



# **FLEXTRONICS**

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**Financial Results for the First  
Quarter Ended June 30, 2006**

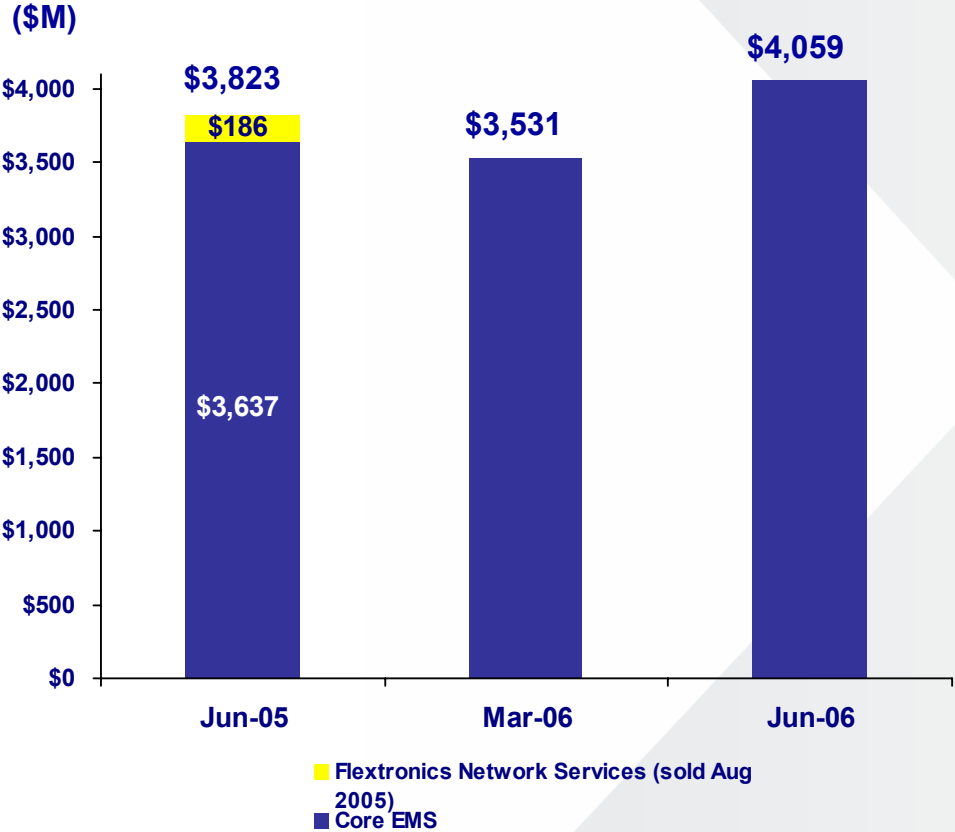
# Risks and Non-GAAP Disclosures

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Please note that this presentation contains forward-looking statements within the meaning of the federal securities laws, including statements related to the potential growth opportunities in our core EMS business; the success of our market-focused approach and our vertical-integration and accelerated growth strategies; revenue growth; the success of our long-term initiatives and related capital expenditures; the proposed divestiture of our software development and solutions business and the expected gain and returns from the divestiture; new customer opportunities; profitability; and anticipated use of available cash. These statements are subject to risks that can cause actual results to differ materially. Information about these risks is noted in the earnings press release, on slide 16 of this presentation, and in the Risk Factors and Management's Discussion and Analysis sections of our latest annual report filed with the SEC, as well as in our other SEC filings. These forward-looking statements are based on our current expectations and we assume no obligation to update these forward-looking statements. Investors are cautioned not to place undue reliance on these forward-looking statements.

In addition, this presentation uses non-GAAP financial measures. Please refer to the schedules to the earnings press release, slide 8 of this presentation, and the GAAP vs. Non-GAAP Reconciliation in the Investors section of our website, which contain the reconciliation to the most directly comparable GAAP measures.

