



Avago Technologies Announces Second Quarter Fiscal Year 2008 Financial Results

May 28, 2008

- *Record quarterly revenue of \$411 million, up 8% year-over-year*
- *Highest ever non-GAAP net income of \$43 million*
- *Adjusted EBITDA of \$85 million*

SAN JOSE, Calif., – May 28, 2008 - 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 May 4, 2008.

Second Quarter Fiscal 2008 GAAP Results

Record revenue of \$411 million increased by \$31 million, or 8 percent, when compared with the same period a year ago, and reflects continued gains in the wired and wireless communications markets. Gross margin of \$159 million, or 39 percent of sales, represents an improvement of \$24 million year-over-year.

Operating expenses were \$118 million versus \$108 million a year ago, owing to increased levels of investment in new product development. The favorable revenue and margin performance drove net income to a record \$17 million, up from \$4 million in the second quarter of fiscal 2007.

Cash balances increased sequentially by \$22 million to \$83 million at the end of the quarter. Cash generated from operations of \$43 million was partially offset by \$6 million spent on an acquisition.

Second Quarter Fiscal 2008 Non-GAAP Results

Higher revenue led to gross margin of \$174 million, or 42 percent. The \$23 million uptick from last year translates into a gain of 260 basis points.

R&D expenses climbed by \$11 million to \$62 million, while selling, general and administrative costs rose by \$2 million to \$46 million from the second quarter a year ago.

Net income increased to an all-time high of \$43 million, compared with \$33 million in the same period last year. These results translate into Adjusted EBITDA of \$85 million, down \$3 million from the same quarter a year ago, due to a reduction in other income.

"We continue to exceed past performance based on revenue gains in targeted markets and a favorable product mix. This fueled record revenue and enabled expanded profitability for the quarter," said Hock E. Tan, president and CEO of Avago Technologies. "These strong results are indicative of early success with our stated strategy to drive growth in more profitable segments."

Financial Results Conference Call

Avago Technologies will host a conference call to review its financial results for the second fiscal quarter today at 2:00 p.m. Pacific Time. Those wishing to access the call should dial (480) 629-9031. A replay will be available until Midnight Pacific Time Wednesday, June 4, 2008. To access the replay, dial (303) 590-3030, passcode: 3878915.

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, Avago also discloses Adjusted EBITDA as measured by the Company's 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 financial tables.

Financials

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

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 available on the Web at www.avagotech.com.

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; 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 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.

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