FLEXTRONICS INTERNATIONAL LTD
Form 10-K/A
December 14, 2001

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

AMENDMENT NO. 1 TO FORM 10-K

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED MARCH 31, 2001

OR

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

FOR THE TRANSITION PERIOD FROM ____________ TO ____________ .

COMMISSION FILE NUMBER 000-23354

FLEXTRONICS INTERNATIONAL LTD.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

SINGAPORE	NOT APPLICABLE
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

36 ROBINSON ROAD, #18-01
CITY HOUSE
SINGAPORE 06887
(65) 299-888
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

SECURITIES TO BE REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE
SECURITIES TO BE REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
ORDINARY SHARES, S$0.01 PAR VALUE

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 [X] No [ ]

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

As of June 21, 2001, 482,431,643 shares of the Registrant's common stock were outstanding. The aggregate market value of the common stock held by shareholders other than our executive officers, directors and 10% or greater shareholders of the Registrant as of June 21, 2001 was approximately $10.8 billion.

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PART I

ITEM 1. BUSINESS

Except for historical information contained herein, the matters discussed in this annual report on Form 10-K are 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," "outlook," "believes," "should," "anticipates," "plans," "expects," "intends," "estimates" and similar expressions identify forward-looking statements, which speak only as of the date of this annual report. These forward-looking statements are contained principally under Item 1, "Business," and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." Because these forward-looking statements are subject to certain 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 this section under "Risk Factors." We undertake no obligation to update or revise these forward-looking statements to reflect subsequent events or circumstances.

OVERVIEW

Flextronics International Ltd. ("Flextronics") was incorporated in the Republic of Singapore in May 1990. We are a leading provider of electronics manufacturing services to original equipment manufacturers ("OEMs"), primarily in the telecommunications, networking, consumer electronics and computer industries. We provide a network of design, engineering and manufacturing operations in 27 countries across four continents. Our strategy is to provide customers with end-to-end solutions where we take responsibility for engineering, new product introduction and implementation, manufacturing, supply chain management and logistics management, with the goal of delivering a complete packaged product.

Our manufacturing services include the fabrication and assembly of plastic and metal enclosures, printed circuit boards or PCBs, backplanes and the assembly of complete systems and products. In addition, through our photonics division, we manufacture and assemble photonics components and integrate them into PCB assemblies and other systems. Throughout the production process, we offer design and technology services; logistics services, such as materials procurement, inventory management, vendor management, packaging and distribution; and automation of key components of the supply chain through advanced information technologies. In addition, we have added other after-market services such as network installation.

Through a combination of internal growth and acquisitions, we have become one of the world's largest electronics manufacturing services ("EMS") providers, with revenues of $12.1 billion in fiscal 2001. In addition, we have increased our manufacturing square footage from 1.5 million square feet on April 1, 1998 to over 16.0 million square feet on March 31, 2001. We offer a complete and flexible manufacturing solution that provides accelerated time-to-market and time-to-volume production, reduced production costs and advanced engineering and design capabilities. By working closely with and being highly responsive to customers throughout the design, manufacturing and distribution process, we believe that we can be an integral part of their operations. We believe that our size, global presence, broad service offerings and expertise enable us to win large programs from leading multinational OEMs for the manufacture of electronic products.

Our customers include industry leaders such as Alcatel, Cabletron Systems, Cisco Systems, Inc., Ericsson Telecom AB ("Ericsson"), Hewlett-Packard Company, Microsoft Corporation, Motorola, Inc. ("Motorola"), Nokia Corporation, Palm, Inc., Philips Electronics and Siemens AG. Due to our focus on high growth technology sectors, our prospects are influenced by such major trends as the upgrade of the communications and Internet infrastructure, the proliferation of wireless and optical devices, increasing product miniaturization and other trends in electronics technologies. In addition, our growth is affected by the pace at which leading OEMs are continuing to adopt outsourcing as a core business strategy.

We have established an extensive network of manufacturing facilities in the world's major electronics markets, the Americas, Asia and Europe, in order to serve the increased outsourcing needs of both multinational and regional OEMs. Moreover, we strategically locate facilities near our customers and their end markets. In fiscal 2001, production in the Americas, Asia and Europe, represented 42%, 21% and 37% of our net sales, respectively. We have also established fully integrated, high volume industrial parks in low-cost regions near our customers' end markets. These industrial parks provide total supply chain management by co-locating our manufacturing and distribution operations with our suppliers at a single location. This approach to production and distribution is designed to benefit our customers by reducing logistical barriers and costs, increasing flexibility, lowering transportation costs and reducing turnaround times. Our industrial parks are located in Brazil, China, Hungary, Mexico and Poland. In addition to our industrial parks, we have established product introduction centers which provide engineering expertise in developing new products and preparing them for high volume manufacturing.

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INDUSTRY OVERVIEW

With electronic products growing in technical complexity and experiencing shorter product lifecycles in response to customer requirements, the demand for advanced manufacturing capabilities and related services has grown rapidly. Many OEMs in the electronics industry are increasingly utilizing EMS providers in their business and manufacturing strategies. Outsourcing allows OEMs to take advantage of the manufacturing expertise and capital investments of EMS providers, thereby enabling OEMs to concentrate on their core competencies, such as product development, marketing and sales. We believe that by developing strategic relationships with EMS providers, OEMs can enhance their competitive position by:

- reducing production costs;
- accelerating time-to-market and time-to-volume production;
- accessing advanced manufacturing, design and engineering capabilities;
- reducing capital investment requirements and fixed overhead costs;
- improving inventory management and purchasing power; and
- accessing worldwide manufacturing capabilities.

We believe that the market for electronics manufacturing services will continue to grow, driven largely by OEMs' need for increasing flexibility to respond to rapidly changing markets, technologies and accelerating product life cycles, in addition to advanced manufacturing and engineering capabilities as a result of increased complexity and reduced size of electronic products.

STRATEGY

Our objective is to provide customers with the ability to outsource, on a global basis, a complete product. We intend to achieve this objective by taking responsibility for the engineering, assembly, integration, test, supply chain management and logistics management to accelerate their time-to-market and time-to-volume. To achieve this objective, we will continue to implement the following strategies:

Enhance Our Customers' Product Development and Manufacturing Strategy. We believe we can become an integral part of our customers' operations by working closely with them throughout the design, manufacturing and distribution process, and by offering flexible, highly responsive services. We believe our customer relationships are strengthened through a management approach which fosters rapid decision-making and a customer service orientation that responds quickly to frequently changing customer design specifications and production requirements. Our approach allows our customers to focus on their core competencies and thus enables them to accelerate their time-to-market and time-to-volume production.

Leverage Our Global Presence. We have established an extensive network of design and manufacturing facilities in the world's major electronics markets, the Americas, Asia and Europe, to serve the increased outsourcing needs of both multinational and regional OEMs. Our global network of manufacturing facilities in 27 countries gives us the flexibility to transition customer projects to any of our locations. This flexibility allows design, prototyping and initial production to be located near the customer's own research and development centers, so that manufacturing can then be moved to locations closer to their end markets, or transitioned to low-cost regional manufacturing facilities or industrial parks as volumes increase over the product life-cycle.

Expand Our Industrial Parks Strategy. Our industrial parks are self-contained facilities that co-locate our manufacturing and distribution operations with our suppliers in low-cost regions near our customers' end markets. Our industrial parks provide a total supply chain management. This approach to production and distribution benefits our customers by reducing logistical barriers and costs, improving communications, increasing flexibility, lowering transportation costs and reducing turnaround times. We have strategically established large industrial parks in Brazil, China, Hungary, Mexico and Poland.

Offer Comprehensive Solutions. We offer a comprehensive range of engineering, assembly, integration, test, supply chain management and logistics management services to our customers that simplify the global product development process and provide them meaningful cost savings. Our capabilities help our customers improve product quality and performance, reduce costs and accelerate time-to-market.

Streamline Business Processes Through Information Technologies. We utilize new information technologies to streamline business processes for our customers. For example, we use innovative Internet supply chain solutions 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. Integrating our information systems with those of our customers allows us to assist our customers in improving their communications and relationships across their supply chain.

Pursue Strategic Opportunities. We have actively pursued acquisitions and purchases of manufacturing facilities to expand our worldwide operations, broaden our service offering, diversify and strengthen our customer relationships and enhance our management depth. We will continue to review opportunities and are currently in preliminary discussions to acquire manufacturing operations and enter into business combinations. We cannot assure the terms of, or that we will complete, such transactions. We will continue to selectively pursue strategic transactions that we believe will further our business objectives.

We cannot assure that our strategies can be successfully implemented, or will reduce the risks associated with our business.

EXPANSION

We have actively pursued mergers and other business acquisitions to expand our global reach, manufacturing capacity and service offerings, in addition to diversifying and strengthening customer relationships. These acquisitions have enabled us to provide more integrated outsourcing technology solutions with time-to-market and lower cost advantages. Acquisitions have also played an important part in expanding our presence in the global electronics marketplace. We have completed several significant business combinations since the end of fiscal 2000. In fiscal 2001, we acquired all the outstanding shares of The DII Group, Inc. ("DII"), Palo Alto Products International Pte. Ltd. ("Palo Alto Products International"), Chatham Technologies, Inc. ("Chatham"), Lightning Metal Specialties and related entities ("Lightning") and JIT Holdings Ltd. ("JIT"). Each of these acquisitions were accounted for as pooling of interests. Additionally, we have completed other immaterial pooling of interests transactions in fiscal 2001. We have also made a number of business acquisitions which were accounted for using the purchase method. In addition, we have purchased a number of manufacturing facilities and related assets from customers and simultaneously entered into manufacturing agreements to provide electronics design, assembly and test services to these customers. In fiscal 2001, we purchased a facility in Italy from Siemens Mobile, a facility in Switzerland from Ascom, a facility in Denmark from Bosch Telecom GmbH and a facility in Sweden from Ericsson Radio AB. In the first quarter of fiscal 2002, we commenced management of the operations of Ericsson's mobile telephone operations using facilities owned by Ericsson in Brazil, Great Britain, Malaysia and Sweden, as well as our own facilities. In connection with this relationship, we purchased certain equipment, inventory and other assets, and assumed certain accrued expenses, from Ericsson at their net book value of approximately $450.0 million. Additionally, in the first quarter of fiscal 2002, we announced our intentions to purchase a manufacturing facility and related assets from Alcatel located in Laval, France.

By enhancing our capability to provide a wide range of related electronics design and manufacturing services to a global market that is increasingly dependent on outsourcing providers, these acquisitions have enabled us to enhance our competitive position as a leading provider of comprehensive outsourcing technology solutions. For more information on our acquisitions, please see Item 7, " Management's Discussion and Analysis of Financial Condition and Results of Operations--Acquisitions."

CUSTOMERS

Our customers consist of a select group of OEMs primarily in the telecommunications, networking, consumer electronics and computer industries. Within these industries, our strategy is to establish relationships with leading companies that seek to outsource significant production volumes of complex products. We have focused on building long-term relationships with these customers and expanding our relationship to include additional product lines and services. We have increasingly focused on sales to larger companies and to customers in the telecommunications, networking, consumer electronics and computer industries. In fiscal 2001, our ten largest customers accounted for approximately 59% of our net sales. No customer accounted for more than 10% of net sales in fiscal 2001.

The following table lists in alphabetical order a representative sample of our largest customers in fiscal 2001 and the products of those customers for which we provide manufacturing services:

CUSTOMER	END PRODUCTS
Alcatel	Cellular phones, accessories and telecommunications infrastructur
Cabletron Systems	Data communications products
Cisco Systems, Inc.	Data communications products
Ericsson Telecom AB	Cellular phones, business telecommunications systems and GSM infrastructure

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Hewlett-Packard Company	Inkjet printers and storage devices
Motorola, Inc.	Cellular phones, set-top boxes and telecommunications infrastruct
Nokia Corporation	Cellular phone accessories, cellular phones, office phones and telecommunications infrastructure
Palm, Inc.	Pilot electronic organizers
Philips Electronics	Consumer electronics products
Siemens AG	Cellular phones and telecommunications infrastructure

On May 30, 2000, we entered into a strategic alliance for product manufacturing with Motorola. In connection with this strategic alliance, Motorola paid $100.0 million for an equity instrument that provided it with incentives to purchase products and services from us by entitling it to acquire 22,000,000 of our ordinary shares at any time through December 31, 2005 upon meeting targeted purchase levels of up to $32.0 billion or making additional payments to us. In June 2001, we entered into an agreement with Motorola under which we repurchased this equity instrument for $112.0 million. No current or planned manufacturing programs are affected by this repurchase and we anticipate that Motorola will continue to be a customer following the repurchase, although our future revenue from Motorola may be less than it would have been had this instrument remained in effect.

In April 2001, we entered into a definitive agreement with Ericsson with respect to our management of the operations of Ericsson's mobile telephone operations. Operations under this arrangement commenced in the first quarter of fiscal 2002. Under this agreement, we are to provide a substantial portion of Ericsson's mobile phone requirements. We assumed responsibility for product assembly, new product prototyping, supply chain management and logistics management, in which we process customer orders from Ericsson and configure and ship products to Ericsson's customers. We expect to also provide PCBs and plastics, primarily from our Asian operations.

SALES AND MARKETING

We achieve worldwide sales coverage through a direct sales force, which focuses on generating new accounts, and through program managers, who are responsible for managing relationships with existing customers and making follow-on sales. Our Asian sales offices are located in Hong Kong and Singapore. In North America, we maintain sales offices in California, Florida, Massachusetts and Texas. In Europe, we maintain sales offices in England, France, Germany, the Netherlands and Sweden. In addition to our sales force, our executive staff plays an integral role in our sales efforts.

SERVICES

We offer a broad range of integrated services, providing customers with a total design and manufacturing solution that takes a product from its initial design through volume production, test, distribution and into post-sales service and support. Our manufacturing services include the assembly of complex printed circuit boards, or PCBs, and complete systems and products ("Flextronics Systems Assembly"), fabrication and assembly of plastic and metal enclosures ("Flextronics Enclosures"), and fabrication of PCBs ("Multek") and backplanes. In addition, Flextronics Systems Assembly manufactures and assembles photonics components and integrates them into PCB assemblies and other systems. Throughout the production process, we offer design and technology services ("Flextronics Design Services"); logistics services ("Flextronics Logistics"), such as materials procurement, inventory management, vendor management, packaging and distribution; and automation of key components of the supply chain through advanced information technologies. In addition, we have added other after-market services such as network installation ("Flextronics Network Services").

We operate and are managed internally by four geographic business segments, including Asia, the Americas, Western Europe and Central Europe. For additional information on these geographic business segments, please see Note 12, "Segment Reporting," of the Notes to Consolidated Financial Statements in Item 8, "Financial Statements and Supplementary Data."

Our integrated services include the following:

Flextronics Systems Assembly. Our assembly and manufacturing operations, which reflect the majority of our revenues, include PCB assembly, assembly of systems, and subsystems that incorporate PCBs and complex electromechanical components. A substantial portion of our net sales is derived from the manufacture and assembly of complete products. 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, such as chip scale packaging, chip-on-board and ball grid array, enable us to offer a variety of advanced manufacturing

solutions. In addition, we have recently developed significant expertise in the manufacture of wireless communications products employing radio frequency technology.

We offer computer-aided testing of assembled PCBs, systems and subsystems, which contributes significantly to our ability to deliver high-quality products on a consistent basis. Our test capabilities include management defect analysis, in-circuit tests and functional tests. In addition, we also provide environmental stress tests of board or system assemblies.

We provide materials procurement, information technology solutions and logistics. Materials procurement and management consist of the planning, purchasing, expediting and warehousing of components and materials used in the manufacturing process. Our inventory management expertise and volume procurement capabilities contribute to cost reductions and reduce total cycle time. Our industrial parks include providers of many of the custom components that we use to reduce material and transportation costs, simplify logistics and facilitate inventory management. We also use sophisticated automated manufacturing resources planning systems and enhanced electronic data interchange capabilities to ensure inventory control and optimization. Through our manufacturing resources planning system, we have real-time visibility on material availability and real-time tracking of work in process. We also 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 while also assisting suppliers with just-in-time delivery and supplier-managed inventory.

We also offer our customers flexible, just-in-time delivery programs allowing product shipments to be closely coordinated with customers' inventory requirements. Increasingly, we ship products directly into customers' distribution channels or directly to the end-user. We believe that this service can provide our customers with a more comprehensive solution and enable them to be more responsive to market demands.

We also provide design, industrialization, supply chain management and manufacturing services for the optical component and optical networking industries. We offer a broad range of photonic packaging design and industrialization services to assist in bringing products from schematics to shipment while meeting our customers time-to-market objectives. As the world's largest non-captive photonic component manufacturer, we offer leading edge process development and volume manufacturing of active and passive photonic devices

Multek. Multek provides PCB and backplane fabrication services. PCBs and backplanes are platforms which provide interconnection for integrated circuits and other electronic components. Backplanes also provide interconnection for other printed circuit boards. Semiconductor designs are currently so complex that they often require printed circuit boards with many layers of narrow, densely spaced wiring. We manufacture high density, complex multilayer printed circuit boards and backplanes on a low-volume, quick-turn basis, as well as on a high-volume production basis. Our quick-turn prototype service allows us to provide small test quantities to customers' product development groups in as short as 24 hours. Our range of services enables us to respond to our customers' demands for an accelerated transition from prototype to volume production. We have PCB and backplane fabrication service capabilities on four major continents (North America, South America, Europe and Asia).

The manufacture of complex multilayer interconnect 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. Our production of microvias, by laser ablation and our surface laminar circuit technology, a photo generated microvia capability, provides our customers with proven high volume production capacity in both of the major high density interconnect process solutions.

Flextronics Enclosures. We offer a comprehensive set of custom electronic enclosures and related products and services worldwide. Our services include design, manufacturing and integration of electronics packaging systems from custom enclosure systems, power and thermal subsystems to interconnect subsystems, cabling and cases. In addition to the typical sheet metal and plastic fabrication, we assist in the design of electronic 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 services to provide our customers with greater responsiveness, improved logistics and overall improved supply chain management.

Flextronics Design Services. We offer a comprehensive spectrum of value-added design services for products we manufacture for our customers from product design services (hardware, software, mechanical and test) to semiconductor design. Products designed by this group range from commercial and military applications, including radio frequency analog, high-speed digital, multi-chip module and flex circuits to high volume consumer products and small quantity prototypes. We work with our customers to develop product-specific test strategies and can custom design test equipment and software ourselves or use test equipment and software provided by our customers. Additionally, a significant competitive differentiator we possess is our semiconductor design group. We provide application specific integrated circuit ("ASIC") design services to our OEM customers, which include:

- Conversion services from field programmable gate arrays to ASICs. These services focus on designs that utilize primarily digital signals, with only a small amount of analog signals.

- Design services for mixed-signal ASICs. These services focus on designs that utilize primarily analog signals, with only a small amount of digital signals.

- Silicon integration design services. These services utilize silicon design modules that are used to accelerate complex ASIC designs, including system-on-a-chip.

Our semiconductor design group utilizes external foundry suppliers for its customers' silicon manufacturing requirements, thereby using a "fabless" manufacturing approach. This enables us to take advantage of the suppliers' high volume economies of scale and access to advanced process technology.

We believe that our semiconductor design expertise provides us with a competitive advantage by enabling us to offer our customers reduced costs through the consolidation of components onto silicon chips. Additionally, by integrating the combined capabilities of design, engineering and semiconductor services, we can compress the time from product concept to market introduction and minimize product development costs.

To assist customers with initial design, we provide computer-aided engineering and computer-aided design, engineering for manufacturability, printed circuit board layout and test development. At our product introduction centers, we employ hundreds of advanced engineers to provide the engineering expertise in developing new products and preparing them for high volume manufacturing. These centers coordinate and integrate our worldwide design, prototype, test development practices and, in some locations, provide dedicated production lines for prototypes.

Flextronics Network Services. We offer network installation services to OEMs in the data and telecommunications industries. Our services include project planning, documentation, engineering, production, installation and commissioning of equipment. We have expertise in the installation of public and mobile telecommunications systems, exchanges, corporate networks and peripheral equipment.

Flextronics Logistics. We provide global logistics services and turnkey supply chain solutions for 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. By joining these logistics solutions with worldwide manufacturing operations and total supply chain management, we can significantly reduce market costs and can create tightly integrated processes and facilities worldwide. Moreover, the combination of these capabilities allows us to react quickly to demand signals from our customers worldwide, creating innovative links to suppliers while serving the world market.

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. We do not believe that the backlog of expected product sales covered by firm purchase orders is a meaningful measure of future sales since orders may be rescheduled or canceled.

COMPETITION

The EMS industry is extremely competitive and includes hundreds of companies, several of whom have achieved substantial market share. We compete with different companies, depending on the type of service or geographic area. We compete against numerous domestic and foreign EMS providers, and current and prospective customers also evaluate our capabilities against the merits of internal production. According to IDC, approximately 50% of the EMS industry's revenues in 2000 were generated by the top six EMS companies - us, Celestica, Inc., Jabil Circuit, Inc., Sanmina Corporation, SCI Systems, Inc. (which recently agreed to be acquired by Sanmina), and Solectron Corporation. Based on 2000 revenue, we were the second largest of these companies and Solectron was the largest. In addition, in recent years the EMS industry has attracted a significant number of new entrants, including large OEMs with excess manufacturing capacity, and many existing participants, including us, have significantly increased their manufacturing capacity by expanding their facilities and adding new facilities. In the event of a decrease in overall demand for electronics manufacturing services, this increased

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capacity could result in substantial pricing pressures which could harm our operating results. Some of our competitors, may have greater manufacturing, financial or other resources than us. As competitors increase the scale of their operations, they may increase their ability to realize economies of scale, to reduce their prices and to more effectively meet the needs of large OEMs. We believe that the principal competitive factors in the segments of the EMS industry in which we operate are cost, technological capabilities, responsiveness and flexibility, delivery cycles, location of facilities, product quality and range of services available. Failure to satisfy any of the foregoing requirements could seriously harm our business.

ENVIRONMENTAL REGULATION

Our operations are subject to certain federal, state and local regulatory requirements relating to the use, storage, discharge and disposal of hazardous chemicals used during their manufacturing processes. We believe that our operations are currently in compliance in all material respects with applicable regulations and do not believe that costs of compliance with these laws and regulations will have a material effect upon our capital expenditures, operating results or competitive position. Currently we have no commitments with environmental authorities regarding any compliance related matters.

As of March 31, 2001, we had accrued a total of approximately $2.2 million for probable and reasonably estimatable environmental liabilities. We do not believe that any of our potential or possible liabilities for environmental matters are material. We determine 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. No assurance can be given that actual costs will not exceed amounts accrued or that costs will not be incurred with respect to sites as to which no problem is currently known. Further, there can be no assurance that additional environmental matters will not arise in the future.

EMPLOYEES

As of March 31, 2001, our global workforce totaled approximately 75,000 employees. We have never experienced a 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, prospects and debt service ability. To date, we have not experienced significant difficulties in attracting or retaining such personnel. Although we are not aware that any of our key personnel currently intend to terminate their employment, we cannot assure you of their future services.

RISK FACTORS

IF WE DO NOT MANAGE EFFECTIVELY THE EXPANSION OF OUR OPERATIONS, OUR BUSINESS MAY BE HARMED.

We have grown rapidly in recent periods. Our workforce has more than doubled in size over the last year as a result of internal growth and acquisitions. This growth is likely to strain considerably 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 plan to increase our manufacturing capacity in low-cost regions by expanding our facilities and adding new equipment. This expansion involves 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 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 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 this expansion, 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 substantial increases in depreciation expense and rental expense. If our revenues do not increase sufficiently to offset these expenses, our operating results would be seriously harmed. Our expansion, both through internal growth and acquisitions, has contributed to our incurring significant unusual charges. As a result of acquisitions and rapid changes in our markets, we recorded merger related charges and related facility closure costs of approximately $534.3 million, net of tax, for the fiscal year ended March 31, 2001.

WE DEPEND ON THE TELECOMMUNICATIONS, NETWORKING, ELECTRONICS AND COMPUTER INDUSTRIES WHICH CONTINUALLY PRODUCE TECHNOLOGICALLY ADVANCED PRODUCTS WITH SHORT LIFE CYCLES; OUR INABILITY TO CONTINUALLY MANUFACTURE SUCH PRODUCTS ON A COST-EFFECTIVE BASIS WOULD HARM OUR BUSINESS.

We depend on sales to customers in the telecommunications, networking, electronics and computer industries. Factors affecting these industries in general could seriously harm our customers and, as a result, us. These factors include:

- the inability of our customers to adapt to rapidly changing technology and evolving industry standards, which results in short product life cycles;

- the inability of our customers to develop and market their products, some of which are new and untested, the potential that our customers' products may become obsolete or the failure of our customers' products to gain widespread commercial acceptance; and

- recessionary periods in our customers' markets.