# Revenue from Continuing Operations

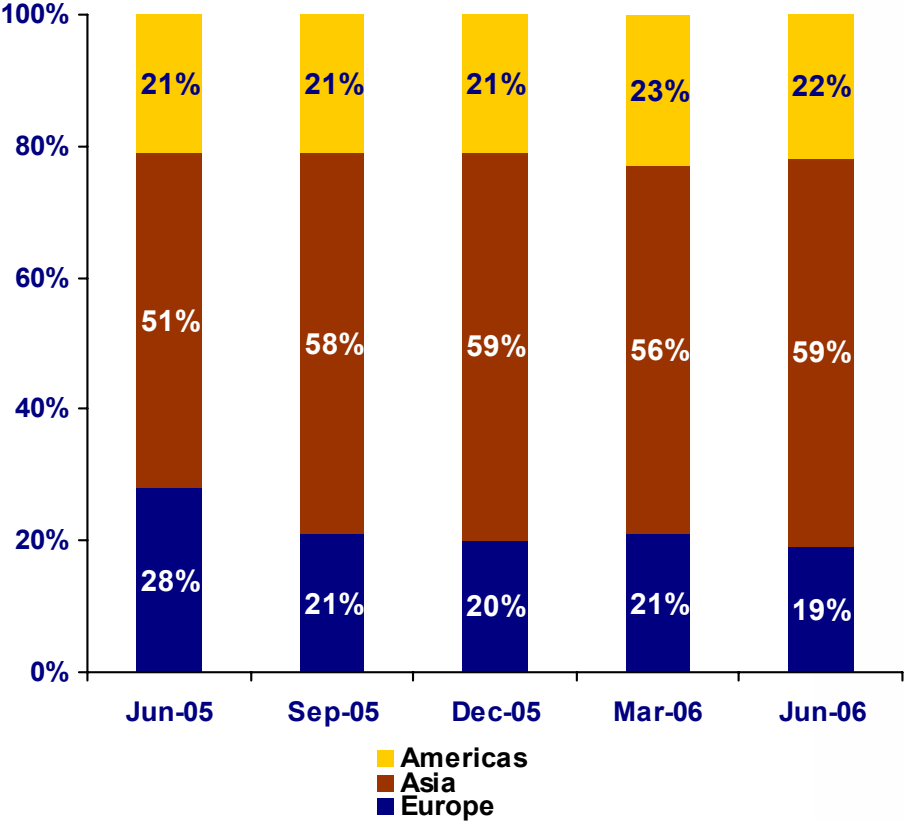


# Changes to Revenue by Segment

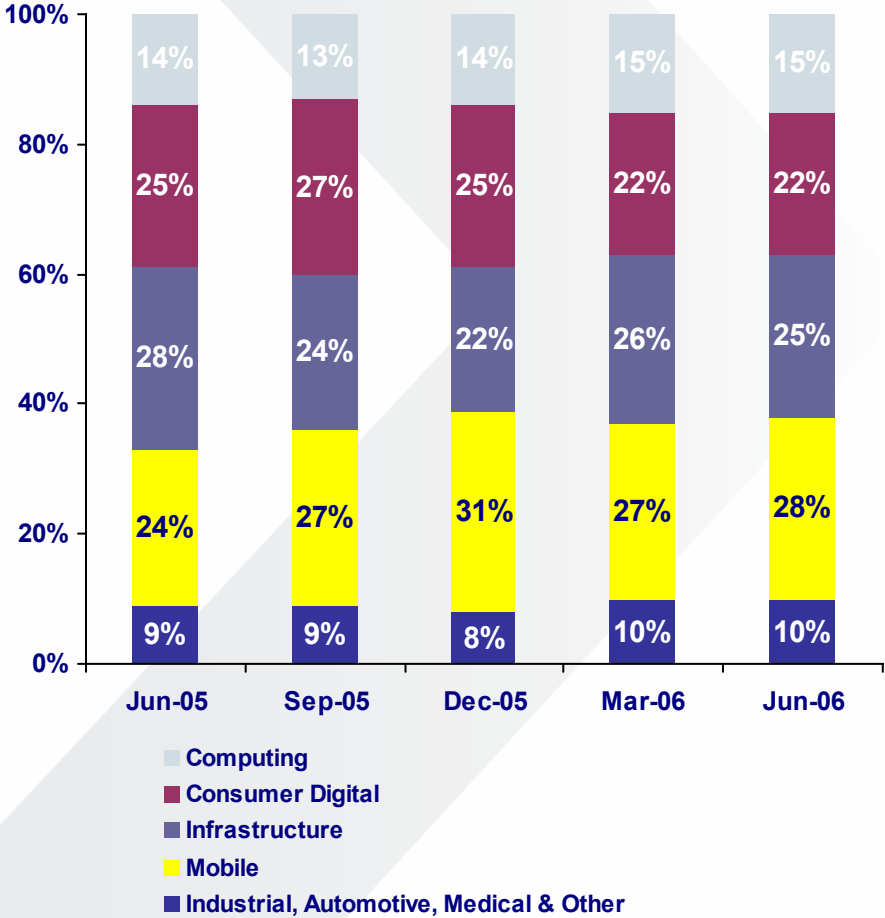


# Revenue by Segment

### Geographic Segment



### Market Segment



# Margins

(\$ in thousands)

	Core EMS	FNS	Continuing Operations Non-GAAP (1)
<b>June 30, 2005 Quarter</b>			
Revenues	\$ 3,637,000	\$ 186,000	\$ 3,823,000
Gross profit	224,000	26,000	250,000
<i>Gross margin</i>	6.2%	14.0%	6.5%
SG&A	110,000	19,000	129,000
<i>SG&amp;A as a % of sales</i>	3.0%	10.2%	3.4%
Operating profit	114,000	7,000	121,000
<i>Operating margin</i>	3.1%	3.8%	3.2%
<b>March 31, 2006 Quarter</b>			
Revenues	\$ 3,531,000		\$ 3,531,000
Gross profit	213,000		213,000
<i>Gross margin</i>	6.0%		6.0%
SG&A	109,000		109,000
<i>SG&amp;A as a % of sales</i>	3.1%		3.1%
Operating profit	104,000		104,000
<i>Operating margin</i>	<b>2.9%</b>		2.9%
<b>June 30, 2006 Quarter</b>			
Revenues	\$ 4,059,000		\$ 4,059,000
Gross profit	237,000		237,000
<i>Gross margin</i>	5.8%		5.8%
SG&A	113,000		113,000
<i>SG&amp;A as a % of sales</i>	2.8%		2.8%
Operating profit	124,000		124,000
<i>Operating margin</i>	<b>3.1%</b>		3.1%

(1) Revenue from continuing operations represents GAAP results. Non-GAAP measures are reconciled to the comparable GAAP measures in the GAAP vs. Non-GAAP Reconciliation in the Investors section of our website.

# Non-GAAP Quarterly Net Income and EPS

*(\$ in millions, except EPS)*

**Quarter Ended**

	<b>Jun-06</b>	<b>Jun-05</b>
<b>Net Income</b>	<b>\$ 104</b>	<b>\$ 100</b>
<b>Net Income Per Diluted Share</b>	<b>\$ 0.18</b>	<b>\$ 0.17</b>

The non-GAAP financial measures exclude certain amounts that are included in the most directly comparable measures under Generally Accepted Accounting Principles ("GAAP"). Non-GAAP results exclude after-tax intangible amortization, stock-based compensation expense, restructuring and other charges or income. Please refer to the schedules to the earnings press release and slide 8 of this presentation, which contain the reconciliation to the most directly comparable GAAP measures.

