (6,799)	$ 5,224,048
Issuance of ordinary shares for acquisitions	2,526	27,907				27,907
Exercise of stock options	5,562	41,052				41,052
Shares issued for debt conversion	476	5,000				5,000
Ordinary shares issued under Employee Stock Purchase Plan	914	8,934				8,934
Issuance of vested shares under share bonus awards	293					
Shares issued for board of directors compensation	41	499				499
Net income			141,162			141,162
Deferred stock compensation, net of cancellations		(582)			582	
Amortization of deferred stock compensation					2,163	2,163
Unrealized loss on investments and derivative instruments, net of taxes				4,354		4,354
Foreign currency translation				(100,472)		(100,472)
BALANCE AT MARCH 31, 2006	578,142	5,572,574	(241,438)	27,565	(4,054)	5,354,647
Issuance of ordinary shares for	26,212	299,608				299,608

acquisitions						
Exercise of stock options	2,844	21,153				21,153
Issuance of vested shares under share bonus awards	347					
Net income			508,638			508,638
Stock-based compensation, net of tax		34,518				34,518
Reversal of deferred stock compensation upon adoption of SFAS 123(R)		(4,054)			4,054	
Unrealized gain on derivative instruments, and other income (loss), net of taxes				(1,824)		(1,824)
Foreign currency translation				(40,081)		(40,081)
BALANCE AT MARCH 31, 2007	607,545	5,923,799	267,200	(14,340)		6,176,659
Issuance of ordinary shares for acquisitions	221,802	2,519,670				2,519,670
Fair value of vested options assumed for acquisition		11,282				11,282
Exercise of stock options	4,291	35,911				35,911
Issuance of vested shares under share bonus awards	1,565					
Net loss			(639,370)			(639,370)
Stock-based compensation, net of tax		48,061				48,061
Unrealized gain on derivative instruments, and other income (loss), net of taxes				(12,704)		(12,704)
Foreign currency translation				24,935		24,935
BALANCE AT MARCH 31, 2008	835,203	$ 8,538,723	$ (372,170)	$ (2,109)	$	$ 8,164,444

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,		
	2008	**2007**	**2006**
	(In thousands)		
Cash flows from operating activities:			
Net income (loss)	$ (639,370)	$ 508,638	$ 141,162
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and impairment charges	712,840	421,740	390,828
Gain on sale of equipment	(1,048)	(1,256)	(8,473)
Provision for doubtful accounts	1,090	11,037	606
Foreign currency gain on liquidation		(79,844)	(20,596)
Non-cash interest income and other	(34,146)	(26,691)	3,765
Stock compensation	47,641	32,325	2,662
Deferred income taxes	633,850	(26,492)	47,953
Gain on divestitures of operations	(9,733)	(181,228)	(67,569)
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(241,959)	(199,498)	172,638
Inventories	205,584	(628,024)	(220,988)
Other assets	(82,506)	34,586	(171,460)
Accounts payable and other current liabilities	450,590	411,083	278,828
Net cash provided by operating activities	1,042,833	276,376	549,356
Cash flows from investing activities:			
Purchases of property and equipment, net of disposition	(327,547)	(569,424)	(251,174)
Acquisition of businesses, net of cash acquired	(629,182)	(356,422)	(649,160)
Proceeds from divestitures of operations, net of cash held in divested operations of $0, $108,624 and $33,064 for fiscal years 2008, 2007 and 2006, respectively	11,138	579,850	518,505
Other investments and notes receivable, net	10,220	(45,499)	(47,090)
Net cash used in investing activities	(935,371)	(391,495)	(428,919)
Cash flows from financing activities:			
Net proceeds from bank borrowings and long-term debt	7,861,739	7,470,432	3,420,583
Repayments of bank borrowings and long-term debt	(6,934,869)	(7,592,366)	(3,503,420)
Repayment of capital lease obligations and other	(639)	(184)	(11,457)
Proceeds from exercise of stock options and Employee Stock Purchase Plan	35,911	21,153	49,986
Net cash provided by (used in) financing activities	962,142	(100,965)	(44,308)
Effect of exchange rates on cash	(64,181)	(12,250)	(2,528)

