FLEXTRONICS INTERNATIONAL LTD.
Form 10-Q
January 29, 2015
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2014

Or

o 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 0-23354

FLEXTRONICS INTERNATIONAL LTD.

(Exact name of registrant as specified in its charter)

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

Registrant s telephone number, including area code

(65) 6876-9899

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 o

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

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

Class	**Outstanding at January 23, 2015**
Ordinary Shares, No Par Value	572,375,941

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PART I. FINANCIAL INFORMATION

ITEM 1. *FINANCIAL STATEMENTS*

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the accompanying condensed consolidated balance sheet of Flextronics International Ltd. and subsidiaries (the Company) as of December 31, 2014, and the related condensed consolidated statements of operations and of comprehensive income for the three-month and nine-month periods ended December 31, 2014 and 2013, and the condensed consolidated statements of cash flows for the nine-month periods then ended. These interim financial statements are the responsibility of the Company s management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Flextronics International Ltd. and subsidiaries as of March 31, 2014, and the related consolidated statements of operations, comprehensive income, shareholders equity, and cash flows for the year then ended (not presented herein); and in our report dated May 20, 2014, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of March 31, 2014 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ DELOITTE & TOUCHE LLP
San Jose, California
January 29, 2015

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FLEXTRONICS INTERNATIONAL LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS

	As of December 31, 2014	As of March 31, 2014
	(In thousands, except share amounts) (Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,707,221	$ 1,593,728
Accounts receivable, net of allowance for doubtful accounts of $7,896 and $5,529 as of December 31, 2014 and March 31, 2014, respectively	2,449,773	2,697,985
Inventories	3,559,640	3,599,008
Other current assets	1,416,586	1,509,605
Total current assets	9,133,220	9,400,326
Property and equipment, net	2,114,681	2,288,656
Goodwill and other intangible assets, net	417,532	377,218
Other assets	425,040	433,950
Total assets	$ 12,090,473	$ 12,500,150
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Bank borrowings and current portion of long-term debt	$ 45,174	$ 32,575
Accounts payable	4,850,515	4,747,779
Accrued payroll	345,539	354,889
Other current liabilities	1,967,494	2,521,444
Total current liabilities	7,208,722	7,656,687
Long-term debt, net of current portion	2,045,569	2,070,020
Other liabilities	447,337	571,764
Commitments and contingencies (Note 13)		
Shareholders equity		
Flextronics International Ltd. shareholders equity		
Ordinary shares, no par value; 623,277,843 and 641,666,347 issued, and 573,038,488 and 591,426,992 outstanding as of December 31, 2014 and March 31, 2014, respectively	7,376,355	7,614,515
Treasury shares, at cost; 50,239,355 shares as of December 31, 2014 and March 31, 2014	(388,215)	(388,215)
Accumulated deficit	(4,471,405)	(4,937,094)
Accumulated other comprehensive loss	(165,643)	(126,156)
Total Flextronics International Ltd. shareholders equity	2,351,092	2,163,050
Noncontrolling interests	37,753	38,629
Total shareholders equity	2,388,845	2,201,679
Total liabilities and shareholders equity	$ 12,090,473	$ 12,500,150

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

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FLEXTRONICS INTERNATIONAL LTD.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three-Month Periods Ended		Nine-Month Periods Ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	(In thousands, except per share amounts) (Unaudited)			
Net sales	$ 7,025,054	$ 7,183,442	$ 20,196,316	$ 19,384,673
Cost of sales	6,616,397	6,784,823	19,029,793	18,306,596
Gross profit	408,657	398,619	1,166,523	1,078,077
Selling, general and administrative expenses	215,993	224,576	629,860	666,695
Intangible amortization	8,045	5,575	23,228	21,495
Interest and other, net	9,035	18,342	40,178	45,516
Other charges (income), net	5,067	(3,599)	(41,526)	2,512
Income before income taxes	170,517	153,725	514,783	341,859
Provision for income taxes	17,618	8,568	49,094	19,240
Net income	$ 152,899	$ 145,157	$ 465,689	$ 322,619
Earnings per share:				
Basic	$ 0.26	$ 0.24	$ 0.80	$ 0.52
Diluted	$ 0.26	$ 0.23	$ 0.78	$ 0.51
Weighted-average shares used in computing per share amounts:				
Basic	577,157	606,724	583,383	614,539
Diluted	587,201	618,677	594,791	627,399

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

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FLEXTRONICS INTERNATIONAL LTD.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three-Month Periods Ended		Nine-Month Periods Ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	(In thousands) (Unaudited)			
Net income	$ 152,899	$ 145,157	$ 465,689	$ 322,619
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of zero tax	(15,154)	(13,960)	(24,982)	(43,457)
Unrealized gain (loss) on derivative instruments and other, net of zero tax	(22,797)	1,097	(14,505)	516
Comprehensive income	$ 114,948	$ 132,294	$ 426,202	$ 279,678

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

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FLEXTRONICS INTERNATIONAL LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine-Month Periods Ended December 31, 2014	Nine-Month Periods Ended December 31, 2013
	(In thousands) (Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 465,689	$ 322,619
Depreciation, amortization and other impairment charges	404,260	345,044
Changes in working capital and other	(200,525)	450,644
Net cash provided by operating activities	669,424	1,118,307
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(254,970)	(526,026)
Proceeds from the disposition of property and equipment	90,576	64,873
Acquisition of businesses, net of cash acquired	(52,639)	(238,031)
Proceeds from divesture of business, net of cash held in divested business	(5,493)	4,599
Other investing activities, net	(11,517)	(12,067)
Net cash used in investing activities	(234,043)	(706,652)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from bank borrowings and long-term debt	234,523	1,003,294
Repayments of bank borrowings, long-term debt and capital lease obligations	(251,337)	(518,549)
Payments for early retirement of long-term debt		(544,840)
Payments for repurchases of ordinary shares	(290,752)	(362,693)
Net proceeds from issuance of ordinary shares	12,341	21,106
Other financing activities, net	(29,135)	46,298
Net cash used in financing activities	(324,360)	(355,384)
Effect of exchange rates on cash and cash equivalents	2,472	(26,113)
Net increase in cash and cash equivalents	113,493	30,158
Cash and cash equivalents, beginning of period	1,593,728	1,587,087
Cash and cash equivalents, end of period	$ 1,707,221	$ 1,617,245
Non-cash investing activity:		
Unpaid purchases of property and equipment	$ 74,206	$ 57,483

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. ORGANIZATION OF THE COMPANY AND BASIS OF PRESENTATION

Organization of the Company

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

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

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP or GAAP) for interim financial information and in accordance with the requirements of Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements, and should be read in conjunction with the Company s audited consolidated financial statements as of and for the fiscal year ended March 31, 2014 contained in the Company s Annual Report on Form 10-K. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three and nine-month periods ended December 31, 2014 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2015.

The first quarters for fiscal year 2015 and fiscal year 2014 ended on June 27, 2014, which is comprised of 88 days in the period, and June 28, 2013, which is comprised of 89 days in the period, respectively. The second quarter for fiscal year 2015 and fiscal year 2014 ended on September 26, 2014 and September 27, 2013, which are comprised of 91 days in both periods, respectively. The Company s third quarter ends on December 31 of each year, which is comprised of 96 days and 95 days in the respective periods for fiscal years 2015 and 2014.

The accompanying unaudited condensed consolidated financial statements include the financial position and results of operations of a majority owned subsidiary of the Company. Non-controlling interests are presented as a separate component of total shareholders equity in the condensed consolidated balance sheets. The operating results of the subsidiary attributable to the non-controlling interests are immaterial for all of the periods presented, and are included in interest and other, net in the condensed consolidated statements of operations.

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (FASB) issued guidance which requires an entity to report a disposal of a component of an entity in discontinued operations if the disposal represents a strategic shift that has a major effect on an entity s operations and financial results when the component of an entity meets certain criteria to be classified as held for sale, or when the component of an entity is disposed of by a sale or disposed of other than by a sale. Further, additional disclosures about discontinued

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operations should include the following for the periods in which the results of operations of the discontinued operations are presented in the statement of operations: the major classes of line items constituting pretax profit or loss of discontinued operations; total operating and investing cash flows of discontinued operations; depreciation, amortization, capital expenditures, and significant operating and investing noncash items of discontinued operations; pretax profit or loss attributable to the parent if a discontinued operation includes a non-controlling interest; a reconciliation of major classes of assets and liabilities of the discontinued operation classified as held for sale; and a reconciliation of major classes of line items constituting the pretax profit or loss of the discontinued operation. The Company early adopted this accounting standard update in the first quarter of fiscal year 2015. During the first quarter of fiscal 2015, the Company disposed of a manufacturing facility in Western Europe which did not meet the criteria of discontinued operations under this accounting standard, as further discussed in note 6 to the condensed consolidated financial statements.

In May 2014, the FASB issued new guidance related to revenue recognition which requires an entity to recognize revenue relating to contracts with customers that depicts the transfer of promised goods or services to customers in an amount reflecting the consideration to which the entity expects to be entitled in exchange for such goods or services. In order to meet this requirement, the entity must apply the following steps: (i) identify the contracts with the customers; (ii) identify performance obligations in the contracts; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations per the contracts; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. Additionally, disclosures required for revenue recognition will include qualitative and quantitative information about contracts with customers, significant judgments and changes in judgments, and assets recognized from costs to obtain or fulfill a contract. This guidance is effective for the Company beginning in the first quarter of fiscal year 2018 and the Company is in the process of assessing the impact on its consolidated financial statements.

2. BALANCE SHEET ITEMS

Inventories

The components of inventories, net of applicable lower of cost or market write-downs, were as follows:

	As of December 31, 2014	As of March 31, 2014
	(In thousands)	
Raw materials	$ 2,336,860	$ 2,349,278
Work-in-progress	549,732	608,284
Finished goods	673,048	641,446
	$ 3,559,640	$ 3,599,008

Goodwill and Other Intangibles

The following table summarizes the activity in the Company s goodwill account during the nine-month period ended December 31, 2014:

		Amount (In thousands)
Balance, beginning of the year	$	292,758
Additions (1)		36,467
Purchase accounting adjustments (2)		8,651
Foreign currency translation adjustments		(3,393)
Balance, end of the period	$	334,483

(1) The goodwill generated from the Company s business combinations completed during the nine-month period ended December 31, 2014 is primarily related to value placed on the acquired employee workforces, service offerings and capabilities of the acquired businesses and expected synergies. The goodwill is not deductible for income tax purposes. See note 12 to the condensed consolidated financial statements for additional information.

