



Broadcom Limited Announces Fourth Quarter and Fiscal Year 2017 Financial Results and Interim Dividend

December 6, 2017

- Quarterly interim dividend increased by 72 percent to \$1.75 per share from the prior quarter
- Long term free cash flow target increased from 35 percent to 40 percent of net revenue
- Quarterly GAAP gross margin of 49.2 percent; Quarterly non-GAAP gross margin from continuing operations of 63.3 percent
- Quarterly GAAP diluted earnings per share of \$1.50; Quarterly non-GAAP diluted earnings per share from continuing operations of \$4.59

SAN JOSE, Calif., and SINGAPORE, Dec. 06, 2017 (GLOBE NEWSWIRE) -- Broadcom Limited (Nasdaq:AVGO), a leading semiconductor device supplier to the wired, wireless, enterprise storage, and industrial end markets, today reported financial results for the fourth fiscal quarter and fiscal year ended October 29, 2017, and provided guidance for the first quarter of its fiscal year 2018. The Company completed its acquisition of Brocade Communications Systems, Inc. on November 17, 2017. The financial results provided below for the fourth quarter and fiscal year 2017 do not include any contribution from Brocade.

Fourth Quarter Fiscal Year 2017 GAAP Results

Net revenue was \$4,844 million, an increase of 9 percent from \$4,463 million in the previous quarter and an increase of 17 percent from \$4,136 million in the same quarter last year.

Gross margin was \$2,383 million, or 49.2 percent of net revenue. This compares with gross margin of \$2,149 million, or 48.2 percent of net revenue, in the prior quarter, and gross margin of \$2,171 million, or 52.5 percent of net revenue, in the same quarter last year.

Operating expenses were \$1,518 million. This compares with \$1,501 million in the prior quarter and \$1,790 million for the same quarter last year.

Operating income was \$865 million, or 17.9 percent of net revenue. This compares with operating income of \$648 million, or 14.5 percent of net revenue, in the prior quarter, and operating income of \$381 million, or 9.2 percent of net revenue, in the same quarter last year.

Net income, which includes the impact of discontinued operations, was \$671 million, or \$1.50 per diluted share. This compares with net income of \$507 million, or \$1.14 per diluted share, for the prior quarter, and net loss of \$668 million, or \$1.59 per diluted share, in the same quarter last year.

Net income attributable to ordinary shares was \$636 million. Net income attributable to the noncontrolling interest (restricted exchangeable limited partnership units ("REUs")) in the Company's subsidiary, Broadcom Cayman L.P. (the "Partnership"), was \$35 million.

Fourth Quarter Fiscal Year 2017 GAAP Results

| (Dollars in millions, except per share data) | Q4 17 | Q3 17 | Q4 16 | Change | |
|---|----------|----------|-----------|---------|----------|
| | | | | Q/Q | Y/Y |
| Net revenue | \$ 4,844 | \$ 4,463 | \$ 4,136 | +9% | +17% |
| Gross margin | 49.2% | 48.2% | 52.5% | +100bps | -330bps |
| Operating expenses | \$ 1,518 | \$ 1,501 | \$ 1,790 | +\$17 | -\$272 |
| Net income (loss) | \$ 671 | \$ 507 | \$ (668) | +\$164 | +\$1,339 |
| Net income (loss) attributable to noncontrolling interest | \$ 35 | \$ 26 | \$ (36) | +\$9 | +\$71 |
| Net income (loss) attributable to ordinary shares | \$ 636 | \$ 481 | \$ (632) | +\$155 | +\$1,268 |
| Earnings (loss) per share - diluted | \$ 1.50 | \$ 1.14 | \$ (1.59) | +\$0.36 | +\$3.09 |

The Company's cash and short term investment balance at the end of the fourth fiscal quarter was \$11,204 million, compared to \$5,449 million at the end of the prior quarter.

During the fourth quarter, the Company generated \$1,959 million in cash from operations and received \$3,980 million from issuance of long-term debt, and \$440 million from the sale of real property. In the fourth quarter, the Company spent \$233 million on capital expenditures.

On September 29, 2017, the Company paid a cash dividend of \$1.02 per ordinary share, totaling \$416 million. On the same date, the Partnership, of which the Company is the General Partner, paid holders of REUs a corresponding distribution of \$1.02 per REU, totaling \$23 million.

Fourth Quarter Fiscal Year 2017 Non-GAAP Results From Continuing Operations

The differences between the Company's GAAP and non-GAAP results are described generally under "Non-GAAP Financial Measures" below, and presented in detail in the financial reconciliation tables attached to this release.

Net revenue from continuing operations was \$4,848 million, an increase of 9 percent from \$4,467 million in the previous quarter, and an increase of 17 percent from \$4,146 million in the same quarter last year.

Gross margin from continuing operations was \$3,068 million, or 63.3 percent of net revenue. This compares with gross margin of \$2,827 million, or 63.3 percent of net revenue, in the prior quarter, and gross margin of \$2,522 million, or 60.8 percent of net revenue, in the same quarter last year.

Operating income from continuing operations was \$2,293 million, or 47.3 percent of net revenue. This compares with operating income from continuing operations of \$2,059 million, or 46.1 percent of net revenue, in the prior quarter, and \$1,719 million, or 41.5 percent of net revenue, in the same quarter last year.