Net increase (decrease) in cash and cash equivalents	1,005,423	(228,334)	73,601
Cash and cash equivalents, beginning of year	714,525	942,859	869,258
Cash and cash equivalents, end of year	$ 1,719,948	$ 714,525	$ 942,859

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

FLEXTRONICS INTERNATIONAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION OF THE COMPANY

Flextronics International Ltd. (Flextronics or the Company) was incorporated in the Republic of Singapore in May 1990. The Company is a leading provider of advanced design and electronics manufacturing services (EMS) to original equipment manufacturers (OEMs) of a broad range of products in the following markets: infrastructure; mobile communication devices; computing; consumer digital devices; industrial, semiconductor and white goods; automotive, marine and aerospace; and medical devices. The Company s strategy is to provide customers with a full range of vertically-integrated global supply chain services through which the Company designs, builds, ships and services a complete packaged product for its OEM customers. OEM customers leverage the Company s services to meet their product requirements throughout the entire product life cycle.

The Company s service offerings include rigid printed circuit board and flexible circuit fabrication, systems assembly and manufacturing (including enclosures, testing services, materials procurement and inventory management), logistics, after-sales services (including product repair, re-manufacturing and maintenance) and multiple component product offerings. Additionally, the Company provides market-specific design and engineering services ranging from contract design services (CDM), where the customer purchases services on a time and materials basis, to original product design and manufacturing services, where the customer purchases a product that was designed, developed and manufactured by the Company (commonly referred to as original design manufacturing, or ODM). ODM products are then sold by the Company s OEM customers under the OEM s brand names. The Company s CDM and ODM services include user interface and industrial design, mechanical engineering and tooling design, electronic system design and printed circuit board design. The Company also provides after market services such as logistics, repair and warranty services.

2. SUMMARY OF ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The Company s fiscal fourth quarter and year ends on March 31 of each year. The first and second fiscal quarters end on the Friday closest to the last day of each respective calendar quarter. The third fiscal quarter ends on December 31. Amounts included in the consolidated financial statements are expressed in U.S. dollars unless otherwise designated.

The accompanying consolidated financial statements include the accounts of Flextronics and its majority-owned subsidiaries, after elimination of intercompany accounts and transactions. The Company consolidates all majority-owned subsidiaries and investments in entities in which the Company has a controlling interest. For consolidated majority-owned subsidiaries in which the Company owns less than 100%, the Company recognizes a minority interest for the ownership of the minority owners. As of March 31, 2008 and 2007, minority interest was not material. The associated minority owners interest in the income or losses of these companies has not been material to the Company s results of operations for fiscal years 2008, 2007 and 2006, and has been classified, as applicable, within income from discontinued operations or as interest and other expense, net, in the 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, useful lives of property, equipment and intangible assets, asset impairments, fair values of derivative instruments and the related hedged items, restructuring charges, contingencies, capital leases, fair values of assets and liabilities obtained in business combinations and the fair

FLEXTRONICS INTERNATIONAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

values of options 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 date. 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 a separate 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 remeasurement adjustments for foreign operations where the U.S. dollar is the functional currency, are included in operating results. Non-functional transaction gains and losses, and remeasurement adjustments were not material to the Company s consolidated results of operations for fiscal years 2008, 2007 and 2006 and have been classified as a component of interest and other expense, net in the consolidated statement of operations.

The Company realized foreign exchange gains of $79.8 million and $20.6 million during fiscal years 2007 and 2006, respectively, from the liquidation of certain international entities. These gains were previously realized within other comprehensive income, and reclassified to other charges (income), net, in the consolidated statement of operations during the period when the international entities were liquidated.