# GAAP Reconciliation

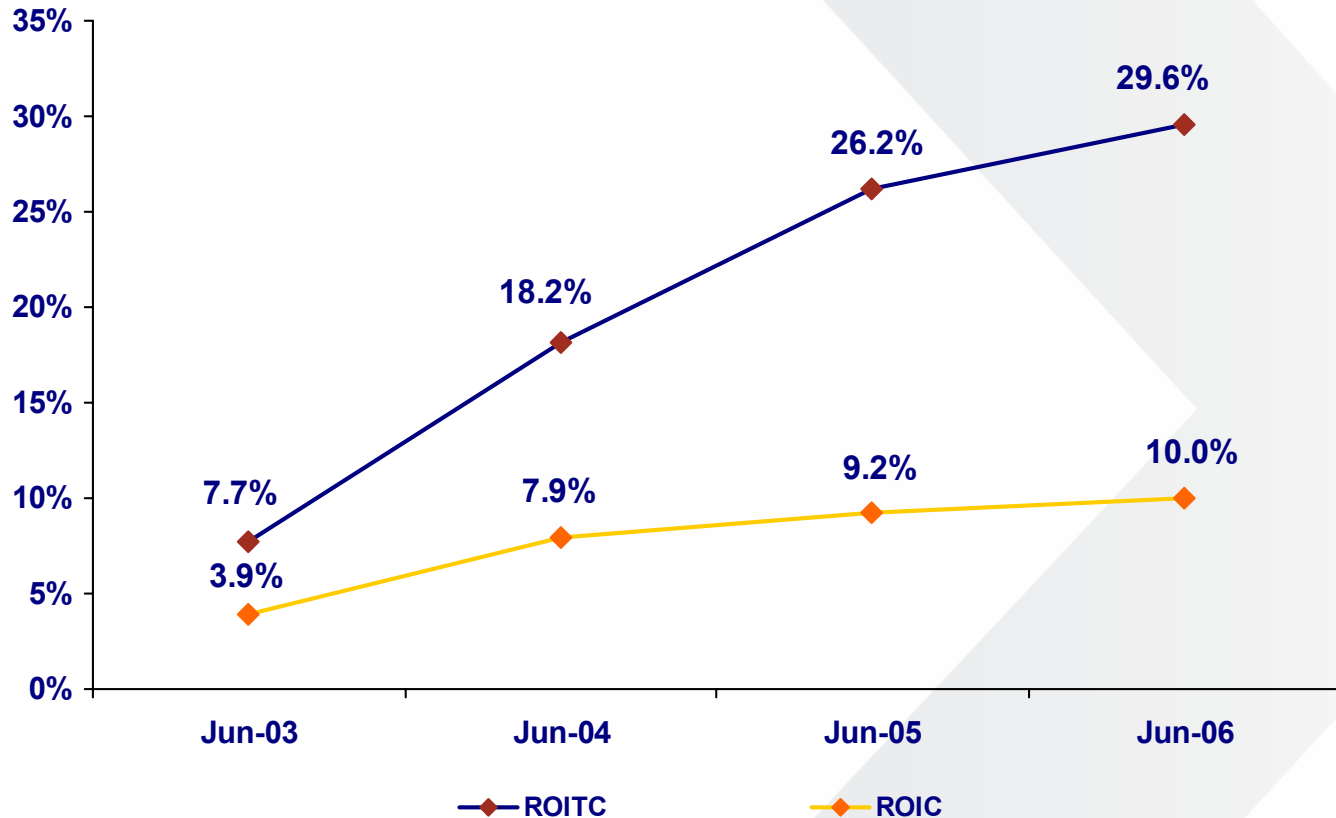
(\$ in thousands, except EPS)

