

Management Report

Flextronics International Kft

on the Fiscal Year ending at March 31st 2023

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This report contains forward-looking statements, including: statements related to future expected revenues and earnings per share. These forward-looking statements involve risks and uncertainties that could cause the actual results to differ materially from those anticipated by these forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements. These risks include: that we may not achieve our expected future operating results, including margins; the effects that the current and future macroeconomic environment, including inflation, slower growth or recession, higher interest rates, and currency exchange rate fluctuations, could have on our business and demand for our products; the impact of component shortages, fluctuations in the pricing or availability of raw materials, labor and energy, and logistical constraints, including their impact on our revenues and margins; uncertainties and risks relating to our ability to achieve some or all of the intended or anticipated benefits of Nextrackr being a separate, publicly-traded company, which could negatively impact our business, financial condition and results of operations; risks associated with acquisitions and divestitures, including the possibility that we may not fully realize their projected benefits; geopolitical risk, including the termination and renegotiation of international trade agreements and trade policies, including the impact of tariffs and related regulatory actions; the war in Ukraine and escalating geopolitical tensions as a result of Russia's invasion of Ukraine, including the imposition of economic sanctions on Russia which could lead to disruption, instability, and volatility in global markets and negatively impact our operations and financial performance; the effects that current and future credit and market conditions could have on the liquidity and financial condition of our customers and suppliers, including any impact on their ability to meet their contractual obligations to us and our ability to pass through costs to our customers; the challenges of effectively managing our operations, including our ability to control costs and manage changes in our operations; hiring and retaining key personnel; litigation and regulatory investigations and proceedings; our compliance with legal and regulatory requirements; changes in laws, regulations, or policies that may impact our business, including those related to climate change; the possibility that benefits of the Company's restructuring actions may not materialize as expected; that the expected revenue and margins from recently launched programs may not be realized; our dependence on industries that continually

produce technologically advanced products with short product life cycles; the short-term nature of our customers' commitments and rapid changes in demand may cause supply chain issues, excess and obsolete inventory, and other issues which adversely affect our operating results; our dependence on a small number of customers; our industry is extremely competitive; we may be exposed to financially troubled customers or suppliers; the success of certain of our activities depends on our ability to protect our intellectual property rights and we may be exposed to claims of infringement or breach of license agreements; a breach of our IT or physical security systems, or violation of data privacy laws, may cause us to incur significant legal and financial exposure and disrupt our operations; physical and operational risks from natural disasters, severe weather events, or climate change; our ability to meet environmental, social and governance expectations or standards or achieve sustainability goals; we may be exposed to product liability and product warranty liability; that recently proposed changes or future changes in tax laws in certain jurisdictions where we operate could materially impact our tax expense; and the impact and effects on our business, results of operations and financial condition of the COVID-19 pandemic or another public health issue or catastrophic event.

1. Introduction to our company

Our company, Flextronics International Manufacturing and Services Limited Liability Company, has the following locations:

Our company, Flextronics International Termelő és Szolgáltató Vámzabaderületi Korlátolt Felelősségű Társaság (hereinafter referred to as the "Company"), having its registered office at 28, Munkás u., 8660 Tab, and its premises at the following address:

8660 Tab, Munkás u. 28:

8900 Zalaegerszeg, Zrínyi Miklós u. 38.

8900 Zalaegerszeg, Posta u. 63.

9600 Sárvár, Ikervári u. 42.

9600 Sárvár, Ikervári u. 25.

4400 Nyíregyháza, Debreceni út 342.

1183 Budapest, Hangár u. 5-37.

2360 Gyál, Bem József u. 32.

1117 Budapest, Irinyi József u. 4-20.

9600 Sárvár, Ungvár u. 22

4400 Nyíregyháza, Debreceni út 370.

9600 Sárvár, HRSZ 1359-1360/1-1390

2360 Gyál, Gorcsev Iván utca 7.

2225 Üllő, K-Sped körút 28.

The Company is engaged in the following activities:

2640 Manufacture of electronic consumer goods (primary activity)

2229 Manufacture of other plastic products

2751 Manufacture of domestic electrical equipment

2790 Manufacture of other electrical equipment

6820 Renting and operating of own or leased real estate

9511 Manufacture of computer peripheral equipment

9512 Repair of communication equipment

The Company is mainly engaged in the manufacture of electronic consumer goods, household electrical appliances and other electrical equipment at its sites in Zalaegerszeg and Tab. At its site in Sárvár, it is active in the manufacture of plastic products by injection molding and the manufacture of electronic consumer goods. It operates a central administrative and financial services unit in Sarvar and repair, manufacturing and logistics services in Budapest

The buildings located at the Company's Nyíregyháza site have been leased to the business partner purchasing the production equipment. The term of the lease, which was renewed again in the financial year, allows the lessee to use the building until 31 December 2025. The other site, also in Nyíregyháza, performs logistical functions.

