FLEXTRONICS INTERNATIONAL LTD
Form S-4
August 05, 2003

Table of Contents

As filed with the Securities and Exchange Commission on August 5, 2003

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-4

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Flextronics International Ltd.

(Exact Name of Registrant as Specified in its Charter)

Singapore	3672	NOT APPLICABLE
(State or Other Jurisdiction of Incorporation or Organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

36 Robinson Road, #18-01
City House
Singapore 068877
(65) 6299-8888
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

Michael E. Marks
Chief Executive Officer
36 Robinson Road, #18-01
City House
Singapore 068877
(65) 6299-8888
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copies to:
David K. Michaels, Esq.
Cynthia E. Garabedian, Esq.
Fenwick & West LLP
801 California Street
Mountain View, California 94041
(650) 938-5200

Approximate date of commencement of proposed sale to the public: As promptly as practicable after this Registration Statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price per Unit(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
6 1/2% Senior Subordinated Notes due 2013	$400,000,000	100%	$400,000,000	$32,360

(1) Calculated pursuant to Rule 457(f) under the Securities Act of 1933, as amended.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION: DATED AUGUST 5, 2003

PROSPECTUS

Flextronics International Ltd.

36 Robinson Road, #18-01
City House, Singapore 06887

Exchange Offer For All Outstanding

$400,000,000 6 1/2% Senior Subordinated Notes Due 2013

Terms of Exchange Offer

Exchange Offer

We will exchange new senior subordinated notes that are registered under the Securities Act for the old senior subordinated notes that were sold on May 8, 2003. All outstanding old notes that are validly tendered and not validly withdrawn will be exchanged.

We will receive no proceeds from the exchange offer.

Exchange Offer Expiration

, 2003 at 5:00 p.m. New York City time.

Old Notes

On May 8, 2003, we issued and sold $400,000,000 of 6 1/2% Senior Subordinated Notes due 2013.

If you tender your old notes in the exchange offer, interest will cease to accrue after the date that the exchange offer is completed. If you do not tender in the exchange offer, your old notes will continue to be subject to the same terms and restrictions that applied before the exchange offer, except that we will not be required to register your old notes under the Securities Act.

New Notes

The new notes will be identical to the old notes except that the new notes will be registered under the Securities Act.

Maturity: May 15, 2013.

Change of Control: you can require us to purchase your notes at 101% of the principal amount, plus accrued and unpaid interest.

Interest: Paid every six months on May 15 and November 15, starting November 15, 2003.

Redemption by Flextronics: Anytime on or after May 15, 2008, except that redemptions for a portion of the notes may be made at any time prior to May 15, 2006, with the cash proceeds of certain public equity offerings.

Ranking: The new notes will be unsecured obligations and will rank in right of payment:

junior to all of our existing and future senior and secured debt;

effectively junior to all indebtedness and other liabilities of our subsidiaries;

equal to all of our existing and any future senior subordinated debt, including our existing senior subordinated debt; and

senior to all other subordinated indebtedness.

Investing in the notes to be issued in the exchange offer involves risks. See Risk Factors beginning on page 7.

This prospectus and the accompanying letter of transmittal are first being mailed to holders of outstanding notes on or about , 2003.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the notes or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2003.

TABLE OF CONTENTS

Table of Contents

TABLE OF CONTENTS

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any document we file at the Securities and Exchange Commission s public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the public reference rooms. Our Securities and Exchange Commission filings are also available on our web site at www.flextronics.com and at the web site of the Securities and Exchange Commission at www.sec.gov.

We incorporate by reference in this prospectus information from other documents that we file with the Securities and Exchange Commission, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and information that we file later with the Securities and Exchange Commission will automatically update and supersede this information. We incorporate by reference the documents listed below, and any future filings we made with the Securities and Exchange Commission under Sections 13(a), 14 or 15(d) of the Securities Exchange Act of 1934 prior to the sale of all the ordinary shares registered on this registration statement:

our annual report on Form 10-K for the fiscal year ended March 31, 2003; and

the description of our ordinary shares contained in our registration statement on Form 8-A filed on January 31, 1994.

You may request a copy of these filings, at no cost, by writing or telephoning us at:

Flextronics International Ltd.

2090 Fortune Drive
San Jose, California 95131
Attention: Laurette Slawson Hartigan
Vice President, Treasurer
Telephone: (408) 576-7000

In order to assure timely delivery of the requested materials before the expiration of the exchange offer, any request should be made prior to , 2003.

Table of Contents

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the documents incorporated by reference in the prospectus, contains forward-looking statements. The words will, may, could, designed to, outlook, believes, should, anticipates, plans, expects, intends, estimates and similar expressions i forward-looking statements. These forward-looking statements are contained principally under the heading Prospectus Summary and Risk Factors. Because these forward-looking statements are also subject to risks and uncertainties, actual results may differ materially from the expectations expressed in the forward-looking statements. Important factors that could cause actual results to differ materially from the expectations reflected in the forward-looking statements are those described in Risk Factors.

In addition, these forward-looking statements are subject to the other risks and uncertainties discussed under Management s Discussion and Analysis of Financial Condition and Results of Operations Certain Factors Affecting Operating Results in our most recent reports on Form 10-K and Form 10-Q filed with the Securities and Exchange Commission. We undertake no obligation to update or revise these forward-looking statements to reflect subsequent events or circumstances.

Table of Contents

PROSPECTUS SUMMARY

You should read the following summary together with the more detailed information appearing elsewhere in this prospectus, including the documents incorporated by reference in the prospectus. In this prospectus, unless otherwise specifically indicated, references to Flextronics, we, us, and similar terms refer to Flextronics International Ltd. and its subsidiaries.

Flextronics International Ltd.

We are a leading provider of advanced electronics manufacturing services, or EMS, to original equipment manufacturers, or OEMs, primarily in the handheld electronics devices, information technologies infrastructure, communications infrastructure, computer and office automation, and consumer devices industries. We provide design, engineering, manufacturing, logistics, and after-market services in 28 countries across five continents. Our strategy is to provide customers with end-to-end services where we take responsibility for engineering, supply chain management, new product introduction and implementation, manufacturing, and logistics management, with the goal of delivering a complete packaged product. Once a complete packaged product is delivered, we also provide after-market services such as repair and warranty services and network and communications installation and maintenance.

