

FLEXTRONICS INTERNATIONAL LTD.

Form 10-Q

February 02, 2011

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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 December 31, 2010

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.)

**2 Changi South Lane,
Singapore**

(Address of registrant's principal executive offices)

486123

(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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes 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 Smaller reporting company
(Do not check if a 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

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

Class

Outstanding at January 27, 2011

Ordinary Shares, No Par Value

760,012,116

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the accompanying condensed consolidated balance sheet of Flextronics International Ltd. and subsidiaries (the Company) as of December 31, 2010, and the related condensed consolidated statements of operations for the three-month and nine-month periods ended December 31, 2010 and 2009, and of cash flows for the nine-month periods ended December 31, 2010 and 2009. 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.

As discussed in Notes 2 and 8 to the condensed consolidated financial statements, on April 1, 2010 the Company adopted new accounting standards related to the accounting for variable interest entities and the transfers of financial assets.

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, 2010, 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 21, 2010, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of March 31, 2010 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
February 2, 2011

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

	As of December 31, 2010	As of March 31, 2010
	(In thousands, except share amounts) (Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,598,058	\$ 1,927,556
Accounts receivable, net of allowance for doubtful accounts of \$11,020 and \$13,163 as of December 31, 2010 and March 31, 2010, respectively	2,509,095	2,438,950
Inventories	3,523,410	2,875,819
Other current assets	1,472,532	747,676
Total current assets	9,103,095	7,990,001
Property and equipment, net	2,142,041	2,118,576
Goodwill and other intangible assets, net	223,441	254,717
Other assets	235,740	279,258
Total assets	\$ 11,704,317	\$ 10,642,552
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Bank borrowings, current portion of long-term debt and capital lease obligations	\$ 26,173	\$ 266,551
Accounts payable	5,294,418	4,447,968
Accrued payroll	387,319	347,324
Other current liabilities	1,327,407	1,285,368
Total current liabilities	7,035,317	6,347,211
Long-term debt and capital lease obligations, net of current portion	2,204,353	1,990,258
Other liabilities	297,399	320,516
Commitments and contingencies (Note 10)		
Shareholders equity		
Ordinary shares, no par value; 849,851,224 and 843,208,876 shares issued, and 759,134,386 and 813,429,154 outstanding as of December 31, 2010 and March 31, 2010, respectively	8,981,428	8,924,769
Treasury stock, at cost; 90,716,838 and 29,779,722 shares as of December 31, 2010 and March 31, 2010, respectively	(628,043)	(260,074)
Accumulated deficit	(6,203,839)	(6,664,723)
Accumulated other comprehensive income (loss)	17,702	(15,405)
Total shareholders equity	2,167,248	1,984,567
Total liabilities and shareholders equity	\$ 11,704,317	\$ 10,642,552

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		Nine-Month Periods Ended	
	Ended December 31,		December 31,	
	2010	2009	2010	2009
	(In thousands, except per share amounts)			
	(Unaudited)			
Net sales	\$ 7,832,856	\$ 6,556,137	\$ 21,821,074	\$ 18,170,577
Cost of sales	7,399,280	6,173,461	20,619,033	17,199,814
Restructuring charges		9,624		74,136
Gross profit	433,576	373,052	1,202,041	896,627
Selling, general and administrative expenses	215,070	205,614	609,742	583,551
Intangible amortization	16,571	21,440	56,000	67,484
Restructuring charges		162		13,079
Other charges, net	13,234		6,267	199,398
Interest and other expense, net	10,848	40,555	68,182	115,533
Income (loss) before income taxes	177,853	105,281	461,850	(82,418)
Provision for (benefit from) income taxes	(20,437)	12,411	966	(40,904)
Net income (loss)	\$ 198,290	\$ 92,870	\$ 460,884	\$ (41,514)
Earnings (loss) per share:				
Basic	\$ 0.26	\$ 0.11	\$ 0.59	\$ (0.05)
Diluted	\$ 0.26	\$ 0.11	\$ 0.58	\$ (0.05)
Weighted-average shares used in computing per share amounts:				
Basic	762,387	812,367	783,128	811,302
Diluted	776,595	825,545	794,961	811,302

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

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FLEXTRONICS INTERNATIONAL LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine-Month Periods Ended	
	December 31,	
	2010	2009
	(In thousands)	
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 460,884	\$ (41,514)
Depreciation, amortization and other impairment charges	352,063	586,392
Changes in working capital and other, net of acquisitions	(230,117)	204,830
Net cash provided by operating activities	582,830	749,708
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(400,922)	(156,147)
Proceeds from the disposition of property and equipment	73,554	35,748
Acquisition of businesses, net of cash acquired	(9,108)	(66,294)
Other investments and notes receivable, net	13,330	259,753
Net cash (used in) provided by investing activities	(323,146)	73,060
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from bank borrowings and long-term debt	2,763,353	785,111
Repayments of bank borrowings, long-term debt and capital lease obligations	(2,700,913)	(997,001)
Payments for repurchase of long-term debt	(315,495)	(203,183)
Payments for repurchase of ordinary shares	(367,969)	
Net proceeds from issuance of ordinary shares	14,804	4,559
Net cash used in financing activities	(606,220)	(410,514)
Effect of exchange rates on cash	17,038	7,730
Net (decrease) increase in cash and cash equivalents	(329,498)	419,984
Cash and cash equivalents, beginning of period	1,927,556	1,821,886
Cash and cash equivalents, end of period	\$ 1,598,058	\$ 2,241,870

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 capital equipment, clean technology, aerospace and defense, and white goods; automotive and marine; and medical devices. The Company s strategy is to provide customers with a full range of cost competitive, 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.

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, 2010 contained in the Company s Annual Report on Form 10-K. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three-month and nine-month periods ended December 31, 2010 are not necessarily indicative of the results that may be expected for the fiscal year ended March 31, 2011.

The first fiscal quarters ended on July 2, 2010 and July 3, 2009, respectively, and the second fiscal quarters ended on October 1, 2010 and October 2, 2009, respectively. The Company s third fiscal quarter ends on December 31, and the fourth fiscal quarter and year ends on March 31 of each year.

Table of Contents**Inventories**

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

	As of December 31, 2010	As of March 31, 2010
	(In thousands)	
Raw materials	\$ 2,307,817	\$ 1,874,244
Work-in-progress	529,464	480,216
Finished goods	686,129	521,359
	\$ 3,523,410	\$ 2,875,819

Property and Equipment

Depreciation expense associated with property and equipment amounted to approximately \$104.8 million and \$296.1 million for the three-month and nine-month periods ended December 31, 2010, respectively, and \$95.6 million and \$281.5 million for the three-month and nine-month periods ended December 31, 2009, respectively.

Goodwill and Other Intangibles

The following table summarizes the activity in the Company's goodwill account during the nine-month period ended December 31, 2010:

	Amount (In thousands)
Balance, beginning of the year, net of accumulated impairment of \$5,949,977	\$ 84,360
Acquisitions (1)	3,498
Purchase accounting adjustments (2)	1,170
Foreign currency translation adjustments	(214)
Balance, end of the period, net of accumulated impairment of \$5,949,977	\$ 88,814

- (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 and Divestitures.
- (2) Includes adjustments and reclassifications resulting from management's review of the valuation of assets and liabilities acquired through certain business combinations completed in a period subsequent to the respective acquisition, based on management's estimates. The amount was attributable to purchase accounting adjustments for certain historical acquisitions that were not individually, nor in the aggregate, significant to the Company.

The components of acquired intangible assets are as follows:

	As of December 31, 2010			As of March 31, 2010		
	Gross Carrying Amount	Accumulated Amortization (In thousands)	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization (In thousands)	Net Carrying Amount
Intangible assets:						
Customer-related	\$ 482,467	\$ (374,689)	\$ 107,778	\$ 506,595	\$ (355,409)	\$ 151,186

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Licenses and other	55,393	(28,544)	26,849	54,792	(35,621)	19,171
Total	\$ 537,860	\$ (403,233)	\$ 134,627	\$ 561,387	\$ (391,030)	\$ 170,357

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The gross carrying amounts of intangible assets are removed when the recorded amounts have been fully amortized. Total intangible amortization expense was \$16.6 million and \$56.0 million during the three-month and nine-month periods ended December 31, 2010, respectively, and \$21.4 million and \$67.5 million during the three-month and nine-month periods ended December 31, 2009, respectively. The estimated future annual amortization expense for acquired intangible assets is as follows:

Fiscal Year Ending March 31,	Amount (In thousands)
2011 (1)	\$ 16,161
2012	45,283
2013	31,234
2014	21,175
2015	11,291
Thereafter	9,483
 Total amortization expense	 \$ 134,627

(1) Represents estimated amortization for the three-month period ending March 31, 2011.

Other Current Assets / Other Assets

Other current assets includes approximately \$821.4 million as of December 31, 2010 for the deferred purchase price receivable from our Global and North American Asset-Backed Securitization programs and approximately \$135.4 million as of March 31, 2010 for the deferred purchase price receivable from the Global Asset-Backed Securitization program (see Note 8).

