

FLEXTRONICS INTERNATIONAL LTD.

Form 10-Q

November 05, 2008

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

(Mark One)

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

For the quarterly period ended September 26, 2008

or

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

For the transition period from _____ to _____

Commission file number 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.)*

One Marina Boulevard, #28-00

Singapore

(Address of registrant's principal executive offices)

018989

(Zip Code)

Registrant's telephone number, including area code

(65) 6890 7188

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

Indicate by check mark whether the Registrant 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 ☐

Accelerated filer ☐

Non-accelerated filer ☐
(Do not check if a smaller
reporting company)

Smaller reporting
company ☐

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

As of October 30, 2008, there were 809,490,861 shares of the Registrant's ordinary shares outstanding.

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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.

One Marina Boulevard, #28-00
Singapore, 018989

We have reviewed the accompanying condensed consolidated balance sheet of Flextronics International Ltd. and subsidiaries (the Company) as of September 26, 2008, and the related condensed consolidated statement of operations for the three-month and six-month periods ended September 26, 2008 and September 28, 2007, and of cash flows for the six-month periods ended September 26, 2008 and September 28, 2007. 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, 2008, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated May 23, 2008 (June 23, 2008 as to the caption Relacom AB included in Note 2), we expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph regarding the Company's adoption of Statement of Financial Accounting Standards No. 123(R) *Share Based Payment*. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of March 31, 2008 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
November 4, 2008

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**FLEXTRONICS INTERNATIONAL LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS**

	As of September 26, 2008 (In thousands, except share amounts) (Unaudited)	As of March 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,700,907	\$ 1,719,948
Accounts receivable, net of allowance for doubtful accounts of \$35,831 and \$16,732 as of September 26, 2008 and March 31, 2008, respectively	3,338,376	3,550,942
Inventories	4,534,524	4,118,550
Other current assets	1,091,766	923,497
Total current assets	10,665,573	10,312,937
Property and equipment, net	2,571,627	2,465,656
Goodwill	5,986,364	5,559,351
Other intangible assets, net	306,347	317,390
Other assets	747,095	869,581
Total assets	\$ 20,277,006	\$ 19,524,915
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank borrowings, current portion of long-term debt and capital lease obligations	\$ 213,328	\$ 28,591
Accounts payable	6,017,160	5,311,337
Accrued payroll	436,794	399,718
Other current liabilities	1,634,659	1,661,369
Total current liabilities	8,301,941	7,401,015
Long-term debt and capital lease obligations, net of current portion	3,229,451	3,388,337
Other liabilities	638,534	571,119
Commitments and contingencies (Note 10)		
Shareholders' equity		
Ordinary shares, no par value; 838,899,407 and 835,202,669 shares issued, and 809,119,685 and 835,202,669 shares outstanding as of September 26, 2008 and March 31, 2008, respectively	8,583,639	8,538,723
Accumulated deficit	(203,386)	(372,170)
Accumulated other comprehensive loss	(13,099)	(2,109)
Treasury stock, at cost; 29,779,722 shares as of September 26, 2008	(260,074)	
Total shareholders' equity	8,107,080	8,164,444
Total liabilities and shareholders' equity	\$ 20,277,006	\$ 19,524,915

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		Six-Month Periods Ended	
	September 26, 2008	September 28, 2007	September 26, 2008	September 28, 2007
	(In thousands, except per share amounts) (Unaudited)			
Net sales	\$ 8,862,516	\$ 5,557,099	\$ 17,212,762	\$ 10,714,125
Cost of sales	8,445,055	5,243,318	16,312,217	10,109,772
Restructuring charges			26,317	9,753
Gross profit	417,461	313,781	874,228	594,600
Selling, general and administrative expenses	258,687	152,551	507,313	299,139
Intangible amortization	50,317	13,711	75,563	30,386
Restructuring charges			2,898	921
Interest and other expense, net	59,926	16,169	99,550	22,428
Income before income taxes	48,531	131,350	188,904	241,726
Provision for income taxes	10,059	10,412	20,120	13,841
Net income	\$ 38,472	\$ 120,938	\$ 168,784	\$ 227,885
Earnings per share:				
Basic	\$ 0.05	\$ 0.20	\$ 0.20	\$ 0.37
Diluted	\$ 0.05	\$ 0.20	\$ 0.20	\$ 0.37
Weighted-average shares used in computing per share amounts:				
Basic	828,182	609,441	832,337	608,962
Diluted	830,030	616,416	835,279	615,979

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**

	Six-Month Periods Ended	
	September 26, 2008	September 28, 2007
	(In thousands) (Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 168,784	\$ 227,885
Depreciation, amortization and impairment charges	276,490	171,437
Changes in working capital and other, net of effect of acquisitions	302,737	116,618
Net cash provided by operating activities	748,011	515,940
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment, net of dispositions	(300,409)	(146,122)
Acquisition of businesses, net of cash acquired	(182,188)	(11,565)
Proceeds from divestitures of operations	5,269	5,490
Other investments and notes receivable, net	(90,596)	(69,305)
Net cash used in investing activities	(567,924)	(221,502)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from bank borrowings and long-term debt	6,767,847	2,140,776
Repayments of bank borrowings, long-term debt and capital lease obligations	(6,734,388)	(2,146,429)
Payments for repurchases of ordinary shares	(260,074)	
Net proceeds from issuance of ordinary shares	11,893	10,036
Net cash provided by (used in) financing activities	(214,722)	4,383
Effect of exchange rates on cash	15,594	(7,766)
Net increase (decrease) in cash and cash equivalents	(19,041)	291,055
Cash and cash equivalents, beginning of period	1,719,948	714,525
Cash and cash equivalents, end of period	\$ 1,700,907	\$ 1,005,580

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

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

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

On October 1, 2007, the Company completed the acquisition of 100% of the outstanding common stock of Soletron Corporation (Soletron). Refer to Note 11, Business and Asset Acquisitions for further details.

2. SUMMARY OF ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

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, 2008 contained in the Company s Annual Report on Form 10-K, as amended. 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-month and six-month periods ended September 26, 2008 are not necessarily indicative of the results that may be expected for the fiscal year ended March 31, 2009.

The first fiscal quarter ended on June 27, 2008 and June 29, 2007, respectively, and the second fiscal quarter ended on September 26, 2008 and September 28, 2007, respectively. The third fiscal quarter ends on December 31 and the fourth fiscal quarter and year ends on March 31 of each year.

Customer Credit Risk

The Company has an established customer credit policy, through which it manages customer credit exposures through credit evaluations, credit limit setting, monitoring, and enforcement of credit limits for new and existing customers. The Company performs ongoing credit evaluations of its customers financial condition and makes provisions for doubtful accounts based on the outcome of those credit evaluations. The Company evaluates the collectibility of its accounts receivable based on specific customer circumstances, current economic trends, historical experience with collections and the age of past due receivables. To the extent the Company identifies exposures as a result of credit or customer evaluations, the Company also reviews other customer related exposures, including but not limited to inventory and related contractual obligations. During the three and six-month periods ended September 26, 2008, the Company recognized approximately \$117.4 million of charges associated with certain customers that are filing for bankruptcy or are currently experiencing significant financial and liquidity difficulties. The Company classified

approximately \$96.7 million of these charges in cost of sales related to the write-down of inventory and associated contractual obligations. Additionally, the Company recognized approximately \$20.7 million as selling, general and administrative expenses for provisions for doubtful accounts. For these customers the Company recognizes revenues only when it collects cash for the services, assuming all other criteria for revenue recognition have been met.

Table of Contents***Inventories***

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

	As of September 26, 2008	As of March 31, 2008
	(In thousands)	
Raw materials	\$ 2,809,452	\$ 2,435,066
Work-in-progress	853,703	764,860
Finished goods	871,369	918,624
	\$ 4,534,524	\$ 4,118,550

Property and Equipment

Total depreciation expense associated with property and equipment amounted to approximately \$91.8 million and \$183.8 million for the three-month and six-month periods ended September 26, 2008, respectively, and \$70.0 million and \$141.1 million for the three-month and six-month periods ended September 28, 2007, respectively. Proceeds from the disposition of property and equipment were \$32.7 million and \$19.4 million during the six-month periods ended September 26, 2008 and September 28, 2007, respectively, and are presented net with purchases of property and equipment within cash flows from investing activities in the condensed consolidated statements of cash flows.