In addition to the assembly of printed circuit boards and complete systems and products, our manufacturing services include the fabrication and assembly of plastic and metal enclosures, the fabrication of printed circuit boards and backplanes (which are printed circuit boards into which other printed circuit boards or cards may be inserted) and the fabrication and assembly of photonics components. Throughout the production process, we offer design and engineering services; logistics services, such as materials procurement, inventory management, vendor management, packaging and distribution; and automation of key elements of the supply chain through advanced information technologies. We have recently begun providing original design manufacturing, or ODM, services where we design, develop and manufacture products, such as cell phones and other consumer-related devices, that are sold by our OEM customers under their brand name. Finally, we offer after-market services such as repair and warranty services and network and communications installation and maintenance. By working closely with our customers and being highly responsive to their requirements throughout the design and supply chain process, we believe that we can be an integral part of their operations, accelerate their time-to-market and time-to-volume production, and reduce their production costs.

Through a combination of internal growth and acquisitions, we have become one of the world s largest EMS providers, with over 14.5 million manufacturing square feet in 28 countries across five continents as of March 31, 2003, which generated revenues of $13.4 billion in fiscal 2003. We believe that our size, global presence, broad service offerings and expertise and advanced engineering and design capabilities enable us to win large programs from leading multinational OEMs for the design, manufacture and distribution, and after-market service of electronic products.

Our customers include industry leaders such as Alcatel SA, Casio Computer Co., Ltd., Dell Computer Corporation, Ericsson Telecom AB, Hewlett-Packard Company, Microsoft Corporation, Motorola, Inc., Siemens AG, Sony-Ericsson, Telia Companies and Xerox Corporation.

We have established an extensive network of manufacturing facilities in the world s major electronics markets (the Americas, Asia and Europe) in order to serve the increased outsourcing needs of both multinational and regional OEMs. In fiscal 2003, production in the Americas, Asia and Europe, represented 22%, 36% and 42% of our net sales, respectively. We have established fully integrated, high volume industrial parks in low cost regions near our customers end markets. Our industrial parks are located in Brazil, China, Hungary, Mexico and Poland. These industrial parks provide total supply chain management by co-locating our manufacturing and logistics operations with our suppliers at a single location. This approach to production and logistics is designed to benefit our customers by reducing distribution barriers and costs, increasing flexibility, lowering transportation costs and reducing turnaround times. We also have a number of regional manufacturing operations located around the world. In addition, we have established global design and engineering centers and product introduction centers which provide engineering expertise in developing new products and preparing them for high volume manufacturing.

Table of Contents

The Exchange Offer

The Exchange Offer	We are offering to exchange $1,000 principal amount of new notes for each $1,000 principal amount of old notes. Old notes may only be exchanged in $1,000 principal amount increments. There is $400,000,000 aggregate principal amount of old notes outstanding.
The Old Notes	On May 8, 2003, we issued $400,000,000 aggregate principal amount of 6 1/2% Senior Subordinated Notes due 2013 to Citigroup, Credit Suisse First Boston, LLC, Goldman, Sachs & Co., Deutsche Bank Securities, Inc., Lehman Brothers, Inc., Banc of America Securities LLC, ABN AMRO Incorporated and Bear, Stearns & Co. Inc., referred to collectively in this prospectus as the initial purchasers. The initial purchasers sold the old notes to qualified institutional buyers in accordance with Rule 144A under the Securities Act of 1933 and to buyers outside the United States in accordance with Regulation S under the Securities Act.
The New Notes	$400,000,000 aggregate principal amount of 6 1/2% Senior Subordinated Notes due 2013. The terms of the new notes and the old notes are identical except that the transfer restrictions and registration rights relating to the old notes will not be applicable to the new notes. The old notes and the new notes are collectively referred to in this prospectus as the notes.
Conditions to the Exchange Offer	The exchange offer is not conditioned upon any minimum principal amount of old notes being tendered for exchange. However, the exchange offer is subject to customary conditions, which may be waived by us. See The Exchange Offer Conditions to the Exchange Offer.
Procedures for Tendering	If you want to tender your old notes in the exchange offer, you must complete and sign the letter of transmittal according to the instructions contained in this prospectus and the letter of transmittal. You must then mail, fax or hand deliver the letter of transmittal, together with any other required documents, to the exchange agent, either with the old notes to be tendered or in compliance with the procedures specified for guaranteed delivery of the old notes. You should allow sufficient time to ensure timely delivery. Some brokers, dealers, commercial banks, trust companies and other nominees may also effect tenders by book-entry transfer. Letters of transmittal and certificates representing the old notes should not be sent to us. These documents should be sent only to the exchange agent. Questions regarding how to tender old notes and requests for information should also be directed to the exchange agent. If you own old notes registered in the name of a broker, dealer, commercial bank, trust company or other nominee, you are urged to contact that person promptly if you wish to tender old notes in the exchange offer. If you hold old notes through The Depositary Trust Company and wish to accept the exchange offer, you must do so pursuant to the book-entry transfer facility s procedures for book-entry transfer, or