The Company has certain equity investments in non-publicly traded companies which are included within other assets in the Company's Condensed Consolidated Balance Sheets. As of December 31, 2010 and March 31, 2010, the Company's equity investments in these non-publicly traded companies totaled \$33.7 million and \$27.3 million, respectively. The Company monitors these investments for impairment and makes appropriate reductions in carrying values as required. Fair values of these investments, when required, are estimated using unobservable inputs, which are primarily discounted cash flow projections.

During the nine-month period ended December 31, 2010, the Company recognized a gain of approximately \$18.6 million, associated with the sale of an equity investment that was previously fully impaired and is included in Other charges, net in the Condensed Consolidated Statement of Operations.

In August of 2009, the Company sold its interest in one of its non-majority owned investments and related note receivable for approximately \$252.2 million, net of closing costs and recognized an impairment charge associated with the sale of \$107.4 million during the three-month period ended July 3, 2009. During the three-month period ended October 2, 2009, the Company recognized charges totaling approximately \$92.0 million associated with the impairment of notes receivable from one affiliate and an equity investment in another affiliate. Total impairment charges related to the Company's equity investments and notes receivables for the nine-month period ended December 31, 2009 were approximately \$199.4 million and are included in Other charges, net in the Condensed Consolidated Statements of Operations.

Provision for income taxes

The Company has tax loss carryforwards attributable to operations 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 three-month and nine-month periods ended December 31, 2010, the provision for income taxes includes a benefit of approximately \$34.7 million as a result of the conclusion of a tax litigation matter. During the three-month and nine-month periods ended December 31, 2009, the provision for income taxes includes a benefit of approximately \$11.3 million and \$86.5 million, respectively, for the net change in the

liability for unrecognized tax benefits and settlements in various tax jurisdictions.

Table of Contents**Recent Accounting Pronouncements**

In June 2009, a new accounting standard was issued which amends the consolidation guidance applicable to variable interest entities (VIEs), the approach for determining the primary beneficiary of a VIE, and disclosure requirements of a company s involvement with VIEs. Also in June 2009, a new accounting standard was issued which removes the concept of a qualifying special-purpose entity, creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, clarifies other sale-accounting criteria, and changes the initial measurement of a transferor s interest in transferred financial assets. These standards are effective for fiscal years beginning after November 15, 2009 and were adopted by the Company effective April 1, 2010. The adoption of these standards did not impact the Company s consolidated statement of operations. Upon adoption, accounts receivables sold in the Global Asset-Backed Securitization program were consolidated by the Company and remained on its balance sheet; cash received from the program was treated as a bank borrowing on the Company s balance sheet and as a financing activity in the statement of cash flows. As a result of the adoption of these standards, the Company recorded accounts receivables and related bank borrowings of \$217.1 million as of April 1, 2010. In September 2010 the securitization agreement was amended such that sales of accounts receivable from this program are accounted for as sales of financial assets and are removed from the consolidated balance sheets. Cash received from the sale of accounts receivables, under this program, including amounts received for the beneficial interest that are paid upon collection of accounts receivables, are reported as cash provided by operating activities in the statement of cash flows (see Note 8). The North American Asset-Backed Securitization program and the accounts receivable factoring program were amended effective in the quarter ended July 2, 2010, such that sales of accounts receivable from these programs continue to be accounted for as sales of financial assets and are removed from the consolidated balance sheets. Cash received from the sale of accounts receivables under these programs, including amounts received for the beneficial interest that are paid upon collection of accounts receivables, are reported as cash provided by operating activities in the statement of cash flows (see Note 8).

3. STOCK-BASED COMPENSATION

The Company historically granted equity compensation awards to acquire the Company s ordinary shares under four plans. Effective July 23, 2010, equity awards are granted under the Company s 2010 Equity Incentive Plan, which was approved by the Company s shareholders at the 2010 Annual General Meeting. These plans collectively are referred to as the Company s equity compensation plans below. For further discussion of the Company s four historical 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 for the fiscal year ended March 31, 2010. Refer to the Company s Definitive Proxy Statement, which was filed with the Securities and Exchange Commission on June 7, 2010, for further discussion of the Company s 2010 Equity Incentive Plan.

Compensation expense for the Company s stock options and unvested share bonus awards was as follows:

	Three-Month Periods Ended December 31,		Nine-Month Periods Ended December 31,	
	2010	2009	2010	2009
	(In thousands)		(In thousands)	
Cost of sales	\$ 2,553	\$ 2,712	\$ 7,924	\$ 7,727
Selling, general and administrative expenses	11,265	11,275	34,314	34,458
Total stock-based compensation expense	\$ 13,818	\$ 13,987	\$ 42,238	\$ 42,185

For the nine-month period ended December 31, 2010, the Company granted 1,107,628 stock options, at a weighted average fair value per option of \$2.54. Total unrecognized compensation expense related to stock options is \$34.7 million, net of estimated forfeitures, and will be recognized over a weighted average vesting period of 1.4 years. As of December 31, 2010, total unrecognized compensation expense related to unvested share bonus awards is \$72.6 million, net of estimated forfeitures, and will be recognized over a weighted average vesting period of 2.5 years.

Approximately \$23.5 million of the unrecognized compensation cost is related to awards where vesting is contingent upon meeting both a service requirement and achievement of long-term performance goals. As of December 31, 2010, management believes achievement of these goals is probable for 322,500 of these awards and approximately \$0.8 million of compensation expense related to the awards expected to vest is remaining to be recognized in fiscal year 2011.

The number of options outstanding and exercisable was 55.3 million and 33.0 million, respectively, as of December 31, 2010, at weighted average exercise prices of \$7.37 and \$9.09, respectively.

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The following table summarizes share bonus award activity for the Company's equity compensation plans during the nine-month period ended December 31, 2010:

	Number of Shares	Weighted Average Grant-Date Fair Value
Unvested share bonus awards as of March 31, 2010	8,801,609	\$ 10.31
Granted	8,469,875	6.93
Vested	(2,462,152)	10.94
Forfeited	(1,551,649)	10.12
Unvested share bonus awards as of December 31, 2010	13,257,683	\$ 8.06

Of the 8.5 million share bonus awards granted during the nine-month period ended December 31, 2010, approximately 1.2 million represents the target amount of grants made to certain key employees whereby vesting is contingent on meeting a certain market condition. The number of shares that ultimately will vest are based on a measurement of Flextronics's total shareholder return against the Standard and Poor's (S&P) 500 Composite Index. The actual number of shares issued can range from zero to 1.8 million. These awards vest over a period of four years, subject to achievement of total shareholder return levels relative to the S&P 500 Composite Index. The grant-date fair value of these awards was estimated to be \$7.32 per share and was calculated using a Monte Carlo simulation.

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		Nine-Month Periods Ended	
	December 31, 2010	2009	December 31, 2010	2009
	(In thousands, except per share amounts)			
Basic earnings per share:				
Net income (loss)	\$ 198,290	\$ 92,870	\$ 460,884	\$ (41,514)
Shares used in computation:				
Weighted-average ordinary shares outstanding	762,387	812,367	783,128	811,302
Basic earnings (loss) per share	\$ 0.26	\$ 0.11	\$ 0.59	\$ (0.05)
Diluted earnings per share:				
Net income (loss)	\$ 198,290	\$ 92,870	\$ 460,884	\$ (41,514)
Shares used in computation:				
Weighted-average ordinary shares outstanding	762,387	812,367	783,128	811,302
Weighted-average ordinary share equivalents from stock options and awards (1)	14,208	13,178	11,833	
Weighted-average ordinary share equivalents from convertible notes (2)				
	776,595	825,545	794,961	811,302

Weighted-average ordinary shares and ordinary share equivalents outstanding

Diluted earnings (loss) per share	\$	0.26	\$	0.11	\$	0.58	\$	(0.05)
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- (1) Ordinary share equivalents from stock options to purchase approximately 25.3 million and 25.7 million shares outstanding during the three-month and nine-month periods ended December 31, 2010, respectively, and 26.8 million and 42.7 million share outstanding during the three-month and nine-month periods ended December 31, 2009, respectively, were excluded from the computation of diluted earnings per share primarily because the exercise price of these options was greater than the average market price of the Company's ordinary shares during the respective periods. As a result of the Company's net loss for the nine-month period ended December 31, 2009, ordinary share equivalents from approximately 7.9 million options and share bonus awards were excluded from the calculation of diluted earnings (loss) per share.
- (2) On August 2, 2010 the Company paid approximately \$240.0 million to redeem its 1% Convertible Subordinated Notes upon maturity. The notes carried conversion provisions to issue shares to settle any conversion spread (excess of the conversion value over the conversion price) in stock. The conversion price was \$15.525 per share (subject to certain adjustments). On the maturity date, the Company's stock price was less than the conversion spread, and therefore no shares were issued. During the nine-month period ended December 31, 2010 and during the three-month and nine-month periods ended December 31, 2009, the conversion obligation was less than the principal portion of these notes and accordingly, no additional shares were included as ordinary share equivalents.

On July 31, 2009, the principal amount of the Company's Zero Coupon Convertible Junior Subordinated Notes was settled in cash upon maturity. These notes carried conversion provisions to issue shares to settle any conversion spread (excess of the conversion value over the conversion price) in stock. The conversion price was \$10.50 per share. On the maturity date, the Company's stock price was less than the conversion price, and therefore no shares were issued.