Goodwill and Other Intangibles

The following table summarizes the activity in the Company's goodwill account during the six-month period ended September 26, 2008:

	Amount (In thousands)
Balance, beginning of the year	\$ 5,559,351
Acquisitions (1)	95,336
Purchase accounting adjustments, net (2)	361,659
Foreign currency translation adjustments	(29,982)
Balance, end of the quarter	\$ 5,986,364

- (1) Balance is attributable to certain acquisitions that were not individually, nor in the aggregate, significant to the Company. Refer to the discussion of the Company's acquisitions in

Note 11,
Business and
Asset
Acquisitions.

- (2) Includes adjustments and reclassifications resulting from management's review of the valuation of tangible and identifiable intangible assets and liabilities acquired through certain business combinations completed in a period subsequent to the respective acquisition, based on management's estimates, of which approximately \$387.6 million was attributable to the Company's October 2007 acquisition of Solectron, offset by \$25.9 million primarily related to recognition of identifiable intangible assets for other acquisitions that were not individually significant. Refer to the discussion of the Company's acquisitions in Note 11,

Business and
Asset
Acquisitions.

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The Company tests goodwill for impairment annually as of January 31 and concluded that no impairment existed as of January 31, 2008. The Company also evaluates goodwill for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability of goodwill is measured at the reporting unit level by comparing the reporting unit's carrying amount, including goodwill, to the fair value of the reporting unit, which is measured based upon, among other factors, market multiples for comparable companies as well as a discounted cash flow analysis. Reporting units represent components of the Company for which discrete financial information is available that is regularly reviewed by management. The Company has one reporting unit: Electronic Manufacturing Services. If the recorded value of the assets, including goodwill, and liabilities (net book value) of the reporting unit exceeds its fair value, an impairment loss may be required to be recognized. Further, to the extent the net book value of the Company as a whole is greater than its market capitalization, all, or a significant portion of its goodwill may be considered impaired. Although there was a decline in the market capitalization of the Company, its peer companies as well as comparable companies, during most of the recent quarter the Company concluded that there were no triggering events as of September 26, 2008 which would require a formal impairment analysis of the carrying value of goodwill. Accordingly, the Company has not recognized any impairment of its goodwill in the accompanying financial statements. The Company is continuing to monitor its economic situation and the need to perform an impairment analysis in light of recent macro-economic indications in the equity markets as well as recent volatility and downward pressure on its price per ordinary share subsequent to September 26, 2008. To the extent the Company concludes that there are any indicators of impairment prior to the date of our next annual goodwill impairment test on January 31, we will perform an impairment analysis under SFAS 142 and could record an impairment charge to write down goodwill to its fair value. If the results of that impairment testing confirm that a write down of goodwill is necessary, then the Company will record an associated charge. Any such charge could be significant and accordingly, would have a material impact on the Company's financial position and results of operations, but would not be expected to have a material adverse effect on the Company's financial covenants or cash flows from operations.

During the six-month period ended September 26, 2008, there were approximately \$55.1 million of additions to intangible assets related to customer-related intangibles and approximately \$8.4 million related to acquired licenses and other intangibles. The fair value of the Company's intangible assets purchased through business combinations is principally determined based on management's estimates of cash flow and recoverability. The Company is in the process of determining the fair value of intangible assets acquired in certain historical business combinations. Such valuations will be completed within one year of purchase. The components of acquired intangible assets are as follows:

	As of September 26, 2008			As of March 31, 2008		
	Gross Carrying Amount	Accumulated Amortization (In thousands)	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization (In thousands)	Net Carrying Amount
Intangible assets:						
Customer-related	\$ 504,704	\$ (227,595)	\$ 277,109	\$ 449,623	\$ (160,971)	\$ 288,652
Licenses and other	48,167	(18,929)	29,238	39,797	(11,059)	28,738
Total	\$ 552,871	\$ (246,524)	\$ 306,347	\$ 489,420	\$ (172,030)	\$ 317,390

Intangible assets are amortized over the period and pattern of economic benefit that is expected to be obtained. See Note 11, Business and Asset Acquisitions regarding the finalization of the allocation of purchase price in connection with the Soletron acquisition.

The estimated future annual amortization expense for acquired intangible assets is as follows:

Fiscal Year Ending March 31,	Amount
------------------------------	--------

	(In thousands)
2009 (1)	\$ 65,328
2010	87,342
2011	61,768
2012	38,763
2013	25,601
Thereafter	27,545
 Total amortization expense	 \$ 306,347

(1) Represents
estimated
amortization for
the six-month
period ending
March 31, 2009.

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Provision for income taxes

The Company has tax loss carryforwards for which the Company has recognized deferred tax assets. The Company's policy is to provide a reserve against those deferred tax assets that in management's estimate are not more likely than not to be realized. During the six-month period ended September 26, 2008, the provision for income taxes includes a benefit of approximately \$38.5 million for the reversal of valuation allowances and other tax reserves.

A number of countries in which the Company is located allow for tax holidays or provide other tax incentives to attract and retain business. In general, these holidays were secured based on the nature, size and location of the Company's operations. The aggregate dollar effect on the Company's income from continuing operations resulting from tax holidays and tax incentives to attract and retain business for the fiscal years ended March 31, 2008, 2007 and 2006 were \$118.0 million, \$98.0 million, \$61.0 million, respectively. The effect on basic and diluted earnings per share from continuing operations for the fiscal years ended March 31, 2008, 2007 and 2006 were \$0.16 and \$0.16, \$0.17 and \$0.16, and \$0.11 and \$0.10, respectively. Unless extended or otherwise renegotiated, the Company's existing holidays will expire in the fiscal years ending March 31, 2010 through fiscal 2018.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS 157), which defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands the requisite disclosures for fair value measurements. SFAS 157 was effective for the Company beginning April 1, 2008 for financial assets and liabilities, as well as for any other assets and liabilities that are carried at fair value on a recurring basis. The adoption of the provisions of SFAS 157 related to financial assets and liabilities, and other assets and liabilities that are carried at fair value on a recurring basis did not materially impact the Company's consolidated financial position, results of operations and cash flows.

In May 2008, the FASB issued FASB Staff Position No. APB 14-1 (FSP APB 14-1), Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement). FSP APB 14-1 requires that issuers of convertible debt instruments that may be settled in cash upon conversion separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when the interest cost is recognized in subsequent periods. The Company is required to adopt FSP APB 14-1 retrospectively, effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2008. The Company is evaluating the impact that the adoption of FSP APB 14-1 will have on its consolidated financial position, results of operations and cash flows.

3. STOCK-BASED COMPENSATION

The Company grants equity compensation awards to acquire the Company's ordinary shares from four plans, which collectively are referred to as the Company's equity compensation plans below. On September 30, 2008, the Company's shareholders approved: (i) an increase in the shares available under its 2001 Equity Incentive plan by 20.0 million ordinary shares to 62.0 million ordinary shares, (ii) a 5.0 million increase in the amount of such ordinary shares that may be issued as share bonus awards to 20.0 million ordinary shares, and (iii) a 2.0 million increase in the amount of such ordinary shares subject to awards which may be granted to a person in any calendar year to 6.0 million ordinary shares. For further discussion of these Plans, refer to Note 2, Summary of Accounting Policies, of the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K, as amended, for the fiscal year ended March 31, 2008.

Table of Contents***Stock-Based Compensation Expense***

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

	Three-Month Periods Ended		Six-Month Periods Ended	
	September	September	September	September
	26,	28,	26,	28,
	2008	2007	2008	2007
	(In thousands)			
Cost of sales	\$ 2,148	\$ 1,470	\$ 4,191	\$ 2,469
Selling, general and administrative expenses	15,348	9,128	27,321	16,854
Total stock-based compensation expense	\$ 17,496	\$ 10,598	\$ 31,512	\$ 19,323

As of September 26, 2008, the total unrecognized compensation cost related to unvested stock options granted to employees under the Company's equity compensation plans was approximately \$110.8 million, net of estimated forfeitures of \$8.7 million. This cost will be amortized on a straight-line basis over a weighted-average period of approximately 3.3 years, and will be adjusted for subsequent changes in estimated forfeitures. As of September 26, 2008, the total unrecognized compensation cost related to unvested share bonus awards granted to employees under the Company's equity compensation plans was approximately \$82.5 million, net of estimated forfeitures of approximately \$3.9 million. This cost will be amortized generally on a straight-line basis over a weighted-average period of approximately 2.7 years, and will be adjusted for subsequent changes in estimated forfeitures.

