

FLEXTRONICS INTERNATIONAL LTD

Form PRE 14A

July 15, 2005

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**FLEXTRONICS INTERNATIONAL LTD.**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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- (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
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**PRELIMINARY COPY**

**FLEXTRONICS INTERNATIONAL LTD.  
(Incorporated in the Republic of Singapore)  
(Company Registration Number 199002645H)  
NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS  
To Be Held on September 20, 2005**

To our shareholders:

You are cordially invited to attend and NOTICE IS HEREBY GIVEN of the Annual General Meeting of Shareholders of FLEXTRONICS INTERNATIONAL LTD., which will be held at our principal U.S. offices located at 2090 Fortune Drive, San Jose, California, 95131, U.S.A., at 9:00 a.m., Pacific Daylight Time (PDT), on September 20, 2005 for the following purposes:

**As Ordinary Business**

1. To re-elect each of the following Directors, who will retire by rotation pursuant to Article 95 of our Articles of Association, to the Board of Directors:
  - (a) Mr. James A. Davidson; and
  - (b) Mr. Lip-Bu Tan.
2. To re-appoint Mr. Patrick Foley as a Director to the Board of Directors pursuant to Section 153(6) of the Singapore Companies Act, Chapter 50, to hold such office from the date of this Annual General Meeting until our next Annual General Meeting.
3. To consider and vote upon a proposal to re-appoint Deloitte & Touche LLP as our independent auditors for the fiscal year ending March 31, 2006 and to authorize the Board of Directors to fix their remuneration.

**As Special Business**

4. To pass the following resolution as an Ordinary Resolution:

RESOLVED THAT, pursuant to the provisions of Section 161 of the Singapore Companies Act, Cap. 50, and notwithstanding the provisions of Article 46 of our Articles of Association but subject otherwise to the provisions of that Act and our Articles of Association, authority be and is hereby given to our Directors to:

    - (a) (i) allot and issue ordinary shares in our capital; and/or
    - (ii) make or grant offers, agreements or options that might or would require ordinary shares in our capital to be allotted and issued whether after the expiration of this authority or otherwise (including but not limited to the creation and issue of warrants, debentures or other instruments convertible into ordinary shares in our capital),

at any time to and/or with such persons and upon such terms and conditions and for such purposes as our Directors may in their absolute discretion deem fit, and with such rights or restrictions as our Directors may think fit to impose and as are set forth in our Articles of Association aforesaid; and
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(b) (notwithstanding the authority conferred by this resolution may have ceased to be in force) allot and issue ordinary shares in our capital in pursuance of any offer, agreement or option made or granted by our Directors while this resolution was in force,

and that such authority shall continue in force until the conclusion of our next Annual General Meeting or the expiration of the period within which our next Annual General Meeting is required by law to be held, whichever is the earlier.

5. To pass the following resolution as an Ordinary Resolution:

RESOLVED THAT, approval be and is hereby given for us to provide:

(a) \$10,000 of quarterly cash compensation to each of our non-employee Directors for services rendered as a director;

(b) an additional \$2,500 of quarterly cash compensation to the Chairman of the Audit Committee (if appointed) of the Board of Directors for services rendered as Chairman of the Audit Committee and for his or her participation on the Audit Committee; and

(c) an additional \$1,250 of quarterly cash compensation to each of our non-employee Directors for their participation on each committee of the Board of Directors on which such Director serves.

6. To pass the following resolution as an Ordinary Resolution:

RESOLVED THAT:

(a) for the purposes of Sections 76C and 76E of the Singapore Companies Act, Cap. 50 (the Companies Act ) and subject to the provisions of Applicable Laws from time to time in force, the exercise by our Directors of all our powers to purchase or otherwise acquire issued ordinary shares of S\$0.01 each fully paid in our capital, not exceeding in aggregate the number of issued ordinary shares representing 10% of our issued ordinary share capital as at the date of the passing of this resolution, at such price or prices as may be determined by our Directors from time to time up to the maximum purchase price described in paragraph (c) below, whether by way of:

(i) market purchases on the NASDAQ National Market or any other stock exchange on which our ordinary shares may for the time being be listed and quoted; and/or

(ii) off-market purchases (if effected other than on the NASDAQ National Market or, as the case may be, any other stock exchange on which our ordinary shares may for the time being be listed and quoted) in accordance with any equal access scheme(s) as may be determined or formulated by our Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act, and otherwise in accordance with all other laws and regulations and rules of the NASDAQ National Market or, as the case may be, any other stock exchange on which our ordinary shares may for the time being be listed and quoted as may for the time being be applicable, be and is hereby authorized and approved generally and unconditionally;

(b) subject to Applicable Laws from time to time in force, unless varied or revoked by our shareholders in a general meeting, the authority conferred on our Directors pursuant to the mandate contained in paragraph (a) above may be exercised by our Directors at any time and from time to time during the period commencing from the date of the passing of this resolution and expiring on the earlier of:

(i) the date on which our next Annual General Meeting is held; or

(ii) the date by which our next Annual General Meeting is required by law to be held;

(c) subject to Applicable Laws from time to time in force, the maximum purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which may

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be paid for an ordinary share purchased or acquired by us pursuant to the mandate contained in paragraph (a) above shall not exceed:

(i) in the case of a market purchase of an ordinary share, one hundred and five percent (105%) of the Average Closing Price of our ordinary shares; and

(ii) in the case of an off-market purchase pursuant to an equal access scheme, one hundred and ten percent (110%) of the Average Closing Price of our ordinary shares,

and for the above purposes, the term Average Closing Price means the average of the last dealt prices of an ordinary share for the five consecutive trading days on which our ordinary shares are transacted on the NASDAQ National Market or, as the case may be, any other stock exchange on which our ordinary shares may for the time being be listed and quoted, immediately preceding the date of the market purchase by us or, as the case may be, the date of the making of the offer pursuant to the off-market purchase. The date of the making of the offer refers to the date on which we announce our intention to make an offer for the purchase or acquisition of our ordinary shares from holders of our ordinary shares, stating therein the purchase price (which shall not be more than the maximum purchase price calculated on the foregoing basis) for each ordinary share and the relevant terms of the equal access scheme for effecting the off-market purchase; and

(d) our Directors and/or any of them be and are hereby authorized to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorized by this resolution, and the source of funds for any purchase or acquisition of ordinary shares shall be as authorized or permitted under Applicable Laws.

For the purposes of the resolutions above, the term Applicable Laws shall mean the Companies Act or any statutory modification, amendment or re-enactment thereof from time to time in force and any and every other act or regulation of the Republic of Singapore from time to time in force concerning companies and affecting us

7. To transact any other business as may properly be transacted at any Annual General Meeting.

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**Notes**

At the 2005 Annual General Meeting, our shareholders shall have the opportunity to discuss and ask any questions that they may have regarding our Singapore audited accounts for the fiscal year ended March 31, 2005, together with the reports of the Directors and Auditors thereon, in compliance with Singapore law. Shareholder approval of our audited accounts is not being sought by this Proxy Statement and will not be sought at the 2005 Annual General Meeting. The Board of Directors has fixed the close of business on July 29, 2005 as the record date for determining those shareholders who will be entitled to receive copies of this Notice and accompanying proxy statement. However, shareholders of record on September 20, 2005 will be entitled to vote at the 2005 Annual General Meeting. A shareholder entitled to attend and vote at the 2005 Annual General Meeting is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not also be a shareholder. Representation of at least 33<sup>1</sup>/<sub>3</sub>% of all outstanding ordinary shares of Flextronics International Ltd. is required to constitute a quorum. Accordingly, it is important that your shares be represented at the 2005 Annual General Meeting. **Whether or not you plan to attend the meeting, please complete, date and sign the enclosed proxy card and return it in the enclosed envelope.** A proxy card must be received not less than 48 hours before the time appointed for holding the 2005 Annual General Meeting. Your proxy may be revoked at any time prior to the time it is voted.

Only funds legally available for purchasing or acquiring our issued ordinary shares in accordance with our Articles of Association and the applicable laws of Singapore will be used for the purchase or acquisition by us of our own issued ordinary shares pursuant to the proposed renewal of the Share Purchase Mandate referred to in Proposal No. 6. We intend to use our internal sources of funds to finance the purchase or acquisition of our issued ordinary shares. The amount of financing required for us to purchase or acquire our issued ordinary shares, and the impact on our financial position, cannot be ascertained as of the date of this Notice, as these will depend on the number of ordinary shares purchased or acquired and the price at which such ordinary shares are purchased or acquired. Our net tangible assets and the consolidated net tangible assets of us and our subsidiaries will be reduced by the purchase price of any ordinary shares purchased or acquired. We do not anticipate that the purchase or acquisition of our ordinary shares in accordance with the Share Purchase Mandate would have a material impact on our consolidated earnings for the current financial year.