Table of Contents**5. OTHER COMPREHENSIVE INCOME**

The following table summarizes the components of other comprehensive income:

	Three-Month Periods Ended December 31,		Nine-Month Periods Ended December 31,	
	2010	2009	2010	2009
	(In thousands)		(In thousands)	
Net income (loss)	\$ 198,290	\$ 92,870	\$ 460,884	\$ (41,514)
Other comprehensive income:				
Foreign currency translation adjustment	(543)	(11,468)	13,966	16,461
Unrealized gain (loss) on derivative instruments and other income (loss)	(7,367)	4,645	19,141	18,633
Comprehensive income (loss)	\$ 190,380	\$ 86,047	\$ 493,991	\$ (6,420)

6. BANK BORROWINGS AND LONG-TERM DEBT

Bank borrowings and long-term debt are as follows:

	As of December 31, 2010	As of March 31, 2010
	(In thousands)	
Short-term bank borrowings	\$ 6,554	\$ 6,688
1.00% convertible subordinated notes due August 2010		234,240
6.25% senior subordinated notes due November 2014		302,172
Term Loan Agreement, due in installments through October 2014	1,678,770	1,691,775
Term loan, due September 2013	49,500	
Term loan, due September 2013	130,000	
Outstanding under revolving lines of credit	360,000	
Other	5,126	19,955
	2,229,950	2,254,830
Current portion	(25,905)	(265,954)
Non-current portion	\$ 2,204,045	\$ 1,988,876

As of December 31, 2010, there were \$360.0 million in borrowings outstanding under the Company's \$2.0 billion credit facility, and the Company was in compliance with the covenants under this credit facility.

Asia Term Loans

On September 27, 2010, the Company entered into a \$50.0 million term loan agreement with a bank based in Asia, the entire amount of which was borrowed on the date the facility was entered into. The term loan agreement matures on September 27, 2013. Borrowings under the term loan bear interest at LIBOR plus 2.30%. The Company, at its election, may convert the loan (in whole or in part) to bear interest at the higher of the Federal Funds rate plus 0.5% or the prime rate plus, in each case 1.0%. Principal payments of \$500,000 are due quarterly with the balance due on the maturity date. The Company has the right to prepay any part of the loan without penalty. Borrowings under the term loan agreement are guaranteed by certain subsidiaries of the Company.

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On September 28, 2010, the Company entered into a \$130.0 million term loan facility with a bank in Asia, the entire amount of which was borrowed on the date the facility was entered into. The term loan facility matures on September 28, 2013. Borrowings under the facility bear interest at LIBOR plus a margin of 2.15%, and the Company paid a non-refundable fee of \$1.4 million at the inception of the loan. The Company has the right to prepay any part of the loan without penalty.

The term loan agreements are unsecured, and contain customary restrictions on the ability of the Company and its subsidiaries to, among other things, (i) incur certain debt, (ii) make certain investments, (iii) make certain acquisitions of other entities, (iv) incur liens, (v) dispose of assets, (vi) make non-cash distributions to shareholders, and (vii) engage in transactions with affiliates. These covenants are subject to a number of significant exceptions and limitations. The term loan agreements also require the Company maintain a maximum ratio of total indebtedness to EBITDA during the terms of the agreements. As of December 31, 2010, the Company was in compliance with the covenants under these facilities.

Redemptions

During December 2010, the Company paid approximately \$308.5 million to redeem the \$302.2 million aggregate principal balance of the 6.25% Senior Subordinated Notes at a redemption price of 102.083% of the principal amount. The Company recognized a loss associated with the early redemption of the notes of approximately \$13.2 million during the three-month and nine-month periods ended December 31, 2010, consisting of the redemption price premium of approximately \$6.3 million, and approximately \$6.9 million primarily for the write-off of the unamortized debt issuance costs. The loss is recorded in Other charges, net in the Condensed Consolidated Statement of Operations.

During August 2010, the Company paid \$240.0 million to redeem the 1% Convertible Subordinated Notes at par upon maturity plus accrued interest. These notes carried conversion provisions to issue shares to settle any conversion spread (excess of conversion value over the conversion price) in stock. The conversion price was \$15.525 per share (subject to certain adjustments). On the maturity date, the Company's stock price was less than the conversion price, and therefore no ordinary shares were issued.

Fair Values

As of December 31, 2010, the approximate fair value of the Company's debt outstanding under its \$1.7 billion Term Loan Agreement was 98.7% of the face values of the debt obligations, respectively, based on broker trading prices. The Company's Asia Term Loans are not traded publicly; however, as the pricing, maturity and other pertinent terms of these loans closely approximate those of the \$1.7 billion Term Loan Agreement, management estimates the respective fair values would be approximately the same.

Interest Expense

During the three-month and nine-month periods ended December 31, 2010, the Company recognized interest expense of \$21.4 million and \$79.7 million, respectively, on its debt obligations outstanding during the period. During the three-month and nine-month periods ended December 31, 2009, the Company recognized interest expense of \$36.7 million and \$122.2 million, respectively, on its debt obligations.

Table of Contents**7. FINANCIAL INSTRUMENTS****Foreign Currency Contracts**

The Company enters into forward contracts and foreign currency swap contracts to manage the foreign currency risk associated with monetary accounts and anticipated foreign currency denominated transactions. The Company hedges committed exposures and does not engage in speculative transactions. As of December 31, 2010, the aggregate notional amount of the Company's outstanding foreign currency forward and swap contracts was \$2.7 billion as summarized below:

Currency	Buy/Sell	Foreign Currency Amount	Notional Contract Value in USD (In thousands)
Cash Flow Hedges			
CNY	Buy	2,847,900	\$ 431,454
EUR	Buy	29,717	39,363
EUR	Sell	23,586	31,968
HUF	Buy	14,241,000	67,359
MXN	Buy	1,467,100	118,389
MYR	Buy	422,200	136,922
SGD	Buy	65,200	50,500
Other	Buy	N/A	82,386
			958,341
Other Forward/Swap Contracts			
BRL	Sell	77,800	46,615
CAD	Sell	58,382	58,055
EUR	Buy	260,547	345,293
EUR	Sell	300,304	398,006
GBP	Buy	23,433	36,226
GBP	Sell	19,672	30,383
HKD	Buy	241,613	31,047
HUF	Sell	7,094,800	33,558
JPY	Buy	4,430,642	54,145
JPY	Sell	2,819,418	34,236
MXN	Buy	630,260	50,859
MXN	Sell	388,500	31,350
SEK	Buy	1,800,202	264,469
SEK	Sell	664,683	97,674
Other	Buy	N/A	161,906
Other	Sell	N/A	49,559
			1,723,381
Total Notional Contract Value in USD			\$ 2,681,722

Certain of these contracts are designed to economically hedge the Company's exposure to monetary assets and liabilities denominated in a non-functional currency and are not treated as hedges under the accounting standards. Accordingly, changes in the fair value of these instruments are recognized in earnings during the period of change as a

component of Interest and other expense, net in the Condensed Consolidated Statement of Operations. As of December 31, 2010 and December 31, 2009, the amount recognized in earnings related to these contracts was not material. As of December 31, 2010 and March 31, 2010, the Company also has included net deferred gains and losses, respectively, in other comprehensive income, a component of shareholders' equity in the Condensed Consolidated Balance Sheet, relating to changes in fair value of its foreign currency contracts that are accounted for as cash flow hedges. These deferred gains and losses were not material, and the deferred gains as of December 31, 2010 are expected to be recognized as a component of gross profit in the Condensed Consolidated Statement of Operations over the next twelve month period. The gains and losses recognized in earnings due to hedge ineffectiveness were not material for all fiscal periods presented and are included as a component of Interest and other expense, net in the Condensed Consolidated Statement of Operations.

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The following table presents the Company's assets and liabilities related to foreign currency contracts measured at fair value on a recurring basis as of December 31, 2010, aggregated by level in the fair-value hierarchy within which those measurements fall:

	Level 1	Level 2	Level 3	Total
	(In thousands)			
Assets:				
Foreign currency contracts	\$	\$ 21,197	\$	\$ 21,197
Liabilities:				
Foreign currency contracts		(8,184)		(8,184)
Total:	\$	\$ 13,013	\$	\$ 13,013

There were no transfers between levels in the fair value hierarchy during the nine-month period ended December 31, 2010. The Company's foreign currency forward contracts are measured on a recurring basis at fair value based on foreign currency spot and forward rates quoted by banks or foreign currency dealers.