Net income from continuing operations was \$2,091 million, or \$4.59 per diluted share. This compares with net income of \$1,871 million, or \$4.10 per diluted share last quarter, and net income of \$1,549 million, or \$3.47 per diluted share, in the same quarter last year.

Fourth Quarter Fiscal Year 2017 Non-GAAP Results

| (Dollars in millions, except per share data) | Q4 17 | Q3 17 | Q4 16 | Change | |
|--|----------|----------|----------|---------|---------|
| | | | | Q/Q | Y/Y |
| Net revenue | \$ 4,848 | \$ 4,467 | \$ 4,146 | +9% | +17% |
| Gross margin | 63.3% | 63.3% | 60.8% | - | +250bps |
| Operating expenses | \$ 775 | \$ 768 | \$ 803 | +\$7 | -\$28 |
| Net income | \$ 2,091 | \$ 1,871 | \$ 1,549 | +\$220 | +\$542 |
| Earnings per share - diluted | \$ 4.59 | \$ 4.10 | \$ 3.47 | +\$0.49 | +\$1.12 |

"On the heels of very strong fiscal 2017 financial results, and continuing momentum into the new fiscal year, we are increasing capital returns to our shareholders and have raised our interim quarterly dividend by 72%," said Hock Tan, President and CEO of Broadcom Limited. "We also closed the acquisition of Brocade early in the first fiscal quarter of 2018, adding to our very successful track record of highly accretive M&A."

Other Quarterly Data

| Net revenue by segment: | Q4 17 | | Q3 17 | | Q4 16 | | Growth Rates | |
|-------------------------|-----------------|-------------|-----------------|-------------|-----------------|-------------|--------------|-----|
| | | | | | | | Q/Q | Y/Y |
| Wired infrastructure | \$ 2,146 | 45% | \$ 2,208 | 50% | \$ 2,074 | 50% | -3% | 3% |
| Wireless communications | 1,796 | 37 | 1,283 | 29 | 1,346 | 32 | 40% | 33% |
| Enterprise storage | 645 | 13 | 735 | 16 | 561 | 14 | -12% | 15% |
| Industrial & other | 257 | 5 | 237 | 5 | 155 | 4 | 8% | 66% |
| Total net revenue | <u>\$ 4,844</u> | <u>100%</u> | <u>\$ 4,463</u> | <u>100%</u> | <u>\$ 4,136</u> | <u>100%</u> | | |

| Non-GAAP net revenue by segment: | Q4 17 | | Q3 17 | | Q4 16 | | Growth Rates | |
|-------------------------------------|-----------------|-------------|-----------------|-------------|-----------------|-------------|--------------|-----|
| | | | | | | | Q/Q | Y/Y |
| Wired infrastructure ⁽¹⁾ | \$ 2,150 | 45% | \$ 2,211 | 50% | \$ 2,077 | 50% | -3% | 4% |
| Wireless communications | 1,796 | 37 | 1,283 | 29 | 1,346 | 32 | 40% | 33% |
| Enterprise storage | 645 | 13 | 735 | 16 | 561 | 14 | -12% | 15% |
| Industrial & other ⁽¹⁾ | 257 | 5 | 238 | 5 | 162 | 4 | 8% | 59% |
| Total non-GAAP net revenue | <u>\$ 4,848</u> | <u>100%</u> | <u>\$ 4,467</u> | <u>100%</u> | <u>\$ 4,146</u> | <u>100%</u> | | |

(1) Non-GAAP data include the effect of acquisition-related purchase accounting adjustments relating to licensing revenue.

| Key Statistics (Dollars in millions) | Q4 17 | Q3 17 | Q4 16 |
|---|----------|----------|----------|
| Cash from operations | \$ 1,959 | \$ 1,656 | \$ 1,352 |
| Depreciation | \$ 117 | \$ 112 | \$ 118 |
| Amortization of acquisition-related intangible assets | \$ 1,099 | \$ 1,096 | \$ 580 |
| Capital expenditures | \$ 233 | \$ 255 | \$ 193 |
| Days sales outstanding ("DSO") | 46 | 49 | 48 |
| Inventory days on hand ("DOH") | 73 | 78 | 74 |
| Non-GAAP DSO | 46 | 49 | 48 |
| Non-GAAP Inventory DOH | 74 | 79 | 78 |

Fiscal Year 2017 Financial Results From Continuing Operations

Net revenue from continuing operations was \$17,636 million, an increase of 33 percent from \$13,240 million in the prior year. Gross margin was \$8,509 million, or 48.2 percent of net revenue, versus \$5,940 million, or 44.9 percent of net revenue, in the prior year. Operating income was \$2,493 million compared with an operating loss of \$409 million in the prior year. Net income, which includes the impact from discontinued operations, was \$1,894 million, or \$4.27 per diluted share. This compares with a net loss of \$1,861 million, or \$4.86 per diluted share, in fiscal year 2016. Net income attributable to ordinary shares was \$1,796 million in fiscal year 2017. Net income attributable to the noncontrolling interest REUs in the Partnership

was \$98 million.