Table of Contents

	other applicable procedures, all in accordance with this prospectus and the applicable letter of transmittal.
	See The Exchange Offer Procedures for Tendering Old Notes.
Expiration Date; Withdrawal	The exchange offer will expire on (1) the earlier of 5:00 p.m. New York City time on , 2003 or the date when all old notes have been tendered, or (2) such later date and time to which we extend the exchange offer. However, it may not be extended beyond , 2003. We will accept for exchange any and all old notes that are validly tendered in the exchange offer prior to 5:00 p.m., New York City time, on the expiration date. The tender of old notes may be withdrawn at any time prior to the expiration date. Any old note not accepted for exchange for any reason will be returned without expense to the tendering holder as promptly as practicable after the expiration or termination of the exchange offer. The new notes issued in the exchange offer will be delivered promptly following the expiration date. See The Exchange Offer Terms of the Exchange Offer; Period for Tendering Old Notes and Withdrawals of Tenders.
Guaranteed Delivery Procedures	If you wish to tender your old notes and (1) your old notes are not immediately available or (2) you cannot deliver your old notes together with the applicable letter of transmittal to the applicable exchange agent prior to the expiration date, you may tender your old notes according to the guaranteed delivery procedures contained in the applicable letter of transmittal. See The Exchange Offer Procedures for Tendering Old Notes Guaranteed Delivery Procedure.
Tax Considerations	For U.S. federal income tax purposes, the exchange of old notes for new notes should not be considered a sale or exchange or otherwise a taxable event to the holders of notes. See Material Tax Considerations.
Use of Proceeds	We will receive no proceeds from the exchange offer.
Appraisal Rights	Holders of old notes will not have dissenters rights or appraisal rights in connection with the exchange offer.
Exchange Agent	J.P. Morgan, National Association, is serving as exchange agent in connection with the exchange offer for the notes.
Resales of New Notes	Based on an interpretation by the Securities and Exchange Commission set forth in no-action letters issued to third parties, we believe that you may resell or otherwise transfer the new notes issued in the exchange offer in exchange for old notes without restrictions under the federal securities laws. However, there are exceptions to this general statement. You may not freely transfer the new notes if:
	you are our affiliate;
	you did not acquire the new notes in the ordinary course of your business;

Table of Contents

	you have engaged in, intend to engage in or have an arrangement or understanding with any person to participate in the distribution of the new notes; or
	you are a broker-dealer who acquired the old notes directly from us.
	Any holder subject to any of the exceptions above and each participating broker-dealer that receives new notes for its own account in the exchange offer in exchange for old notes that were acquired as a result of market making, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with the resale of the new notes.
Consequences of Not Exchanging the Old Notes	If you do not tender your old notes or your old notes are not properly tendered, the existing transfer restrictions will continue to apply. The old notes are currently eligible for sale pursuant to Rule 144A through the Portal Market.
	Because we anticipate that most holders will elect to exchange old notes for new notes due to the absence of restrictions on the resale of new notes under the Securities Act in most cases, we believe that the liquidity of the market for any old notes remaining after the consummation of the exchange offer will be substantially limited. See Risk Factors There could be negative consequences to you if you do not exchange your old notes for new notes and The Exchange Offer Consequences of Failure to Exchange Old Notes.

Summary Description of New Notes

The terms of the new notes and the old notes are identical in all respects, except that the terms of the new notes do not include the transfer restrictions and registration rights relating to the old notes.

The new notes will bear interest from the most recent date to which interest has been paid on the old notes. Accordingly, registered holders of new notes on the relevant record date for the first interest payment date following the completion of the exchange offer will receive interest accruing from the most recent date on which interest has been paid. Old notes accepted for exchange will cease to accrue interest from and after the date that the exchange offer is completed. Holders of old notes whose old notes are accepted for exchange will not receive any payment in respect of interest on the old notes otherwise payable on any interest payment date that occurs on or after completion of the exchange offer.

For a more complete description of the terms of the notes, see Description of Notes.

Maturity	May 15, 2013.
Interest Payments	May 15 and November 15, commencing November 15, 2003.
Optional Redemption	At any time on or after May 15, 2008, we may redeem the notes in whole or in part, at the redemption prices set forth in the section entitled Description of Notes Redemption Optional Redemption, plus accrued and unpaid interest, if any, to the redemption date.
Optional Redemption After Equity Offerings	At any time and from time to time on or prior to May 15, 2006, we may redeem up to 35% of the aggregate principal amount of the

Table of Contents

	notes at a redemption price equal to 106.5% of the principal amount thereof, plus accrued and unpaid interest, if any, through the date of redemption, if:
	we use the net cash proceeds of certain public equity offerings; and
	at least 65% of the aggregate principal amount of the Notes remain outstanding afterward.
Change of Control	Upon a change of control, as defined under the section entitled Description of Notes, you will have the right, as a holder of Notes, to require us to repurchase all of your Notes at a repurchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase. We might not be able to pay you the required price for Notes you request us to purchase at that time because we may not have enough funds or the terms of our other debt may prevent us from paying you. For more detailed information, see Description of Notes Repurchase at the Option of Holders Upon Change of Control.
Optional Tax Redemption	We may redeem the Notes at any time, in whole but not in part, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, if any, to the date fixed for redemption, in the event of some changes in tax law which would require us to pay additional amounts with respect to the Notes. See Description of Notes Payment of Additional Amounts and Description of Notes Redemption Optional Redemption in Circumstances Involving Taxation.
Withholding Taxes	We will make all payments of principal and interest for the Notes free and clear of, and without withholding or deduction for taxes of the Republic of Singapore and certain other jurisdictions. In the event that we are required to deduct or withhold any such taxes, we will pay additional amounts to the holders as a gross up in respect of such taxes. This obligation is subject to some exceptions which are described in Description of Notes Payment of Additional Amounts.
Ranking	The new notes will be unsecured and will rank in right of payment behind all of our existing and future senior debt and will rank equal in right of payment to all of our existing and future senior subordinated debt, including our existing senior subordinated notes. The Notes will effectively rank in right of payment behind debt and other liabilities of our subsidiaries. Because the Notes are subordinated, in the event of our bankruptcy, liquidation or dissolution, holders of Notes will not be entitled to receive any payment until all holders of our senior debt have been paid in full.
	As of March 31, 2003, after giving effect to the offering of the old notes, we had approximately:
	$102.6 million of senior debt outstanding and approximately $880.0 million available for borrowing under our credit facility;
	$1.2 billion of senior subordinated debt; and
	$2.8 billion of debt and other liabilities of our subsidiaries.

