

Management Report

Flextronics International Kft

on the Fiscal Year ended March 31st 2024

1. About our company
2. Developments in the business environment risk and uncertainties
3. Results for the year, outlook, performance indicators

This report contains forward-looking statements, including: statements related to our future financial results and our guidance for future financial performance. These forward-looking statements are based on current expectations, forecasts and assumptions involving risks and uncertainties that could cause actual outcomes and 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; the effects that the current and future macroeconomic environment, including inflation, slower growth or recession, and currency exchange rate fluctuations, could have on our business and demand for our products; supply chain disruptions, manufacturing interruptions or delays, or the failure to accurately forecast customer demand; the impact of fluctuations in the pricing or availability of raw materials and components, labor and energy, and logistical constraints; geopolitical risks, including impacts from the termination and renegotiation of international trade agreements and trade policies, the ongoing conflicts between Russia and Ukraine and between Israel and Hamas, disruptions caused by the attacks on shipping vessels in the Red Sea, or an escalation of sanctions, tariffs or other trade tensions between the U.S. and China or other countries, any of 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 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 a public health issue, including a pandemic, or catastrophic event.

1. Introduction to our company

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

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 manufacturing of electronics including power electronics for vehicles, household appliances and other electrical equipment at its sites in Zalaegerszeg and Tab. At its site in Sárvár, it is active in the manufacturing of plastic products by injection molding and the manufacturing of electronic consumer goods. Our factory in Budapest conducts repair, manufacturing, and logistics services for a variety of our customers. It operates a central administrative and financial services unit in Sarvar.

During the fiscal year ended March 31, 2024 we discontinued the lease and sublease one of our buildings in Nyiregyhaza while the remaining building continues performing 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 to include 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 4, Top A. 54/55) 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.

Strategy

We help our customers responsibly design, build, deliver and manage products that create value and improve people's lives. We achieve this by providing our customers with full product lifecycle services, from design, engineering, supply chain, component services and manufacturing to forward logistics, value-added fulfillment, reverse logistics circular economy offerings.

Our strategy is to invest in areas where we can diversify and add value, be it in engineering and design services, product technologies or the development of differentiated processes and business methods.

We are strengthening our capabilities in factory automation, robotics, artificial intelligence, simulation, 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 recruiting and retaining the world's best talent. We have focused on attracting the best engineering, functional and operational leaders and are focused on developing 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. We 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 reliable and responsible solutions throughout the product lifecycle.

Markets. We focus on companies that are leaders in their industries and value our superior capabilities in design and engineering, supply chain, manufacturing, post-production and post-sale services. We focus on high-growth industries and markets where we have distinctive competence and a compelling value proposition. Examples include investments in specialist technologies and industries such as automotive, cloud, healthcare, industrial and energy. Our market-focused approach to managing our business increases our 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 continue to invest in maintaining our leadership position in our world-class manufacturing services and capabilities including automation, simulation tools, digitizing our factories, and implementing leading edge Industry advanced methodologies. We leverage a broad set of capabilities globally 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:

FLEX RELIABILITY SOLUTIONS

- Automotive: next-generation mobility, autonomous, connectivity, electrification, and smart technologies
- Health Solutions: medical devices, medical equipment, and drug delivery
- Industrial: capital equipment, industrial devices, embedded and critical power offerings, and renewables and grid edge

FLEX AGILITY SOLUTIONS

- Communications, Enterprise and Cloud (CEC): data infrastructure, edge infrastructure and communications infrastructure
- Lifestyle: appliances, consumer packaging, floorcare, micro mobility and audio.

Consumer Devices:

mobile and high velocity consumer devices.

2.1 Our portfolio in the Hungarian operation includes:

Automotive

Our order book from our automotive partners including OEMs and TIER 1s has been growing with product ramp-ups in electrical drive-related technologies such as high voltage DC-DC converters and connectivity product lines.

Lifestyle

We faced no major change in the capacity and output to our premium partner. After reaching the contracted capacity our focus was to improve profitability by efficiency improvements.

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.

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

	2023	2024
EU	1,006.4	1,084.4
Asia	414.0	519.4
Europe, Non EU	287.4	154.0
North America	123.7	75.4
Australia	5.0	3.1
South America	0.4	28.1
Africa	0.5	0.7
Total	<u>1,837.5</u>	<u>1,865,2</u>

2.2 General business environment, resources

Foreign exchange market

Revenues and material purchases are largely denominated in USD and EUR limiting our exposure to local spend denominated in HUF, hence the stronger Forint versus prior year had limited impact on our profitability.

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

Russian - Ukrainian conflict

The conflict is only marginally affecting our business as follows:

Energy prices

The volatility of the energy prices slightly shaped our costs in this financial year. The effect was less significant compared to the last financial year.

Supply chain

The share of Ukrainian suppliers in our supply chain is not significant and are mostly substitutable. OurLifestyle 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

	2023	2024
Direct	3,468	3,253
Indirect	3,162	3,138
Total	6,630	6,391

Production staff (direct)

In order to fulfil our customer orders, we had to recruit production staff. Despite the challenges, we managed to have the necessary staff available to fulfil the orders. We continue to invest in various automation projects, for example after successful deployment of a fully robotized and automated warehouse in the Zalaegerszeg factory we rolled out and ramped up the second solution on our facility in Tab.

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 semi-conductors was stable 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.

3. Financial year results, performance indicators

Key performance indicators for our Company:

	31 March 2023	31 March 2024
Net sales revenue (€m)	1,871,5	1,917,2
Profit after tax (€m)	24,5	11,7
Operating result (%)	1.33	3.35
<i>Operating ac. Result of operations / net sales</i>		
Working capital (€m)	75,5	149,4
<i>AR + Inventory – AP</i>		
Liquidity ratio	1.16	1.30
<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 high value components typical of our growth programs generate significant revenue with relatively low margins.

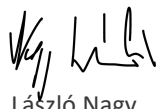
We increased our operating income 2,5-fold compared to prior year despite severe inflationary environment.

Net earnings have increased almost 3-fold compared to prior year mainly due to the positive impact of the FX exposure management

Our working capital increased almost 2-fold. We gained efficiency in our supply chain that allowed us to reduce inventory levels over the year.

Liquidity ratio increased from 1.16 to 1.30 associated to our activity with our partners around safeguarding material to support customers stable market penetration and share the financing of this material with them.

	Intangibles	Property, Plant	Manufacturing Equipment	Other Equipment	In progress	Total
Gross Value						
Opening Balance	2,8	60,9	206,1	36,5	26,6	332,9
Activated	0,1	8,9	29,3	2,1	-40,5	0,0
Increase	0,0	0,0	0,8	0,0	20,8	21,6
Sale and other disposals	-0,0	0,0	-9,0	-2,7	0,0	-11,7
Reclassification	0,0	0,0	-0,1	0,0	0,0	-0,1
Other	0,0	0,0	0,0	0,0	0,0	0,0
Closing Balance	2,9	69,8	227,2	35,9	6,8	342,6
Accumulated depreciation						
Opening Balance	2,6	26,4	130,9	31,0	0,0	190,9
Sale and other disposals	-0,0	0,0	-5,5	-2,5	0,0	-8,0
Depreciation of the year	0,2	3,1	20,9	2,2	0,0	26,4
Reclassification	0,0	0,0	-0,0	-0,0	0,0	-0,1
Closing Balance	2,8	29,5	146,2	30,7	0,0	209,3
Closing Net Book Value	0,1	40,3	81,0	5,2	6,8	133,4



László Nagy

Managing Director