



## Avago Technologies Announces Third Quarter Fiscal 2007 Financial Results

August 28, 2007

SAN JOSE, Calif., – August 28, 2007

Avago Technologies, a leading supplier of analog interface components for communications, industrial and consumer applications, today reported financial results for its third fiscal quarter, ended July 31, 2007.

Net revenue of \$387 million was essentially even with the previous quarter. Consistent with the seasonal trends in its served markets, higher revenue in the consumer and computer peripherals areas was countered by weaker demand in the industrial, automotive, and enterprise infrastructure segments.

Cash balances increased by \$13 million to \$213 million at the end of July, supported by \$56 million generated from operations, partially offset by the payment of \$27 million for Infineon's Polymer Optical Fiber business, the disbursement of \$43 million for the semi-annual interest obligations, and the repurchase of \$6 million of the Company's Senior Notes.

### Third Quarter 2007 GAAP Results

Resulting from an evaluation of the Company's remaining manufacturing operations, an analysis was performed on the recoverability of the carrying value of these assets. Based on this review, it was determined that a \$158 million write-down was necessary to bring carrying values of certain assets in line with fair market valuations. In addition, \$11 million of restructuring charges were recorded in connection with reductions of approximately 15 percent of the workforce due to the expanded outsourcing of back-end activities.

Including the above mentioned impairment and restructuring charges, third quarter net loss was \$167 million. Gross margin was negatively impacted by \$148 million related to these charges with the remaining \$21 million included in total operating expenses of \$126 million.

### Third Quarter 2007 Non-GAAP Results

Operating margin of 14 percent of sales was essentially flat with the previous quarter. Gross margin of \$152 million was 30 basis points below the second quarter and exceeded 39 percent of sales. Operating expenses of \$97 million remained unchanged quarter-over-quarter at 25 percent of revenue.

A \$3 million decrease in other income combined with a \$3 million increase in income tax expense resulted in non-GAAP net income of \$27 million versus \$33 million last quarter. Adjusted EBITDA was \$84 million compared with \$88 million in the prior quarter.

"Over the last two quarters we have delivered solid operational results during a challenging period in the semiconductor industry," said Hock E. Tan, president and CEO of Avago Technologies. "In July, we successfully completed the purchase of Infineon's Polymer Optical Fiber business, increasing our presence in the growing auto infotainment market. We will continue to drive both organic development as well as pursue strategic acquisitions in our efforts to accelerate revenue growth going forward."

### Third Quarter Financial Results Conference Call

Avago Technologies will host a conference call to review its financial results for the third quarter of fiscal year 2007 today at 2:00 p.m. Pacific Time. Those wishing to access the call should dial (973) 321-1024 approximately 10 minutes prior to the start of the call. A replay will be available until Midnight Pacific Time Tuesday, September 4, 2007. To access the replay, dial (973) 341-3080 (pass code: 9116980).

### Non-GAAP Financial Measures

In addition to GAAP reporting, Avago reports net income or loss, as well as gross margin and operating expenses, on a non-GAAP basis. This non-GAAP earnings information excludes stock-based compensation expense, amortization of intangibles and unusual items and their related tax effects. In addition, we also disclose Adjusted EBITDA as measured by our principal debt instruments. Avago 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 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) is included in the tables below.

### Financials

[Financials \(PDF, 81KB\)](#)

### About Avago Technologies

Avago Technologies is a leading supplier of analog interface components for communications, industrial and consumer applications. By leveraging its core competencies in III-V compound and silicon semiconductor design and processing, the company provides an extensive range of analog, mixed signal and optoelectronics components and subsystems to more than 40,000 customers. Backed by strong customer service support, the company's products serve four diverse end markets: industrial and automotive, wired infrastructure, wireless communications, and computer peripherals. Avago has a global employee presence and heritage of technical innovation dating back 40 years to its Hewlett-Packard roots. Information about Avago is

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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, 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; 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 Registration Statement on Form F-4 filed with the SEC on January 8, 2007, recent Current Reports on Form 6-K, and other Avago 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. These forward-looking statements are made only as of the date of this communication and Avago undertakes no obligation to update or revise these forward-looking statements.

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