The following table presents the fair value of the Company's derivative instruments located on the Condensed Consolidated Balance Sheets utilized for foreign currency risk management purposes at December 31, 2010:

	Fair Values of Derivative Information			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
	(In thousands)			
Derivatives designated as hedging instruments				
Foreign currency contracts	Other current assets	\$ 15,957	Other current liabilities	\$ (2,410)
Derivatives not designated as hedging instruments				
Foreign currency contracts	Other current assets	\$ 5,240	Other current liabilities	\$ (5,774)

Interest Rate Swap Agreements

The Company was exposed to variability in cash flows associated with changes in short-term interest rates primarily on borrowings under its revolving credit facility and term loan agreement. Swap contracts that were outstanding during the nine-month period ended December 31, 2010, which were entered into during fiscal years 2009 and 2008 to mitigate the exposure to interest rate risk resulting from unfavorable changes in interest rates resulting from the term loan agreement, are summarized below:

Notional Amount (in millions)	Fixed Interest Rate Payable	Interest Payment Received	Term	Expiration Date
Fiscal 2009 Contracts:				
\$100.0	1.00%	1-Month Libor	12 month	April 2010

Fiscal 2008 Contracts:

\$250.0	3.61%	1-Month Libor	34 months	October 2010
\$250.0	3.61%	1-Month Libor	34 months	October 2010
\$175.0	3.60%	3-Month Libor	36 months	January 2011
\$72.0	3.57%	3-Month Libor	36 months	January 2011

In April 2010, a \$100.0 million swap, with a fixed interest rate of 1% expired. In October 2010, two swaps totaling \$500.0 million with fixed interest rates of 3.61% expired. In January 2011, two swaps totaling \$247.0 million with a weighted average fixed interest rate of 3.59% expired. The swap contracts provided for the receipt of interest payments at rates equal to the terms of the underlying borrowings outstanding under the term loan arrangement.

The Company's interest rate swap agreements were accounted for as cash flow hedges, and there was no charge for ineffectiveness during the three-month and nine-month periods ended December 31, 2010 and December 31, 2009. For the three-month and nine-month periods ended December 31, 2010 and December 31, 2009, the net amount recorded as interest expense from these swaps was not material. As of December 31, 2010 and March 31, 2010, the fair value of the Company's interest rate swaps was not material and is included in Other current liabilities in the Condensed Consolidated Balance Sheets, with a corresponding decrease in other comprehensive income. The deferred losses included in other comprehensive income were released through earnings as the Company made fixed, and received variable, interest payments over the term of the swaps.

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

Global Asset-Backed Securitization Agreement

The Company continuously sells a designated pool of trade receivables to an affiliated special purpose entity, which in turn sells an undivided ownership interest to an unaffiliated financial institution. The Company continues to service, administer and collect the receivables on behalf of the special purpose entity and receives a servicing fee of 1.00% of serviced receivables per annum. Servicing fees recognized during the three-month and nine-month periods ended December 31, 2010 and December 31, 2009 were not material and are included in Interest and other expense, net within the Condensed Consolidated Statements of Operations. As the Company estimates the fee it receives in return for its obligation to service these receivables is at fair value, no servicing assets and liabilities are recognized.

Effective April 1, 2010, the Company adopted two new accounting standards, the first of which removed the concept of a qualifying special purpose entity and created more stringent conditions for reporting the transfer of a financial asset as a sale. The second standard amended the consolidation guidance for determining the primary beneficiary of a variable interest entity. As a result of the adoption of the second standard, the Company is deemed the primary beneficiary of the special purpose entity to which the pool of trade receivables is sold and, as such, is required to consolidate the special purpose entity. Upon adoption of these standards, the balance of receivables sold for cash as of March 31, 2010, totaling \$217.1 million, was recorded as accounts receivables and short-term bank borrowings in the opening balance sheet of fiscal 2011. Upon collection of these receivables the Company recorded cash from operations offset by repayments of bank borrowings from financing activities in the Condensed Consolidated Statements of Cash Flows during the nine-month period ended December 31, 2010.

Effective September 29, 2010, the securitization agreement was amended to provide for the sale by the special purpose entity of 100% of the eligible receivables to the unaffiliated financial institution. The investment limit with this financial institution is \$300.0 million. Following the transfer of the receivables to the special purpose entity, the transferred receivables are isolated from the Company and its affiliates, and effective control of the transferred receivables is passed to the unaffiliated financial institution, which has the right to pledge or sell the receivables. As a result, although the Company still consolidates the special purpose entity, all of the receivables sold to the unaffiliated financial institution for cash are removed from the Condensed Consolidated Balance Sheet and the cash received is no longer accounted for as a secured borrowing. A portion of the purchase price for the receivables is paid by the unaffiliated financial institution in cash and the balance is a deferred purchase price receivable, which is paid to the special purpose entity as payments on the receivables are collected from account debtors. The deferred purchase price receivable represents a beneficial interest in the transferred financial assets and is recognized at fair value as part of the sale transaction.

As of December 31, 2010, \$998.6 million in receivables were sold to this special purpose entity and the Company received approximately \$300.0 million in net cash proceeds for the sales. The deferred purchase price receivable was approximately \$698.6 million, and was recorded in Other current assets in the Condensed Consolidated Balance Sheets. The Company increased the number of sites participating in the program, which increased the amount of receivables sold during the quarter ended December 31, 2010, in anticipation of a second unaffiliated financial institution entering the program. However, the Company cannot predict if or when this second financial institution will enter the program. The deferred purchase price receivable was valued using unobservable inputs (i.e., level three inputs), primarily discounted cash flow, and due to its high credit quality and short maturity the fair value approximated book value. There were no transfers between levels in the fair value hierarchy during the nine-month period ended December 31, 2010. The accounts receivable balances sold under this agreement were removed from the Condensed Consolidated Balance Sheets and cash received from the sales were reflected as cash provided by operating activities in the Condensed Consolidated Statements of Cash Flows. The amount of the Company's deferred purchase price receivable will vary depending on the conduit's investment limitations, financing requirements of the Company and the amount and performance of receivables sold.

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As of March 31, 2010, approximately \$352.5 million of the Company's accounts receivable had been sold to a third-party qualified special purpose entity. At that time, the third-party special purpose entity was a qualifying special purpose entity, and accordingly, the Company did not consolidate this entity. The amount of receivables sold represented the face amount of the total outstanding trade receivables on all designated customer accounts on that date. The accounts receivable balances that were sold under this agreement were removed from the Condensed Consolidated Balance Sheet, and the net cash proceeds received by the Company were included as cash provided by operating activities in the Condensed Consolidated Statements of Cash Flows. The Company had a recourse obligation that was limited to the deferred purchase price receivable, which approximated 5% of the total sold receivables, and its own investment participation, the total of which was approximately \$135.4 million as of March 31, 2010, which was recorded in Other current assets in the Consolidated Balance Sheet. As the recoverability of the trade receivables underlying the Company's own investment participation was determined in conjunction with the Company's accounting policies for determining provisions for doubtful accounts prior to sale into the third party qualified special purpose entity, the fair value of the Company's own investment participation reflected the estimated recoverability of the underlying trade receivables.

North American Asset-Backed Securitization Agreement

The Company continuously sells a designated pool of trade receivables to an affiliated special purpose entity, which in turn sells such receivables 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% per annum on the outstanding balance of the serviced receivables. Servicing fees recognized during the three-month and nine-month periods ended December 31, 2010 and December 31, 2009 were not material and were included in Interest and other expense, net within the Condensed Consolidated Statements of Operations. As the Company estimates that the fee it receives in return for its obligation to service these receivables is at fair value, no servicing assets or liabilities are recognized.

The maximum investment limit of the two commercial paper conduits is \$300.0 million. During September 2010, the securitization agreement was amended such that the Company pays commitment fees of 0.55% per annum on the aggregate amount of the liquidity commitments of the financial institutions under the facility (which approximates the maximum investment limit) and an additional program fee of 0.55% on the aggregate amounts invested under the facility by the conduits to the extent funded through the issuance of commercial paper.

The Company has the power to direct the activities of the special purpose entity and had the obligation to absorb the majority of expected losses or the rights to receive benefits from transfers of trade receivables into the special purpose entity and, as such, was deemed the primary beneficiary of the special purpose entity. Accordingly, the Company consolidated the special purpose entity and only those receivables sold to the two commercial paper conduits for cash have been removed from the Condensed Consolidated Balance Sheet. Effective April 1, 2010, the securitization agreement was amended to provide for the sale by the special purpose entity of 100% of the eligible receivables to the commercial paper conduits. The transferred receivables are isolated from the Company and its affiliates as a result of the special purpose entity, and effective control is passed to the conduits, which have the right to pledge or sell the receivables. As a result, although the Company still consolidates the special purpose entity, 100% of the receivables sold to the commercial paper conduits are removed from the Condensed Consolidated Balance Sheet beginning April 1, 2010.

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A portion of the purchase price for the receivables is paid by the two commercial paper conduits in cash and the balance is a deferred purchase price receivable, which is paid to the special purpose entity as payments on the receivables are collected from account debtors. The deferred purchase price receivable represents a beneficial interest in the transferred financial assets and is recognized at fair value as part of the sale transaction. The Company sold \$317.5 million of accounts receivable to the two commercial paper conduits as of December 31, 2010, and received approximately \$194.0 million in net cash proceeds for the sales. The deferred purchase price receivable was approximately \$122.8 million, and was recorded in Other current assets in the Condensed Consolidated Balance Sheets. The deferred purchase price receivable was valued using unobservable inputs (i.e., level three inputs), primarily discounted cash flow, and due to its high credit quality and short maturity the fair value approximated book value. There were no transfers between levels in the fair value hierarchy during the nine-month period ended December 31, 2010. The accounts receivable balances sold under this agreement were removed from the Condensed Consolidated Balance Sheets and cash received from the sales were reflected as cash provided by operating activities in the Condensed Consolidated Statements of Cash Flows. The amount of the Company's deferred purchase price receivable will vary primarily depending on the financing requirements of the Company and the performance of the receivables sold.

