

FLEXTRONICS INTERNATIONAL LTD

Form 424B5

July 26, 2004

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-89944

PROSPECTUS SUPPLEMENT
(To Prospectus Dated August 28, 2002)

24,330,900 Shares

Flextronics International Ltd.

Ordinary Shares

\$12.50 per share

We are selling 24,330,900 ordinary shares in a firm commitment underwriting.

Our ordinary shares are listed on the Nasdaq National Market under the symbol FLEX. On July 22, 2004, the last reported sale price of the ordinary shares on the Nasdaq National Market was \$13.33 per share.

Investing in our ordinary shares involves risks. See Risk Factors beginning on page S-5.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	<u>Per Share</u>	<u>Total</u>
Public Offering Price	\$12.50	\$304,136,250
Underwriting Discounts	\$ 0.17	\$ 4,136,253
Proceeds to Flextronics (before expenses)	\$12.33	\$299,999,997

In addition to the underwriting discount, the underwriters will receive a commission equivalent from the investors in the amount of \$0.05 for each ordinary share sold to the investors in the offering.

The underwriters expect to deliver the ordinary shares to investors on or about July 28, 2004.

Joint Book-Running Managers

Citigroup

Banc of America Securities LLC

Scotia Capital

RBC Capital Markets

July 23, 2004

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement is a supplement to the prospectus that is also a part of this document. This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the SEC using a shelf registration process. Under the shelf registration process, we may offer from time to time debt securities, ordinary shares and warrants up to an aggregate amount of \$1,000,000,000, of which this offering is a part. In the accompanying prospectus, we provide you with a general description of the securities we may offer from time to time under our shelf registration statement. In this prospectus supplement, we provide you with specific information about our ordinary shares that we are selling in this offering. Both this prospectus supplement and the prospectus include important information about us, our ordinary shares being offered and other information you should know before investing. This prospectus supplement also adds, updates and changes information contained in the prospectus. You should read both this prospectus supplement and the accompanying prospectus as well as

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additional information described under Documents Incorporated by Reference on page S-24 before investing in our ordinary shares.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement is accurate as of the date on the front cover of this prospectus supplement only. Our business, financial condition, results of operations and prospects may have changed since that date.

In this prospectus supplement and in the accompanying prospectus, references to \$ are to United States dollars and references to S\$ are to Singapore dollars.

Unless the context otherwise requires, the terms we, our, us, the Company and Flextronics refer to Flextronics International Ltd., a Singapore company.

FORWARD-LOOKING STATEMENTS

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

In addition, these forward-looking statements are subject to the other risks and uncertainties discussed under Business Risk Factors in our most recent report filed with the Securities and Exchange Commission on Form 10-K. We undertake no obligation to update or revise these forward-looking statements to reflect subsequent events or circumstances.

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PROSPECTUS SUPPLEMENT SUMMARY

You should read the following summary together with the more detailed information appearing elsewhere in this prospectus supplement and in the accompanying prospectus, including the documents incorporated by reference in the prospectus.

Flextronics

We are a leading provider of advanced electronics manufacturing services (EMS) to original equipment manufacturers (OEMs) that span a broad range of products and industry segments, including cellular phones, printers and imaging, telecom/datacom infrastructure, medical, automotive, industrial systems and consumer electronics.

Through a combination of internal growth and acquisitions, we have become one of the world's largest EMS providers, with revenues of \$14.5 billion in fiscal year 2004 and over 12.5 million manufacturing square feet in 32 countries across five continents as of March 31, 2004. We believe that our size, global presence, broad service offerings and expertise and advanced engineering and design capabilities enable us to win large programs from leading multinational OEMs for the design and manufacture of electronic products.

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

We provide a complete range of services that are designed to meet our customers' product requirements throughout their product development life cycle. Our strategy is to provide customers with global end-to-end supply chain services that include design and related engineering, new product introduction, manufacturing, and logistics with the goal of delivering a complete packaged product. We also provide after-market services such as repair and warranty services as well as network and communications installation and maintenance. By working closely with our customers and being highly responsive to their requirements throughout the design and supply chain processes, we believe that we can be an integral part of their operations, accelerate their time-to-market and time-to-volume production, and reduce their product costs.

Our contract design and related engineering services include all aspects of product design including industrial and mechanical design, hardware design, embedded and application software development, semiconductor design, system validation and test development through which we offer our customers the choice of full product development, system integration, cost reductions and software application development.