If any of these factors materialize, our business would suffer. Currently, many sectors of the telecommunications, networking, electronics and computer industries are experiencing a significant decrease in demand for their products and services, which has led to reduced demand for the services provided by EMS companies. These changes in demand and generally uncertain economic conditions have resulted, and may continue to result, in some customers deferring delivery schedules for some of the products that we manufacture for them, which could affect our results of operations. Further, a protracted downturn in these industries could have a significant negative impact on our business, financial condition and results of operation.

OUR CUSTOMERS MAY CANCEL THEIR ORDERS, CHANGE PRODUCTION QUANTITIES OR DELAY PRODUCTION.

EMS providers must provide increasingly rapid product turnaround for their customers. We generally do not obtain firm, long-term purchase commitments from our customers and we continue to experience reduced lead-times in customer orders. Customers may cancel their orders, change production quantities or delay production for a number of reasons. The generally uncertain economic condition of several of the industries of our customers has resulted, and may continue to result, in some of our customers delaying the delivery of some of the products we manufacture for them. Cancellations, reductions or delays by a significant customer or by a group of customers would seriously harm our results of operations.

In addition, we make significant decisions, including determining the levels of business that we will seek and accept, production schedules, component procurement commitments, personnel needs and other resource requirements, based on our estimates of customer requirements. The short-term nature of our customers' commitments and the possibility of rapid changes in demand for their products reduce our ability to estimate accurately future customer requirements. This makes it difficult to schedule production and maximize utilization of our manufacturing capacity. We often increase staffing, purchase materials and incur other expenses to meet the anticipated demand of our customers. Anticipated orders may not materialize, and delivery schedules may be deferred as a result of changes in demand for our customers' products. On occasion, customers may require rapid increases in production, which can stress our resources and reduce margins. Although we have increased our manufacturing capacity, and plan further increases, we may not have sufficient capacity at any given time to meet our customers' demands. In addition, because many of our costs and operating expenses are relatively fixed, a reduction in customer demand could harm our gross profit and operating income.

OUR OPERATING RESULTS VARY SIGNIFICANTLY.

We experience significant fluctuations in our results of operations. Some of the principal factors that contribute to these fluctuations are:

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- changes in demand for our services;

- our effectiveness in managing manufacturing processes and costs in order to decrease manufacturing expenses;

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

- 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 risks of purchasing inventory in excess of immediate production needs; and

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

One of our significant end-markets is the consumer electronics market. This market exhibits 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.

We are reconfiguring certain of our operations to further increase our concentration in low-cost locations. This shift of operations resulted in a restructuring charge of $275.6 million, net of tax, in the fourth quarter of fiscal 2001, and may result in additional restructuring charges in fiscal 2002 In addition, many of our customers are currently experiencing increased volatility in demand, and in many cases reduced demand, for their products. This increases the difficulty of anticipating the levels and timing of future revenues from these customers, and could lead them to defer delivery schedules for products or reduce their volumes of purchases. This would lead to a delay or reduction in our revenues from these customers. Any of these factors or a combination of these factors could seriously harm our business and result in fluctuations in our results of operations.

WE MAY ENCOUNTER DIFFICULTIES WITH ACQUISITIONS, WHICH COULD HARM OUR BUSINESS.

Since the beginning of fiscal 2001, we have completed over 20 acquisitions of businesses and manufacturing facilities, including our acquisitions of DII, Palo Alto Products International, Chatham, Lightning and JIT. We expect to continue to acquire additional businesses and facilities in the future and are currently in preliminary discussions to acquire additional businesses and facilities. Any future acquisitions may require additional debt or equity financing, or the issuance of shares in the transaction. This could increase our leverage or be dilutive to our existing shareholders. We may not be able to identify and complete acquisitions in the future to the same extent as the past, or at all.

To integrate acquired businesses, we must implement our management information systems and operating systems 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, acquisitions involve a number of other risks and challenges, including:

- diversion of management's attention;

- potential loss of key employees and customers of the acquired companies;

- lack of experience operating in the geographic market or industry sector of the acquired business;

- an increase in our expenses and working capital requirements, which reduces our return on invested capital; and

- exposure to unanticipated contingent liabilities of acquired companies.

Any of these and other factors could harm our ability to achieve anticipated levels of profitability at acquired operations or realize other anticipated benefits of an acquisition.

OUR STRATEGIC RELATIONSHIPS WITH ERICSSON AND OTHER MAJOR CUSTOMERS CREATE RISKS.

In April 2001, we entered into a definitive agreement with Ericsson with respect to our management of its mobile telephone operations. Our ability to achieve any of the anticipated benefits of this new relationship with Ericsson is subject to a number of risks, including our ability to meet Ericsson's volume, product quality, timeliness and price requirements, and to achieve anticipated cost reductions. If demand for Ericsson's mobile phone products declines, Ericsson may purchase a lower quantity of products from us than we anticipate. If Ericsson's requirements exceed the volume anticipated by us, we may not be able to meet these requirements on a timely basis. Our inability to meet Ericsson's volume, quality, timeliness and cost requirements, and to quickly resolve any issues with Ericsson, could seriously harm our results of operations. As a result of these and other risks, we may be unable to achieve anticipated levels of profitability under this arrangement, and it may not result in any material revenues or contribute positively to our net income per share. Due to our relationship with Ericsson, other OEMs may not wish to obtain logistics or operations management services from us.

We have entered into strategic relationships with other customers, have recently announced our plans to enter into a strategic relationship with Alcatel, and plan to continue to pursue such relationships. These relationships generally involve many, or all, of the risks involved in our new relationship with Ericsson. Similar to our other customer relationships, there are no volume purchase commitments under these relationships, and the revenues we actually achieve may not meet our expectations. In anticipation of future activities under these strategic relationships, we are incurring substantial expenses as we add personnel and manufacturing capacity and procure materials. Our operating results will be seriously harmed if sales do not develop to the extent and within the time frame we anticipate.

WE DEPEND ON THE CONTINUING TREND OF OUTSOURCING BY OEMs.

Future growth in our revenue depends on new outsourcing opportunities in which we assume additional manufacturing and supply chain management responsibilities from OEMs. To the extent that these 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.

OUR ACQUISITION OF DIVESTED ASSETS AND FACILITIES FROM OEMS CAN RESULT IN UNFAVORABLE PRICING TERMS AND DIFFICULTIES IN INTEGRATING THE ACQUIRED ASSETS, WHICH MAY HARM OUR RESULTS OF OPERATIONS.

In the past, we have entered into arrangements to acquire manufacturing assets and facilities from OEMs, and then to use the assets and facilities to provide electronics manufacturing services to the OEM. We intend to continue to pursue these transactions in the future. There is frequently competition among EMS companies for these transactions, and this competition may increase. These OEM divestiture 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. As part of these arrangements, we typically enter into manufacturing services agreements with these OEMs. These agreements generally do not require any minimum volumes of purchases by the OEM, and the actual volume of purchases may be less than anticipated. The arrangements entered into with divesting OEMs typically involve many risks, including the following:

- to acquire the facility, we may need to pay a purchase price to the divesting OEMs that exceeds the value we may realize from the future business of the OEM;

- the integration into our business of the acquired assets and facilities may be time-consuming and costly;

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

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

- if the OEM's requirements exceed the volume anticipated by us, we may be unable to meet the expectations of the OEM as to product quality, timeliness and cost reductions; and

- if the volume of purchases by the OEM are less than anticipated, we may not be able to sufficiently reduce the expenses of operating the facility or use the facility to provide services to other OEMs, and as a result the transaction may adversely affect our gross margins and profitability.

If we do not successfully manage and integrate the acquired assets and achieve anticipated cost reductions, our revenues and gross margins may decline and our results of operations would be harmed.

THE MAJORITY OF OUR SALES COMES FROM A SMALL NUMBER OF CUSTOMERS; IF WE LOSE ANY OF THESE CUSTOMERS, OUR SALES COULD DECLINE SIGNIFICANTLY.

Sales to our ten largest customers have represented a significant percentage of our net sales in recent periods. Our ten largest customers in fiscal 2001 and 2000 accounted for approximately 59% and 57% of net sales in fiscal 2001 and fiscal 2000, respectively. No customer accounted for more than 10% of net sales in fiscal 2001. Our largest customer during fiscal 2000 was Ericsson, who accounted for approximately 12% of net sales. No other customer accounted for more than 10% of net sales in fiscal 2000. We anticipate that our strategic relationship with Ericsson will substantially increase the percentage of our sales attributable to Ericsson.

The identity of our principal customers have varied from year to year, and our principal customers may not continue to purchase services from us at current levels, if at all. 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.

OUR INDUSTRY IS EXTREMELY COMPETITIVE.

The EMS industry is extremely competitive and includes hundreds of companies, several of which have achieved substantial market share. Current and prospective customers also evaluate our capabilities against the merits of internal production. Some of our competitors have substantially greater market share and manufacturing, financial and marketing resources than us.

In recent years, many participants in the industry, including us, have substantially expanded their manufacturing capacity. If overall demand for electronics manufacturing services should decrease, this increased capacity could result in substantial pricing pressures, which could seriously harm our operating results.

WE MAY BE ADVERSELY AFFECTED BY SHORTAGES OF REQUIRED ELECTRONIC COMPONENTS.

At various times, there have been shortages of some of the electronic components that we use, and suppliers of some components have lacked sufficient capacity to meet the demand for these components. In some cases, supply shortages and delays in deliveries of particular components have resulted in curtailed production, or delays in production, of assemblies using that component, which has contributed to an increase in our inventory levels. If we are unable to obtain sufficient components on a timely basis, we may experience manufacturing and shipping delays, which could harm our relationships with current or prospective customers and reduce our sales.

OUR CUSTOMERS MAY BE ADVERSELY AFFECTED BY RAPID TECHNOLOGICAL CHANGE.

Our customers compete in markets that are characterized by rapidly changing technology, evolving industry standards and continuous improvement in products and services. These conditions frequently result in short product life cycles. Our success will depend largely on the success achieved by our customers in developing and marketing their products. If technologies or standards supported by our customers' products become obsolete or fail to gain widespread commercial acceptance, our business could be adversely affected.

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.

We base our tax position upon the anticipated nature and conduct of our business and upon our understanding of the tax laws of the various countries in which we have assets or conduct activities. However, our tax position is subject to review and possible challenge by taxing authorities and to possible changes in law which may have retroactive effect. We cannot determine in advance the extent to which some jurisdictions may require us to pay taxes or make payments in lieu of taxes.

Several countries in which we are located allow for tax holidays or provide other tax incentives to attract and retain business. We have obtained tax holidays or other incentives where available, primarily in China, Malaysia and Hungary. In these three countries, we generated an aggregate of approximately $2.6 billion of our total revenues for the fiscal year ended March 31, 2001. Our taxes could increase if certain tax holidays or incentives are not renewed upon expiration, or tax rates applicable to us in such jurisdictions are otherwise increased. In addition, further acquisitions of businesses may cause our effective tax rate to increase.

WE CONDUCT OPERATIONS IN A NUMBER OF COUNTRIES AND ARE SUBJECT TO RISKS OF INTERNATIONAL OPERATIONS.

The geographical distances between the Americas, Asia and Europe create a number of logistical and communications challenges. 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 East Asia, the Americas 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 resulting from differences in local customer;
- 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 our 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 nations. In addition, some countries in which we operate, such as Brazil, the Czech Republic, Hungary, 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.

WE DEPEND ON OUR EXECUTIVE OFFICERS.

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 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 addition, 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.

WE ARE SUBJECT TO ENVIRONMENTAL COMPLIANCE RISKS.

We are subject to various federal, state, local and foreign environmental laws and regulations, including those governing the use, storage, discharge and disposal of hazardous substances in the ordinary course of our manufacturing process. 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 remediation liability. Further, 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. Currently unexpected costs that we may incur with respect to environmental matters may result in additional loss contingencies, the quantification of which cannot be determined at this time.

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 have a significant effect on the market price of our ordinary shares.

ITEM 2. PROPERTIES

Our facilities consist of a global network of industrial parks, regional manufacturing and technology centers, and design/engineering and product introduction centers, providing over 16.0 million square feet of capacity as of March 31, 2001. We own facilities with approximately 1.1 million square feet in the Americas, 2.5 million square feet in Asia and 4.8 million square feet of capacity in Europe. We lease facilities with approximately 2.9 million square feet in the Americas, 1.5 million square feet in Asia and 3.5 million square feet of capacity in Europe.

Over the past several years, we have actively increased our overall capacity through internal growth, acquisitions and purchases of manufacturing facilities. We plan to further expand our facilities in low cost locations, adding new equipment and further developing our industrial parks. We cannot assure that we will not encounter unforeseen difficulties, costs or delays in expanding our facilities or that our expanded facilities will not prove to be in excess of our requirements.

In connection with the consummated mergers and restructuring activities in fiscal 2001, we developed formal plans to exit certain activities. Management's plan to exit an activity included the identification of duplicate manufacturing and administrative facilities for closure and the identification of manufacturing and administrative facilities for consolidation into other facilities. As a result of these integration activities, we identified approximately 3.2 million of owned and leased square feet of capacity for closure in the Americas. Approximately 700,000 of owned and leased square feet of capacity in Asia was identified for closure. In Europe, we identified approximately 800,000 of owned and leased square feet of capacity for closure. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations--Unusual Charges."

Our industrial parks, each incorporating from approximately 400,000 to 1.2 million square feet of facilities, are self-contained facilities that co-locate our manufacturing and distribution operations with our suppliers in low-cost regions near our customers' end markets. Our industrial parks provide a total supply chain management. This approach to production and distribution benefits our customers by reducing logistical barriers and costs, improving communications, increasing flexibility, lowering transportation costs and reducing turnaround times. We have strategically established large industrial parks in China, Hungary, Mexico, Brazil and Poland.

Our regional manufacturing and technology centers are facilities that have both medium and high volume manufacturing and product introduction centers and, as a result, are where we focus on launching customers' new products and transitioning them to volume production. Each center features advanced technological competency. These regional manufacturing facilities range from approximately 70,000 to 500,000 square feet and provide production in locations close to strategic markets. We have established regional manufacturing and technology centers in Austria, Brazil, China, Denmark, England, Finland, France, Germany, Hungary, India, Indonesia, Ireland, Israel, Italy, Malaysia, Mexico, Norway, Scotland, Sweden, Switzerland and in various states throughout the United States.

Our design/engineering and product introduction centers provide a broad range of advanced engineering services and prototype and low volume production capabilities. The locations of our product introduction centers include Austria, China, Finland, Germany, Italy, Sweden, Switzerland and the United States.

Our facilities are generally well maintained and suitable for the operations conducted and, in substantially all cases where owned, free and clear of any encumbrances. The productive capacity of our plants is generally adequate for current needs. All but two of our

manufacturing facilities are registered to the quality requirements of the International Organization for Standardization (ISO 9000). The remaining two facilities are in the process of final certification.

ITEM 3. LEGAL PROCEEDINGS

None.

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

None.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

PRICE RANGE OF ORDINARY SHARES

Our ordinary shares are quoted on the Nasdaq National 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 2000 as reported on the Nasdaq National Market.

	HIGH	LOW
FISCAL YEAR ENDED MARCH 31, 2000		
First Quarter	$ 14.59	$ 9.34
Second Quarter	17.03	10.63
Third Quarter	24.69	14.28
Fourth Quarter	39.88	19.16
FISCAL YEAR ENDED MARCH 31, 2001		

First Quarter	$ 38.06	$ 22.38
Second Quarter	44.91	32.38
Third Quarter	43.00	21.38
Fourth Quarter	40.13	14.25

All share prices have been adjusted to give effect to the two-for-one stock splits effected as bonus issues (the Singapore equivalent of a stock dividend), distributed to our shareholders on January 11, 1999, December 22, 1999 and October 16, 2000.

As of June 15, 2001, there were 3,703 holders of record of our ordinary shares and the closing sale price of the ordinary shares as reported on the Nasdaq National Market was $21.76 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), and our bank credit facility prohibits the payment of cash dividends without the lenders' prior consent. The terms of our outstanding senior subordinated notes also restrict our ability to pay cash dividends. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources." We anticipate that all earnings in the foreseeable future will be retained to finance the continuing development of our business.

TAXATION

This summary of Singapore and U.S. tax considerations is based on current law and is provided for general information. The discussion does not purport to deal with all aspects of taxation that may be relevant to particular shareholders in light of their investment or tax circumstances, or to certain types of shareholders (including insurance companies, tax-exempt organizations, regulated investment companies, financial institutions or broker-dealers, and shareholders that are not U.S. shareholders subject to special treatment under the U.S. federal income tax laws. Such shareholders should consult their own tax advisors regarding the particular tax consequences to such shareholders of any investment in our ordinary shares.

INCOME TAXATION UNDER SINGAPORE LAW

Under current provisions of the Income Tax Act, Chapter 134 of Singapore, corporate profits are taxed at a rate equal to 24.5%. Under Singapore's taxation system, the tax paid by a company is deemed paid by its shareholders. Thus, the shareholders receive dividends net of the tax paid by Flextronics. Dividends received by either a resident or a nonresident of Singapore are not subject to withholding tax. Shareholders are taxed on the gross amount of dividends (meaning the cash amount of the dividend plus the amount of corporate tax paid by Flextronics). The tax paid by Flextronics will be available to shareholders as a tax credit to offset the Singapore income tax liability on their overall income (including the gross amount of dividends). No tax treaty currently exists between the Republic of Singapore and the U.S.

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 vendor is regarded as carrying on a trade in shares in Singapore (in which case, the disposal profits would be taxable as trade profits rather than capital gains).

There is no stamp duty payable in respect of the holding and disposition of shares. No duty is payable on the acquisition of new shares. Where existing shares are acquired in Singapore, stamp duty is payable on the instrument of transfer of the shares at the rate of S$2 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. Where the instrument of transfer is executed outside of Singapore, stamp duty must be paid if the instrument of transfer is received in Singapore. Under Article 22 (iii) of our Articles of Association, our directors are authorized to refuse to register a transfer unless the instrument of transfer has been duly stamped.

INCOME TAXATION UNDER UNITED STATES LAW

Individual shareholders that are U.S. citizens or resident aliens (as defined in Section 7701(b) of the Internal Revenue Code of 1986), corporations or partnerships or other entities created or organized under the laws of the United States, or any political subdivision thereof, an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust which is subject to the supervision of a court within the United States and the control of section 7701(b)(30) of the Internal Revenue Code will, upon the sale or exchange of a share, recognize gain or loss for U.S. income tax purposes in an amount equal to the difference between the amount realized and the U.S. shareholder's tax basis in such a share. If paid in currency other than U.S. dollars, certain currency translation rules will apply to determine the U.S. dollar amount realized. Such gain or loss will be capital gain or loss if the share was a capital asset in the hands of the U.S. shareholder and will be short-term capital gain or loss if the share has been held for not more than one year, mid-term capital gain or loss if the share has been held for more than one year but not more than eighteen months and, long-term capital gain or loss if the share has been held for more than eighteen months. If a U.S. shareholder receives any currency other than U.S. dollars on the sale of a share, such U.S. shareholder may recognize ordinary income or loss as a result of currency fluctuations between the date of such sale and the date such sale proceeds are converted into U.S. dollars.

U.S. shareholders will be required to report as income for U.S. income tax purposes the amount of any dividend received from us to the extent paid out of our current or accumulated earnings and profits, as determined under current U.S. income tax principles. If over 50% of our stock (by vote or value) were owned by U.S. shareholders who individually held 10% or more of our voting stock, such U.S. shareholders potentially would be required to include in income a portion or all of their pro rata share of our and our non-U.S. subsidiaries' earnings and profits. Certain attribution rules apply in this regard. If 50% or more of our assets during a taxable year produced or were held for the production of passive income, as defined in section 1297(b) of the Code (e.g., certain forms of dividends, interest and royalties), or 75% or more of our gross income for a taxable year was passive income, adverse U.S. tax consequences could result to U.S. shareholders. As of March 31, 2001, we were not aware of any U.S. shareholder who individually held 10% or more of our voting stock.

Shareholders that are not U.S. shareholders will not be required to report for U.S. federal income tax purposes the amount of any dividend received from us. Non-U.S. shareholders, upon the sale or exchange of a share, would not be required to recognize gain or loss for U.S. federal income tax purposes.

ESTATE TAXATION

In the case of an individual who is not domiciled in Singapore, a Singapore estate tax is imposed on the value of all movable and immovable properties situated in Singapore. Our shares are considered to be situated in Singapore. Thus, an individual shareholder who is not domiciled in Singapore at the time of his or her death will be subject to Singapore estate tax on the value of any such shares held by the individual upon the individual's death. Such a shareholder will be required to pay Singapore estate tax to the extent that the value of the shares (or in aggregate with any other assets subject to Singapore estate tax) exceeds S$600,000. Any such excess will be taxed at a rate equal to 5% on the first S$12,000,000 of the individual's Singapore chargeable assets and thereafter at a rate equal to 10%. An individual shareholder who is a U.S. citizen or resident (for U.S. estate tax purposes) also 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.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data have been prepared to give retroactive effect to the pooling of interests mergers completed by us in fiscal 2001. In fiscal 2001, we acquired DII in April 2000, Palo Alto Products International in April 2000, Lightning in August 2000, Chatham in August 2000 and JIT in November 2000.

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 the consolidated financial statements, related notes thereto and other financial data included elsewhere herein.

	FISCAL YEAR ENDED MARCH 31,			
	1997	1998	1999	2
	(IN THOUSANDS, EXCEPT PER SHARE			
CONSOLIDATED STATEMENTS OF OPERATIONS DATA:				
Net sales	$ 1,498,332	$ 2,577,926	$ 3,952,786	$ 6
Cost of sales	1,289,567	2,246,135	3,512,229	6
Unusual charges(1)	16,443	8,869	77,286	
Gross profit	192,322	322,922	363,271	
Selling, general and administrative	113,308	169,586	240,512	
Goodwill and intangibles amortization	5,979	10,487	29,156	
Unusual charges(1)	4,649	12,499	2,000	
Interest and other expense, net	8,398	21,480	52,234	
Income(loss) before income taxes	59,988	108,870	39,369	

Provision for (benefit from) income taxes..	16,415	22,378	(11,634)	
Net income (loss)	$ 43,573	$ 86,492	$ 51,003	$
Diluted earnings (loss) per share(2)	$ 0.18	$ 0.30	$ 0.17	$
Shares used in computing diluted per share amounts(2)	238,770	297,307	329,352	

	AS OF MARCH 31,				
	1997	1998	1999	2000	2001
	(IN THOUSANDS)				
CONSOLIDATED BALANCE SHEETS DATA:					
Working capital	$ 87,855	$ 372,870	$ 384,084	$1,161,535	$1,914,741
Total assets	937,865	1,862,088	2,783,707	5,134,943	7,571,655
Total long-term debt, excluding current portion	139,383	580,441	789,471	645,267	917,313
Shareholders' equity	331,622	641,667	915,305	2,376,628	4,030,361

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(1) In fiscal 1997, we incurred approximately $4.6 million of merger-related expenses associated with an acquisition and $16.4 million in costs associated with the closing and sale of several manufacturing facilities.

In fiscal 1998, we incurred approximately $12.5 million of merger-related expenses and approximately $8.9 million in costs associated with the closure of a manufacturing operation.

In fiscal 1999, we incurred approximately $77.3 million of expenses primarily associated with the closure of a semiconductor wafer fabrication facility and wrote-off approximately $2.0 million of in-process research and development associated with an acquisition.

In fiscal 2000, we incurred approximately $3.5 million of merger-related expenses and $7.5 million in costs primarily associated with the closure of several manufacturing facilities.

In fiscal 2001, we recognized unusual pre-tax charges of $973.3 million. Of this amount, $286.5 million related to the issuance of an equity instrument to Motorola. The remaining $686.8 million includes merger-related expenses of approximately $102.4 million and approximately $584.4 million of costs associated with the closing of several manufacturing facilities.

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(2) We completed a stock split during each of fiscal 1999, 2000 and 2001. Each of the stock splits was effected as bonus issues (the Singapore equivalent of a stock dividend). The stock dividend has been reflected in our financial statements for all periods presented unless otherwise noted. All

share and per share amounts have been retroactively restated to reflect the stock splits.

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. Accordingly, our future results could differ materially from historical results or from those discussed or implied by these forward-looking statements.

ACQUISITIONS

We have actively pursued mergers and other business acquisitions to expand our global reach, manufacturing capacity and service offerings and to diversify and strengthen customer relationships. The significant business combinations completed in fiscal 2001, include the following:

DATE	ACQUIRED COMPANY	NATURE OF BUSINESS	CO
November 2000	JIT Holdings Ltd.	Provides electronics manufacturing and design services	17
August 2000	Chatham Technologies, Inc.	Provides industrial and electronics manufacturing and design services	15
August 2000	Lightning Metal Specialties and related entities	Provides injection molding, metal stamping and integration services	2,
April 2000	Palo Alto Products International Pte. Ltd.	Provides industrial and electronics manufacturing and design services	7,
April 2000	The DII Group, Inc.	Provides electronics manufacturing services	12

Each of these acquisitions was accounted for as a pooling of interests and our consolidated financial statements have been restated to reflect the combined operations of the merged companies for all periods presented. Additionally, we have completed other immaterial pooling of interests transactions in fiscal 2001. Prior period statements have not been restated for these transactions. We have also made a number of business acquisitions of other companies. These transactions were accounted for using the purchase method and, accordingly our consolidated financial statements include the operating results of each business from the date of acquisition. Pro forma results of operations have not been presented because the effects of these acquisitions were not material on either an individual or an aggregate basis.