Fiscal Year 2017 GAAP Results

(Dollars in millions, except per share data)

| | 2017 | 2016 | Change Y/Y |
|---|-----------|------------|---------------|
| Net revenue | \$ 17,636 | \$ 13,240 | +33% |
| Gross margin | 48.2% | 44.9% | +330bps |
| Operating expenses | \$ 6,016 | \$ 6,349 | -\$333 |
| Net income (loss) | \$ 1,894 | \$ (1,861) | +\$3,755 |
| Net income (loss) attributable to noncontrolling interest | \$ 98 | \$ (122) | +\$220 |
| Net income (loss) attributable to ordinary shares | \$ 1,796 | \$ (1,739) | +\$3,535 |
| Earnings (loss) per share - diluted | \$ 4.27 | \$ (4.86) | +\$9.13 |

Non-GAAP net revenue from continuing operations was \$17,665 million, an increase of 33 percent from \$13,292 million in the prior year. Non-GAAP gross margin was \$11,137 million, or 63 percent of net revenue, versus \$8,046 million, or 60.5 percent of net revenue, in the prior year. Non-GAAP operating income from continuing operations was \$8,011 million. This compares with \$5,320 million in the prior year. Non-GAAP net income was \$7,255 million, or \$16.02 per diluted share. This compares with non-GAAP net income of \$4,672 million, or \$11.45 per diluted share, in fiscal year 2016.

Fiscal Year 2017 Non-GAAP Results

(Dollars in millions, except per share data)

| | 2017 | 2016 | Change Y/Y |
|------------------------------|-----------|-----------|---------------|
| Net revenue | \$ 17,665 | \$ 13,292 | +33% |
| Gross margin | 63.0% | 60.5% | +250bps |
| Operating expenses | \$ 3,126 | \$ 2,726 | +\$400 |
| Net income | \$ 7,255 | \$ 4,672 | +\$2,583 |
| Earnings per share - diluted | \$ 16.02 | \$ 11.45 | +\$4.57 |

First Quarter Fiscal Year 2018 Business Outlook

Due to the Company's 52/53 week reporting cycle, fiscal year 2018 will include an extra week, compared to fiscal year 2017, which will fall in the first quarter of fiscal year 2018.

Based on current business trends and conditions, the outlook for continuing operations for the first quarter of fiscal year 2018, ending February 4, 2018, including the projected partial quarter contribution from the acquired Brocade Fibre Channel Storage Area Networking business, is expected to be as follows:

| | GAAP | Reconciling Items | Non-GAAP |
|----------------------------|--------------------|-------------------|--------------------|
| Net revenue | \$5,296M +/--\$75M | \$4M | \$5,300M +/--\$75M |
| Gross margin | 47.75% +/-1% | \$864M | 64.0% +/-1% |
| Operating expenses | \$1,760M | \$860M | \$900M |
| Interest expense and other | \$161M | \$35M | \$126M |
| Provision for income taxes | \$22M | \$84M | \$106M |
| Diluted share count | 427M | 31M | 458M |

- Non-GAAP net revenue includes \$4 million of licensing revenue not included in GAAP revenue, as a result of the effects of purchase accounting for acquisitions;
- Non-GAAP gross margin includes the effects of \$4 million of licensing revenue, and excludes the effects of \$730 million of amortization of intangible assets, \$90 million of charges related to inventory step-up to fair value, \$20 million of share-based compensation expense, and \$20 million of restructuring charges;
- Non-GAAP operating expenses exclude \$340 million of amortization of intangible assets, \$280 million of share-based compensation expense, \$145 million of restructuring charges, and \$95 million of acquisition-related costs;
- Non-GAAP tax provision is \$84 million higher than GAAP due to the tax effects of the projected reconciling items noted above;
- Non-GAAP interest expense and other excludes \$35 million of debt-related costs; and
- Non-GAAP diluted share count includes the impact of the REUs on an if-converted basis, which were not included in projected GAAP diluted share count because their effect is expected to be antidilutive, and excludes the impact of

share-based compensation expense expected to be incurred in future periods and not yet recognized in the Company's financial statements, which would otherwise be assumed to be used to repurchase shares under the GAAP treasury stock method.

Capital expenditures for the first fiscal quarter are expected to be approximately \$210 million. For the first fiscal quarter, depreciation is expected to be \$130 million and amortization is expected to be approximately \$1,070 million.

The guidance provided above is only an estimate of what the Company believes is realizable as of the date of this release. Among other things, this guidance is based on an initial estimate of purchase accounting adjustments and allocations, all of which are subject to revision. The guidance also excludes the impact of any additional mergers, acquisitions and divestiture activity that may occur during the quarter. Actual results will vary from the guidance and the variations may be material. The Company undertakes no intent or obligation to publicly update or revise any of these projections, whether as a result of new information, future events or otherwise, except as required by law.

Update to Long Term Target Operating Model

The Company will continue to target long term annual revenue growth of 5 percent. The Company is raising its long term target for non-GAAP gross margin from greater than 60 percent to 65 percent and non-GAAP operating margin from 45 percent to 47.5 percent. The Company is also raising its long term target for free cash flow from 35 percent to 40 percent of net revenue. These targets are long term goals and should not be interpreted as guidance for either the current period or future periods.

Interim Dividend

The Company's Board of Directors has approved a quarterly, interim cash dividend of \$1.75 per ordinary share. A corresponding distribution will also be paid by the Partnership, of which the Company is the General Partner, to holders of REUs, in the amount of \$1.75 per REU.

The dividend and the distribution are both payable on December 29, 2017 to shareholders or unitholders of record, as applicable, at the close of business (5:00 p.m.) Eastern Time on December 19, 2017.