In addition to the assembly of printed circuit boards (PCBs) and complete systems and products, our manufacturing services include the fabrication and assembly of plastic and metal enclosures, the fabrication of printed circuit boards and backplanes and the fabrication and assembly of photonics components. We have established an extensive network of manufacturing facilities in the world's major electronics markets (the Americas, Asia and Europe) in order to serve the increased outsourcing needs of both multinational and regional OEMs. In fiscal year 2004, production in the Americas, Asia and Europe represented 14%, 45% and 41% of our net sales, respectively.

We also combine our design and manufacturing services to design, develop and manufacture complete products, such as cellular phones and other consumer-related devices, which are sold by our OEM customers under the OEM's brand names. This service offering is referred to as original design manufacturing (ODM).

Our principal offices are located at One Marina Boulevard, #28-00, Singapore 018989. Our telephone number is (65) 6890-7188. Our website address is www.flextronics.com. The information on our website is not part of this prospectus supplement or the accompanying prospectus.

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Recent Developments

First Quarter Financial Results. On July 19, 2004, we announced our financial results for the first quarter of fiscal year 2005. Net sales for the first quarter of fiscal 2005 were \$3.9 billion, which represents an increase of \$773.7 million, or 25% over the first quarter of fiscal 2004. GAAP net income for the first quarter of fiscal year 2005 increased by \$364.0 million to \$74.3 million, or \$0.13 per diluted share, as compared to a loss of \$289.7 million, or a loss of \$0.56 per diluted share in the first quarter of fiscal year 2004.

Strategic Transaction with Nortel Networks. On June 29, 2004, we entered into a definitive asset purchase agreement with Nortel Networks providing for the purchase of certain Nortel optical, wireless, wireline and enterprise manufacturing operations and optical design operations by Flextronics.

Subject to closing the asset acquisition, Flextronics will provide the majority of Nortel Networks systems integration activities, final assembly, testing and repair operations, along with the management of the related supply chain and suppliers, under a four-year manufacturing agreement. Additionally, under a three-year design services agreement, Flextronics will provide Nortel Networks with design services for end-to-end, carrier grade optical network products. As part of this transaction, Flextronics anticipates hiring approximately 2,350 Nortel manufacturing employees and approximately 150 optical design engineers.

The assets to be acquired consist primarily of inventory and capital equipment currently in use. The transfer of assets is expected to begin in November 2004 and to take approximately six months to complete. During this time period, Flextronics revenues from Nortel Networks will increase each quarter, and we anticipate approximately \$400 million in revenues from Nortel in fiscal year 2005. Following completion of the asset transfers, we expect that our revenues from Nortel Networks should reach approximately \$2.5 billion on an annualized basis (assuming Nortel's sales of those products that the Company will manufacture remain at current levels). However, our sales to Nortel may differ from our current expectations.

We anticipate that the aggregate purchase price for the assets acquired will be in the range of approximately \$675 million to \$725 million. We will allocate the purchase price to the fair value of the acquired assets, which we currently estimate will be approximately \$415 million to \$465 million for inventory, approximately \$60 million for fixed assets, and the remaining \$200 million for intangible assets and goodwill. We expect that approximately \$75 million of the cash purchase price will be paid to Nortel in November 2004, and approximately \$600 million to \$650 million will be paid in four quarterly installments in calendar 2005. If any of the acquired inventory has not been used by the first anniversary of the applicable closing date, we will have a put right under which, subject to certain closing conditions, we may then sell that inventory back to Nortel. Similarly, if any of the acquired equipment is unused at the first anniversary of the applicable closing date, then subject to certain conditions, we will be entitled to sell it back to Nortel. We intend to use our working capital balances and borrowings under our revolving credit facilities to fund the purchase price for the assets to be acquired.

As a result of the transaction, we will acquire or lease approximately 1.1 million square feet of facilities from Nortel Networks, which represents approximately 50% of the space currently used by Nortel Networks for the activities to be transferred to Flextronics. We will initially occupy portions of the facilities from Nortel Networks in Canada and the United Kingdom under three-year leases, and will purchase Nortel's manufacturing facility in France. The space we lease may be further reduced by us over the three-year term of the leases.

Nortel Networks currently uses the facilities and assets that will be transferred to Flextronics primarily for systems integration and final assembly of products that it then sells to its customers, which include wireless service providers, large businesses, small businesses and home offices, government agencies, educational institutions, utility organizations, local and long-distance telephone companies, cable multiple system operators, internet service providers and other communications service providers. These facilities are currently operated by Nortel Networks as cost centers for internal reporting purposes, with no

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allocation of revenues when the products manufactured at the manufacturing facilities are transferred to other Nortel operations.