OTHER STRATEGIC TRANSACTIONS

On May 30, 2000, we entered into a strategic alliance for product manufacturing with Motorola. In connection with this strategic alliance, Motorola paid $100.0 million for an equity instrument that provided it with incentives to purchase products and services from us by entitling it to acquire 22,000,000 of our ordinary shares at any time by meeting targeted purchase levels of up to $32.0 billion through December 31, 2005 or by making additional payments to us. The issuance of this equity instrument on May 30, 2000 resulted in a one-time non-cash charge equal to the excess of the fair value of the equity instrument issued over the $100.0 million proceeds received. As a result, the one-time non-cash charge amounted to approximately $286.5 million offset by a corresponding credit to additional paid-in capital in the first quarter of fiscal 2001. In June 2001, we entered into an agreement with Motorola under which we repurchased this equity instrument for $112.0 million. No current or planned manufacturing programs are affected by the repurchase, and we anticipate that Motorola will continue to be a customer following the repurchase, although our future revenue from Motorola may be less than it would have been had this instrument remained in effect.

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In April 2001, we entered into a definitive agreement with Ericsson with respect to our management of the operations of Ericsson's mobile telephone operations. Operations under this arrangement commenced in the first quarter of fiscal 2002. Under this agreement, we are to provide a substantial portion of Ericsson's mobile phone requirements. We will assume responsibility for product assembly, new product prototyping, supply chain management and logistics management, in which we will process customer orders from Ericsson and configure and ship products to Ericsson's customers. We expect to provide PCBs and plastics, primarily from our Asian operations. In connection with this relationship, we purchased certain equipment, inventory and other assets, and assumed certain accrued expenses, from Ericsson at their net book value of approximately $450.0 million. See Item 1, "Business--Risk Factors--Our strategic relationship with Ericsson creates risks."

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain statements of operations data expressed as a percentage of net sales.

	FISCAL YEAR ENDED MARCH 31,		
	1999	2000	2001
Net sales	100.0%	100.0%	100.0%
Cost of sales	88.9	91.0	91.9
Unusual charges	1.9	0.1	4.2
Gross margin	9.2	8.9	3.9
Selling, general and administrative	6.1	4.6	3.6
Goodwill and intangibles amortization	0.7	0.6	0.5
Unusual charges	0.1	0.1	3.8
Interest and other expense, net	1.3	1.0	0.6
Income (loss) before income taxes	1.0	2.6	(4.6)
Provision for (benefit from) income taxes	(0.3)	0.3	(0.9)

Net income (loss)	1.3%	2.3%	(3.7)%

Net Sales

We derive our net sales from the fabrication and assembly of plastic and metal enclosures, printed circuit boards or PCBs, backplanes and the assembly of complete systems and products. In addition, through our photonics division, we manufacture and assemble photonics components and integrate them into PCB assemblies and other systems. Throughout the production process, we offer design and technology services; logistics services, such as materials procurement, inventory management, vendor management, packaging and distribution; and automation of key components of the supply chain through advanced information technologies. In addition, we have added other after-market services such as network installation.

Net sales for fiscal 2001 increased 74% to $12.1 billion from $7.0 billion in fiscal 2000. The increase in sales for fiscal 2001 was primarily the result of our ability to continue to expand sales to our existing customers as well as expanding sales to new customers worldwide and, to a lesser extent, the incremental revenue associated with the purchases of several manufacturing facilities and related assets during fiscal 2001. During fiscal 2001, our ten largest customers accounted for approximately 59% of net sales, with no customer accounting for more than 10% of net sales. While we experienced significant growth in net sales in fiscal 2001, this growth was hampered in late fiscal 2001 by a decline in demand due to the downturn experienced by the electronics industry, which was driven by a combination of weakening end-market demand (particularly in the telecommunications and networking sectors) and our customers' inventory imbalances. Along with other providers of electronics manufacturing services, our fourth quarter net sales were generally adversely affected by reductions in purchase volumes and delays in purchases by certain customers, as they continued to experience erosion in demand for their products. This trend has continued through the first quarter of fiscal 2002 and may continue, or worsen, in future periods, as the timing of any recovery in our customers' markets is uncertain.

Net sales for fiscal 2000 increased 76% to $7.0 billion from $4.0 billion in fiscal 1999. The increase in sales for fiscal 2000 was primarily due to expanding sales to existing customers and, to a lesser extent, sales to new customers. In fiscal 2000, our ten largest customers accounted for approximately 57% of net sales, with Ericsson accounting for approximately 12% of net sales. No other customer accounted for more than 10% of net sales.

Gross Profit

Gross profit varies from period to period and is affected by a number of factors, including product mix, component costs, product life cycles, unit volumes, startup, expansion and consolidation of manufacturing facilities, pricing, competition and new product introductions. See Item 1, "Business--Risk Factors."

Gross margin decreased to 3.9% for fiscal 2001 from 8.9% in fiscal 2000. The decrease in gross margin is primarily attributable to unusual pre-tax charges amounting to $510.5 million, which were associated with the plant closures, as described in "Unusual Charges," below. Excluding unusual pre-tax charges of $510.5 million and $7.5 million in fiscal 2001 and fiscal 2000, respectively, gross margin decreased to 8.1% for fiscal 2001 from 9.0% in fiscal 2000. Gross margin decreased to 8.9% for fiscal 2000 from 9.2% in fiscal 1999. Excluding unusual pre-tax charges of $7.5 million and $77.3 million in fiscal 2000 and 1999, respectively, gross margin decreased from 11.1% in fiscal 1999 to 9.0% in fiscal 2000. Our gross profit in each fiscal year was adversely affected by several factors, primarily changes in our product mix to higher volume projects, which typically have a lower gross margin because of higher material content, and to a lesser extent, costs associated with expanding our facilities, and costs associated with the startup of new customers and projects, which typically carry higher levels of under absorbed manufacturing overhead costs until the projects reach higher volume production.

Increased mix of products that have relatively high material costs as a percentage of total unit costs has been the primary factor that has adversely affected our gross margins. Further, we may enter into supply arrangements in connection with strategic relationships and OEM divestitures. These arrangements, which are relatively larger in scale, could adversely affect our gross margins. We believe that these and other factors may adversely affect our gross margins, but we do not expect that this will have a material effect on our income from operations.

Unusual Charges

FISCAL 2001

We recognized unusual pre-tax charges of approximately $973.3 million during fiscal year 2001. Of this amount, $493.1 million was recorded in the first quarter and was comprised of approximately $286.5 million related to the issuance of an equity instrument to Motorola combined with approximately $206.6 million of expenses resulting from the DII and Palo Alto Products International mergers and related facility closures. In the second quarter, unusual pre-tax charges amounted to approximately $48.4 million associated with the Chatham and Lightning mergers and related facility closures. In the third quarter, we recognized unusual pre-tax charges of approximately $46.3 million, primarily related to the JIT merger and related facility closures. During the fourth quarter, we recognized unusual pre-tax charges, amounting to $376.1 million related to the closures of several manufacturing facilities and $9.5 million for the impairment of investments in certain technology companies.

On May 30, 2000, we entered into a strategic alliance for product manufacturing with Motorola. See Note 8, "Shareholders' Equity," and Note 14, "Subsequent Events," of the Notes to Consolidated Financial Statements in Item 8, "Financial Statements and Supplementary Data" for further information concerning the strategic alliance. In connection with this strategic alliance, Motorola paid $100.0 million for an equity instrument that entitled it to acquire 22,000,000 of our ordinary shares at any time through December 31, 2005, upon meeting targeted purchase levels or making additional payments to us. The issuance of this equity instrument resulted in a one-time non-cash charge equal to the excess of the fair value of the equity instrument issued over the $100.0 million proceeds received. As a result, the one-time non-cash charge amounted to approximately $286.5 million offset by a corresponding credit to additional paid-in capital in the first quarter of fiscal 2001.

We recorded aggregate unusual charges of $973.3 million, which included approximately $574.9 million of facility closure costs, $102.4 million of direct transaction costs in connection with the mergers we completed in fiscal 2001, $286.5 million related to the issuance of an equity instrument to Motorola and $9.5 million for impairment of certain investments. As discussed below, $510.5 million of the charges relating to facility closures have been classified as a component of Cost of Sales during the fiscal year ended March 31, 2001. We believe that the cost of goods sold savings achieved through lower depreciation and reduced employee expense will be offset by reduced revenues at the affected facilities.

Unusual charges excluding the Motorola equity instrument, by segments, are as follows: Americas $553.1 million, Asia $86.5 million, Western Europe $32.9 million and Central Europe $14.3 million. Unusual charges related to the Motorola equity instrument is not specific to a particular segment, and as such, has not been allocated to a particular geographic segment.

The components of the unusual charges recorded are as follows (in thousands):

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	FIRST QUARTER CHARGES	SECOND QUARTER CHARGES	THIRD QUARTER CHARGES	FOURTH QUARTER CHARGES
Facility closure costs:				
Severance	$62,487	$5,677	$3,606	$60,703
Long-lived asset impairment	46,646	14,373	16,469	155,046
Exit costs	24,201	5,650	19,703	160,368
Total facility closure costs	133,334	25,700	39,778	376,117
Direct transaction costs:				
Professional fees	50,851	7,247	6,250	--
Other costs	22,382	15,448	248	--
Total direct transaction costs	73,233	22,695	6,498	--
Motorola equity instrument	286,537	--	--	--
Other unusual charges	--	--	--	9,450
Total unusual charges	493,104	48,395	46,276	385,567
Income tax benefit	(30,000)	(6,000)	(6,500)	(110,000)
Net unusual charges	$463,104	$42,395	$39,776	$275,567

In connection with the facility closures, we developed formal plans to exit certain activities and involuntarily terminate employees. Management's plan to exit an activity included the identification of duplicate manufacturing and administrative facilities for closure and the identification of manufacturing and administrative facilities for consolidation into other facilities. Management currently anticipates that the facility closures and activities to which all of these charges relate will be substantially completed within one year of the commitment dates of the respective exit plans, except for certain long-term contractual obligations. The following table summarizes the components of the facility closure costs and related activities in fiscal 2001:

	SEVERANCE	LONG-LIVED ASSET IMPAIRMENT
Balance at March 31, 2000	$ --	$ --
Activities during the year:		
First quarter provision	62,487	46,646
Cash charges	(35,800)	--
Non-cash charges	--	(46,646)
Balance at June 30, 2000	26,687	--
Activities during the year:		
Second quarter provision	5,677	14,373
Cash charges	(4,002)	--
Non-cash charges	--	(14,373)
Balance at September 30, 2000	28,362	--
Activities during the year:		
Third quarter provision	3,606	16,469
Cash charges	(7,332)	--
Non-cash charges	--	(16,469)
Balance at December 31, 2000	24,636	--
Activities during the year:		
Fourth quarter provision	60,703	155,046
Cash charges	(13,605)	--
Non-cash charges	--	(155,046)
Balance at March 31, 2001	$ 71,734	$ --

Of the total pre-tax facility closure costs, $132.5 million relates to employee termination costs, of which $68.1 million has been classified as a component of Cost of Sales. As a result of the various exit plans, we identified 11,269 employees to be involuntarily terminated related to the various mergers and facility closures. As of March 31, 2001, 4,457 employees have been terminated, and another 6,812 employees have been notified that they are to be terminated upon completion of the various facility closures and consolidations. During fiscal 2001, we paid employee termination costs of approximately $60.7 million. The remaining $71.7 million of employee termination costs is classified as accrued liabilities as of March 31, 2001 and is expected to be paid out within one year of the commitment dates of the respective exit plans.

The unusual pre-tax charges include $232.5 million for the write-down of long-lived assets to fair value. This amount has been classified as a component of Cost of Sales. Included in the long-lived asset impairment are charges of $229.1 million, which relate to property, plant and equipment associated with the various manufacturing and administrative facility closures which were written down to their fair value of $192.0 million as of March 31, 2001. Certain assets will be held for use and will remain in service until their anticipated disposal dates pursuant to the exit plans. Since the assets will remain in service from the date of the decision to dispose of these assets to the anticipated disposal date, the assets are being depreciated over this expected period. For the assets that are being held for use, an impairment loss is recognized if the carrying amounts of these assets exceed the fair value of the assets. Certain other assets will be held for disposal as these assets are no longer required in operations. Assets held for disposal are no longer being depreciated. For the assets that are being held for disposal, an impairment loss is recognized if the carrying amounts of these assets exceed the fair value less cost to sell. The impaired long-lived assets consisted primarily of machinery and equipment of $153.0 million and building and improvements of $76.1 million. The long-lived asset impairment also includes the write-off of the remaining goodwill and other intangibles related to certain closed facilities of $3.4 million.

The unusual pre-tax charges also include approximately $209.9 million for other exit costs, which have been classified as a component of Cost of Sales. Other exit costs include contractual obligations totaling $85.4 million, which were incurred directly as a result of the various exit plans. These contractual obligations consisted of facility lease terminations amounting to $26.5 million, equipment lease terminations amounting to $31.4 million and payments to suppliers and other third parties to terminate contractual agreements amounting to $27.5 million. We expect to make payments associated with its contractual obligations with respect to facility and equipment leases through the end of fiscal 2006 and with respect to the other contractual obligations with suppliers and other third parties through fiscal 2002. Other exit costs also include charges of $77.0 million relating to asset impairments resulting from customer contracts that were breached when they were terminated by us as a result of various facility closures. These asset impairments were determined based on the difference between the carrying amount and the realizable value of the impaired inventory and accounts receivable. We disposed of the impaired assets, primarily through scrapping and write-offs, by the end of fiscal 2001. Also included in other exit costs were charges amounting to $16.1 million for the incremental costs for warranty work incurred by us for products sold prior to the commitment dates of the various exit plans. Other exit costs also include $11.6 million of facility refurbishment and abandonment costs related to certain building repair work necessary to prepared the exited facilities for sale or return the facilities to the landlord. The remaining $19.8 million of other exit costs recorded were primarily associated with incremental amounts of legal and environmental costs, incurred directly as a result of the various exit plans and facility closures. We paid approximately $23.1 million of other exit costs during fiscal 2001. Additionally, approximately $91.5 million of other exit costs were non-cash charges utilized during fiscal 2001. The remaining $95.3 million is classified in accrued liabilities as of March 31, 2001 and are expected to be substantially paid out within one year from the commitment dates of the respective exit plans, except for certain long-term contractual obligations.

The direct transaction costs include approximately $64.3 million of costs primarily related to investment banking and financial advisory fees as well as legal and accounting costs associated with the merger transactions. Other direct transaction costs which totaled approximately $38.1 million were mainly comprised of accelerated debt prepayment expense, accelerated executive stock compensation and benefit-related expenses. We paid approximately $70.9 million of the direct transaction costs during fiscal 2001. Additionally, approximately $28.2 million of the direct transaction costs were non-cash charges utilized during fiscal 2001. The remaining $3.3 million is classified in accrued liabilities as of March 31, 2001 and is expected to be substantially paid out in the first quarter of fiscal 2002.

FISCAL 2000

In fiscal 2000, we recognized unusual pre-tax charges in the Americas business segment of $7.5 million related to the operations of Chatham, which included severance and related charges of approximately $4.4 million and other facility exit costs of approximately $3.1 million.

Additionally, unusual pre-tax charges in the Western Europe business segment of $3.5 million were recorded in fiscal 2000, related to the Kyrel EMS Oyj merger. The unusual charges consisted of a transfer tax of $1.7 million, approximately $0.4 million of investment banking fees and approximately $1.4 million of legal and accounting fees.

FISCAL 1999

During fiscal 1999, we recognized unusual pre-tax charges in the Americas business segment of approximately $79.3 million, substantially all of which related to the operations of our wholly owned subsidiary, Orbit Semiconductor, Inc. ("Orbit").

We decided to sell Orbit's 6-inch, 0.6 micron wafer fabrication facility ("Fab") and adopt a fabless manufacturing strategy to complement Orbit's design and engineering services. The charges were primarily due to the impaired recoverability of inventories, intangible assets and fixed assets, and other costs associated with the exit of semiconductor manufacturing. The Fab was ultimately sold in January 1999.

The components of the unusual charges recorded in fiscal 1999 are as follows:

	FIRST QUARTER CHARGES	FOURTH QUARTER CHARGES	TOTAL CHARGES
Severance	$ 498	$ 2,371	$ 2,869
Long-lived asset impairment	38,257	16,538	54,795
Losses on sales contracts	2,658	3,100	5,758
Incremental uncollectible accounts receivable	900	--	900
Incremental sales returns and allowances	1,500	500	2,000
Inventory write-downs	5,500	250	5,750
Acquired in-process research and development	--	2,000	2,000
Other exit costs	1,845	3,369	5,214
Total Unusual Pre-Tax Charges	$51,158	$28,128	$79,286

Of the total unusual pre-tax charges, approximately $2.9 million relates to employee termination costs. As a result of the closure of the fabrication facility, 460 employees were terminated. The terminations were completed and related severance costs were fully paid out by the first quarter of fiscal 2000.

The unusual pre-tax charges include approximately $54.8 million for the write-down of long-lived assets to fair value. Included in the long-lived asset impairment are charges of $50.7 million related to the Fab which was written down to its net realizable value based on its sales price. The impaired long-lived assets consisted primarily of machinery and equipment of $43.4 million and building and improvements of $7.3 million. The long-lived asset impairment also includes the write-off of the remaining goodwill of $0.6 million. The remaining $3.5 million of asset impairment relates to the write-down to net realizable value of a facility we exited during fiscal 1999.

We entered into certain non-cancelable sales contracts to provide semiconductors to customers at fixed prices. Because we were obligated to fulfill the terms of the agreements at selling prices which were not sufficient to cover the cost to produce or acquire such products, a liability for losses on sales contracts was recorded for the estimated future amount of such losses. The unusual pre-tax charges include approximately $8.7 million for losses on sales contracts, incremental amounts of uncollectible accounts receivable, and estimated incremental costs for sales returns and allowances, all of which were fully utilized by the end of fiscal 2000.

The unusual pre-tax charges also include approximately $10.9 million for losses on inventory write-downs and other exit costs. We have written off and disposed of approximately $5.8 million of inventory. The remaining $5.1 million relates primarily to incremental costs and contractual obligations for items such as lease termination costs, litigation, environmental clean-up costs, and other exit costs incurred directly as a result of the exit plan, all of which were paid out or non-cash charges utilized by the end of fiscal 2000.

The purchase price of Advanced Component Labs ("ACL") included in-process research and development costs totaling $2.0 million which had not reached technological feasibility and had no probable alternative future use. Accordingly, we wrote-off $2.0 million of in-process research and development in fiscal 1999.

Selling, General and Administrative Expenses

Selling, general and administrative expenses, or SG&A, for fiscal 2001 increased to $430.1 million from $320.0 million in fiscal 2000 but decreased as a percentage of net sales to 3.6% in fiscal 2001 from 4.6% in fiscal 2000. SG&A for fiscal 2000 increased to $320.0 million from $240.5 million in fiscal 1999 but decreased as a percentage of net sales to 4.6% in fiscal 2000 from 6.1% in fiscal 1999. The dollar increase in SG&A for each fiscal year was primarily due to our continued investment in infrastructure such as sales, marketing, supply-chain management and other related corporate and administrative expenses as well as information systems necessary to support the expansion of our business. The decline in SG&A as a percentage of each fiscal year's net sales reflects our continued focus on controlling operating expenses relative to sales growth and gross margin levels.

Goodwill and Intangible Assets Amortization

Goodwill and intangible assets amortization in fiscal 2001 increased to $63.5 million from $41.3 million in fiscal 2000. This increase was directly the result of the various acquisitions in fiscal 2001 which were accounted for as purchase transactions, which primarily include Irish Express Cargo Ltd, Fico, Inc. (United States), Li Xin Industries, Ltd. and Ojala Yhtyma Oy.

Goodwill and intangible assets amortization in fiscal 2000 increased to $41.3 million from $29.2 million in fiscal 1999 primarily related to the acquisition of ACL which was completed in late March 1999, and various business acquisitions completed during fiscal 2000.

Interest and Other Expense, Net

Interest and other expense, net decreased to $67.1 million in fiscal 2001 from $69.9 million in fiscal 2000. The following table sets forth information concerning the components of interest and other expense.

	1999	2000	2
Interest expense	$ 61,430	$ 84,198	$ 13
Interest income	(11,374)	(22,681)	(3
Foreign exchange (gain) loss	3,543	2,128	(
Other (income) expense, net	(1,365)	6,267	(3
Total interest and other expense, net	$ 52,234	$ 69,912	$ 6

Net interest expense increased to $103.0 million in fiscal 2001 from $61.5 million in fiscal 2000. The increase was primarily attributable to the interest expense associated with the approximately $645.0 million of senior subordinated notes, consisting of $500.0 million of 9.875% notes and euros 150.0 million of 9.75% notes we issued in June 2000.

Net interest expense increased to $61.5 million in fiscal 2000 from $50.1 million in fiscal 1999. The increase was attributable to the increased bank borrowings to finance our capital expenditures, expansion of various facilities and industrial parks and purchases of manufacturing assets offset by increased interest income from our deployment of equity offering proceeds in money market funds and corporate debt securities. Fiscal 2000 net interest expense included accelerated amortization of approximately $1.0 million in bank arrangement fees associated with the termination of a credit facility.

In fiscal 2001, there was $4.0 million of foreign exchange gain compared to foreign exchange loss of $2.1 million in fiscal 2000. The foreign exchange gain generated in fiscal 2001 mainly relates to net non-functional currency monetary liabilities in Singapore, Germany and Hungary. In fiscal 2000, there was $2.1 million of foreign exchange loss compared to $3.5 million foreign exchange loss in fiscal 1999. The foreign exchange loss in fiscal 2000 mainly relates to net non-functional currency monetary liabilities in Austria, Finland and Hungary.

Other (income) expense, net changed from $6.3 million of net other expense in fiscal 2000 to $31.9 million of net other income in fiscal 2001 primarily due to realized gains on sales of marketable equity securities. The other expense in fiscal 2000 was comprised mainly of a loss on disposal of fixed assets in Hungary offset by compensation received in a settlement of a claim.

Provision for 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 7, "Income Taxes," of the Notes to Consolidated Financial Statements included in Item 8, "Financial Statements and Supplementary Data."

The consolidated effective tax rate for a particular year will vary depending on the mix of earnings, operating loss carryforwards, income tax credits, and changes in previously established valuation allowances for deferred tax assets based upon management's current analysis of the realizability of these deferred tax assets. Our consolidated effective tax rate was a 19% benefit for fiscal year 2001 compared to a 13% provision for fiscal year 2000, however, excluding the unusual charges in fiscal 2001 the effective tax rate was 11%. The slight decrease in the effective tax rate was due primarily to the expansion of operations and increase in profitability in countries with lower tax rates. See Item 1, "Business--Risk Factors--We are subject to the risk of increased income taxes."

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2001 we had cash and cash equivalents balances totaling $631.6 million, total bank and other debts amounting to $1.2 billion and $500.0 million available for borrowing under our credit facilities subject to compliance with certain financial ratios. Our working capital increased to $1.9 billion at March 31, 2001 from $1.2 billion at March 31, 2000. Additionally, our debt to equity ratio improved to 31% at March 31, 2001 from 49% at March 31, 2000.

Cash used in operating activities was $469.7 million and $34.4 million in fiscal 2001 and 2000, respectively. In fiscal 1999, operating activities provided cash amounting to $160.9 million. Operating activities used cash in fiscal 2001 primarily as a result of significant increases in accounts receivable and inventory, partially offset by an increase in accounts payable combined with the $446.0 million net

loss. Cash provided by operating activities decreased in fiscal 2000 from fiscal 1999 because of increases in accounts receivable, inventories and other current assets, offset by increases in net income and accounts payable.

Accounts receivable, net of allowance for doubtful accounts, increased to $1.7 billion at March 31, 2001 from $1.1 billion at March 31, 2000. The increase in accounts receivable was primarily due to an increase of approximately 74% in net sales in fiscal 2001.

Inventories increased to $1.8 billion at March 31, 2001 from $1.1 billion at March 31, 2000. The increase in inventories was primarily the result of increased purchases of materials to support our growing sales, combined with the inventory acquired in connection with the manufacturing facility purchased during the fourth quarter of fiscal 2001. Additionally, many of our customers have experienced a slowdown in demand for their products since late 2000 which in some cases has resulted in the deferral of purchases, thereby adversely affecting our inventory levels at the end of our fiscal year.