	See Summary Consolidated Financial Data and Capitalization.
Restrictive Covenants	The old notes were, and the new notes will be, issued under an indenture between us and J.P. Morgan Trust Company, National Association, as trustee. The indenture limits our ability and the ability of our restricted subsidiaries to: incur more debt; create liens; pay dividends and make distributions or repurchase stock; make investments; merge or consolidate or transfer and sell substantially all of our assets; issue stock of subsidiaries; and engage in transactions with affiliates. These covenants are subject to a number of important exceptions and limitations, which are described in the section entitled Description of Notes.
Registration Covenant; Exchange Offer	We entered into a registration rights agreement with the initial purchasers in which we agreed to use our best efforts to: file a registration statement within 90 days after May 8, 2003 enabling the holders of the old notes to exchange the old notes for the new notes; cause the registration statement to become effective within 150 days after May 8, 2003; effect an exchange offer of unregistered notes for registered notes within 180 days after May 8, 2003; and file a shelf registration statement for the resale of the notes if we cannot effect the exchange offer within the time periods listed above and in other circumstances described in The Exchange Offer Registration Covenant; Exchange Offer. The interest rate on the notes will increase if we do not comply with our obligations under the registration rights agreement.
Risk Factors	You should consider carefully all of the information set forth in this prospectus and, in particular, should evaluate the specific factors set forth under Risk Factors in deciding whether to exchange old notes for new notes.

Table of Contents

RISK FACTORS

Holders of old notes should carefully consider the information set forth under Risk Factors and all other information set forth in this prospectus before tendering their old notes in the exchange offer. The risk factors set forth in this prospectus, other than Risk Factors There could be negative consequences to you if you do not exchange your old notes for new notes, are generally applicable to the old notes as well as the new notes.

There could be negative consequences to you if you do not exchange your old notes for new notes.

Any old notes tendered and exchanged in the exchange offer will reduce the aggregate principal amount of old notes outstanding. Because we anticipate that most holders will elect to exchange their old notes for new notes due to the absence of most restrictions on the resale of new notes, we anticipate that the liquidity of the market for any old notes remaining outstanding after the exchange offer may be substantially limited. Following the consummation of the exchange offer, holders who did not tender their old notes generally will not have any further registration rights under the registration rights agreement, and these old notes will continue to be subject to restrictions on transfer.

As a result of making the exchange offer, we will have fulfilled our obligations under the registration rights agreement. Holders who do not tender their old notes generally will not have any further registration rights or rights to receive the additional interest specified in the registration rights agreement for our failure to register the new notes.

Any old notes that are not exchanged for new notes will remain restricted securities. Accordingly, the old notes may be resold only:

- to us or one of our subsidiaries;
- to a qualified institutional buyer;
- to an institutional accredited investor;
- to a party outside the United States under Regulation S under the Securities Act; or
- under an effective registration statement.

If we do not manage effectively changes in our operations, our business may be harmed.

We have experienced growth in our business as a result of internal growth and acquisitions. Since the beginning of fiscal 2001, our global workforce has more than doubled in size. During that time, we have also reduced our workforce at some locations and closed certain facilities in connection with our restructuring activities. These changes are likely to considerably strain our management control systems and resources, including decision support, accounting management, information systems and facilities. If we do not continue to improve our financial and management controls, reporting systems and procedures to manage our employees effectively and to expand our facilities, our business could be harmed.

We plan to continue to transition manufacturing to lower cost locations. We plan to increase our manufacturing capacity in our low-cost regions by expanding our facilities and adding new equipment. This expansion and transition involves significant risks, including, but not limited to, the following:

- we may not be able to attract and retain the management personnel and skilled employees necessary to support expanded operations;
- we may not efficiently and effectively integrate new operations and information systems, expand our existing operations and manage geographically dispersed operations;
- we may incur cost overruns;
- we may incur unusual charges related to our restructuring activities;

Table of Contents

- we may encounter construction delays, equipment delays or shortages, labor shortages and disputes and production start-up problems that could harm our growth and our ability to meet customers delivery schedules; and
- we may not be able to obtain funds for this expansion, and we may not be able to obtain loans or operating leases with attractive terms.

In addition, we expect to incur new fixed operating expenses associated with our expansion efforts that will increase our cost of sales, including increases in depreciation expense and rental expense. If our revenues do not increase sufficiently to offset these expenses, our operating results could be seriously harmed. Our transition to low-cost manufacturing regions has contributed to our incurring significant unusual charges that have resulted from reducing our workforce and capacity at higher-cost locations. We will be required to take additional restructuring charges in the future, as a result of these activities, which could have a material adverse impact on operating results, financial position and cash flows.

We depend on the handheld electronics devices, computer and office automation, communications and information technologies infrastructure and consumer devices industries which continually produce technologically advanced products with short life cycles; our inability to continually manufacture such products on a cost-effective basis could harm our business.

During fiscal 2003, we derived approximately 31% of our revenues from customers in the handheld devices industry, whose products include cell phones, pagers and personal digital assistants; approximately 26% of our revenues from customers in the computers and office automation industry, whose products include copiers, scanners, graphic cards, desktop and notebook computers and peripheral devices such as printers and projectors; approximately 15% of our revenues from providers of communications infrastructure, whose products include equipment for optical networks, cellular base stations, radio frequency devices, telephone exchange and access switches and broadband devices; approximately 13% of our revenues from the consumer devices industry, whose products include set-top boxes, home entertainment equipment, cameras and home appliances; and approximately 8% of our revenues from providers of information technologies infrastructure, whose products include servers, workstations, storage systems, mainframes, hubs and routers. The remaining 7% of our revenues was derived from customers in a variety of other industries, including the medical, automotive, industrial and instrumentation industries.

Factors affecting these industries in general could seriously harm our customers and, as a result, us. These factors include:

- rapid changes in technology, which result in short product life cycles;
- seasonality of demand for our customers products;
- the inability of our customers to successfully market their products, and the failure of these products to gain widespread commercial acceptance; and
- recessionary periods in our customers markets.

Our customers have and may continue to cancel their orders, change production quantities or locations, or delay production.

As a provider of electronics manufacturing services, we must provide increasingly rapid product turnaround for our customers. We generally do not obtain firm, long-term purchase commitments from our customers, and we often experience reduced lead-times in customer orders. Customers cancel their orders, change production quantities and delay production for a number of reasons. The uncertain economic conditions and geopolitical situation has resulted, and may continue to result, in some of our customers delaying the delivery of some of the products we manufacture for them, and placing purchase orders for lower volumes of products than previously anticipated. Cancellations, reductions or delays by a significant customer or by a group of customers have harmed, and may continue to harm, our results of operations by reducing the volumes of products manufactured by us for the customers and delivered in that period, as well as causing a delay in the repayment of our expenditures for inventory in preparation for customer orders and lower asset utilization resulting in lower gross margins. In addition, customers require that manufacturing of their products be transitioned from one facility to another to achieve cost and other objectives. Such transfers result in inefficiencies and costs due to resulting excess capacity and overhead at one facility and capacity constraints and related stresses at the other.