The manufacturing activities that will be performed by Flextronics for Nortel Networks include not only systems integration activities, final assembly, testing and repair operations, but also the fabrication of printed circuit boards, fabrication of enclosures and printed circuit board assembly. After we acquire these facilities, the operations will be operated as profit centers by Flextronics and we will generate revenue and earnings from the sale of products to Nortel Networks. Flextronics will have no contact with Nortel's end user customers with regards to the sale of these products, and sales to Nortel's customers will continue to be made by Nortel in the same manner as currently conducted by Nortel.

The nature of the revenue producing activities currently performed by Nortel Networks is substantially different from the nature of such activities to be performed by Flextronics after the transfer of assets. Flextronics does not believe there is sufficient continuity of operations prior to and after the transaction with Nortel Networks such that disclosure of historical and pro forma financial information relating to the manufacturing operations would be material to an understanding of Flextronics' future operations. There will be fundamental differences regarding the revenue producing activities, manufacturing costs, manufacturing locations, personnel, sales force, customer base, and distribution and marketing efforts, as a result of which historical and pro forma financial information would not be comparable or meaningful.

Hughes Software Acquisition. On June 8, 2004, we entered into a definitive share purchase agreement with Hughes Network Systems, Inc. providing for our purchase of approximately fifty-five percent (55%) of the outstanding shares of Hughes Software Systems Limited. Hughes Software is based in India and provides software for fixed and mobile networks for both voice and data. On June 8, 2004, approximately \$226 million in cash consideration was paid to Hughes Network Systems, Inc. We then made an open offer to purchase an additional twenty percent (20%) of the outstanding shares of Hughes Software from the other shareholders of Hughes Software for approximately \$83 million in the aggregate, which we have deposited into escrow as required pursuant to Indian securities regulations. On July 9, 2004, we appointed our nominees to a majority of the seats on the board of directors of Hughes Software. This transaction is expected to be completed in November 2004, subject to obtaining regulatory approval, the satisfaction of requirements under the Indian securities regulations with respect to the offer and the satisfaction of other customary closing conditions.

Hughes Software offers Voice over Packets (VoP), SS7, broadband and wireless (GPRS/ UMTS) products that provide customers with open architecture solutions, and also develops custom applications for customers. Hughes Software employs approximately 2,400 employees worldwide, with development centers located in New Delhi and Bangalore, India and Nuernberg, Germany. Hughes Software's shares trade in India on the Bombay Stock Exchange (BSE: 532266) and on the National Stock Exchange (NSE: HUGHESOFT).

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The Offering

Ordinary shares 24,330,900 shares

Ordinary shares to be outstanding after the offering* 555,333,566 shares

Use of proceeds We intend to use the proceeds to fund the further expansion of our business, including additional working capital and capital expenditures, to repay borrowings under our revolving credit facility and for general corporate purposes. We may also use a portion of the proceeds for strategic acquisitions or investments.

Nasdaq National Market symbol FLEX

* The number of ordinary shares to be outstanding after the offering is based on 531,002,666 ordinary shares actually outstanding as of June 30, 2004. This number excludes a total of 59,928,765 ordinary shares subject to outstanding options and awards or reserved for issuance under our share option plans and share purchase plans as of that date.

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RISK FACTORS

This offering involves a high degree of risk. You should carefully consider the risks described below and the other information in this prospectus supplement and the accompanying prospectus, including the information incorporated by reference, before deciding to invest in our ordinary shares. If any of the risks described below materialize, our operating results and financial condition could be adversely affected and the trading price of our ordinary shares could decline.

Risks Related to Our Business

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

In the last ten years, we have experienced significant growth in our business through a combination of internal growth and acquisitions, and we expect to make additional acquisitions in the future, including our recently announced pending acquisition of the majority ownership stake in Hughes Software Systems and our recently announced acquisition of assets from Nortel Networks. Our global workforce has more than doubled in size since the beginning of fiscal year 2001. During that time, we have also reduced our workforce at some locations and closed certain facilities in connection with our restructuring activities. These changes have placed considerable strain on our management control systems and resources, including decision support, accounting management, information systems and facilities. If we do not continue to improve our financial and management controls, reporting systems and procedures to manage our employees effectively and to expand our facilities, our business could be harmed.