By Order of the Board of Directors,

Bernard Liew Jin Yang  
Yap Lune Teng  
Joint Secretaries

Singapore  
August , 2005

**Shareholders should read this entire proxy statement  
carefully prior to returning their proxy cards.**

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*The information contained under the captions Compensation Committee Report on Executive Compensation , Audit Committee Report and Stock Price Performance Graph shall not be deemed to be soliciting material or to be filed with the U.S. Securities and Exchange Commission, which we refer to as the SEC, nor shall such information be incorporated by reference into any future filing under the U.S. Securities Act of 1933, as amended, which we refer to as the Securities Act, or the U.S. Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act, or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically incorporate this information by reference into such filing.*

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**PRELIMINARY COPY**

**PROXY STATEMENT FOR  
THE 2005 ANNUAL GENERAL MEETING OF  
SHAREHOLDERS OF  
FLEXTRONICS INTERNATIONAL LTD.  
To Be Held on September 20, 2005**

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Flextronics International Ltd. of proxies to be voted at the 2005 Annual General Meeting, which will be held at 9:00 a.m., Pacific Daylight Time (PDT), on September 20, 2005 at our principal U.S. executive offices located at 2090 Fortune Drive, San Jose, California, 95131, U.S.A. or at any adjournments or postponements thereof, for the purposes set forth in the accompanying Notice of Annual General Meeting. This Proxy Statement and the enclosed proxy card were first mailed on or about August 10, 2005 to shareholders of record as of July 29, 2005. The entire cost of soliciting proxies will be borne by us. Following the original mailing of the proxies and other soliciting materials, we and/or our agents may also solicit proxies by mail, telephone, telegraph or in person. Following the original mailing of the proxies and other soliciting materials, we will request that brokers, custodians, nominees and other record holders of our ordinary shares forward copies of the proxy and other soliciting materials to persons for whom they hold ordinary shares and request authority for the exercise of proxies. In these cases, we will reimburse the record holders for their reasonable expenses if they ask us to do so. We have retained Georgeson Shareholder Services, an independent proxy solicitation firm, to assist in soliciting proxies at an estimated fee of \$7,500.00, plus reimbursement of reasonable expenses. The mailing address of our principal executive offices is One Marina Boulevard, #28-00, Singapore 018989.

**VOTING RIGHTS AND SOLICITATION OF PROXIES**

The close of business on July 29, 2005 was the record date for shareholders entitled to notice of the 2005 Annual General Meeting. As of that date, we had 100,000,000 ordinary shares, \$0.01 par value per share, issued and outstanding. All of the ordinary shares issued and outstanding on September 20, 2005 are entitled to be voted at the 2005 Annual General Meeting, and shareholders of record on September 20, 2005 entitled to vote at the meeting will on a poll have one vote for each ordinary share so held on the matters to be voted upon.

Ordinary shares represented by proxies in the accompanying form which are properly executed and returned to us will be voted at the 2005 Annual General Meeting in accordance with the shareholders' instructions contained therein. Representation of at least 33<sup>1</sup>/<sub>3</sub>% of all issued and outstanding ordinary shares is required to constitute a quorum. The affirmative vote by a show of hands of a majority of the shareholders present and voting at the 2005 Annual General Meeting, or if a poll is demanded by the chair or by any 10% or greater shareholder in accordance with our Articles of Association, a simple majority of the shares voting at the 2005 Annual General Meeting, is required to re-elect and re-appoint the Directors nominated pursuant to Proposals No. 1 and 2, to re-appoint Deloitte & Touche LLP as our independent auditors and authorize our Board of Directors to fix their remuneration pursuant to Proposal No. 3, and to approve the ordinary resolutions contained in Proposals No. 4 through 6.

If a shareholder abstains from voting, including brokers holding their customers' shares of record who cause abstentions to be recorded, these shares are considered present and entitled to be voted at the 2005 Annual General Meeting. These shares will count toward determining whether or not a quorum is present. However, these shares will not be counted in the tabulation of the votes cast on proposals presented to shareholders. If a shareholder does not give a proxy to its broker with instructions as to how to vote the shares, the broker has authority under New York Stock Exchange rules to vote those shares for or against certain routine matters, including all of the proposals to be voted on at the 2005 Annual General Meeting. If a

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broker or nominee indicates on the proxy card that it does not have discretionary authority to vote as to a particular matter, those shares will not be counted in the tabulation of the votes cast on proposals presented to shareholders.

In the absence of contrary instructions, shares represented by proxies will be voted FOR the Board nominees in Proposals No. 1 and 2 and FOR Proposals No. 3 through 6. Management does not know of any matters to be presented at the 2005 Annual General Meeting other than those set forth in this Proxy Statement and in the Notice accompanying this Proxy Statement. If other matters should properly come before the meeting, the proxy holders will vote on such matters in accordance with their best judgment.

Any shareholder of record has the right to revoke his or her proxy at any time prior to voting at the 2005 Annual General Meeting by (i) submitting a subsequently dated proxy or (ii) by attending the meeting and voting in person.

We have prepared, in accordance with Singapore law, Singapore statutory financial statements, which are enclosed with this Proxy Statement. Except as otherwise stated herein, all monetary amounts in this Proxy Statement have been presented in U.S. dollars.

**PROPOSALS NO. 1 AND 2:  
RE-ELECTION AND RE-APPOINTMENT OF DIRECTORS**

Under Article 95 of our Articles of Association, at each Annual General Meeting, at least one-third of the Directors, or, if their number is not a multiple of three, then the number nearest to but not less than one-third of the Directors, are required to retire from office. The Directors required to retire in each year are those who have been in office longest since their last re-election or appointment. As between persons who became or were last re-elected Directors on the same day, those required to retire are (unless they otherwise agree among themselves) determined by lot. Retiring Directors are eligible for re-election. Mr. Davidson and Mr. Tan are the members of the Board of Directors who will retire by rotation in the manner stated above. They are both eligible for re-election and have been nominated to stand for re-election at the 2005 Annual General Meeting.

Under Section 153(2) of the Singapore Companies Act, Cap. 50, which we refer to as the Companies Act, the office of a director of a public company or of a subsidiary of a public company becomes vacant at the conclusion of the annual general meeting commencing next after such director attains the age of 70 years. However, under Section 153(6) of the Companies Act, a person 70 years old or older may, by ordinary resolution be appointed or re-appointed as a director of that company to hold office until the next annual general meeting of shareholders of the company or be authorized to continue in office as a director until the next annual general meeting of shareholders of the company. Mr. Foley turned 73 in February 2005, and, under Singapore law, his office as a Director will become vacant at the conclusion of the 2005 Annual General Meeting. Mr. Foley was re-appointed as a Director at the 2004 Annual General Meeting, pursuant to Section 153(6) of the Companies Act. Accordingly, it is proposed that a resolution be passed at the 2005 Annual General Meeting, pursuant to Section 153(6) of the Companies Act, to re-appoint Mr. Foley as a Director to hold office from the date of the 2005 Annual General Meeting until the 2006 Annual General Meeting.

The proxy holders intend to vote all proxies received by them in the accompanying form for the nominees for Directors listed below. In the event that any nominee is unable or declines to serve as a director at the time of the 2005 Annual General Meeting, the proxies will be voted for any nominee who shall be designated by the present Board of Directors, in accordance with Article 100 of our Articles of Association, to fill the vacancy. As of the date of this Proxy Statement, the Board of Directors is not aware of any nominee who is unable or will decline to serve as a Director.

**Nominees to Our Board of Directors**

Set forth below are the names and ages as of the date of this Proxy Statement of, and certain information regarding, each of the nominees for the 2005 Annual General Meeting.

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*James A. Davidson* (age 46) Mr. Davidson has served as a member of our Board of Directors since March 2003. He is a founder and managing director of Silver Lake Partners, a private equity investment firm. From June 1990 to November 1998, he was an investment banker with Hambrecht & Quist, most recently serving as Managing Director and Head of Technology Investment Banking. From 1984 to 1990, Mr. Davidson was a corporate and securities lawyer with Pillsbury, Madison & Sutro. Currently, Mr. Davidson serves on the board of Seagate Technology, as well as a number of private companies. He received a B.S. from the University of Nebraska and J.D. from the University of Michigan.

*Lip-Bu Tan* (age 45) Mr. Tan has served as a member of our Board of Directors since March 2003. In 1987, he founded and since that time has served as Chairman of Walden International, a venture capital fund. Mr. Tan currently serves on the boards of Cadence Design Systems, Inc., Centillum Communications, Inc., Creative Technology Ltd., Integrated Silicon Solution, Inc., Leadis Technology, Inc., Semiconductor Manufacturing International Corporation and SINA Corporation, as well as a number of private companies. Mr. Tan received an M.S. in Nuclear Engineering from the Massachusetts Institute of Technology, an M.B.A. from the University of San Francisco, and a B.S. from Nanyang University in Singapore.

*Patrick Foley* (age 73) Mr. Foley has served as a member of our Board of Directors since October 1997. Mr. Foley served in various positions with DHL Corporation and its major subsidiary, DHL Airways, Inc., a global document, package and airfreight delivery company from September 1988 to 2001, most recently as its Chairman, President and Chief Executive Officer. He also serves as a director of Health Net, Inc. and Glenborough Realty Trust Incorporated, as well as several private companies.

**Directors Not Standing for Re-Election**

Set forth below are the names and ages as of the date of this Proxy Statement of, and certain information regarding, each of the Directors who are not standing for re-election at the 2005 Annual General Meeting.

*Richard L. Sharp* (age 58) Mr. Sharp has served as a member of our Board of Directors since July 1993 and as Chairman of our Board since January 2003. Mr. Sharp will continue to serve as a Director upon Mr. Marks becoming the Chairman of our Board on January 31, 2006. Mr. Sharp served in various positions with Circuit City Stores, Inc., a consumer electronics and personal computer retailer, from 1982 to 2002, most recently as President from 1984 to 1997, Chief Executive Officer from 1986 to 2000 and Chairman of the Board from 1994 to 2002. Mr. Sharp is the Chairman of the Board of CarMax, Inc.