	Quarter Ended June 30, 2006					
	Continuing Operations		Discontinued Operations		Total After Tax	Diluted EPS
	Pretax	Taxes	Pretax	Taxes		
Non-GAAP	\$ 97,126	\$ 4,849	\$ 14,402	\$ 2,951	\$ 103,728	\$ 0.18
Amortization	(7,228)	(103)	(3,065)	(783)	(9,407)	
Stock-based compensation	(7,059)	-	(353)	-	(7,412)	
Other expense	(2,406)	-	-	-	(2,406)	
GAAP	<u>\$ 80,433</u>	<u>\$ 4,746</u>	<u>\$ 10,984</u>	<u>\$ 2,168</u>	<u>\$ 84,503</u>	\$ 0.14

	Quarter Ended June 30, 2005					
	Continuing Operations		Discontinued Operations		Total After Tax	Diluted EPS
	Pretax	Taxes	Pretax	Taxes		
Non-GAAP	\$ 96,995	\$ 4,043	\$ 8,411	\$ 1,716	\$ 99,647	\$ 0.17
Amortization	(8,935)	(321)	(5,686)	(920)	(13,380)	
Restructuring and other charges	(32,689)	(5,129)	-	-	(27,560)	
GAAP	<u>\$ 55,371</u>	<u>\$ (1,407)</u>	<u>\$ 2,725</u>	<u>\$ 796</u>	<u>\$ 58,707</u>	\$ 0.10

The non-GAAP financial measures exclude certain amounts that are included in the most directly comparable measures under Generally Accepted Accounting Principles ("GAAP"). Non-GAAP results exclude after-tax intangible amortization, stock-based compensation expense, restructuring and other charges or income. The Company recorded pre-tax intangible amortization expense of \$10.3 million (including \$3.1 million attributable to discontinued operations) and \$14.6 million (including \$5.7 million attributable to discontinued operations) during the quarters ended June 30, 2006 and 2005, respectively. The Company recognized \$7.4 million (including \$0.4 million attributable to discontinued operations) of stock-based compensation expense during the three-months ended June 30, 2006 as a result of its adoption of SFAS 123(R) beginning on April 1, 2006. The Company also recorded pre-tax restructuring charges of \$32.7 million during the quarter ended June 30, 2005, which were primarily related to the closures and consolidations of various manufacturing facilities. The \$2.4 million of other expense recorded during the quarter ended June 30, 2006 relates to intangible amortization expense associated with the Company's equity in earnings of unconsolidated subsidiaries. The tax impacts related to all of these items and other non-operational tax adjustments amounted to a tax benefit of \$0.9 million and \$6.4 million in the quarters ended June 30, 2006 and 2005, respectively.

# Quarterly Return on Capital



The ROITC and ROIC metrics are based on non-GAAP financial measures, which exclude certain amounts that are included in the most directly comparable measures under Generally Accepted Accounting Principles (“GAAP”). Non-GAAP results include continuing and discontinued operations. Non-GAAP results exclude after-tax intangible amortization, stock-based compensation expense, gains and losses from divestitures, restructuring and other charges attributable to continued and discontinued operations. The non-GAAP measures are reconciled to the comparable GAAP measures in the GAAP vs. Non-GAAP Reconciliation in the Investors section of our website.