Cash used in investing activities was $1.1 billion, $879.4 million and $572.2 million in fiscal 2001, 2000 and 1999, respectively. Cash used in investing activities in fiscal 2001 were primarily related to:

- $711.2 million of net capital expenditures to purchase equipment and the continued expansion of our manufacturing facilities worldwide, and specifically for our continued expansion of our industrial park strategy with new parks in Gdansk, Poland, Sao Paulo, Brazil and Nyiregyhaza, Hungary;

- $239.0 million for purchases of manufacturing facilities and related asset purchases, comprised primarily of Bosch Telecom GmbH's Denmark facility, Ascom's Switzerland facility and Siemens Mobile's Italy and United States facilities;

- $54.4 million primarily for minority investment in the stocks of various technology companies in software and related industries;

and

- $158.9 million for acquisitions of businesses.

Additionally, we received proceeds of $46.9 million from the sale of marketable securities of various technology companies.

Cash used in investing activities in fiscal 2000 were primarily related to:

- $462.4 million of net capital expenditures to purchase equipment and continued expansion of our manufacturing facilities in Brazil, China, Hungary, Mexico, Sweden and United States;

- $249.8 million for acquisitions of manufacturing facilities and assets, comprised primarily of Cabletton Systems Inc.'s New Hampshire and Ireland facilities, Fujitsu Siemens Computer's Germany facility, Ericsson Business Network's Sweden facility, ABB Automation Product's Sweden facility and Ericsson AG's Austria facility;

- $42.4 million for minority investment in the stocks of various technology companies in software and related industries;

- $75.0 million of funding for a loan to another company, and;

- $85.7 million for acquisitions of businesses.

Additionally, we received proceeds of $35.9 million from the sale of certain subsidiaries.

Cash provided by financing activities was $1.5 billion, $1.4 billion and $501.8 million in fiscal 2001, 2000, and 1999, respectively. Cash provided by financing activities in fiscal 2001 were primarily related to our completion of two public stock offerings. In June 2000, we sold a total of 11.0 million ordinary shares at a price of $35.63 per share resulting in net proceeds to us of approximately $375.9 million. In July 2000, we sold an additional 1.65 million ordinary shares at a price of $35.63 per share resulting in net proceeds of $55.7 million, which represented the overallotment option on the public stock offering completed in June 2000. Also, in February 2001, we completed a public stock offering of 27.0 million ordinary shares at a price of $37.94 per share resulting in net proceeds of $990.1 million. Additionally, cash provided by financing activities in fiscal 2001 resulted from:

- $1.4 billion of bank borrowings and long-term debt, which primarily resulted from the issuance of approximately $645.0 million of senior subordinated notes, consisting of $500.0 million of 9.875% notes and euros 150.0 million of 9.75% notes we issued in June 2000;

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- $100.0 million of proceeds from an equity instrument issued to Motorola;

- $78.5 million in proceeds from ordinary shares issued under our stock plans.

Additionally, our financing activities used $1.5 billion for the repayment of bank borrowings and long-term debt and $31.8 million for the repayment of capital lease obligations. The repayments of our bank borrowings and long-term debt primarily resulted from the use of the proceeds from our issuance of the senior notes in June 2000. See Note 4, "Bank Borrowings and Long-Term Debt," of the Notes to Consolidated Financial Statements in Item 8, "Financial Statements and Supplementary Data" for a description of our bank credit facilities and long-term debt.

Cash provided by financing activities in fiscal 2000 was primarily related to the completion of three public stock offerings. In February 2000, we sold a total of 17.2 million ordinary shares at a price of $29.50 per share resulting in net proceeds to us of approximately $494.2 million. In October 1999, we sold a total of 27.6 million ordinary shares at a price of $16.92 per share resulting in net proceeds to us of approximately $448.9 million. In addition, in October 1999, DII sold a total of 13.8 million shares of its common stock in a public offering at a price of $16.50 per share, resulting in net proceeds of approximately $215.7 million. Cash provided by financing activities in fiscal 2000 also included:

- $181.5 million of net proceeds from bank borrowings, capital leases, and long-term debts;

- $26.9 million in proceeds from ordinary shares issued under our stock plans.

Additionally, we used cash of approximately $26.6 million for the payment of dividends to former shareholders of acquired companies prior to their acquisition by us.

In April 2001, we entered into a definitive agreement with Ericsson with respect to our management of the operations of Ericsson's mobile telephone operations. Operations under this arrangement commenced in the first quarter of fiscal 2002. Under this agreement, we are to provide a substantial portion of Ericsson's mobile phone requirements. In connection with this relationship, we purchased certain equipment, inventory and other assets, and assumed certain accrued expenses, from Ericsson at their net book value of approximately $450.0 million. Additionally, in the first quarter of fiscal 2002, we announced our intentions to purchase the manufacturing facility and related assets from Alcatel located in Laval, France. The estimated purchase price is subject to final negotiations, due diligence and working capital levels at the time of closing, but is not expected to be a material cash requirement.

We anticipate that our working capital requirements and capital expenditures will continue to increase in order to support the anticipated continued growth in our operations. In addition to our anticipated manufacturing facilities and related asset purchases, we also anticipate incurring significant capital expenditures and operating lease commitments in order to support our anticipated expansions of our industrial parks in Brazil, China, Hungary, Mexico and Poland as well as our regional manufacturing facilities in the Czech Republic and Ireland. We intend to continue our acquisition strategy and it is possible that future acquisitions may be significant and may require the payment of cash. Future liquidity needs will also depend on fluctuations in levels of inventory, the timing of expenditures by us on new equipment, the extent to which we utilize operating leases for the new facilities and equipment, levels of shipments and changes in volumes of customer orders.

Historically, we have funded our operations from the proceeds of public offerings of equity securities and debt offerings, cash and cash equivalents generated from operations, bank debt, sales of accounts receivable and capital equipment lease financings. We believe that our existing cash balances, together with anticipated cash flows from operations and borrowings available under our credit facility will be sufficient to fund our operations through at least the next twelve months. We anticipate that we will continue to enter into debt and equity financings, sales of accounts receivable and lease transactions to fund our acquisitions and anticipated growth. Such financings and other transactions may not be available on terms acceptable to us or at all. See Item 1, "Business--Risk Factors--If we do not manage effectively the expansion of our operations, our business may be harmed."

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. 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 million in any single institution. We protect our

invested principal funds 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, 2001, the outstanding amount in the investment portfolio was $349.8 million, comprised mainly of money market funds with an average return of 5.26%.

We also have exposure to interest rate risk with certain variable rate 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. We primarily enter into debt obligations to support general corporate purposes including capital expenditures, acquisitions and working capital needs. As of March 31, 2001, the outstanding short-term debt, including capitalized leases was $325.7 million. The following table presents principal cash flows and related weighted average interest rates by expected maturity dates for debt obligations. The variable interest rate for future years assumes the same rate as March 31, 2001. The information is presented in U.S. dollar equivalents, which is our reporting currency. The instruments' actual cash flows are denominated in both U.S. dollars ($US) and Euro (E), as indicated in parentheses.

	EXPECTED FISCAL YEAR OF MATURITY					
	2002	2003	2004	2005	2006	THEREA
	($US EQUIVALENTS IN THOUSANDS)					
Long-term Debt						
Fixed Rate ($US)	$ 280,833	$ 39.831	$ 13,996	$ 9,593	$ 11,727	$ 652,
Average interest rate	6.33%	6.40%	6.41%	6.46%	6.54%	9
Fixed Rate (E)	--	--	--	--	--	$ 133,
Average interest rate	--	--	--	--	--	9
Variable Rate ($US)	$ 17,219	$ 145	$ 145	$ 145	$ 145	$ 17,

Average interest rate	8.12%	7.4%	7.4%	7.4%	7.4%	8

FOREIGN CURRENCY EXCHANGE RISK

We transact business in various foreign countries. We manage our foreign currency exposure by borrowing in various foreign currencies and by entering into foreign exchange forward contracts only with respect to transaction exposure. We try to maintain a fully hedged position for all certain, known transaction exposures. These exposures are primarily, but not limited to, revenues, vendor payments, accrued expenses and inter-company balances in currencies other than the functional currency unit of the operating entity. We will first evaluate and, to the extent possible, use non-financial techniques, such as currency of invoice, leading and lagging payments, receivable management or local borrowing to reduce transaction exposure before taking steps to minimize remaining exposure with financial instruments. The credit risk of these forward contracts is minimal since the contracts are with large financial institutions. We hedge committed exposures and these forward contracts generally do not subject us to risk of accounting losses. The gains and losses on forward contracts generally offset the gains and losses on the asset, liabilities and transactions hedged. Our off-balance sheet financial instruments consist of $200.4 million of aggregate foreign currency forward contracts outstanding as of March 31, 2001, of which over 70% will settle in Swedish Kroner. These foreign exchange contracts expire in less than three months and will settle in Euro, Swiss Franc, Swedish Kronor, British Pounds and United States dollar.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Flextronics International Ltd.

We have audited the accompanying consolidated balance sheets of Flextronics International Ltd. (a Singapore Company) and subsidiaries as of March 31, 2000 and 2001 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, 2001. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the schedule based on our audits. We did not audit the consolidated balance sheet of The DII Group, Inc., a company acquired during fiscal 2001 in a transaction accounted for as a pooling of interests, as of January 2, 2000, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the two years in the period ended January 2, 2000, as discussed in Note 11. Such statements are included in the consolidated financial statements of Flextronics International Ltd. and reflect total assets of 22% of the related consolidated total as of March 31, 2000, and reflect total revenues of 23% and 19% of the related consolidated totals for the years ended March 31, 1999 and 2000, respectively. These statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to amounts included for The DII Group, Inc., is based solely upon the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Flextronics International Ltd. and subsidiaries as of March 31, 2000 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2001 in conformity with accounting principles generally accepted in the United States.

Our audits and the report of other auditors were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed under Item 14(a) 2 is presented for the purpose of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

San Jose, California
April 20, 2001

INDEPENDENT AUDITORS' REPORT

Board of Directors
The DII Group, Inc.

We have audited the consolidated balance sheet of The DII Group, Inc. and Subsidiaries (the "Company") as of January 2, 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the two years in the period ended January 2, 2000 (none of which are presented herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 the Company as of January 2, 2000 and the results of its operations and its cash flows for each of the two years in the period ended January 2, 2000, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Denver, Colorado
March 28, 2000

FLEXTRONICS INTERNATIONAL LTD.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	M
	2000
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 747,049
Accounts receivable, less allowance for doubtful accounts of $24,957 and $44,419 as of March 31, 2000 and 2001, respectively	1,057,949
Inventories, net	1,142,594
Other current assets	275,152
Total current assets	3,222,744
Property, plant and equipment, net	1,323,732
Goodwill and other intangibles, net	390,351
Other assets	198,116
Total assets	$ 5,134,943
LIABILITIES AND SHAREHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Bank borrowings and current portion of long-term debt	$ 487,773
Current portion of capital lease obligations	24,037
Accounts payable	1,227,142
Other current liabilities	317,879
Deferred revenue	4,378
Total current liabilities	2,061,209
Long-term debt, net of current portion	593,830
Capital lease obligations, net of current portion	51,437
Other liabilities	51,839
Commitments and contingencies	
SHAREHOLDERS' EQUITY:	
Ordinary shares, S$.01 par value; authorized -- 1,500,000,000 shares; issued and outstanding - 411,596,229 and 481,531,339 as of March 31, 2000 and 2001, respectively	2,467
Additional paid-in capital	1,997,016
Retained earnings (deficit)	373,735

Accumulated other comprehensive income (loss)	8,494
Deferred compensation	(5,084
Total shareholders' equity	2,376,628
Total liabilities and shareholders' equity	$ 5,134,943

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

FLEXTRONICS INTERNATIONAL LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	YEARS ENDED MARCH 31,		
	1999	2000	
Net sales	$ 3,952,786	$ 6,959,122	$ 12
Cost of sales	3,512,229	6,335,242	11
Unusual charges	77,286	7,519	
Gross profit	363,271	616,361	
Selling, general and administrative	240,512	319,952	
Goodwill and intangibles amortization	29,156	41,326	
Unusual charges	2,000	3,523	
Interest and other expense, net	52,234	69,912	
Income (loss) before income taxes	39,369	181,648	
Provision for (benefit from) income taxes	(11,634)	23,080	
Net income (loss)	$ 51,003	$ 158,568	$
Earnings (loss) per share:			
Basic	$ 0.17	$ 0.44	$
Diluted	$ 0.17	$ 0.42	$
Shares used in computing per share amounts:			
Basic	299,984	356,338	
Diluted	329,352	383,119	

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

FLEXTRONICS INTERNATIONAL LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(IN THOUSANDS)

	YEARS
	1999
Net income (loss)	$ 51,003
Other comprehensive income (loss):	
Foreign currency translation adjustment, net of tax	(12,793)
Unrealized gain (loss) on available-for-sale securities, net of tax	--
Comprehensive income (loss)	$ 38,210

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

FLEXTRONICS INTERNATIONAL LTD.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED MARCH 31, 1999, 2000 AND 2001
(IN THOUSANDS)

	ORDINARY SHARES	
	SHARES	AMOUN
BALANCE AT MARCH 31, 1998	288,370	$ 1,
Issuance of ordinary shares for acquisitions	511	
Issuance of common stock	4,144	
Exercise of stock options	5,482	
Ordinary shares issued under Employee Stock Purchase Plan	2,957	
Tax benefit on employee stock plans	--	
Sale of ordinary shares in public offering, net of offering costs	21,600	
Ordinary share repurchase	(4,684)	
Conversion of convertible notes	2	
Dividends paid to former shareholders	--	
Deferred stock compensation	--	
Amortization of deferred stock compensation	--	
Net income	--	
Foreign currency translation	--	
BALANCE AT MARCH 31, 1999	318,382	1,
Adjustment to conform fiscal year of pooled entity	--	

Impact of immaterial pooling of interests acquisitions	1,847	
Issuance of common stock	2,448	
Exercise of stock options	4,991	
Ordinary shares issued under Employee Stock Purchase Plan	2,118	
Tax benefit on employee stock plans	--	
Sale of ordinary shares in public offering, net of offering costs	67,018	
Conversion of convertible notes	14,792	
Dividends paid to former shareholders	--	
Deferred stock compensation	--	
Amortization of deferred stock compensation	--	
Net income	--	
Change in unrealized gain (loss) on available for sale securities	--	
Foreign currency translation	--	
BALANCE AT MARCH 31, 2000	411,596	2,
Adjustment to conform fiscal year of pooled entities	6,882	
Impact of immaterial pooling of interests acquisitions	728	
Issuance of ordinary shares for acquisitions	10,825	
Exercise of stock options	11,405	
Ordinary shares issued under Employee Stock Purchase Plan	445	
Tax benefit on employee stock plans	--	
Sale of ordinary shares in public offering, net of offering costs	39,650	
Dividends paid to former shareholders	--	
Amortization of deferred stock compensation	--	
Issuance of equity instrument (Note 9)	--	
Net loss	--	
Change in unrealized gain (loss) on available for sale securities	--	
Foreign currency translation	--	
BALANCE AT MARCH 31, 2001	481,531	$ 2,

	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	DEFERR COMPENSA
BALANCE AT MARCH 31, 1998	$ (17,600)	$ (12
Issuance of ordinary shares for acquisitions	--	
Issuance of common stock	--	
Exercise of stock options	--	
Ordinary shares issued under Employee Stock Purchase Plan	--	
Tax benefit on employee stock plans	--	
Sale of ordinary shares in public offering, net of offering costs	--	
Ordinary share repurchase	--	
Conversion of convertible notes	--	
Dividends paid to former shareholders	--	
Deferred stock compensation	--	1
Amortization of deferred stock compensation	--	2
Net income	--	
Foreign currency translation	(14,538)	
BALANCE AT MARCH 31, 1999	(32,138)	(9
Adjustment to conform fiscal year of pooled entity	--	
Impact of immaterial pooling of interests acquisitions	--	
Issuance of common stock	--	
Exercise of stock options	--	

Ordinary shares issued under Employee Stock Purchase Plan	--	
Tax benefit on employee stock plans	--	
Sale of ordinary shares in public offering, net of offering costs	--	
Conversion of convertible notes	--	
Dividends paid to former shareholders	--	
Deferred stock compensation	--	
Amortization of deferred stock compensation	--	4
Net income	--	
Change in unrealized gain (loss) on available for sale securities	59,704	
Foreign currency translation	(19,072)	
BALANCE AT MARCH 31, 2000	8,494	(5
Adjustment to conform fiscal year of pooled entities	(3,787)	
Impact of immaterial pooling of interests acquisitions	--	
Issuance of ordinary shares for acquisitions	--	
Exercise of stock options	--	
Ordinary shares issued under Employee Stock Purchase Plan	--	
Tax benefit on employee stock plans	--	
Sale of ordinary shares in public offering, net of offering costs	--	
Dividends paid to former shareholders	--	
Amortization of deferred stock compensation	--	5
Issuance of equity instrument (Note 9)	--	
Net loss	--	
Change in unrealized gain (loss) on available for sale securities	(55,851)	
Foreign currency translation	(55,382)	
BALANCE AT MARCH 31, 2001	$ (106,526)	$

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

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FLEXTRONICS INTERNATIONAL LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEARS
	1999
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income (loss)	$ 51,003
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation, amortization and impairment charges	180,153
Loss (gain) on sales of equipment	(427)
Provision for doubtful accounts	1,149
Provision for inventories	7,624
Equity in earnings of associated companies	(2,529)
In-process research and development	2,000
Gain on sales of subsidiaries and long-term investments	(67)
Amortization of deferred stock compensation	2,247

Non-cash charge from issuance of equity instrument	--
Minority interest expense and other non-cash unusual charges	11,553
Changes in operating assets and liabilities, net of acquisitions:	
Accounts receivable	(180,873)
Inventories	(112,381)
Other current assets	(30,848)
Other current liabilities, including accounts payable	253,645
Deferred revenue	314
Deferred income taxes	(21,681)
Net cash provided by (used in) operating activities	160,882
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment, net of proceeds from sale of equipment	(322,185)
Purchases of OEM facilities and related assets	(104,900)
Proceeds from sales of subsidiaries and investments	--
Other investments and notes receivable	(15,250)
Acquisitions of businesses, net of cash acquired	(130,441)
Other	572
Net cash used in investing activities	(572,204)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Bank borrowings and proceeds from long-term debt	497,188
Repayments of bank borrowings and long-term debt	(178,872)
Repayments of capital lease obligations	(19,337)
Dividends paid to former shareholders	(9,227)
Proceeds from exercise of stock options and Employee Stock Purchase Plan	18,723
Net proceeds from issuance of common stock	23,621
Net proceeds from sale of ordinary shares in public offering	194,000
Proceeds from issuance of equity instrument	--
Payments to acquire treasury stock	(24,335)
Other	--
Net cash provided by financing activities	501,761
Effect on cash from:	
Exchange rate changes	(5,872)
Adjustment to conform fiscal year of pooled entities	--
Net increase (decrease) in cash and cash equivalents	84,567
Cash and cash equivalents, beginning of year	233,598
Cash and cash equivalents, end of year	$ 318,165

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

FLEXTRONICS INTERNATIONAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2001

1. ORGANIZATION OF THE COMPANY

Flextronics International Ltd. ("Flextronics" or the "Company") was incorporated in the Republic of Singapore in May 1990. Flextronics provides electronics manufacturing services to original equipment manufacturers, or OEMs, primarily in the telecommunications, networking, consumer electronics and computer industries. The Company provides a network of design, engineering and manufacturing operations in 27 countries across four continents. Flextronics provides customers with the opportunity to outsource on a global basis, a complete product where the Company takes responsibility for engineering, new product introduction and implementation, manufacturing, supply chain management and logistics management. The Company provides complete product design and technology services; logistics services, such as materials procurement, inventory management, vendor management, packaging and distribution; and automation of key components of the supply chain through advanced information technologies.

2. SUMMARY OF ACCOUNTING POLICIES

Principles of consolidation and basis of presentation

All dollar amounts included in the financial statements are expressed in U.S. dollars unless otherwise designated as Singapore dollars (S$) or Euro.

The accompanying consolidated financial statements include the accounts of Flextronics and its wholly and majority-owned subsidiaries, after elimination of all significant intercompany accounts and transactions.

In the current fiscal year, Flextronics acquired 100% of the outstanding shares of The DII Group, Inc. ("DII"), Lightning Metal Specialties and related entities ("Lightning"), Chatham Technologies, Inc. ("Chatham"), Palo Alto Products International Pte. Ltd. ("Palo Alto Products International") and JIT Holdings Ltd. ("JIT"). These acquisitions were accounted for as pooling of interests and the consolidated financial statements have been prepared to give retroactive effect to the mergers.

DII, Lightning and Chatham operated under a different fiscal year end than Flextronics prior to the respective mergers. However, starting in fiscal 2001, DII, Lightning and Chatham changed their respective year ends to conform to the Company's March 31 year end. Accordingly, DII's and Lightning's operations for the three months ended March 31, 2000, and Chatham's operations for the six months ended March 31, 2000, have been excluded from the consolidated results of operations for fiscal 2001 and reported as an adjustment to retained earnings. Palo Alto Products International and JIT operated under the same fiscal year end as Flextronics, and as such, no alignment of fiscal year ends was required. See Note 11, "Business Combinations," for further details on the respective pooling of interests transactions.

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A reconciliation of results of operations previously reported by the separate companies and the combined amounts presented in the financial statements are summarized below (in thousands).

	YEARS ENDED MARCH 31,	
	1999	2000

Net sales:		
Flextronics	$ 2,233,208	$ 4,307,193
DII	925,543	1,339,943
Lightning	124,795	269,258
Chatham	206,736	376,997
Palo Alto Products International	95,519	95,458
JIT	368,229	573,132
Intercompany elimination	(1,244)	(2,859)
As restated	$ 3,952,786	$ 6,959,122
Net income (loss):		
Flextronics	$ 60,883	$ 120,915
DII	(17,032)	58,382
Lightning	5,051	3,461
Chatham	(15,321)	(41,711)
Palo Alto Products International	4,949	2,148
JIT	12,473	15,373
As restated	$ 51,003	$ 158,568

Reclassifications

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Translation of Foreign Currencies

The functional currency of the majority of Flextronics' Asian subsidiaries and certain other subsidiaries is the U.S. dollar. Accordingly, all of the monetary assets and liabilities of these subsidiaries are translated into U.S. dollars at the current exchange rate as of the applicable balance sheet date, and all non-monetary assets and liabilities are remeasured at historical rates. Revenues and expenses are translated at the average exchange rate prevailing during the period. Gains and losses resulting from the translation of these subsidiaries' financial statements are included in the accompanying consolidated statements of operations.

The financial position and results of operations of the Company's Danish, certain Italian, Norwegian, Polish, Swiss and UK subsidiaries are measured using their respective local currencies as the functional currency. Accordingly, for these subsidiaries all assets and liabilities are translated into U.S. dollars at 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 translation gains and losses from the translation of these subsidiaries' financial statements are reported as a separate component of shareholders' equity. The Company's Finnish, French, German and certain Italian subsidiaries have adopted the Euro as their functional currency.

Cash, Cash Equivalents and Investments

All highly liquid investments with a maturity of three months or less at date of purchase are carried at fair market value and considered to be cash equivalents. Cash and cash equivalents consist of cash deposited in checking and money market accounts, corporate debt securities and certificates of deposit.

The Company's short-term investments comprise of public corporate equity securities and are included within Other Current Assets in the Company's consolidated balance sheets and carried at fair market value. All investments are generally held in the Company's name and custodied with major financial institutions. The specific identification method is used to determine the cost of securities disposed of, with realized gains and losses reflected in other income and expense. At March 31, 2001, all of the Company's short-term investments were classified as available-for-sale. Unrealized holding gains and losses on these investments are included as a separate component of shareholders' equity, net of any related tax effect.

Cash equivalents and short-term investments consist of the following (in thousands):

	MARCH 31, 2001			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIM FAI VAL
Money market funds	$344,499	$ --	$ --	$344
Certificates of deposits	272	--	--	
Corporate debt securities	5,264	--	--	5
Corporate equity securities	1,622	3,853	--	5
	$351,657	$ 3,853	$ --	$355
Included in cash and cash equivalents	$350,035	$ --	$ --	$350
Included in other current assets	1,622	3,853	--	5
	$351,657	$ 3,853	$ --	$355

	MARCH 31, 2000			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIM FAI VAL
Money market funds	$236,342	$ --	$ --	$236
Certificates of deposits	36,775	--	--	36
Corporate debt securities	282,781	--	--	282
Corporate equity securities	19,660	59,704	--	79
	$575,558	$ 59,704	$ --	$635
Included in cash and cash equivalents	555,898	--	--	555
Included in other current assets	19,660	59,704	--	79
	$575,558	$ 59,704	$ --	$635

During fiscal year 2001, net gains realized on the sale of marketable equity securities amounted to approximately $33.4 million. There were no sales activities for the fiscal year ended March 31, 2000. The Company also has certain investments in non-publicly traded companies. These investments are included within Other Assets in the Company's consolidated balance sheet and are carried at cost. The Company monitors these investments for impairment and makes appropriate reductions in carrying values when necessary. During fiscal 2001, the Company recorded an unusual charge of $9.5 million for impairment of its investments in certain technology companies. See Note 9, "Unusual Charges" for further discussion.