Financial Results Conference Call

Broadcom Limited will host a conference call to review its financial results for the fourth quarter and fiscal year 2017, ended October 29, 2017, and to provide guidance for the first quarter of fiscal year 2018, today at 2:00 p.m. Pacific Time. Those wishing to access the call should dial (866) 310-8712; International +1 (720) 634-2946. The passcode is 7599088. A replay of the call will be accessible for one week after the call. To access the replay dial (855) 859-2056; International +1 (404) 537-3406; and reference the passcode: 7599088. A webcast of the conference call will also be available in the "Investors" section of Broadcom's website at www.broadcom.com.

Non-GAAP Financial Measures

In addition to GAAP reporting, Broadcom provides investors with net revenue, net income, operating income, gross margin, operating expenses and other data on a non-GAAP basis. This non-GAAP information includes the effect, where applicable, of purchase accounting on revenues, and excludes amortization of acquisition-related intangible assets, share-based compensation expense, restructuring, impairment and disposal charges, acquisition-related costs, including integration costs, purchase accounting effect on inventory, debt-related costs, gain (loss) on extinguishment of debt, gain (loss) on disposition of assets, income (loss) from discontinued operations and income tax effects of non-GAAP reconciling adjustments. Management does not believe that these items are reflective of the Company's underlying performance. However, internally, these non-GAAP measures are significant measures used by management for purposes of evaluating the core operating performance of the Company, establishing internal budgets, calculating return on investment for development programs and growth initiatives, comparing performance with internal forecasts and targeted business models, strategic planning, evaluating and valuing potential acquisition candidates and how their operations compare to the Company's operations, and benchmarking performance externally against the Company's competitors. The presentation of these and other similar items in Broadcom's non-GAAP financial results should not be interpreted as implying that these items are non-recurring, infrequent or unusual. Broadcom believes this non-GAAP financial 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 help them evaluate the results of the Company's on-going operations and enable more meaningful period to period comparisons. These non-GAAP measures are provided in addition to, and not as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. A reconciliation between GAAP and non-GAAP financial data is included in the supplemental financial data attached to this press release.

About Broadcom Limited

Broadcom Limited (NASDAQ:AVGO) is a leading designer, developer and global supplier of a broad range of digital and analog semiconductor connectivity solutions. Broadcom Limited's extensive product portfolio serves four primary end markets: wired infrastructure, wireless communications, enterprise storage and industrial & other. Applications for our products in these end markets include: data center networking, home connectivity, set-top box, broadband access, telecommunications equipment, smartphones and base stations, data center servers and storage, factory automation, power generation and alternative energy systems, and electronic displays.

Cautionary Note Regarding Forward-Looking Statements

This announcement contains forward-looking statements (including within the meaning of Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended) concerning Broadcom. These statements include, but are not limited to, statements that address our expected future business and financial performance and statements about (i) the proposed transaction involving Broadcom and Qualcomm Incorporated, or Qualcomm, and the expected benefits of the proposed transaction; (ii) the expected benefits of acquisitions, (iii) our plans, objectives and intentions with respect to future operations and products, (iv) our competitive position and opportunities, (v) the impact of acquisitions on the market for our products, and (vi) other statements identified by words such as "will", "expect", "believe", "anticipate", "estimate", "should", "intend", "plan", "potential", "predict", "project", "aim", and similar words, phrases or expressions. These forward-looking statements are based on current expectations and beliefs of the management of Broadcom, as well as assumptions made by, and information currently available to, such management, current market trends and market conditions and involve risks and uncertainties, many of which are outside the Company's and management's control, and which may cause actual results to differ materially from those contained in forward-looking statements.

Accordingly, you should not place undue reliance on such statements.

Particular uncertainties that could materially affect future results include risks associated with our proposal to acquire Qualcomm, including: (i) uncertainty regarding the ultimate outcome or terms of any possible transaction between Broadcom and Qualcomm, including as to whether Qualcomm will cooperate with us regarding the proposed transaction; (ii) the effects of the announcement of the proposed transaction on the ability of Broadcom and Qualcomm to retain customers, to retain and hire key personnel and to maintain favorable relationships with suppliers or customers; (iii) the timing of the proposed transaction; (iv) the ability to obtain regulatory approvals and satisfy other closing conditions to the completion of the proposed transaction (including shareholders' approvals); and (v) other risks related to the completion of the proposed transaction and actions related thereto; loss of our significant customers and fluctuations in the timing and volume of significant customer demand; our dependence on contract manufacturers and outsourced supply chain; our dependency on a limited number of suppliers; any acquisitions we may make, such as delays, challenges and expenses associated with receiving governmental and regulatory approvals and satisfying other closing conditions, and with integrating acquired companies with our existing businesses and our ability to achieve the benefits, growth prospects and synergies expected from such acquisitions, including our acquisition of Brocade; our ability to accurately estimate customers' demand and adjust our manufacturing and supply chain accordingly; our significant indebtedness, including the need to generate sufficient cash flows to service and repay such debt; increased dependence on a small number of markets and the rate of growth in these markets; dependence on and risks associated with distributors of our products; dependence on senior management; quarterly and annual fluctuations in operating results; global economic conditions and concerns; our proposed redomiciliation of our ultimate parent company to the United States; our competitive performance and ability to continue achieving design wins with our customers, as well as the timing of those design wins; prolonged disruptions of our or our contract manufacturers' manufacturing facilities or other significant operations; our ability to improve our manufacturing efficiency and quality; our dependence on outsourced service providers for certain key business services and their ability to execute to our requirements; our ability to maintain or improve gross margin; our effective tax rate, legislation that may impact our effective tax rate and our ability to maintain tax concessions in certain jurisdictions; our ability to protect our intellectual property and the unpredictability of any associated litigation expenses; any expenses or reputational damage associated with resolving customer product and warranty and indemnification claims; cyclicalities in the semiconductor industry or in our target markets; our ability to sell to new types of customers and to keep pace with technological advances; market acceptance of the end products into which our products are designed; and other events and trends on a national, regional and global scale, including those of a political, economic, business, competitive and regulatory nature.