Determining Fair Value

The fair value of options granted to employees under the Company's equity compensation plans during the three-month and six-month periods ended September 26, 2008 and September 28, 2007 was estimated using the following weighted-average assumptions:

	Three-Month Periods Ended		Six-Month Periods Ended	
	September	September	September	September
	26,	28,	26,	28,
	2008	2007	2008	2007
Expected term	4.1 years	4.6 years	4.3 years	4.6 years
Expected volatility	36.3%	35.6%	36.6%	35.5%
Expected dividends	0.0%	0.0%	0.0%	0.0%
Risk-free interest rate	2.8%	4.6%	3.1%	4.6%
Weighted-average fair value	\$ 2.76	\$ 4.21	\$ 3.63	\$ 4.18

Options issued during the three-month and six-month periods ended September 26, 2008 have contractual lives of seven years, respectively, and options issued during the three-month and six-month periods ended September 28, 2007 have contractual lives of ten years, respectively.

During the six-month period ended September 26, 2008, 2.7 million options were granted to certain key employees whereby vesting is contingent upon a service requirement over a period of four years. These options expire seven years from the date of grant and are exercisable only when the Company's stock price is \$12.50 per share, or above. The fair value of these options was estimated to be \$4.25 per share and was calculated using a lattice model.

Table of Contents***Stock-Based Awards Activity***

The following is a summary of option activity for the Company's equity compensation plans, excluding unvested share bonus awards, during the six-month period ended September 26, 2008:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term in Years	Aggregate Intrinsic Value
Outstanding as of March 31, 2008	52,541,413	\$ 11.67		
Granted	20,791,398	10.54		
Exercised	(1,951,342)	6.56		
Forfeited	(4,037,938)	11.06		
Outstanding as of September 26, 2008	67,343,531	\$ 11.50	6.02	\$ 3,783,222
Vested and expected to vest as of September 26, 2008	65,570,837	\$ 11.53	5.99	\$ 3,783,222
Exercisable as of September 26, 2008	38,620,378	\$ 12.06	5.22	\$ 3,783,222

The aggregate intrinsic value of options exercised (calculated as the difference between the exercise price of the underlying award and the price of the Company's ordinary shares determined as of the time of option exercise) under the Company's equity compensation plans was \$2.7 million and \$5.9 million during the three-month and six-month periods ended September 26, 2008, respectively, and \$4.1 million and \$5.6 million during the three-month and six-month periods ended September 28, 2007, respectively.

Cash received from option exercises under all equity compensation plans was \$9.1 million and \$12.9 million for the three-month and six-month periods ended September 26, 2008, respectively, and \$7.0 million and \$10.0 million for the three-month and six-month periods ended September 28, 2007, respectively.

The following table summarizes share bonus award activity for the Company's equity compensation plans during the six-month period ended September 26, 2008:

	Number of Shares	Weighted Average Grant-Date Fair Value
Unvested share bonus awards as of March 31, 2008	8,866,364	\$ 10.70
Granted	2,363,083	10.43
Vested	(1,603,558)	9.45
Forfeited	(469,400)	11.52
Unvested share bonus awards as of September 26, 2008	9,156,489	\$ 10.81

Of the 2.4 million unvested share bonus awards granted under the Company's equity compensation plans during the six-month period ended September 26, 2008, 700,000 were granted to certain key employees whereby vesting is contingent upon both a service requirement and the Company's achievement of certain longer-term goals over a period of three years. As of September 26, 2008, management believed that the maximum number of shares will be issued at

the end of the performance period.

The total fair value of shares vested under the Company's equity compensation plans was \$6.0 million and \$15.5 million during the three-month and six-month periods ended September 26, 2008, respectively, and \$3.2 million and \$12.7 million during the three-month and six-month periods ended September 28, 2007, respectively.

Table of Contents**4. EARNINGS PER SHARE**

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

	Three-Month Periods Ended		Six-Month Periods Ended	
	September	September	September	September
	26,	28,	26,	28,
	2008	2007	2008	2007
	(In thousands, except per share amounts)			
Basic earnings per share:				
Net income	\$ 38,472	\$ 120,938	\$ 168,784	\$ 227,885
Shares used in computation:				
Weighted-average ordinary shares outstanding	828,182	609,441	832,337	608,962
Basic earnings per share	\$ 0.05	\$ 0.20	\$ 0.20	\$ 0.37
Diluted earnings per share:				
Net income	\$ 38,472	\$ 120,938	\$ 168,784	\$ 227,885
Shares used in computation:				
Weighted-average ordinary shares outstanding	828,182	609,441	832,337	608,962
Weighted-average ordinary share equivalents from stock options and awards (1)	1,848	5,567	2,942	5,729
Weighted-average ordinary share equivalents from convertible notes (2)		1,408		1,288
Weighted-average ordinary shares and ordinary share equivalents outstanding	830,030	616,416	835,279	615,979
Diluted earnings per share	\$ 0.05	\$ 0.20	\$ 0.20	\$ 0.37

(1) Ordinary share equivalents from equity compensation awards to acquire approximately 65.1 million and 54.5 million shares outstanding during the three-month and six-month periods ended September 26,

2008,
respectively,
and 38.5 million
and 38.4 million
shares
outstanding
during the
three-month and
six-month
periods ended
September 28,
2007,
respectively,
were excluded
from the
computation of
diluted earnings
per share
primarily
because the
grant date price
of these awards
was greater than
the average
market price of
the Company's
ordinary shares
during the
respective
periods.

- (2) The principal amount of the Company's Zero Coupon Convertible Junior Subordinated Notes will be settled in cash, and the conversion spread (excess of conversion value over face value), if any, will be settled by issuance of shares upon maturity. The conversion price

was greater than the average stock price during the three-month and six-month periods ended September 26, 2008, and accordingly, no ordinary shares were included as common stock equivalents. For the three-month and six-month periods ended September 28, 2007, approximately 1.4 million and 1.3 million ordinary share equivalents from the conversion spread have been included as common stock equivalents, respectively.

In addition, as the Company has the positive intent and ability to settle the principal amount of its 1% Convertible Subordinated Notes due August 2010 in cash, approximately 32.2 million ordinary share equivalents related to the principal portion

of the Notes are excluded from the computation of diluted earnings per share. The Company intends to settle any conversion spread (excess of the conversion value over face value) in stock. As the conversion obligation was less than the principal portion of the Convertible Notes for all periods presented, no additional shares were included as ordinary share equivalents.

5. OTHER COMPREHENSIVE INCOME

The following table summarizes the components of other comprehensive income:

	Three-Month Periods Ended		Six-Month Periods Ended	
	September	September	September	September
	26,	28,	26,	28,
	2008	2007	2008	2007
	(In thousands)			
Net income	\$ 38,472	\$ 120,938	\$ 168,784	\$ 227,885
Other comprehensive income:				
Foreign currency translation adjustment	(20,012)	13,506	(19,185)	17,648
Unrealized gain on derivative instruments, and other income, net of taxes	1,640	2,341	8,195	680
Comprehensive income	\$ 20,100	\$ 136,785	\$ 157,794	\$ 246,213

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6. BANK BORROWINGS AND LONG-TERM DEBT

As of September 26, 2008 and March 31, 2008, there were \$200.0 and \$161.0 million, respectively, in borrowings outstanding under the Company's \$2.0 billion credit facility. As of September 26, 2008, the Company was in compliance with the financial covenants under the \$2.0 billion credit facility.

As of September 26, 2008, the \$195.0 million aggregate principal amount of the Zero Coupon Convertible Junior Subordinated Notes, due July 31, 2009, was reclassified to current liabilities and included in Bank borrowings, current portion of long-term debt and capital lease obligations in the Condensed Consolidated Balance Sheets.

During October 2008, the Company entered into two interest rate swap transactions to effectively convert the floating interest rate on an additional \$200.0 million outstanding under its \$1.7 billion Term Loan Agreement to a fixed interest rate. The swaps, having notional amounts of \$100.0 million each, become effective on January 2, 2009, expire on January 4, 2010 and will be accounted for as cash flow hedges under SFAS 133. The Company pays a fixed interest rate of approximately 2.42% and 2.45% under each of the \$100.0 million swaps, respectively, and receives a floating rate equal to three-month LIBOR for both.

7. TRADE RECEIVABLES SECURITIZATION

The Company continuously sells designated pools of trade receivables under two asset backed securitization programs, including its new \$300.0 million facility entered into by the Company on September 25, 2008.

As of September 26, 2008 and March 31, 2008, approximately \$720.4 million and \$363.7 million of the Company's accounts receivable, respectively, had been sold to a third-party qualified special purpose entity. The amounts represent the face amount of the total outstanding trade receivables on all designated customer accounts on those dates. The Company received net cash proceeds of approximately \$501.3 million and \$274.3 million from the unaffiliated financial institutions for the sale of these receivables as of September 26, 2008 and March 31, 2008, respectively. The Company has a recourse obligation that is limited to the deferred purchase price receivable, which approximates 5% of the total sold receivables, and its own investment participation, the total of which was approximately \$219.1 million and \$89.4 million as of September 26, 2008 and March 31, 2008, respectively.