Property, plant and equipment

Property, plant and equipment is stated at cost. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the related assets (one to thirty years), with the exception of building leasehold improvements, which are amortized over the life of the lease, if shorter. Repairs and maintenance costs are expensed as incurred. Property, plant and equipment was comprised of the following as of March 31 (in thousands):

	2000	2001
Machinery and equipment	$ 927,294	$ 1,209,422
Buildings	418,332	596,070
Leasehold improvements	55,834	168,764
Computer equipment and software	74,412	167,115
Furniture, fixtures and vehicles	79,397	216,818
Other, including land	119,677	88,901
	1,674,946	2,447,090
Accumulated depreciation and amortization	(351,214)	(618,649)
Property, plant and equipment, net	$ 1,323,732	$ 1,828,441

Concentration of credit risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, are primarily accounts receivable, cash equivalents and investments. The Company performs ongoing credit evaluations of its customers' financial condition and maintains an allowance for doubtful accounts based on the outcome of its credit evaluations. The Company maintains cash and cash equivalents with various financial institutions that management believes to be of high credit quality. These financial institutions are located in many different locations throughout the world.

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No customer accounted for more than 10% of net sales in fiscal 1999 and fiscal 2001. In fiscal 2000, Ericsson accounted for approximately 12% of net sales. We have increasingly focused on sales to larger companies and to customers in the telecommunications, networking, consumer electronics and computer industries. In fiscal 2001, our ten largest customers accounted for approximately 59% of our net sales.

Goodwill and other intangibles

Any excess of cost over net assets acquired (goodwill) is amortized by the straight-line method over estimated lives generally ranging from two to fifteen years.

Intangible assets are comprised of technical agreements, patents, trademarks, developed technologies and other acquired intangible assets including assembled work forces, favorable leases and customer lists. Technical agreements are being amortized on a straight-line basis over periods of up to five years. Patents and trademarks are being amortized on a straight-line basis over periods of up to 5 years. Purchased developed technologies are being amortized on a straight-line basis over periods of up to seven years. Intangible assets related to assembled work forces, favorable leases and customer lists are amortized on a straight-line basis over three to ten years.

Goodwill and other intangibles were as follows as of March 31 (in thousands):

	2000	2001
Goodwill	$ 420,494	$ 1,060,712
Other intangibles	55,397	79,730
	475,891	1,140,442
Accumulated amortization	(85,540)	(157,058)
Goodwill and other intangibles, net	$ 390,351	$ 983,384

Long-lived assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of property and equipment is measured by comparison of its carrying amount, including the unamortized portion of goodwill allocated to the property and equipment, to future net cash flows the property and equipment are expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the property and equipment, including the allocated goodwill, if any, exceeds its fair market value. The Company assesses the recoverability of enterprise level goodwill and intangible assets as well as long-lived assets by determining whether the unamortized balances can be recovered through undiscounted future results of the operation or asset. The amount of enterprise level long lived asset impairment, if any, is measured based on projected discounted future results using a discount rate reflecting the Company's average cost of funds. The Company's adjustments to the carrying value of its long-lived assets are discussed in Note 9, "Unusual Charges."

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 could differ from those estimates.

Inventories

Inventories are stated at the lower of cost (first-in, first-out basis) or market value. Cost is comprised of direct materials, labor and overhead. As of March 31, the components of inventories, net of applicable reserves, were as follows (in thousands):

	2000	2001
Raw materials	$ 820,070	$1,346,427
Work-in-process	207,474	301,875
Finished goods	115,050	138,753
	$1,142,594	$1,787,055

Other current liabilities

Other current liabilities were comprised of the following as of March 31 (in thousands):

	2000	2001
Income taxes payable	$ 26,108	$ 33,777
Accrued payroll	112,035	182,217
Sales taxes and other taxes payable	19,600	20,797
Accrued expenses for unusual charges (see Note 9)	931	170,384
Other accrued liabilities	159,205	323,071
	$317,879	$730,246

Revenue recognition

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." SAB 101 provides guidance on applying generally accepted accounting principles to revenue recognition issues in financial statements. The Company adopted SAB 101 as required in the fourth quarter of fiscal 2001 and the adoption of SAB 101 did not have a material impact on the Company's consolidated financial statements.

The Company's net sales are primarily comprised of manufacturing services. Our manufacturing services include the fabrication and assembly of plastic and metal enclosures, printed circuit boards or PCBs, backplanes and the assembly of complete systems and products. In addition, through our photonics division, we manufacture and assemble photonics components and integrate them into PCB assemblies and other systems. Throughout the production process, we offer other services including design and technology services; logistics services, such as materials procurement, inventory management, vendor management, packaging and distribution; and automation of key components of the supply chain through advanced information technologies. In addition, we have added other after-market services such as network installation.

Revenue from manufacturing services is generally recognized upon shipment of the manufactured product. Other services revenues, which include design, logistics and network installation, are recognized as the services are performed.

Interest and other expense, net

Interest and other expense, net was comprised of the following for the years ended March 31 (in thousands):

	1999	2000	2
Interest expense	$ 61,430	$ 84,198	$ 13
Interest income	(11,374)	(22,681)	(3
Foreign exchange (gain) loss	3,543	2,128	(
Other (income) expense, net	(1,365)	6,267	(3
Total interest and other expense, net	$ 52,234	$ 69,912	$ 6

Earnings Per Share

Basic earnings per share is computed using the weighted average number of ordinary shares outstanding during the applicable periods.

Diluted earnings per share is computed using the weighted average number of ordinary shares and dilutive ordinary share equivalents outstanding during the applicable periods. Ordinary share equivalents include ordinary shares issuable upon the exercise of stock options and other equity instruments, and are computed using the treasury stock method.

Earnings per share data were computed as follows for the years ended March 31 (in thousands, except per share amounts):

	1999	
BASIC EARNINGS (LOSS) PER SHARE:		
Net income (loss)	$ 51,003	$
Shares used in computation:		
Weighted-average ordinary shares outstanding	299,984	

	1999
Basic earnings (loss) per share	$ 0.17
DILUTED EARNINGS (LOSS) PER SHARE:	
Net income (loss)	$ 51,003
Plus income impact of assumed conversions:	
Interest expense (net of tax) on convertible subordinated notes	3,105
Amortization (net of tax) of debt issuance costs on convertible subordinated notes	260
Net income (loss) available to shareholders	$ 54,368
Shares used in computation:	
Weighted-average ordinary shares outstanding	299,984
Shares applicable to exercise of dilutive options(1)(2)	14,174
Shares applicable to deferred stock compensation	432
Shares applicable to convertible subordinated notes	14,762
Shares applicable to diluted earnings	329,352
Diluted earnings (loss) per share	$ 0.17

(1) Stock options of the Company calculated based on the treasury stock method using average market price for the period, if dilutive. Options to purchase 1,591,596 and 961,436 shares outstanding during the fiscal years ended March 31, 1999 and March 31, 2000, respectively, were excluded from the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the Company's ordinary shares during those fiscal years.

(2) The ordinary share equivalents from stock options and other equity instruments were antidilutive for the fiscal year ended March 31, 2001, and therefore not assumed to be converted for diluted earnings per share computation.

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," ("SFAS No. 133") which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. It requires that companies recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The Company adopted SFAS No. 133 effective April 2001 and the adoption will not have a material impact on its consolidated financial statements.

3. SUPPLEMENTAL CASH FLOW DISCLOSURES

The following information relates to fiscal years ended March 31 (in thousands):

	1999	2000

Cash paid for:		
Interest	$ 42,513	$ 78,293
Income taxes	16,846	12,927
Non-cash investing and financing activities:		
Equipment acquired under capital lease obligations	50,843	50,897
Conversion of convertible notes to common stock	--	85,074
Issuances of ordinary shares for purchases of OEM assets	--	--
Issuances of ordinary shares for acquisitions of businesses	4,801	--

4. BANK BORROWINGS AND LONG-TERM DEBT

In June 2000, the Company issued approximately $645.0 million of senior subordinated notes, consisting of $500.0 million of 9.875% notes and euros 150.0 million of 9.75% notes. Interest is payable on July 1 and January 1 of each year, commencing January 1, 2001. The notes mature on July 1, 2010. The Company may redeem the notes on or after July 1, 2005. The fair value of the 9.875% senior subordinated notes and the 9.75% euro senior subordinated notes based on broker trading prices was 96.5% and 99.0% of the face value on March 31, 2001, respectively.

Additionally, the Company has $150.0 million in unsecured senior subordinated notes due in 2007 outstanding with an annual interest rate of 8.75%. Interest is payable on April 15 and October 15 of each year. The notes mature on October 15, 2007. The fair value of the unsecured senior subordinated notes based on broker trading prices was 93.5% of the face value on March 31, 2001.

The indentures relating to the notes contain certain covenants that, among other things, limit the ability of the Company and certain of its subsidiaries to (i) incur additional debt, (ii) issue or sell stock of certain subsidiaries, (iii) engage in asset sales, and (iv) make distributions or pay dividends. The covenants are subject to a number of significant exceptions and limitations.

In April 2000, the Company replaced its existing credit facilities, with a $500.0 million Revolving Credit Facility ("Credit Facility") with a syndicate of domestic and foreign banks. The Credit Facility consisted of two separate credit agreements, one providing for up to $150.0 million principal amount of revolving credit loans to the Company and designated subsidiaries ("Tranche A") and one providing for up to $350.0 million principal amount of revolving credit loans to the Company's principal United States subsidiaries ("Tranche B"). Both Tranche A and Tranche B are split equally between a 364 day and a three year facility. Borrowings under the Credit Facility bear interest, at the Company's option, at either: (i) the base rate (as defined in the Credit Facility); or (ii) the LIBOR rate (as defined in the Credit Facility) plus the applicable margin for LIBOR loans ranging between 0.625% and 1.75%, based on certain financial ratios of the Company. The Company is required to pay a quarterly commitment fee ranging from 0.15% to 0.375% per annum, based on certain financial ratios of the Company, of the unutilized portion of the Credit Facility. The Credit Facility was amended on April 3, 2001 to provide for an additional 364 day facility with similar terms and conditions.

The Credit Facility is unsecured, and contains certain restrictions on the Company's ability to (i) incur certain debt, (ii) make certain investments and (iii) make certain acquisitions of other entities. The Credit Facility also requires that the Company maintain certain financial covenants, including, among other things, a maximum ratio of total indebtedness to EBITDA (earnings before interest, taxes, depreciation, and amortization) and a minimum ratio of fixed charge coverage, as defined, during the term of the Credit Facility. Borrowings under the Credit Facility are guaranteed by the Company and certain of its subsidiaries. As of March 31, 2001, there were no borrowings outstanding under the Credit Facility and the Company was in compliance with its covenants

Certain subsidiaries of the Company have various lines of credit available with annual interest rates generally ranging from 3.1% to 7.8%. These lines of credit expire on various dates through 2002. The Company also has term loans with annual interest rates generally below 8.0% with terms of up to 15 years. These lines of credit and term loans are primarily secured by assignment of account receivables and assets.

The Company has financed the purchase of certain facilities with mortgages. The mortgages generally have terms of up to 10 years and annual interest rates ranging from 5.0% to 9.0% and are secured by the underlying properties with a net book value of approximately $63.4 million at March 31, 2001.

Bank borrowings and long-term debt was comprised of the following at March 31 (in thousands):

	2000	2001
Senior subordinated notes	$ 300,000	$ 779,596
Credit facilities	433,849	--
Outstanding under lines of credit	116,624	219,579
Mortgages	23,550	43,340
Term loans and other debt	207,580	135,062
	1,081,603	1,177,577
Current portion	(487,773)	(298,052)
Non-current portion	$ 593,830	$ 879,525

Maturities for the bank borrowings and other long-term debt are as follows for the years ended March 31 (in thousands):

2002	$ 298,052
2003	39,976
2004	14,141
2005	9,738
2006	11,872
Thereafter	803,798
	$1,177,577

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5. FINANCIAL INSTRUMENTS

The value of the Company's cash and cash equivalents, investments, accounts receivable and accounts payable carrying amount approximates fair value. The fair value of the Company's long-term debt (see Note 4, "Bank Borrowings and Long-Term Debt") is determined based on current broker trading prices. The Company's cash equivalents are comprised of cash deposited in money market accounts, corporate debt securities and certificates of deposit (see Note 2, "Summary of Accounting Policies"). The Company's investment policy limits the amount of credit exposure to 20% of the total investment portfolio in any single issuer.

The Company enters into forward exchange contracts to hedge underlying transactional currency exposures and does not engage in foreign currency speculation. The credit risk of these forward contracts is minimal since the contracts are with large financial institutions. The Company hedges committed exposures and these forward contracts generally do not subject the Company to risk of accounting losses. The gains and losses on forward contracts generally offset the gains and losses on the asset, liabilities and transactions hedged. The Company's off-balance sheet financial instruments consist of $61.1 million and $200.4 million of aggregate foreign currency forward contracts outstanding at the end of fiscal year 2000 and 2001, respectively. These foreign exchange contracts expire in less than three months and will settle in Euro, Swiss Franc, Swedish Kronor, British Pound and United States dollar.

6. COMMITMENTS AND CONTINGENCIES

As of March 31, 2000 and 2001, the Company has financed a total of $77.6 million and $142.8 million, respectively in machinery and equipment purchases with capital leases. Accumulated amortization for property and equipment under capital leases totaled $26.8 million and $61.2 million at March 31, 2000 and 2001, respectively. These capital leases have interest rates ranging from 1.8% to 14.6%. The Company also leases certain of its facilities under non-cancelable operating leases. The capital and operating leases expire in various years through 2007 and require the following minimum lease payments for the years ended March 31 (in thousands):

	CAPITAL	OPERATING
2002	$ 31,354	$117,171
2003	20,859	101,714
2004	14,069	70,801
2005	3,177	35,463
2006	1,359	16,456
Thereafter	400	16,848
Minimum lease payments	71,218	$358,453
Amount representing interest	(5,828)	
Present value of minimum lease payments	65,390	
Current portion	(27,602)	
Capital lease obligations, net of current portion	$ 37,788	

Total rent expense was $28.7 million, $50.7 million and $78.7 million for the years ended March 31, 1999, 2000 and 2001, respectively.

We are party to various legal proceedings that arise in the normal course of business. In the opinion of management, the ultimate disposition of these proceedings will not have a material adverse effect on our consolidated financial position, liquidity or results of operations.

7. INCOME TAXES

The domestic and foreign components of income (loss) before income taxes were comprised of the following for the years ended March 31 (in thousands):

	1999	2000	2001
Singapore	$ 4,912	$ 32,377	$(269,771)
Foreign	34,457	149,271	(282,533)
Total	$ 39,369	$ 181,648	$(552,304)

The provision for (benefit from) income taxes consisted of the following for the years ended March 31 (in thousands):

	1999	2000	2001
Current:			
Singapore	$ 2,828	$ 839	$ 6,607
Foreign	7,755	35,406	27,170
	10,583	36,245	33,777
Deferred:			
Singapore	363	2,870	(2,206)
Foreign	(22,580)	(16,035)	(137,856)
	(22,217)	(13,165)	(140,062)
	$ (11,634)	$ 23,080	$(106,285)

The Singapore statutory income tax rate was approximately 26.0% for each of the years in the two year period ended March 31, 2000, and 24.5% for the one year period ended March 31, 2001. The reconciliation of the income tax expense (benefit) expected based on Singapore statutory income tax rates to the provision for (benefit from) income taxes included in the consolidated statements of operations for the years ended March 31 is as follows (in thousands):

	1999	2000	2001
Income taxes based on Singapore statutory rates ...	$ 10,236	$ 47,133	$(135,315)
Effect of tax rate differential	(19,220)	(41,984)	(138,105)
Tax exempt income	(549)	(866)	(8,790)
Amortization of goodwill and other intangibles	3,350	4,334	15,568
Motorola unusual charge	--	--	70,201
Merger expenses	--	--	16,059
Facility closure costs	--	--	46,094
Change in valuation allowance	(2,827)	15,993	26,848
Tax credits and carryforwards	(1,166)	(4,800)	--
Other	(1,458)	3,270	1,155
Provision for (benefit from) income taxes	$ (11,634)	$ 23,080	$(106,285)

The components of deferred income taxes are as follows as of March 31 (in thousands):

	2000	2001
Deferred tax liabilities:		
Unremitted earnings of foreign subsidiaries	$ (2,766)	$ --
Intangible assets	(10,604)	(6,665)
Fixed assets	(34,922)	--
Others	(5,398)	(803)
Total deferred tax liabilities	$ (53,690)	$ (7,468)
Deferred tax assets:		
Fixed assets	$ --	$ 15,855
Deferred compensation	6,057	43,147
Compensated absences	1,164	3,210
Provision for inventory obsolescence	10,867	35,760
Provision for doubtful accounts	5,625	8,782
Net operating loss carryforwards	67,689	133,860
Federal and state credits	11,857	11,414
Uniform capitalization of inventory	4,493	2,523
Unusual charges	--	--
Others	13,069	37,982
Total deferred tax assets	120,821	292,533
Valuation allowances	(50,342)	(102,792)
Total deferred tax assets	$ 70,479	$ 189,741
Net deferred tax asset	$ 16,789	$ 182,273
The net deferred tax asset is classified as follows:		
Current asset (classified as Other Current Assets)	$ 18,338	$ 42,595
Long-term asset (classified as Other Assets/Liabilities)	(1,549)	139,678
	$ 16,789	$ 182,273

A deferred tax asset arises from available tax loss carryforwards and non-deductible accruals. The Company has total tax loss carryforwards of approximately $400.0 million, a portion of which begin expiring in tax year 2010. The utilization of these tax loss deductions is limited to the future operations of the Company in the tax jurisdictions in which such loss deductions arose. As a result, management is uncertain as to when or whether these operations will generate sufficient profit to realize the deferred tax asset benefit. The valuation allowance provides a reserve against deferred tax assets that may expire or go unutilized by the Company. However, management has determined that it is more likely than not that the Company will realize certain of these benefits and, accordingly, has recognized a deferred tax asset from these benefits. The amount of deferred tax assets considered realizable, however, could be reduced or increased in the near-term if facts, including the amount of taxable income or the mix of taxable income between subsidiaries, differ from management's estimates.

The Company does not provide for federal income taxes on the undistributed earnings of its foreign subsidiaries as such earnings are not intended by management to be repatriated in the foreseeable future. Determination of the amount of the unrecognized deferred tax liability on these undistributed earnings is not practicable.

The effective income tax rate is largely a function of the balance between income from domestic and international operations, as well as certain tax holidays and incentives granted to the Company and its subsidiaries in China, Malaysia , Hungary and Czech Republic. These tax incentives and holidays expire over various periods from 2002 to 2010 and are subject to certain conditions with which the Company expects to comply. During the years ended March 31, 2001, 2000 and 1999, the aggregate amount of savings from tax holidays and similar incentives and the associated earnings per share benefits were immaterial.

8. SHAREHOLDERS' EQUITY

Secondary offerings

During fiscal 1999, the Company completed an offering of its ordinary shares. A total of 21,600,000 ordinary shares were sold, resulting in net proceeds to the Company of $194.0 million.

During fiscal 2000, the Company completed three secondary offerings of its ordinary shares. A total of 67,018,000 ordinary shares were sold, resulting in net proceeds to the Company of approximately $1.2 billion.

During fiscal 2001, the Company completed two equity offerings of its ordinary shares. A total of 39,650,000 ordinary shares were sold, resulting in net proceeds to the Company of approximately $1.4 billion.

Stock splits

In fiscal 1999, the Company effected a 2:1 stock split. A distribution of 47,068,458 ordinary shares occurred on January 11, 1999. In fiscal 2000, the Company effected a second 2:1 stock split. A distribution of 57,497,204 ordinary shares occurred on December 22, 1999. In fiscal 2001, the Company effected another 2:1 stock split. A distribution of 209,001,331 ordinary shares occurred on October 16, 2000. Each of the stock splits was effected as a bonus issue (the Singapore equivalent of a stock dividend). The Company has accounted for these transactions as a stock split and all share and per share amounts have been retroactively restated to reflect all stock splits.

Strategic Alliance

On May 30, 2000, the Company entered into a strategic alliance for product manufacturing with Motorola. This alliance provides incentives for Motorola to purchase over $32.0 billion of products and services from us through December 31, 2005. The relationship is not exclusive and does not require that Motorola purchase any specific volumes of products or services from the Company. The Company's ability to achieve any of the anticipated benefits of this relationship is subject to a number of risks, including its ability to provide services on a competitive basis and to expand manufacturing resources, as well as demand for Motorola's products. In connection with this strategic alliance, Motorola paid $100.0 million for an equity instrument that entitles it to acquire 22,000,000 Flextronics ordinary shares at any time through December 31, 2005 upon meeting targeted purchase levels or making additional payments to the Company. The issuance of this equity instrument resulted in a one-time non-cash charge equal to the excess of the fair value of the equity instrument issued over the $100.0 million proceeds received. As a result, the one-time non-cash charge amounted to approximately $286.5 million offset by a corresponding credit to additional paid-in capital in the first quarter of fiscal 2001. During the term of the strategic alliance, if Motorola meets targeted purchase levels, no additional payments may be required by Motorola to

acquire 22,000,000 Flextronics ordinary shares. However, there may be additional non-cash charges of up to $300.0 million over the term of the strategic alliance. (See Note 14, "Subsequent Events" for additional information on this equity instrument.)

Stock-based compensation

The Company's 1993 Share Option Plan (the "Plan") provides for the grant of up to 50,800,000 incentive stock options and non-statutory stock options to employees and other qualified individuals to purchase ordinary shares of the Company. As of March 31, 2001, the Company had 5,741,227 ordinary shares available for future option grants under the Plan at an exercise price of not less than 85% of the fair value of the underlying stock on the date of grant. Options issued under the Plan generally vest over 4 years. Pursuant to an amendment to the provisions relating to the term of options provided under the Plan, options granted subsequent to October 1, 2000 expire 10 years from the date of grant, rather than the five-year term previously provided.

The Company's 1997, 1998 and 1999 Interim Option Plans provide for grants of up to 2,000,000, 3,144,000, and 5,200,000 stock options, respectively. These plans provide grants of non-statutory stock options to employees and other qualified individuals to purchase ordinary shares of the Company. Options under these plans cannot be granted to executive officers and directors. As of March 31, 2001, the 1997, 1998 and 1999 Interim Option Plans had 490,594, 173,803 and 1,928,352 ordinary shares available for future option grants, respectively. All Interim Option Plans have an exercise price of not less than 85% of fair market value of the underlying stock on the date of grant. Options issued under these plans generally vest over 4 years and expire 5 years from the date of grant.

The Company has assumed certain option plans and the underlying options of companies which the Company has merged with or acquired (the "Assumed Plans"). Options under the Assumed Plans have been converted into the Company's options and adjusted to effect the appropriate conversion ratio as specified by the applicable acquisition or merger agreement, but are otherwise administered in accordance with the terms of the Assumed Plans. Options under the Assumed Plans generally vest over 4 years and expire 10 years from the date of grant.

The following table presents the activity for options outstanding under all of the stock option plans as of March 31 ("Price" reflects the weighted average exercise price):

	1999		2000	
	OPTIONS	PRICE	OPTIONS	PRIC
Outstanding, beginning of year.................	28,281,584	$3.07	39,283,808	$ 4.
Granted..	19,223,312	5.28	11,668,916	13.
Exercised......................................	(5,481,928)	2.15	(4,990,596)	3.
Forfeited......................................	(2,739,160)	4.11	(1,108,356)	6.
Outstanding, end of year.......................	39,283,808	$4.25	44,853,772	$ 7.
Exercisable, end of year.......................	11,314,768		13,583,702	
Weighted average fair value per option granted..	$ 3.30		$ 7.44	

The following table presents the composition of options outstanding and exercisable as of March 31, 2001 ("Price" and "Life" reflect the weighted average exercise price and weighted average contractual life unless otherwise noted):

RANGE OF	OPTIONS OUTSTANDING		OPTIONS EXERCISABLE		
EXERCISE PRICES	AMOUNT	PRICE	LIFE	AMOUNT	PRICE
$ 0.39 -- $ 4.05	9,686,954	$ 3.16	3.66	8,643,873	$ 3.08
4.12 -- 6.00	10,670,262	5.42	2.58	6,651,767	5.38
6.23 -- 16.00	10,379,352	11.92	4.86	4,837,944	10.73
16.13 -- 25.00	12,824,248	23.22	7.53	644,517	21.49
25.03 -- 44.12	3,674,615	32.82	4.42	286,907	29.25
Total, March 31, 2001	47,235,431	$13.35	4.79	21,065,008	$ 6.48

The Company's Employee Stock Purchase Plan (the "Purchase Plan") provides for issuance of up to 2,400,000 ordinary shares. The Purchase Plan was approved by the shareholders in October 1997. Under the Purchase Plan, employees may purchase, on a periodic basis, a limited number of shares of common stock through payroll deductions over a six-month period up to 10% of each participant's compensation. The per share purchase price is 85% of the fair market value of the stock at the beginning or end of the offering period, whichever is lower. As of March 31, 2001, there are 1,444,133 ordinary shares available for sale under this plan. The ordinary shares sold under this plan in fiscal 1999, 2000 and 2001, amounted to 282,088, 278,808 and 445,476, respectively. The weighted-average fair value of ordinary shares sold under this plan in fiscal 1999, 2000 and 2001 was $4.03, $8.69 and $20.00 per share, respectively.