Our filings with the 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. We undertake no intent or obligation to publicly update or revise any of these forward looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Contacts:

Broadcom Limited
Ashish Saran
Investor Relations
+1 408 433 8000
investor.relations@broadcom.com

BROADCOM LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - UNAUDITED
(IN MILLIONS, EXCEPT PER SHARE DATA)

| | Fiscal Quarter Ended | | | Fiscal Year Ended | |
|---|----------------------|------------------|---------------------|---------------------|---------------------|
| | October 29, 2017 | July 30, 2017 | October 30, 2016 | October 29, 2017 | October 30, 2016 |
| Net revenue | \$ 4,844 | \$ 4,463 | \$ 4,136 | \$ 17,636 | \$ 13,240 |
| Cost of products sold: | | | | | |
| Cost of products sold | 1,798 | 1,658 | 1,639 | 6,593 | 5,295 |
| Purchase accounting effect on inventory | 2 | 1 | 86 | 4 | 1,185 |
| Amortization of acquisition-related intangible assets | 658 | 655 | 224 | 2,511 | 763 |
| Restructuring charges | 3 | - | 16 | 19 | 57 |
| Total cost of products sold | 2,461 | 2,314 | 1,965 | 9,127 | 7,300 |
| Gross margin | 2,383 | 2,149 | 2,171 | 8,509 | 5,940 |
| Research and development | 828 | 827 | 806 | 3,292 | 2,674 |
| Selling, general and administrative | 194 | 200 | 224 | 799 | 806 |
| Amortization of acquisition-related intangible assets | 441 | 441 | 356 | 1,764 | 1,873 |
| Restructuring, impairment and disposal charges | 55 | 33 | 404 | 161 | 996 |

| | | | | | |
|---|---------|---------|-----------|----------|------------|
| Total operating expenses | 1,518 | 1,501 | 1,790 | 6,016 | 6,349 |
| Operating income (loss) | 865 | 648 | 381 | 2,493 | (409) |
| Interest expense | (119) | (112) | (106) | (454) | (585) |
| Loss on debt extinguishment | (7) | - | (49) | (166) | (123) |
| Other income, net | 16 | 12 | 9 | 62 | 10 |
| Income (loss) from continuing operations before income taxes | 755 | 548 | 235 | 1,935 | (1,107) |
| Provision for income taxes | 89 | 39 | 841 | 35 | 642 |
| Income (loss) from continuing operations | 666 | 509 | (606) | 1,900 | (1,749) |
| Income (loss) from discontinued operations, net of income taxes | 5 | (2) | (62) | (6) | (112) |
| Net income (loss) | 671 | 507 | (668) | 1,894 | (1,861) |
| Net income (loss) attributable to noncontrolling interest | 35 | 26 | (36) | 98 | (122) |
| Net income (loss) attributable to ordinary shares | \$ 636 | \$ 481 | \$ (632) | \$ 1,796 | \$ (1,739) |
| Basic income (loss) per share ⁽¹⁾ : | | | | | |
| Income (loss) per share from continuing operations | \$ 1.55 | \$ 1.19 | \$ (1.44) | \$ 4.45 | \$ (4.46) |
| Income (loss) per share from discontinued operations | 0.01 | (0.01) | (0.15) | (0.02) | (0.29) |
| Net income (loss) per share | \$ 1.56 | \$ 1.18 | \$ (1.59) | \$ 4.43 | \$ (4.75) |
| Diluted income (loss) per share ⁽²⁾ : | | | | | |
| Income (loss) per share from continuing operations | \$ 1.49 | \$ 1.14 | \$ (1.44) | \$ 4.28 | \$ (4.57) |
| Income (loss) per share from discontinued operations | 0.01 | - | (0.15) | (0.01) | (0.29) |
| Net income (loss) per share | \$ 1.50 | \$ 1.14 | \$ (1.59) | \$ 4.27 | \$ (4.86) |
| Shares used in per share calculations: | | | | | |
| Basic | 408 | 407 | 398 | 405 | 366 |
| Diluted | 424 | 445 | 421 | 421 | 383 |
| Share-based compensation expense included in continuing operations: | | | | | |
| Cost of products sold | \$ 17 | \$ 18 | \$ 14 | \$ 64 | \$ 48 |
| Research and development | 171 | 174 | 136 | 636 | 430 |
| Selling, general and administrative | 64 | 59 | 58 | 220 | 186 |
| Total share-based compensation expense | \$ 252 | \$ 251 | \$ 208 | \$ 920 | \$ 664 |

(1) For fiscal periods after February 1, 2016, basic income (loss) per share numerators are reduced by approximately 5% of net income (loss), attributable to noncontrolling interest. The noncontrolling interest is related to the restricted exchangeable partnership units of Broadcom Cayman L.P. ("Partnership REUs"), of which Broadcom Limited is the General Partner.