As of March 31, 2010, the Company had transferred approximately \$356.9 million of receivables into the special purpose vehicle. The Company sold approximately \$200.7 million of this \$356.9 million to the two commercial paper conduits as of March 31, 2010, and received approximately \$200.0 million in net cash proceeds for the sales. The accounts receivable balances that were sold to the two commercial paper conduits under this agreement were removed from the Condensed Consolidated Balance Sheets and were 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, and was recorded in Interest and other expense, net in the Condensed Consolidated Statements of Operations. The remaining trade receivables transferred into the special purpose vehicle and not sold to the two commercial paper conduits comprised the primary assets of that entity, and were included in trade accounts receivable, net in the Condensed Consolidated Balance Sheets of the Company. The recoverability of these trade receivables, both those included in the Condensed Consolidated Balance Sheets and those sold but uncollected by the commercial paper conduits, were determined in conjunction with the Company's accounting policies for determining provisions for doubtful accounts. Although the special purpose vehicle is fully consolidated by the Company, it is a separate corporate entity and its assets are available first to satisfy the claims of its creditors.

Factored Accounts Receivable

Effective April 1, 2010, the Company amended its accounts receivable factoring program under which the Company sells accounts receivables in their entirety to certain third-party banking institutions. The outstanding balance of receivables sold and not yet collected was approximately \$127.9 million and \$164.2 million as of December 31, 2010 and March 31, 2010, respectively. These receivables that were sold were removed from the Condensed Consolidated Balance Sheets and were reflected as cash provided by operating activities in the Condensed Consolidated Statement of Cash Flows.

9. RESTRUCTURING CHARGES

The Company did not recognize restructuring charges during the three-month and nine-month periods ended December 31, 2010.

The Company recognized restructuring charges of approximately \$9.8 million and \$87.2 million during the three-month and nine-month periods ended December 31, 2009 as a part of its restructuring plans announced in March 2009 in order to rationalize the Company's global manufacturing capacity and infrastructure as a result of weak macroeconomic conditions. The Company classified approximately \$9.6 million and \$74.1 million of these charges as a component of cost of sales during the three-month and nine-month periods ended December 31, 2009, respectively.

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The following table summarizes the provisions, respective payments, and remaining accrued balance as of December 31, 2010 for charges incurred in fiscal year 2010 and prior periods:

	Severance	Other Exit Costs (In thousands)	Total
Balance as of March 31, 2010	\$ 28,216	\$ 36,029	\$ 64,245
Cash payments for charges incurred in fiscal year 2010	(6,692)	(416)	(7,108)
Cash payments for charges incurred in fiscal year 2009 and prior	(2,333)	(4,535)	(6,868)
Balance as of July 2, 2010	19,191	31,078	50,269
Cash payments for charges incurred in fiscal year 2010	(1,136)	(389)	(1,525)
Cash payments for charges incurred in fiscal year 2009 and prior	(2,771)	(2,012)	(4,783)
Balance as of October 1, 2010	15,284	28,677	43,961
Cash payments for charges incurred in fiscal year 2010	(1,070)	(282)	(1,352)
Cash payments for charges incurred in fiscal year 2009 and prior	(1,844)	(3,579)	(5,423)
Balance as of December 31, 2010	12,370	24,816	37,186
Less: current portion (classified as other current liabilities)	(11,389)	(10,836)	(22,225)
Accrued restructuring costs, net of current portion (classified as other liabilities)	\$ 981	\$ 13,980	\$ 14,961

As of December 31, 2010 and March 31, 2010, the remaining accrued balance for restructuring charges incurred during fiscal year 2010 were approximately \$3.7 million and \$13.7 million, respectively, the entire amount of which was classified as current. As of December 31, 2010 and March 31, 2010, the remaining accrued balance for restructuring charges incurred during fiscal years 2009 and prior were approximately \$33.5 million and \$50.6 million, respectively, of which approximately \$15.0 million and \$22.2 million, respectively, were classified as long-term obligations.

As of December 31, 2010 and March 31, 2010, assets that were no longer in use and held for sale, totaled approximately \$33.7 million and \$46.9 million, respectively, primarily representing manufacturing facilities that have been closed as part of the Company's historical facility consolidations. These assets are recorded at the lesser of carrying value or fair value, which is based on comparable sales from prevailing market data. 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 Annual Report on Form 10-K for the fiscal year ended March 31, 2010.

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 AND DIVESTITURES***Business Acquisitions***

During the nine-month period ended December 31, 2010, the Company completed three acquisitions that were not individually, nor in the aggregate, significant to the Company's consolidated results of operations and financial position. The aggregate cash paid for these acquisitions totaled approximately \$9.1 million, net of cash acquired.

During the nine-month period ended December 31, 2009, the Company paid approximately \$66.3 million, net of cash acquired, for the contingent consideration, deferred purchase price payments related to four historical acquisitions, and payments for two completed acquisitions. The purchase price for certain historical acquisitions is subject to adjustments for contingent consideration and generally has not been recorded as part of the purchase price, pending the outcome of the contingency.

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Divestitures

During the nine-month period ended December 31, 2010, the Company recognized a loss of approximately \$11.7 million in connection with the sale of certain international entities and is recorded in Other charges, net, in the Condensed Consolidated Statement of Operations. The results for these entities were not significant for any period presented.

12. SHARE REPURCHASE PLAN

On each of May 26, 2010 and August 12, 2010, the Company's Board of Directors authorized the repurchase of up to \$200.0 million, for a combined total of \$400.0 million, of the Company's outstanding ordinary shares. Following shareholder approval at the Company's 2010 Extraordinary General Meeting on July 23, 2010, the number of shares authorized for repurchase under the Share Purchase Mandate is approximately 78.5 million shares (representing 10% of the outstanding shares on the date of the 2010 Extraordinary General Meeting). The Company may not exceed in the aggregate the \$400.0 million repurchase authorized by the Board in May and August without further Board action. 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-month and nine-month periods ended December 31, 2010, the Company repurchased approximately 9.8 million shares and 60.9 million shares, respectively, under these plans for an aggregate purchase price of \$68.1 million and \$368.0 million, respectively.

Table of Contents**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 for the year ended March 31, 2010. 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 global 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 capital equipment, clean technology, aerospace and defense, and white goods; automotive and marine; and medical devices. We provide a full range of vertically-integrated global supply chain services through which we can 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; rigid printed circuit board and flexible circuit fabrication; systems assembly and manufacturing; logistics; after-sales services; and multiple component product offerings, including camera modules for consumer products such as mobile devices and power supplies for computing and other electronic devices.

We are one of the world's largest EMS providers, with revenues of \$7.8 billion and \$21.8 billion during the three-month and nine-month periods ended December 31, 2010, and \$24.1 billion in fiscal year 2010. As of March 31, 2010, our total manufacturing capacity was approximately 26.6 million square feet. We help customers design, build, ship and service electronics products through a network of facilities in 30 countries across four continents. The following tables set forth net sales and net property and equipment, by country, based on the location of our manufacturing sites:

Net sales:	Three-Month Periods Ended		Nine-Month Periods Ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	(In thousands)			
China	\$ 3,210,314	\$ 2,349,114	\$ 8,405,253	\$ 6,252,165
Mexico	1,151,892	955,851	3,234,543	2,665,940
U.S.	722,204	800,589	2,304,114	2,531,425
Malaysia	655,263	720,369	1,982,373	1,808,453
Hungary	627,338	480,594	1,759,078	1,197,865
Other	1,465,845	1,249,620	4,135,713	3,714,729
	\$ 7,832,856	\$ 6,556,137	\$ 21,821,074	\$ 18,170,577

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	As of December 31, 2010	As of March 31, 2010
	(In thousands)	
Property and equipment, net:		
China	\$ 911,401	\$ 879,440
Mexico	349,312	361,492
Hungary	157,092	154,759
U.S.	147,977	165,029
Malaysia	144,764	131,606
Other	431,495	426,250
	\$ 2,142,041	\$ 2,118,576

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 offer our OEM customers the ability to simplify their global product development, their manufacturing process, and their after sales services, and enable them to achieve meaningful time to market and cost savings.

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

- changes in the macroeconomic environment and related changes in consumer demand;
- the mix of the manufacturing services we are providing, the number and size of new manufacturing programs, the degree to which we utilize our manufacturing capacity, seasonal demand, shortages of components and other factors;
- the effects on our business when our customers are not successful in marketing their products, or when their products do not gain widespread commercial acceptance;
- our increased components offerings which have required that we make substantial investments in the resources necessary to design and develop these products;
- our ability to achieve commercially viable production yields and to manufacture components in commercial quantities to the performance specifications demanded by our OEM customers (difficulties in product ramping have adversely affected our ability to achieve desired operating performance);
- the effect on our business due to our customers' products having short product life cycles;
- our customers' ability to cancel or delay orders or change production quantities;
- our customers' decision to choose internal manufacturing instead of outsourcing for their product requirements;
- our exposure to financially troubled customers; and
- integration of acquired businesses and facilities.