The Company has been the general and full legal successor of Flextronics Budapest Kft. since 01 April 2011. During the merger, the portfolio of the merging company's sites was expanded with manufacturing and repair activities. These activities are currently carried out at the Company's sites in Budapest, Üllő and Gyál.

The owners of the Company are Flextronics International GmbH (Austria, 1300 Vienna Airport, Office Park I, Top B07/02) with 99.986% ownership and Flextronics Sárvár Logistics Kft. (9600 Sárvár, Ikervári u. 25.) with 0.014% ownership. The ownership percentages have been modified by the merger with Flextronics Budapest Kft. Flextronics International GmbH was the majority owner of the total share capital of the merged company. There was no reduction in share capital by the owner in the course of the merger.

In 2013, the Company acquired 100% of the shares in RIWISA AG, Kunststoffwerke Hagglingen, Sonnhalde, 5607 Hagglingen, Switzerland. The current name of the partnership is Flex Precision Plastic Solution AG. No impairment was recognized in the year under review.

Strategy

Flex helps its customers to responsibly design and build products that create value and improve people's lives. We achieve this by providing our customers with product development lifecycle services, from

innovation, design and engineering, to manufacturing, supply chain solutions, component services, logistics, fulfillment and circular economy offerings. Our strategy is to continue investing in areas where we can differentiate and add value, be it in engineering and design services, product technologies or developing differentiated processes and business methods.

We are strengthening our capabilities in software, robotics, artificial intelligence, factory automation, simulation, digital twins, and other disruptive technologies.

We select ethical partners and integrate the supply chain so that our customers can operate efficiently and responsibly. We are committed to investing in our employees and communities, which includes addressing critical environmental issues.

People. To maintain competitiveness and world-class capabilities, we focus on hiring and retaining the world's best talent. We have focused on attracting the best engineering, functional and operational leaders and have accelerated efforts to develop the Company's future leaders.

Customer focus. We believe that building strong partnerships with our customers and delivering on our commitments strengthens trust and customer retention. For Flex, customers come first, and we have a relentless focus on delivering distinctive products and services in a cost-effective manner with fast time to market. We are highly collaborative and leverage our global systems and processes to operate with speed and responsiveness to provide customers a reliable and resilient supply chain and responsible manufacturing technology solutions and services.

Markets. We focus on companies that are leaders in their industries and value our superior capabilities in design, manufacturing and supply chain services. Flex focuses on high-growth industries and markets where we have distinctive competence and a compelling value proposition. Examples include investments in specific technologies and industries such as healthcare, automotive, industrial and renewable energy. Our market-focused approach to managing our business increases customers' competitiveness by leveraging our deep vertical and cross-industry expertise, as well as our global scale, regional presence and agility to respond to changes in market dynamics.

Operations. We will continue to invest to maintain a leadership position in our world-class manufacturing and services capabilities, including automation, simulation tools, digitizing our factories and implementing leading-edge Industry 4.0 technologies. We leverage our broad set of capabilities to provide a competitive advantage by minimizing logistics costs, manufacturing costs and cycle times, while increasing flexibility and responsiveness.

2. Business environment and outlook

To describe our business environment, we use a parent company structure and have three segments were as follows:

FLEX RELIABILITY SOLUTIONS

Automotive: next generation mobility, autonomous, connectivity, electrification, and smart technology

Health Solutions: medical devices, medical equipment, and drug delivery

Industrial: capital equipment, industrial devices, and renewables and grid edge

FLEX AGILITY SOLUTIONS

Communications, Enterprise and Cloud (CEC): data, edge and communications infrastructure

Lifestyle: appliances, consumer packaging, floor care, micro mobility and audio.

Consumer Devices: mobile and high velocity consumer devices.

NEXTRACKER: Intelligent, integrated solar tracker and software solutions that are used in utility-scale and ground-mounted distributed generation solar projects

2.1 Our portfolio in the Hungarian operation includes:

Automotive

Our order book from our automotive partners has been growing with product ramp-ups in self-driving related technologies, high voltage DC-DC converters and connectivity product lines.

Lifestyle

After last year's successfully executed program launch from our premium partner we reached the contracted capacity enjoying the benefits of the learning curve and economies of scale.

Industrial

We continued expanding manufacturing capacity for renewable energy-related technologies, driven by growth in demand for existing products and a ramp-up in the production of new energy storage-related technologies.

Consumer Devices

The product line no longer represents a significant share of our portfolio.