(2) For the fiscal quarters ended July 30, 2017 and October 30, 2016 and the fiscal year ended October 30, 2016, diluted income (loss) per share numerators and denominators include the impact of the noncontrolling interest, which assumes conversion of Partnership REUs to Broadcom ordinary shares. The diluted income (loss) per share calculations include approximately 22 million Partnership REUs for the fiscal quarter ended July 30, 2017, approximately 23 million Partnership REUs for the fiscal quarter ended October 30, 2016, and approximately 17 million Partnership REUs for the fiscal year ended October 30, 2016, representing an assumed conversion of 100% of the Partnership REUs under the "if converted" method.

BROADCOM LIMITED
FINANCIAL RECONCILIATION: GAAP TO NON-GAAP - UNAUDITED
(IN MILLIONS, EXCEPT DAYS)

| | Fiscal Quarter Ended | | | Fiscal Year Ended | |
|---|----------------------|------------------|---------------------|---------------------|---------------------|
| | October 29, 2017 | July 30, 2017 | October 30, 2016 | October 29, 2017 | October 30, 2016 |
| Net revenue on GAAP basis | \$ 4,844 | \$ 4,463 | \$ 4,136 | \$ 17,636 | \$ 13,240 |
| Acquisition-related purchase accounting revenue adjustment ⁽¹⁾ | 4 | 4 | 10 | 29 | 52 |
| Net revenue on non-GAAP basis | <u>\$ 4,848</u> | <u>\$ 4,467</u> | <u>\$ 4,146</u> | <u>\$ 17,665</u> | <u>\$ 13,292</u> |
| Gross margin on GAAP basis | \$ 2,383 | \$ 2,149 | \$ 2,171 | \$ 8,509 | \$ 5,940 |
| Acquisition-related purchase accounting revenue adjustment ⁽¹⁾ | 4 | 4 | 10 | 29 | 52 |
| Purchase accounting effect on inventory | 2 | 1 | 86 | 4 | 1,185 |
| Amortization of acquisition-related intangible assets | 658 | 655 | 224 | 2,511 | 763 |
| Share-based compensation expense | 17 | 18 | 14 | 64 | 48 |
| Restructuring charges | 3 | - | 16 | 19 | 57 |
| Acquisition-related costs | 1 | - | 1 | 1 | 1 |
| Gross margin on non-GAAP basis | <u>\$ 3,068</u> | <u>\$ 2,827</u> | <u>\$ 2,522</u> | <u>\$ 11,137</u> | <u>\$ 8,046</u> |
| Research and development on GAAP basis | \$ 828 | \$ 827 | \$ 806 | \$ 3,292 | \$ 2,674 |
| Share-based compensation expense | 171 | 174 | 136 | 636 | 430 |
| Acquisition-related costs | - | 1 | 4 | 6 | 10 |
| Research and development on non-GAAP basis | <u>\$ 657</u> | <u>\$ 652</u> | <u>\$ 666</u> | <u>\$ 2,650</u> | <u>\$ 2,234</u> |
| Selling, general and administrative expense on GAAP basis | \$ 194 | \$ 200 | \$ 224 | \$ 799 | \$ 806 |
| Share-based compensation expense | 64 | 59 | 58 | 220 | 186 |
| Acquisition-related costs | 12 | 25 | 29 | 103 | 128 |
| Selling, general and administrative expense on non-GAAP basis | <u>\$ 118</u> | <u>\$ 116</u> | <u>\$ 137</u> | <u>\$ 476</u> | <u>\$ 492</u> |

| | | | | | |
|--|----------|----------|----------|----------|------------|
| Total operating expenses on GAAP basis | \$ 1,518 | \$ 1,501 | \$ 1,790 | \$ 6,016 | \$ 6,349 |
| Amortization of acquisition-related intangible assets | 441 | 441 | 356 | 1,764 | 1,873 |
| Share-based compensation expense | 235 | 233 | 194 | 856 | 616 |
| Restructuring, impairment and disposal charges | 55 | 33 | 404 | 161 | 996 |
| Acquisition-related costs | 12 | 26 | 33 | 109 | 138 |
| Total operating expenses on non-GAAP basis | \$ 775 | \$ 768 | \$ 803 | \$ 3,126 | \$ 2,726 |
| Operating income (loss) on GAAP basis | \$ 865 | \$ 648 | \$ 381 | \$ 2,493 | \$ (409) |
| Acquisition-related purchase accounting revenue adjustment ⁽¹⁾ | 4 | 4 | 10 | 29 | 52 |
| Purchase accounting effect on inventory | 2 | 1 | 86 | 4 | 1,185 |
| Amortization of acquisition-related intangible assets | 1,099 | 1,096 | 580 | 4,275 | 2,636 |
| Share-based compensation expense | 252 | 251 | 208 | 920 | 664 |
| Restructuring, impairment and disposal charges | 58 | 33 | 420 | 180 | 1,053 |
| Acquisition-related costs | 13 | 26 | 34 | 110 | 139 |
| Operating income on non-GAAP basis | \$ 2,293 | \$ 2,059 | \$ 1,719 | \$ 8,011 | \$ 5,320 |
| Interest expense on GAAP basis | \$ (119) | \$ (112) | \$ (106) | \$ (454) | \$ (585) |
| Debt-related costs | - | - | - | 1 | 149 |
| Interest expense on non-GAAP basis | \$ (119) | \$ (112) | \$ (106) | \$ (453) | \$ (436) |
| Other income, net on GAAP basis | \$ 16 | \$ 12 | \$ 9 | \$ 62 | \$ 10 |
| Gain on disposition of assets | - | - | - | (23) | - |
| Other income, net on non-GAAP basis | \$ 16 | \$ 12 | \$ 9 | \$ 39 | \$ 10 |
| Income (loss) from continuing operations before income taxes on GAAP basis | \$ 755 | \$ 548 | \$ 235 | \$ 1,935 | \$ (1,107) |
| Acquisition-related purchase accounting revenue adjustment ⁽¹⁾ | 4 | 4 | 10 | 29 | 52 |
| Purchase accounting effect on inventory | 2 | 1 | 86 | 4 | 1,185 |
| Amortization of acquisition-related intangible assets | 1,099 | 1,096 | 580 | 4,275 | 2,636 |
| Share-based compensation expense | 252 | 251 | 208 | 920 | 664 |
| Restructuring, impairment and disposal charges | 58 | 33 | 420 | 180 | 1,053 |
| Acquisition-related costs | 13 | 26 | 34 | 110 | 139 |
| Debt-related costs | - | - | - | 1 | 149 |
| Loss on debt extinguishment | 7 | - | 49 | 166 | 123 |
| Gain on disposition of assets | - | - | - | (23) | - |
| Income before income taxes on non-GAAP basis | \$ 2,190 | \$ 1,959 | \$ 1,622 | \$ 7,597 | \$ 4,894 |
| Provision for income taxes on GAAP basis | \$ 89 | \$ 39 | \$ 841 | \$ 35 | \$ 642 |
| Income tax effects of non-GAAP reconciling adjustments | 10 | 49 | (768) | 307 | (420) |