We procure a wide assortment of materials, including electronic components, plastics and metals. We experienced shortages of numerous commodity components, such as capacitors, connectors, semiconductor and power components, during the first quarter ended July 2, 2010. These shortages began to abate during our second fiscal quarter, and have normalized by the end of our third fiscal quarter.

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We have experienced significant volume increases in our component product solution services throughout this fiscal year. As a result of this steep growth and other challenges faced by our component product solution services, our aggregate results for these services have been performing at below optimal levels. Our manufacturing efficiencies and production yields continued to improve and during the quarter ended December 31, 2010 our component product solution services made progress reducing their aggregate operating losses. We are encouraged by the increased demand for these product solutions and the successful achievement of acceptance in the market, and we remain intensely focused on further improving our manufacturing efficiencies and thus our future margins and profitability. Our component product solution services, on a combined basis, were less than 10% of our consolidated revenue for the quarter and year-to-date periods ended December 31, 2010.

Our cash provided by operations decreased approximately \$166.9 million to \$582.8 million for the nine-month period ended December 31, 2010 as compared with \$749.7 million for the nine-month period ended December 31, 2009. As discussed further in Liquidity and Capital Resources below, our cash provided by working capital decreased primarily as a result of increases in our accounts receivable and inventory, partially offset by increases in accounts payable and other current liabilities as a result of higher sales and anticipated growth. We define net working capital as accounts receivable plus the deferred purchase price receivable from our asset-backed securitization programs plus inventory less accounts payable. Our net working capital as a percentage of annualized sales was approximately 5% for the quarter ended December 31, 2010 and is consistent with our last four quarter range of approximately 3% to 5% of annualized sales. Our free cash flow, which we define as cash from operating activities less net purchases of property and equipment, was \$255.5 million for the nine-month period ended December 31, 2010. We believe free cash flow is an important liquidity metric because it measures, during a given period, the amount of cash generated that is available to repay debt obligations, make investments, fund acquisitions, repurchase company shares and for certain other activities. Effective September 29, 2010 we amended our Global Asset-Backed Securitization program and, as a result, all of the receivables sold to an unaffiliated financial institution for cash are removed from our Condensed Consolidated Balance Sheets and cash received from the sale of the accounts receivables is no longer accounted for as a secured borrowing.

Historically, the EMS industry experienced significant change and growth as an increasing number of companies elected to outsource some or all of their design, manufacturing, and logistics requirements. We have seen an increase in the penetration of the global OEM manufacturing requirements since the 2001 – 2002 technology downturn as more and more OEMs pursued the benefits of outsourcing rather than internal manufacturing. In the second half of fiscal 2009, we experienced dramatically deteriorating macroeconomic conditions and demand for our customers' products slowed in all of the industries we served. This global economic crisis, and related decline in demand for our customers' products, put pressure on certain of our OEM customers' cost structures and caused them to reduce their manufacturing and supply chain outsourcing requirements. Beginning in the second half of fiscal year 2010, we began seeing some positive signs that demand for our OEM customers' end products was improving, and this trend of accelerated revenue continued through the quarter ended December 31, 2010. We believe the long-term, future growth prospects for outsourcing of advanced manufacturing capabilities, design and engineering services and after-market services remains strong.

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 for the fiscal year ended March 31, 2010, 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.

Table of Contents**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 Discussion and Analysis of Financial Condition and Results of Operations included in our 2010 Annual Report on Form 10-K.

	Three-Month Periods Ended December 31,		Nine-Month Periods Ended December 31,	
	2010	2009	2010	2009
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	94.5	94.2	94.5	94.7
Restructuring charges		0.1		0.4
Gross profit	5.5	5.7	5.5	4.9
Selling, general and administrative expenses	2.8	3.1	2.8	3.2
Intangible amortization	0.2	0.4	0.3	0.3
Restructuring charges				0.1
Other charges, net	0.2			1.1
Interest and other expense, net	0.1	0.6	0.3	0.6
Income (loss) before income taxes	2.2	1.6	2.1	(0.4)
Provision for (benefit from) income taxes	(0.3)	0.2		(0.2)
Net income (loss)	2.5%	1.4%	2.1%	(0.2)%

Net sales

Net sales during the three-month period ended December 31, 2010 totaled \$7.8 billion, representing an increase of approximately \$1.2 billion, or 19%, from \$6.6 billion during the three-month period ended December 31, 2009, primarily due to an improved macroeconomic environment and market share gains as we recognized increased sales from many of our major customers. Sales increased across all of the markets we serve, consisting of: (i) \$369.8 million in the infrastructure market, (ii) \$312.6 million in the consumer digital market, (iii) \$280.1 million in the mobile communications market, (iv) \$239.1 million in the industrial, automotive, medical and other markets, and (v) \$75.1 million in the computing market. Net sales increased across all of the geographic regions we serve including increases of \$768.8 million in Asia, \$267.8 million in Europe, and \$240.1 million in the Americas.

Net sales during the nine-month period ended December 31, 2010 totaled \$21.8 billion, representing an increase of \$3.6 billion, or 20%, from \$18.2 billion during the nine-month period ended December 31, 2009, primarily due to an improved macroeconomic environment and market share gains as we recognized increased sales from many of our major customers. Sales increased across all of the markets we serve, consisting of: (i) \$1.1 billion in the industrial, automotive, medical and other markets, (ii) \$846.6 million in the mobile communications market, (iii) \$690.1 million in the infrastructure market, (iv) \$586.7 million in the consumer digital market, and (v) \$459.4 million in the computing market. Net sales increased across all of the geographic regions we serve including increases of \$2.4 billion in Asia, \$752.5 million in Europe, and \$521.5 million in the Americas.

The following table sets forth net sales by market:

	Three-Month Periods Ended	Nine-Month Periods Ended
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Market:	December 31,		December 31,	
	2010	2009	2010	2009
	(In thousands)			
Infrastructure	\$ 2,117,754	\$ 1,747,977	\$ 5,943,987	\$ 5,253,847
Mobile	1,693,535	1,413,465	4,549,677	3,703,045
Industrial, Automotive, Medical and Other	1,420,116	1,180,977	4,344,145	3,276,489
Computing	1,402,791	1,327,657	3,999,030	3,539,635
Consumer digital	1,198,660	886,061	2,984,235	2,397,561
	\$ 7,832,856	\$ 6,556,137	\$ 21,821,074	\$ 18,170,577

Our ten largest customers during the three-month and nine-month periods ended December 31, 2010 accounted for approximately 55% and 52% of net sales, respectively, with Research In Motion accounting for greater than 10% of our net sales in both periods. Our ten largest customers during the three-month and nine-month periods ended December 31, 2009 accounted for approximately 49% and 47% of net sales in each period, respectively, with Hewlett Packard accounting for greater than 10% of our net sales for both periods.

Table of Contents***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, product manufacturing yields, capacity utilization and the expansion and consolidation of manufacturing facilities. Gross profit during the three-month period ended December 31, 2010 increased \$60.5 million to \$433.6 million, or 5.5% of net sales, from \$373.1 million, or 5.7% of net sales, during the three-month period ended December 31, 2009. The decrease in gross margin was primarily attributable to the realization in the prior year of a reduction to cost of sales of \$26.3 million as a result of revised estimates related to the recovery of Nortel claims, offset in part by improved capacity utilization resulting from the 19% increase in revenues in the three-month period ended December 31, 2010.

Gross profit during the nine-month period ended December 31, 2010 increased \$305.4 million to \$1.2 billion, or 5.5% of net sales, from \$896.6 million, or 4.9% of net sales, during the nine-month period ended December 31, 2009. The increase in gross margin was primarily attributable to increased demand resulting in improved capacity utilization driven by the 20% increase in our revenues, and in part, due to the completion of our restructuring activities and there being no restructuring costs for the nine-month period ended December 31, 2010 versus restructuring costs of \$74.1 million for the nine-month period ended December 31, 2009.

Restructuring charges

We did not incur restructuring charges during the three-month and nine-month periods ended December 31, 2010 and have completed essentially all activities associated with previously announced plans. We recognized approximately \$9.8 million and \$87.2 million during the three-month and nine-month periods ended December 31, 2009, respectively, in connection with our restructuring plans announced in March 2009 to rationalize our global manufacturing capacity and infrastructure as a result of weak macroeconomic conditions. Our restructuring activities improved our operational efficiencies by reducing excess workforce and capacity. The costs associated with these restructuring activities included employee severance, costs related to owned and leased facilities and equipment that is no longer in use and is to be disposed of, and costs associated with the exit of certain contractual arrangements due to facility closures. As of December 31, 2010, there have been no changes to these plans. See Note 9, *Restructuring Charges* in the Notes to the Condensed Consolidated Financial Statements for a summary of the current quarter payments and remaining accrued balance as of December 31, 2010 for charges incurred in fiscal year 2010 and prior periods. The cost reductions associated with the restructuring activities, primarily reduced wages and benefits due to employee terminations, decreased depreciation expense resulting from equipment impairments and reduced costs associated with leased equipment and buildings have been achieved as anticipated. The overall impact on future operating results and cash flows from these restructuring activities is difficult to measure as there are offsetting reductions in revenues at affected locations as well as increases in certain costs at other locations related to transition activities for transferred programs or increased production ramp up costs. We do not separately track all of the interrelated components of these activities.