The breakdown of export revenues by geographical region is as follows (€M):

	2022	2023
EU	731.6	1,006.4
Asia	716.5	414.0
Europe, Non EU	297.7	287.4
North America	84.6	123.7
Australia	3.0	5.0
South America	0.3	0.4
Africa	0.2	0.5
Total	1,833.9	1,837.5

2.2 General business environment, resources

Foreign exchange market

Our company's revenues are largely denominated in USD and EUR, therefore the weakening of the Forint has had a positive impact on profitability, partially offsetting rising labour costs.

Our FX hedging policy is structured to reduce earning volatility stemming from currency volatility.

Russian - Ukrainian conflict

The conflict is affecting our business in several areas as follows:

Energy prices

The impact of the conflict on energy prices is a significant cost factor. We are regularly monitoring the market and in consultation with our partners and we aimed to pass this additional cost-in our product prices while the situation stabilized later in the fiscal year.

Supply chain

The share of Ukrainian suppliers in our supply chain is not significant and they are mostly substitutable. Our Lifestyle business is exposed to uncertainty through our sister company in Mukachevo. The plant has so far consistently maintained its production capacity and fulfilled orders. Contingency plans are in place, but have not had to be implemented until this date, as deliveries have been stable and sufficient to meet customer demand.

2.3 Resources

2.3.1 Human resources

Evolution of the number of staff directly employed by the Company:

	<u>2022</u>	<u>2023</u>
Direct	3,278	3,468
Indirect	2,975	3,162
Total	<u>6,253</u>	<u>6,630</u>

Production staff (direct)

In order to fulfil our order backlog, we had to recruit production staff. Despite the challenges, we managed to have the necessary staff available to fulfil orders. We continue to invest in various automation projects, for example the fully robotised and automated warehouse, which was delivered in July.

Support staff, management (indirect)

With the evolution of the product portfolio, an increase in the number of technically qualified staff was necessary to achieve higher added value.

2.3.2 Semiconductors

Availability of semiconductors improved over the fiscal year. We continue working with our customers who in many cases take sourcing decisions for component suppliers and thus have more influence over the allocation of their capacities. Semiconductor capacity is expected to improve further in the near term.

3. Financial year results, performance indicators

Key performance indicators for our company:

	31 March 2022	31 March 2023
Net sales revenue (€m)	1,862.4	1,871.5
Profit after tax (€m)	37.9	24.5
Operating result (%)	1.37	1.31
<i>Operating ac. Result of operations / net sales</i>		
Working capital (€m)	46.0	75.5
<i>AR + Inventory – AP</i>		
Liquidity ratio	1.19	1.16
<i>(Current assets + Other Current Assets) / (Current liabilities + Other Current Liabilities)</i>		

Revenue increased slightly driven by our industrial programs in Zalaegerszeg and Tab factories and the automotive program ramps in Zalaegerszeg. The revenue associated with the ramp down of the consumer digital program in fiscal year 2022 was eliminated almost completely in the current year. The high value components typical of our growth programs generate significant revenue with relatively low margins.

We maintained comparable operating income as in the prior year despite the severe inflationary environment.

Net earnings are below prior year mainly due to the positive impact of the FX exposure management we recognized in the prior fiscal year.

Our working capital increased by €29.5M, due to continued expansion of the Industrial and Automotive businesses and its commercial terms. We maintained similar inventory levels as in the previous year.

Liquidity ratio decreased from 1.19 to 1.16 due to our activity with our partners around securing material to support customers, stabilize market penetration and share the financing of this material with them.

Our orderbook and automation resulted in an increase in the fixed assets of approximately €25M with a total of €50M of new investments in the current financial year.

	Intangible s	Property, Plant	Manufacturin g Equipment	Other Equipment	In progress	Total
Gross Value						
Opening Balance 03.31.2022	2.7	53.4	179.2	34.5	20.3	290.1
Activated	0.1	8.2	31.6	3.1	-43.0	0.0
Increase	0.0	0.0	0.0	0.0	49.6	49.6
Sale and other disposals	0.0	-0.6	-4.6	-1.2	-0.1	-6.6
Reclassification	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	-0.3	-0.3
Closing Balance 03.31.2023	2.8	60.9	206.1	36.5	26.6	332.9
Accumulated depreciation						
Opening Balance	2.5	24.5	117.1	30.0	0.0	174.1
Sale and other disposals	0.0	-0.5	-4.6	-1.2	0.0	-6.3
Depreciation of the year	0.2	2.4	18.4	2.2	0.0	23.1
Reclassification	0.0	0.0	0.0	0.0	0.0	0.0
Closing Balance 03.31.2023	2.6	26.4	130.9	31.0	0.0	190.9
Net Book Value 03.31.2023	0.2	34.5	75.3	5.5	26.6	142.0