On September 25, 2008, the Company entered into a new agreement to continuously sell a designated pool of trade receivables to an affiliated special purpose vehicle, which in turn sells an undivided ownership interest to an agent on behalf of two commercial paper conduits administered by unaffiliated financial institutions. The Company continues to service, administer and collect the receivables on behalf of the special purpose entity and receives a servicing fee of 0.50% of serviced receivables per annum. The unaffiliated financial institutions maximum investment limit is \$300.0 million. The Company pays annual commitment fees of 0.50% and an additional program fee of 0.45% on amounts outstanding under the facility. In accordance with SFAS 140, the accounts receivable balances that were sold under this agreement were removed from the condensed consolidated balance sheets and are reflected as cash provided by operating activities in the condensed consolidated statements of cash flows, and the difference between the amount sold and net cash proceeds received was recognized as a loss on sale of the receivables. Pursuant to the accounting as prescribed under SFAS 140, the Company is deemed to have sold approximately \$280.4 million to the unaffiliated financial institutions under this agreement as of September 26, 2008, and received approximately \$279.8 million in net cash proceeds for the sale. Although the special purpose vehicle described above is fully consolidated by the Company in accordance with SFAS 140 and other authoritative accounting literature, it is a separate corporate entity and its assets are available first to satisfy the claims of its creditors.

The Company also sold accounts receivables to certain third-party banking institutions with limited recourse, which management believes is nominal. The outstanding balance of receivables sold and not yet collected was approximately \$403.2 million and \$478.4 million as of September 26, 2008 and March 31, 2008, respectively.

8. RESTRUCTURING CHARGES

The Company recognized restructuring charges of \$29.2 million during the six month period ended September 26, 2008 to realign workforce and capacity primarily related to the acquisition of Solectron. These actions encompassed several manufacturing and design locations and were initiated in an effort to consolidate and integrate our global capacity and infrastructure so as to optimize the Company's operational efficiencies post-acquisition. The activities associated with these charges involved multiple actions at each location, were completed in multiple steps and will be substantially completed within one year of the commitment dates of the respective activities. The restructuring

charges by reportable geographic region amounted to approximately \$13.4 million, \$10.5 million and \$5.3 million for Asia, the Americas and Europe, respectively. The Company classified approximately \$26.3 million of these charges as a component of cost of sales during the six-month period ended September 26, 2008.

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The main component of the charge was severance related costs, amounting to approximately \$28.3 million, associated with the involuntary terminations of 1,667 identified employees in connection with the charges described above. The identified involuntary employee terminations by reportable geographic region amounted to approximately, 825, 390 and 452 for Asia, the Americas and Europe, respectively. Approximately \$25.4 million of the charges were classified as a component of cost of sales.

The following table summarizes the provisions, respective payments, and remaining accrued balance as of September 26, 2008 for charges incurred in fiscal year 2009 and prior periods:

	Severance	Long-Lived Asset Impairment	Other Exit Costs	Total
	(In thousands)			
Balance as of March 31, 2008	\$ 178,769	\$	\$ 106,924	\$ 285,693
Activities during the first quarter:				
Provisions incurred in fiscal year 2009	28,318	121	776	29,215
Cash payments for charges incurred in fiscal year 2009	(442)			(442)
Cash payments for charges incurred in fiscal year 2008	(42,097)		(29,793)	(71,890)
Cash payments for charges incurred in fiscal year 2007 and prior	(1,856)		(1,470)	(3,326)
Non-cash charges incurred during the first quarter		(121)	(225)	(346)
Balance as of June 27, 2008	162,692		76,212	238,904
Cash payments for charges incurred in fiscal year 2009	(8,621)			(8,621)
Cash payments for charges incurred in fiscal year 2008	(51,142)		(7,068)	(58,210)
Cash payments for charges incurred in fiscal year 2007 and prior	(1,569)		(1,836)	(3,405)
Balance as of September 26, 2008	101,360		67,308	168,668
Less: current portion (classified as other current liabilities)	(97,751)		(34,917)	(132,668)
Accrued restructuring costs, net of current portion (classified as other liabilities)	\$ 3,609	\$	\$ 32,391	\$ 36,000

As of September 26, 2008, accrued costs related to restructuring charges incurred during fiscal year 2009 were approximately \$19.8 million, the entire amount of which was classified as current.

As of September 26, 2008 and March 31, 2008, accrued restructuring costs for charges incurred during fiscal year 2008 were approximately \$119.5 million and \$249.6 million, respectively, of which approximately \$21.4 million and \$50.0 million, respectively, was classified as a long-term obligation. As of September 26, 2008 and March 31, 2008, accrued restructuring costs for charges incurred during fiscal years 2007 and prior were approximately \$29.3 million and \$36.1 million, respectively, of which approximately \$14.6 million and \$16.1 million, respectively, was classified as a long-term obligation.

The Company recognized restructuring charges of approximately \$10.7 million during the six-month period ended September 28, 2007 for employee termination costs associated with the involuntary termination of 173 identified employees in Europe. The activities associated with these charges were substantially completed within one year of the

commitment dates of the respective activities. The Company classified approximately \$9.8 million of these charges as a component of cost of sales during the six-month period ended September 28, 2007.

As of September 26, 2008 and March 31, 2008, assets that were no longer in use and held for sale as a result of restructuring activities totaled approximately \$16.5 million and \$14.3 million, respectively, representing manufacturing facilities that have been closed as part of the Company's historical facility consolidations. For assets held for sale, depreciation ceases and an impairment loss is recognized if the carrying amount of the asset exceeds its fair value less cost to sell. Assets held for sale are included in other current assets in the condensed consolidated balance sheets.

For further discussion of the Company's historical restructuring activities, refer to Note 9 Restructuring Charges to the Consolidated Financial Statements in the Company's 2008 Annual Report on Form 10-K, as amended, for the fiscal year ended March 31, 2008.

Table of Contents**9. INTEREST AND OTHER EXPENSE, NET**

During the three-month periods ended September 26, 2008 and September 28, 2007, the Company recognized total interest expense of \$53.4 million and \$32.1 million, respectively, on its debt obligations outstanding during the period. The Company recognized total interest expense of \$111.6 million and \$63.4 million during the six-month periods ended September 26, 2008 and September 28, 2007, respectively.

During the three-month and six-month periods ended September 26, 2008, the Company recognized \$11.9 million in charges for the other-than-temporary impairment of certain of the Company's investments primarily associated with a customer that is currently experiencing significant financial and liquidity difficulties as discussed in Note 2, Summary of Accounting Policies Allowance for Doubtful Accounts.

During the six-month period ended September 28, 2007 the Company recognized a gain of approximately \$9.3 million in connection with the divestiture of a certain international entity. The results of operations for this entity were not significant.

10. COMMITMENTS AND CONTINGENCIES

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 does not expect that the ultimate costs to resolve these matters will have a material adverse effect on its condensed consolidated financial position, results of operations, or cash flows.

11. BUSINESS AND ASSET ACQUISITIONS

The business and asset acquisitions described below were accounted for using the purchase method of accounting pursuant to SFAS 141, and accordingly, the fair value of the net assets acquired and the results of the acquired businesses were included in the Company's Condensed Consolidated Financial Statements from the acquisition dates forward. The Company has not finalized the allocation of the consideration for certain of its recently completed acquisitions and expects to complete these allocations within one year of the respective acquisition dates.

Solectron Acquisition

On October 1, 2007, the Company completed its acquisition of 100% of the outstanding common stock of Solectron. The results of Solectron's operations were included in the Company's consolidated financial results beginning on the acquisition date.

The Company issued approximately 221.8 million of its ordinary shares, paid approximately \$1.1 billion in cash and assumed approximately 7.4 million fully vested and unvested options to acquire the Company's ordinary shares in connection with the acquisition. The total purchase price for the acquisition is as follows (in thousands):

Fair value of Flextronics ordinary shares issued	\$ 2,518,664
Cash	1,060,943
Estimated fair value of vested options assumed	11,282
Direct transaction costs (1)	26,292
 Total aggregate purchase price	 \$ 3,617,181

- (1) Direct transaction costs consist of legal, accounting, financial advisory and other costs relating to the acquisition.

Table of Contents*Purchase Price Allocation*

The allocation of the purchase price to Soletron's tangible and identifiable intangible assets acquired and liabilities assumed was based on their estimated fair values as of the date of acquisition. The excess of the purchase price over the tangible and identifiable intangible assets acquired and liabilities assumed has been allocated to goodwill.