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

we may not be able to attract and retain the management personnel and skilled employees necessary to support expanded operations;

we may not efficiently and effectively integrate new operations and information systems, expand our existing operations and manage geographically dispersed operations;

we may incur cost overruns;

we may incur charges related to our expansion activities;

we may encounter construction delays, equipment delays or shortages, labor shortages and disputes and production start-up problems that could harm our growth and our ability to meet customers' delivery schedules; and

we may not be able to obtain funds for this expansion, and we may not be able to obtain loans or operating leases with attractive terms.

In addition, we expect to incur new fixed operating expenses associated with our expansion efforts that will increase our cost of sales, including increases in depreciation expense and rental expense. If our revenues do not increase sufficiently to offset these expenses, our operating results could be seriously harmed. Our transition to low-cost manufacturing regions has contributed to significant restructuring and other charges that have resulted from reducing our workforce and capacity at higher-cost locations. We recognized restructuring charges of approximately \$540.3 million in fiscal year 2004 and \$297.0 million in fiscal year 2003 associated with the consolidation and closure of several manufacturing facilities, and impairment of certain long-lived assets at several manufacturing facilities. We may be required to take additional charges in the future as a result of these activities. We cannot assure you as to the timing or amount of any future restructuring charges. If we are required to take additional restructuring charges in the future, it could have a material adverse impact on our operating results, financial position and cash flows.

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We depend on industries that continually produce technologically advanced products with short life cycles; our inability to continually manufacture such products on a cost-effective basis could harm our business.

For fiscal year 2004, we derived:

approximately 33% of our revenues from customers in the handheld devices industry, whose products include cellular phones, pagers and personal digital assistants;

approximately 25% of our revenues from customers in the computers and office automation industry, whose products include copiers, scanners, graphic cards, desktop and notebook computers, and peripheral devices such as printers and projectors;

approximately 15% of our revenues from providers of communications infrastructure, whose products include equipment for optical networks, cellular base stations, radio frequency devices, telephone exchange and access switches, and broadband devices;

approximately 11% of our revenues from the consumer devices industry, whose products include set-top boxes, home entertainment equipment, cameras and home appliances;

approximately 7% of our revenues from providers of information technologies infrastructure, whose products include servers, workstations, storage systems, mainframes, hubs and routers; and

approximately 9% of our revenues from customers in a variety of other industries, including the medical, automotive, industrial and instrumentation industries.

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

rapid changes in technology, which result in short product life cycles;

seasonality of demand for our customers' products;

the inability of our customers to successfully market their products, and the failure of these products to gain widespread commercial acceptance; and

recessionary periods in our customers' markets.

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

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

In addition, we make significant decisions, including determining the levels of business that we will seek and accept, production schedules, component procurement commitments, personnel needs and other resource requirements, based on our estimates of customer requirements. The short-term nature of our customers' commitments and the rapid changes in demand for their products reduce our ability to estimate

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accurately future customer requirements. This makes it difficult to schedule production and maximize utilization of our manufacturing capacity. We often increase staffing, increase capacity and incur other expenses to meet the anticipated demand of our customers, which cause reductions in our gross margins if customer orders are or cancelled. Anticipated orders may not materialize, and delivery schedules may be deferred as a result of changes in demand for our customers' products. On occasion, customers require rapid increases in production, which stress our resources and reduce margins. Although we have increased our manufacturing capacity, and plan further increases, we may not have sufficient capacity at any given time to meet our customers' demands. In addition, because many of our costs and operating expenses are relatively fixed, a reduction in customer demand harms our gross profit and operating income.

Our operating results vary significantly from period to period.

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

changes in demand for our services;

our effectiveness in managing manufacturing processes and costs in order to decrease manufacturing expenses;

the mix of the types of manufacturing services we provide, as high-volume and low-complexity manufacturing services typically have lower gross margins than lower volume and more complex services;

changes in the cost and availability of labor and components, which often occur in the electronics manufacturing industry and which affect our margins and our ability to meet delivery schedules;

the degree to which we are able to utilize our available manufacturing capacity;

our ability to manage the timing of our component purchases so that components are available when needed for production, while avoiding the risks of purchasing inventory in excess of immediate production needs;

local conditions and events that may affect our production volumes, such as labor conditions, political instability and local holidays; and

changes in demand in our customers' end markets.

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

Our increased original design manufacturing (ODM) activity may reduce our profitability.

