



## **Avago Technologies Announces Second Quarter Fiscal 2007 Financial Results**

May 31, 2007

SAN JOSE, Calif., May 31, 2007

Avago Technologies, a leading supplier of analog interface components for communications, industrial and consumer applications, today reported financial results for its second fiscal quarter, ended April 30, 2007.

Net revenue increased to \$386 million, compared with \$384 million in the previous quarter and \$373 million in the same period a year ago. Strong sequential growth in the industrial and automotive market was partially offset by the seasonal weakness in the wired infrastructure and consumer and computer peripherals segments.

### **Second Quarter 2007 GAAP Results**

Gross margin of \$137 million improved sequentially by \$24 million to 35 percent of revenue, primarily driven by a \$13 million reduction in restructuring charges. Total operating expenses of \$110 million declined \$15 million from the first quarter reflecting lower restructuring and stock compensation expenses recorded in the second quarter.

Including an \$11 million earnout primarily from the disposed Printer ASICs business, net income in the second quarter was \$4 million. This compares with \$6 million in the previous quarter, which benefited from a \$49 million gain generated mainly from the sale of the CMOS Image Sensor business.

During the second quarter the Company repurchased a portion of its Senior Notes, using \$85 million in cash to retire \$77 million principal amount of this debt tranche. Cash generation of \$54 million by operating activities partially offset this outflow, resulting in cash balances of \$200 million at the end of April.

### **Second Quarter 2007 Non-GAAP Results**

Gross margin of \$153 million, or 40 percent of revenue, represents a sequential improvement of 240 basis points. A more favorable product mix and higher manufacturing yields contributed to the sequential improvement. Continued efforts to optimize corporate infrastructure costs resulted in total operating expenses declining by \$4 million to \$96 million in the second quarter. Expanding gross margin and reduced operating expenses drove operating margin up 4 percentage points versus the first quarter to an all time high of 15 percent of revenue.

Non-GAAP net income increased nearly three-fold sequentially to \$33 million, while Adjusted EBITDA improved to \$88 million from \$74 million in the prior quarter.

"Our improved financial performance for the second quarter reflects the benefit of our broad product portfolio and an increasingly variable cost structure," said Hock E. Tan, president and CEO of Avago Technologies. "Additionally, capitalizing on our cash generation capabilities, we recently initiated a strategic acquisition, expanding future opportunities for revenue growth within the attractive industrial and automotive market."

### **Second Quarter Financial Results Conference Call**

Avago Technologies will host a conference call to review the financial results for its second quarter of fiscal 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 Thursday, June 7, 2007. To access the replay, dial (973) 341-3080 (pass code: 8815896).

### **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, 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 \(PDF, 19KB\)](#)

## About Avago Technologies

Avago Technologies is a leading supplier of analog interface components for communications, industrial and consumer applications. With a global employee presence, Avago provides an extensive range of analog, mixed-signal and optoelectronic components and subsystems to more than 40,000 customers. The Company's products serve four end markets: industrial and automotive, wired infrastructure, wireless communications, and computer peripherals. It is recognized for providing high-quality products along with strong customer service. Avago's heritage of technical innovation dates back 40 years to its Agilent/Hewlett-Packard roots. Information about Avago is available on the Web at [www.avagotech.com](http://www.avagotech.com).

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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, and typically contain words such as "expects," "anticipates," "estimates," "intends," "plans," "believes," "seeks," or "will." Forward-looking statements by their nature address matters that are, to different degrees, uncertain. 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 continued dependence on outsourced service providers for certain key business services; 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; and other events and trends on a national, regional and global scale, including those of a political, economic, business, competitive and regulatory nature. These uncertainties may cause our actual future results to be materially different than those we express in our forward-looking statements; accordingly, we caution you not to place undue reliance on these statements. 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.

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

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