The following represents the Company's allocation of the total purchase price to the acquired assets and liabilities assumed of Soletron (in thousands):

Current assets:	
Cash and cash equivalents	\$ 637,481
Accounts receivable	1,491,232
Inventories	1,716,055
Other current assets	255,704
 Total current assets	 4,100,472
Property and equipment	558,620
Goodwill	2,555,672
Other intangible assets	191,600
Other assets	129,723
 Total assets	 7,536,087
 Current liabilities:	
Accounts payable	1,521,654
Other current liabilities	1,486,030
 Total current liabilities	 3,007,684
Long-term debt and capital lease obligations, net of current portion	630,837
Other liabilities	280,385
 Total aggregate purchase price	 \$ 3,617,181

During the six-month period ended September 26, 2008, the Company allocated approximately \$173.6 million and \$160.1 million to current liabilities and other liabilities, respectively, primarily for certain liabilities assumed from Soletron and other liabilities assumed in connection with restructuring activities accounted for in accordance with Emerging Issues Task Force Issue No. 95-3 *Recognition of Liabilities in Connection with a Purchase Business Combination*. Goodwill related to the acquisition increased \$388.5 million during the six-month period ended September 26, 2008, as a result of the above and other fair value adjustments that were not significant individually or in the aggregate. As a result of the finalization of the purchase price allocation, cumulative catch-up adjustments were recorded to the condensed consolidated statements of operations resulting in a decrease to income before income taxes of approximately \$6.4 million and \$4.6 million for the three and six month periods ended September 26, 2008, respectively. These adjustments primarily related to increased amortization expense of approximately \$12.1 million and \$9.3 million, respectively, offset by a reduction in cost of sales for losses on non-cancelable customer contracts of approximately \$5.7 million and \$4.7 million, respectively, for the three and six-month periods ended September 26, 2008. Refer to Note 12, *Business and Asset Acquisitions and Divestitures*, to the Consolidated Financial Statements in the Company's 2008 Annual Report on Form 10-K, as amended, for the fiscal year ended March 31, 2008 for further discussion regarding the Company's acquisition of Soletron.

Pro Forma Financial Information

The following table reflects the pro forma consolidated results of operations for the period presented, as though the acquisition of Soletron had occurred as of the beginning of the period being reported on, after giving effect to certain

adjustments primarily related to the amortization of acquired intangibles, stock-based compensation expense, and incremental interest expense, including related income tax effects. The pro forma adjustments are based upon available information and certain assumptions that the Company believes are reasonable. The pro forma financial information presented is for illustrative purposes only and is not necessarily indicative of the results of operations that would have been realized if the acquisition had been completed on the dates indicated, nor is it indicative of future operating results.

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The pro forma consolidated results of operations do not include the effects of:

synergies, which are expected to result from anticipated operating efficiencies and cost savings, including expected gross margin improvement in future quarters due to scale and leveraging of Flextronics' and Solectron's manufacturing platforms;

potential losses in gross profit due to revenue attrition resulting from combining the two companies; and

any costs of restructuring, integration, and retention bonuses associated with the closing of the acquisition.

	Three-Month Period Ended September 28, 2007	Six-Month Period Ended September 28, 2007
	(In thousands, except per share amounts)	
Net sales	\$ 8,663,352	\$ 16,761,131
Income before income taxes	\$ 109,779	\$ 206,810
Net income	\$ 100,758	\$ 187,521
Basic and diluted earnings per share	\$ 0.12	\$ 0.22

Other Acquisitions

During the six-month period ended September 26, 2008, the Company completed six acquisitions that were not individually, or in the aggregate, significant to the Company's consolidated results of operations and financial position. The acquired businesses complement the Company's design and manufacturing capabilities for the computing, infrastructure, industrial and consumer digital market segments, and expanded the Company's power supply capabilities. The aggregate cash paid for these acquisitions totaled approximately \$179.8 million, net of cash acquired. The Company recorded goodwill of \$95.3 million from these acquisitions. The purchase prices for these acquisitions have been allocated on the basis of the estimated fair value of assets acquired and liabilities assumed. The Company has not finalized the allocation of the consideration for certain of its recently completed acquisitions pending the completion of valuations. The Company paid approximately \$2.4 million relating to a contingent purchase price adjustment from a certain historical acquisition. The purchase price for certain acquisitions is subject to adjustments for contingent consideration, based upon the businesses achieving specified levels of earnings through fiscal year 2010. Generally, the contingent consideration has not been recorded as part of the purchase price, pending the outcome of the contingency.

12. Share Repurchase Plan

On July 23, 2008, the Company's Board of Directors authorized the repurchase of up to ten percent of the Company's outstanding ordinary shares. Until the Company's 2008 Annual General Meeting, held on September 30, 2008, the Company was authorized to repurchase up to approximately 61.0 million shares. Following shareholder approval at the 2008 Annual General Meeting, the amount authorized for repurchase was increased to approximately 80.9 million shares. Share repurchases will be made in the open market at such times and in such amounts as management deems appropriate. The timing and actual number of shares repurchased will depend on a variety of factors including price, market conditions and applicable legal requirements. The share repurchase program does not obligate the Company to repurchase any specific number of shares and may be suspended or terminated at any time without prior notice. During the three and six-month periods ended September 26, 2008, the Company repurchased approximately 29.8 million shares under this plan for an aggregate purchase price of \$260.1 million.

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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 its 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, 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 discussed in this section, as well as 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, as amended, for the year ended March 31, 2008. In addition, new risks emerge from time to time and it is not possible for management to predict all such risk factors or to assess the impact of such risk factors on our business. Accordingly, our future results may differ materially from historical results or from those discussed or implied by these forward-looking statements. Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements.

OVERVIEW

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

We are one of the world's largest EMS providers, with revenues of \$8.9 billion and \$17.2 billion during the three-month and six-month periods ended September 26, 2008, respectively, and \$27.6 billion in fiscal year 2008. As of March 31, 2008, our total manufacturing capacity was approximately 27.0 million square feet in over 25 countries across four continents. We have established an extensive network of manufacturing facilities in the world's major electronics markets in order to serve the growing outsourcing needs of both multinational and regional OEMs. For the six-month period ended September 26, 2008, our net sales in Asia, the Americas and Europe represented approximately 51%, 33% and 16%, respectively, of our total net sales, based on the location of the manufacturing site. We believe that the combination of our extensive design and engineering services, significant scale and global presence, vertically-integrated end-to-end services, advanced supply chain management, industrial campuses in low-cost geographic areas and operational track record provide us with a competitive advantage in the market for designing, manufacturing and servicing electronics products for leading multinational OEMs. Through these services and facilities, we simplify the global product development and manufacturing process and provide meaningful time to market and cost savings for our OEM customers.

We have actively pursued acquisitions and purchases of manufacturing facilities, design and engineering resources and technologies in order to expand our worldwide operations, broaden our service offerings, diversify and strengthen our customer relationships, and enhance our competitive position as a leading provider of comprehensive outsourcing solutions. We have completed numerous strategic transactions with OEM customers over the past several years, including with Sony-Ericsson, Xerox, Kyocera and Nortel. These strategic transactions have expanded our customer base, provided end-market diversification, and contributed to a significant portion of our revenue growth. Under these arrangements, we generally acquire inventory, equipment and other assets from the OEM and lease or acquire their manufacturing facilities while simultaneously entering into multi-year supply agreements for the production of their

products. We will continue to selectively pursue strategic opportunities that we believe will further our business objectives and enhance shareholder value.

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On October 1, 2007, we completed the acquisition of 100% of the outstanding common stock of Soletron in a cash and stock transaction valued at approximately \$3.6 billion, including estimated transaction costs. We issued approximately 221.8 million shares of our ordinary stock and paid approximately \$1.1 billion in cash in connection with the acquisition. The acquisition of Soletron broadened our service offerings, strengthened our capabilities in the high end computing, communication and networking infrastructure market segments, increased the scale of our existing operations and diversified our customer and product mix.

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

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

- our customers may not be successful in marketing their products, their products may not gain widespread commercial acceptance, and our customers' products have short product life cycles;

- our customers may cancel or delay orders or change production quantities;

- integration of acquired businesses and facilities;

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

- our increased design services and components offerings may reduce our profitability as we are required to make substantial investments in the resources necessary to design and develop these products without guarantee of cost recovery and margin generation;

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

- exposure to financially troubled customers;

- managing growth and changes in our operations; and

- the current macro-economic environment.