*Michael E. Marks* (age 54) Mr. Marks has served as our Chief Executive Officer since January 1994. He has served as a member of our Board of Directors since December 1991, and he has been appointed by our Board of Directors to serve as Chairman of our Board effective upon his retirement as Chief Executive Officer on January 31, 2006. He previously served as Chairman of our Board from July 1993 to January 2003. Mr. Marks serves on the boards of KLA-Tencor Corporation, SanDisk Corporation, Schlumberger Limited (Schlumberger N.V.) and Western Brands, LLC. He received a B.A. and an M.A. from Oberlin College and an M.B.A. from Harvard Business School.

*Michael J. Moritz* (age 50) Mr. Moritz has served as a member of our Board of Directors since July 1993. Since 1988, he has been a General Partner of Sequoia Capital, a venture capital firm. Mr. Moritz also serves as a director of Saba Software, Inc., Google Inc. and several privately-held companies, as well as Chairman of the Board of RedEnvelope, Inc. Mr. Moritz received an M.A. from Christ Church, University of Oxford.

**The Board recommends a vote FOR  
the re-election of Mr. Davidson and Mr. Tan  
and the re-appointment of Mr. Foley to the Board of Directors.**

**Our Board and Meetings**

Under our Articles of Association, the Board of Directors is vested with general powers to manage our business. The Board oversees and provides policy guidance on our strategic and business planning processes.

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The Board also oversees the conduct of our business by senior management and is principally responsible for the succession planning for our key executives, including our Chief Executive Officer.

The Board has determined that each of our Directors is an independent director as defined by the applicable rules of the NASDAQ Stock Market other than Mr. Marks, who currently serves as our Chief Executive Officer.

Our Board of Directors held a total of 40 meetings during fiscal year 2005, of which six were regularly scheduled meetings and 34 were administrative meetings. During the period for which each current director was a director or a committee member, all Directors attended at least 75% of the aggregate of the total number of regularly scheduled meetings of our Board together with the total number of meetings held by all committees of our Board on which he served. Only Mr. Marks and Mr. Moritz attended 75% of the aggregate of the total number of administrative meetings of our Board. During fiscal year 2005, our non-employee Directors met at regularly scheduled executive sessions without management participation. At these executive sessions, Mr. Sharp acted as the presiding non-employee Director. Our Board has adopted a policy that encourages each Director to attend the Annual General Meeting, but attendance is not required. Mr. Marks attended the 2004 Annual General Meeting.

**Board Committees and Meetings**

The Board of Directors currently has an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee and a Finance Committee. The table below provides current membership for each of these committees for fiscal year 2005.

Name	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Finance Committee
Michael E. Marks				X
James A. Davidson	X			
Patrick Foley	X		X	
Michael J. Moritz	X	X		X
Richard L. Sharp		X		
Lip-Bu Tan			X	

***Audit Committee***

The Audit Committee is currently composed of Mr. Foley, Mr. Moritz and Mr. Davidson, each of whom the Board has determined to be an independent director and meets the financial experience requirements under both the rules of the SEC and the NASDAQ Stock Market listing standards. The Board has also determined that Mr. Davidson is an audit committee financial expert within the meaning of the rules of the SEC and is financially sophisticated within the meaning of the rules of the NASDAQ Stock Market. The Audit Committee held four meetings during fiscal year 2005. The Audit Committee's principal functions are to (1) monitor and evaluate periodic reviews of the adequacy of the accounting and financial reporting processes and systems of internal control that are conducted by our financial and senior management, and our independent auditors; (2) be directly responsible for the appointment, compensation and oversight of the work of our independent auditors (including resolution of any disagreements between our management and the auditors regarding financial reporting); and (3) facilitate communication among our independent auditors, our financial and senior management and our Board. Our Board has adopted an Audit Committee Charter that is available on our website at <http://www.flextronics.com/Investors/corporateGovernance.asp>.

***Compensation Committee***

The Compensation Committee is currently composed of Mr. Sharp and Mr. Moritz, each of whom our Board has determined to be an independent director under applicable NASDAQ Stock Market listing standards. The Compensation Committee recommends compensation for our key employees to our Board and



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administers the employee share option plans. The Compensation Committee held eight meetings during fiscal year 2005. Our Board has adopted a Compensation Committee Charter that is available on our website at <http://www.flextronics.com/Investors/corporateGovernance.asp>.

***Nominating and Corporate Governance Committee***

The Nominating and Corporate Governance Committee currently consists of Mr. Foley and Mr. Tan, each of whom our Board has determined to be an independent director under applicable NASDAQ Stock Market listing standards. The Nominating and Corporate Governance Committee held two meetings during fiscal year 2005. The Nominating and Corporate Governance Committee recruits, evaluates and recommends candidates for appointment or election as members of our Board and recommends corporate governance guidelines to the Board. Our Board has adopted a Nominating and Corporate Governance Committee Charter that is available on our website at <http://www.flextronics.com/Investors/corporateGovernance.asp>.

The Nominating and Corporate Governance Committee generally recruits, evaluates and recommends nominees for our Board based upon recommendations by our Directors, management and shareholders. The Nominating and Corporate Governance Committee will also consider recommendations submitted by our shareholders. To date, we have not received any such recommendations from our shareholders. Shareholders can recommend qualified candidates for our Board to the Nominating and Corporate Governance Committee by submitting recommendations to our corporate secretary at Flextronics International Ltd., One Marina Boulevard, #28-00, Singapore 018989. Submissions that are received and meet the criteria outlined below will be forwarded to the Nominating and Corporate Governance Committee for review and consideration. Shareholder recommendations for our 2006 Annual General Meeting should be made at least three months prior to August , 2006 to ensure adequate time for meaningful consideration by the Nominating and Corporate Governance Committee.

The goal of the Nominating and Corporate Governance Committee is to ensure that our Board possesses a variety of perspectives and skills derived from high-quality business and professional experience. The Nominating and Corporate Governance Committee seeks to achieve a balance of knowledge, experience and capability on our Board, while maintaining a sense of collegiality and cooperation that is conducive to a productive working relationship within the Board and between the Board and management. To this end, the Nominating and Corporate Governance Committee seeks nominees with the highest professional and personal ethics and values, an understanding of our business and industry, diversity of business experience and expertise, a high level of education, broad-based business acumen, and the ability to think strategically. Although the Nominating and Corporate Governance Committee uses these and other criteria to evaluate potential nominees, we have no stated minimum criteria for nominees. The Nominating and Corporate Governance Committee does not use different standards to evaluate nominees depending on whether they are proposed by our Directors and management or by our shareholders. To date, we have not paid a third party to assist us in finding nominees for our Board.

***Finance Committee***

The Finance Committee is currently composed of Mr. Marks and Mr. Moritz. The Finance Committee reviews and approves various financial matters that are not reserved for approval from our Board.

**Code of Business Conduct and Ethics**

We have adopted a Code of Business Conduct and Ethics that applies to all of our employees and our Directors. The Code is available on our website at <http://www.flextronics.com/Investors/corporateGovernance.asp>. Any amendment (other than technical, administrative or other non-substantive amendments) to or material waiver (as defined by the SEC) of a provision of the Code that applies to our principal executive officer, principal financial officer, principal accounting officer, controller or persons performing similar functions and relates to elements of the Code specified in the rules of the SEC will be posted on our website.



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**Shareholder Communications with Our Board**

Our shareholders may communicate with our Board by submitting an e-mail to [Board@flextronics.com](mailto:Board@flextronics.com). All e-mails received will be sent to our Chairman of the Board and Chief Financial Officer and/or Vice President, Finance & Investor Relations. Our Vice President, Finance & Investor Relations will review all of the e-mail correspondence and provide regular summaries to our Board.

**Director Compensation**

Each individual who first becomes a non-employee Director is granted stock options to purchase 25,000 ordinary shares under the automatic option grant provisions of our 2001 Equity Incentive Plan, which we refer to as the 2001 Plan. After this initial grant, under the terms of the automatic option grant provisions of the 2001 Plan, on the date of each Annual General Meeting, each individual who is at that time serving as a non-employee Director receives stock options to purchase 12,500 ordinary shares. During fiscal year 2005, Mr. Moritz, Mr. Foley, Mr. Sharp, Mr. Davidson and Mr. Tan each received stock options to purchase 12,500 ordinary shares under this program.

Under the terms of the discretionary option grant provisions of the 2001 Plan, non-employee Directors are eligible to receive stock options granted at the discretion of the Compensation Committee. Pursuant to these provisions, during fiscal year 2005, Mr. Moritz, Mr. Foley, Mr. Sharp, Mr. Davidson and Mr. Tan each received stock options to purchase 20,000 ordinary shares. In addition, under the terms of the discretionary stock bonus grant provisions of the 2001 Plan, which were approved by shareholders at the 2004 Annual General Meeting, non-employee Directors are eligible to receive stock bonuses at the discretion of the Compensation Committee. Pursuant to these provisions, the Compensation Committee recently approved the granting of a stock bonus, consisting of such number of shares having an aggregate fair market value of US\$100,000 on or about the date of grant, to each non-employee Director. This stock bonus will be granted on the date of each Annual General Meeting, commencing with the 2005 Annual General Meeting. The maximum number of ordinary shares that may be subject to awards granted to each non-employee Director under the 2001 Plan is 100,000 ordinary shares in each calendar year.