In addition, we make significant decisions, including determining the levels of business that we will seek and accept, production schedules, component procurement commitments, personnel needs and other resource requirements, based on our estimates of customer requirements. The short-term nature of our customers commitments and the rapid changes in demand for their products reduce our ability to estimate accurately future customer requirements. This makes it difficult to schedule production and maximize utilization of our manufacturing capacity. We often increase staffing, increase capacity and incur other expenses to meet the anticipated demand of our customers, which cause reductions in our gross margins if customer orders continue to be delayed or cancelled. Anticipated orders may not materialize, and delivery schedules may be deferred as a result of changes in demand for our customers products. On occasion, customers require rapid increases in production, which stress our resources and reduce margins. Although we have increased our manufacturing capacity, and plan further increases, we may not have sufficient capacity at any given time to meet our customers demands. In addition, because many of our costs and operating expenses are relatively fixed, a reduction in customer demand harms our gross profit and operating income.

Our operating results vary significantly.

We experience significant fluctuations in our results of operations. Some of the principal factors that contribute to these fluctuations are:

- changes in demand for our services;
- our effectiveness in managing manufacturing processes and costs in order to decrease manufacturing expenses;
- the mix of the types of manufacturing services we provide, as high-volume and low-complexity manufacturing services typically have lower gross margins than lower volume and more complex services;
- changes in the cost and availability of labor and components, which often occur in the electronics manufacturing industry and which affect our margins and our ability to meet delivery schedules;
- the degree to which we are able to utilize our available manufacturing capacity;
- our ability to manage the timing of our component purchases so that components are available when needed for production, while avoiding the risks of purchasing inventory in excess of immediate production needs; and
- local conditions and events that may affect our production volumes, such as labor conditions, political instability and local holidays.

Two of our significant end-markets are the handheld electronics devices market and the consumer devices market. These markets exhibit particular strength toward the end of the calendar year in connection with the holiday season. As a result, we have historically experienced stronger revenues in our third fiscal quarter as compared to our other fiscal quarters.

Our increased original design manufacturing activity may reduce our profitability.

We have recently begun providing original design manufacturing, or ODM, activities, wherein we design and develop products that are sold to the end user by our OEM customers under their brand name. We are actively pursuing ODM projects, focusing primarily on consumer related devices, such as cell phones and related products, which requires that we make investments in research and development, technology licensing, test and tooling equipment, patent applications, facility expansion and recruitment. Our contracts with our customers can generally be terminated by either party on short notice, and there is no assurance that we will be able to maintain our current level of ODM activity at all or for an extended period of time. Due to the initial costs of investing in the resources necessary for this business, our increased ODM activities have adversely affected our profitability and may continue to do so in fiscal 2004.

Customers for our ODM services typically require that we indemnify them against the risk of intellectual property infringement. If any claims are brought against our customers for such infringement, whether or not these have merit, we could be required to expend significant resources in defense of such claims. In the event of such an infringement claim, we may be required to spend a significant amount of money to develop non-infringing alternatives or obtain licenses. We may not be successful in developing such alternatives or obtaining such a license on reasonable terms or at all. Further, the products we design must satisfy safety and regulatory standards and some products must also receive government certifications. If we fail to timely obtain these approvals or certifications, we would be unable to sell these products, which would harm our sales, profitability and reputation.

We are exposed to intangible asset risk.

We have a substantial amount of intangible assets. These intangible assets are generally attributable to acquisitions and represent the difference between the purchase price paid for the acquired businesses and the fair value of net tangible assets of acquired businesses. We are required to evaluate goodwill and other intangibles for impairment on at least an annual basis, and whenever changes in circumstances indicate that the carrying amount may not be recoverable from estimated future cash flows. As a result of our annual and other periodic evaluations, we may determine that the intangible asset values need to be written down to their fair values, which could result in material charges that could be adverse to our operating results and financial position.

We may encounter difficulties with acquisitions, which could harm our business.

Since the beginning of fiscal 2001, we have completed over 40 acquisitions of businesses and we expect to continue to acquire additional businesses in the future. We are currently in preliminary discussions with respect to potential acquisitions and strategic customer transactions, however, we do not have any agreements or commitments to make any material acquisitions or strategic customer transactions. Any future acquisitions may require additional debt or equity financing, or the issuance of shares in the transaction. This could increase our leverage or be dilutive to our existing shareholders. We may not be able to complete acquisitions or strategic customer transactions in the future to the same extent as the past, or at all.

In addition, acquisitions involve numerous risks and challenges, including:

- difficulties in integrating acquired businesses and operations;
- diversion of management s attention from the normal operation of our business;
- potential loss of key employees and customers of the acquired companies;
- difficulties in managing and integrating operations in geographically dispersed locations;
- lack of experience operating in the geographic market or industry sector of the acquired business;
- increases in our expenses and working capital requirements, which reduce our return on invested capital; and
- exposure to unanticipated contingent liabilities of acquired companies.

Any of these and other factors have harmed, and in the future could harm, our ability to achieve anticipated levels of profitability at acquired operations or realize other anticipated benefits of an acquisition, and could adversely affect our business and operating results.

Table of Contents

Our strategic relationships with major customers create risks.

Over the past several years, we have completed numerous strategic transactions with OEM customers, including, among others, Telia Companies, Xerox, Alcatel, Casio and Ericsson. Under these arrangements, we generally acquire inventory, equipment and other assets from the OEM, and lease or acquire their manufacturing facilities, while simultaneously entering into multi-year supply agreements for the production of their products. We intend to continue to pursue these OEM divestiture transactions in the future. There is strong competition among EMS companies for these transactions, and this competition may increase. These transactions have contributed to a significant portion of our revenue growth, and if we fail to complete similar transactions in the future, our revenue growth could be harmed. As part of these arrangements, we typically enter into manufacturing services agreements with these OEMs. These agreements generally do not require any minimum volumes of purchases by the OEM, and the actual volume of purchases may be less than anticipated. The arrangements entered into with divesting OEMs typically involve many risks, including the following:

- we may need to pay a purchase price to the divesting OEMs that exceeds the value we may realize from the future business of the OEM;
- the integration into our business of the acquired assets and facilities may be time-consuming and costly;
- we, rather than the divesting OEM, bear the risk of excess capacity at the facility;
- we may not achieve anticipated cost reductions and efficiencies at the facility;
- we may be unable to meet the expectations of the OEM as to volume, product quality, timeliness and cost reductions; and
- if demand for the OEM s products declines, the OEM may reduce its volume of purchases, and we may not be able to sufficiently reduce the expenses of operating the facility or use the facility to provide services to other OEMs.