| | | | | | |
|---|----------|----------|----------|----------|------------|
| Provision for income taxes on non-GAAP basis | \$ 99 | \$ 88 | \$ 73 | \$ 342 | \$ 222 |
| Net income (loss) on GAAP basis | \$ 671 | \$ 507 | \$ (668) | \$ 1,894 | \$ (1,861) |
| Acquisition-related purchase accounting revenue adjustment ⁽¹⁾ | 4 | 4 | 10 | 29 | 52 |
| Purchase accounting effect on inventory | 2 | 1 | 86 | 4 | 1,185 |
| Amortization of acquisition-related intangible assets | 1,099 | 1,096 | 580 | 4,275 | 2,636 |
| Share-based compensation expense | 252 | 251 | 208 | 920 | 664 |
| Restructuring, impairment and disposal charges | 58 | 33 | 420 | 180 | 1,053 |
| Acquisition-related costs | 13 | 26 | 34 | 110 | 139 |
| Debt-related costs | - | - | - | 1 | 149 |
| Loss on debt extinguishment | 7 | - | 49 | 166 | 123 |
| Gain on disposition of assets | - | - | - | (23) | - |
| Income tax effects of non-GAAP reconciling adjustments | (10) | (49) | 768 | (307) | 420 |
| Discontinued operations, net of income taxes | (5) | 2 | 62 | 6 | 112 |
| Net income on non-GAAP basis | \$ 2,091 | \$ 1,871 | \$ 1,549 | \$ 7,255 | \$ 4,672 |
| Shares used in per share calculation - diluted on GAAP basis | 424 | 445 | 421 | 421 | 383 |
| Non-GAAP adjustment ⁽²⁾ | 32 | 11 | 26 | 32 | 25 |
| Shares used in per share calculation - diluted on non-GAAP basis | 456 | 456 | 447 | 453 | 408 |
| Inventory days on hand on GAAP basis | 73 | 78 | 74 | | |
| Non-GAAP adjustment ⁽³⁾ | 1 | 1 | 4 | | |
| Inventory days on hand on non-GAAP basis | 74 | 79 | 78 | | |

(1) Amounts represent licensing revenue not included in GAAP net revenue as a result of the effect of purchase accounting for acquisitions.

(2) Non-GAAP adjustment for number of shares used in the diluted per share calculations excludes the impact of share-based compensation expense expected to be incurred in future periods and not yet recognized in the financial statements, which would otherwise be assumed to be used to repurchase shares under the GAAP treasury stock method. Non-GAAP adjustment also includes the impact of Partnership REUs and equity awards, which would otherwise be antidilutive on a GAAP basis.

(3) Non-GAAP adjustment for inventory days on hand represents the impact of purchase accounting on inventory, share-based compensation expense, and acquisition-related costs.

BROADCOM LIMITED
CONDENSED CONSOLIDATED BALANCE SHEETS - UNAUDITED
(IN MILLIONS)