For the twelve-month period since the 2004 Annual General Meeting, each non-employee Director received (i) annual cash compensation of \$37,200 for services rendered as a director and (ii) \$700 for each quarterly meeting of the Board of Directors that he attended as well as reimbursement of reasonable out-of-pocket expenses incurred in connection with meetings of the Board of Directors. We are currently seeking approval from our shareholders for us to provide \$10,000 of cash compensation, payable on the first day of each fiscal quarter commencing on October 1, 2005, to each of our non-employee Directors for services rendered as a director. We are also currently seeking approval from our shareholders for us to provide (i) an additional \$2,500 of cash compensation, payable on the first day of each fiscal quarter commencing on October 1, 2005, to the Chairman of the Audit Committee (if appointed) of the Board of Directors for services rendered as Chairman of the Audit Committee and for his or her participation on the Audit Committee and (ii) an additional \$1,250 of cash compensation, payable on the first day of each fiscal quarter commencing on October 1, 2005, to each of our non-employee Directors for their participation on each committee of the Board of Directors on which such Director serves. No Director who is our employee receives compensation for services rendered as a director.

**Compensation Committee Interlocks and Insider Participation**

The members of the Compensation Committee of our Board during fiscal year 2005 were Mr. Sharp and Mr. Moritz. None of our executive officers serves on the Compensation Committee. No interlocking relationships exist between our Board or the Compensation Committee, on the one hand, and the board of directors or compensation committee of any other company, on the other hand.

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**PROPOSAL NO. 3:  
RE-APPOINTMENT OF INDEPENDENT AUDITORS FOR FISCAL YEAR 2006 AND  
AUTHORIZATION OF OUR BOARD TO FIX THEIR REMUNERATION**

The Audit Committee has recommended to the Board of Directors the re-appointment of Deloitte & Touche LLP as independent auditors to audit our accounts and records for the fiscal year ending March 31, 2006, and to perform other appropriate services. We expect that a representative from Deloitte & Touche LLP will be present at the 2005 Annual General Meeting. This representative will have the opportunity to make a statement if he or she so desires and is expected to be available to respond to appropriate questions.

**Principal Accountant Fees and Services**

Set forth below are the fees paid for the services performed by Deloitte & Touche LLP, a member firm of Deloitte Touche Tohmatsu, and their respective affiliates during fiscal year 2005 and fiscal year 2004. All audit and permissible non-audit services reflected in the fees below were pre-approved by the Audit Committee in accordance with established procedures.

	<b>Fiscal Year 2005</b>	<b>Fiscal Year 2004</b>
<b>(In millions)</b>		
Audit Fees	\$ 7.6	\$ 4.5
Audit-Related Fees	0.0	1.0
Tax Fees	2.6	2.0
All Other Fees		
<b>Total:</b>	<b>\$ 10.2</b>	<b>\$ 7.5</b>

*Audit Fees* consist of fees for professional services rendered by our independent auditors for the audit of our annual financial statements included in our Annual Report on Form 10-K (including services incurred with rendering an opinion under Section 404 of the Sarbanes-Oxley Act of 2002) and the review of our quarterly financial statements included in our Quarterly Reports on Form 10-Q. These fees include fees for services that are normally incurred in connection with statutory and regulatory filings or engagements, such as comfort letters, statutory audits, consents and review of documents filed with the SEC.

*Audit-Related Fees* consist of fees for assurance and related services by our auditors that are reasonably related to the performance of the audit or review of our financial statements and not included in Audit Fees. In fiscal year 2004, these fees related primarily to accounting consultation services and readiness services related to Section 404 of the Sarbanes-Oxley Act of 2002.

*Tax Fees* consist of fees for professional services rendered by our independent auditors for tax compliance, tax advice, tax consultation and tax planning services.

*All Other Fees* consist of fees for professional services rendered by our independent auditors for permissible non-audit services, if any. We did not incur fees under this category during fiscal year 2005 and fiscal year 2004.

**Audit Committee Pre-Approval Policy**

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year, and any pre-approval is detailed as to the particular service or category of services. The independent auditors and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent auditors in accordance with this pre-approval, and the fees for the services performed to date. The Audit Committee may also pre-approve particular services on a case-by-case basis.



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The Audit Committee has determined that the provision of non-audit services under appropriate circumstances may be compatible with maintaining the independence of Deloitte & Touche LLP, and that all such services provided by Deloitte & Touche LLP to us in the past were compatible with maintaining such independence. The Audit Committee is sensitive to the concern that some non-audit services, and related fees, could impair independence and the Audit Committee believes it important that independence be maintained. However, the Audit Committee also recognizes that in some areas, services that are identified by the relevant regulations as tax fees or other fees are sufficiently related to the audit work performed by Deloitte & Touche LLP that it would be highly inefficient and unnecessarily expensive to use a separate firm to perform those non-audit services. The Audit Committee intends to evaluate each such circumstance on its own merits, and to approve the performance of non-audit services where it believes efficiency can be obtained without meaningfully compromising independence.

**The Board recommends a vote FOR the re-appointment of Deloitte & Touche LLP, upon the recommendation of the Audit Committee, as independent auditors for fiscal year 2006 and authorization of the Board, upon the recommendation of the Audit Committee, to fix their remuneration.**

**PROPOSAL NO. 4:  
ORDINARY RESOLUTION TO AUTHORIZE  
ORDINARY SHARE ISSUANCES**

We are incorporated in the Republic of Singapore. Under Singapore law, our Directors may only issue ordinary shares and make or grant offers, agreements or options that might or would require the issuance of ordinary shares, with the prior approval from our shareholders. If this proposal is approved, the authorization would be effective from the date of the 2005 Annual General Meeting until the earlier of (i) the conclusion of the 2006 Annual General Meeting or (ii) the expiration of the period within which the 2006 Annual General Meeting is required by law to be held. The 2006 Annual General Meeting is required to be held no later than 15 months after the date of the 2005 Annual General Meeting and no later than 6 months after the date of our 2006 fiscal year end.

The Board believes that it is advisable and in the best interests of our shareholders for our shareholders to authorize the Directors to issue ordinary shares and to make or grant offers, agreements or options that might or would require the issuance of ordinary shares. In the past, the Board has issued shares or made agreements that would require the issuance of new ordinary shares in connection with strategic transactions and acquisitions, pursuant to public and private offerings of our ordinary shares as well as instruments convertible into our ordinary shares and in connection with our equity compensation plans and arrangements. Notwithstanding this general authorization to issue our ordinary shares, we will be required to seek shareholder approval with respect to future issuances of ordinary shares where required under the rules of the NASDAQ National Market, such as where we propose to issue ordinary shares that will result in a change in control of the company or in connection with a transaction involving the issuance of ordinary shares representing 20% or more of our outstanding ordinary shares.

The Board expects that we will continue to issue ordinary shares and grant options in the future under circumstances similar to those in the past. As of the date of this Proxy Statement, other than issuances of ordinary shares or agreements that would require the issuance of new ordinary shares in connection with our equity compensation plans and arrangements, we have no specific plans, agreements or commitments to issue any ordinary shares for which approval of this proposal is required. Nevertheless, the Board believes that it is advisable and in the best interests of our shareholders for our shareholders to provide this general authorization in order to avoid the delay and expense of obtaining shareholder approval at a later date and to provide us with greater flexibility to pursue strategic transactions and acquisitions and raise additional capital through public and private offerings of our ordinary shares as well as instruments convertible into our ordinary shares.

At the 2000 Annual General Meeting, our shareholders approved an increase in our authorized share capital to 1,500,000,000 ordinary shares, par value S\$0.01 per share. As of July 29, 2005, ordinary

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shares were issued and outstanding. Further, as of that date, we had \_\_\_\_\_ ordinary shares reserved for issuance upon the exercise of outstanding options and other awards under our equity compensation plans and ordinary shares available for grant pursuant to options and other awards under our equity compensation plans. In addition, as of that date, we had \_\_\_\_\_ shares reserved for issuance upon conversion of our outstanding convertible notes. If this proposal is approved, our Directors would be authorized to issue, during the period described above, all remaining ordinary shares out of our authorized but unissued ordinary share capital, subject to applicable Singapore laws and the rules of the NASDAQ National Market, although we currently do not intend to do so. The issuance of a large number of ordinary shares could be dilutive to existing shareholders or reduce the trading price of our ordinary shares on the NASDAQ National Market.

We are submitting this proposal because we are required to do so under Singapore law before we can issue any ordinary shares in connection with strategic transactions, public and private offerings and in connection with our equity compensation plans. We are not submitting this proposal in response to a threatened takeover. In the event of a hostile attempt to acquire control of our company, we could seek to impede the attempt by issuing ordinary shares, which may dilute the voting power of our existing shareholders. This could also have the effect of impeding the efforts of our shareholders to remove an incumbent Director and replace him with a new Director of their choice. These potential effects could limit the opportunity for our shareholders to dispose of their ordinary shares at the premium that may be available in takeover attempts.

The following agreements, which are not affected by approval of this proposal, may have anti-takeover effects:

Our Articles of Association permit the Chairman of the Annual General Meeting (provided he is a person entitled to vote at the Annual General Meeting) or any shareholder(s) present and representing not less than one-tenth of the total voting rights of all shareholders having the right to vote at that meeting to demand that votes at the Annual General Meeting be decided by a poll (where each ordinary share is entitled to one vote), rather than by a show of hands (where each shareholder is entitled to one vote, irrespective of the number of shares held by that shareholder).

Our option agreements with each executive officer provide that if the executive officer is terminated without cause or leaves for good reason within the first 12 months following a change in control of the company, the vesting of any unvested portion of the option will be accelerated in full. If the executive officer is still employed upon the first year anniversary of such a change of control of the company, the vesting of any unvested portion of the option will be accelerated in full. Each option includes a limited stock appreciation right pursuant to which the option will automatically be cancelled upon the occurrence of certain hostile tender offers, in return for a cash distribution from us based on the tender offer price per share.