We have recently begun providing ODM services, where we design and develop products that we then manufacture for OEM customers. We are actively pursuing ODM projects, focusing primarily on consumer related devices, such as cellular phones and related products, which requires that we make investments in research and development, technology licensing, test and tooling equipment, patent applications, facility expansion, and recruitment.

Although we enter into contracts with our ODM customers, we may design and develop products for these customers prior to receiving a purchase order or other firm commitment from them. We are required to make substantial investments in the resources necessary to design and develop these products, and no revenue may be generated from these efforts if our customers do not approve the designs in a timely manner or at all, or if they do not then purchase anticipated levels of products. In addition, ODM activities often require that we purchase inventory for initial production runs before we have a purchase commitment from a customer. Even after we have a contract with a customer with respect to an ODM product, these contracts may allow the customer to delay or cancel deliveries and may not obligate the

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customer to any volume of purchases. These contracts can generally be terminated by either party on short notice. There is no assurance that we will be able to maintain our current level of ODM activity at all or for an extended period of time. Due to the initial costs of investing in the resources necessary for this business, our increased ODM activities adversely affected our profitability during fiscal year 2004. We continue to make investments in our ODM services, which could adversely affect our profitability during fiscal year 2005 and beyond. Further, the products we design must satisfy safety and regulatory standards and some products must also receive government certifications. If we fail to obtain these approvals or certifications on a timely basis, we would be unable to sell these products, which would harm our sales, profitability and reputation.

The success of our ODM activity depends on our ability to protect our intellectual property rights.

We retain certain intellectual property rights to our ODM products. As the level of our ODM activity is increasing, the extent to which we rely on rights to intellectual property incorporated into products is increasing. Despite our efforts, we cannot be certain that the measures we have taken to prevent unauthorized use of our technology will be successful. If we are unable to protect our intellectual property rights, this could reduce or eliminate the competitive advantages of our proprietary technology, which would harm our business.

Intellectual property infringement claims against our customers or us could harm our business.

Our ODM products often face competition from the products of OEMs, many of whom may own the intellectual property rights underlying those products. As a result, we could become subject to claims of intellectual property infringement as the number of our competitors increases. In addition, customers for our ODM services typically require that we indemnify them against the risk of intellectual property infringement. If any claims are brought against us or our customers for such infringement, whether or not these have merit, we could be required to expend significant resources in defense of such claims. In the event of such an infringement claim, we may be required to spend a significant amount of money to develop non-infringing alternatives or obtain licenses. We may not be successful in developing such alternatives or obtaining such a license on reasonable terms or at all.

If our ODM products are subject to design defects, our business may be damaged and we may incur significant fees.

In our contracts with ODM customers, we generally provide them with a warranty against defects in our designs. If an ODM product or component that we design is found to be defective in its design, this may lead to increased warranty claims. Although we have product liability insurance coverage, it is expensive and may not be available on acceptable terms, in sufficient amounts, or at all. A successful product liability claim in excess of our insurance coverage or any material claim for which insurance coverage was denied or limited and for which indemnification was not available could have a material adverse effect on our business, results of operations and financial condition.

We are exposed to intangible asset risk.

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

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

We have completed numerous acquisitions of businesses and we expect to continue to acquire additional businesses in the future. We are currently in preliminary discussions with respect to potential acquisitions and strategic customer transactions, and we have entered into definitive agreements for the acquisition of the majority ownership stake in Hughes Software Systems and the acquisition of certain Nortel Networks' optical, wireless, wireline and enterprise manufacturing operations and related supply chain activities, both as described in Prospectus Supplement Summary - Recent Developments. We do not have any other definitive agreements to make any material acquisitions or strategic customer transactions. Any future acquisitions may require additional debt or equity financing. This could increase our leverage or be dilutive to our existing shareholders. We may not be able to complete acquisitions or strategic customer transactions in the future to the same extent as in the past, or at all.

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

difficulties in integrating acquired businesses and operations;

diversion of management's attention from the normal operation of our business;

potential loss of key employees and customers of the acquired companies;

difficulties in managing and integrating operations in geographically dispersed locations;

lack of experience operating in the geographic market or industry sector of the acquired business;

increases in our expenses and working capital requirements, which reduce our return on invested capital; and

exposure to unanticipated contingent liabilities of acquired companies.

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

Our new strategic relationship with Nortel Networks involves a number of risks, and we may not succeed in realizing the anticipated benefits of this relationship.