(2) Fair value adjustment made to certain assets acquired in connection with the Company s acquisition of Riwisa AG during the three-month ended December 31, 2013.

The components of acquired intangible assets are as follows:

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	As of December 31, 2014			As of March 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(In thousands)					
Intangible assets:						
Customer-related intangibles	$ 126,712	$ (73,867)	$ 52,845	$ 204,369	$ (140,713)	$ 63,656
Licenses and other intangibles	39,793	(9,589)	30,204	32,564	(11,760)	20,804
Total	$ 166,505	$ (83,456)	$ 83,049	$ 236,933	$ (152,473)	$ 84,460

The gross carrying amounts of intangible assets are removed when the recorded amounts have been fully amortized. During the nine-month period ended December 31, 2014, the value of customer-related intangible assets increased by $8.5 million in connection with the Company s acquisitions, and licenses and other intangibles increased by $15.7 million primarily as a result of the purchase of certain technology rights. The estimated future annual amortization expense for intangible assets is as follows:

Fiscal Year Ending March 31,	Amount (In thousands)
2015 (1)	$ 7,496
2016	26,582
2017	18,404
2018	12,564
2019	8,326
Thereafter	9,677
Total amortization expense	$ 83,049

(1) Represents estimated amortization for the remaining three-month period ending March 31, 2015.

Other Current Assets / Liabilities

In connection with a prior year acquisition, the Company entered into an agreement with a customer and a third party banking institution to procure certain manufacturing equipment that was financed by the third party banking institution, acting as an agent of the customer. The manufacturing equipment was used exclusively for the benefit of this customer. The Company has the ability to settle the obligation related to these financed assets by returning the equipment to the customer and cannot be required to pay cash by either the customer or the third party banking institution. During the current fiscal year, the Company ceased manufacturing of the product related to the financed equipment. As a result, the Company as an agent on behalf of the customer is in the process of dispositioning the equipment and forwarding the proceeds to the third party banking institution reducing the outstanding obligation. The value of the equipment financed by the third party was $272.0 million and $267.5 million as of December 31, 2014 and March 31, 2014, respectively and is included in other current assets. The outstanding balance due to the third party banking institution related to the financed equipment was $263.7 million and $286.5 million as of December 31, 2014 and March 31, 2014, respectively and is included in other current liabilities.

Other current liabilities also includes deferred revenue of $287.0 million and $296.3 million, and customer working capital advances of $213.0 million and $754.7 million as of December 31, 2014 and March 31, 2014, respectively. The customer working capital advances are not interest bearing, do not have fixed repayment dates and are generally reduced as the underlying working capital is consumed in production.

3. SHARE-BASED COMPENSATION

The following table summarizes the Company s share-based compensation expense:

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	Three-Month Periods Ended		Nine-Month Periods Ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	(In thousands)			
Cost of sales	$ 2,083	$ 1,800	$ 5,562	$ 5,018
Selling, general and administrative expenses	12,136	11,311	31,259	25,399
Total share-based compensation expense	$ 14,219	$ 13,111	$ 36,821	$ 30,417

Total unrecognized compensation expense related to share options is $0.2 million, net of estimated forfeitures, and will be recognized over a weighted-average remaining vesting period of 1.5 years. As of December 31, 2014, the number of options outstanding and exercisable was 17.3 million, respectively, both at a weighted-average exercise price of $7.87 per share.

During the nine-month period ended December 31, 2014, the Company granted 6.4 million unvested share bonus awards at an average grant date price of $11.71 per share, under its 2010 Equity Incentive Plan. Of this amount, approximately 1.0 million represents the target amount of grants made to certain key employees whereby vesting is contingent on certain market conditions. The number of shares that ultimately will vest range from zero up to a maximum of 2.0 million based on a measurement of the percentile rank of the Company s total shareholder return over a certain specified period against the Standard and Poor s (S&P) 500 Composite Index and will cliff vest after a period of three years, if such market conditions have been met. The average grant-date fair value of these awards was estimated to be $15.81 per share and was calculated using a Monte Carlo simulation.

As of December 31, 2014, approximately 19.1 million unvested share bonus awards were outstanding, of which vesting for a targeted amount of 5.0 million is contingent primarily on meeting certain market conditions. The number of shares that will ultimately be issued can range from zero to 9.7 million based on the achievement levels of the respective conditions. During the nine-month period ended December 31, 2014, 0.3 million shares vested in connection with the remaining number of share bonus awards with market conditions granted in fiscal 2011, and 0.4 million shares vested in connection with half of the share bonus awards with market conditions granted in fiscal 2012.

As of December 31, 2014, total unrecognized compensation expense related to unvested share bonus awards is $98.0 million, net of estimated forfeitures, and will be recognized over a weighted-average remaining vesting period of 2.6 years. Approximately $18.2 million of the total unrecognized compensation cost, net of estimated forfeitures, is related to awards whereby vesting is contingent on meeting certain market conditions.

4. EARNINGS PER SHARE

The following table reflects the basic weighted-average ordinary shares outstanding and diluted weighted-average ordinary share equivalents used to calculate basic and diluted earnings per share:

	Three-Month Periods Ended		Nine-Month Periods Ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	(In thousands, except per share amounts)			
Basic earnings per share:				

Net income	$	152,899	$	145,157	$	465,689	$	322,619
Shares used in computation:								
Weighted-average ordinary shares outstanding		577,157		606,724		583,383		614,539
Basic earnings per share	$	0.26	$	0.24	$	0.80	$	0.52
Diluted earnings per share:								
Net income	$	152,899	$	145,157	$	465,689	$	322,619
Shares used in computation:								
Weighted-average ordinary shares outstanding		577,157		606,724		583,383		614,539
Weighted-average ordinary share equivalents from stock options and awards (1) (2)		10,044		11,953		11,408		12,860
Weighted-average ordinary shares and ordinary share equivalents outstanding		587,201		618,677		594,791		627,399
Diluted earnings per share	$	0.26	$	0.23	$	0.78	$	0.51

(1) Options to purchase ordinary shares of 9.4 million and 16.5 million during the three-month periods ended December 31, 2014 and December 31, 2013, respectively, and share bonus awards of 0.2 million for both three-month periods ended December 31, 2014 and December 31, 2013, respectively, were excluded from the computation of diluted earnings per share due to their anti-dilutive impact on the weighted average ordinary share equivalents.

(2) Options to purchase ordinary shares of 11.2 million and 16.5 million during the nine-month periods ended December 31, 2014 and December 31, 2013, respectively, and share bonus awards of 0.1 million for both nine-month periods ended December 31, 2014 and December 31, 2013, respectively, were excluded from the computation of diluted earnings per share due to their anti-dilutive impact on the weighted average ordinary share equivalents.

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5. INTEREST AND OTHER, NET

During the three-month and nine-month periods ended December 31, 2014, the Company recognized interest expense of $19.9 million and $57.5 million, respectively, on its debt obligations outstanding during the period. During the three-month and nine-month periods ended December 31, 2013, the Company recognized interest expense of $19.9 million and $60.4 million, respectively.

The weighted average interest rates for the Company s long-term debt was 3.2% for both nine-month periods ended December 31, 2014 and December 31, 2013, respectively.

During the three-month and nine-month periods ended December 31, 2014, the Company recognized interest income of $4.7 million and $14.7 million, respectively. During the three-month and nine-month periods ended December 31, 2013, the Company recognized interest income of $4.7 million and $11.9 million, respectively.

During the three-month and nine-month periods ended December 31, 2014, the Company recognized gains on foreign exchange transactions of $8.5 million and $13.9 million, respectively. During the three-month and nine-month periods ended December 31, 2013, the Company recognized gains on foreign exchange transactions of $3.3 million and $11.3 million, respectively.

6. OTHER CHARGES (INCOME), NET

During the nine-month period ended December 31, 2014, an amendment to a customer contract to reimburse a customer for certain performance provisions was executed which included the removal of a $55.0 million contractual obligation recognized during fiscal year 2014. Accordingly, the Company reversed this charge with a corresponding credit to other charges (income), net in the condensed consolidated statement of operations.

Further, during the nine-month period ended December 31, 2014, the Company recognized a loss of $11.0 million in connection with the disposition of a manufacturing facility in Western Europe. The Company received $11.5 million in cash for the sale of $27.2 million in net assets of the facility. The loss also includes $4.6 million of estimated transaction costs, partially offset by a gain of $9.3 million for the release of cumulative foreign currency translation gains triggered by the disposition.

During the nine-month period ended December 31, 2013, the Company recognized a loss of $7.1 million relating to the exercise of a warrant to purchase shares of a certain supplier and sale of the underlying shares for total proceeds of $67.3 million.