In connection with the acquisition of DII, the Company assumed DII's Employee Stock Purchase Plan ("DII's Purchase Plan"). The ordinary shares sold under this plan in fiscal 1999 and 2000 amounted to 1,790,111 and 1,838,932, respectively. The weighted average fair value of ordinary shares sold under the DII Purchase Plan in fiscal 1999 and 2000 was $5.32 and $7.60 per share, respectively. In addition, the Company also assumed DII's Non-Employee Directors' Stock Compensation Plan. The ordinary shares sold under this plan in fiscal 1999 and 2000 amounted to 28,526 and 17,871, respectively. The weighted average fair value of ordinary shares sold under this plan in fiscal 1999 and 2000 was $6.07 and $10.41 per share, respectively. The Company discontinued issuing ordinary shares under both plans in fiscal 2001.

The Company has elected to follow APB Opinion No. 25 "Accounting for Stock Issued to Employees" and related interpretations in accounting for its employee stock option plans and employee stock purchase plans and has adopted the disclosure provisions of SFAS No. 123 "Accounting for Stock Based Compensation." Because the exercise price of the Company's stock options has equaled the fair value of the underlying stock on the date of grant, no compensation expense has been recognized under APB Opinion No. 25. Had the compensation cost for the Company's stock-based compensation plans been determined based on the fair values of these options, the Company's fiscal 1999, 2000 and 2001 net income (loss) and earnings (loss) per share would have been adjusted to the proforma amounts indicated below:

	YEARS ENDED MARCH 31,		
	1999	2000	2001
Net income (loss):			
As reported	$ 51,003	$ 158,568	$ (446,019)
Proforma	35,943	133,319	(596,494)
Basic earnings (loss) per share:			
As reported	$ 0.17	$ 0.44	$ (1.01)
Proforma	0.12	0.37	(1.35)
Diluted earnings (loss) per share:			
As reported	$ 0.17	$ 0.42	$ (1.01)
Proforma	0.12	0.35	(1.35)

In accordance with the disclosure provisions of SFAS No. 123, the fair value of employee stock options granted during fiscal 1999, 2000 and 2001 was estimated at the date of grant using the Black-Scholes model and the following weighted average assumptions:

YEARS ENDED MARCH 31,

	1999	2000	2001
Volatility	58%	58%	62%
Risk-free interest rate range	5.2%	6.2%	6.3%
Dividend yield	0%	0%	0%
Expected lives	3.5 yrs	3.5 yrs	3.6 yrs

Because SFAS No. 123 is applicable only to awards granted subsequent to December 30, 1994, and due to the subjective nature of the assumptions used in the Black-Scholes model, the pro-forma net income (loss) and earnings (loss) per share disclosures may not reflect the associated fair value of the outstanding options.

Deferred Stock Compensation

Under the DII 1994 Stock Incentive Plan, certain key executives of DII were awarded 1,468,320 shares in fiscal 1999. Shares vest over a period of time, which in no event exceeds eight years. The shares vested at an accelerated rate upon the achievement of certain annual earnings per share targets established by DII's Compensation Committee. Non-vested shares for individual participants who are no longer employed by the Company on the plan termination date are forfeited. Participants receive all unissued shares upon death or disability, or in the event of a change of control of the Company. The shares are not reported as outstanding until vested. The Company issued 884,972 vested shares in fiscal 1999.

Deferred stock compensation equivalent to the market value at the date the shares were awarded is charged to shareholders' equity and is amortized to expense based upon the estimated number of shares expected to be issued in any particular year. Deferred compensation expense amounting to $2.2 million, $4.0 million and $5.1 million, was amortized to expense during fiscal 1999, 2000 and 2001, respectively. The weighted-average fair value of performance shares awarded in fiscal 1999 and 2000, was $6.20 and $6.23 per share, respectively.

9. UNUSUAL CHARGES

FISCAL 2001

The Company recognized unusual pre-tax charges of approximately $973.3 million during fiscal year 2001. Of this amount, $493.1 million was recorded in the first quarter and was comprised of approximately $286.5 million related to the issuance of an equity instrument to Motorola combined with approximately $206.6 million of expenses resulting from the DII and Palo Alto Products International mergers and related facility closures. In the second quarter, unusual pre-tax charges amounted to approximately $48.4 million associated with the Chatham and Lightning mergers and related facility closures. In the third quarter, the Company recognized unusual pre-tax charges of approximately $46.3 million, primarily related to the JIT merger and related facility closures. During the fourth quarter, the Company recognized unusual pre-tax charges, amounting to $376.1 million related to closures of several manufacturing facilities and $9.5 million for the impairment of investments in certain technology companies. On May 30, 2000, the Company entered into a strategic alliance for product manufacturing with Motorola. See Note 8, "Shareholders'

Equity," for further information concerning the strategic alliance. In connection with this strategic alliance, Motorola paid $100.0 million for an equity instrument that entitles it to acquire 22.0 million Flextronics ordinary shares at any time through December 31, 2005, upon meeting targeted purchase levels or making additional payments to the Company. The issuance of this equity instrument resulted in a one-time non-cash charge equal to the excess of the fair value of the equity instrument issued over the $100.0 million proceeds received. As a result, the one-time non-cash charge amounted to approximately $286.5 million offset by a corresponding credit to additional paid-in capital in the first quarter of fiscal 2001. The Company recorded aggregate unusual charges of $973.3 million, which included approximately $574.9 million of facility closure costs and $102.4 million of direct transaction costs in connection with the mergers and facility closures, $286.5 million related to the issuance of an equity instrument to Motorola and $9.5 million for impairment of certain investments. As discussed below, $510.5 million of the charges relating to facility closures have been classified as a component of Cost of Sales during the fiscal year ended March 31, 2001.

Unusual charges excluding the Motorola equity instrument, by segments, are as follows: Americas $553.1 million, Asia $86.5 million, Western Europe $32.9 million and Central Europe $14.3 million. Unusual charges related to the Motorola equity instrument is not specific to a particular segment, and as such, has not been allocated to a particular geographic segment.

The components of the unusual charges recorded are as follows (in thousands):

	FIRST QUARTER CHARGES	SECOND QUARTER CHARGES	THIRD QUARTER CHARGES	FOURTH QUARTER CHARGES
Facility closure costs:				
Severance	$ 62,487	$ 5,677	$ 3,606	$ 60,703
Long-lived asset impairment	46,646	14,373	16,469	155,046
Exit costs	24,201	5,650	19,703	160,368
Total facility closure costs	133,334	25,700	39,778	376,117
Direct transaction costs:				
Professional fees	50,851	7,247	6,250	--
Other costs	22,382	15,448	248	--
Total direct transaction costs ..	73,233	22,695	6,498	--
Motorola equity instrument	286,537	--	--	--
Other unusual charges	--	--	--	9,450
Total unusual charges	493,104	48,395	46,276	385,567
Income tax benefit	(30,000)	(6,000)	(6,500)	(110,000)
Net unusual charges	$ 463,104	$ 42,395	$ 39,776	$ 275,567

In connection with the facility closures, the Company developed formal plans to exit certain activities and involuntarily terminate employees. Management's plan to exit an activity included the identification of duplicate manufacturing and administrative facilities for closure and the identification of manufacturing and administrative facilities for consolidation into other facilities. Management currently anticipates that the facility closures and activities to which all of these charges relate will be substantially completed within one year of the commitment dates of the respective exit plans, except for certain long-term contractual obligations. The following table summarizes the components of the facility closure costs and related activities in fiscal 2001:

	SEVERANCE	LONG-LIVED ASSET IMPAIRMENT	EXIT COSTS	TOTAL
Balance at March 31, 2000 ...	$ --	$ --	$ --	$ --
Activities during the year:				
First quarter provision	62,487	46,646	24,201	133,334
Cash charges	(35,800)	--	(1,627)	(37,427)
Non-cash charges	--	(46,646)	(7,441)	(54,087)
Balance at June 30, 2000	26,687	--	15,133	41,820
Activities during the year:				
Second quarter provision	5,677	14,373	5,650	25,700
Cash charges	(4,002)	--	(4,231)	(8,233)
Non-cash charges	--	(14,373)	(8,074)	(22,447)
Balance at September 30, 2000.....	28,362	--	8,478	36,840
Activities during the year:				
Third quarter provision	3,606	16,469	19,703	39,778
Cash charges	(7,332)	--	(2,572)	(9,904)
Non-cash charges	--	(16,469)	(14,070)	(30,539)
Balance at December 31, 2000......	24,636	--	11,539	36,175
Activities during the year:				
Fourth quarter provision	60,703	155,046	160,368	376,117
Cash charges	(13,605)	--	(14,686)	(28,291)
Non-cash charges	--	(155,046)	(61,878)	(216,924)
Balance at March 31, 2001	$ 71,734	$ --	$ 95,343	$ 167,077

Of the total pre-tax facility closure costs, $132.5 million relates to employee termination costs, of which $68.1 million has been classified as a component of Cost of Sales. As a result of the various exit plans, the Company identified 11,269 employees to be involuntarily terminated related to the various mergers and facility closures. As of March 31, 2001, 4,457 employees have been terminated, and another 6,812 employees have been notified that they are to be terminated upon completion of the various facility closures and consolidations. During fiscal 2001, the Company paid employee termination costs of approximately $60.7 million. The remaining $71.7 million of employee termination costs is classified as accrued liabilities as of March 31, 2001 and is expected to be paid out within one year of the commitment dates of the respective exit plans.

The unusual pre-tax charges include $232.5 million for the write-down of long-lived assets to fair value. This amount has been classified as a component of Cost of Sales. Included in the long-lived asset impairment are charges of $229.1 million, which relate to property, plant and equipment associated with the various manufacturing and administrative facility closures which were written down to their fair value of $192.0 million as of March 31, 2001. Certain assets will be held for use and will remain in service until their anticipated disposal dates pursuant to the exit plans. Since the assets will remain in service from the date of the decision to dispose of these assets to the anticipated disposal date, the assets are being depreciated over this expected period. For the assets that are being held for use, an impairment loss is recognized if the carrying amounts of these assets exceed the fair value of the assets. Certain other assets will be held for disposal as these assets are no longer required in operations. Assets held for disposal are no longer being depreciated. For the assets that are being held for disposal, an impairment loss is recognized if the carrying amounts of these assets exceed the fair value less cost to sell. The impaired long-lived assets consisted primarily of machinery and equipment of $153.0 million and building and improvements of $76.1 million. The long-lived asset impairment also includes the write-off of the remaining goodwill and other intangibles related to certain closed facilities of $3.4 million.

The unusual pre-tax charges also include approximately $209.9 million for other exit costs, which have been classified as a component of Cost of Sales. Other exit costs include contractual obligations totaling $85.4 million, which were incurred directly as a result of the various exit plans. These contractual obligations consisted of facility lease terminations amounting to $26.5 million, equipment lease terminations amounting to $31.4 million and payments to suppliers and other third parties to terminate contractual agreements amounting to $27.5 million. The Company expects to make payments associated with its contractual obligations with respect to facility and equipment leases through the end of fiscal 2006 and with respect to the other contractual obligations with suppliers and other third parties through fiscal 2002. Other exit costs also include charges of $77.0 million relating to asset impairments resulting from customer contracts that were breached when they were terminated by the Company as a result of various facility closures. These asset impairments were determined based on the difference between the carrying amount and the realizable value of the impaired inventory and accounts receivable. The Company disposed of the impaired assets, primarily through scrapping and write-offs, by the end of fiscal 2001. Also included in other exit costs were charges amounting to $16.1 million for the incremental costs for warranty work incurred by the Company for products sold prior to the commitment dates of the various exit

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plans. Other exit costs also include $11.6 million of facility refurbishment and abandonment costs related to certain building repair work necessary to prepare the exited facilities for sale or return the facilities to the landlord. The remaining $19.8 million of other exit costs recorded were primarily associated with incremental amounts of legal and environmental costs, incurred directly as a result of the various exit plans and facility closures. The Company paid approximately $23.1 million of other exit costs during fiscal 2001. Additionally, approximately $91.5 million of other exit costs were non-cash charges utilized during fiscal 2001. The remaining $95.3 million is classified in accrued liabilities as of March 31, 2001 and are expected to be substantially paid out within one year from the commitment dates of the respective exit plans, except for certain long-term contractual obligations.

The direct transaction costs include approximately $64.3 million of costs primarily related to investment banking and financial advisory fees as well as legal and accounting costs associated with the merger transactions. Other direct transaction costs which totaled approximately $38.1 million were mainly comprised of accelerated debt prepayment expense, accelerated executive stock compensation and benefit-related expenses. The Company paid approximately $70.9 million of the direct transaction costs during fiscal 2001. Additionally, approximately $28.2 million of the direct transaction costs were non-cash charges utilized during fiscal 2001. The remaining $3.3 million is classified in accrued liabilities as of March 31, 2001 and is expected to be substantially paid out in the first quarter of fiscal 2002.

FISCAL 2000

In fiscal 2000, the Company recognized unusual pre-tax charges in the Americas business segment of $7.5 million related to the operations of Chatham, which included severance and related charges of approximately $4.4 million and other facility exit costs of approximately $3.1 million.

Additionally, unusual pre-tax charges in the Western Europe business segment of $3.5 million were recorded in fiscal 2000, related to the Kyrel EMS Oyj merger. The unusual charges consisted of a transfer tax of $1.7 million, approximately $0.4 million of investment banking fees and approximately $1.4 million of legal and accounting fees.

FISCAL 1999

During fiscal 1999, the Company recognized unusual pre-tax charges in the Americas business segment of $79.3 million, substantially all of which related to the operations of the Company's wholly owned subsidiary, Orbit Semiconductor, Inc. ("Orbit"). The Company decided to sell Orbit's 6-inch, 0.6 micron wafer fabrication facility ("Fab") and adopt a fabless manufacturing strategy to complement Orbit's design and engineering services. The charges were primarily due to the impaired recoverability of inventories, intangible assets and fixed assets, and other costs associated with the exit of semiconductor manufacturing. The Fab was ultimately sold in the fourth quarter of fiscal 1999.

The components of the unusual charges recorded in fiscal 1999 are as follows:

	FIRST QUARTER CHARGES	FOURTH QUARTER CHARGES	TOTAL CHARGES	--
Severance	$ 498	$ 2,371	$ 2,869	ca
Long-lived asset impairment	38,257	16,538	54,795	no
Losses on sales contracts	2,658	3,100	5,758	no
Incremental uncollectible accounts receivable	900	--	900	no
Incremental sales return and allowances	1,500	500	2,000	no
Inventory write-downs	5,500	250	5,750	no
Acquired in-process research and development	--	2,000	2,000	no
Other exit costs	1,845	3,369	5,214	ca
Total Unusual Pre-Tax Charges	$51,158	$28,128	$79,286	

Of the total unusual pre-tax charges, approximately $2.9 million relates to employee termination costs. As a result of the closure of the fabrication facility, 460 employees were terminated. The terminations were completed and related severance costs were fully paid out by the first quarter of fiscal 2000.

The unusual pre-tax charges include $54.8 million for the write-down of long-lived assets to fair value. This amount has been classified as a component of cost of sales. Included in the long-lived asset impairment are charges of $50.7 million related to the Fab which was written down to its net realizable value based on its estimated selling price less cost to sell. The Company kept the Fab in

service until the sale date in the fourth quarter of fiscal 1999. In accordance with SFAS No. 121, the Company discontinued depreciation expense on the Fab when it determined that it would be disposed of and its net realizable value was known. The impaired long-lived assets consisted primarily of machinery and equipment of $52.4 million, which were written down by $43.4 million to a carrying amount of $9 million and building and improvement of $7.3 million which were written down to a carrying value of zero. The long-lived asset impairment also includes the write-off of the remaining goodwill of $0.6 million. The remaining $3.5 million of asset impairment relates to the write-down to net realizable value of a facility the Company exited during fiscal 1999.

The Company entered into certain non-cancelable sales contracts to provide semiconductors to customers at fixed prices. Because the Company was obligated to fulfill the terms of the agreements at selling prices which were not sufficient to cover the cost to produce or acquire such products, a liability for losses on sales contracts was recorded for the estimated future amount of such losses. The unusual pre-tax charges include approximately $8.7 million for losses on sales contracts, incremental amounts of uncollectible accounts receivable, and estimated incremental costs for sales returns and allowances, all of which were fully utilized by the end of fiscal 2000.

The unusual pre-tax charges also include approximately $10.9 million for losses on inventory write-downs and other exit costs. The Company has written off and disposed of approximately $5.8 million of inventory. The remaining $5.1 million relates primarily to incremental costs and contractual obligations for items such as lease termination costs, litigation, environmental clean-up costs, and other exit costs incurred directly as a result of the exit plan, all of which were paid out or non-cash charges utilized by the end of fiscal 2000.

The purchase price of Advanced Component Labs included in-process research and development costs totaling $2.0 million which had not reached technological feasibility and had no probable alternative future use. Accordingly, the Company wrote-off $2.0 million of in-process research and development in fiscal 1999.

10. RELATED PARTY TRANSACTIONS

The Company has loaned approximately $22.9 million to various executive officers of the Company. Each loan is evidenced by a promissory note in favor of the Company. Certain notes are non-interest bearing and others have interest rates ranging from 4.19% to 7.25%. The remaining outstanding balance of the loans, including accrued interest, as of March 31, 2001 was approximately $10.4 million.

11. BUSINESS COMBINATIONS

FISCAL 2001

Pooling of Interests Mergers

In fiscal 2001, Flextronics acquired 100% of the outstanding shares of DII, Lightning, Chatham, Palo Alto Products International and JIT. These acquisitions were accounted for as pooling of interests and the consolidated financial statements have been prepared to give retroactive effect to the mergers.

DII is a leading provider of electronics manufacturing and design services. As a result of the merger, in April 2000, the Company issued approximately 125.5 million ordinary shares for all of the outstanding shares of DII common stock, based upon the exchange ratio of 3.22 Flextronics ordinary shares for each share of DII common stock.

Lightning is a provider of fully integrated electronic packaging systems. As a result of the merger, in August 2000, the Company issued approximately 2.6 million ordinary shares for all of the outstanding shares of Lightning common stock and interests.

Chatham is a leading provider of integrated electronic packaging systems to the communications industry. As a result of the merger, in August 2000, the Company issued approximately 15.2 million ordinary shares for all of the outstanding Chatham capital stock and interests.

DII and Lightning operated under a calendar year end prior to merging with Flextronics and, accordingly, their respective balance sheets, statements of operations, shareholders' equity and cash flows as of December 31, 1999 and for each of the two years ended December 31, 1999 have been combined with the Company's consolidated financial statements as of March 31, 2000 and for each of the two fiscal years ended March 31, 2000. Chatham operated under a fiscal year which ended on the Saturday closest to September

30 prior to merging with Flextronics and, accordingly, Chatham's balance sheets, statements of operations, shareholders' equity and cash flows as of September 24, 1999 and for each of the two years ended September 24, 1999 have been combined with the Company's consolidated financial statements as of March 31, 2000 and for each of the two fiscal years ended March 31, 2000.

Starting in fiscal 2001, DII, Lightning and Chatham changed their respective year ends to conform to the Company's March 31 year end. Accordingly, DII's and Lightning's operations for the three months ended March 31, 2000, and Chatham's operations for the six months ended March 31, 2000, have been excluded from the consolidated results of operations for fiscal 2001 and reported as an adjustment to retained earnings. Total net sales, gross profit, selling, general and administrative expenses, operating loss and total net loss related to the omitted periods amounted to approximately $898.3 million, $50.0 million, $66.6 million, $33.0 million and $58.3 million, respectively. During the omitted periods, total cash flows used in operating and investing activities amounted to approximately $24.9 million and $28 million, respectively, and financing activities provided approximately $20.2 million.

The net loss of $58.3 million for the omitted period consisted primarily of the net losses of DII and Chatham, with each company representing about half of the net loss for the omitted period. With respect to Chatham, the net loss for that acquired company was relatively consistent both before and during the omitted period. In the case of DII, the results for that acquired company during the omitted period was adversely effected by the uncertainties created by the merger with the Company, which closed April 3, 2000. DII experienced several customer cancellations during the omitted period due to customer concerns over the merger and resulting supplier concentration issues. DII also experienced lower employee productivity during the omitted period due to the uncertainty over anticipated employee terminations as a result of the merger. The net loss for Chatham and DII in the omitted period prompted the Company to develop formal plans to exit certain activities, close certain facilities and involuntarily terminate employees in the periods following the acquisitions of each company, which resulted in the unusual charges recorded in fiscal 2001. See Note 9, "Unusual Charges" for further discussion.

Palo Alto Products International is an enclosure design and plastic molding company. The Company merged with Palo Alto Products International in April 2000 by exchanging approximately 7.2 million ordinary shares of Flextronics for all of the outstanding shares of Palo Alto Products International common stock.

JIT is a global provider of electronics manufacturing and design services. The Company merged with JIT in November 2000, by exchanging approximately 17.3 million ordinary shares of Flextronics for all of the outstanding shares of JIT common stock.

Palo Alto Products International and JIT operated under the same fiscal year end as Flextronics, and accordingly, their respective balance sheets, statements of operations, shareholders' equity and cash flows have been combined with the Company's consolidated financial statements as of March 31, 1999 and 2000 and for each of the three fiscal years ended March 31, 2000.

The Company also completed several other immaterial pooling of interests transactions. In connection with these mergers, the Company issued approximately 0.7 million ordinary shares. The historical operations of these entities were not material to the Company's consolidated operations on either an individual or an aggregate basis; therefore, prior period statements have not been restated for these acquisitions.

Business Acquisitions

In fiscal 2001, the Company completed several immaterial business acquisitions. These transactions have been accounted for under the purchase method of accounting and accordingly, the results of the acquired businesses were included in the Company's consolidated statements of operations from the acquisition dates forward. Comparative proforma information has not been presented, as the results of the acquired operations were not material to the Company's consolidated financial statements. In connection with these business acquisitions, the Company paid total cash consideration of approximately $146.4 million, net of cash acquired, and issued approximately 9.8 million ordinary shares, which equated to approximately $338.6 million of purchase price. The fair value of the ordinary shares issued were determined based on the quoted market prices of the Company's ordinary shares for a reasonable period, generally three days, before and after the date the terms of the acquisitions were agreed to and announced.

The aggregate purchase price paid for these business acquisitions was allocated to the net assets acquired based on their estimated fair values at the dates of the acquisitions. The purchase price for certain acquisitions is subject to adjustments for contingent consideration, based upon the businesses achieving specified levels of earnings through December 2003. The contingent consideration has not been recorded as purchase price, pending the outcome of the contingency. The fair value of the net liabilities acquired, amounted to approximately $117.3 million, including estimated acquisition costs. The costs of acquisitions have been allocated on the basis of the estimated fair value of assets acquired and liabilities assumed. Goodwill and intangibles resulting from these acquisitions amounted to approximately $602.3 million. The respective goodwill associated with these acquisitions is amortized over various years, none of which exceed ten years. Also, the Company increased goodwill in the amount of approximately $12.5 million for contingent purchase price adjustments for historical acquisitions during the current fiscal year.

FISCAL 2000

Pooling of Interests Merger

In fiscal 2000, the Company acquired 100% of the outstanding shares of Kyrel Ems Oyj ("Kyrel") and PCB Assembly, Inc. ("PCB"). These acquisitions were accounted for as pooling of interests and the consolidated financial statements have been prepared to give retroactive effect to the mergers.

Kyrel is an electronics manufacturing services provider with operations in Finland and France. As a result of the merger, the Company issued approximately 7.3 million ordinary shares in exchange for all the outstanding Kyrel shares. Kyrel operated under a calendar year end, prior to merging with Flextronics, and accordingly, Kyrel's balance sheets, statements of operations, shareholders' equity and cash flows as of December 31, 1997 and 1998 and for each of the three years ended December 31, 1998 have been combined with the Company's consolidated financial statements as of March 31, 1998 and 1999 and for each of the three fiscal years ended March 31, 1999. In fiscal 2000, Kyrel's fiscal year end was changed to conform to the Company's fiscal year end. Accordingly, Kyrel's operations for the three months ended March 31, 1999, have been excluded from the consolidated results of operations for fiscal 2000 and have been reported as an adjustment to retained earnings in the first quarter of fiscal 2000.