The transaction with Nortel Networks described under the caption Prospectus Supplement Summary - Recent Developments is subject to a number of closing conditions, including regulatory approvals, conversion of information technology systems, and the completion of the required information and consultation process with employee representatives in Europe. Some of the processes involved in converting information technology systems (including the integration of related systems and internal controls) are complex and time consuming, and may present unanticipated difficulties. As a result, we expect that the closings of this transaction will not begin until November 2004 and they are not expected to be completed until May 2005. Further delays may arise if the conversion of information technology systems requires more time than presently anticipated. In addition, completion of required information and consultation process with employee representatives in Europe may result in additional delays and in difficulties in retaining employees.

After closing, the success of this transaction will depend on our ability to successfully integrate the acquired operations with our existing operations. This will involve integrating Nortel Networks' information technology systems with our other systems, integrating their operations into our existing procurement activities, and assimilating and managing existing personnel. In addition, this transaction will increase our expenses and working capital requirements, and place burdens on our management resources. In the event we are unsuccessful in integrating the acquired operations, we would not achieve the anticipated benefits of this transaction, and our results of operations would be adversely affected.

As a result of the new strategic relationship, we expect that Nortel Networks will become our largest customer, representing over ten percent of our net sales. The manufacturing relationship with Nortel

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Networks is not exclusive, and they are entitled to use other suppliers for a portion of their requirements of these products. While Nortel Networks has agreed to use Flextronics to manufacture a majority of its requirements of these existing products, so long as Flextronics' services are competitive, our services may not remain competitive, and there can be no assurance that we will continue to manufacture a majority of Nortel Networks requirements of these products. In addition, sales of these products depend on a number of factors, including global economic conditions, competition, new technologies that could render these products obsolete, the level of sales and marketing resources devoted by Nortel Networks with respect to these products, and the success of these sales and marketing activities. If demand for these products should decline, we would experience reduced sales and gross margins from these products.

We have agreed to cost reduction targets and price limitations and to certain manufacturing quality requirements. We may not be able to reduce costs over time as required, and Nortel Networks would be entitled to certain reductions in their product prices, which would adversely affect our margins from this program. In addition, we may encounter difficulties in meeting Nortel Networks' expectations as to product quality and timeliness. If Nortel Networks' requirements exceed the volume we anticipate, we may be unable to meet these requirements on a timely basis. Our inability to meet Nortel Networks' volume, quality, timeliness and cost requirements, could have a material adverse effect on our results of operations. Nortel Networks may not purchase a sufficient quantity of products from us to meet our expectations and we may not utilize a sufficient portion of the acquired capacity to achieve profitable operations.

In addition, one of the anticipated benefits of the transaction with Nortel Networks is the advanced expertise that we will obtain by employing approximately 150 of Nortel Networks' optical design employees. Nortel Networks may not be successful in retaining these employees until closing, and we may fail to retain and motivate these employees after closing or to integrate them into our other design operations.

Although we expect that our gross margin and operating margin on sales to Nortel Networks will initially be less than that generally realized by the Company in fiscal 2004, we also expect that we will be able to increase gross margins over time through cost reductions and by internally sourcing our vertically integrated supply chain solutions, which include the fabrication and assembly of printed circuit boards and enclosures, as well as logistics and repair services. Additionally, the impact of lower gross margins may be partially offset by the effect of anticipated lower selling, general and administrative expenses, as a percentage of net sales. There can be no assurance that we will realize lower expenses or increased operating efficiencies as anticipated.

Our strategic relationships with major customers create risks.

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

we may need to pay a purchase price to the divesting OEMs that exceeds the value we may realize from the future business of the OEM;

the integration of the acquired assets and facilities into our business may be time-consuming and costly;

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we, rather than the divesting OEM, bear the risk of excess capacity at the facility;

we may not achieve anticipated cost reductions and efficiencies at the facility;

we may be unable to meet the expectations of the OEM as to volume, product quality, timeliness and cost reductions; and

if demand for the OEM's products declines, the OEM may reduce its volume of purchases, and we may not be able to sufficiently reduce the expenses of operating the facility or use the facility to provide services to other OEMs.

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

We depend on the continuing trend of outsourcing by OEMs.

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

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

Sales to our ten largest customers have represented a significant percentage of our net sales in recent periods. Our ten largest customers accounted for approximately 64% and 67% of net sales in fiscal year 2004 and fiscal year 2003, respectively. Our largest customers during fiscal year 2004 were Hewlett-Packard and Sony-Ericsson, each accounting for approximately 12% of net sales, respectively. During fiscal year 2003, Hewlett-Packard and Sony-Ericsson accounted for approximately 12% and 11% of our total net revenue, respectively. No other customer accounted for more than 10% of net sales in fiscal year 2004 or fiscal year 2003.