7. FINANCIAL INSTRUMENTS

Foreign Currency Contracts

The Company enters into forward contracts and foreign currency swap contracts to manage the foreign currency risk associated with monetary accounts and anticipated foreign currency denominated transactions. The Company hedges committed exposures and does not engage in speculative transactions. As of December 31, 2014, the aggregate notional amount of the Company s outstanding foreign currency forward and swap contracts was $5.4 billion as summarized below:

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Currency	Foreign Currency Amount Buy	Foreign Currency Amount Sell	Notional Contract Value in USD Buy	Notional Contract Value in USD Sell
		(In thousands)		
Cash Flow Hedges				
CNY	2,846,000		$ 457,372	$
HUF	23,490,000		90,807	
MXN	1,938,100		131,212	
MYR	344,000		98,370	
Other	N/A	N/A	128,625	8,530
			906,386	8,530
Other Forward/Swap Contracts				
BRL		387,000		143,063
CAD	135,658	127,418	117,920	110,280
CNY	5,859,756	4,407,044	941,239	709,000
EUR	460,333	678,456	561,141	826,032
GBP	28,934	55,793	44,912	86,654
HUF	19,827,300	22,002,600	76,648	85,057
JPY	6,629,077	1,295,871	54,910	11,045
MXN	1,737,840	1,387,270	117,655	93,920
MYR	217,476	34,740	62,189	9,934
SEK	321,736	637,249	41,328	82,524
Other	N/A	N/A	167,369	134,384
			2,185,311	2,291,893
Total Notional Contract Value in USD			$ 3,091,697	$ 2,300,423

As of December 31, 2014, the fair value of the Company s short-term foreign currency contracts was not material and is included in other current assets or other current liabilities, as applicable, in the condensed consolidated balance sheets. Certain of these contracts are designed to economically hedge the Company s exposure to monetary assets and liabilities denominated in a non-functional currency and are not accounted for as hedges under the accounting standards. Accordingly, changes in the fair value of these instruments are recognized in earnings during the period of change as a component of interest and other, net in the condensed consolidated statements of operations. As of December 31, 2014 and March 31, 2014, the Company also has included net deferred losses in accumulated other comprehensive loss, a component of shareholders equity in the condensed consolidated balance sheets, relating to the effective portion of changes in fair value of its foreign currency contracts that are accounted for as cash flow hedges. These deferred losses totaled $28.0 million as of December 31, 2014, and are expected to be recognized primarily as a component of cost of sales in the condensed consolidated statements of operations primarily over the next twelve-month period. The gains and losses recognized in earnings due to hedge ineffectiveness were not material for all fiscal periods presented and are included as a component of interest and other, net in the condensed consolidated statements of operations.

The following table presents the fair value of the Company s derivative instruments utilized for foreign currency risk management purposes:

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	Fair Values of Derivative Instruments					
	Asset Derivatives			Liability Derivatives		
		Fair Value			Fair Value	
	Balance Sheet Location	December 31, 2014	March 31, 2014	Balance Sheet Location	December31, 2014	March 31, 2014
	(In thousands)					
Derivatives designated as hedging instruments						
Foreign currency contracts	Other current assets	$ 469	$ 3,464	Other current liabilities	$ 28,677	$ 10,457
Derivatives not designated as hedging instruments						
Foreign currency contracts	Other current assets	$ 19,087	$ 4,722	Other current liabilities	$ 15,717	$ 6,949

The Company has financial instruments subject to master netting arrangements, which provides for the net settlement of all contracts with a single counterparty. The Company does not offset fair value amounts for assets and liabilities recognized for derivative instruments under these arrangements, and as such, the asset and liability balances presented in the table above reflect the gross amounts of derivatives in the condensed consolidated balance sheets. The impact of netting derivative assets and liabilities is not material to the Company s financial position for any period presented.

8. ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes in accumulated other comprehensive loss by component, net of tax, are as follows:

	Three-Month Periods Ended					
	December 31, 2014			December 31, 2013		
	Unrealized gain (loss) on derivative instruments and other	Foreign currency translation adjustments	Total	Unrealized gain (loss) on derivative instruments and other	Foreign currency translation adjustments	Total
	(In thousands)					
Beginning balance	$ (24,557)	$ (103,135)	$ (127,692)	$ (19,438)	$ (88,121)	$ (107,559)
Other comprehensive gain (loss) before reclassifications	(29,287)	(15,154)	(44,441)	471	(13,960)	(13,489)
Net losses reclassified from accumulated other comprehensive loss	6,490		6,490	626		626
Net current-period other comprehensive gain (loss)	(22,797)	(15,154)	(37,951)	1,097	(13,960)	(12,863)
Ending balance	$ (47,354)	$ (118,289)	$ (165,643)	$ (18,341)	$ (102,081)	$ (120,422)

	Nine-Month Periods Ended	
	December 31, 2014	December 31, 2013

	Unrealized gain (loss) on derivative instruments and other	Foreign currency translation adjustments	Total	Unrealized gain (loss) on derivative instruments and other	Foreign currency translation adjustments	Total
			(In thousands)			
Beginning balance	$ (32,849)	$ (93,307)	$ (126,156)	$ (18,857)	$ (58,624)	$ (77,481)
Other comprehensive gain (loss) before reclassifications	(31,252)	(13,146)	(44,398)	163	(43,457)	(43,294)
Net (gains) losses reclassified from accumulated other comprehensive loss	16,747	(11,836)	4,911	353		353
Net current-period other comprehensive gain (loss)	(14,505)	(24,982)	(39,487)	516	(43,457)	(42,941)
Ending balance	$ (47,354)	$ (118,289)	$ (165,643)	$ (18,341)	$ (102,081)	$ (120,422)

Net losses reclassified from accumulated other comprehensive loss during the nine-month period ended December 31, 2014 relating to derivative instruments and other includes $12.1 million attributable to the Company s cash flow hedge instruments which were recognized as a component of cost of sales in the condensed consolidated statement of operations.

During the nine-month period ended December 31, 2014, the Company recognized a loss of $11.0 million in connection with the disposition of a manufacturing facility in Western Europe. This loss includes the settlement of unrealized losses of $4.2 million on an insignificant defined benefit plan associated with the disposed facility offset by the release of cumulative foreign currency translation gains of $9.3 million, both of which have been reclassified from accumulated other comprehensive loss during the period. The loss on sale is included in other charges (income), net in the condensed consolidated statement of operations.

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Additionally, net gains reclassified from accumulated other comprehensive loss during the nine-month period ended December 31, 2014 includes $2.6 million in connection with cumulative translation gains related to the liquidation of a foreign entity, which is included in other charges (income), net in the condensed consolidated statement of operations.

Substantially all unrealized losses relating to derivative instruments and other, reclassified from accumulated other comprehensive loss for the three-month and nine-month periods ended December 31, 2013, was recognized as a component of cost of sales in the condensed consolidated statement of operations, which primarily relate to the Company s foreign currency contracts accounted for as cash flow hedges.

9. TRADE RECEIVABLES SECURITIZATION

The Company sells trade receivables under two asset-backed securitization programs and under an accounts receivable factoring program.

Asset-Backed Securitization Programs

The Company continuously sells designated pools of trade receivables under its Global Asset-Backed Securitization Agreement (the Global Program) and its North American Asset-Backed Securitization Agreement (the North American Program, collectively, the ABS Programs) to affiliated special purpose entities, each of which in turn sells 100% of the receivables to unaffiliated financial institutions. These programs allow the operating subsidiaries to receive a cash payment and a deferred purchase price receivable for sold receivables. Following the transfer of the receivables to the special purpose entities, the transferred receivables are isolated from the Company and its affiliates, and upon the sale of the receivables from the special purpose entities to the unaffiliated financial institutions effective control of the transferred receivables is passed to the unaffiliated financial institutions, which has the right to pledge or sell the receivables. Although the special purpose entities are consolidated by the Company, they are separate corporate entities and their assets are available first to satisfy the claims of their creditors. The investment limits set by the financial institutions are $500.0 million for the Global Program and $225.0 million for the North American Program. Both programs require a minimum level of deferred purchase price receivable to be retained by the Company in connection with the sales.

The Company services, administers and collects the receivables on behalf of the special purpose entities and receives a servicing fee of 0.1% to 0.5% of serviced receivables per annum. Servicing fees recognized during the three-month and nine-month periods ended December 31, 2014 and December 31, 2013 were not material and are included in interest and other, net within the condensed consolidated statements of operations. As the Company estimates the fee it receives in return for its obligation to service these receivables is at fair value, no servicing assets and liabilities are recognized.

As of December 31, 2014, approximately $1.4 billion of accounts receivable had been sold to the special purpose entities under the ABS Programs for which the Company had received net cash proceeds of approximately $714.6 million and deferred purchase price receivables of approximately $674.6 million. As of March 31, 2014, approximately $1.2 billion of accounts receivable had been sold to the special purpose entities for which the Company had received net cash proceeds of $729.3 million and deferred purchase price receivables of approximately $470.9 million. The portion of the purchase price for the receivables which is not paid by the unaffiliated financial institutions in cash is a deferred purchase price receivable, which is paid to the special purpose entity as payments on the receivables are collected from account debtors. The deferred purchase price receivable represents a beneficial interest in the transferred financial assets and is recognized at fair value as part of the sale transaction. The deferred purchase price receivables are included in other current assets as of December 31, 2014 and March 31, 2014, and were carried at the expected recovery amount of the related receivables. The difference between the carrying amount of the receivables sold under these programs and the sum of the cash and fair value of the deferred purchase price receivables received at time of transfer is recognized as a loss on sale of the related receivables and recorded in interest and other, net in the condensed consolidated statements of operations and were immaterial for all periods presented.

As of December 31, 2014 and March 31, 2014, the accounts receivable balances that were sold under the ABS Programs were removed from the condensed consolidated balance sheets and the net cash proceeds received by the Company were included as cash provided by operating activities in the condensed consolidated statements of cash flows.

For the nine-month periods ended December 31, 2014 and December 31, 2013, cash flows from sales of receivables under the ABS Programs consisted of approximately $3.3 billion and $3.0 billion for transfers of receivables, respectively (of which approximately $204.6 million and $256.3 million, respectively, represented new transfers and the remainder proceeds from collections reinvested in revolving-period transfers).

The following table summarizes the activity in the deferred purchase price receivables account:

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	Three-Month Periods Ended		Nine-Month Periods Ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	(In thousands)			
Beginning balance	$ 426,057	$ 558,311	$ 470,908	$ 412,357
Transfers of receivables	1,139,744	1,066,512	2,639,526	2,933,053
Collections	(891,159)	(1,095,993)	(2,435,792)	(2,816,580)
Ending balance	$ 674,642	$ 528,830	$ 674,642	$ 528,830

Trade Accounts Receivable Sale Programs

The Company also sold accounts receivables to certain third-party banking institutions. The outstanding balance of receivables sold and not yet collected was approximately $518.9 million and $341.8 million as of December 31, 2014 and March 31, 2014, respectively. For the nine-month periods ended December 31, 2014 and December 31, 2013, total accounts receivable sold to certain third party banking institutions was approximately $3.4 billion and $2.7 billion, respectively. The receivables that were sold were removed from the condensed consolidated balance sheets and the cash received is reflected as cash provided by operating activities in the condensed consolidated statements of cash flows.

10. FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability. The accounting guidance for fair value establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is as follows:

Level 1 - Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

The Company has deferred compensation plans for its officers and certain other employees. Amounts deferred under the plans are invested in hypothetical investments selected by the participant or the participant s investment manager. The Company s deferred compensation plan assets are for the most part included in other noncurrent assets on the condensed consolidated balance sheets and primarily include investments in equity securities that are valued using active market prices.

Level 2 - Applies to assets or liabilities for which there are inputs other than quoted prices included within level 1 that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets) such as cash and cash equivalents and money market funds; or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

The Company values foreign exchange forward contracts using level 2 observable inputs which primarily consist of an income approach based on the present value of the forward rate less the contract rate multiplied by the notional amount.

The Company s cash equivalents are comprised of bank deposits and money market funds, which are valued using level 2 inputs, such as interest rates and maturity periods. Due to their short-term nature, their carrying amount approximates fair value.

The Company s deferred compensation plan assets also include money market funds, mutual funds, corporate and government bonds and certain convertible securities that are valued using prices obtained from various pricing sources. These sources price these investments using certain market indices and the performance of these investments in relation to these indices. As a result, the Company has classified these investments as level 2 in the fair value hierarchy.

Level 3 - Applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Company has accrued for certain contingent consideration in connection with its business acquisitions, which is measured at fair value based on internal cash flow models and other inputs. During the three-month period ended December 31, 2014, the Company paid $7.4 million of contingent consideration related to our acquisition of Saturn Electronics and Engineering Inc., included as other financing activities in the statement of cash flows for the nine-month period ended December 31, 2014. The following table summarizes the activities related to contingent consideration:

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	Three-Month Periods Ended		Nine-Month Periods Ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	(In thousands)			
Beginning balance	$ 15,800	$ 16,000	$ 11,300	$ 25,000
Additions to accrual			4,500	
Payments	(7,398)		(7,398)	
Fair value adjustments		(3,700)		(12,700)
Ending balance	$ 8,402	$ 12,300	$ 8,402	$ 12,300

The Company values deferred purchase price receivables relating to its asset-backed securitization program based on a discounted cash flow analysis using unobservable inputs (i.e., level 3 inputs), which are primarily risk free interest rates adjusted for the credit quality of the underlying creditor. Due to its high credit quality and short term maturity the fair value approximates carrying value. Significant increases in either of the major unobservable inputs (credit spread, risk free interest rate) in isolation would result in lower fair value estimates, however the impact is not meaningful. The interrelationship between these inputs is also insignificant. Refer to note 9 to the condensed consolidated financial statements for a reconciliation of the change in the deferred purchase price receivable during the three-month and nine-month periods ended December 31, 2014 and December 31, 2013.

There were no transfers between levels in the fair value hierarchy during the three-month and nine-month periods ended December 31, 2014 and December 31, 2013.

Financial Instruments Measured at Fair Value on a Recurring Basis

The following table presents the Company s assets and liabilities measured at fair value on a recurring basis:

	Fair Value Measurements as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Money market funds and time deposits (included in cash and cash equivalents of the condensed consolidated balance sheet)	$	$ 561,002	$	$ 561,002
Deferred purchase price receivable (Note 9)			674,642	674,642
Foreign exchange forward contracts (Note 7)		19,556		19,556
Deferred compensation plan assets:				
Mutual funds, money market accounts and equity securities	8,981	35,866		44,847
Liabilities:				
Foreign exchange forward contracts (Note 7)	$	$ (44,394)	$	$ (44,394)
Contingent consideration in connection with business acquisitions			(8,402)	(8,402)

	Fair Value Measurements as of March 31, 2014			
	Level 1	Level 2	Level 3	Total
	(In thousands)			

Assets:				
Money market funds and time deposits (included in cash and cash equivalents of the condensed consolidated balance sheet)	$	$ 552,928	$	$ 552,928
Deferred purchase price receivable (Note 9)			470,908	470,908
Foreign exchange forward contracts (Note 7)		8,186		8,186
Deferred compensation plan assets:				
Mutual funds, money market accounts and equity securities	9,456	36,751		46,207
Liabilities:				
Foreign exchange forward contracts (Note 7)	$	$ (17,406)	$	$ (17,406)
Contingent consideration in connection with business acquisitions			(11,300)	(11,300)

Assets Measured at Fair Value on a Nonrecurring Basis

Assets held for sale are recorded at the lesser of the carrying value or fair value, which is based on comparable sales from prevailing market data (level 2 inputs). As of December 31, 2014 and March 31, 2014, the fair value of assets that were no longer in use and held for sale totaled approximately $13.5 million and $43.5 million, respectively. These assets primarily represent manufacturing facilities that have been closed as part of the Company s historical facility consolidations and that met the criteria to be

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classified as held for sale. During the nine-month period ended December 31, 2014, the Company sold $39.9 million of assets held for sale.

There were no transfers between levels in the fair value hierarchy for assets held-for-sale during the three-month and nine-month periods ended December 31, 2014 and December 31, 2013.

Other financial instruments

The following table presents the Company s debt not carried at fair value:

	As of December 31, 2014		As of March 31, 2014		
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Fair Value Hierarchy
			(In thousands)		
Term Loan, including current portion, due in installments through August 2018	$ 596,250	$ 584,701	$ 600,000	$ 591,750	Level 1
Term Loan, including current portion, due in installments through March 2019	481,250	472,828	500,000	497,190	Level 1
4.625% Notes due February 2020	500,000	511,560	500,000	504,688	Level 1
5.000% Notes due February 2023	500,000	526,880	500,000	517,650	Level 1
Total	$ 2,077,500	$ 2,095,969	$ 2,100,000	$ 2,111,278	

The term loans and Notes due February 2020 and February 2023 are valued based on broker trading prices in active markets.

11. RESTRUCTURING CHARGES

The Company completed certain restructuring activities during fiscal year 2014 that were intended to improve its operational efficiencies by reducing excess workforce and capacity and realign the corporate cost structure. Restructuring charges are recorded based upon employee termination dates, site closure and consolidation plans.

During the nine-month period ended December 31, 2013, the Company recognized restructuring charges of approximately $40.8 million, of which $35.1 million were recorded as a component of cost of sales and $5.6 million were recorded as a component of selling, general and administrative expenses. Of the total restructuring charges, $32.2 million was associated with the terminations of 5,106 identified employees. The identified employee terminations by reportable geographic region amounted to approximately 3,947 in Asia, 1,105 in the Americas and 54 in Europe. The costs associated with these restructuring activities include employee severance, other personnel costs, non-cash impairment charges on equipment no longer in use and to be disposed of, and other exit related costs due to facility closures or rationalizations. Of the total restructuring charges, $1.9 million were non-cash charges related to the impairment of long-lived assets, and were classified as a component of cost of sales.

The components of the restructuring charges by geographic region incurred during the nine-month period ended December 31, 2013 were as follows:

	Americas	Asia	Europe	Total
		(In thousands)		
Severance	$ 11,331	$ 16,205	$ 4,631	$ 32,167
Long-lived asset impairment		1,900		1,900
Other exit costs	2,248	3,157	1,288	6,693
Total restructuring charges	$ 13,579	$ 21,262	$ 5,919	$ 40,760

The majority of severance costs were classified as a component of cost of sales.

During the nine-month period ended December 31, 2013, the Company recognized approximately $6.7 million of other exit costs, which was primarily comprised of $3.8 million related to personnel costs and $2.9 million of contractual obligations that resulted from facility closures. The majority of these costs were classified as a component of cost of sales.

During the nine-month period ended December 31, 2014, the Company paid approximately $29.4 million for restructuring charges. Total restructuring charges accrued as of December 31, 2014 were approximately $13.0 million, of which the majority was classified as a short-term obligation.

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12. BUSINESS AND ASSETS ACQUISITIONS

During the nine-month period ended December 31, 2014, the Company completed four acquisitions that were not individually, nor in the aggregate, significant to the consolidated financial position, results of operations and cash flows of the Company. All of the acquired businesses expanded the Company s capabilities in the medical devices market, particularly precision plastics. The Company paid $51.4 million net of $5.9 million of cash held by the acquirees, and recorded an accrual of $4.5 million for contingent consideration relating to one of them. The Company primarily acquired $28.9 million of current assets, $14.5 million of property and equipment, recorded goodwill and intangibles of $45.0 million, and assumed certain liabilities relating to payables and debt in connection with these acquisitions. The results of operations were included in the Company s consolidated financial results beginning on the date of these acquisitions. Pro-forma results of operations for these acquisitions have not been presented because the effects of the acquisitions were immaterial to the Company s consolidated financial results for all periods presented.

The Company is in the process of evaluating the fair value of the assets and liabilities related to business combinations completed during the recent periods. Additional information, which existed as of the acquisition date, may become known to the Company during the remainder of the measurement period, a period not to exceed 12 months from the date of acquisition. Changes to amounts recorded as assets and liabilities may result in a corresponding adjustment to goodwill during the respective measurement periods.

13. COMMITMENTS AND CONTINGENCIES

Litigation and other legal matters

On December 11, 2013, Xilinx, Inc. (plaintiff) filed a lawsuit in Santa Clara County, California, Superior Court against Flextronics International, Ltd.; Flextronics International USA, Inc.; and Flextronics Corporation (Case No. 113CV257431). The complaint asserts various claims, including fraud, negligent misrepresentation, breach of contract, and unfair competition, based on specific alleged incidents concerning our purchases and sales of Xilinx products. The plaintiff seeks an unspecified amount of compensatory, statutory, punitive, and other forms of damages, injunctive relief, and attorneys fees and costs. The plaintiff also seeks a jury trial. On June 25, 2014, we filed motions for Demurrer and to Strike asking the court to dismiss the claims against us. The court has scheduled a hearing on the motions for January 30, 2015. Although the outcome of this matter is currently not determinable, management expects that any losses that are probable or reasonably possible of being incurred as a result of this matter, which are in excess of amounts already accrued in the Company s condensed consolidated balance sheets, would not be material to the financial statements.