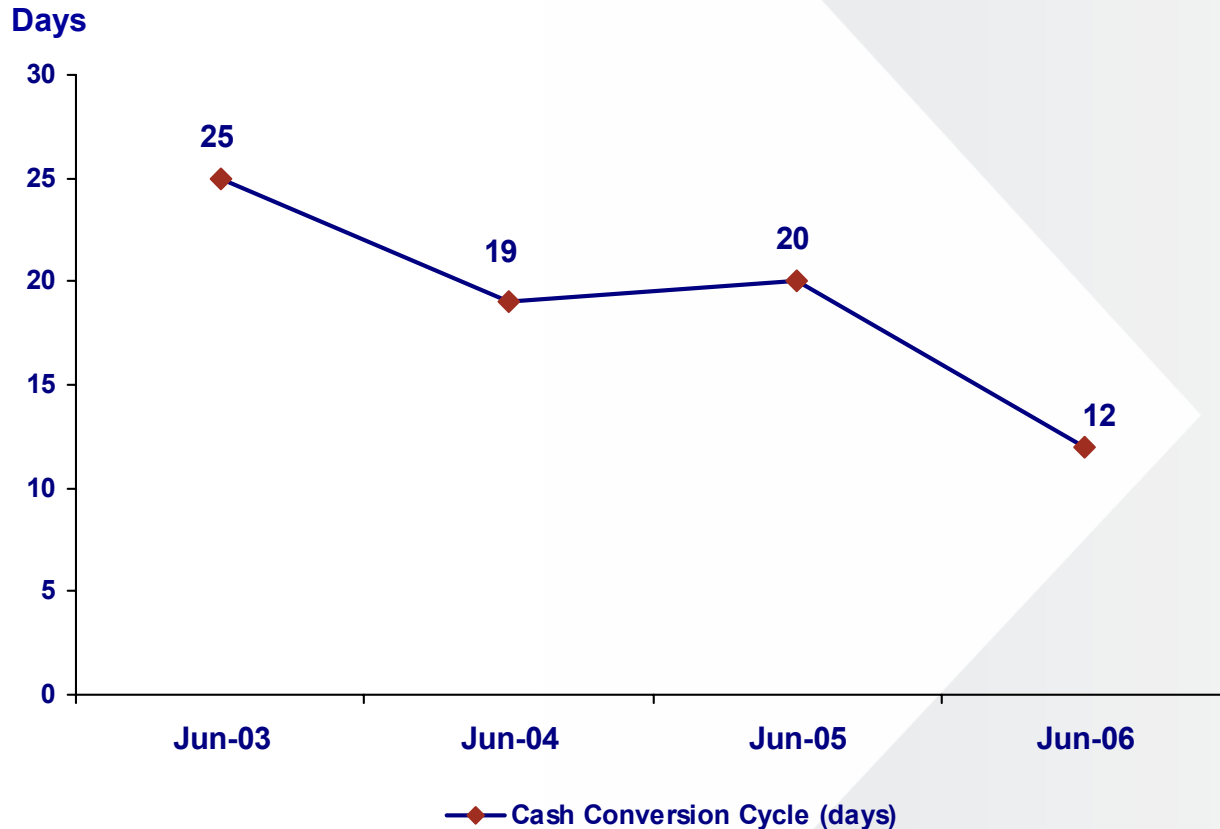
# Cash and Liquidity

*(\$ in millions)*

	Quarter Ended	
	Jun-06	Jun-05
<b>Cash</b>	<b>\$ 886</b>	<b>\$ 830</b>
<b>Total Debt</b>	<b>1,809</b>	<b>1,787</b>
<b>Net Debt</b>	<b>923</b>	<b>957</b>
<b>Leverage Ratio</b>	<b>25%</b>	<b>25%</b>
<b>Liquidity</b>	<b>\$ 2,045</b>	<b>\$ 2,180</b>

Note : Leverage Ratio calculated as follows: Total Debt / (Debt + Equity)

# Cash Conversion Cycle



The cash conversion cycle metric is based on non-GAAP financial measures, which exclude certain amounts that are included in the most directly comparable measures under Generally Accepted Accounting Principles (“GAAP”). Non-GAAP results include continuing and discontinued operations. Non-GAAP results exclude after-tax intangible amortization, stock-based compensation expense, gains and losses from divestitures, restructuring and other charges attributable to continued and discontinued operations. The non-GAAP measures are reconciled to the comparable GAAP measures in the GAAP vs. Non-GAAP Reconciliation in the Investors section of our website.

