

Avago Technologies Limited Announces Second Quarter Fiscal Year 2012 Financial Results

- *Net revenue up 2.5 percent sequentially to \$577 million, up 3.0 percent from Q2 last year*
- *GAAP gross margin of 48.2 percent; Non-GAAP gross margin of 51.1 percent*
- *GAAP earnings per diluted share of \$0.54; Non-GAAP earnings per diluted share of \$0.66*

SAN JOSE, Calif., and SINGAPORE – May 22, 2012 – Avago Technologies Limited (Nasdaq: AVGO), a leading supplier of analog interface components for communications, industrial and consumer applications, today reported financial results for the second quarter of its fiscal year 2012, ended April 29, 2012, and provided guidance for the third quarter of its fiscal year 2012.

Second Quarter Fiscal Year 2012 GAAP Results

Net revenue was \$577 million, an increase of 2.5 percent compared with the previous quarter and 3.0 percent from the same quarter last year.

Gross margin was \$278 million, or 48.2 percent of net revenue. This compares with gross margin of \$270 million, or 48.0 percent of net revenue last quarter, and gross margin of \$275 million, or 49.1 percent of net revenue in the same quarter last year.

Operating expenses were \$141 million. This compares with \$138 million in the prior quarter and \$137 million for the same quarter the previous year.

Income from operations was \$137 million. This compares with \$132 million in the prior quarter and with \$138 million in the same quarter last year.

Second quarter net income was \$134 million, or \$0.54 per diluted share. This compares with net income of \$125 million, or \$0.50 per diluted share for the prior quarter, and net income of \$135 million, or \$0.54 per diluted share in the same quarter last year.

The Company's cash balance at the end of the second quarter was \$954 million, compared to \$819 million at the end of the prior quarter.

The Company generated \$211 million in cash from operations in the second quarter and spent \$56 million on capital expenditures.

On March 30, 2012 the Company paid a quarterly cash dividend of 13 cents (\$0.13) per ordinary share, totaling approximately \$32 million.

During the quarter, Avago's Board of Directors authorized the Company to repurchase up to 15 million of its ordinary shares. This replaces the share repurchase program announced by the Company on June 9, 2011, which expired at the Company's 2012 annual general meeting on April 4, 2012. The Company also repurchased and cancelled \$6 million of ordinary shares during the second quarter.

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Second Quarter Fiscal Year 2012 Non-GAAP Results

Gross margin was \$295 million, or 51.1 percent of net revenue. This compares with gross margin of \$285 million, or 50.6 percent of net revenue last quarter, and gross margin of \$290 million, or 51.8 percent of net revenue in the same quarter last year.

Income from operations was \$171 million. This compares with \$163 million in the prior quarter and \$167 million in the same quarter the previous year.

Net income was \$168 million, or \$0.66 per diluted share. This compares with net income of \$156 million, or \$0.62 per diluted share last quarter, and net income of \$165 million, or \$0.64 per diluted share in the same quarter last year.

Second Quarter Fiscal Year 2012 Non-GAAP Results

(Dollars in millions, except EPS)	Change				
	Q2 12	Q1 12	Q2 11	Q/Q	Y/Y
Net Revenue	\$577	\$563	\$560	+2.5%	+3.0%
Gross Margin	51.1%	50.6%	51.8%	+50bps	-70bps
Operating Expenses	\$124	\$122	\$123	+\$2	+\$1
Net Income	\$168	\$156	\$165	+\$12	+\$3
Earnings Per Share - Diluted	\$0.66	\$0.62	\$0.64	+\$0.04	+\$0.02

“During the second fiscal quarter, continued strength in wireless and a recovery in Asia for industrial enabled us to drive growth,” said Hock Tan, President and CEO of Avago Technologies Limited. “For the third quarter, we expect product transitions to dampen wireless revenue growth, but that this will be offset by a continued strong recovery in industrial worldwide which should favorably impact consolidated gross margins.”