During the nine-month period ended December 31, 2014, one of our non-operating Brazilian subsidiaries received an assessment of approximately $100 million related to income and social contribution taxes, interest and penalties. The Company believes there is no legal basis for the assessment and expects that any losses are remote. The Company plans to vigorously defend itself through the administrative and judicial processes.

In addition, from time to time, the Company is subject to legal proceedings, claims, and litigation arising in the ordinary course of business. The Company defends itself vigorously against any such claims. Although the outcome of these matters is currently not determinable, management expects that any losses that are probable or reasonably possible of being incurred as a result of these matters, which are in excess of amounts already accrued in the Company s condensed consolidated balance sheets, would not be material to the financial statements as a whole.

14. SHARE REPURCHASES

During the three-month and nine-month periods ended December 31, 2014 the Company repurchased 7.8 million shares at an aggregate purchase price of $83.3 million and 27.6 million shares at an aggregate purchase price of $286.7 million, respectively, and retired all of these shares.

Under the Company s current share repurchase program, the Board of Directors authorized repurchases of its outstanding ordinary shares for up to $500 million in accordance with the share repurchase mandate approved by the Company s shareholders at the date of the most recent Extraordinary General Meeting held on August 28, 2014. As of December 31, 2014, shares in the aggregate amount of $373.4 million were available to be repurchased under the current plan.

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15. SUPPLEMENTAL GUARANTOR AND NON-GUARANTOR CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

Flextronics International Ltd. (Parent) has two tranches of Notes of $500 million each outstanding, which mature on February 15, 2020 and February 15, 2023, respectively. These Notes are senior unsecured obligations, and are guaranteed, fully and unconditionally, jointly and severally, on an unsecured basis, by certain of the Company s 100% owned subsidiaries (the guarantor subsidiaries). These subsidiary guarantees will terminate upon 1) a sale or other disposition of the guarantor or the sale or disposition of all or substantially all the assets of the guarantor (other than to the Parent or a subsidiary); 2) such guarantor ceasing to be a guarantor or a borrower under the Company s Term Loan Agreement and the Revolving Line of Credit; 3) defeasance or discharge of the Notes, as provided in the Notes indenture; or 4) if at any time the Notes are rated investment grade.

In lieu of providing separate financial statements for the guarantor subsidiaries, the Company has included the accompanying condensed consolidating financial statements, which are presented using the equity method of accounting. The principal elimination entries relate to investment in subsidiaries and intercompany balances and transactions, including transactions with the Company s non-guarantor subsidiaries.

Condensed Consolidating Balance Sheets as of December 31, 2014

[redacted]					
ASSETS					
[redacted]					
Cash and cash equivalents	$ 606,521	$ 190,162	$ 910,538	$	$ 1,707,221
[redacted]					
Inventories		1,723,649	1,835,991		3,559,640
[redacted]					
Other current assets	3,966	179,289	1,233,331		1,416,586
[redacted]					
Property and equipment, net		476,467	1,638,214		2,114,681
[redacted]					
Other assets	2,205,450	115,622	2,179,574	(4,075,606)	425,040
[redacted]					
Total assets	$ 14,699,644	$ 14,586,870	$ 35,685,642	$ (52,881,683)	$ 12,090,473
[redacted]					
LIABILITIES AND SHAREHOLDERS EQUITY					
[redacted]					
Bank borrowings and current portion of long-term debt	$ 40,000	$ 8	$ 5,166	$	$ 45,174
[redacted]					
Accrued payroll		102,492	243,047		345,539
[redacted]					
Other current liabilities	37,346	819,820	1,110,328		1,967,494
[redacted]					
Long term liabilities	2,076,660	2,090,365	2,401,487	(4,075,606)	2,492,906
[redacted]					

Noncontrolling interests			37,753		37,753
[redacted]					
Total liabilities and shareholders equity	$ 14,699,644	$ 14,586,870	$ 35,685,642	$ (52,881,683)	$ 12,090,473

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Condensed Consolidating Balance Sheets as of March 31, 2014

[redacted]					
ASSETS					
[redacted]					
Cash and cash equivalents	$ 638,714	$ 210,462	$ 744,552	$	$ 1,593,728
[redacted]					
Inventories		1,705,872	1,893,136		3,599,008
[redacted]					
Other current assets	246	383,590	1,125,769		1,509,605
[redacted]					
Property and equipment, net		487,166	1,801,490		2,288,656
[redacted]					
Other assets	2,585,169	120,739	4,692,156	(6,964,114)	433,950
[redacted]					
Total assets	$ 15,443,114	$ 11,910,770	$ 37,578,511	$ (52,432,245)	$ 12,500,150
[redacted]					
LIABILITIES AND SHAREHOLDERS EQUITY					
[redacted]					
Bank borrowings and current portion of long-term debt	$ 32,500	$ 60	$ 15	$	$ 32,575
[redacted]					
Accrued payroll		106,046	248,843		354,889
[redacted]					
Other current liabilities	24,868	756,767	1,739,809		2,521,444
[redacted]					
Long term liabilities	4,615,210	2,140,985	2,849,703	(6,964,114)	2,641,784
[redacted]					
Noncontrolling interest			38,629		38,629
[redacted]					
Total liabilities and shareholders equity	$ 15,443,114	$ 11,910,770	$ 37,578,511	$ (52,432,245)	$ 12,500,150

Condensed Consolidating Statements of Operations for the Three-Month Period Ended December 31, 2014

[redacted]					
Net sales	$	$ 4,710,233	$ 5,484,088	$ (3,169,267)	$ 7,025,054
[redacted]					
Gross profit		392,770	15,887		408,657
[redacted]					
Intangible amortization	75	708	7,262		8,045
[redacted]					

Income (loss) from continuing operations before income taxes	(27,951)	110,138	88,330		170,517
[redacted]					
Equity in earnings in subsidiaries	180,850	(58,855)	60,603	(182,598)	
[redacted]					

Condensed Consolidating Statements of Operations for the Three-Month Period Ended December 31, 2013

[redacted]					
Net sales	$	$ 5,023,965	$ 6,735,557	$ (4,576,080)	$ 7,183,442
Cost of sales		4,661,230	6,699,673	(4,576,080)	6,784,823
Gross profit		362,735	35,884		398,619
Selling, general and administrative expenses		52,963	171,613		224,576
Intangible amortization	75	1,018	4,482		5,575
Interest and other, net	(277,297)	353,773	(61,733)		14,743
Income (loss) from continuing operations before income taxes	277,222	(45,019)	(78,478)		153,725
Provision for income taxes	26	3,355	5,187		8,568
Equity in earnings in subsidiaries	(132,039)	20,728	53,320	57,991	
Net income (loss)	$ 145,157	$ (27,646)	$ (30,345)	$ 57,991	$ 145,157

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Condensed Consolidating Statements of Operations for the Nine-Month Period Ended December 31, 2014

Net sales	$	$ 13,678,457	$ 15,509,537	$ (8,991,678)	$ 20,196,316
Cost of sales		12,615,600	15,405,871	(8,991,678)	19,029,793
Gross profit		1,062,857	103,666		1,166,523
Selling, general and administrative expenses		169,663	460,197		629,860
Intangible amortization	225	1,936	21,067		23,228
Interest and other, net	(24,933)	761,224	(737,639)		(1,348)
Income from continuing operations before income taxes	24,708	130,034	360,041		514,783
Provision for income taxes		9,053	40,041		49,094
Equity in earnings in subsidiaries	440,981	(47,994)	147,182	(540,169)	
Net income (loss)	$ 465,689	$ 72,987	$ 467,182	$ (540,169)	$ 465,689

Condensed Consolidating Statements of Operations for the Nine-Month Period Ended December 31, 2013

Net sales	$	$ 13,090,309	$ 16,317,600	$ (10,023,236)	$ 19,384,673
Cost of sales		12,025,135	16,304,697	(10,023,236)	18,306,596
Gross profit (loss)		1,065,174	12,903		1,078,077
Selling, general and administrative expenses	800	171,411	494,484		666,695
Intangible amortization	225	3,055	18,215		21,495
Interest and other, net	(489,834)	904,524	(366,662)		48,028
Income (loss) from continuing operations before income taxes	488,809	(13,816)	(133,134)		341,859
Provision for income taxes	37	9,937	9,266		19,240
Equity in earnings in subsidiaries	(166,153)	(76,225)	84,402	157,976	
Net income (loss)	$ 322,619	$ (99,978)	$ (57,998)	$ 157,976	$ 322,619

Condensed Consolidating Statements of Comprehensive Income (Loss) for the Three-Month Period Ended December 31, 2014

Net income (loss)	$ 152,899	$ 57,020	$ 125,578	$ (182,598)	$ 152,899
Other comprehensive income (loss):					
	(15,154)	42,655	37,167	(79,822)	(15,154)

Foreign currency translation adjustments, net of zero tax										
Unrealized gain (loss) on derivative instruments and other, net of zero tax		(22,797)		(5,936)		(22,797)		28,733		(22,797)
Comprehensive income (loss)	$	114,948	$	93,739	$	139,948	$	(233,687)	$	114,948

Condensed Consolidating Statements of Comprehensive Income (Loss) for the Three-Month Period Ended December 31, 2013

		Parent		Guarantor Subsidiaries		Non-Guarantor Subsidiaries (in thousands)		Eliminations		Consolidated
Net income (loss)	$	145,157	$	(27,646)	$	(30,345)	$	57,991	$	145,157
Other comprehensive income (loss):										
Foreign currency translation adjustments, net of zero tax		(13,960)		(23,210)		(28,137)		51,347		(13,960)
Unrealized gain (loss) on derivative instruments and other, net of zero tax		1,097		1		1,097		(1,098)		1,097
Comprehensive income (loss)	$	132,294	$	(50,855)	$	(57,385)	$	108,240	$	132,294

Condensed Consolidating Statements of Comprehensive Income (Loss) for the Nine-Month Period Ended December 31, 2014