As a result of these and other risks, we have been, and in the future may be, unable to achieve anticipated levels of profitability under these arrangements, and they have not, and in the future may not, result in any material revenues or contribute positively to our earnings per share.

We depend on the continuing trend of outsourcing by OEMs.

Future growth in our revenue depends on new outsourcing opportunities in which we assume additional manufacturing and supply chain management responsibilities from OEMs. To the extent that these opportunities are not available, either because OEMs decide to perform these functions internally or because they use other providers of these services, our future growth would be limited.

The majority of our sales come from a small number of customers; if we lose any of these customers, our sales could decline significantly.

Sales to our ten largest customers have represented a significant percentage of our net sales in recent periods. Our ten largest customers accounted for approximately 67% and 64% of net sales in fiscal 2003 and fiscal 2002, respectively. Our largest customers during fiscal 2003 were Hewlett-Packard and Sony-Ericsson, accounting for approximately 12% and 11% of net sales, respectively. Our largest customer during fiscal 2002 was Ericsson, accounting for approximately 15% of net sales. No other customer accounted for more than 10% of net sales in fiscal 2003 and fiscal 2002.

Our principal customers have varied from year to year, and our principal customers may not continue to purchase services from us at current levels, if at all. Significant reductions in sales to any of these customers, or the loss of major customers, would seriously harm our business. If we are not able to timely replace expired, canceled or reduced contracts with new business, our revenues could be harmed.

Our industry is extremely competitive.

The EMS industry is extremely competitive and includes hundreds of companies, several of which have achieved substantial market share. Current and prospective customers also evaluate our capabilities against the merits of internal production. Some of our competitors may have greater design, manufacturing, financial or other resources than us. Additionally, we face competition from Taiwanese ODM suppliers, who have a substantial share of the global market for information technology hardware production, primarily related to notebook and desktop computers and personal computer motherboards, as well as provide consumer products and other technology manufacturing services.

In recent years, many participants in the industry, including us, have substantially expanded their manufacturing capacity. The overall demand for electronics manufacturing services has decreased, resulting in increased capacity and substantial pricing pressures, which has harmed our operating results. Certain sectors of the EMS industry are currently experiencing increased price competition, and if this increased level of competition should continue, our revenues and gross margin may continue to be adversely affected.

We may be adversely affected by shortages of required electronic components.

At various times, there have been shortages of some of the electronic components that we use, as a result of strong demand for those components or problems experienced by suppliers. These unanticipated component shortages have resulted in curtailed production or delays in production, which prevented us from making scheduled shipments to customers in the past and may do so in the future. Our inability to make scheduled shipments could cause us to experience a reduction in our sales and an increase in our costs and could adversely affect our relationship with existing customers as well as prospective customers. Component shortages may also increase our cost of goods sold because we may be required to pay higher prices for components in short supply and redesign or reconfigure products to accommodate substitute components. As a result, component shortages could adversely affect our operating results for a particular period due to the resulting revenue shortfall and increased manufacturing or component costs.

Our customers may be adversely affected by rapid technological change.

Our customers compete in markets that are characterized by rapidly changing technology, evolving industry standards and continuous improvement in products and services. These conditions frequently result in short product life cycles. Our success will depend largely on the success achieved by our customers in developing and marketing their products. If technologies or standards supported by our customers products become obsolete or fail to gain widespread commercial acceptance, our business could be adversely affected.

We are subject to the risk of increased income taxes.

We have structured our operations in a manner designed to maximize income in countries where:

- tax incentives have been extended to encourage foreign investment; or

- income tax rates are low.

We base our tax position upon the anticipated nature and conduct of our business and upon our understanding of the tax laws of the various countries in which we have assets or conduct activities. However, our tax position is subject to review and possible challenge by taxing authorities and to possible changes in law, which may have retroactive effect. We cannot determine in advance the extent to which some jurisdictions may require us to pay taxes or make payments in lieu of taxes.

Several countries in which we are located allow for tax holidays or provide other tax incentives to attract and retain business. These tax incentives expire over various periods from 2004 to 2010 and are subject to certain conditions with which we expect to comply. We have obtained tax holidays or other incentives where available, primarily in China, Malaysia and Hungary. In these three countries, we generated an aggregate of approximately $5.8 billion of our total revenues for the fiscal year ended March 31, 2003. Our taxes could increase if certain tax holidays or incentives are not renewed upon expiration, or tax rates applicable to us in

Table of Contents

such jurisdictions are otherwise increased. In addition, further acquisitions of businesses may cause our effective tax rate to increase.

We conduct operations in a number of countries and are subject to risks of international operations.

The geographical distances between the Americas, Asia and Europe create a number of logistical and communications challenges for us. These challenges include managing operations across multiple time zones, directing the manufacture and delivery of products across distances, coordinating procurement of components and raw materials and their delivery to multiple locations, and coordinating the activities and decisions of the core management team, which is based in a number of different countries. Facilities in several different locations may be involved at different stages of the production of a single product, leading to additional logistical difficulties.

Because our manufacturing operations are located in a number of countries throughout the Americas, Asia and Europe, we are subject to the risks of changes in economic and political conditions in those countries, including:

- fluctuations in the value of local currencies;
- labor unrest and difficulties in staffing;
- longer payment cycles;
- increases in duties and taxation levied on our products;
- imposition of restrictions on currency conversion or the transfer of funds;
- limitations on imports or exports of components or assembled products, or other travel restrictions;
- expropriation of private enterprises; and
- a potential reversal of current favorable policies encouraging foreign investment or foreign trade by our host countries.

