



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

March 6, 2007

SAN JOSE, Calif., – March 6, 2007 – Avago Technologies, a leading supplier of analog interface components for communications, industrial and consumer applications, today reported financial results for its first fiscal quarter, ended Jan. 31, 2007. These results, as well as those of the previous quarter, exclude revenue and expenses for the CMOS Image Sensor business, which was sold in December 2006.

### **First Quarter 2007 GAAP Results**

Net revenue was \$384 million, compared with \$401 million in the previous quarter. Increased penetration, primarily in the wired infrastructure market, partially offset normal seasonal softness, resulting in the 4 percent sequential decline in sales.

Gross margin of \$113 million improved sequentially by 250 basis points to 29 percent of revenue. Total operating expenses of \$125 million declined from \$147 million in the previous quarter which included a charge of \$21 million related to a legal settlement.

Net income was \$6 million, which includes a \$49 million gain related to the previously announced divestiture, and compares with a net loss of \$78 million in the fourth quarter.

Cash balances of \$240 million at the end of January declined \$32 million from the previous quarter, reflecting year-end and legal settlement payments.

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

Gross margin on a non-GAAP basis of \$143 million was 37 percent of revenue, representing a 630 basis points increase over the fourth quarter. Better yields and improved manufacturing costs absorption, combined with lower inventory charges and a richer revenue mix, were the main factors for the sequential improvement. Non-GAAP operating expenses were \$100 million versus \$116 million in the prior quarter, fully reflecting the costs savings inherent with the newly established corporate infrastructure.

Net income on a non-GAAP basis rose to \$12 million and Adjusted EBITDA jumped to \$74 million, driven by the significant improvement in operating results.

"Our first quarter results represent good performance in a period of soft demand in the overall semiconductor market," said Hock E. Tan, president and CEO of Avago Technologies. "During the first quarter, we took steps to reduce overhead costs and expand the use of manufacturing outsource providers. This expansion will further add flexibility in our cost structure and enable us to adapt faster to the cyclical trends in our industry."

### **First Quarter Financial Results Conference Call**

Avago Technologies will host a conference call to review the financial results for its first 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 Tuesday, March 13, 2007. To access the replay, dial (973) 341-3080 (pass code: 8471975). A transcript of the formal remarks will also be available upon request to [jim@summitirgroup.com](mailto:jim@summitirgroup.com).

### **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. Avago believes this non-GAAP earnings information provides more meaningful 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 \(PDF, 17KB\)](#)

**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 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.

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