# Summary Statement of Cash Flows

(\$ in thousands)

	Three Months Ended Jun 30, 2006	Three Months Ended Jun 30, 2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 84,503	\$ 58,707
Depreciation and amortization	81,101	89,538
Change in sales of accounts receivable	25,421	(63,658)
Change in working capital and other	(288,901)	(32,871)
<b>Net cash provided by (used in) operating activities</b>	<b>(97,876)</b>	<b>51,716</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property & equipment, net of dispositions	(82,480)	(52,915)
Payments for acquired businesses, net of cash acquired	(90,863)	(133,265)
Change in notes receivable and other investments	5,738	23,034
<b>Net cash used in investing activities</b>	<b>(167,605)</b>	<b>(163,146)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Borrowings, net of repayments	212,709	20,375
Net proceeds from issuance of ordinary shares	3,008	23,030
<b>Net cash provided by financing activities</b>	<b>215,717</b>	<b>43,405</b>
<b>Effect on cash from exchange rate changes</b>	<b>(7,386)</b>	<b>28,975</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(57,150)</b>	<b>(39,050)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>942,859</b>	<b>869,258</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 885,709</b>	<b>\$ 830,208</b>

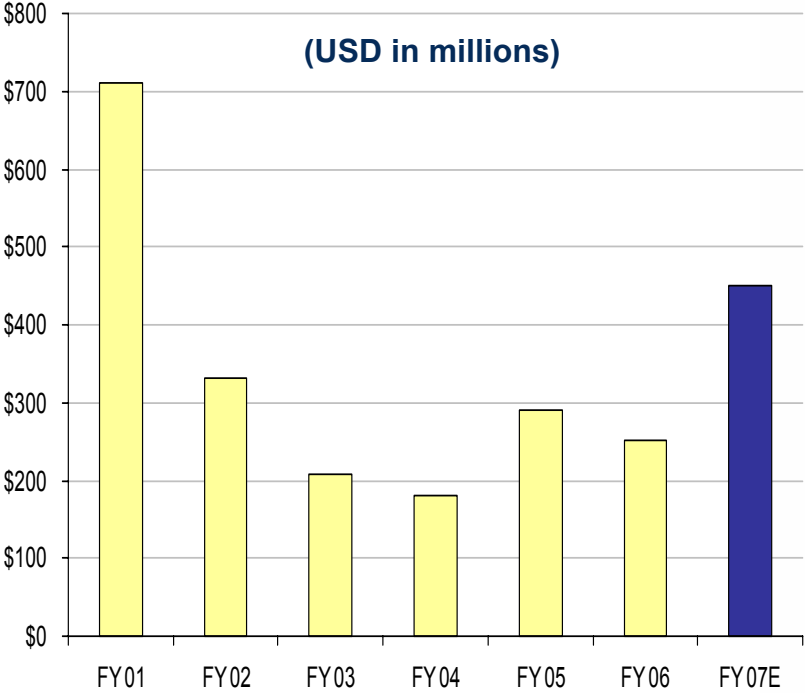
# Update On Software Divestiture

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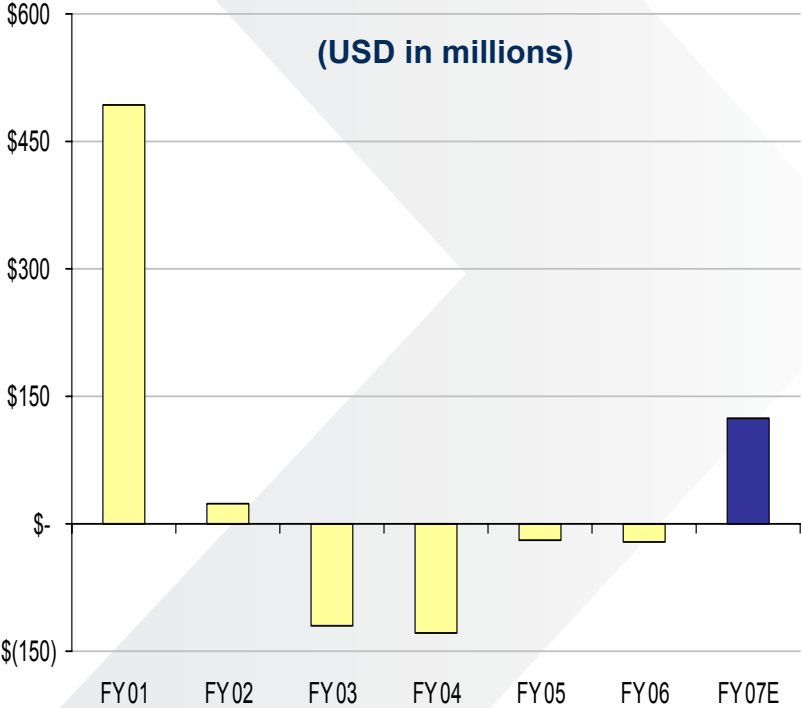
- Transaction Valued at approximately \$900 Million
- Net Cash Proceeds in Excess of \$600 Million
- 10.5% PIK Note in the Amount of \$250 Million
- Retain 15% Equity Interest
- Gain on Sale in Excess of \$150 Million
- Expected to close in September 2006 quarter

# Commentary

## CAP EX



## NET CAP EX (1)



(1) Net Cap Ex = Cap Ex less Depreciation

# Guidance

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	<u>Sep-06</u>	<u>Fiscal Year 2007</u>
Revenue from Continuing Operations	\$4.7 billion - \$4.9 billion	~\$19 billion
Non GAAP Total EPS	\$0.19 - \$0.21	~\$0.80

Note: Guidance excludes amortization and stock-based compensation expense. GAAP earnings per diluted share are expected to be lower than the guidance provided herein by approximately \$0.03 per diluted share per quarter reflecting quarterly amortization expense and stock-based compensation.

# Risk Factors

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## RISKS INCLUDE:

- Our dependence on industries that continually produce technologically advanced projects with short life cycles.
- Our ability to respond to changes in economic trends, to fluctuations in demand for customers' products and to the short term nature of our customers' commitments.