The attractiveness of our services to our U.S. customers can be affected by changes in U.S. trade policies, such as most favored nation status and trade preferences for some Asian countries. In addition, some countries in which we operate, such as Brazil, Hungary, Mexico, Malaysia and Poland, have experienced periods of slow or negative growth, high inflation, significant currency devaluations or limited availability of foreign exchange. Furthermore, in countries such as China and Mexico, governmental authorities exercise significant influence over many aspects of the economy, and their actions could have a significant effect on us. Finally, we could be seriously harmed by inadequate infrastructure, including lack of adequate power and water supplies, transportation, raw materials and parts in countries in which we operate.

The recent outbreak of severe acute respiratory syndrome, or SARS, that began in China, Hong Kong and Singapore could have a negative impact on our operations. Our operations could be impacted by a number of SARS-related factors, including, but not limited to, disruptions at our manufacturing operations located in China, reduced demand for our customers products and increased supply chain costs.

We are exposed to fluctuations in foreign currency exchange rates.

We transact business in various foreign countries. As a result, we are exposed to fluctuations in foreign currencies. We have currency exposure arising from both sales and purchases denominated in currencies other than the functional currencies of our entities. Volatility in the exchange rates between the foreign currencies and the functional currencies of our entities could seriously harm our business, operating results and financial condition. We try to manage our foreign currency exposure by borrowing in various foreign currencies and by entering into foreign exchange forward contracts. Mainly, we enter into foreign exchange forward contracts intended to reduce the short-term impact of foreign currency fluctuations on current assets and liabilities denominate in foreign currency. These exposures are primarily, but not limited to, cash, receivables, payables and inter-company balances, in currencies other than the functional currency unit of the operating entity. We will first evaluate and, to the extent possible, use non-financial techniques, such as currency of invoice, leading and lagging payments, receivable management or local borrowing to reduce transactions exposure before taking steps to minimize remaining exposure with financial instruments. Foreign exchange forward contracts are treated as cash flow hedges and such contracts generally expire within three months. The credit risk of these forward contracts if minimal since the contracts are with large financial institutions. The gains and losses on forward contracts generally offset the gains and losses on the assets, liabilities and transactions hedged.

We depend on our executive officers.

Our success depends to a large extent upon the continued services of our executive officers. Generally our employees are not bound by employment or non-competition agreements, and we cannot assure that we will retain our executive officers and other key employees. We could be seriously harmed by the loss of any of our executive officers. In addition, in order to manage our growth, we will need to recruit and retain additional skilled management personnel and if we are not able to do so, our business and our ability to continue to grow could be harmed.

We are subject to environmental compliance risks.

We are subject to various federal, state, local and foreign environmental laws and regulations, including those governing the use, storage, discharge and disposal of hazardous substances in the ordinary course of our manufacturing process. In addition, we are responsible for cleanup of contamination at some of our current and former manufacturing facilities and at some third party sites. If more stringent compliance or cleanup standards under environmental laws or regulations are imposed, or the results of future testing and analyses at our current or former operating facilities indicate that we are responsible for the release of hazardous substances, we may be subject to additional remediation liability. Further, additional environmental matters may arise in the future at sites where no problem is currently known or at sites that we may acquire in the future. Currently unexpected costs that we may incur with respect to environmental matters may result in additional loss contingencies, the quantification of which cannot be determined at this time.

The market price of our ordinary shares is volatile.

The stock market in recent years has experienced significant price and volume fluctuations that have affected the market prices of technology companies. These fluctuations have often been unrelated to or disproportionately impacted by the operating performance of these companies. The market for our ordinary shares may be subject to similar fluctuations. Factors such as fluctuations in our operating results, announcements of technological innovations or events affecting other companies in the electronics industry, currency fluctuations and general market conditions may cause the market price of our ordinary shares to decline.

We are a defendant in several securities class action lawsuits and this litigation could harm our business whether or not determined adversely to us.

Between June and August 2002, Flextronics and certain of our officers and directors were named as defendants in several securities class action lawsuits filed in the United States District Court for the Southern District of New York. These actions, which were filed on behalf of those who purchased, or otherwise acquired, Flextronics ordinary shares between October 2, 2001 and June 4, 2002, generally allege that, during this period, the defendants made misstatements to the investing public about the financial condition and prospects of Flextronics. After the Court consolidated these actions, plaintiffs amended their allegations to change the class period to January 18, 2001 to June 4, 2002. They also added claims on behalf of plaintiffs who purchased shares pursuant to, or traceable to, the secondary offerings of Flextronics on February 1, 2001 and January 7, 2002. In addition, plaintiffs added claims against the underwriters involved in those offerings. On April 23, 2003, the Court entered an order transferring these lawsuits to the United States District Court for the Northern District of California.

Table of Contents

These actions seek unspecified damages. Although we believe that the plaintiffs claims lack merit and intend to vigorously defend these lawsuits, we are unable to predict the ultimate outcome of these lawsuits. There can be no assurance we will be successful in defending these lawsuits, and, if we are unsuccessful, we may be subject to significant damages. Even if we are successful, defending the lawsuits may be expensive and may divert management s attention from other business concerns and harm our business.

We are also subject to legal proceedings, claims, and litigation arising in the ordinary course of business. We defend ourselves vigorously against any such claims. While 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.

We have a substantial amount of debt outstanding and may incur additional debt.

We have significant amounts of outstanding indebtedness and interest expense. Our level of indebtedness presents risks to investors, including the possibility that we may be unable to generate cash sufficient to pay the principal of and interest on the indebtedness when due. At March 31, 2003, after giving effect for the issuance, we had consolidated indebtedness of approximately $1.5 billion.

Our ability to make principal and interest payments on the notes will depend on our future operating performance, which depends on a number of factors, many of which are outside of our control. These factors include prevailing economic conditions and financial, competitive and other factors affecting our business and operations. If we do not have sufficient available resources to repay any indebtedness we may incur when it becomes due and payable, we may find it necessary to refinance such indebtedness. We cannot assure you that refinancing will be available, or available on reasonable terms. We could incur substantial additional indebtedness in connection with acquisitions or debt financings, which would further increase our leverage.