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

Our industry is extremely competitive.

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

The overall demand for electronics manufacturing services decreased in recent years, resulting in increased capacity and substantial pricing pressures, which have harmed our operating results. Certain sectors of the EMS industry have experienced increased price competition, and if we experience such increased level of competition in the future, our revenues and gross margin may continue to be adversely affected.

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

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

Our customers may be adversely affected by rapid technological change.

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

We are subject to the risk of increased income taxes.

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

tax incentives have been extended to encourage foreign investment; or

income tax rates are low.

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

Several countries in which we are located allow for tax holidays or provide other tax incentives to attract and retain business. These tax incentives expire over various periods from 2004 to 2010 and are subject to certain conditions with which we expect to comply. We have obtained tax holidays or other incentives where available, primarily in China, Malaysia and Hungary. In these three countries, we generated an aggregate of approximately \$8.4 billion of our total revenues for the fiscal year ended March 31, 2004. Our taxes could increase if certain tax holidays or incentives are not renewed upon expiration, or tax rates applicable to us in such jurisdictions are otherwise increased. In addition, further acquisitions of businesses may cause our effective tax rate to increase.

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

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

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

fluctuations in the value of local currencies;

labor unrest and difficulties in staffing;

longer payment cycles;

cultural differences;

increases in duties and taxation levied on our products;

imposition of restrictions on currency conversion or the transfer of funds;

limitations on imports or exports of components or assembled products, or other travel restrictions;

expropriation of private enterprises; and

a potential reversal of current favorable policies encouraging foreign investment or foreign trade by our host countries.

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

We are exposed to fluctuations in foreign currency exchange rates.

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

We depend on our executive officers and skilled management personnel.

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

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continue to grow could be harmed. In addition, in connection with expanding our ODM activities, we must attract and retain experienced design engineers. Although we and a number of companies in our industry have implemented workforce reductions, there remains substantial competition for highly skilled employees. Our failure to recruit and retain experienced design engineers could limit the growth of our ODM activities, which could adversely affect our business.

We are subject to environmental compliance risks.

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

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

Between June and August 2002, Flextronics and certain of our officers and directors were named as defendants in several securities class action lawsuits that seek an unspecified amount of damages, which were filed in the United States District Court for the Southern District of New York. These actions, which were filed on behalf of those who purchased, or otherwise acquired, Flextronics' ordinary shares between January 18, 2001 and June 4, 2002, including those who purchased ordinary shares in our secondary offerings on February 1, 2001 and January 7, 2002. These actions generally allege that, during this period, the defendants made misstatements to the investing public about the financial condition and prospects of Flextronics. On April 23, 2003, the Court entered an order transferring these lawsuits to the United States District Court for the Northern District of California. On July 16, 2003, Flextronics filed a motion to dismiss on behalf of the Company and its officers and directors named as defendants. On November 17, 2003, the Court entered an order granting defendants' motion to dismiss without prejudice. On January 28, 2004, plaintiffs filed an amended complaint. Flextronics' motion to dismiss the amended complaint was filed on March 10, 2004.

In May 2004, the parties reached a tentative settlement of all claims in the lawsuit and the defendants withdrew their motion to dismiss. The settlement would be funded entirely by funds from Flextronics' Officers' and Directors' insurance. The settlement agreement is subject to negotiation and documentation of a formal stipulation of settlement, as well as Court approval. If the settlement is not finalized, there can be no assurance we will be successful in defending the lawsuits, and, if we are unsuccessful, we may be subject to significant damages. Even if we were to be successful, defending the lawsuits may be expensive and may divert management's attention from other business concerns and harm our business.

Risks Related to this Offering

The market price of our ordinary shares is volatile.

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

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currency fluctuations and general market conditions may cause the market price of our ordinary shares to decline.

Management might apply the net proceeds from this offering to uses that do not improve our operating results or increase the value of your investment.

Our management will have considerable discretion in the application of the net proceeds from this offering, and you will not have the opportunity, as part of your investment decision, to assess how the proceeds will be used. The net proceeds may be used for corporate purposes that do not improve our operating results or market value and you will not have the opportunity to evaluate the economic, financial, or other information on which we base our decisions on how to use the proceeds. Pending application of the proceeds, they might be placed in investments that do not produce income or that lose value.