Further, under Singapore law, the Singapore Code on Take-overs and Mergers prescribes that (a) any person who acquires whether by a series of transactions over a period of time or not, shares which carry 30% or more of our voting rights (taken together with shares held or acquired by persons acting in concert with him); or (b) any person who, together with persons acting in concert with him, holds not less than 30% but not more than 50% of our voting rights and such person, or any person acting in concert with him, acquires in any period of 6 months additional shares carrying more than 1% of our voting rights, must, extend a mandatory take-over offer immediately for our remaining shares which carry voting rights. We have no current plans or proposals to enter into any arrangement that could have material anti-takeover consequences.

**The Board recommends a vote FOR the resolution  
to authorize ordinary share issuances.**

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**PROPOSAL NO. 5:  
ORDINARY RESOLUTION TO APPROVE DIRECTOR  
CASH COMPENSATION AND ADDITIONAL CASH COMPENSATION FOR THE CHAIRMAN  
OF THE AUDIT COMMITTEE (IF APPOINTED) AND FOR COMMITTEE PARTICIPATION**

Under Singapore law, we may only provide cash compensation to our Directors for services rendered in their capacity as directors with the prior approval from our shareholders at a general meeting. We believe that it is advisable and in the best interests of our shareholders for our shareholders to authorize us to provide \$10,000 of cash compensation, payable on the first day of each fiscal quarter commencing on October 1, 2005, to each of our non-employee Directors for services rendered as a director. We believe that this authorization will benefit our shareholders by enabling us to attract and retain qualified individuals to serve as members of our Board of Directors and to continue to provide leadership for our company.

We are also currently seeking approval from our shareholders for us to provide (i) an additional \$2,500 of cash compensation, payable on the first day of each fiscal quarter commencing on October 1, 2005, to the Chairman of the Audit Committee (if appointed) of the Board of Directors for services rendered as Chairman of the Audit Committee and for his or her participation on the Audit Committee and (ii) an additional \$1,250 of cash compensation, payable on the first day of each fiscal quarter commencing on October 1, 2005, to each of our non-employee Directors for their participation on each committee of the Board of Directors. In connection with recent amendments to SEC and NASDAQ Stock Market rules, our Directors have incurred additional committee responsibilities in addition to their existing Board responsibilities. We believe that it is advisable and in the best interests of our shareholders to authorize us to provide additional quarterly cash compensation to the Chairman of the Audit Committee (if appointed) and for committee participation to reflect the additional commitment that is required from these Directors.

**The Board recommends a vote FOR the resolution  
to approve Directors cash compensation and additional cash compensation  
for the Chairman of the Audit Committee (if appointed) and for committee participation.**

**PROPOSAL NO. 6:  
ORDINARY RESOLUTION TO APPROVE THE PROPOSED  
RENEWAL OF THE SHARE PURCHASE MANDATE**

**The Proposed Renewal of the Share Purchase Mandate**

Our purchases or acquisitions of our ordinary shares must be made in accordance with, and in the manner prescribed by, the Companies Act, the applicable listing rules of the NASDAQ National Market and such other laws and regulations as may from time to time be applicable.

Under Singapore law, a Singapore company wishing to purchase or otherwise acquire its own shares is required to obtain shareholder approval of a general and unconditional mandate given to the company's directors to exercise all of the company's powers to purchase or otherwise acquire its own shares. We refer to this general and unconditional mandate as the Share Purchase Mandate. While our shareholders approved a renewal of the Share Purchase Mandate at the 2004 Annual General Meeting, our Directors have not exercised any of the company's powers to purchase any of our issued ordinary shares pursuant to this renewed Share Purchase Mandate. The Share Purchase Mandate renewed at the 2004 Annual General Meeting will expire on the date of the 2005 Annual General Meeting. Accordingly, we are submitting this proposal to seek approval from our shareholders at the 2005 Annual General Meeting for another renewal of the Share Purchase Mandate. This resolution will be proposed as an Ordinary Resolution pursuant to which the Share Purchase Mandate will be given to our Directors to exercise all the company's powers to purchase or otherwise acquire our issued ordinary shares on the terms of the Share Purchase Mandate.

If renewed by shareholders at the 2005 Annual General Meeting, the authority conferred by the Share Purchase Mandate will, unless varied or revoked by our shareholders at a general meeting, continue in force

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until the earlier of the date of the 2006 Annual General Meeting or the date by which the 2006 Annual General Meeting is required by law to be held.

The authority and limitations placed on our share purchases or acquisitions under the proposed Share Purchase Mandate, if renewed at the 2005 Annual General Meeting, are summarized below:

***(A) Maximum number of ordinary shares***

We may purchase or acquire only ordinary shares which are issued and fully paid up. The total number of ordinary shares which we may purchase or acquire is limited to that number of ordinary shares representing not more than 10% of our issued ordinary share capital at the date of the Annual General Meeting at which the Share Purchase Mandate is approved.

Purely for illustrative purposes, on the basis of issued ordinary shares as of July 29, 2005, and assuming that no further ordinary shares are issued on or prior to the 2005 Annual General Meeting, pursuant to the proposed Share Purchase Mandate, we may purchase not more than issued ordinary shares (representing 10% of our issued ordinary share capital at that date).

***(B) Duration of authority***

Purchases or acquisitions of ordinary shares may be made, at any time and from time to time, on and from the date of approval of the Share Purchase Mandate up to the earlier of:

(1) the date on which our next Annual General Meeting is held or required by law to be held; or

(2) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied.

***(C) Manner of purchases or acquisitions of ordinary shares***

Purchases or acquisitions of ordinary shares may be made by way of:

(1) market purchases on the NASDAQ National Market or any other stock exchange on which our ordinary shares may for the time being be listed and quoted, through one or more duly licensed dealers appointed by us for that purpose; and/or

(2) off-market purchases (if effected other than on the NASDAQ National Market or, as the case may be, any other stock exchange on which our ordinary shares may for the time being be listed and quoted), in accordance with an equal access scheme.

In connection with or in relation to any equal access scheme or schemes, our Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the applicable listing rules of the NASDAQ National Market and the Companies Act, as they consider fit and in our interests. An equal access scheme must, however, satisfy all of the following conditions:

(1) offers for the purchase or acquisition of ordinary shares shall be made to every person who holds ordinary shares to purchase or acquire the same percentage of their ordinary shares;

(2) all of those persons shall be given a reasonable opportunity to accept the offers made; and

(3) the terms of all of the offers are the same (except that there shall be disregarded (a) differences in consideration attributable to the fact that offers may relate to ordinary shares with different accrued dividend entitlements and (b) differences in the offers introduced solely to ensure that each person is left with a whole number of ordinary shares).

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***(D) Purchase price***

The purchase price (excluding brokerage commission, applicable goods and services tax and other related expenses) to be paid for an ordinary share will be determined by our Directors. The maximum purchase price to be paid for the ordinary shares as determined by our Directors must not exceed:

(1) in the case of a market purchase, 105% of the Average Closing Price of our ordinary shares; and

(2) in the case of an off-market purchase pursuant to an equal access scheme, 110% of the Average Closing Price of our ordinary shares,

in either case, excluding related expenses of the purchase or acquisition.

For the above purposes, the term Average Closing Price means the average of the last dealt prices of an ordinary share for the five consecutive trading days on which our ordinary shares are transacted on the NASDAQ National Market or, as the case may be, any other stock exchange on which our ordinary shares may for the time being be listed and quoted, immediately preceding the date of the market purchase by us or, as the case may be, the date of the making of the offer pursuant to the off-market purchase. The date of the making of the offer refers to the date on which we announce our intention to make an offer for the purchase or acquisition of ordinary shares from holders of ordinary shares, stating the purchase price (which shall not be more than the maximum purchase price calculated on the foregoing basis) for each ordinary share and the relevant terms of the equal access scheme for effecting the off-market purchase.

**Sources of Funds**

Only funds legally available for purchasing or acquiring ordinary shares in accordance with our Articles of Association and applicable laws of Singapore shall be used. We intend to use our internal sources of funds to finance any purchase or acquisition of our ordinary shares. We do not intend to borrow money to finance any purchase or acquisition of our ordinary shares. Our Directors do not propose to exercise the Share Purchase Mandate in a manner and to such an extent that would materially affect our working capital requirements and those of our subsidiaries.

Under current Singapore law, any purchases and acquisitions of ordinary shares must be made out of our distributable profits which are available for payment as dividends, excluding any amount in our share premium account and capital redemption reserve fund. However, pursuant to the Companies (Amendment) Act No. 21 of 2005, which we refer to as the Amendment Act and which is yet to be in force, purchases and acquisitions of ordinary shares may be made out of the company's capital or profits, so long as the company is solvent for the purposes of the new section 76F(4) of the Companies Act. For this purpose, under the Amendment Act, a company is solvent if (a) it is able to pay its debts in full at the time of the payment made in consideration of the acquisition of any right with respect to the purchase or acquisition of ordinary shares in accordance with the provisions of the Companies Act and will be able to pay its debts as they fall due in the normal course of business during the 12-month period immediately following the date of payment; and (b) the value of the company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after giving effect to the proposed purchase or acquisition, become less than the value of its liabilities (including contingent liabilities).

**Status of Purchased or Acquired Ordinary Shares**

Any ordinary share we purchase or acquire is deemed cancelled immediately on purchase or acquisition, and all rights and privileges attached to that ordinary share will expire on cancellation.

We will cancel and destroy certificates in respect of purchased or acquired ordinary shares as soon as reasonably practicable following settlement of any purchase or acquisition of such ordinary shares.