PCB is an electronics manufacturing service provider based in the United States. As a result of the merger, the Company issued approximately 2.2 million ordinary shares in exchange for all the outstanding PCB shares, of which approximately 0.2 million ordinary shares are to be issued upon resolution of certain general and specific contingencies. PCB operated under the same fiscal year end as the Company and, accordingly, their respective balance sheets, statements of operations, shareholders' equity and cash flows have been combined with Flextronics' consolidated financial statements as of March 31, 1999 and 2000 and for each of the three fiscal years ended March 31, 2000.

The Company also completed several other immaterial pooling of interests transactions in fiscal 2000. In connection with these mergers, the Company issued 1.8 million ordinary shares. The historical operations of these entities were not material to the Company's consolidated operations on either an individual or an aggregate basis; therefore, prior period statements have not been restated for these acquisitions.

Business Acquisitions

In fiscal 2000, the Company acquired several immaterial businesses and made a payment of an earn-out arrangement to the former owners of Great Sino Electronics Technology (a company acquired by DII in August 1998, as further discussed below). These transactions have been accounted for under the purchase method of accounting and accordingly, the results of the acquired businesses were included in the Company's consolidated statements of operations from the acquisition dates forward. Comparative proforma information has not been presented, as the results of the acquired operations were not material to the Company's consolidated financial statements. In connection with these business acquisitions, the Company paid total cash consideration of approximately $51.6 million, net of cash acquired.

The aggregate purchase price paid for these business acquisitions was allocated to the net assets acquired based on their estimated fair values at the dates of the acquisitions. The fair value of the net assets acquired amounted to approximately $17.9 million, including estimated acquisition costs. The costs of acquisitions have been allocated on the basis of estimated fair values of assets acquired and liabilities assumed. Goodwill and intangibles resulting from these acquisitions amounted to approximately $33.7 million. The respective goodwill associated with these acquisitions is amortized over ten years. Also, the Company increased goodwill in the amount of approximately $34.1 million for contingent purchase price adjustments for historical acquisitions during fiscal 2000.

FISCAL 1999

Business Acquisitions

In fiscal 1999, the Company completed several immaterial business acquisitions. These transactions have been accounted for under the purchase method of accounting and accordingly, the results of the acquired businesses were included in the Company's consolidated statements of operations from the acquisition dates forward. Comparative pro forma information has not been presented, as the results of the acquired operations were not material to the Company's consolidated financial statements. In connection with these business acquisitions, the Company paid total cash consideration of approximately $130.4 million and issued approximately 0.5 million ordinary shares, which equated to approximately $4.8 million of purchase price.

The aggregate purchase price paid for these business acquisitions was allocated to the net assets acquired based on their estimated fair values at the dates of acquisitions. The fair value of the net assets acquired, amounted to approximately $50.4 million, including estimated acquisition costs. The costs of acquisitions have been allocated on the basis of estimated fair values of assets acquired and

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liabilities assumed. Goodwill and intangibles resulting from these acquisitions amounted to approximately $84.8 million. The respective goodwill associated with these acquisitions is amortized over fifteen years.

12. SEGMENT REPORTING

Information about segments for the years ended March 31 is as follows (in thousands):

	1999	2000
Net Sales:		
Asia	$ 898,304	$ 1,588,665
Americas	1,875,677	2,936,441
Western Europe	666,763	1,391,965
Central Europe	572,289	1,132,242
Intercompany eliminations	(60,247)	(90,191)
	$ 3,952,786	$ 6,959,122
Income (Loss) before Income Taxes:		

Asia	$ 61,845	$ 102,541
Americas	(52,774)	(4,149)
Western Europe	12,803	23,833
Central Europe	31,839	44,107
Intercompany eliminations, corporate allocations and Motorola one-time non-cash charge (see Note 9)	(14,344)	15,316
	$ 39,369	$ 181,648
Long-Lived Assets:		
Asia	$ 286,797	$ 449,824
Americas	511,036	712,215
Western Europe	240,759	275,935
Central Europe	114,734	171,165
	$ 1,153,326	$ 1,609,139
Depreciation and Amortization:*		
Asia	$ 25,492	$ 39,889
Americas	69,079	86,967
Western Europe	18,933	42,534
Central Europe	11,854	18,207
	$ 125,358	$ 187,597
Capital Expenditures:		
Asia	$ 83,382	$ 155,243
Americas	141,082	214,224
Western Europe	127,471	52,396
Central Europe	57,720	83,570
	$ 409,655	$ 505,433

* Excludes unusual charges related to property, plant and equipment and goodwill impairment charges of $54,795 and $232,534 in fiscal 1999 and fiscal 2001, respectively. See Note 9, "Unusual Charges," for additional information regarding unusual charges.

For purposes of the preceding tables, "Asia" includes China, Malaysia, Singapore, Thailand and Taiwan, "Americas" includes the U.S., Mexico, and Brazil, "Western Europe" includes Denmark, Finland, France, Germany, Norway, Poland, Sweden, Switzerland and the United Kingdom and "Central Europe" includes Austria, the Czech Republic, Hungary, Ireland, Israel, Italy and Scotland.

Geographic revenue transfers are based on selling prices to unaffiliated companies, less discounts.

During fiscal 1999, Hungary accounted for approximately 11% of net sales. No other foreign country accounted for more than 10% of net sales in fiscal 1999. China and Hungary accounted for approximately 20% and 11% of long-lived assets at March 31, 1999, respectively. No other foreign country accounted for more than 10% of long-lived assets at March 31, 1999.

During fiscal 2000, China, Sweden and Hungary accounted for approximately 11%, 12% and 12% of net sales, respectively. No other foreign country accounted for more than 10% of net sales in fiscal 2000. China accounted for approximately 24% of long-lived assets at March 31, 2000. No other foreign country accounted for more than 10% of long-lived assets at March 31, 2000.

During fiscal 2001, China accounted for over 10% of net sales. No other foreign country accounted for more than 10% of net sales in fiscal 2001. China and Hungary accounted for approximately 17% and 11% of long-lived assets at March 31, 2001, respectively. No other foreign country accounted for more than 10% of long-lived assets at March 31, 2001.

13. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table contains selected unaudited quarterly financial data for fiscal years 2000 and 2001:

	FISCAL YEAR ENDED MARCH 31, 2000			
	FIRST	SECOND	THIRD	FO
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
Net sales	$ 1,237,320	$ 1,525,366	$ 1,967,740	$ 2,2
Cost of sales	1,112,493	1,383,783	1,797,643	2,0
Unusual charges	--	--	--	
Gross profit (loss)	124,827	141,583	170,097	1
Selling, general and administrative	67,996	73,733	86,534	
Goodwill and intangibles amortization	9,754	8,787	10,735	
Unusual charges	--	3,523	--	
Interest and other expense (income), net	14,420	19,236	23,367	
Income (loss) before income taxes	32,657	36,304	49,461	
Provision for (benefit from) income taxes	5,870	5,349	1,662	
Net income (loss)	$ 26,787	$ 30,955	$ 47,799	$
Diluted earnings (loss) per share	$ 0.08	$ 0.09	$ 0.12	$
Shares used in computing diluted per share amounts	359,213	360,465	384,017	4

	FISCAL YEAR ENDED MARCH 31, 2001			
	FIRST	SECOND	THIRD	FOURT
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			

Net sales	$ 2,676,974	$ 3,078,998	$ 3,239,293	$ 3,114
Cost of sales	2,470,408	2,829,406	2,964,034	2,864
Unusual charges	83,721	24,268	38,550	363
Gross profit (loss)	122,845	225,324	236,709	(113
Selling, general and administrative	94,918	107,931	113,736	113
Goodwill and intangibles amortization	9,370	12,505	15,141	26
Unusual charges	409,383	24,127	7,726	21
Interest and other expense (income), net	(4,199)	22,359	22,092	26
Income (loss) before income taxes	(386,627)	58,402	78,014	(302
Provision for (benefit from) income taxes	(16,065)	8,475	10,232	(108
Net income (loss)	$ (370,562)	$ 49,927	$ 67,782	$ (193
Diluted earnings (loss) per share	$ (0.88)	$ 0.10	$ 0.14	$ (
Shares used in computing diluted per share amounts	418,857	480,801	478,657	468

14. SUBSEQUENT EVENTS (UNAUDITED)

In April 2001, the Company entered into a definitive agreement with Ericsson with respect to its management of the operations of Ericsson's mobile telephone operations. Operations under this arrangement commenced in the first quarter of fiscal 2002. Under this agreement the Company is to provide a substantial portion of Ericsson's mobile phone requirements. The Company will assume responsibility for product assembly, new product prototyping, supply chain management and logistics management in which we will process customer orders from Ericsson and configure and ship products to Ericsson's customers. In connection with this relationship, the Company will employ the existing workforce for certain operations, and will purchase from Ericsson certain inventory, equipment and other assets, and may assume certain accounts payable and accrued expenses at their net book value. The Company has not completed the purchasing of the various assets, but estimate that the net asset purchase price is expected to be approximately $450.0 million. We anticipate completing the remaining purchases by the end of the first quarter of fiscal 2002.

In April 2001, the Company announced that it had signed a memorandum of understanding with Alcatel to purchase its manufacturing facility and related assets located in Laval, France. Upon completion of this transaction, the Company will enter into a long-term supply agreement with Alcatel to provide printed circuit board assembly, final systems assembly and various engineering support services. The transaction is subject to applicable governmental approvals and customary conditions of closing. This transaction will be accounted for as a purchase of assets. The estimated purchase price is subject to final negotiations, due diligence and working capital levels at the time of closing, but is not expected to be a material cash requirement.

In connection with the Company's strategic alliance with Motorola in May 2000, Motorola purchased an equity instrument. In June 2001, the Company entered into an agreement with Motorola under which it repurchased this equity instrument for $112.0 million. No current or planned manufacturing programs are affected by this repurchase, and the Company anticipates that Motorola will continue to be a customer following this repurchase, although the Company's future revenue from Motorola may be less than it would have been had this instrument remained in effect.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The names, ages and positions of our directors and officers as of June 1, 2001 are as follows:

NAME	AGE	POSI
Michael E. Marks...	50	Chairman of the Boa
Robert R. B. Dykes...	51	President, Systems
Ronny Nilsson..	52	President, Western
Michael McNamara...	44	President, Americas
Ash Bhardwaj...	37	President, Asia Pac
Humphrey Porter..	53	President, Central/
Steven C. Schlepp..	44	President, Multek
Ross Manire..	49	President, Flextron
Ronald R. Snyder...	44	President, Flextron
Thomas J. Smach..	41	Vice President of F
Tsui Sung Lam..	51	Director
Michael J. Moritz..	46	Director
Richard L. Sharp...	54	Director
Patrick Foley..	69	Director
Chuen Fah Alain Ahkong.......................................	52	Director
Goh Thiam Poh Tommie...	50	Director

MICHAEL E. MARKS - Mr. Marks has been our Chief Executive Officer since January 1994. He has been the Chairman of our Board of Directors since July 1993 and a member since December 1991. From November 1990 to December 1993, Mr. Marks was President and Chief Executive Officer of Metcal, Inc., a precision heating instrument company. He received a B.A. and an M.A. from Oberlin College and an M.B.A. from the Harvard Business School.

ROBERT R. B. DYKES - Mr. Dykes has served as our Chief Financial Officer since February 1997 and as our President of the Systems Group since April 1999. From February 1997 to April 1999, he served as our Senior Vice President of Finance and Administration, and from January 1994 to August 1997 as a member of our Board of Directors. From 1988 to February 1997, Mr. Dykes served as Executive Vice President, Worldwide Operations and Chief Financial Officer of Symantec Corporation, an application and system software products company. He received a Bachelor of Commerce and Administration from Victoria University in Wellington, New Zealand.

MICHAEL McNAMARA - Mr. McNamara has served as our President of Americas Operations since April 1997. Prior to his promotion, he served as Vice President of North American Operations since April 1994. From May 1993 to March 1994, Mr. McNamara served as President and Chief Executive Officer of Relevant Industries, Inc., which we acquired in March 1994. From May 1992 to May 1993, he served as Vice President, Manufacturing Operations at Anthem Electronics, an electronics distributor. From April 1987 to May 1992, he was a Principal of Pittiglo, Rabin, Todd & McGrath, an operations consulting firm. Mr. McNamara received a B.S. from the University of Cincinnati and an M.B.A. from Santa Clara University.

RONNY NILSSON - Mr. Nilsson has served as our President of Western European Operations since April 1997. From May 1995 to April 1997, he served as Vice President and General Manager of Supply and Distribution, and Vice President of Procurement of Ericsson Business Networks. From January 1991 to May 1995, Mr. Nilsson served as Director of Production of the EVOX+RIFA Group, a manufacturer of components, and Vice President of RIFA AB. He received a certificate in Mechanical Engineering from the Lars Kagg School in Kalmar, Sweden and certificates from the Swedish Management Institute and the Ericsson Management Program.

ASH BHARDWAJ - Mr. Bhardwaj joined Flextronics in 1988 and was promoted to President of Asia-Pacific Operations. Prior to his promotion, he served as our Vice President of the China region. In addition, Mr. Bhardwaj was General Manager for our Flextronics plant in Shekou, China. He received a degree in Electrical Engineering from Thapar Institute of Engineering and Technology and an M.B.A. from Southeastern Louisiana University.

HUMPHREY PORTER - Mr. Porter has served as our President of Central and Eastern European Operations since October 1997. From July 1994 to October 1997, he served as President and Chief Executive Officer of Neutronics Electronics Industries Holding

AG, which we acquired in October 1997. Prior to joining Neutronics, Mr. Porter served in various positions at Philips, including Industrial Director for Philips Audio Austria from 1989 to 1994 and Managing Director of the Philips Audio factory in Penang, Malaysia from 1984 to 1989. He received his B.Sc. in Production Engineering from Trent University.

STEVEN C. SCHLEPP - Mr. Schlepp has served as our President of Multek since April 2000 following our acquisition of DII. From June 1996 to April 2000, he served as Senior Vice President of DII and President of Multilayer Technology, Inc. From January 1991 until June 1996, Mr. Schlepp served as President of Toppan West Incorporated, a wholly owned subsidiary of Toppan Printing Ltd.

ROSS MANIRE - Mr. Manire has served as our President of Flextronics Enclosure Systems, a division of Flextronics, since our acquisition of Chatham Technologies, Inc. in August 2000. At Chatham, Mr. Manire served as the President and Chief Executive Officer. Prior to joining Chatham, he was the Senior Vice President and General Manager of the Carrier Systems Business Unit of 3Com Corporation, a position he held since 1995. He has also served in various executive positions with U.S. Robotics, which was acquired by 3Com in June 1997, including Senior Vice President of Operations and Chief Financial Officer. Mr. Manire received a B.A. in Economics from Davidson College and an M.B.N.A. in Business from the University of Chicago.

RONALD R. SNYDER - Mr. Snyder has served as our President of Flextronics Semiconductor since April 2000 following our acquisition of DII. From May 1998 to April 2000, he served as Senior Vice President of DII and President of DII Semiconductor. From March 1994 to May 1998, Mr. Snyder served as Senior Vice President of Sales and Marketing of DII. Prior to DII, he served as President of Dovatron Manufacturing Colorado, a division of Dovatron International, Inc. from March 1993 to March 1994.

THOMAS J. SMACH - Mr. Smach has served as our Vice President of Finance since April 2000 following our acquisition of DII. From August 1997 to April 2000, he held several positions that included Senior Vice President, Chief Financial Officer and Treasurer of DII. From March 1994 to August 1997, Mr. Smach served as Corporate Controller and Vice President. From 1982 to March 1994, he served as a certified public accountant with KPMG LLP. Mr. Smach received his B.Sc. in Accounting from State University of New York at Binghamton.

TSUI SUNG LAM - Mr. Tsui has served as a member of our Board of Directors since 1991. From January 1994 to April 1997, he served as our President and Chief Operating Officer, and from June 1990 to December 1993 he served as our Managing Director and Chief Executive Officer. Between 1982 and June 1990, Mr. Tsui served in various positions for Flextronics, Inc., our predecessor, including Vice President of Asian Operations. He received diplomas in Production Engineering and Management Studies from Hong Kong Polytechnic, and a certificate in Industrial Engineering from Hong Kong University.

MICHAEL J. MORITZ - Mr. Moritz has served as a member of our Board of Directors since July 1993. Since 1988, he has been a General Partner of Sequoia Capital, a venture capital firm. Mr. Moritz also serves as a director of Yahoo, Inc., Saba Software and several privately-held companies.

RICHARD L. SHARP - Mr. Sharp has served as a member of our Board of Directors since July 1993. He is Chairman of the Board and Chief Executive Officer of Circuit City Stores, Inc., a consumer electronics and appliance retailer. Mr. Sharp joined Circuit City as an Executive Vice President in 1982. He was President from June 1984 to March 1997 and became Chief Executive Officer in 1986, and Chairman of the Board in 1994. Mr. Sharp also serves as a director of Fort James Corporation.

PATRICK FOLEY - Mr. Foley has served as a member of our Board of Directors since October 1997. He is Chairman, President and Chief Executive Officer of DHL Corporation, Inc. and its major subsidiary, DHL Airways, Inc., a global document, package and airfreight delivery company. Mr. Foley joined DHL in September 1988 with more than thirty years experience in hotel and airline industries. He also serves as a director of Continental Airlines, Inc., Del Monte Corporation, DHL International, Foundation Health Systems, Inc. and Glenborough Realty Trust, Inc.

CHUEN FAH ALAIN AHKONG - Mr. Ahkong has served as a member of our Board of Directors since October 1997. He is a founder of Pioneer Management Services Pte. Ltd., a Singapore-based consultancy firm, and has been the Managing Director of Pioneer since 1990. Pioneer provides advice to us and other multinational corporations on matters related to international taxation.

GOH THIAM POH TOMMIE -- Mr. Goh has been a member of our Board of Directors since December 2000. He founded JIT Electronics Pte Ltd in 1988 and grew the company to one of the top 20 largest electronics manufacturing services providers in the world before the merger with Flextronics in November 2000. Mr Goh was named "Entrepreneur of the Year" in 1997 and

"Businessman of the Year" in 1999 in Singapore. He was conferred the Doctor of Philosophy in Business Administration by Wisconsin International University in 2000.

ITEM 11. EXECUTIVE COMPENSATION

The following table presents information concerning the compensation paid or accrued by us for services rendered during fiscal 2001, 2000 and 1998 by the Chief Executive Officer and each of our four most highly compensated executive officers whose total salary and bonus for fiscal 2001 exceeded $100,000.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	FISCAL YEAR	ANNUAL COMPENSATION SALARY	ANNUAL COMPENSATION BONUS	OTHER ANNUAL COMPENSATION
Michael E. Marks	2001	$ 600,000	$1,285,000	$ 5,082(1)
Chairman and	2000	450,000	363,750	230,385(2)
Chief Executive Officer	1999	400,000	339,315	9,617(3)
Michael McNamara	2001	450,000	831,250	3,925(1)
President, Americas Operations	2000	375,000	201,250	3,867(1)
	1999	325,000	177,416	22,611(3)
Robert R.B. Dykes	2001	425,000	798,125	4,668(1)
President, Systems Group and	2000	337,500	156,000	4,599(1)
Chief Financial Officer	1999	300,000	166,008	25,337(3)
Humphrey Porter	2001	400,000	375,000	27,500(4)
President, Central/ Eastern	2000	300,000	195,000	20,000(5)
European Operations	1999	250,000	149,000	21,000(6)
Ronny Nilsson	2001	362,545	405,350	10,154(1)
President, Western European	2000	317,684	129,563	17,436(7)
Operations	1999	315,000	148,859	18,096(8)

(1) Represents a vehicle allowance.

(2) Represents a vehicle allowance of $3,868 and forgiveness of a promissory note due to one of our subsidiaries of $200,000 and forgiveness of interest payment of $26,517 on the promissory note.

(3) Represents payment for a company vehicle.

(4) Represents a vehicle allowance of $13,500 and a housing allowance of $14,000.

(5) Represents a vehicle allowance of $12,000 and a housing allowance of $8,000.

(6) Represents a vehicle allowance of $7,000 and an apartment allowance of $14,000.

(7) Represents a vehicle allowance of $10,166 and a housing allowance of $7,270.

(8) Includes a vehicle allowance of $10,404 and an apartment allowance of $7,692.

(9) Represents our contributions to the 401(k) plan of $4,750 and life and disability insurance premium payments of $3,877.

(10) Represents our contributions to the 401(k) plan of $4,750 and life and disability insurance premium payments of $3,600.

(11) Represents our contributions to the 401(k) plan of $5,000, and life and disability insurance premium payments of $2,701.

(12) Represents our contributions to the 401(k) plan.

(13) Represents our contributions to a pension retirement fund of $24,000 and life insurance premium payments of $12,000.

(14) Represents our contributions to a pension retirement fund.

OPTION GRANTS IN FISCAL 2001

The following table presents information regarding option grants during fiscal 2001 to our Chief Executive Officer and each of our four other most highly compensated executive officers. All options were granted pursuant to our 1993 Share Option Plan.

The options shown in the table were granted at fair market value and are incentive stock options (to the extent permitted under the Internal Revenue Code). Options granted on or before October 1, 2001 expire five years from the date of grant, subject to earlier termination upon termination of the optionee's employment. Options granted after October 1, 2001 expire ten years from the date of grant, subject to earlier termination as described above. The options become exercisable over a four-year period, with 25% of the shares vesting on the first anniversary of the date of grant and 1/36th of the shares vesting for each full calendar month that an optionee renders services to us thereafter. Each option fully accelerates in the event that, in the 18-month period following certain mergers or acquisitions of us, the optionee's employment with us is terminated or his duties are substantially reduced or changed. Each option includes a limited stock appreciation right pursuant to which the option will automatically be canceled upon the occurrence of certain hostile tender offers, in return for a cash distribution from us based on the tender offer price per share. The exercise price of each option may be paid in cash or through a cashless exercise procedure involving a same-day sale of the purchase shares. We granted options to purchase an aggregate of 14,655,646 Ordinary Shares to our employees during fiscal 2001.

In accordance with the rules of the Securities and Exchange Commission, the table presents the potential realizable values that would exist for the options at the end of their respective five-year terms. These values are based on assumed rates of annual compound stock price appreciation of 5% and 10% from the date the option was granted to the end of the option term. Potential realizable values are computed by:

- multiplying the number of ordinary shares subject to a given option by the trading price per share of our ordinary shares on the date of grant;

- assuming that the aggregate option exercise price derived from the calculation compounds at the annual 5% or 10% rates should in the table for the entire five or ten year term of the option, as the case may be; and

- subtracting from that result the aggregate option exercise price.

The assumed 5% and 10% rates of share price appreciation are mandated by rules of the Securities and Exchange Commission and do not represent our estimate or projection of future ordinary share prices. The closing sale price per share as reported on the Nasdaq National Market on March 30, 2001, the last trading day of fiscal 2001, was $15.00.

	INDIVIDUAL GRANTS			
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL 2001	EXERCISE PRICE PER SHARE	EXPIRATION DATE
Michael E. Marks	36,456	0.25%	$ 32.4375	04/07/2005
	1,000,000	6.82	23.1875	12/20/2010
Michael McNamara	600,000	4.09	23.1875	12/20/2010
Robert R.B. Dykes	400,000	2.73	23.1875	12/20/2010
Humphrey Porter	200,000	1.36	23.1875	12/20/2010
Ronny Nilsson	200,000	1.36	23.1875	12/20/2010

AGGREGATED OPTION EXERCISES IN FISCAL 2001 AND OPTION VALUES AT MARCH 31, 2001

The following table presents information concerning the exercise of options during fiscal 2001 by our Chief Executive Officer and each of our four other most highly compensated executive officers, including the aggregate amount of gains on the date of exercise. The amounts set forth in the column entitled "Value Realized" represent the fair market value of the ordinary shares underlying the option on the date of exercise less the aggregate exercise price of the option.

In addition, the table includes the number of shares covered by both exercisable and unexercisable stock options as of March 31, 2001. Also reported are values of "in-the-money" options that represent the positive spread between the respective exercise prices of outstanding stock options and $15.00 per share, which was the closing price per ordinary share as reported on the Nasdaq National

Market on March 30, 2001, the last day of trading for fiscal 2001. These values, unlike the amounts set forth in the column entitled "Value Realized," have not been, and may never be, realized.

NAME	NUMBER OF SHARES ACQUIRED ON EXERCISE	VALUE REALIZED	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT MARCH 31, 2001	
			VESTED	UNVESTED
Michael E. Marks...........	935,274	$ 25,047,854	2,866,039	2,804,167
Michael McNamara...........	109,298	2,925,023	1,767,448	1,666,982
Robert R.B. Dykes..........	377,166	10,721,962	1,131,002	775,832
Humphrey Porter............	231,997	8,934,592	183,670	678,333
Ronny Nilsson..............	--	--	900,000	--

EMPLOYMENT AGREEMENTS WITH EXECUTIVE OFFICERS

Mr. Nilsson. In connection with the acquisition of two manufacturing facilities from Ericsson Business Networks AB located in Karlskrona, Sweden, we entered into an Employment and Noncompetition Agreement and a Services Agreement with Mr. Ronny Nilsson, each dated as of April 30, 1997.