October 29,

October 30,

| | 2017 | 2016 |
|---|-----------|-----------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 11,204 | \$ 3,097 |
| Trade accounts receivable, net | 2,448 | 2,181 |
| Inventory | 1,447 | 1,400 |
| Other current assets | 724 | 447 |
| Total current assets | 15,823 | 7,125 |
| Long-term assets: | | |
| Property, plant and equipment, net | 2,599 | 2,509 |
| Goodwill | 24,706 | 24,732 |
| Intangible assets, net | 10,832 | 15,068 |
| Other long-term assets | 458 | 532 |
| Total assets | \$ 54,418 | \$ 49,966 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 1,105 | \$ 1,261 |
| Employee compensation and benefits | 626 | 517 |
| Current portion of long-term debt | 117 | 454 |
| Other current liabilities | 630 | 846 |
| Total current liabilities | 2,478 | 3,078 |
| Long-term liabilities: | | |
| Long-term debt | 17,431 | 13,188 |
| Pension and post-retirement benefit obligations | 112 | 531 |
| Other long-term liabilities | 11,101 | 11,293 |
| Total liabilities | 31,122 | 28,090 |
| Shareholders' equity: | | |
| Ordinary shares | 20,505 | 19,241 |
| Accumulated deficit | (25) | (215) |
| Accumulated other comprehensive loss | (91) | (134) |
| Total Broadcom Limited shareholders' equity | 20,389 | 18,892 |
| Noncontrolling interest | 2,907 | 2,984 |
| Total shareholders' equity | 23,296 | 21,876 |
| Total liabilities and shareholders' equity | \$ 54,418 | \$ 49,966 |

BROADCOM LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED
(IN MILLIONS)

| | Fiscal Quarter Ended | | | Fiscal Year Ended | |
|--|----------------------|---------------------|------------------------|------------------------|------------------------|
| | October 29, 2017 | July 30, 2017 | October 30, 2016 | October 29, 2017 | October 30, 2016 |
| Cash flows from operating activities: | | | | | |
| Net income (loss) | \$ 671 | \$ 507 | \$ (668) | \$ 1,894 | \$ (1,861) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | | | |
| Depreciation and amortization | 1,219 | 1,211 | 700 | 4,737 | 3,042 |
| Share-based compensation | 252 | 251 | 205 | 921 | 679 |
| Excess tax benefits from share-based compensation | - | - | (21) | - | (89) |
| Deferred taxes and other non-cash taxes | (74) | 12 | 718 | (173) | 365 |
| Non-cash portion of debt extinguishment loss | 7 | - | 49 | 166 | 100 |
| Non-cash restructuring, impairment and disposal charges | 17 | 14 | 394 | 71 | 662 |
| Amortization of debt issuance costs and accretion of debt discount | 5 | 5 | 9 | 24 | 36 |
| Other | 9 | 13 | 4 | 7 | (6) |
| Changes in assets and liabilities, net of acquisitions and disposals: | | | | | |
| Trade accounts receivable, net | (31) | (344) | - | (267) | (491) |
| Inventory | (16) | (119) | (92) | (39) | 996 |
| Accounts payable | (63) | 217 | 94 | (97) | 33 |
| Employee compensation and benefits | 80 | 82 | 93 | 109 | 163 |
| Contributions to defined benefit pension plans | (345) | (5) | (19) | (361) | (33) |
| Other current assets and current liabilities | 29 | (179) | (60) | (541) | (98) |
| Other long-term assets and long-term liabilities | 199 | (9) | (54) | 100 | (87) |
| Net cash provided by operating activities | 1,959 | 1,656 | 1,352 | 6,551 | 3,411 |
| Cash flows from investing activities: | | | | | |
| Purchases of property, plant and equipment | (233) | (255) | (193) | (1,069) | (723) |
| Proceeds from disposals of property, plant and equipment | 440 | 1 | - | 441 | 5 |
| Purchases of investments | (7) | - | - | (207) | (58) |
| Proceeds from sales and maturities of investments | 200 | - | 15 | 200 | 104 |
| Acquisitions of businesses, net of cash acquired | - | (3) | - | (40) | (10,055) |
| Proceeds from sales of businesses | - | - | 200 | 10 | 898 |
| Other | (4) | (1) | 4 | (9) | (11) |
| Net cash provided by (used in) investing activities | 396 | (258) | 26 | (674) | (9,840) |
| Cash flows from financing activities: | | | | | |
| Proceeds from issuance of long-term debt | 3,980 | - | 3,584 | 17,426 | 19,510 |
| Repayment of debt | - | - | (3,697) | (13,668) | (9,842) |
| Payment of assumed debt | - | - | - | - | (1,475) |
| Payment of debt issuance costs | (1) | - | (15) | (24) | (123) |
| Dividend and distribution payments | (439) | (438) | (213) | (1,745) | (750) |
| Issuance of ordinary shares | 66 | 41 | 78 | 257 | 295 |
| Excess tax benefits from share-based compensation | - | - | 21 | - | 89 |
| Payment of capital lease obligations | (6) | (6) | - | (16) | - |
| Net cash provided by (used in) financing activities | 3,600 | (403) | (242) | 2,230 | 7,704 |

| | | | | | |
|--|------------------|-----------------|-----------------|------------------|-----------------|
| Net change in cash and cash equivalents | 5,955 | 995 | 1,136 | 8,107 | 1,275 |
| Cash and cash equivalents at the beginning of period | 5,249 | 4,254 | 1,961 | 3,097 | 1,822 |
| Cash and cash equivalents at end of period | <u>\$ 11,204</u> | <u>\$ 5,249</u> | <u>\$ 3,097</u> | <u>\$ 11,204</u> | <u>\$ 3,097</u> |

Supplemental disclosure of cash flow information:

| | | | | | |
|----------------------------|-------|--------|--------|--------|--------|
| Cash paid for interest | \$ 1 | \$ 206 | \$ 105 | \$ 310 | \$ 448 |
| Cash paid for income taxes | \$ 96 | \$ 35 | \$ 99 | \$ 349 | \$ 242 |

 [Primary Logo](#)

Broadcom Limited