Other Quarterly Data

Net Revenues by Target Market	Percentage of Net Revenue			Growth Rates	
	Q2 12	Q1 12	Q2 11	Q/Q	Y/Y
Wireless Communications	44	45	36	0%	26%
Wired Infrastructure	29	29	29	4%	5%
Industrial & Automotive	22	20	30	9%	-26%
Consumer & Computing Peripherals	5	6	5	-9%	0%

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<u>Key Statistics</u>	<u>Q2 12</u>	<u>Q1 12</u>	<u>Q2 11</u>
(Dollars in millions)			
Cash From Operations	\$211	\$139	\$253
Depreciation	\$19	\$18	\$19
Amortization	\$19	\$19	\$19
Capital Expenditures	\$56	\$47	\$19
Days Sales Outstanding	43	50	47
Inventory Days On Hand	70	63	65

Third Quarter Fiscal Year 2012 Business Outlook

Based on current business trends and conditions, the outlook for the third quarter of fiscal year 2012, ending July 29, 2012, is expected to be as follows:

	<u>GAAP</u>	<u>Reconciling Items</u>	<u>Non-GAAP</u>
Sequential Change in Net Revenue	Up 3% to 6%		Up 3% to 6%
Gross Margin	48.50% plus/minus 75bps	\$16M	51.5% plus/minus 75bps
Operating Expenses	\$152M	\$23M	\$129M
Interest and Other	\$1M		\$1M
Taxes	\$7M		\$7M
Diluted Share Count	251M	3M	254M

Reconciling items include \$14 million of amortization of acquisition-related intangibles, \$1 million of share-based compensation expense and \$1 million of restructuring charges at the Gross Margin line, and \$6 million of amortization of acquisition-related intangibles, \$14 million of share-based compensation and \$3 million of restructuring charges at the Operating Expenses line.

Capital expenditures for the third quarter are expected to be in the range of \$63 million to \$73million. For the third quarter depreciation is expected to be \$20 million and amortization is expected to be \$20 million.

The guidance provided above is only an estimate of what the Company believes is realizable as of the date of this release. The guidance excludes any impact from share repurchases or mergers and acquisitions 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.

Avago will be presenting at the NASDAQ OMX Investor Conference in London on June 26, 2012. This presentation will be webcast and available for replay on the “Investors” section of Avago’s website at www.avagotech.com.

Financial Results Conference Call

Avago Technologies Limited will host a conference call to review its financial results for the second quarter of fiscal year 2012, and to provide guidance for the third quarter of fiscal year 2012, today at 2:00 p.m. Pacific Time. Those wishing to access the call should dial 800-706-7749; International +1-617-614-3474. The passcode is 14540707. A replay of the call will be available through May 29, 2012. To access the replay dial 888-286-8010; International +1-617-801-6888 and reference the passcode: 96171582. A webcast of the conference call will also be available in the “Investors” section of Avago’s website at www.avagotech.com.

Non-GAAP Financial Measures

In addition to GAAP reporting, Avago provides investors with net income, income from operations, gross margin, operating expenses and other data, on a non-GAAP basis. This non-GAAP information excludes amortization of acquisition-related intangibles, share-based compensation expense, restructuring charges and debt extinguishment losses. Management does not believe that the excluded items are reflective of the Company’s underlying performance. The exclusion of these and other similar items from Avago’s non-GAAP presentation should not be interpreted as implying that these items are non-recurring, infrequent or unusual. Avago 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 Avago Technologies Limited

Avago Technologies Limited is a leading designer, developer and global supplier of a broad range of analog semiconductor devices with a focus on III-V based products. Our product portfolio is extensive and includes over 6,500 products in four primary target markets: wireless communications, wired infrastructure, industrial and automotive electronics and consumer and computing peripherals.

Cautionary Note Regarding Forward-Looking Statements

This announcement contains 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 that could materially affect future results include global economic conditions and concerns; cyclicalities in the semiconductor industry or in our target markets; quarterly and annual fluctuations in operating results; our competitive performance and ability to continue achieving design wins with our customers; our dependence on contract manufacturing and outsourced supply chain and our ability to improve our cost structure through our manufacturing outsourcing program; prolonged disruptions of our or our contract manufacturers’ manufacturing facilities or other significant operations; our increased dependence on outsourced service providers for certain key business services and their ability to execute to our requirements; loss of our significant customers; our ability to maintain gross margin; our ability to maintain tax concessions in certain jurisdictions; our ability to protect our

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intellectual property and any associated increases in litigation expenses; dependence on and risks associated with distributors of our products; any expenses associated with resolving customer product and warranty and indemnification claims; currency fluctuations; our ability to achieve the growth prospects and synergies expected from acquisitions we may make; delays, challenges and expenses associated with integrating acquired companies with our existing businesses; and other events and trends on a national, regional and global scale, including those of a political, economic, business, competitive and regulatory nature. Our Quarterly Report on Form 10-Q filed on March 8, 2012 and other filings with the Securities and Exchange Commission, or “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.

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