Refer to Note 9, *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 \$215.1 million, or 2.8% of net sales, during the three-month period ended December 31, 2010, increasing \$9.5 million from \$205.6 million, or 3.1% of net sales, during the three-month period ended December 31, 2009. The increase in absolute dollars was primarily the result of an increase in discretionary investments in design and engineering resources as well as other general infrastructure costs necessary to support the growth of our operations. The overall decrease in SG&A as a percentage of sales during the three-month period ended December 31, 2010 was primarily due to our significant increase in sales as we were able to leverage our SG&A percentage down.

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Selling, general and administrative expenses, or SG&A, amounted to \$609.7 million, or 2.8% of net sales, during the nine-month period ended December 31, 2010, increasing \$26.1 million from \$583.6 million, or 3.2% of net sales, during the nine-month period ended December 31, 2009. The increase in absolute dollars was primarily the result of an increase in discretionary investments in design and engineering resources as well as other general infrastructure costs necessary to support the growth of our operations. The overall decrease in SG&A as a percentage of sales during the nine-month period ended December 31, 2010 was primarily due to our significant increase in sales as we were able to leverage our SG&A percentage down.

Intangible amortization

Amortization of intangible assets during the three-month period ended December 31, 2010 decreased by \$4.8 million to \$16.6 million from \$21.4 million during the three-month period ended December 31, 2009, primarily due to certain assets becoming fully amortized and the use of the accelerated method of amortization for certain customer related intangibles, which results in decreasing expense over time.

Amortization of intangible assets during the nine-month period ended December 31, 2010 decreased by \$11.5 million to \$56.0 million from \$67.5 million during the nine-month period ended December 31, 2009, primarily due to certain assets becoming fully amortized and the use of the accelerated method of amortization for certain customer related intangibles, which results in decreasing expense over time.

Other charges, net

During the three-month period ended December 31, 2010, we recognized a loss associated with the early redemption of the 6.25% Senior Subordinated Notes of approximately \$13.2 million. During the nine-month period ended December 31, 2010, we recognized charges totaling \$6.3 million, consisting of the \$13.2 million loss associated with the early redemption of the 6.25% Senior Subordinated Notes, an \$11.7 million loss in connection with the divestiture of certain international entities, partially offset by a gain of \$18.6 million associated with the sale of an equity investment that was previously fully impaired.

During the nine-month period ended December 31, 2009, we recognized charges totaling \$199.4 million, associated with the impairment of notes receivable from one affiliate, an equity investment in another affiliate, and the sale of our interest in one of our non-majority owned investments.

Interest and other expense, net

Interest and other expense, net was \$10.8 million during the three-month period ended December 31, 2010 compared to \$40.6 million during the three-month period ended December 31, 2009, a decrease of \$29.8 million. The decrease in interest expense is the result of less debt outstanding during the period resulting from the approximate \$240.0 million redemption of the 1% Convertible Subordinated Notes, the \$300.0 million redemption of the 6.5% Senior Subordinated Notes and the \$302.2 million redemption of the 6.25% Senior Subordinated Notes. Further reduction in interest expense was due to lower interest rates as a result of \$900.0 million in fixed rate debt associated with interest rate swaps expiring and converting to variable rate debt, and a \$3.9 million decrease in non-cash interest expense from the redemption of our 1% Convertible Subordinated Notes in August 2010. This decrease in interest expense was partially offset by interest expense on \$360.0 million borrowed under our revolving lines of credit and \$179.5 million borrowed under our Asia term loans during the three-month period ended December 31, 2010. In addition, we recognized approximately \$12.9 million of income during the three-month period ended December 31, 2010 from foreign exchange gains.

Interest and other expense, net was \$68.2 million during the nine-month period ended December 31, 2010 compared to \$115.5 million during the nine-month period ended December 31, 2009, a decrease of \$47.3 million. The decrease in interest expense is the result of less debt outstanding during the period resulting from the approximate \$240.0 million redemption of the 1% Convertible Subordinated Notes, \$400.0 million tender and redemption of the 6.5% Senior Subordinated Notes, and the \$402.1 million tender and redemption of the 6.25% Senior Subordinated Notes. Further reduction in interest expense was due to lower interest rates as a result of \$900.0 million in fixed rate debt associated with interest rate swaps expiring and converting to variable rate debt, and a \$11.8 million decrease in non-cash interest expense from the redemptions of our Zero Coupon Convertible Junior Subordinated Notes

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in July 2009 and our 1% Convertible Subordinated Notes in August 2010. This decrease in interest expense was partially offset by interest expense on \$360.0 million borrowed under our revolving lines of credit, \$179.5 million borrowed under our Asia term loans and less interest income resulting from the reduction in other notes receivable that were sold during the nine-month period ended December 31, 2009. In addition, we recognized approximately \$21.4 million of income during the nine-month period ended December 31, 2010 from foreign exchange gains.

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 for the fiscal year ended March 31, 2010 for further discussion.

We have tax loss carryforwards attributable to 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 nine-month period ended December 31, 2010, the provision for income taxes includes a benefit of approximately \$34.7 million as a result of the conclusion of a tax litigation matter. During the nine-month period ended December 31, 2009, the provision for income taxes includes a benefit of approximately \$86.5 million for the net change in the liability for unrecognized tax benefits as a result of settlements in various tax jurisdictions.

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.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2010, we had cash and cash equivalents of approximately \$1.6 billion and bank and other borrowings of approximately \$2.2 billion. We also have a \$2.0 billion credit facility, under which we had \$360.0 million in borrowings outstanding as of December 31, 2010, which is included in the \$2.2 billion of borrowings above. As of December 31, 2010, we were in compliance with the covenants under the Company's credit facilities.

Cash provided by operating activities amounted to \$582.8 million during the nine-month period ended December 31, 2010. This resulted primarily from \$460.9 million of net income for the period before adjustments to include approximately \$352.1 million of non-cash expenses for depreciation and amortization. Our working capital accounts increased \$237.1 million on a net basis, primarily due to higher sales and anticipated growth resulting in increases in accounts receivable of \$548.9 million and inventory of \$652.7 million, partially offset by increases in accounts payable of \$861.6 million and other current liabilities of \$106.8 million.

Effective September 29, 2010, we amended our Global Asset-Backed Securitization program to provide for the sale of eligible receivables to a special purpose entity, which in turn sells all of the eligible receivables to an unaffiliated financial institution. Following the transfer of the receivables to a special purpose entity, the transferred receivables are isolated from the Company and its affiliates, and effective control of the transferred receivables is passed to the unaffiliated financial institution, which has the right to pledge or sell the receivables. As a result, although we still consolidate the special purpose entity, all of the receivables sold to the unaffiliated financial institution for cash are removed from our Condensed Consolidated Balance Sheets. A portion of the purchase price for the receivables is paid by the unaffiliated financial institution in cash and the balance is a deferred purchase price receivable, which is paid to the special purpose entity as payments on the receivables are collected from account debtors. The deferred purchase price receivable represents a beneficial interest in the transferred financial assets, is recognized at fair value as part of the sale transaction and does not impact cash from operations.

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Accounts receivable sold under our Global Asset-Backed Securitization program totaling \$998.6 million were removed from our Condensed Consolidated Balance Sheet. We received approximately \$300.0 million in cash from the sales and our deferred purchase price receivable was approximately \$698.6 million and was recorded in Other current assets in the Condensed Consolidated Balance Sheet. In anticipation of adding a second unaffiliated financial institution to the program, during the quarter ended December 31, 2010, we increased the number of sites participating in the program, which increased the amount of receivables sold. However, we cannot predict if or when this second financial institution will enter the program.

The balance of receivables sold for cash as of March 31, 2010, totaling \$217.1 million, was recorded as accounts receivables and short-term bank borrowings in the opening balance sheet of fiscal 2011. Upon collection of these receivables the Company recorded cash from operations offset by repayments of bank borrowings from financing activities in the Condensed Consolidated Statements of Cash Flows during the nine-month period ended December 31, 2010.

Accounts receivable sold under our North American Asset-Backed Securitization program totaling \$317.5 million were removed from our Condensed Consolidated Balance Sheet. We received approximately \$194.0 million in cash from the sales and our deferred purchase price receivable was approximately \$122.8 million and was recorded in Other current assets in the Condensed Consolidated Balance Sheet. In addition, we sold \$127.9 million of accounts receivable under our accounts receivable factoring program which were removed from our Condensed Consolidated Balance Sheet. For further information see Note 8 in our Notes to Condensed Consolidated Financial Statements.