		Parent		Guarantor Subsidiaries		Non-Guarantor Subsidiaries (in thousands)		Eliminations		Consolidated
Net income (loss)	$	465,689	$	72,987	$	467,182	$	(540,169)	$	465,689
Other comprehensive income (loss):										
Foreign currency translation adjustments, net of zero tax		(24,982)		134,273		108,504		(242,777)		(24,982)
Unrealized gain (loss) on derivative instruments and other, net of zero tax		(14,505)		(6,164)		(14,505)		20,669		(14,505)
Comprehensive income (loss)	$	426,202	$	201,096	$	561,181	$	(762,277)	$	426,202

Condensed Consolidating Statements of Comprehensive Income (Loss) for the Nine-Month Period Ended December 31, 2013

[redacted]

Net income (loss)	$	322,619	$	(99,978)	$	(57,998)	$	157,976	$	322,619
Other comprehensive income (loss):										
Foreign currency translation adjustments, net of zero tax		(43,457)		(87,375)		(94,550)		181,925		(43,457)
Unrealized gain (loss) on derivative instruments and other, net of zero tax		516		3,425		515		(3,940)		516
Comprehensive income (loss)	$	279,678	$	(183,928)	$	(152,033)	$	335,961	$	279,678

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Condensed Consolidating Statements of Cash Flows for the Nine-Month Period Ended December 31, 2014

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries (In thousands)	Eliminations	Consolidated
Net cash provided by (used in) operating activities	$ (4,319)	$ 369,594	$ 304,149	$	669,424
Cash flows from investing activities:					
Purchases of property and equipment, net of proceeds from disposal		(76,042)	(88,340)	(12)	(164,394)
Acquisition of businesses, net of cash acquired		(20,092)	(32,547)		(52,639)
Proceeds from divesture of business, net of cash held in divested business			(5,493)		(5,493)
Investing cash flows from (to) affiliates	(1,163,617)	(2,455,910)	805,143	2,814,384	
Other investing activities, net	(1,500)	(10,597)	580		(11,517)
Net cash provided by (used in) investing activities	(1,165,117)	(2,562,641)	679,343	2,814,372	(234,043)
Cash flows from financing activities:					
Proceeds from bank borrowings and long-term debt	223,000		11,523		234,523
Repayments of bank borrowings, long-term debt and capital lease obligations	(245,500)	(1,686)	(4,151)		(251,337)
Payments for repurchases of ordinary shares	(290,752)				(290,752)
Net proceeds from issuance of ordinary shares	12,341				12,341
Financing cash flows from (to) affiliates	1,575,271	2,180,326	(941,225)	(2,814,372)	
Other financing activities, net			(29,135)		(29,135)
Net cash provided by (used in) financing activities	1,274,360	2,178,640	(962,988)	(2,814,372)	(324,360)
Effect of exchange rates on cash and cash equivalents	(137,117)	(5,893)	145,482		2,472
Net increase (decrease) in cash and cash equivalents	(32,193)	(20,300)	165,986		113,493
Cash and cash equivalents, beginning of period	638,714	210,462	744,552		1,593,728
Cash and cash equivalents, end of period	$ 606,521	$ 190,162	$ 910,538	$	$ 1,707,221

Condensed Consolidating Statements of Cash Flows for the Nine-Month Period Ended December 31, 2013

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated

(In thousands)

Net cash provided by (used in) operating activities	$ 477,036	$ (1,062,723)	$ 1,704,001	$ (7)	$ 1,118,307
Cash flows from investing activities:					
Purchases of property and equipment, net of proceeds from disposal		(184,907)	(276,246)		(461,153)
Acquisition of businesses, net of cash acquired		(61,587)	(176,444)		(238,031)
Proceeds from divestiture of business, net of cash held in divested business			4,599		4,599
Investing cash flows from (to) affiliates	(306,254)	(307,423)	(3,512,640)	4,126,317	
Other investing activities, net		(832)	(11,235)		(12,067)
Net cash provided by (used in) investing activities	(306,254)	(554,749)	(3,971,966)	4,126,317	(706,652)
Cash flows from financing activities:					
Proceeds from bank borrowings and long-term debt	1,003,000	277	17		1,003,294
Repayments of bank borrowings, long-term debt and capital lease obligations	(489,365)	(1,068)	(28,116)		(518,549)
Payments for early retirement of long-term debt	(503,423)	(41,417)			(544,840)
Payments for repurchases of ordinary shares	(362,693)				(362,693)
Net proceeds from issuance of ordinary shares	21,106				21,106
Financing cash flows from (to) affiliates	(29,135)	1,537,804	2,617,641	(4,126,310)	
Other financing activities, net			46,298		46,298
Net cash provided by (used in) financing activities	(360,510)	1,495,596	2,635,840	(4,126,310)	(355,384)
Effect of exchange rates on cash and cash equivalents	53,341	546	(80,000)		(26,113)
Net decrease (increase) in cash and cash equivalents	(136,387)	(121,330)	287,875		30,158
Cash and cash equivalents, beginning of period	740,515	226,372	620,200		1,587,087
Cash and cash equivalents, end of period	$ 604,128	$ 105,042	$ 908,075	$	$ 1,617,245

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ITEM 2. ***MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS***

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

This report on Form 10-Q 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-Q with the Securities and Exchange Commission. These forward-looking statements are subject to risks and uncertainties, including, without limitation, those risks and uncertainties discussed in this section, as well as any risks and uncertainties discussed in Part II, Item 1A, Risk Factors of this report on Form 10-Q, and in Part I, Item 1A, Risk Factors and in Part II, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended March 31, 2014. In addition, new risks emerge from time to time and it is not possible for management to predict all such risk factors or to assess the impact of such risk factors on our business. Accordingly, our future results may differ materially from historical results or from those discussed or implied by these forward-looking statements. Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements.

OVERVIEW

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

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

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

We use a portfolio management approach to manage our extensive service offerings. As our OEM customers change the way they go to market, we are able to reorganize and rebalance our business portfolio in order to align with our customers needs and requirements in an effort to optimize operating results. The objective of our business model is to allow us to be flexible and redeploy and reposition our assets and resources as necessary to meet specific customer s supply chain solutions across all of the markets we serve and earn a return on our invested capital above the weighted average cost of that capital.

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

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We are one of the world s largest providers of global supply chain solutions, with revenues of $20.2 billion for the nine-month period ended December 31, 2014 and $26.1 billion in fiscal year 2014. We have established an extensive network of manufacturing facilities in the world s major electronics markets (Asia, the Americas and Europe) in order to serve the growing outsourcing needs of both multinational and regional OEMs. We design, build, ship and service electronics products for our customers through a network of facilities in approximately 30 countries across four continents. As of December 31, 2014, our total manufacturing capacity was approximately 25.0 million square feet. The following tables set forth the relative percentages and dollar amounts of net sales and net property and equipment, by country, based on the location of our manufacturing sites:

	Three-Month Periods Ended						Nine-Month Periods Ended					
Net sales:	**December 31, 2014**			**December 31, 2013**			**December 31, 2014**			**December 31, 2013**		
	(In thousands)						**(In thousands)**					
China	$	2,636,663	38%	$	3,130,580	44%	$	7,663,630	38%	$	7,779,161	40%
Mexico		909,767	13%		914,283	13%		2,635,704	13%		2,691,508	14%
U.S.		779,607	11%		773,772	11%		2,224,063	11%		2,120,904	11%
Brazil		749,261	11%		460,736	6%		1,891,292	9%		1,180,285	6%
Malaysia		624,239	9%		542,877	8%		1,726,200	9%		1,640,567	8%
Other		1,325,517	18%		1,361,194	18%		4,055,427	20%		3,972,248	21%
	$	7,025,054		$	7,183,442		$	20,196,316		$	19,384,673	

Property and equipment, net:	**As of December 31, 2014**			**As of March 31, 2014**		
	(In thousands)					
China	$	785,650	37%	$	941,850	41%
U.S.		323,041	15%		362,199	16%
Mexico		292,353	14%		326,287	14%
Malaysia		158,629	8%		153,194	7%
Brazil		102,632	5%		88,867	4%
Other		452,376	21%		416,259	18%
	$	2,114,681		$	2,288,656	

We believe that the combination of our extensive open innovation platform solutions, design and engineering services, advanced supply chain management solutions and services, significant scale and global presence, and industrial campuses in low-cost geographic areas provide us with a competitive advantage and strong differentiation in the market for designing, manufacturing and servicing electronics products for leading multinational and regional OEMs. Specifically, we have launched multiple product innovation centers (PIC) focused exclusively on offering our OEM customers the ability to simplify their global product development, manufacturing process, and after sales services, and enable them to meaningfully accelerate their time to market and cost savings.

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

- changes in the macro-economic environment and related changes in consumer demand;

- the mix of the manufacturing services we are providing, the number and size of new manufacturing programs, the degree to which we utilize our manufacturing capacity, seasonal demand, shortages of components and other factors;

- the effects on our business when our customers are not successful in marketing their products, or when their products do not gain widespread commercial acceptance;

- our ability to achieve commercially viable production yields and to manufacture components in commercial quantities to the performance specifications demanded by our OEM customers;

- the effects on our business due to our customers   products having short product life cycles;

- our customers   ability to cancel or delay orders or change production quantities;

- our customers   decision to choose internal manufacturing instead of outsourcing for their product requirements;

- our exposure to financially troubled customers;

- integration of acquired businesses and facilities;

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- increased labor costs due to adverse labor conditions in the markets we operate; and

- changes in tax legislation.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Refer to the accounting policies under Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended March 31, 2014, where we discuss our more significant judgments and estimates used in the preparation of the condensed consolidated financial statements.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain statements of operations data expressed as a percentage of net sales. The financial information and the discussion below should be read in conjunction with the condensed consolidated financial statements and notes thereto included in this document. In addition, reference should be made to our audited consolidated financial statements and notes thereto and related Management s Discussion and Analysis of Financial Condition and Results of Operations included in our 2014 Annual Report on Form 10-K.