The indenture governing the notes, our bank credit facility and the indentures governing our existing senior subordinated notes contain restrictive covenants that, if not satisfied or waived, could result in acceleration of our outstanding debt obligations.

The indenture governing the notes, our bank credit facility and the indentures governing our existing senior subordinated notes each contain a number of restrictive covenants. Our failure to comply with these covenants could result in an event of default which, if not cured or waived, could result in us being required to repay these borrowings before their due date. If we were able to refinance these borrowings on less favorable terms, our results of operations and financial condition could be seriously harmed by increased costs and rates.

Our structure as a holding company will limit the ability of the holders of the notes to recover any principal and interest due on the notes because they are effectively subordinated to the liabilities of our subsidiaries.

We are a holding company with no business operations other than holding the capital stock of our subsidiaries and advancing funds to, and receiving funds from, our subsidiaries. In repaying our indebtedness, including the notes, we must rely on dividends and other payments made to us by our subsidiaries. The holders of the notes will have no direct claims against our subsidiaries. The ability of our subsidiaries to make payments to us will be affected by the obligations of these subsidiaries to their creditors. Claims of holders of indebtedness, including the notes, against the cash flow and assets of our subsidiaries will be effectively subordinated to claims of the creditors.

In addition, the rights of the holders of the notes to participate in the assets of any subsidiary upon that subsidiary s liquidation or recapitalization will be subject to the prior claims of that subsidiary s creditors. At March 31, 2003, our subsidiaries had debt and other liabilities, including trade payables and capital lease obligations, aggregating approximately $2.8 billion. The ability of our subsidiaries to make payments to us will also be subject to, among other things, applicable state and foreign corporate laws and other laws and regulations. In order to pay the principal amount at maturity of the notes, we may be required to adopt one or more alternatives, such as a refinancing of the notes.

Table of Contents

The notes are subordinated to our current and future senior debt.

The notes are unsecured obligations and rank in right of payment:

- junior to all of our existing and future senior and secured debt;
- effectively junior to all indebtedness and other liabilities of our subsidiaries;
- equal to all of our existing and any future senior subordinated debt, including our existing senior subordinated debt; and
- senior to all other subordinated indebtedness.

As of March 31, 2003, we had outstanding senior debt of approximately $102.6 million, senior subordinated debt of $1.2 billion and, through our subsidiaries, had additional liabilities, including trade payables and capital lease obligations, aggregating approximately $2.8 billion.

We may not pay any principal of, premium, if any, or interest on, or any other amounts owing in respect of, the notes, or purchase, redeem or otherwise retire the notes, or make any deposit pursuant to the defeasance provisions for the notes, if designated senior debt, as defined in the indentures, is not paid when due, unless:

- the default is cured or waived or has ceased to exist; or
- the designated senior debt has been repaid in full.

Under some circumstances, if a default, other than a payment default, exists with respect to designated senior debt, we may not make payments for a specified period with respect to the principal of, premium, if any, and interest on, and any other amounts owing in respect of, the notes unless:

- the default is cured, waived or has ceased to exist; or
- the indebtedness has been repaid in full.

If any event of default occurs and is continuing, the trustee or the holders of at least 25% in principal amount of the then outstanding notes may declare all the notes to be due and payable immediately. Such a continuing event of default, however, may permit the acceleration of our then-outstanding indebtedness or the then-outstanding indebtedness of our subsidiaries, some of which indebtedness may be senior debt. In this event, the subordination provisions of the indenture governing the notes would prohibit any payments to holders of the notes unless and until those obligations, and any other accelerated senior debt, have been repaid in full.

We may not be able to repurchase the notes upon a change of control in accordance with the terms of the indenture.

Upon the occurrence of a change of control, we may be required to purchase all or a portion of the notes then outstanding at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase. Prior to commencing such an offer to purchase, we may be required to:

- repay in full all indebtedness that would prohibit the repurchase of the notes; or
- obtain any consent required to make the repurchase.

If we are unable to repay all of the indebtedness or are unable to obtain the necessary consents, we will be unable to offer to purchase the notes and that failure would constitute an event of default under the indentures. We cannot assure you that we will have sufficient funds available at the time of any change of control to repurchase the notes. The events that require a repurchase upon a change of control under the indentures may also constitute events of default under subsequently incurred indebtedness.

Table of Contents

You may find it difficult to sell your notes.

The old notes are currently eligible for sale under Rule 144A through the Portal Market. There is currently no established trading market for the new notes, and we cannot assure you that an active trading market will develop or be maintained for the notes, that the holders of the notes will be able to sell their notes, or of the prices at which any sales will be made. If a market for the notes were to develop, the notes could trade at prices that may be higher or lower than the exchange tender price of the old notes, as our previously registered notes do. Prevailing market prices from time to time will depend on many factors, including then existing interest rates, our operating results and cash flow and the market for similar securities.

In addition, the liquidity of, and trading markets for, the notes may be negatively affected by declines in the market for high-yield securities generally. A decline may negatively affect liquidity and trading markets independent of our financial performance or prospects.

Table of Contents

RATIO OF EARNINGS TO FIXED CHARGES

The following table presents our historical ratios of earnings to fixed charges for the periods indicated:

	Fiscal Year Ended March 31,				
	1999	2000	2001	2002	2003
	(In thousands)				
Ratio of earnings to fixed charges	1.55x	2.78x			

For the purposes of computing the ratio of earnings to fixed charges, earnings consist of income (loss) before income taxes plus fixed charges. Fixed charges consist of interest expense and discount or premium related to indebtedness, whether expensed or capitalized, and that portion of rental expense we believe to be representative of interest. Earnings, as defined, were not sufficient to cover fixed charges by $552.3 million for the fiscal year ended March 31, 2001, $242.6 million for the fiscal year ended March 31, 2002 and $147.2 million for the fiscal year ended March 31, 2003.

Table of Contents

USE OF PROCEEDS

We will not receive any proceeds from the issuance of the new notes offered in the exchange offer. In consideration for issuing the new notes, we will receive in exchange old notes in like principal amount, the terms of which are identical in all respects to the new notes except for transfer restrictions and registration rights. The old notes surrendered in exchange for new notes will be retired and cancelled and cannot be reissued. Accordingly, issuance of the new notes will not result in any increase in our indebtedness.