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### **Financial Effects**

The amount by which our issued share capital is diminished on cancellation of ordinary shares purchased or acquired must be transferred to a reserve called the capital redemption reserve. In the event that we implement a bonus issue of shares in the future, such reserve may be applied by us in paying up any unissued shares to be allotted and issued to our shareholders as fully paid bonus shares.

Our total issued share capital will be diminished by the total nominal amount (or par value) of the ordinary shares purchased or acquired by us. Under current Singapore law, the consideration paid by us for the purchase or acquisition of ordinary shares (excluding related brokerage, goods and services tax, stamp duties and clearance fees) will correspondingly reduce the amount available for the distribution of cash dividends by us.

Our net tangible assets and the consolidated net tangible assets of our subsidiaries will be reduced by the purchase price of any ordinary shares purchased or acquired. We do not anticipate that the purchase or acquisition of our ordinary shares in accordance with the Share Purchase Mandate would have a material impact on our consolidated earnings for the current financial year.

Pursuant to the Amendment Act, in the event that our ordinary shares are purchased or acquired out of the company's capital or profits and cancelled, our share capital or profits will be reduced, respectively, by the total amount of the purchase price paid by us for the ordinary shares cancelled. In the event that our ordinary shares are purchased or acquired out of both the company's capital or profits and cancelled, our share capital and profits will be reduced proportionately by the total amount of the purchase price paid by us for the ordinary shares cancelled.

### **Rationale for the Share Purchase Mandate**

We believe that a renewal of the Share Purchase Mandate at the 2005 Annual General Meeting will benefit our shareholders by providing our Directors with appropriate flexibility to repurchase ordinary shares if our Directors believe that such repurchases would be in the best interests of our shareholders. Our decision to repurchase our ordinary shares from time to time will depend on our continuing assessment of then-current market conditions, our need to use available cash to finance acquisitions and other strategic transactions, the level of our debt and the terms and availability of financing.

### **Take-Over Implications**

If, as a result of our purchase or acquisition of our issued ordinary shares, a shareholder's proportionate interest in our voting capital increases, such increase will be treated as an acquisition for the purposes of The Singapore Code on Take-overs and Mergers. If such increase results in a change of effective control, or, as a result of such increase, a shareholder or a group of shareholders acting in concert obtains or consolidates effective control of our company, such shareholder or group of shareholders acting in concert could become obliged to make a take-over offer for our company under Rule 14 of The Singapore Code on Take-overs and Mergers.

Under The Singapore Code on Take-overs and Mergers, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal) co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company. Unless the contrary is established, the following persons will be presumed to be acting in concert, namely, (i) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts) and (ii) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies and companies of which such companies are associated companies, all with each other. For this purpose, a company is an associated company of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first company.

The circumstances under which shareholders (including Directors) and persons acting in concert with them, respectively, will incur an obligation to make a take-over offer under Rule 14 of The Singapore Code on

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Take-overs and Mergers after a purchase or acquisition of our issued ordinary shares by us are set out in Appendix 2 of The Singapore Code on Take-overs and Mergers.

The effect of Appendix 2 is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of us purchasing or acquiring our issued ordinary shares, the voting rights of such Directors and parties acting in concert with them would increase to 30% or more, or if such Directors and their concert parties hold between 30% and 50% of our voting rights, the voting rights of such Directors and parties acting in concert with them would increase by more than 1% in any period of six months.

Under Appendix 2, a shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of us purchasing or acquiring our issued ordinary shares, the voting rights of such shareholder in us would increase to 30% or more, or if such shareholder holds between 30% and 50% of our voting rights, the voting rights of such shareholder would increase by more than 1% in any period of six months. Such shareholder need not abstain from voting in respect of the resolution authorizing the Share Purchase Mandate.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under The Singapore Code on Take-overs and Mergers as a result of any share purchase by us should consult the Securities Industry Council of Singapore and/or their professional advisers at the earliest opportunity.

**The Board recommends a vote FOR the resolution  
to approve the proposed renewal of the Share Purchase Mandate.**

**Table of Contents****EXECUTIVE OFFICERS AND DIRECTORS**

The names, ages and positions of our executive officers and directors as of June 30, 2005 are as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Michael E. Marks	54	Chief Executive Officer and Director
Michael M. McNamara	48	Chief Operating Officer
Thomas J. Smach	45	Chief Financial Officer
Ronny Nilsson	56	President, Flextronics Network Services
Peter Tan	56	President and Managing Director, Asia Operations
Richard L. Sharp	58	Chairman of the Board
James A. Davidson	46	Director
Patrick Foley	73	Director
Michael J. Moritz	50	Director
Lip-Bu Tan	45	Director

*Michael E. Marks.* Mr. Marks has served as our Chief Executive Officer since January 1994. He has served as a member of our Board of Directors since December 1991, and he has been appointed by our Board of Directors to serve as Chairman of our Board effective upon his retirement as Chief Executive Officer on January 31, 2006. He previously served as Chairman of our Board from July 1993 to January 2003. Mr. Marks serves on the boards of KLA-Tencor Corporation, SanDisk Corporation, Schlumberger Limited (Schlumberger N.V.) and Western Brands. He received a B.A. and an M.A. from Oberlin College and an M.B.A. from Harvard Business School.

*Michael M. McNamara.* Mr. McNamara has served as Chief Operating Officer since January 2002, and he has been appointed by our Board of Directors to succeed Mr. Marks as our Chief Executive Officer effective January 31, 2006. Mr. McNamara previously served as President, Americas Operations from April 1997 to December 2001, and as Vice President, North American Operations from April 1994 to April 1997. Mr. McNamara received a B.S. from the University of Cincinnati and an M.B.A. from Santa Clara University.

*Thomas J. Smach.* Mr. Smach has served as our Chief Financial Officer since December 2004. Prior to his promotion, he served as Senior Vice President, Finance from April 2000 to December 2004 following our acquisition of the Dii Group, Inc., a provider of electronics manufacturing services. From August 1997 to April 2000, he served as the Senior Vice President, Chief Financial Officer and Treasurer of the Dii Group, Inc. Mr. Smach is a certified public accountant and he received a B.S. in Accounting from State University of New York at Binghamton.

*Ronny Nilsson.* Mr. Nilsson has served as President, Flextronics Network Services since January 2002. Prior to his promotion, Mr. Nilsson served as President, Western Europe Operations from April 1997 to December 2001. Mr. Nilsson received a certificate in Mechanical Engineering from the Lars Kagg School in Kalmar, Sweden and certificates from the Swedish Management Institute and the Ericsson Management Program.

*Peter Tan.* Mr. Tan has served as President and Managing Director, Asia Operations since March 2005. Prior to his promotion, Mr. Tan served as Executive Vice President & Managing Director, Asia Operations, following our acquisition of JIT Electronics in August 2000, where he held the position of Executive Director. Prior to joining JIT Electronics in 1997, Mr. Tan served as Managing Director, Asia Pacific Operations for Apple Computer, and previously as General Manager and Managing Director at Molex Singapore for five years. Preceding Molex Singapore, Mr. Tan spent 18 years with National Semiconductor Asia Pacific, where he held various positions in manufacturing, materials management, operations and product lines planning. Mr. Tan received a Graduate Diploma in Management Studies from the University of Chicago Graduate School of Business and an M.B.A. from Golden Gate University, San Francisco.

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*Richard L. Sharp.* Mr. Sharp has served as a member of our Board of Directors since July 1993 and as Chairman of our Board since January 2003. Mr. Sharp will continue to serve as a Director upon Mr. Marks becoming the Chairman of our Board on January 31, 2006. Mr. Sharp served in various positions with Circuit City Stores, Inc., a consumer electronics and personal computer retailer, from 1982 to 2002, most recently as President from 1984 to 1997, Chief Executive Officer from 1986 to 2000 and Chairman of the Board from 1994 to 2002. Mr. Sharp is the Chairman of the Board of CarMax, Inc.

*James A. Davidson.* Mr. Davidson has served as a member of our Board of Directors since March 2003. He is a founder and managing director of Silver Lake Partners, a private equity investment firm. From June 1990 to November 1998, he was an investment banker with Hambrecht & Quist, most recently serving as Managing Director and Head of Technology Investment Banking. From 1984 to 1990, Mr. Davidson was a corporate and securities lawyer with Pillsbury, Madison & Sutro. Currently, Mr. Davidson serves on the board of Seagate Technology. He received a B.S. from the University of Nebraska and J.D. from the University of Michigan.

*Patrick Foley.* Mr. Foley has served as a member of our Board of Directors since October 1997. Mr. Foley served in various positions with DHL Corporation and its major subsidiary, DHL Airways, Inc., a global document, package and airfreight delivery company from September 1988 to 2001, most recently as its Chairman, President and Chief Executive Officer. He also serves as a director of Health Net, Inc. and Glenborough Realty Trust Incorporated, as well as several private companies.

*Michael J. Moritz.* Mr. Moritz has served as a member of our Board of Directors since July 1993. Since 1988, he has been a General Partner of Sequoia Capital, a venture capital firm. Mr. Moritz also serves as a director of Saba Software, Inc., Google Inc. and several privately-held companies, as well as Chairman of the Board of RedEnvelope, Inc. Mr. Moritz received an M.A. from Christ Church, University of Oxford.