We are experiencing wide fluctuation and uncertainty in certain commodities, labor rates in certain jurisdictions, and energy and freight costs globally. Demand for our customers' products has slowed in many of the industries we serve. We are continually working to mitigate higher commodity and labor costs through efficiency improvements, discretionary cost management, and working with our customers on product pricing adjustments where appropriate.

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As a result of the current macroeconomic environment and associated credit market conditions, both liquidity and access to capital have impacted several of our customers. We have increased our efforts to manage our credit exposure with our customers and are re-assessing the financial condition of many of our customers and suppliers to anticipate exposures and minimize our risk. We have identified situations where customers are filing for bankruptcy or otherwise experiencing severe cash and credit issues. As a result, we have recognized approximately \$129 million in charges primarily for provisions of accounts receivable, the write-down of inventory and recognition of related obligations, primarily noncancelable purchase orders, for these distressed customers.

Prior acquisitions have resulted in carrying a substantial amount of goodwill on our balance sheet. Under U.S. GAAP, goodwill is not amortized, but annually evaluated for impairment. To date, we have not had an impairment of goodwill; however, we continue to assess the situation and the need to perform an interim test for potential impairment in light of volatility in the equity markets and continued downward pressure on our price per ordinary share subsequent to September 26, 2008. In the event we record a significant impairment of goodwill in a subsequent period, the non-cash charge would have a significant adverse effect on our GAAP operating results, but would not be expected to have a material adverse effect on our financial covenants or cash flows from operations.

As part of our continuous evaluation of the strategic and financial contributions of each of our operations, we are focusing our efforts and resources on our core vertically-integrated EMS business, which includes design, manufacturing services, components and logistics. We have divested certain non-core operations and we continue to assess further opportunities to maximize shareholder value.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We believe the accounting policies discussed under Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our Annual Report on Form 10-K, as amended, for the fiscal year ended March 31, 2008, affect our more significant judgments and estimates used in the preparation of the Condensed Consolidated Financial Statements.

Recent Accounting Pronouncements

Information regarding recent accounting pronouncements is provided in Note 2, *Summary of Accounting Policies* of the Notes to 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 2008 Annual Report on Form 10-K, as amended.

	Three-Month Periods Ended		Six-Month Periods Ended	
	September 26, 2008	September 28, 2007	September 26, 2008	September 28, 2007
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	95.3	94.4	94.7	94.4
Restructuring charges			0.2	0.1
Gross profit	4.7	5.6	5.1	5.5
Selling, general and administrative expenses	2.9	2.7	2.9	2.8
Intangible amortization	0.6	0.2	0.4	0.3
Restructuring charges				(0.1)
Interest and other expense, net	0.7	0.3	0.7	0.3
Income before income taxes	0.5	2.4	1.1	2.2

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Provision for income taxes	0.1	0.2	0.1	0.1
Net income	0.4%	2.2%	1.0%	2.1%

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Net Sales

Net sales during the three-month period ended September 26, 2008 totaled \$8.9 billion, representing an increase of \$3.3 billion, or 59%, from \$5.6 billion during the three-month period ended September 28, 2007, primarily due to the acquisition of Solectron and to new program wins from various customers across multiple markets. Sales increased across all of the markets we serve, consisting of; (i) \$1.3 billion in the infrastructure market, (ii) \$911 million in the computing market, (iii) \$648 million in the industrial, medical, automotive and other markets, (iv) \$273 million in the mobile communications market, and (v) \$164 million in the consumer digital market. Net sales during the three-month period ended September 26, 2008 increased by \$1.6 billion in the Americas, \$1.2 billion in Asia, and \$491 million in Europe.

Net sales during the six-month period ended September 26, 2008 totaled \$17.2 billion, representing an increase of \$6.5 billion, or 61%, from \$10.7 billion during the six-month period ended September 28, 2007, primarily due to the acquisition of Solectron and to new program wins from various customers across multiple markets. Sales increased across all of the markets we serve, consisting of; (i) \$2.8 billion in the infrastructure market, (ii) \$1.9 billion in the computing market, (iii) \$1.3 billion in the industrial, medical, automotive and other markets, (iv) \$342 million in the mobile communications market, and (v) \$184 million in the consumer digital market. Net sales during the six-month period ended September 26, 2008 increased by \$3.2 billion in the Americas, \$2.3 billion in Asia, and \$955 million in Europe.

Our ten largest customers during the three-month and six-month periods ended September 26, 2008 accounted for approximately 53% and 54% of net sales, respectively, with Sony-Ericsson accounting for greater than 10% of our net sales for both periods. Our ten largest customers during the three-month and six-month periods ended September 28, 2007 accounted for approximately 60% and 61% of net sales, respectively, with Sony-Ericsson accounting for greater than 10% of our net sales for both periods.

Gross Profit

Gross profit is affected by a number of factors, including the number and size of new manufacturing programs, product mix, component costs and availability, product life cycles, unit volumes, pricing, competition, new product introductions, capacity utilization and the expansion and consolidation of manufacturing facilities. Typically, profitability lags revenue growth in new programs due to product start-up costs, lower manufacturing program volumes in the start-up phase, operational inefficiencies, and under-absorbed overhead. Gross margin often improves over time as manufacturing program volumes increase, as our utilization rates and overhead absorption improves, and as we increase the level of vertically-integrated manufacturing services content. As a result, our gross margin varies from period to period.

Gross profit during the three-month period ended September 26, 2008 increased \$103.7 million to \$417.5 million, or 4.7% of net sales, from \$313.8 million, or 5.6% of net sales, during the three-month period ended September 28, 2007. The 90 basis point period-over-period decrease in gross margin was primarily attributable to a \$96.7 million write-down of inventory and related contractual obligations associated with certain customers that are experiencing significant financial difficulty.

Gross profit during the six-month period ended September 26, 2008 increased \$279.6 million to \$874.2 million, or 5.1% of net sales, from \$594.6 million, or 5.5% of net sales, during the six-month period ended September 28, 2007. The 40 basis point period-over-period decrease in gross margin was primarily attributable to a \$96.7 million, or 56 basis point, increase in expense for the write-down of inventory and related contractual obligations associated with certain customers that are experiencing significant financial difficulty. The Company also experienced a 10 basis point decrease in gross margin due to restructuring charges incurred in connection with the Solectron acquisition. These decreases were offset, in part, by favorable changes in customer and product mix and operational efficiencies.

Restructuring Charges

We recognized \$29.2 million of restructuring charges during the six-month period ended September 26, 2008. Restructuring charges were due to the Company realigning workforce and capacity, primarily related to the acquisition of Solectron. The activities associated with these charges involved multiple actions at each location, was completed in multiple steps, and were completed within one year of the commitment dates of the respective activities. We classified approximately \$26.3 million of the charges as a component of cost of sales during the six-month period

ended September 26, 2008. During the six-month period ended September 28, 2007, we recognized restructuring charges of approximately \$10.7 million for severance associated with the consolidation of a manufacturing facility in Europe. Approximately \$9.8 million of the charges were classified as a component of cost of sales.

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Our restructuring obligation at September 26, 2008 was \$168.7 million, of which \$132.7 million was classified as a current liability.

Refer to Note 8, Restructuring Charges, of the Notes to Condensed Consolidated Financial Statements for further discussion of our restructuring activities.

Selling, General and Administrative Expenses

Selling, general and administrative expenses, or SG&A, amounted to \$258.7 million, or 2.9% of net sales, during the three-month period ended September 26, 2008, compared to \$152.6 million, or 2.7% of net sales, during the three-month period ended September 28, 2007. The increase in absolute dollars and the percentage of SG&A was primarily the result of our acquisition of Solectron as well as other business and asset acquisitions over the past 12 months, continued investments in resources and investments in certain technologies to enhance our overall design and engineering competencies, an increase in stock-based compensation expense, and the recognition of approximately \$20.7 million of provisions for doubtful accounts associated with certain customers that were experiencing significant financial difficulty during the three-month period ended September 26, 2008.

Selling, general and administrative expenses, or SG&A, amounted to \$507.3 million, or 2.9% of net sales, during the six-month period ended September 26, 2008, compared to \$299.1 million, or 2.8% of net sales, during the six-month period ended September 28, 2007. The increase in absolute dollars and the percentage of SG&A was primarily the result of our acquisition of Solectron as well as other business and asset acquisitions over the past 12 months, continued investments in resources and investments in certain technologies to enhance our overall design and engineering competencies, an increase in stock-based compensation expense, and the recognition of approximately \$20.7 million of provisions for doubtful accounts associated with certain customers that are experiencing significant financial difficulty during the six-month period ended September 26, 2008.