	Three-Month Periods Ended		Nine-Month Periods Ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	94.2	94.5	94.2	94.4
Gross profit	5.8	5.5	5.8	5.6
Selling, general and administrative expenses	3.1	3.1	3.1	3.4
Intangible amortization	0.1	0.1	0.1	0.1
Interest and other, net	0.1	0.3	0.2	0.2
Other charges (income), net	0.1	(0.1)	(0.2)	
Income before income taxes	2.4	2.1	2.6	1.9
Provision for income taxes	0.3	0.1	0.2	0.1
Net income	2.1%	2.0%	2.4%	1.8%

Net sales

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

Business groups:	Three-Month Periods Ended December 31, 2014		December 31, 2013		Nine-Month Periods Ended December 31, 2014		December 31, 2013	
	(In thousands)				(In thousands)			
Integrated Network Solutions	$ 2,435,008	35%	$ 2,597,727	36%	$ 7,346,402	36%	$ 7,717,400	40%
Consumer Technology Group	2,570,419	37%	2,829,520	39%	6,871,997	34%	6,473,499	33%
Industrial & Emerging Industries	1,112,666	16%	933,020	13%	3,349,885	17%	2,779,226	14%
High Reliability Solutions	906,961	12%	823,175	12%	2,628,032	13%	2,414,548	13%
	$ 7,025,054		$ 7,183,442		$ 20,196,316		$ 19,384,673	

Net sales during the three-month period ended December 31, 2014 totaled $7.0 billion, representing a decrease of approximately $0.2 billion, or 2.2% from $7.2 billion during the three-month period ended December 31, 2013. The modest decline in net sales was primarily due to $0.3 billion and $0.2 billion decreases in our CTG and INS business groups, respectively due to broad softness in our computing and mobile devices business as well as our telecom businesses and certain targeted exits with customers in our connected home business. These decreases were offset by a $0.2 billion increase in our IEI business group, mainly attributable to an increase in our household appliances and our energy businesses, and a $0.1 billion increase in our HRS business group, attributable to higher sales to our automotive and medical customers. Net sales decreased by $0.5 billion to $3.5 billion in Asia, offset by an increase of $0.2 billion to $2.4 billion in the Americas and an increase of $0.1 billion to $1.2 billion in Europe.

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Net sales during the nine-month period ended December 31, 2014 totaled $20.2 billion, representing an increase of approximately $0.8 billion, or 4.2% from $19.4 billion during the nine month period ended December 31, 2013. Revenue increased across all of our business groups, except for INS, which experienced a marginal decrease. The increase in revenue from our IEI business group is primarily attributable to a broad increase across product categories, most notably in our energy and our household appliances businesses. The increased revenue from our HRS business group is primarily due to a higher demand from our medical customers, and higher sales to our automotive customers as a result of an increased use of electronics throughout vehicles in areas such as in-car connectivity, LED lighting, and power management. The increased revenue from our CTG business group is primarily as a result of our acquisition of certain manufacturing operations from Google s Motorola Mobility LLC (Motorola) during the first quarter of fiscal 2014 and the business ramping up during the mid to latter part of fiscal 2014. These increases were offset by a decrease in revenue in our INS business group amounting to $0.4 billion for the nine-month period ended December 31, 2014 primarily attributable to broad softness in our telecom businesses coupled with certain targeted exits with customers in our connected home business. Net sales increased $0.7 billion to $6.7 billion in the Americas and $0.2 billion to $3.3 billion in Europe, respectively. These increases were offset by a decrease of $0.1 billion to $10.1 billion in Asia.

Our ten largest customers accounted for approximately 51% of net sales for both the three month and the nine-month periods ended December 31, 2014, respectively. Motorola (including its parent Google up to when Motorola was acquired by Lenovo and including net sales from Lenovo thereafter) accounted for more than 10% of net sales during the three-month and nine-month periods ended December 31, 2014. Our ten largest customers during the three-month and nine-month periods ended December 31, 2013 accounted for approximately 54% and 52% of net sales, respectively. Motorola (including its parent Google) accounted for more than 10% of net sales during the three-month and nine-month periods ended December 31, 2013.

Gross profit

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

Gross profit during the three-month period ended December 31, 2014 increased $10.0 million to $408.7 million, or 5.8% of net sales from $398.6 million, or 5.5% of net sales, during the three-month period ended December 31, 2013. Gross profit during the nine-month period ended December 31, 2014 increased $88.4 million to $1.2 billion, or 5.8% of net sales from $1.1 billion, or 5.6% of net sales, during the nine-month period ended December 31, 2013. Gross margins improved 30 basis points and 20 basis points in the three-month and nine-month periods ended December 31, 2014 compared to that of the three-month and nine-month periods ended December 31, 2013 primarily as a result of an improved cost structure following our restructuring activities completed in fiscal year 2014 coupled with increased revenues and favorable product mix from our higher margin business groups such as IEI and HRS.

Selling, general and administrative expenses

Selling, general and administrative expenses (SG&A) amounted to $216.0 million during the three-month period ended December 31, 2014, decreasing $8.6 million from $224.6 million during the three-month period ended December 31, 2013, however staying consistent at 3.1% of net sales. SG&A was $629.9 million, or 3.1% of net sales, during the nine-month period ended December 31, 2014, decreasing $36.8 million from $666.7 million, or 3.4% of net sales, during the nine-month period ended December 31, 2013. Our SG&A expenses decreased in the current year periods, both in dollars and as a percentage of revenue, primarily as a result of certain cost reduction and rationalization measures that we undertook in the prior fiscal year.

Intangible amortization

Amortization of intangible assets increased by $2.5 million during the three-month period ended December 31, 2014 to $8.0 million from $5.6 million for the three-month period ended December 31, 2013. It also increased by $1.7 million during the nine-month period ended December 31, 2014 to $23.2 million from $21.5 million for the nine-month period ended December 31, 2013. The increase is primarily due to incremental amortization expenses on intangible assets relating to our acquisitions completed during the latter part of fiscal 2014 and during fiscal 2015, as well as the purchase of certain technology rights during fiscal 2015 as further discussed in note 2 to the condensed consolidated financial statements.

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Interest and other, net

Interest and other, net was $9.0 million during the three-month period ended December 31, 2014 compared to $18.3 million during the three-month period ended December 31, 2013. The decrease in interest and other, net of $9.3 million was primarily due to an increase in foreign currency gains in the current period relating to the Chinese renminbi (RMB) and favorable impact from certain balance sheet positions that are denominated in currencies other than the functional currency of the underlying entity.

Interest and other, net was $40.2 million during the nine-month period ended December 31, 2014 compared to $45.5 million during the nine-month period ended December 31, 2013. The decrease in interest and other, net of $5.3 million was primarily due to a gain associated with an equity method investment as described above, foreign currency gains relating to the Chinese RMB, and a decrease in interest expense as a result of refinancing of certain debt facilities during the latter part of last year.

Refer to note 5 to the condensed consolidated financial statements for further discussion of our interest and other, net activities.

Other charges (income), net

Other income, net was $41.5 million during the nine-month period ended December 31, 2014 principally as a result of the reversal of a contractual obligation with a certain customer recognized during the fourth quarter of fiscal 2014 in the amount of $55.0 million. We executed an amendment to the customer contract during the first quarter of fiscal year 2015 which relieved us of this contractual commitment. This was partially offset by an $11.0 million loss in connection with the disposition of a manufacturing facility in Western Europe and the write-off the notes receivable discussed above.

During the nine-month period ended December 31, 2013, we recognized a loss of $7.1 million relating to the exercise of a warrant to purchase shares of a certain supplier and sale of the underlying shares for total proceeds of $67.3 million, which was partially off-set by the gain on sale of certain investments discussed above.

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. Refer to note 13, Income Taxes, of the notes to the consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended March 31, 2014 for further discussion.

Our policy is to provide a valuation allowance against deferred tax assets that in our estimation are not more likely than not to be realized.

The consolidated effective tax rate was 10.3% and 9.5% for the three and nine-month periods ended December 31, 2014, respectively, and 5.6% for both the three and nine-month periods ended December 31, 2013, respectively. The consolidated effective tax rate varies from the Singapore statutory rate of 17.0% as a result of recognition of earnings in different jurisdictions, operating loss carryforwards, income tax credits, previously established valuation allowances for deferred tax assets, liabilities for uncertain tax positions, as well as the effect of certain tax holidays and incentives granted to our subsidiaries primarily in China, Malaysia and Israel. We generate most of our revenues and profits from operations outside of Singapore. The effective tax rate for the nine-month period ended December 31, 2014 is higher than the effective tax rate for the nine-month period ended December 31, 2013 primarily due to higher relative earnings in different jurisdictions with higher effective tax rates.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2014, we had cash and cash equivalents of approximately $1.7 billion and bank and other borrowings of approximately $2.1 billion. We also have a $1.5 billion revolving credit facility that expires in March 2019, under which there were no borrowings outstanding as of the end of the quarter. As of December 31, 2014, we were in compliance with the covenants under each of our existing credit facilities and indentures.

Cash provided by operating activities was $669.4 million during the nine-month period ended December 31, 2014. This resulted primarily from $465.7 million of net income for the period plus $404.3 million of non-cash charges such as depreciation, amortization, and other impairment charges, offset by $200.5 million from changes in our operating assets and liabilities, which was mainly related to reductions in customer deposits that were received in prior periods to support increased working capital requirements in those periods.

For the quarterly periods indicated, certain key liquidity metrics were as follows:

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	Three-Month Periods Ended				
	December 31, 2014	September 26, 2014	June 27, 2014	March 31, 2014	December 31, 2013
Days in trade accounts receivable	39 days	44 days	45 days	42 days	38 days
Days in inventory	50 days	53 days	52 days	54 days	53 days
Days in accounts payable	66 days	70 days	69 days	70 days	68 days
Cash conversion cycle	23 days	27 days	28 days	26 days	23 days

Days in trade accounts receivable was calculated as average accounts receivable for the current and prior quarters, adding back the reduction in accounts receivable resulting from non-cash accounts receivable sales, divided by annualized sales for the current quarter by day. During the three-month period ended December 31, 2014, days in trade accounts receivable increased by 1 day compared to the three-month period ended December 31, 2013 largely due to timing of invoicing customers during the current period. Non-cash accounts receivable sales or deferred purchase price receivables included for the purposes of the calculation were $674.6 million, $426.1 million, $463.1 million, $470.9 million and $528.8 million for the quarters ended December 31, 2014, September 26, 2014, June 27, 2014, March 31, 2014 and December 31, 2013, respectively. Deferred purchase price receivables are recorded in other current assets in the condensed consolidated balance sheets. For further information regarding deferred purchase price receivables see note 9 to the condensed consolidated financial statements.

