

Management Report

Flextronics International Kft

on the Fiscal Year ended March 31st 2025

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 inflationary pressures, currency volatility, stagflation, slower economic growth or recession, and high or rising interest rates, could have on our business and demand for our products; geopolitical uncertainties and risks, including impacts from trade conflicts, the termination and renegotiation of international trade agreements and trade policies, a further escalation of sanctions, tariffs or other trade tensions between the U.S. and China or other countries, or the ongoing conflicts between Russia and Ukraine and in the Middle East, any of which could lead to disruption, instability, and volatility in global markets and negatively impact our operations and financial performance; supply chain disruptions, logistical constraints, manufacturing interruptions or delays, or the failure to accurately forecast customer demand; our dependence on industries that continually produce technologically advanced products with short product life cycles; the impact of fluctuations in the pricing or availability of raw materials and components, labor and energy; 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; that the expected revenue and margins from recently launched programs may not be realized; the challenges of effectively managing our operations, including our ability to control costs and manage changes in our operations; the possibility that benefits of restructuring actions may not materialize as expected; 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 adversely affect our operations; risks associated with acquisitions and divestitures, including the possibility that we may not fully realize their projected benefits; hiring and retaining key personnel; that recent changes or future changes in tax laws in certain jurisdictions where we operate could materially impact our tax expense; litigation and regulatory investigations and proceedings; the impact and effects on our business, results of operations and financial condition of union disputes or other labor disruptions as well as unforeseen or catastrophic events; 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 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, misuse or breach of license agreements; physical and operational risks from natural disasters, severe weather events, or climate change; we may be exposed to product liability and product warranty liability; we may be exposed to financially troubled customers or suppliers; our compliance with legal and regulatory requirements; changes in laws, regulations, or policies that may impact our business, including those related to trade policy and tariffs and climate change; our ability to meet sustainability, including environmental, social and governance, expectations or standards or achieve sustainability goals.

1. Introduction to our company

Our company, Flextronics International Termelő és Szolgáltató Vámzabadterületi 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. Our building in Nyiregyhaza 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 Gyal.

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 Flex Precision Plastics Solution AG, Sonnhalde, 5607 Hagglingen, Switzerland. The current name of the partnership is Flex Precision Plastic Solution AG. Because of a reduced growth outlook compared to prior assessment, we were required to impair our investment by 12M CHF.

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 consistently advancing our expertise in factory automation, robotics, artificial intelligence, vertical integration, simulation, and digital twins, among 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.

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 consumer-related markets. 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 and People. 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, responsiveness and supply chain resiliency. Simultaneously we are committed to driving a purposeful workforce evolution that reskills and upskills employees to co-work with advanced technologies such as AI and robotics, resulting in data-driven decision making, improved work environments, and enhanced productivity.

2. Business environment and outlook

To describe our business environment, we use a parent company structure which includes two operating and reportable segments:

FLEX RELIABILITY SOLUTIONS

Industrial: including industrial devices, capital equipment, renewables, critical power, and embedded power.

Automotive: including compute platforms, power electronics, motion, and interface.

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

FLEX AGILITY SOLUTIONS

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

Lifestyle: including appliances, floorcare, smart living, HVAC, and power tools.

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 faced the termination of the manufacturing agreement with our partner operating within the industrial business unit contributing to the revenue erosion versus prior year.

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

	2024	2025
EU	1,084.4	1,162.0
Asia	519.4	100.4
Europe, Non EU	154.0	172.2
North America	75.4	97.8
Australia	3.1	1.1
South America	28.1	44.2
Africa	0.7	0.9
Total	1,865.2	1,578.5

2.2 General business environment, resources

Foreign exchange market

The forint has been slightly weaker against the euro over the past fiscal year, driven by domestic economic policy and the international environment. As revenues and material purchases are largely denominated in USD and EUR limiting our exposure to local spend denominated in HUF, this had limited impact on our profitability.

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

Russian - Ukrainian conflict

The company's exposure to the conflict in Ukraine is limited and well managed. We do not rely on any critical or non-substitutable materials or services sourced from Ukraine. Our intercompany partner in Mukachevo, which supplies electronics to one of our customers, has maintained uninterrupted operations throughout the past years despite the ongoing conflict. In addition, contingency plans are in place to ensure business continuity.

Energy prices

The volatility of energy prices slightly shaped our costs in this financial year. The effect was not material similar to the last financial year.

Supply chain

The share of Ukrainian suppliers in our supply chain is not significant and 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 staff directly employed by the Company

	2024	2025
Direct	3,253	2,831
Indirect	3,138	2,927
Total	6,391	5,758

Production Staff (Direct)

To fulfill our customer orders, we required fewer resources compared to the prior year. Regular attrition allowed us to adjust staffing levels accordingly. We continued the rollout of our successful automated warehouse solution at the Tab factory, helping to address labor needs within the Intra-Logistics team.

Support Staff and Management (Indirect)

Similar to the direct workforce, the termination of a contract led us to refrain from replacing administrative staff lost through regular attrition. Approximately two-thirds of the year-over-year change is attributed to this single event. The remaining one-third reflects ongoing efforts in robotic process automation and continuous improvements across all factories.

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 2024	31 March 2025
Net sales revenue (€m)	1,917.2	1,605.8
Profit after tax (€m)	11.7	8.1
Operating result (%)	0.62	0.94
<i>Operating ac. Result of operations / net sales</i>		
Working capital (€m)	149.4	153.7
<i>AR + Inventory – AP</i>		
Liquidity ratio	1.21	1.27
<i>(Current assets + Other Current Assets) / (Current liabilities + Other Current Liabilities)</i>		

Revenue declined due to the termination of the mentioned program. This is partially compensated by the automotive program ramps in Zalaegerszeg.

Our operating income increased compared to prior year despite severe inflationary environment.

Net earnings have decreased compared to prior year mainly due to the impairment of our investment in Flex Precision Plastic Solution AG.

Our working capital increased slightly. This is driven by the inventory level built in relation to the ramps of our automotive awards. Receivables and payables decreased similarly in line with the above-mentioned industrial program.

Liquidity ratio increased from 1.21 to 1.27 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.

Changes in Fixed Assets

	Intangibles	Property, Plant	Manufacturing Equipment	Other Equipment	In progress	Advances	Total
Gross Value							
Opening Balance	2.9	69.8	227.2	35.9	6.8	0.0	342.6
Activated	0.1	5.2	9.5	1.9	(16.8)	0.0	0.0
Increase	0.0	0.0	2.0	0.0	40.8	15.6	58.4
Sale and other movements	0.0	(0.2)	(13.3)	(1.5)	(0.0)	(12.0)	(27.0)
Reclassification	0.0	(1.8)	0.0	1.8	0.0	0.0	0.0
Other	0.0	0.0	(1.1)	(0.1)	0.0	0.0	(1.1)
Closing Balance	3.0	73.0	224.4	38.1	30.8	3.6	372.9
Accumulated depreciation							
Opening Balance	2.8	29.5	146.2	30.7	0.0	0.0	209.3
Sale and other movements	0.0	(0.1)	(10.9)	(1.4)	0.0	0.0	(12.4)
Depreciation of the year	0.1	3.8	22.2	2.2	0.0	0.0	28.3
Reclassification	0.0	(0.5)	0.7	0.5	0.0	0.0	0.7
Other	0.0	0.0	(0.6)	(0.0)	0.0	0.0	(0.6)
Closing Balance	2.9	32.7	157.6	32.0	0.0	0.0	225.3
Closing Net Book Value	0.1	40.3	66.8	6.1	30.8	3.6	147.6


 László Nagy
 Managing director