*Lip-Bu Tan.* Mr. Tan has served as a member of our Board of Directors since March 2003. In 1987, he founded and since that time has served as Chairman of Walden International, a venture capital fund. Mr. Tan currently serves on the boards of Cadence Design Systems, Inc., Centillum Communications, Inc., Creative Technology Ltd., Integrated Silicon Solution, Inc., Leadis Technology, Inc., Semiconductor Manufacturing International Corporation and SINA Corporation, as well as a number of private companies. Mr. Tan received an M.S. in Nuclear Engineering from the Massachusetts Institute of Technology, an M.B.A. from the University of San Francisco, and a B.S. from Nanyang University in Singapore.

**Table of Contents****EXECUTIVE COMPENSATION**

The following table presents information concerning the compensation paid or accrued by us for services rendered during fiscal year 2005, fiscal year 2004 and fiscal year 2003 by (i) our chief executive officer, (ii) each of our four other most highly compensated executive officers and (iii) Robert R.B. Dykes, who would have been one of our four other most highly compensated executive officers but who is no longer an executive officer. The individuals listed in the following table are referred to in this Proxy Statement as the Named Executive Officers.

**Summary Compensation Table**

Name and Principal Position	Fiscal Year	Annual Compensation		Long Term Compensation Awards	All Other Compensation
		Salary	Bonus	Securities Underlying Options	
Michael E. Marks Chief Executive Officer	2005	\$ 985,000	\$ 2,795,350	2,375,000	\$ 1,567,595(1)
	2004	785,442	605,000		17,599(2)
	2003	341,402	150,000	5,000,000	10,048(3)
Michael M. McNamara Chief Operating Officer	2005	\$ 800,000	\$ 1,143,860	600,000	\$ 6,780(4)
	2004	700,110	393,750		17,183(5)
	2003	257,127	84,375	2,600,000	7,548(6)
Thomas J. Smach(7) Chief Financial Officer	2005	\$ 441,250	\$ 642,750	500,000	\$ 12,075(8)
Ronny Nilsson President, Flextronics Network Services	2005	\$ 576,969	\$ 385,900	37,500	\$ 1,395(9)
	2004	538,362	17,414	75,000	47,625(10)
	2003	349,562	100,147	375,000	47,568(11)
Peter Tan(12) President and Managing Director, Asia Operations	2005	\$ 350,000	\$ 251,628	350,000	\$ 24,640(13)
Robert R.B. Dykes(14) President, Systems Group and Chief Financial Officer	2005	\$ 367,500	\$ 707,325	500,000	\$ 2,050,725(15)
	2004	475,000	267,188	1,000,000	7,115(16)
	2003	221,327	79,688	700,000	272(17)

(1) Represents our contribution to the supplemental executive retirement plan for Mr. Marks of \$1,554,286, our contribution to the 401(k) plan of \$8,374, life insurance premium payments of \$660, disability insurance premium payments of \$3,939 and imputed income for group term life insurance of \$336.

(2) Represents our contribution to the 401(k) plan of \$7,100, life insurance premium payments of \$867, disability insurance premium payments of \$5,985, imputed income for group term life insurance of \$276 and a vehicle allowance of \$3,371.

(3)

Represents our contributions to the 401(k) plan of \$2,716, life insurance premium payments of \$2,250 and a vehicle allowance of \$5,082.

- (4) Represents our contribution to the 401(k) plan of \$6,600 and imputed income for group term life insurance of \$180.
- (5) Represents our contributions to the 401(k) plan of \$6,000, life insurance premium payments of \$1,431, disability insurance premium payments of \$2,047, imputed income for group term life insurance of \$180, a vehicle allowance of \$70 and personal use of the company jet of \$7,455.
- (6) Represents our contributions to the 401(k) plan of \$3,525, life insurance premium payments of \$98 and a vehicle allowance of \$3,925.
- (7) Mr. Smach was elected our Chief Financial Officer during fiscal year 2005.
- (8) Represents our contributions to the 401(k) plan of \$6,188, life insurance premium payments of \$852, imputed income for group term life insurance of \$135 and a vehicle allowance of \$4,900.

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- (9) Represents life insurance premium payments of \$85 and health insurance premium payments of \$1,310.
- (10) Represents our contributions to a pension retirement fund of \$46,672 and health insurance premium payments of \$953.
- (11) Represents our contributions to a pension retirement fund of \$39,046 and a vehicle allowance of \$8,522.
- (12) Mr. Tan was elected our President and Managing Director, Asia Operations during fiscal year 2005.
- (13) Represents health insurance premium payments of \$330, disability insurance premium payments of \$150 and a vehicle allowance of \$24,160.
- (14) Mr. Dykes resigned on December 14, 2004.
- (15) Represents a lump-sum cash payment of \$2,033,739 in connection with Mr. Dykes' resignation on December 14, 2004, our contribution to the 401(k) plan of \$13,714, imputed income for domestic partner insurance coverage of \$2,885 and imputed income for group term life insurance of \$387.
- (16) Represents our contribution to the 401(k) plan of \$762, life insurance premium payments of \$864, disability insurance premium payments of \$2,047, imputed income for domestic partner insurance coverage of \$2,986, imputed income for group term life insurance of \$336 and a vehicle allowance of \$120.
- (17) Represents life insurance premium payments of \$150 and a vehicle allowance of \$122.

**Option Grants During Fiscal Year 2005**

The following table presents information regarding option grants during fiscal year 2005 to each Named Executive Officer. Option grants to our Named Executive Officers during fiscal year 2005 were awarded pursuant to our existing equity compensation plans.

In accordance with the rules of the SEC, the table presents the potential realizable values that would exist for the options at the end of their four- or ten-year terms, as the case may be. These values are based on assumed rates of annual compound stock price appreciation of 5% and 10% from the date the option was granted to the end of the option term. These are based on assumed annual rates of return mandated by the rules of the SEC and do not represent our estimate or projection of future ordinary share prices. The closing sale price per ordinary share as reported on the NASDAQ National Market on March 31, 2005, the last trading day of fiscal year 2005, was \$12.04.

Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for	
	Number of Securities Underlying Options Granted	Percent of Total Options Granted to Employees in Fiscal Year 2005	Exercise Price per Share	Expiration Date	5%	10%
Michael E. Marks	1,000,000(1)	5.42%	\$ 17.69	04/21/2014	\$ 11,125,146	\$ 28,193,304

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	1,375,000(2)	7.45%	\$ 11.53	08/23/2014	\$ 9,970,338	\$ 25,266,795
Michael M. McNamara	400,000(1)	2.17%	\$ 16.07	04/30/2014	\$ 4,042,535	\$ 10,244,577
	200,000(3)	1.08%	\$ 11.53	08/23/2014	\$ 1,450,231	\$ 3,675,170
Thomas J. Smach	500,000(3)	2.71%	\$ 11.53	08/23/2014	\$ 3,625,578	\$ 9,187,925
Ronny Nilsson	37,500(4)	0.20%	\$ 11.53	08/23/2008	\$ 93,180	\$ 200,665
Peter Tan	100,000(1)	0.54%	\$ 17.37	04/01/2014	\$ 1,092,390	\$ 2,768,331
	100,000(1)	0.54%	\$ 13.18	09/28/2014	\$ 828,883	\$ 2,100,553
	150,000(3)	0.81%	\$ 12.05	10/29/2014	\$ 1,136,727	\$ 2,880,689
Robert R.B. Dykes(5)	500,000(4)	2.71%	\$ 11.53	08/23/2014	\$ 3,625,578	\$ 9,187,925

- (1) The vesting of these options was accelerated to January 17, 2005.
- (2) Options for 1,000,000 shares vest and become exercisable on the first anniversary of the date of grant with respect to 50% of these shares and at the rate of 1/12 per month thereafter until fully vested with respect to the remaining shares. Options for 375,000 shares vest and become exercisable on the first anniversary of



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the date of grant with respect to 25% of these shares and at the rate of 1/36 per month thereafter until fully vested with respect to the remaining shares.

- (3) These options vest and become exercisable on the first anniversary of the date of grant with respect to 25% of the total shares and at the rate of 1/36 per month thereafter until fully vested with respect to the remaining shares.
- (4) These options were 100% vested and exercisable on the date of grant.
- (5) Mr. Dykes resigned on December 14, 2004.

The options shown in the table above were granted with an exercise price equal to the fair market value of our ordinary shares on the date of grant and are non-statutory stock options, except that options for 3,111 shares granted to Mr. McNamara on April 30, 2004 and options for 2,826 shares granted to Mr. Marks on April 21, 2004 are incentive stock options (to the extent permitted under the Internal Revenue Code). With the exception of options granted to Mr. Nilsson, options granted to our executive officers expire ten years from the date of grant. In the case of Mr. Nilsson, Swedish tax legislation imposes significant adverse consequences if there are any restrictions on the exercisability or transfer of options. The term of Mr. Nilsson's option has therefore been shortened to four years from the date of grant.

Our Compensation Committee has the discretion to provide for alternative vesting schedules to maximize the retention value of our equity compensation. See *Change in Control Arrangements* below for a description of the acceleration provisions of these options. The exercise price of each option may be paid in cash or through a cashless exercise procedure involving a same-day sale of the purchase shares. We granted options to purchase an aggregate of 18,461,056 ordinary shares to our employees during fiscal year 2005.

**Aggregated Option Exercises During Fiscal Year 2005  
and Option Values at March 31, 2005**

The following table presents information concerning the exercise of options during fiscal year 2005 by each Named Executive Officer.

