Management Report

Flextronics International Kft

on the Fiscal Year ended March 31st 2026

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; risks related to our ability to successfully execute our strategic priorities; 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, including recent developments in Iran, any of which could lead to disruption, instability, and volatility in global markets and negatively impact our operations and financial performance; supply chain disruptions, including those involving suppliers who are sole or primary sources, logistical constraints, 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, including semiconductors, labor and energy; 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; risks associated with acquisitions and divestitures, including the possibility that we may not fully realize their projected benefits, and other events that could adversely impact the anticipated benefits of the acquisition, including industry or economic conditions outside of our control; 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 our 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; 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 Vámszabadterületi Korlátolt Felelősségű Társaság (hereinafter referred to as the "Company"), having its registered office and premises at 28, Munkás u., 8660 Tab, and has registered sites at the following locations:

8660 Tab, Munkás u. 28:

8900 Zalaegerszeg, Zrínyi Miklós u. 38.

8900 Zalaegerszeg, Posta u. 63.

8900 Zalaegerszeg, Bánki Donát út 1

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)

2611 Manufacture of electronic component

2751 Manufacture of domestic electrical equipment

2790 Manufacture of other electrical equipment

3250 Manufacture of medical and dental instruments and supplies

6820 Renting and operating of own or leased real estate

The Company is mainly engaged in manufacturing 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 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 during 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.

The valuation of the investment remained unchanged compared to the prior year. Management did not identify any sustained changes in business performance expectations or future outlook that would warrant a reassessment of the carrying value. Accordingly, no impairment or impairment reversal was recognized in the current financial year.

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 with 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

During the financial year, the Automotive business continued its transition toward next-generation technologies. While programs related to legacy products gradually reached the end of their lifecycle, our order book 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 a significant downturn during the financial year, impacted by reduced European demand of our premium partner.

Industrial

The Industrial business experienced a revenue decline during the financial year, primarily driven by lower volumes in certain legacy industrial and consumer application programs.

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

	2025	2026
EU	1,162.0	1092.4
Asia	100.4	44.6
Europe, Non EU	172.2	162.9
North America	97.8	116.5
Australia	1.1	2.5
South America	44.2	45
Africa	0.9	0.6
Total	1,578.5	1464.5

2.2 General business environment, resources

Foreign exchange market

During the financial year, the Hungarian forint showed greater stability and appreciated against the euro compared to the prior year. Given that the majority of the Company's revenues and material purchases are denominated in USD and EUR, with only limited exposure to HUF-denominated operating costs, exchange rate fluctuations had a limited impact on the Company's financial performance.

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 remains limited and well managed. The contingency measures established in prior year, including temporary production support from Hungarian manufacturing sites, ensured no interruption in Flex's commitment on serving our customer. No material impact on the Company's financial performance was identified during the year.

Energy prices

Compared to the significant volatility experienced in prior years, energy market conditions were more stable during the financial year. As a result, fluctuations in electricity and energy costs did not have a material impact on the Company's financial performance.

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. During the financial year, operations in Mukachevo were temporarily impacted by damage to the facility. In accordance with established business continuity and contingency plans, our factory in Zalaegerszeg provided support to ensure uninterrupted material supply and customer deliveries. These measures proved effective in maintaining operational continuity. No material disruption to customer deliveries was experienced during the financial year.

2.3 Resources

2.3.1 Human resources

Evolution of staff directly employed by the Company

	2025	2026
Direct	2,831	2,550
Indirect	2,927	2,789
Total	5,758	5,339

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 solutions at the Tab and Zala factories, helping to address labor needs within the Intra-Logistics team.

Support Staff and Management (Indirect)

In line with reduced business volumes, demand for indirect labor also declined during the financial year. Continued investments in automation, warehouse modernization and process digitalization improved productivity and operational efficiency, allowing the Company to adjust staffing levels primarily through natural attrition.

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 2025	31 March 2026
Net sales revenue (€m)	1,605.8	1,492.1
Profit after tax (€m)	8.1	16.7
Operating result (%)	0.94	0.37
Operating ac. Result of operations / net sales		
Working capital (€m)	153.7	175.7
AR + Inventory – AP		
Liquidity ratio	1.27	1.26
(Current assets + Other Current Assets) / (Current liabilities + Other Current Liabilities)		

Revenue declined due to mentioned weaker European demand in the Lifestyle business, the phase-out of legacy Automotive programs and lower order volumes in the Industrial segment. Overall, the decline was attributable to softer market demand, portfolio transitions and product lifecycle developments.

Both revenue and operating expenses decreased compared to the prior year. Certain cost categories, however, did not follow the decrease of the revenue primarily due to the impact of foreign exchange movements, particularly driven by stronger HUF.

Net earnings have increased primarily due to improved financial results, driven by favorable foreign exchange transactions compared to prior year. The carrying value of investments remained unchanged, and unlike prior year no impairment was recognized during the financial year.

The increase in working capital was primarily attributable to higher inventories and lower trade payables. While trade receivables increased only moderately, inventories rose by EUR 9.7 million and trade payables decreased by EUR 11.0 million. As a result, less supplier financing was available at year-end, leading to a higher level of funds tied up in operating working capital.

The Company's liquidity position remained stable. The increase in current assets and accruals was largely offset by a similar increase in short-term liabilities and deferred income. Overall, the Company maintained its ability to cover short-term obligations, despite a higher level of working capital and year-end accrual balances.

Changes in Fixed Assets (mEUR)

	Intangibles	Property, Plant	Manufacturing Equipment	Other Equipment	In progress	Advances	**Total**
Gross Value							
Opening Balance	**3.0**	**73.0**	**224.4**	**38.1**	**30.8**	**3.6**	**372.9**
Activated	0.0	23.8	6.7	5.8	(36.3)	-	-
Increase	-	-	0.8	0.0	39.1	6.1	46.0
Sale and other movements	(0.0)	(0.0)	(5.4)	(0.4)	-	(3.6)	(9.4)
Reclassification	-	-	-	-	(0.1)	-	(0.1)
Other	-	-	0.1	0.0	-	-	0.1
Closing Balance	**3.0**	**96.8**	**226.6**	**43.5**	**33.5**	**6.1**	**409.5**
Accumulated depreciation							
Opening Balance	**2.9**	**32.7**	**157.6**	**32.0**	-	-	**225.3**
Sale and other movements	(0.0)	(0.0)	(4.9)	(0.4)	-	-	(5.4)
Depreciation of the year	0.1	4.0	20.5	2.7	-	-	27.2
Reclassification	-	-	0.2	0.0	-	-	0.2
Other	-	-	0.2	0.0	-	-	0.2
Closing Balance	**3.0**	**36.7**	**173.5**	**34.3**	**-**	**-**	**247.5**
Closing Net Book Value	**0.0**	**60.1**	**53.1**	**9.2**	**33.5**	**6.1**	**162.1**

Corporate Spin-Off notes

Regarding the planned spin-off process announced by the Group, based on the Company's current understanding, the expected impact on the Company's Hungarian operations is limited. The principal impact identified to date is the transfer of a small number of regional employees. Other than this, no material changes to the Company's financing or operations are currently anticipated. Should any material changes or circumstances affecting the Company arise, the Company will provide appropriate disclosure in accordance with applicable legal and regulatory requirements.

László Nagy

Managing director