Days in inventory was calculated as the average inventory for the current and prior quarters divided by annualized cost of sales for the respective quarter by day. Days in inventory decreased by 3 days compared to the three-month period ended December 31, 2013 primarily as a result of a decrease in inventory due to higher-than-expected seasonal demand.

Days in accounts payable was calculated as the average accounts payable for the current and prior quarters divided by annualized cost of sales for the respective quarter by day. Days in accounts payable decreased by 2 days during the three-month period ended December 31, 2014, compared to the three-month period ended December 31, 2013 primarily due to timing of payments.

Our cash conversion cycle was calculated as the sum of days of inventory and days of accounts receivables outstanding less days payable outstanding. Our cash conversion cycle remained constant at 23 days for both three-month periods ended December 31 2014 and December 31, 2013, respectively, due to the factors for each of the components in the calculation discussed above.

Cash used in investing activities amounted to $234.0 million during the nine-month period ended December 31, 2014. This resulted primarily from $255.0 million in gross capital expenditures for property and equipment to support certain programs, offset by $90.6 million of proceeds from the sale of certain buildings and machinery and equipment. We also paid $52.6 million for the acquisition of four businesses completed during the nine-month period ended December 31, 2014. Other investing activities also includes an additional $18.4 million from the sale of assets originally purchased on behalf of a customer and financed by a third party banking institution as well as $15.7 million paid for the purchase of certain technology rights as further discussed in note 2 to the condensed consolidated financial statements.

We believe free cash flow is an important liquidity metric because it measures, during a given period, the amount of cash generated that is available to repay debt obligations, make investments, fund acquisitions, repurchase company shares and for certain other activities. Our free cash flow is calculated as cash from operations less net purchases of property and equipment. Our free cash flows for the nine-month period ended December 31, 2014 was $505.0 million compared to $657.2 million for the nine-month period ended December 31, 2013. Free cash flow is not a measure of liquidity under U.S. GAAP, and may not be defined and calculated by other companies in the same manner. Free cash flow should not be considered in isolation or as an alternative to net cash provided by operating activities. Free cash flows reconcile to the most directly comparable GAAP financial measure of cash flows from operations as follows:

	Nine-Month Periods Ended December 31, 2014		Nine-Month Periods Ended December 31, 2013	
	(In thousands)			
Net cash provided by operating activities	$	669,424	$	1,118,307
Purchases of property and equipment		(254,970)		(526,026)
Proceeds from the disposition of property and equipment		90,576		64,873
Free cash flow	$	505,030	$	657,154

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Cash used in financing activities was $324.4 million during the nine-month period ended December 31, 2014, which was primarily the result of cash paid for the repurchase of our ordinary shares in the amount of $290.8 million, $22.8 million of cash paid to a third party banking institution for certain assets sold on behalf of a customer, net repayment of debt in the amount of $16.8 million and $7.4 million of cash paid for contingent consideration related to our acquisition of Saturn Electronics and Engineering Inc. The aforementioned cash outflows were partially offset by proceeds from the issuance of our shares for option exercises amounting to $12.3 million.

Our cash balances are held in numerous locations throughout the world. Liquidity is affected by many factors, some of which are based on normal ongoing operations of the business and some of which arise from fluctuations related to global economics and markets. Local government regulations may restrict our ability to move cash balances to meet cash needs under certain circumstances; however, any current restrictions are not material. We do not currently expect such regulations and restrictions to impact our ability to pay vendors and conduct operations throughout the global organization. We believe that our existing cash balances, together with anticipated cash flows from operations and borrowings available under our credit facilities, will be sufficient to fund our operations through at least the next twelve months. As of December 31, 2014 and March 31, 2014, over half of our cash and cash equivalents was held by foreign subsidiaries outside of Singapore. Although substantially all of the amounts held outside of Singapore could be repatriated, under current laws, a significant amount could be subject to income tax withholdings. We provide for tax liabilities on these amounts for financial statement purposes, except for certain of our foreign earnings that are considered indefinitely reinvested outside of Singapore (approximately $779.0 million as of March 31, 2014). Repatriation could result in an additional income tax payment, however, our intent is to permanently reinvest these funds outside of Singapore and our current plans do not demonstrate a need to repatriate them to fund our operations in jurisdictions outside of where they are held. Where local restrictions prevent an efficient intercompany transfer of funds, our intent is that cash balances would remain outside of Singapore and we would meet our liquidity needs through ongoing cash flows, external borrowings, or both.

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

Historically, we have funded operations from cash and cash equivalents generated from operations, proceeds from public offerings of equity and debt securities, bank debt and lease financings. We also sell a designated pool of trade receivables under asset-backed securitization programs and sell certain trade receivables, which are in addition to the trade receivables sold in connection with these securitization agreements.

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

Under our current share repurchase program, our Board of Directors authorized repurchases of our outstanding ordinary shares for up to $500 million in accordance with the share purchase mandate approved by our shareholders at the date of the most recent Extraordinary General Meeting which was held on August 28, 2014. During the nine-month period ended December 31, 2014, we paid $290.8 million to repurchase shares (under the current and prior repurchase plans) at an average price of $10.34 per share. As of December 31, 2014, shares in the aggregate amount of $373.4 million were available to be repurchased under the current plan.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Information regarding our long-term debt payments, operating lease payments, capital lease payments and other commitments is provided in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations of our Annual Report on our Form 10-K for the fiscal year ended March 31, 2014. There have been no material changes in our contractual obligations and commitments since March 31, 2014, except for the reversal of a contractual obligation during the first quarter of fiscal 2015 with a certain customer that was recognized during the fourth quarter of fiscal 2014 in the amount of $55.0 million discussed in note 6 to the condensed consolidated financial statements.

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OFF-BALANCE SHEET ARRANGEMENTS

We sell designated pools of trade receivables to unaffiliated financial institutions under our ABS programs, and in addition to cash, we receive a deferred purchase price receivable for each pool of the receivables sold. Each of these deferred purchase price receivables serves as additional credit support to the financial institutions and is recorded at its estimated fair value. As of December 31, 2014 and March 31, 2014, the fair values of our deferred purchase price receivable were approximately $674.6 million and $470.9 million, respectively. As of December 31, 2014 and March 31, 2014, the outstanding balances on receivables sold for cash were $1.2 billion and $1.1 billion, respectively, under all our accounts receivable sales programs, which are not included in our condensed consolidated balance sheets. For further information see note 9 of our notes to the condensed consolidated financial statements.

ITEM 3. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

There were no material changes in our exposure to market risks for changes in interest and foreign currency exchange rates for the nine-month period ended December 31, 2014 as compared to the fiscal year ended March 31, 2014.

ITEM 4. ***CONTROLS AND PROCEDURES***

(a) Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of December 31, 2014, the end of the quarterly fiscal period covered by this quarterly report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2014, such disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended, is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control Over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during our third quarter of fiscal year 2015 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. ***LEGAL PROCEEDINGS***

For a description of our material legal proceedings, see note 13 Commitments and Contingencies in the notes to the condensed consolidated financial statements, which is incorporated herein by reference.

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

In addition to the other information set forth in this report, you should carefully consider the risks and uncertainties discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended March 31, 2014, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be not material also may materially and adversely affect our business, financial condition and/or operating results.

ITEM 2. ***UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS***

Issuer Purchases of Equity Securities

The following table provides information regarding purchases of our ordinary shares made by us for the period from September 27, 2014 through December 31, 2014:

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Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
September 27 - October 31, 2014 (1)	1,821,574	$ 9.61	1,821,574	$ 439,232,776
November 1 - November 28, 2014 (1)	2,739,525	$ 11.02	2,739,525	$ 409,038,266
November 29 - December 31, 2014 (1) (2)	3,221,600	$ 11.08	3,221,600	$ 373,351,306
Total	7,782,699		7,782,699	

(1) During the period from September 27, 2014 through December 31, 2014, all purchases were made pursuant to the programs discussed below in open market transactions. All purchases were made in accordance with Rule 10b-18 under the Securities Exchange Act of 1934.

(2) On August 28, 2014, our Board of Directors authorized the repurchase of our outstanding ordinary shares for up to $500 million. This is in accordance with the share purchase mandate whereby our shareholders approved a repurchase limit of 20% of our issued ordinary shares outstanding at the Extraordinary General Meeting held on the same date as the Board authorization. As of December 31, 2014, shares in the aggregate amount of $373.4 million were available to be repurchased under the current plan.

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ITEM 3. ***DEFAULTS UPON SENIOR SECURITIES***

None

ITEM 4. ***MINE SAFETY DISCLOSURES***

Not applicable

ITEM 5. ***OTHER INFORMATION***

None

ITEM 6. ***EXHIBITS***

Exhibits See Index to Exhibits below.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FLEXTRONICS INTERNATIONAL LTD.
(Registrant)

/s/ Michael M. McNamara
Michael M. McNamara
Chief Executive Officer
(Principal Executive Officer)

Date: January 29, 2015

/s/ Christopher Collier
Christopher Collier
Chief Financial Officer
(Principal Financial Officer)

Date: January 29, 2015

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EXHIBIT INDEX

Exhibit No.	**Exhibit**
15.01	Letter in lieu of consent of Deloitte & Touche LLP.
31.01	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.02	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.01	Certification of Chief Executive Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.02	Certification of Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* This exhibit is furnished with this Quarterly Report on Form 10-Q, is not deemed filed with the Securities and Exchange Commission, and is not incorporated by reference into any filing of Flextronics International Ltd. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filing.