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

	Three-Month Periods Ended				December 31, 2009
	December 31, 2010	October 1, 2010	July 2, 2010	March 31, 2010	
Days in trade accounts receivable	38 days	38 days	39 days	40 days	36 days
Days in inventory	44 days	45 days	46 days	46 days	40 days
Days in accounts payable	68 days	69 days	69 days	72 days	62 days

Days in trade accounts receivable was calculated as the average accounts receivable for the current and prior quarters divided by annualized sales for the current quarter by day. During the three-month period ended December 31, 2010, days in trade accounts receivable increased by two days to 38 days compared to the three-month period ended December 31, 2009 primarily due to higher sales. Due to the increase in the deferred purchase price receivables from our Global and North American Asset-Backed Securitization programs, we changed our methodology for calculating days in trade receivables to include the deferred purchase price receivables in trade receivables. Deferred purchase price receivables included in trade receivables were \$821.4 million, \$254.1 million, \$111.2 million, \$135.4 million and \$278.0 million for the quarters ended December 31, 2010, October 1, 2010, July 2, 2010, March 31, 2010 and December 31, 2009, respectively. Deferred purchase price receivables were recorded in Other current assets in the Condensed Consolidated Balance Sheets.

Days in inventory was calculated as the average inventory for the current and prior quarters divided by annualized cost of sales for the current quarter by day. During the three-month period ended December 31, 2010, days in inventory increased four days compared to the three-month period ended December 31, 2009. The increase in days in inventory is primarily attributable to growth in inventory to accommodate higher anticipated sales.

Days in accounts payable was calculated as the average accounts payable for the current and prior quarters divided by annualized cost of sales for the current quarter by day. During the three-month period ended December 31, 2010, days in accounts payable increased six days to 68 days compared to the three-month period ended December 31, 2009 primarily due to the increase in inventory as a result of anticipated higher sales volume.

Cash used by investing activities amounted to \$323.1 million during the nine-month period ended December 31, 2010. This resulted primarily from \$327.4 million in capital expenditures for property and equipment, net of proceeds from the disposition of property and equipment, \$9.7 million of deferred purchase price payments related to certain

historical acquisitions and for three acquisitions completed during the nine-month period ended December 31, 2010, and was partially offset by proceeds related to the sale of an equity investment for \$18.6 million.

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Cash used in financing activities amounted to \$606.2 million during the nine-month period ended December 31, 2010. During the nine-month period ended December 31, 2010, we paid approximately \$368.0 million to repurchase 60.9 million of our ordinary shares, \$240.0 million to redeem our 1% Convertible Subordinated Notes, \$308.5 million to redeem our 6.25% Senior Subordinated Notes and \$217.1 million related to our Global Asset-Backed Securitization program in connection with the adoption of new accounting standards, effective April 1, 2010, and an amendment to the program effective September 29, 2010. Cash was provided by \$179.5 million in borrowings from term loans entered into during the nine-month period ended December 31, 2010 and \$360.0 million from our revolving lines of credit.

As of December 31, 2010, quarterly maturities of our bank borrowings and long-term debt were as follows:

Fiscal Year	First Quarter	Second Quarter	Third Quarter (In thousands)	Fourth Quarter	Total
2011				\$ 11,400	\$ 11,400
2012	\$ 4,835	\$ 4,835	\$ 4,835	4,667	19,172
2013	364,667	480,162	3,437	3,437	851,703
2014	3,437	177,437	2,907	2,907	186,688
2015	2,907	1,152,965			1,155,872
Thereafter (1)					5,115
Total					\$ 2,229,950

(1) Represents cumulative maturities for years subsequent to March 31, 2015.

We continue to assess our capital structure, and evaluate the merits of redeploying available cash to reduce existing debt or repurchase shares.

During December 2010, we paid \$308.5 million to redeem the aggregate principal balance and redemption premium of our 6.25% Senior Subordinated Notes plus accrued interest. The redemption of these notes was financed primarily by borrowings under our \$2.0 billion credit facility.

During September 2010, we entered into two new three-year term loan agreements with certain financial institutions based in Asia and borrowed \$180.0 million in the aggregate. Borrowings under the term loans bear interest at LIBOR plus margins ranging between 2.15% and 2.30% and we paid a non-refundable fee of \$1.4 million at the inception of one of the loans.

During August 2010, we paid \$240.0 million to redeem the entire principal amount of the 1% Convertible Subordinated Notes at par plus accrued interest. On the maturity date, our stock price was less than the conversion price, and therefore, no ordinary shares were issued in connection with the redemption. The redemption of the 1% Convertible Subordinated Notes was financed primarily by the Asia Term Loans discussed above and \$60.0 million in borrowings under our \$2.0 billion revolver credit facility.

On each of May 26, 2010 and August 12, 2010, our Board of Directors authorized the repurchase of up to \$200.0 million, for a combined total of \$400.0 million, of our outstanding ordinary shares. During the nine-month period ended December 31, 2010, we repurchased approximately 60.9 million shares at an aggregate purchase price of \$368.0 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. Cash balances are generated and held in many locations throughout the world. Local government regulations may restrict our ability to move cash balances to meet cash needs under certain circumstances. 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 existing credit facilities, will be sufficient to fund our operations through at least the next twelve months.

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Future liquidity needs will depend on fluctuations in levels of our working capital requirements, the maturity profile of our existing debt, the timing of capital expenditures for new equipment and facilities, the extent to which we utilize operating leases for new facilities and equipment and levels of shipments and changes in volumes of customer orders. Historically, we have funded our operations from existing cash and cash equivalents, cash 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 and sell certain trade receivables to certain third-party banking institutions with limited recourse under our accounts receivable factoring program. Our asset-backed securitization programs include certain limits on customer default rates. It is possible that we will experience default rates in excess of those limits, which, if not waived by the counterparty, could impair our ability to sell receivables under these arrangements in the future.

We may enter into debt and equity financings, sales of accounts receivable and lease transactions to fund acquisitions, future growth and the refinancing of existing indebtedness. 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 our flexibility as a result of debt service requirements and restrictive covenants, potentially affect our credit ratings, and may limit our ability to access additional capital or execute our business strategy. Any downgrades in credit ratings could adversely affect our ability to borrow by resulting in more restrictive borrowing terms.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Information regarding our long-term debt payments, operating lease payments, capital lease payments and other commitments is provided in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations of our Annual Report on our Form 10-K for the fiscal year ended March 31, 2010. Aside from the foregoing, there have been no material changes in our contractual obligations since March 31, 2010.

OFF-BALANCE SHEET ARRANGEMENTS

At March 31, 2010, under our Global Asset-Backed Securitization program, we sold a designated pool of receivables to a third-party qualified special purpose entity, which in turn sold an undivided interest to an investment conduit administered by an unaffiliated financial institution. We participated in this securitization arrangement as an investor in the conduit. The fair value of our investment participation, together with our recourse obligation that approximated 5% of the total receivables sold, was approximately \$135.4 million.

Effective September 29, 2010, the securitization agreement was amended to provide for the sale by the special purpose entity of 100% of the eligible receivables to an unaffiliated financial institution. We continuously sell a designated pool of trade receivables to the unaffiliated financial institution under this program, and in addition to cash, we receive a deferred purchase price receivable for the receivables sold. The deferred purchase price receivable we retain serves as additional credit support to the financial institution and is recorded at its estimated fair value. The fair value of our deferred purchase price receivable was approximately \$698.6 million as of December 31, 2010.

As a result of new accounting guidance effective April 1, 2010 and an amendment to our North American Asset-Backed Securitization program, 100% of the accounts receivable sold under this program are removed from our balance sheet. We continuously sell a designated pool of trade receivables to investment conduits administered by an unaffiliated financial institution under this program, and in addition to cash, we receive a deferred purchase price receivable for the receivables sold. The deferred purchase price receivable we retain serves as additional credit support to the investment conduits and is recorded at its estimated fair value. The fair value of our deferred purchase price receivable was approximately \$122.8 million as of December 31, 2010.

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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 nine-month period ended December 31, 2010 as compared to the fiscal year ended March 31, 2010.

ITEM 4. *CONTROLS AND PROCEDURES*

(a) Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of December 31, 2010, the end of the quarterly fiscal period covered by this quarterly report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2010, such disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended, is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control Over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during our third quarter of fiscal year 2011 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Table of Contents**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 for the year ended March 31, 2010, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be not material also may materially adversely affect our business, financial condition and/or operating results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**Issuer Purchases of Equity Securities**

The following table provides information regarding purchases of our ordinary shares made by us for the period from October 2, 2010 through December 31, 2010.

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)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
October 2 – November 1, 2010		\$		\$ 100,056,782
November 2 – December 1, 2010	9,831,766	6.92	9,831,766	32,030,597
December 2 – December 31, 2010				32,030,597
Total	9,831,766	6.92	9,831,766	

(1) During the period from October 2, 2010 through December 31, 2010 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 each of May 26, 2010 and August 12, 2010, our Board of Directors authorized the repurchase of up to \$200.0 million, for a combined total of \$400.0 million, of our outstanding ordinary shares.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. (REMOVED AND RESERVED)**ITEM 5. OTHER INFORMATION**

None.

ITEM 6. EXHIBITS

Exhibits See Index to Exhibits below.

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SIGNATURES

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

**FLEXTRONICS INTERNATIONAL
LTD.**

(Registrant)

/s/ Michael M. McNamara

Michael M. McNamara

Chief Executive Officer

(Principal Executive Officer)

Date: February 2, 2011

/s/ Paul Read

Paul Read

Chief Financial Officer

(Principal Financial Officer)

Date: February 2, 2011

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EXHIBIT INDEX

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

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