Intangible Amortization

Amortization of intangible assets during the three-month period ended September 26, 2008 increased by \$36.6 million to \$50.3 million from \$13.7 million during the three-month period ended September 28, 2007. The increase in expense during the three-month period ended September 26, 2008 was principally attributable to the increase in intangibles arising from the Company's acquisition of Solectron on October 1, 2007, and to a lesser extent from other acquisitions completed subsequent to September 28, 2007 that were individually not significant. The increase was offset, in part, by the write-off of certain intangible asset licenses, due to technological obsolescence, during the fourth quarter of fiscal year 2008.

Amortization of intangible assets during the six-month period ended September 26, 2008 increased by \$45.2 million to \$75.6 million from \$30.4 million during the six-month period ended September 28, 2007. The increase in expense during the six-month period ended September 26, 2008 was principally attributable to the increase in intangibles arising from the Company's acquisition of Solectron on October 1, 2007, and to a lesser extent from other acquisitions completed subsequent to September 28, 2007 that were individually not significant. The increase was offset, in part, by the write-off of certain intangible asset licenses, due to technological obsolescence, during the fourth quarter of fiscal year 2008.

Interest and Other Expense, Net

Interest and other expense, net was \$59.9 million during the three-month period ended September 26, 2008 compared to \$16.2 million during the three-month period ended September 28, 2007, an increase of \$43.7 million. The increase in expense is primarily the result of \$29.2 million of interest expense attributable to our \$1.7 billion in borrowings under our term loan facility used to finance the acquisition of Solectron on October 1, 2007, as well as the refinancing of certain Solectron outstanding debt obligations. Additionally, we recognized a loss of approximately \$11.9 million during the three-month period ended September 26, 2008 for the other-than-temporary impairment of certain of the Company's investments primarily associated with a customer that is currently experiencing significant financial and liquidity difficulties.

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Interest and other expense, net was \$99.6 million during the six-month period ended September 26, 2008 compared to \$22.4 million during the six-month period ended September 28, 2007, an increase of \$77.2 million. The increase in expense is primarily the result of \$57.5 million of interest expense attributable to our \$1.7 billion in borrowings under our term loan facility used to finance the acquisition of Solectron, as well as the refinancing of certain Solectron outstanding debt obligations. Additionally, we recognized a loss of approximately \$11.9 million for the other-than-temporary impairment of certain of the Company's investments primarily associated with a customer that is currently experiencing significant financial and liquidity difficulties. During the six-month period ended September 28, 2007 we recognized a gain of approximately \$9.3 million in connection with the divestiture of a certain international entity, which also contributed to the current period increase in interest and other expense, net.

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 8, *Income Taxes*, of the Notes to the Consolidated Financial Statements in our Annual Report on Form 10-K, as amended, for the fiscal year ended March 31, 2008 for further discussion.

The Company has tax loss carryforwards attributable to continuing operations for which we have recognized deferred tax assets. Our policy is to provide a reserve against those deferred tax assets that in management's estimate are not more likely than not to be realized. During the six-month period ended September 26, 2008, the provision for income taxes includes a benefit of approximately \$38.5 million for the reversal of valuation allowances and other tax reserves. The Company's effective tax rate was 20.7% and 10.7% for the three-month and six-month periods ended September 26, 2008, respectively, and 7.9% and 5.7% for the three-month and six-month periods ended September 28, 2007, respectively. The increase in the effective tax rates for the periods ended September 26, 2008 was primarily because the Company received no tax benefits for the \$129.3 million of charges recognized for certain customers that are experiencing significant financial difficulty.

The consolidated effective tax rate for a particular period varies depending on the amount of earnings from different jurisdictions, operating loss carryforwards, income tax credits, changes in previously established valuation allowances for deferred tax assets based upon our current analysis of the realizability of these deferred tax assets, as well as certain tax holidays and incentives granted to our subsidiaries primarily in China, Malaysia, Israel, Poland and Singapore. Refer to Note 2, *Summary of Accounting Policies - Provision for Income Taxes* of the Notes to Condensed Consolidated Financial Statements for further discussion of the impact of certain tax holidays and incentives.

LIQUIDITY AND CAPITAL RESOURCES

As of September 26, 2008, we had cash and cash equivalents of approximately \$1.7 billion and bank and other borrowings of \$3.4 billion. We also had a \$2.0 billion credit facility, under which we had \$200 million of borrowings outstanding as of September 26, 2008, which is included in the \$3.4 billion outstanding above.

Cash provided by operating activities amounted to \$748.0 million during the six-month period ended September 26, 2008. This resulted primarily from \$168.8 million in net income for the period before adjustments to exclude approximately \$276.5 million of non-cash items such as depreciation, amortization, stock-based compensation expense and interest and other income, and a \$302.7 million decrease in working capital and other net operating assets. The decrease in working capital and other net operating assets was principally attributable to a net increase in accounts payable and other current liabilities, primarily due to quarter end timing of payments; a decrease in accounts receivable resulting, in part, from our increased access and use of our asset backed securitization program; offset, in part, by an increase in inventory for ramp of existing orders. Working capital as of September 26, 2008 and March 31, 2008 was approximately \$2.4 billion and \$2.9 billion, respectively.

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Cash used in investing activities during the six-month period ended September 26, 2008 amounted to \$567.9 million. This resulted primarily from capital expenditures for equipment and the continued expansion of various low-cost, high-volume manufacturing facilities and industrial parks, and payments for the acquisitions of businesses including contingent purchase price payments for historical acquisitions.

Cash used in financing activities amounted to \$214.7 million during the six-month period ended September 26, 2008, which was primarily from \$260.1 million in payments for the repurchase of 29.8 million of the Company's ordinary shares.

We continue to assess our capital structure, and evaluate the merits of redeploying available cash to reduce existing debt or repurchase ordinary shares. Effective with the quarter ended September 26, 2008, we reclassified the \$195.0 million aggregate principal amount of our Zero Coupon Convertible Junior Subordinated Notes, due July 31, 2009 to a current obligation. On July 23, 2008, our Board of Directors authorized the repurchase of up to ten percent of the Company's outstanding ordinary shares, and as of September 30, 2008, the amount authorized for repurchase was increased to approximately 80.9 million shares. Refer to Note 12, "Share Repurchase Plan" of the Notes to the Condensed Consolidated Financial Statements for further details. The timing and actual number of shares repurchased will depend on a variety of factors including price, market conditions and applicable legal requirements. A significant impairment of our goodwill, if any as discussed above, could impact our ability to repurchase shares in future periods. The share repurchase program does not obligate the Company to repurchase any specific number of shares and may be suspended or terminated at any time without prior notice. Share repurchases could require that we raise additional capital. During the three and six-month periods ended September 26, 2008, the Company repurchased approximately 29.8 million shares under this plan for an aggregate purchase price of \$260.1 million.

Liquidity is affected by many factors, some of which are based on normal ongoing operations of our business and some of which arise from fluctuations related to global economics and markets. As evidenced by the recent turmoil in the financial markets, credit has tightened. We are reviewing our debt and capital structure to minimize any impact on the Company, and will attempt to mitigate any reductions in cash flow as a result of an economic slowdown by reducing capital expenditures, acquisitions, and other discretionary spending. Although cash balances are generated and held in many locations throughout the world and local government regulations may restrict our ability to move cash balances to meet cash needs under certain circumstances, we do not currently expect such regulations and restrictions to impact our ability to pay vendors and conduct operations throughout our 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.

Working capital requirements and capital expenditures could continue to increase in order to support future expansions of our operations. Future liquidity needs will also depend on fluctuations in levels of inventory, accounts receivable and accounts payable, the timing of capital expenditures for new equipment, the extent to which we utilize operating leases for new facilities and equipment, the extent of cash charges associated with any future restructuring activities, timing of cash outlays associated with historical restructuring and integration activities, including obligations assumed by the Company in connection with its acquisition of Solectron, and levels of shipments and changes in volumes of customer orders.

Historically, we have funded our operations from cash and cash equivalents generated from operations, proceeds from public offerings of equity and debt securities, bank debt and lease financings. We also continuously sell a designated pool of trade receivables under asset backed securitization programs, including a new \$300.0 million facility entered into by the Company on September 25, 2008, and sell certain trade receivables, which are in addition to the trade receivables sold in connection with these securitization agreements, to certain third-party banking institutions with limited recourse.