- Competition in our industry, particularly from ODM suppliers in Asia.
- The challenges of effectively managing our operations, including our ability to manage manufacturing processes, control costs and manage changes in our operations.
- Not obtaining anticipated new customer programs, or if we do obtain them, their delay or inability to contribute to our revenue or profitability as expected or at all.
- That growth in our core EMS business may not occur as expected or at all.
- The challenges of integrating acquired companies and assets.
- Not realizing expected returns from our retained interests in divested businesses.
- Our ability to redeploy cash proceeds from our recent and pending divestitures in a manner that achieves improved profitability.
- Our dependence on a small number of customers for the majority of our sales and our reliance on strategic relationships with major customers.
- Our ability to design and quickly introduce world-class components products that offer significant price and/or performance advantages over competitive products.
- The impact on our margins and profitability resulting from substantial investments, start-up and integration costs in our components, design and ODM businesses.
- Production difficulties, especially with new products.
- Changes in government regulations and tax laws.
- Our ability to utilize available manufacturing capacity and the risk of future restructuring charges that could be material to the Company's financial condition and results of operations.
- Our exposure to potential litigation relating to intellectual property rights, product warranty and product liability.
- Potential impairment of our intangible assets.
- Our dependence on the continued trend of outsourcing by OEMs.
- Our need to take reserves for doubtful accounts of customers and the effects of customer bankruptcies.
- Supply shortages of required electronic components.
- The challenges of international operations, including fluctuations in exchange rates beyond hedged boundaries leading to unexpected charges.
- Our dependence on our key personnel.
- Our ability to comply with environmental laws.

*Further information concerning these and other risk factors that could cause actual results to differ materially from those in the forward looking statements is contained in the Risk Factors and Management's Discussion and Analysis sections of our reports on forms 10-Q, 10-K and 8-K as well as the other reports that we file with the US. Securities and Exchange Commission.*

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**THANK YOU**