It may be difficult to effect services of process within the United States on us or to enforce civil liabilities against us.

We are incorporated in Singapore under the Companies Act, Chapter 50 of Singapore, or Singapore Companies Act. Some of our directors and officers reside outside the United States. A substantial portion of the assets of Flextronics International Ltd. are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon us or to enforce against us in United States courts, judgments obtained in such courts predicated upon the civil liability provisions of the federal securities laws of the United States. Judgments of United States courts based upon the civil liability provisions of the federal securities laws of the United States are not directly enforceable in Singapore courts and there can be no assurance as to whether Singapore courts will enter judgments in original actions brought in Singapore courts based solely upon the civil liability provisions of the federal securities laws of the United States.

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We estimate that the net proceeds from the sale of the 24,330,900 ordinary shares offered by this prospectus supplement and the accompanying prospectus will be approximately \$299.8 million, based on a public offering price of \$12.50 per share and after deducting the underwriting discounts and estimated expenses. The net proceeds will be used to fund the further expansion of our business, including additional working capital and capital expenditures, to repay borrowings under our revolving credit facility and for general corporate purposes. Borrowings under our revolving credit facility currently bear interest ranging from 2.35% to 2.8% and mature in March 2008. We may also use a portion of the net proceeds for strategic acquisitions or investments. However, we currently do not have any agreements or commitments to make any material acquisitions or investments other than the Nortel Networks and Hughes Software transactions described under the caption Prospectus Supplement Summary Recent Developments. Until the net proceeds have been used, they will be invested in short-term marketable securities.

DIVIDENDS

Since inception, we have not declared or paid any cash dividends on our ordinary shares, and our credit facility prohibits the payment of cash dividends without the lenders prior consent. The terms of our senior subordinated notes also restrict our ability to pay cash dividends. We anticipate that all earnings in the foreseeable future will be retained to finance the continuing development of our business.

PRICE RANGE OF ORDINARY SHARES

The ordinary shares are traded on the Nasdaq National Market under the symbol FLEX. The following table shows the high and low sale prices of our ordinary shares since the beginning of our 2003 fiscal year as reported on the Nasdaq National Market.

	<u>High</u>	<u>Low</u>
Fiscal year ended March 31, 2003		
First Quarter	\$ 18.98	\$ 7.11
Second Quarter	10.40	5.85
Third Quarter	12.04	5.47
Fourth Quarter	9.90	7.15
Fiscal year ended March 31, 2004		
First Quarter	\$ 11.56	\$ 8.27
Second Quarter	15.82	10.34
Third Quarter	16.00	13.87
Fourth Quarter	19.31	14.80
Fiscal year ending March 31, 2005		
First Quarter	\$ 19.12	\$ 14.85
Second Quarter (through July 22, 2004)	15.95	12.82

On July 22, 2004, the closing sale price of the ordinary shares was \$13.33 per share. As of July 15, 2004, there were 3,586 registered holders of our ordinary shares.

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The following table sets forth our cash and capitalization as of March 31, 2004 on an actual basis and as adjusted to reflect the issuance and sale of 24,330,900 ordinary shares in this offering at a public offering price of \$12.50 per share and after deducting the underwriting discounts and estimated expenses and the application of a portion of the proceeds to repay borrowings under our revolving credit facility.

You should read this table in conjunction with our consolidated financial statements and the related notes incorporated by reference in this prospectus supplement.

	As of March 31, 2004	
	Actual	As Adjusted for Ordinary Shares
	(USD in thousands, except share and per share amounts)	
Cash and cash equivalents	\$ 615,276	\$ 695,026
Bank borrowings and long-term debt, including current portion:		
Short term bank borrowings	89,335	89,335
Outstanding under revolving line of credit*	220,000	
Capital lease obligations	23,287	23,287
9.875% Senior subordinated notes due 2010	7,659	7,659
9.75% Euro denominated senior subordinated notes due 2010	181,422	181,422
0.00% convertible junior subordinated notes due 2008	200,000	200,000
1.00% convertible subordinated notes due 2010	500,000	500,000
6.50% senior subordinated notes due 2013	399,650	399,650
Other	107,398	107,398
Total debt	1,728,751	1,508,751
Shareholders' equity:		
Ordinary shares, S\$0.01 par value; shares authorized	1,500,000,000;	
shares issued and outstanding	529,944,2	