We may enter into debt and equity financings, sales of accounts receivable and lease transactions to fund acquisitions and anticipated growth. The sale or issuance of equity or convertible debt securities could result in dilution to current shareholders. Additionally, we may issue debt securities that have rights and privileges senior to those of holders of ordinary shares, and the terms of this debt could impose restrictions on operations and could increase debt service obligations. This increased indebtedness could limit the Company's flexibility as a result of debt service requirements and restrictive covenants, potentially affect our credit ratings, and may limit the company's ability to access additional

capital or execute its business strategy. Any downgrades in credit ratings could adversely affect our ability to borrow by resulting in more restrictive borrowing terms.

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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, as amended, for the fiscal year ended March 31, 2008. There have been no material changes in our contractual obligations since March 31, 2008.

OFF-BALANCE SHEET ARRANGEMENTS

We continuously sell a designated pool of trade receivables to a third-party qualified special purpose entity, which in turn sells an undivided ownership interest to an investment conduit administered by an unaffiliated financial institution. In addition to this financial institution, we participate in the securitization agreement as an investor in the conduit. The fair value of the Company's investment participation, together with its recourse obligation that approximates 5% of the total receivables sold, was approximately \$219.1 million and \$89.4 million as of September 26, 2008 and March 31, 2008, respectively. The increase in the Company's investment participation was attributable to an increase in receivables sold to the qualified special purpose entity during the six-month period ended September 26, 2008. Refer to Note 7, Trade Receivables Securitization of the Notes to Condensed Consolidated Financial Statements for further discussion.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There were no material changes in our exposure to market risk for changes in interest and foreign currency exchange rates for the six-month period ended September 26, 2008 as compared to the fiscal year ended March 31, 2008.

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 September 26, 2008, 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 September 26, 2008, 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 the second quarter of fiscal year 2009 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K, as amended, for the year ended March 31, 2008, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K, as amended, 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 adversely affect our business, financial condition and/or operating results. Additional and updated risks are as follows:

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

We provide EMS services to companies and industries that have in the past, and may in the future, experience financial difficulty, particularly in light of conditions in the credit markets and the overall economy. Our suppliers may also experience financial difficulty in this environment. If our customers experience financial difficulty, we could have difficulty recovering amounts owed to us from these customers, or demand for our products from these customers could decline. Additionally, if our suppliers experience financial difficulty we could have difficulty sourcing supply necessary to fulfill production requirements and meet scheduled shipments. These conditions could adversely affect our financial position and results of operations. In the three months ended September 26, 2008, we recognized approximately \$129 million in charges for provisions of accounts receivable, the write-down of inventory and recognition of related obligations for certain distressed customers.

The conditions of the U.S. and international capital markets may adversely affect our ability to draw on our current revolving credit facility.

If financial institutions that have extended credit commitments to us are adversely affected by the conditions of the U.S. and international capital markets, they may become unable to fund borrowings under their credit commitments to us, which could have an adverse impact on our financial condition and our ability to borrow additional funds, if needed, for working capital, capital expenditures, acquisitions, research and development and other corporate purposes.

Our goodwill could become impaired

We have a substantial amount of goodwill attributable to acquisitions. We are required to evaluate goodwill for impairment at least annually and whenever events or changes in circumstances indicate that the recorded value of assets, including goodwill, and liabilities (net book value) may not be recoverable. To date, we have not recognized any impairment of our goodwill in connection with our evaluation of the Company's market capitalization; however, we are continuing to monitor the situation and assess potential impairment in light of recent macro-economic indications in the equity markets as well as recent volatility and downward pressure on our price per ordinary share subsequent to September 26, 2008. To the extent we conclude that there are any indicators of impairment prior to the date of our next annual goodwill impairment test on January 31, 2009 we will perform an impairment analysis under SFAS 142 and could record an impairment charge to write down goodwill to its fair value. If the results of that impairment testing confirm that a write down of goodwill is necessary, then we will record an associated charge. In the event we are required to record a significant impairment of goodwill, the charge would have a material adverse effect on our reported financial position and operating results, but would not be expected to have any affect on our financial covenants or cash flows from operations.

Table of Contents**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS*****Issuer Sales of Unregistered Securities***

On July 7, 2008, we issued an aggregate of 141,838 ordinary shares in consideration for the acquisition of certain of the shares of a privately-held company that provides power supply modules pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933.

Issuer Purchases of Equity Securities

The following table provides information regarding purchases of our ordinary shares made by us for the period from June 28, 2008 through September 26, 2008.

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (2)
June 28 July 27, 2008		\$		80,923,893
July 28 August 27, 2008	12,476,107	9.00	12,476,107	80,923,893
August 28 September 26, 2008	17,303,615	8.54	17,303,615	80,923,893
Total	29,779,722	\$ 8.73	29,779,722	

(1) During the period from June 28, 2008 through September 26, 2008 all purchases were made pursuant to the program discussed below in open market transactions. All purchases were made in accordance with Rule 10b-18 under the Securities Exchange Act of 1934.

(2) On July 23, 2008, our Board

of Directors authorized the purchase of up to ten percent of the Company's outstanding ordinary shares. Following shareholder approval at the 2008 Annual General Meeting on September 30, 2008, the amount authorized for repurchase was increased up to approximately 80.9 million shares. The repurchase plan will expire on the date on which our next annual general meeting is held or required by law to be held, which is expected to be in September 2009.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

We held our Annual General Meeting of Shareholders on September 30, 2008 at 2090 Fortune Drive, San Jose, California, 95131, U.S.A. at which the following matters were acted upon:

1a. Re-election of Mr. H. Raymond Bingham as a director to our Board of Directors.	For:	754,900,103
	Against:	12,521,124
	Abstain:	601,469
1b. Re-election of Mr. Ajay B. Shah as a director to our Board of Directors.	For:	754,822,511
	Against:	12,596,666
	Abstain:	604,519
2. Election of Dr. Willy C. Shih as a director to our Board of Directors.	For:	755,584,101
	Against:	11,829,986
	Abstain:	608,609
3. Re-appointment of Mr. Rockwell A. Schnabel as a director to our Board of Directors.	For:	741,039,037
	Against:	26,350,365

	Abstain:	633,294
4. Re-appointment of Deloitte & Touche LLP as our independent auditors for the fiscal year ending March 31, 2009 and authorization of our Board of Directors to fix their remuneration.	For:	761,755,350
	Against:	5,853,561
	Abstain:	413,785
5. Approval of the general authorization for our Directors to allot and issue ordinary shares.	For:	656,225,245
	Against:	23,887,643
	Abstain:	639,190
	Broker Non Votes:	87,270,618

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6. Approval of the proposed renewal of the share repurchase mandate relating to acquisitions by us of our issued ordinary shares.	For:	677,494,198
	Against:	2,915,514
	Abstain:	342,366
	Broker Non Votes:	87,270,618
7. Approval for us to amend the 2001 Equity Incentive Plan (2001 Plan) by increasing the sub-limit on the maximum number of ordinary shares which may be issued as stock bonus awards by 5,000,000 ordinary shares to an aggregate of 20,000,000 ordinary shares.	For:	532,405,667
	Against:	147,929,808
	Abstain:	416,168
	Broker Non Votes:	87,271,053
8. Approval for us to amend the 2001 Plan by increasing the sub-limit on the maximum number of ordinary shares subject to awards which may be granted to a person in any calendar year from 4,000,000 ordinary shares to 6,000,000 ordinary shares.	For:	446,109,108
	Against:	234,237,478
	Abstain:	405,057
	Broker Non Votes:	87,271,053
9. Approval for us to amend the 2001 Plan by increasing the share reserve by 20,000,000 ordinary shares to an aggregate of 62,000,000 ordinary shares (not including shares available under plans consolidated into the 2001 Plan).	For:	526,533,785
	Against:	153,788,578
	Abstain:	429,280
	Broker Non Votes:	87,271,053

At the meeting, Messrs. H. Raymond Bingham, Ajay B. Shah and Willy C. Shih were re-elected to the Board of Directors. Mr. Rockwell A. Schnabel was re-appointed to the Board of Directors. Messrs. James A. Davidson, Richard L. Sharp, Lip-Bu Tan and Michael M. McNamara continued their terms of office as directors following the meeting. On October 13, 2008, Mr. Sharp retired and was replaced by Mr. Robert L. Edwards.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Exhibit
10.01	Flextronics International Ltd. 2001 Equity Incentive Plan, as amended through September 30, 2008.*
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.**

* Incorporated by reference to Exhibit 10.01 to

the Company's
Current Report
on Form 8-K
filed with the
Securities and
Exchange
Commission on
October 2,
2008.

** 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.

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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: November 4, 2008

/s/ Paul Read
Paul Read
Chief Financial Officer
(Principal Financial Officer)

Date: November 4, 2008

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* Incorporated by reference to Exhibit 10.01 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 2, 2008.

** 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.