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at March 31, 2005		Value of Unexercised In-the-Money Options at March 31, 2005	
			Vested	Unvested	Vested	Unvested
Michael E. Marks		\$	3,600,000	5,366,000	\$ 4,140,000	\$ 17,256,660
Michael M. McNamara			1,725,000	1,875,000	3,336,000	6,966,000
Thomas J. Smach	50,000	520,700	1,260,000	635,000	2,214,900	813,900
Ronny Nilsson			645,833		1,571,625	
Peter Tan			405,750	212,500	215,085	254,915
Robert R.B. Dykes(1)	556,000	1,212,360	1,516,667		2,898,000	

- (1) In connection with Mr. Dykes' resignation on December 14, 2004, we agreed to amend certain of Mr. Dykes' stock option agreements to provide for (i) full acceleration of vesting of approximately 1.2 million of Mr. Dykes' outstanding but unvested stock options, which had a weighted average exercise price of \$13.65 per share, and (ii) extension of the expiration date of approximately 1.5 million of Mr. Dykes' stock options to five years after his employment termination date. These stock options would otherwise have expired ninety days after the

termination of his employment.

The amounts set forth in the column entitled "Value Realized" represent the fair market value of the ordinary shares underlying the option on the date of exercise less the aggregate exercise price of the option.

In addition, the table includes the number of shares covered by both exercisable and unexercisable stock options as of March 31, 2005. Also reported are values of "in-the-money" options that represent the positive spread between the respective exercise prices of outstanding stock options and \$12.04 per share, which was the closing price per ordinary share as reported on the NASDAQ National Market on March 31, 2005, the last

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day of trading for fiscal year 2005. These values, unlike the amounts set forth in the column entitled Value Realized, have not been realized.

**Employment Contracts and Termination of Employment and Change-in-Control Arrangements.*****Employment Agreement with Michael E. Marks***

On July 8, 2005, one of our U.S. subsidiaries, Flextronics International USA, Inc., which we refer to as Flextronics USA, entered into an employment agreement with Mr. Marks. The employment agreement, which has an effective date of July 8, 2005, generally provides that Mr. Marks will (i) continue to serve as our Chief Executive Officer until a transition date of January 31, 2006 or such earlier date mutually agreed upon by the parties and (ii) subject to his re-election at the 2006 Annual General Meeting of Shareholders and unless earlier terminated as set forth in the employment agreement, serve as our Chairman of the Board of Directors for a transition period from the transition date until at least July 1, 2009, which we refer to as the termination date. The employment agreement outlines certain terms related to Mr. Marks' s continued service to us, including terms providing that Mr. Marks is to receive: (i) a salary at his current rate of pay until July 1, 2007, (ii) no cash bonuses beginning on the transition date, (iii) no director compensation for periods prior to the termination date, (iv) payment of a salary of \$5,000 per month from July 1, 2007 until the termination date, (v) health insurance until the termination date and medical and dental benefits for the remainder of Mr. Marks' s life following the termination date, (vi) disability insurance until the termination date, (vii) the right to continue to make contributions to his 401(k) plan until the termination date, (viii) personal use of our corporate jets beginning on the termination date, subject to availability, and subject to Mr. Marks' s reimbursement of our variable cost as determined by Flextronics USA in its sole discretion, (ix) no additional grants of stock options in Mr. Marks' s capacity as an employee, (x) acceleration of vesting of options if the termination date occurs prior to July 1, 2009 as a result of a resignation requested by the Board of Directors under certain circumstances, and (xi) no director equity compensation for periods prior to the termination date. Under the employment agreement, Mr. Marks is bound by certain conflict of interest and non-solicitation restrictions, and will remain bound by an existing confidentiality agreement.

***Supplemental Executive Retirement Plan for Michael E. Marks***

On May 18, 2004, we established a supplemental executive retirement plan for Mr. Marks under which potential cash payments are made based on the increase in value, if any, under a Contingent Share Award for 1,000,000 notional ordinary shares of Flextronics based on a price of \$17.40 per share (a 10% premium above the \$15.82 closing price of our ordinary shares on the NASDAQ Stock Market on May 18, 2004). Under this plan, once the 30-day average trading price of our share price at the end of any quarter exceeds \$17.40, a cash payment would be made to a rabbi trust for the benefit of Mr. Marks in an amount equal to the net increase in value over \$17.40 multiplied by the 1,000,000 notional shares. At the end of each subsequent quarter, if the 30-day average trading price of our share price has further increased since the last quarter for which a cash payment was made under the plan, an additional payment would be made in an amount equal to the additional net increase in value since such prior quarter multiplied by 1,000,000 notional shares. On August 17, 2004, we entered into an amendment to the supplemental retirement plan with Mr. Marks in which we granted Mr. Marks an additional Supplemental Deferred Contingent Stock Award for 500,000 notional shares at an exercise price equal to \$11.00 per share (\$0.06 above the closing price of our ordinary shares on the NASDAQ Stock Market on August 17, 2004). Under this additional award, once the 30-day average trading price of our share price at the end of any quarter exceeds \$11.00, a cash payment would be made to the rabbi trust in an amount equal to the net increase in value over \$11.00 multiplied by the 500,000 notional shares. At the end of each subsequent quarter, if the 30-day average trading price of our share price has further increased since the last quarter for which a cash payment was made under the plan, an additional payment would be made in an amount equal to the additional net increase in value since such prior quarter multiplied by 500,000 notional shares. The total cash payments under the plan, as amended, may not exceed \$7,500,000 in the aggregate over the life of the plan, and no payments will be made following the termination of Mr. Marks' s employment. Upon Mr. Marks' s death or disability or upon a change of control of the company, the entire \$7,500,000 will be credited to the rabbi trust. All amounts credited to Mr. Marks' s account will be made only



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in cash (no shares will be issued under this plan), and all cash contributions shall be fully vested and non-forfeitable.

***Flextronics International USA, Inc. 2005 Senior Executive Deferred Compensation Plan***

On July 7, 2005, the Compensation Committee approved the Flextronics International USA, Inc. 2005 Senior Executive Deferred Compensation Plan, which we refer to as the Senior Executive Plan. Michael M. McNamara and Thomas J. Smach are the Named Executive Officers who are initially designated as eligible to participate in the Senior Executive Plan. Under the Senior Executive Plan, a participant may defer all or a part of his or her compensation in accordance with the applicable deferral agreement executed by the participant. The deferred compensation is credited to a deferral account established for each participant under the Senior Executive Plan for recordkeeping purposes. Amounts credited to a deferral account are deemed to be invested in hypothetical investments selected by an investment manager on behalf of each participant. Under the Senior Executive Plan, which is an unfunded plan, Flextronics USA established an irrevocable trust into which Flextronics USA is required to deposit cash or other assets as specified in the applicable deferral agreement, equal to the aggregate amount required to be credited to the participant's deferral account, less any applicable taxes required to be withheld.

***Deferred Bonuses***

On July 7, 2005, the Compensation Committee approved award agreements providing for deferred long-term incentive bonuses in return for services to be performed in the future to Mr. McNamara, Mr. Smach and Mr. Tan. The deferred bonuses will not be paid currently, but will be, in the case of Mr. McNamara and Mr. Smach, credited to such person's deferral account under the Senior Executive Plan, and, in the case of Mr. Tan, credited to an account with a mutually acceptable brokerage firm.

The amounts of the deferred bonuses are as follows:

<b>Named Executive Officer</b>	<b>Amount</b>
Michael M. McNamara	\$ 5,000,000
Thomas J. Smach	\$ 3,000,000
Peter Tan	\$ 3,200,000

The deferred bonuses for Mr. McNamara and Mr. Smach vest as follows: (i) 10% will vest on April 1, 2006; (ii) an additional 15% will vest on April 1, 2007; (iii) an additional 20% will vest on April 1, 2008; (iv) an additional 25% will vest on April 1, 2009; and (v) an additional 30% will vest on April 1, 2010. The deferred bonuses for Mr. McNamara and Mr. Smach will be 100% vested upon a change of control (as defined in the Senior Executive Plan) if they are employed at that time or if their employment is terminated as a result of death or disability.

The deferred bonus for Mr. Tan vests as follows: (i) 0% will be paid if Mr. Tan's employment is terminated for any reason (other than death or disability) before April 1, 2008; (ii) 50% will be paid if Mr. Tan's employment is terminated (other than as a result of death or disability) on or after April 1, 2008; and (iii) 100% will be paid if Mr. Tan's employment is terminated on or after April 1, 2009. 100% of the deferred bonus will be paid to Mr. Tan if his employment is terminated as a result of death or disability.

***Ronny Nilsson Bonus***

On July 7, 2005, the Compensation Committee approved the payment of a \$500,000 cash bonus to Mr. Nilsson as part of the pending separation of his employment with us in connection with the pending merger of our Flextronics Network Services business with Telavie AS, a company wholly-owned by Altor, a private equity firm focusing on investments in the Nordic region.

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***Amendment of Option Agreements with and Lump-Sum Cash Payment to Robert R.B. Dykes***

In connection with Mr. Dykes' resignation from his position as our Chief Financial Officer and President, Systems Group on December 14, 2004 and in view of the absence of any provision of pension or similar post-retirement benefits for Mr. Dykes, we agreed to amend certain of Mr. Dykes' stock option agreements to provide for: (i) full acceleration of vesting of approximately 1.2 million of Mr. Dykes' outstanding but unvested stock options, which had a weighted average exercise price of \$13.65 per share; and (ii) the extension of the expiration date of approximately 1.5 million of Mr. Dykes' stock options to five years after his employment termination date. These options would otherwise have expired ninety days after the termination of his employment. In addition, we made a lump-sum cash payment of \$2,033,739 to Mr. Dykes in connection with his resignation.

***Change in Control Arrangements Under Option Agreements***

Our option agreements with our executive officers provide that if the executive officer is terminated without cause or leaves for go