



Avago Finance Announces Third Quarter Fiscal Year 2008 Financial Results

September 17, 2008

- Quarterly revenue of \$439 million, up 15% year-over-year
- GAAP Net Income of \$44 million, compared to a loss in prior year
- Adjusted EBITDA of \$94 million, up 13% year-over-year

SAN JOSE, Calif., and SINGAPORE – September 17, 2008 - Avago Technologies Finance Pte. Ltd. ("Avago Finance"), a leading designer, developer and global supplier of analog interface semiconductor devices, today reported financial results for its third fiscal quarter of fiscal 2008, ended August 3, 2008.

Third Quarter Fiscal 2008 GAAP Results

Revenue was \$439 million, an increase of \$28 million, or 6.8 percent, when compared with the previous quarter. This revenue level represents a gain of 15.2 percent above the same quarter last year. Gross margin was \$171 million, or 39.0 percent of sales. This compares with a gross margin of \$159 million, or 38.7 percent last quarter.

Operating expenses were \$127 million versus \$118 million in the second quarter. The sequential increase was due primarily to higher research and development expenses and is consistent with our strategy to support the growth in selected markets.

Net income of \$44 million, which includes a gain of approximately \$25 million from discontinued operations, is a \$27 million improvement over the prior quarter.

Cash balances increased by \$65 million to \$148 million at the end of the quarter. The primary driver of this increase was \$60 million of cash generated from operations.

Third Quarter Fiscal 2008 Non-GAAP Results

Higher revenue led to gross margin of \$188 million, or 42.8 percent. This represents a sequential improvement of \$14 million, or 50 basis points.

R&D expenses were \$67 million, or 15.3 percent of revenue. This compares with R&D expenses of \$62 million, or 15.1 percent of revenue last quarter. Selling, general and administrative costs of \$48 million, or 10.9 percent of revenue, compared with \$46 million, or 11.2 percent of revenue in the second quarter.

Net income grew by \$5 million sequentially to \$48 million. These overall results translate into Adjusted EBITDA, as defined in the indentures governing our outstanding debt securities, of \$94 million, up \$9 million from the previous quarter.

Financial Results Conference Call

Avago Technologies Finance Pte. Ltd. will host a conference call to review its financial results for the third fiscal quarter today at 2:00 p.m. Pacific Time. Those wishing to access the call should dial (480) 248-5081. The conference call will not be available for replay.

Non-GAAP Financial Measures

In addition to GAAP reporting, consistent with past practice Avago Finance reports net income or loss, as well as gross margin and operating expenses, on a non-GAAP basis. This non-GAAP earnings information excludes amortization of acquisition-related intangibles, stock-based compensation expense, asset impairment charges, restructuring charges, acquired in-process research and development, debt extinguishment losses and the results of discontinued operations. In addition, Avago Finance also discloses Adjusted EBITDA as measured by the indentures governing the Company's outstanding debt securities. Avago Finance believes this non-GAAP earnings information provides additional insight into the Company's on-going performance and has therefore chosen to provide this information to investors in its debt securities for a more consistent basis of comparison and to emphasize the results of on-going operations. These historical non-GAAP measures are in addition to, and not a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. A reconciliation between GAAP and non-GAAP net income (loss) and a derivation of Adjusted EBITDA in accordance with our note indentures are included in the financial tables.

Financials

[Financials \(PDF, 19KB\)](#)

About Avago Technologies

Avago Technologies Finance Pte. Ltd. is a leading designer, developer and global supplier of analog semiconductor devices for communications, industrial and consumer applications.

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Safe Harbor Statement

This announcement and supporting materials may contain forward-looking statements which address our expected future business and financial performance. These forward looking statements are based on current expectations, estimates, forecasts and projections of future Company or industry performance based on management's judgment, beliefs, current trends and market conditions and involve risks and uncertainties that may cause actual results to differ materially from those contained in the forward-looking statements. Accordingly, we caution you not to place undue reliance on these statements. For Avago Finance, particular uncertainties which could adversely or positively affect future results include cyclicalities in the semiconductor industry or in our end markets; fluctuations in interest rates; our ability to generate cash sufficient to service our debt and to fund our research and development, capital expenditures and other business needs; our increased dependence on outsourced service providers for certain key business services and their ability to execute to our requirements; our ability to maintain tax concessions in certain jurisdictions; our ability to protect our intellectual property; our competitive performance and ability to continue achieving design wins with our customers; any expenses associated with resolving customer product and warranty claims; our ability to achieve the growth prospects and synergies expected from our acquisitions; delays and challenges associated with integrating acquired companies with our existing businesses; our ability to improve our cost structure through our manufacturing outsourcing program; and other events and trends on a national, regional and global scale, including those of a political, economic, business, competitive and regulatory nature. Our Annual Report on Form 20-F filed with the SEC on December 13, 2007, recent Current Reports on Form 6-K, and other Avago Finance filings with the U.S. Securities and Exchange Commission ("SEC") (which you may obtain for free at the SEC's website at <http://www.sec.gov>) discuss some of the important risk factors that may affect our business, results of operations, and financial condition.

An affiliate of Avago Finance has filed a registration statement with the SEC relating to a proposed offering which has not yet become effective. Such securities may not be sold nor may offers to buy be accepted prior to the time that the registration statement becomes effective. This press release is not an offer to sell nor a solicitation of an offer to buy any securities.

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