

FLEX LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

RCF of 20 basis points to 35 basis points, depending on the LLC's total net leverage ratio. The interest rate for the Term Loan is 5.12% (SOFR rate of 3.49% plus a margin of 1.63%).

The 2023 Credit Agreement contains certain affirmative and negative covenants that, among other things and subject to certain exceptions, limit the ability of the LLC and its restricted subsidiaries to incur additional indebtedness or liens, to dispose of assets, change their fiscal year or lines of business, pay dividends and other restricted payments, make investments and other acquisitions, make optional payments of subordinated and junior lien debt, enter into transactions with affiliates and enter into restrictive agreements. In addition, the 2023 Credit Agreement requires the LLC to maintain a maximum consolidated total net leverage ratio.

As of March 31, 2023, the Company and certain of its subsidiaries had various uncommitted revolving credit facilities, lines of credit and other credit facilities in the amount of \$317 million in the aggregate. There were no borrowings outstanding under these facilities as of March 31, 2023 and 2022. These unsecured credit facilities, and lines of credit and other credit facilities bear annual interest at the respective country's inter-bank offering rate, plus an applicable margin.

Debt Covenants:

Borrowings under the Company's debt agreements are subject to various covenants that limit the Company's ability to incur additional indebtedness, sell assets, effect mergers and certain transactions, and effect certain transactions with subsidiaries and affiliates. In addition, the 2027 Credit Facility, and the Delayed Draw Term Loan also require that the Company maintain a maximum ratio of total indebtedness to EBITDA (earnings before interest expense, taxes, depreciation and amortization), and a minimum interest coverage ratio. The Company is also subject to certain covenants requiring the Company to offer to repurchase the 2025 Notes, 2026 Notes, 2028 Notes, 2029 Notes, and 2030 Notes (collectively the "Notes") upon a change of control. As of March 31, 2023 and 2022, the Company was in compliance with its debt covenants.

The weighted-average interest rates for the Company's long-term debt were 4.7% and 4.0% as of March 31, 2023 and 2022, respectively.

Scheduled repayments of the Company's bank borrowings and long-term debt are as follows:

| <u>Fiscal Year Ending March 31,</u> | <u>Amount</u> <u>(In millions)</u> |
|-------------------------------------|---------------------------------------|
| 2024 | \$ 150 |
| 2025 | 253 |
| 2026 | 1,285 |
| 2027 | — |
| 2028 | 546 |
| Thereafter | 1,628 |
| Total | <u>\$ 3,862</u> |

10. FINANCIAL INSTRUMENTS

Foreign Currency Contracts

The Company transacts business in various foreign countries and is therefore exposed to foreign currency exchange rate risk inherent in forecasted sales, cost of sales, and monetary assets and liabilities denominated in non-functional currencies. The Company has established risk management programs to protect against volatility in the value of non-functional currency denominated monetary assets and liabilities, and of future cash flows caused by changes in foreign currency exchange rates. The Company tries to maintain a partial or fully hedged position for certain transaction exposures, which are primarily, but not limited to, forecasted sales and cost of sales, and monetary assets and liabilities in currencies other than the functional currency of the operating entity. The Company enters into short-term and long-term foreign currency derivative contracts, including forward, swap, and option contracts to hedge only those currency exposures associated with certain assets and liabilities, primarily accounts receivable, accounts payable, debt, and cash flows denominated in non-functional currencies. Gains and losses on the Company's derivative contracts are designed to offset losses and gains on the assets, liabilities and transactions hedged, and accordingly, generally do not subject the Company to risk of significant accounting losses. The Company hedges committed exposures and does not engage in speculative transactions. The credit risk of these derivative contracts is minimized since the contracts are with large financial institutions and accordingly, fair value adjustments related to the credit risk of the counterparty financial institution were not material.