Pursuant to the Employment Agreement, Mr. Nilsson:

- was appointed as our Senior Vice President, Europe for a four-year period;

- is entitled to receive an annual salary of $250,000; and

- is entitled to a bonus of up to 45% of his annual salary upon the successful completion of certain performance criteria.

Pursuant to the Services Agreement, Mr. Nilsson is to perform management consultation and guidance services to us in consideration for:

- an aggregate of $775,000 which was paid between March 31, 1997 and April 15, 1998; and

- the issuance by us to Mr. Nilsson of an interest-free loan in the amount of 51,875 kronor ($415,000 as of April 15, 1997, the date of the issuance of the loan) which was repaid by Mr. Nilsson in two installments of $210,000 on September 15, 1997 and $205,000 on April 15, 1998.

In connection with Mr. Nilsson's repayment of the interest-free loan, on April 15,1998 we paid to Mr. Nilsson as compensation an amount equal to the two installments paid by Mr. Nilsson.

Mr. Goh. In connection with our acquisition of JIT Holdings Limited, JIT entered into a noncompetition agreement with Goh Thiam Poh Tommie, Chairman of the Board of JIT and a principal shareholder of JIT. Pursuant to this agreement, Mr. Goh agreed that within specific geographic areas he will not own or manage a business that competes with JIT or solicit any employees or customers of JIT. This agreement will terminate upon the earlier of one year after the termination of Mr. Goh's employment with JIT or November 30, 2003.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of the compensation committee of our Board of Directors during fiscal 2001 were Messrs. Sharp and Moritz. None of our officers serve on our compensation committee. No interlocking relationships exist between our Board of

Directors or compensation committee and the board of directors or compensation committee of any other company.

DIRECTOR COMPENSATION

Each individual who first becomes a non-employee Board member is granted a stock option to subscribe for 15,000 ordinary shares at an exercise price equal to the fair market value of our ordinary shares on the date of grant. After this initial grant, on the date of each Annual General Meeting, each individual who is at that time serving as a non-employee director receives a stock option to subscribe for 3,000 ordinary shares at an exercise price equal to the fair market value of our ordinary shares on the date of grant, all

pursuant to the automatic option grant provisions of our 1993 Share Option Plan. Pursuant to this program, Messrs. Ahkong, Moritz, Sharp, Foley and Tsui each received option grants for 3,000 ordinary shares in fiscal 2001 at an exercise price of $42.0313 per share.

In addition, all directors receive reimbursement of reasonable out-of-pocket expenses incurred in connection with meetings of the Board of Directors. No non-employee Director receives any cash compensation for services rendered as a director. No director who is our employee receives compensation for services rendered as a director.

COMPLIANCE UNDER SECTION 16(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Section 16 of the Securities Exchange Act of 1934, as amended, requires our directors and officers, and persons who own more than 10% of our common stock to file initial reports of ownership and reports of changes in ownership with the Securities and Exchange Commission and the Nasdaq National Market. Such persons are required by Securities and Exchange Commission regulations to furnish us with copies of all Section 16(a) forms that they file. Based solely on our review of the copies of such forms furnished to us and written representations from our executive officers and directors, we believe that all Section 16(a) filing requirements for the year ended March 31, 2001 were met with the exception of the following: Messrs. Manire, Schlepp, Snyder and Smach failed to file timely Forms 3; Messrs. Bhardwaj, McNamara, Marks and Schlepp failed to timely file Forms 4 for October 2000; and Messrs. Bhardwaj, McNamara, Marks, Porter, Schlepp and Smach failed to file timely Forms 4 for February 2001.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information as of May 1, 2001 regarding the beneficial ownership of the our ordinary shares, by

- each shareholder known to us to be the beneficial owner of more than 5% of our ordinary shares;

- each director;

- each executive officer named in the Summary Compensation Table; and

- all directors and executive officers as a group.

Information in this table as to our directors and executive officers is based upon information supplied by these individuals. Information in this table as to our 5% shareholders is based solely upon the Schedules 13G filed by these shareholders with the Securities and Exchange Commission. Where information regarding shareholders is based on Schedules 13G, the number of shares owned is as of the date for which information was provided in such schedules.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission that deem shares to be beneficially owned by any person who has voting or investment power with respect to such shares. Ordinary shares subject to options that are currently exercisable or exercisable within 60 days of May 1, 2001 are deemed to be outstanding and to be beneficially owned by the person holding such options for the purpose of computing the percentage ownership of such person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person. Unless otherwise indicated below, the persons and entities named in the table have sole voting and sole investment power with respect to all the shares beneficially owned, subject to community property laws where applicable.

In the table below, percentage ownership is based upon 480,058,647 ordinary shares outstanding as of May 1, 2001.

	SHARES BENEFICIALLY OWNED	
NAME AND ADDRESS OF BENEFICIAL OWNER	NUMBER OF SHARES	PERCENT
5% SHAREHOLDERS:		
Entities associated with AXA Financial, Inc.(1) .... 1290 Avenue of the Americas New York, NY 10104	45,279,073	9.4%
T. Rowe Price Associates, Inc.(2) .... 100 E. Pratt Street Baltimore, MD 21202	26,521,115	5.5
Entitles associated with FMR Corporation(3) .... 82 Devonshire Street Boston, MA 02109	24,634,204	5.1
EXECUTIVE OFFICERS AND DIRECTORS:		
Richard L. Sharp(4)	6,062,202	1.3
Goh Thiam Poh Tommie	5,573,114	1.2
Michael E. Marks(5)	5,285,777	1.1
Michael McNamara(6)	2,641,700	*
Robert R.B. Dykes(7)	1,606,407	*
Michael J. Moritz(8)	455,682	*
Ronny Nilsson(9)	390,000	*
Tsui Sung Lam(10)	313,946	*
Humphrey Porter(11)	272,003	*
Patrick Foley(12)	208,250	*
Chuen Fah Alain Ahkong(13)	28,250	*
All 16 directors and executive officers as a group(14) ...	25,986,948	5.3%

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* Less than 1%.

(1) Based on information supplied by AXA Financial, Inc. in an amended Schedule 13G filed with the Securities and Exchange Commission on February 12, 2001.

(2) Based on information supplied by T. Rowe Price Associates, Inc. in a Schedule 13G filed with the Securities and Exchange Commission on February 14, 2001.

(3) Based on information supplied by FMR Corporation in an amended Schedule 13G filed with the Securities and Exchange Commission on February 13, 2001.

(4) Includes 1,480,000 shares beneficially owned by Bethany Limited Partnership. Mr. Sharp, the general partner of Bethany Limited Partnership, has voting and investment power over such shares and may be deemed to beneficially own such shares. Mr. Sharp disclaims beneficial ownership of all such shares except to the extent of his proportionate interest therein. Also includes 612,000 shares held by RLS Charitable Remainder Unitrust of which Mr. Sharp is a co-trustee and 96,250 shares subject to options exercisable within 60 days after May 1, 2001 held by Mr. Sharp.

(5) Includes 24,000 shares held by the Justin Caine Marks Trust and 24,000 shares held by the Amy G. Marks Trust. Also includes 3,166,039 shares subject to options exercisable within 60 days after May 1, 2001 held by Mr. Marks.

(6) Includes 1,950,930 shares subject to options exercisable within 60 days after May 1, 2001 held by Mr. McNamara.

(7) Includes 232,166 shares held by the Dykes Family LP Trust. Also includes 1,228,501 shares subject to options exercisable within 60 days after May 1, 2001 held by Mr. Dykes.

(8) Includes 359,432 shares held by the Maximus Trust. Also includes 96,250 shares subject to options exercisable within 60 days after May 1, 2001 held by Mr. Moritz.

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(9) Represents 390,000 shares subject to options exercisable within 60 days after May 1, 2001 held by Mr. Nilsson.

(10) Includes 271,594 shares subject to options exercisable within 60 days after May 1, 2001 held by Mr. Tsui.

(11) Represents 272,003 shares subject to options exercisable within 60 days after May 1, 2001 held by Mr. Porter.

(12) Includes 168,250 shares subject to options exercisable within 60 days after May 1, 2001 held by Mr. Foley.

(13) Represents 28,250 shares subject to options exercisable within 60 days after May 1, 2001 held by Mr. Ahkong.

(14) Includes 9,065,280 shares subject to options exercisable within 60 days

after May 1, 2001.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Other than compensation agreements and other arrangements, which are described in "Executive" Compensation, and the transactions described below, during fiscal 2001, there was not, nor is there currently proposed, any transaction or series of similar transactions to which we were or will be a party:

- in which the amount involved exceeded or will exceed $60,000; and

- in which any director, executive officer, holder of more than 5% of our ordinary shares or any member of their immediate family had or will have a direct or indirect material interest.

LOANS TO EXECUTIVE OFFICERS

Mr. Marks. On October 11, 2000, our principal U.S. subsidiary, Flextronics International (USA), Inc., which we refer to in this section as Flextronics USA, loaned $10,569,658 to Mr. Michael Marks, our Chairman of the Board and Chief Executive Officer. Mr. Marks executed a promissory note in favor of Flextronics USA that bore interest at a rate of 5.96% and was to mature on November 11, 2003. In fiscal 2001, Mr. Marks paid the principal in full, together with accrued interest.

Mr. McNamara. On October 22, 1996, Flextronics USA loaned $135,900 to Mr. Michael McNamara. Mr. McNamara executed a promissory note in favor of Flextronics USA that bears interest at a rate of 7.00% and matures on October 22, 2001. The remaining outstanding balance of the loan as of March 31, 2001 was $179,464 (representing $135,900 in principal and $43,564 in accrued interest).

On November 25, 1998, Flextronics USA loaned $130,000 to Mr. McNamara. Mr. McNamara executed a promissory note in favor of Flextronics USA that bears interest at a rate of 7.25% and matures on November 25, 2003. The remaining outstanding balance of the loan as of March 31, 2001 was $152,797 (representing $130,000 in principal and $22,797 in accrued interest).

On April 14, 1999, Flextronics USA loaned $950,000 to Mr. McNamara. Mr. McNamara executed a promissory note in favor of Flextronics USA that bears interest at a rate of 4.19% and matures on May 3, 2003. The remaining outstanding balance of the loan as of March 31, 2001 was $1,089,663 (representing $950,000 in principal and $139,663 in accrued interest).

On October 11, 2000, Flextronics USA loaned $152,236 to Mr. McNamara. Mr. McNamara executed a promissory note in favor of Flextronics USA that bears interest at a rate of 5.96% and matures on November 11, 2003. The remaining outstanding balance of the loan as of March 31, 2001 was $156,546 (representing $152,236 in principal and $4,310 in accrued interest).

Mr. Dykes. On January 15, 1999, Flextronics USA loaned $200,100 to Mr. Robert Dykes. Mr. Dykes executed a promissory note in favor of Flextronics USA that bears interest at a rate of 7.25% and matures on January 15, 2004. In fiscal 2001, Mr. Dykes paid the principal in full, together with accrued interest.

On October 11, 2000, Flextronics USA loaned $1,046,886 to Mr. Dykes. Mr. Dykes executed a promissory note in favor of Flextronics USA that bore interest at a rate of 5.96% and was to mature on November 11, 2003. In fiscal 2001, Mr. Dykes paid the principal in full, together with accrued interest.

Mr. Smach. On April 3, 2000, Flextronics USA loaned $1,000,000 to Mr. Thomas J. Smach. Mr. Smach executed a Loan and Security Agreement and a promissory note in favor of Flextronics USA that does not bear interest and matures on April 3, 2005. The remaining outstanding balance of the loan as of March 31, 2001 was $1,000,000 in principal.

Mr. Snyder. On April 20, 2000, Flextronics USA loaned $1,000,000 to Mr. Ronald R. Snyder. Mr. Snyder executed a Loan and Security Agreement and a promissory note in favor of Flextronics USA that did not bear interest and was to mature on April 20, 2005. In fiscal 2001, Mr. Snyder paid the principal in full.

OTHER LOANS TO EXECUTIVE OFFICERS

In connection with an investment partnership, Glouple Ventures LLC, one of our subsidiaries, Flextronics International, NV, which we refer to in this section as Flextronics NV, has entered into the following transactions with our executive officers.

- in July 2000, Flextronics NV loaned $76,922 to each of Messrs. Marks, McNamara, Dykes, Porter, Nilsson, Bhardwaj, Schlepp, Snyder and Smach, and each executed a promissory note in favor of Flextronics NV that bears interest at a rate of 6.40% and matures on August 15, 2010;

- in August 2000, Flextronics NV loaned an aggregate of $51,157 to each of Messrs. Marks, McNamara, Dykes, Porter, Nilsson, Bhardwaj, Schlepp, Snyder and Smach, and each executed promissory notes in favor of Flextronics NV that bear interest at a rate of 6.22% and mature on August 15, 2010; and

- in November 2000, Flextronics NV loaned an aggregate of $428,286 to each of Messrs. Marks, McNamara, Dykes, Porter, Nilsson, Bhardwaj, Manire, Schlepp, Snyder and Smach, and each executed promissory notes in favor of Flextronics NV that bear interest at a rate of 6.09% and mature on August 15, 2010.

As of March 31, 2001, the entire principal amount of these loans, together with $102,698 of accrued interest, was outstanding.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) DOCUMENTS TO BE FILED AS PART OF THIS ANNUAL REPORT ON FORM 10-K

1. Financial Statements. See Item 8, "Financial Statements and Supplementary Data."

2. Financial Statement Schedules. The following financial statement schedule is filed as part of this report and should be read together with our financial statements:

Schedule II -- Valuation and qualifying accounts

3. Exhibits. The following exhibits are filed with this annual report on Form 10-K:

EXHIBIT NO.	EXHIBIT	INCORPORATED BY REFERENCE FORM	FILE NO.	FILING DATE
2.01	Exchange Agreement dated as of June 11, 1999 among the Registrant, Flextronics Holding Finland Oyj, Kyrel EMS Oyj, and Seppo Parhankangas	10-K	000-23354	06-29-99
2.02	Agreement and Plan of Merger dated November 22, 1999 among the Registrant, Slalom Acquisition Corp. and The DII Group, Inc.*	8-K	000-23354	12-06-99
2.03	Agreement and Plan of Reorganization dated July 31, 2000 among the Registrant, Chatham Acquisition Corporation, and Chatham Technologies, Inc.*	8-K	000-23354	09-15-00
2.04	Merger Agreement dated August 10, 2000 among the Registrant, JIT Holdings Limited, Goh Thiam Poh Tommie and Goh Mui Teck William, as amended.*	S-3	333-46770	09-27-00
2.05	Agreement and Plan of Reorganization dated August 31, 2000 among the Registrant, Lightning Metal Acquisition Corp., Coating Acquisition Corp., Lightning Tool Acquisition Corp., Lightning Metal Specialties, Incorporated, Coating Technologies, Inc., Lightning Tool and Design, Inc., Lightning Metal Specialties E.M.F., Ltd., Lightning Manufacturing Solutions-Europe, Ltd., Lightning Manufacturing Solutions Texas, L.L.C., Lightning Logistics, L.L.C., Papason, L.L.C., 200 Scott Street, L.L.C., 80 Scott Street, L.L.C., 230 Scott Street, L.L.C., 1350 Lively Blvd, L.L.C., D.A.D. Partnership, S.O.N. Partnership, S.O.N. II Partnership, and shareholders and members of such companies.*	S-3	333-46200	09-20-00
2.06**	Exchange Agreement dated January 14, 2000, among the Registrant, Palo Alto Products International Pte. Ltd., and the shareholders of Palo Alto Products International Pte. Ltd., Palo Alto Manufacturing (Thailand) Ltd., and Palo Alto Plastic (Thailand) Ltd.			
3.01	Memorandum and New Articles of Association of the Registrant.	10-Q	000-23354	02-09-01
4.01	Indenture dated as of October 15, 1997	8-K	000-23354	10-22-97

	between Registrant and State Street Bank and Trust Company of California, N.A., as trustee.			
4.02	U.S. Dollar Indenture dated June 29, 2000 between the Registrant and Chase Manhattan Bank and Trust Company, N.A., as trustee.	10-Q	000-23354	08-14-00
4.03	Euro Indenture dated as of June 29, 2000 between Registrant and Chase Manhattan Bank and Trust Company, N.A., as trustee.	10-Q	000-23354	08-14-00
4.04	Credit Agreement dated April 3, 2000 among the Registrant and its subsidiaries designated under the Credit Agreement as borrowers from time to time, the lenders named in Schedule I to the Credit Agreement, ABN AMRO Bank N.V. as agent for the lenders, Fleet National Bank as documentation agent, Bank of America, National Association and Citicorp USA, Inc. as managing agents, and The Bank of Nova Scotia as co-agent (the "Flextronics International Credit Agreement.*	10-K	000-23354	06-13-00
4.05	Credit Agreement dated as of April 3, 2000 among Flextronics International USA, Inc., The DII Group, Inc., the lenders named in Schedule I to the Credit Agreement, ABN AMRO Bank N.V. as agent for the lenders, Fleet National Bank, as documentation agent, Bank of America, National Association and Citicorp USA, Inc. as managing agents, and The Bank of Nova Scotia as co-agent (the "Flextronics USA Credit Agreement").*	10-K	000-23354	06-13-00
4.06	Amendment, dated as of June 15, 2000, to the Flextronics USA Credit Agreement.*	10-Q	000-23354	11-14-00

		INCORPORATED BY REFERENCE		
EXHIBIT NO.	EXHIBIT	FORM	FILE NO.	FILING DATE
4.07**	First Amendment, dated as of April 3, 2001, to the Flextronics International Credit Agreement.*			
4.08**	Second Amendment, dated as of April 3, 2001, to the Flextronics USA Credit Agreement.*			
10.01	Form of Indemnification Agreement between	S-1	33-74622	

	the Registrant and its Directors and certain officers.			
10.02	Registrant's 1993 Share Option Plan.+	S-8	333-55850	02-16-01
10.03	Registrant's 1997 Employee Share Purchase Plan.+	S-8	333-95189	01-21-00
10.04	Flextronics U.S.A. 401(k) plan.+	S-1	33-74622	
10.05	Employment and Noncompetition Agreement dated as of April 30, 1997 between Flextronics International Sweden AB and Ronny Nilsson.+	10-K	000-23354	quarter ended 03-31-97
10.06	Services Agreement dated as of April 30, 1997 between Flextronics International USA, Inc. and Ronny Nilsson.+	10-K	000-23354	quarter ended 03-31-97
10.07	Promissory Note dated April 15, 1997 executed by Ronny Nilsson in favor of Flextronics International USA, Inc.	10-K	000-23354	quarter ended 03-31-97
10.08**	Form of Secured Full Recourse Promissory Note executed by certain executive officers of the Registrant in favor of Flextronics International, NV, in connection with Glouple Ventures 2000 - I.			
10.09**	Form of Secured Full Recourse Promissory Note executed by certain executive officers of the Registrant in favor of Flextronics International, NV, in connection with Glouple Ventures 2000 - II.			
10.10**	Deed of Noncompetition dated November 30, 2000 among JIT Holdings Limited and Goh Thiam Poh Tommie.+			
21.01**	Subsidiaries of Registrant			
23.01	Consent of Arthur Andersen LLP			
23.02	Consent of Deloitte & Touche LLP			

* Certain schedules have been omitted. The Registrant agrees to furnish supplementally a copy of any omitted schedule to the Commission upon request.

** Previously filed.

\+ Management contract, compensatory plan or arrangement.

(b) Reports on Form 8-K:

On January 29, 2001 we filed a current report on Form 8-K including our consolidated financial statements as of March 31, 1999 and 2000 and for each of the three years in the period ended March 31, 2000, giving retroactive effect to our mergers with Chatham Technologies, Inc. and Lightning Metal Specialties and related entities.

On February 1, 2001 we filed a current report on Form 8-K relating to (i) our underwritten public offering of 27,000,000 of our ordinary shares, all of which were sold by us, at a public offering price of $37.9375 per share and (ii) our announcement that we had entered into a non-binding memorandum of understanding with Ericsson in which we

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were selected to manage the operations of Ericsson's mobile phone business. This Form 8-K was amended on February 8, 2001 to file the underwriting agreement relating to our underwritten public offering.

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SIGNATURES

Pursuant to the requirement of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Amendment No. 1 to its Report to be signed on its behalf by the undersigned, thereto duly authorized.

Date: December 14, 2001

FLEXTRONICS INTERNATIONAL LTD.

By: /s/ Michael E. Marks

Michael E. Marks
Chairman of the Board and
Chief Executive Officer

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Valuation and Qualifying Accounts

Schedule II

Years Ended March 31, 1999, 2000 and 2001
(in thousands)

		ADDITIONS		
	BALANCE AT BEGINNING OF YEAR	EFFECT OF ACQUISITIONS	CHARGED TO COSTS AND EXPENSES	DE WR

Allowance for doubtful accounts:				
Year ended March 31, 1999	$ 15,446	$ 223	$ 1,149	$
Year ended March 31, 2000	16,939	1,123	12,534	
Year ended March 31, 2001	24,957	10,293	9,429	
Accrual for unusual charges:				
Year ended March 31, 1999	5,445	--	79,286	
Year ended March 31, 2000	6,554	--	--	
Year ended March 31, 2001	931	--	686,805	
Reserve for inventory obsolescence:				
Year ended March 31, 1999	19,834	3,095	7,624	
Year ended March 31, 2000	29,812	3,046	32,345	
Year ended March 31, 2001	61,792	34,341	33,634	

EXHIBIT INDEX

		INCORPORATED BY REFERENCE		
EXHIBIT NO.	EXHIBIT	FORM	FILE NO.	FILING DATE
2.01	Exchange Agreement dated as of June 11, 1999 among the Registrant, Flextronics Holding Finland Oyj, Kyrel EMS Oyj, and Seppo Parhankangas	10-K	000-23354	06-29-99
2.02	Agreement and Plan of Merger dated November 22, 1999 among the Registrant, Slalom Acquisition Corp. and The DII Group, Inc.*	8-K	000-23354	12-06-99
2.03	Agreement and Plan of Reorganization dated July 31, 2000 among the Registrant, Chatham Acquisition Corporation, and Chatham Technologies, Inc.*	8-K	000-23354	09-15-00
2.04	Merger Agreement dated August 10, 2000 among the Registrant, JIT Holdings Limited, Goh Thiam Poh Tommie and Goh Mui Teck William, as amended.*	S-3	333-46770	09-27-00
2.05	Agreement and Plan of Reorganization dated August 31, 2000 among the Registrant, Lightning Metal Acquisition Corp., Coating Acquisition Corp., Lightning Tool Acquisition Corp., Lightning Metal Specialties, Incorporated, Coating Technologies,	S-3	333-46200	09-20-00

	Inc., Lightning Tool and Design, Inc., Lightning Metal Specialties E.M.F., Ltd., Lightning Manufacturing Solutions-Europe, Ltd., Lightning Manufacturing Solutions Texas, L.L.C., Lightning Logistics, L.L.C., Papason, L.L.C., 200 Scott Street, L.L.C., 80 Scott Street, L.L.C., 230 Scott Street, L.L.C., 1350 Lively Blvd, L.L.C., D.A.D. Partnership, S.O.N. Partnership, S.O.N. II Partnership, and shareholders and members of such companies.*			
2.06**	Exchange Agreement dated January 14, 2000, among the Registrant, Palo Alto Products International Pte. Ltd., and the shareholders of Palo Alto Products International Pte. Ltd., Palo Alto Manufacturing (Thailand) Ltd., and Palo Alto Plastic (Thailand) Ltd.			
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	as managing agents, and The Bank of Nova Scotia as co-agent (the "Flextronics International Credit Agreement.*			
4.05	Credit Agreement dated as of April 3, 2000 among Flextronics International USA, Inc., The DII Group, Inc., the lenders named in Schedule I to the Credit Agreement, ABN AMRO Bank N.V. as agent for the lenders, Fleet National Bank, as documentation agent, Bank of America, National Association and Citicorp USA, Inc. as managing agents, and The Bank of Nova Scotia as co-agent (the "Flextronics USA Credit Agreement").*	10-K	000-23354	06-13-00
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10.09**	Form of Secured Full Recourse Promissory Note executed by certain executive officers of the Registrant in favor of Flextronics International, NV, in connection with			

Glouple Ventures 2000 - II.

EXHIBIT NO.	EXHIBIT	INCORPORATED BY REFERENCE FORM	FILE NO.	FILING DATE
10.10**	Deed of Noncompetition dated November 30, 2000 among JIT Holdings Limited and Goh Thiam Poh Tommie.+			
21.01**	Subsidiaries of Registrant			
23.01	Consent of Arthur Andersen LLP			
23.02	Consent of Deloitte & Touche LLP			

* Certain schedules have been omitted. The Registrant agrees to furnish supplementally a copy of any omitted schedule to the Commission upon request.

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