

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

(MARK ONE)

☐ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended February 2, 2014

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-34428

**Avago Technologies Limited**

(Exact Name of Registrant as Specified in Its Charter)

**Singapore**

(State or Other Jurisdiction of  
Incorporation or Organization)

**1 Yishun Avenue 7**

**Singapore 768923**

(Address of Principal Executive Offices)

**98-0682363**

(I.R.S. Employer  
Identification No.)

**N/A**

(Zip Code)

**(65) 6755-7888**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☐ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☐ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

(Do not check if a smaller reporting  
company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☐

As of February 28, 2014 there were 249,830,347 shares of our ordinary shares, no par value per share, outstanding.

**AVAGO TECHNOLOGIES LIMITED**  
**Quarterly Report on Form 10-Q**  
**For the Quarterly Period Ended February 2, 2014**

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# PART I — FINANCIAL INFORMATION

## Item 1. Condensed Consolidated Financial Statements — Unaudited

### **AVAGO TECHNOLOGIES LIMITED** **CONDENSED CONSOLIDATED BALANCE SHEETS — UNAUDITED** (in millions, except share amounts)

	February 2, 2014	November 3, 2013 (1)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,112	\$ 985
Trade accounts receivable, net	323	418
Inventory	286	285
Other current assets	138	130
Total current assets	1,859	1,818
Property, plant and equipment, net	684	661
Goodwill	392	391
Intangible assets, net	467	492
Other long-term assets	70	53
Total assets	\$ 3,472	\$ 3,415
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 257	\$ 278
Employee compensation and benefits	59	98
Capital lease obligations — current	1	1
Other current liabilities	47	46
Total current liabilities	364	423
Long-term liabilities:		
Capital lease obligations — non-current	1	1
Other long-term liabilities	115	105
Total liabilities	480	529
Commitments and contingencies (Note 12)		
Shareholders' equity:		
Ordinary shares, no par value; 249,672,096 shares and 249,100,178 shares issued and outstanding on February 2, 2014 and November 3, 2013, respectively	1,622	1,587
Retained earnings	1,377	1,305
Accumulated other comprehensive loss	(7)	(6)
Total shareholders' equity	2,992	2,886
Total liabilities and shareholders' equity	\$ 3,472	\$ 3,415

(1) Amounts as of November 3, 2013 have been derived from audited consolidated financial statements as of that date.

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**AVAGO TECHNOLOGIES LIMITED**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS — UNAUDITED**  
(in millions, except per share data)

	Fiscal Quarter Ended	
	February 2, 2014	February 3, 2013
Net revenue	\$ 709	\$ 576
Cost of products sold:		
Cost of products sold	347	286
Amortization of intangible assets	18	14
Restructuring charges	5	—
Total cost of products sold	370	300
Gross margin	339	276
Research and development	107	93
Selling, general and administrative	74	53
Amortization of intangible assets	7	5
Restructuring charges	12	1
Total operating expenses	200	152
Income from operations	139	124
Other income, net	—	2
Income before income taxes	139	126
Provision for income taxes	5	1
Net income	\$ 134	\$ 125
Net income per share:		
Basic	\$ 0.54	\$ 0.51
Diluted	\$ 0.53	\$ 0.50
Weighted average shares:		
Basic	249	246
Diluted	255	251
Cash dividends declared and paid per share	\$ 0.25	\$ 0.17

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**AVAGO TECHNOLOGIES LIMITED**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME — UNAUDITED**  
(in millions)

	Fiscal Quarter Ended	
	February 2, 2014	February 3, 2013
Net income	\$ 134	\$ 125
Other comprehensive income (loss), net of tax:		
Unrealized gains of post-retirement plan and defined benefit pension plans, net of tax	—	2
Impact of post-retirement benefit plan curtailment and settlement gain	(2)	—
Impact of post-retirement benefit plan amendment	1	—
Other comprehensive income (loss)	(1)	2
Total comprehensive income	\$ 133	\$ 127

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**AVAGO TECHNOLOGIES LIMITED**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS — UNAUDITED**  
(in millions)

	Fiscal Quarter Ended	
	February 2, 2014	February 3, 2013
<b>Cash flows from operating activities:</b>		
Net income	\$ 134	\$ 125
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	57	41
Share-based compensation	24	17
Tax benefits from share-based compensation	4	—
Excess tax benefits from share-based compensation	(3)	—
Gain from post-retirement medical plan curtailment and settlement	(3)	—
Unrealized (gain)/loss on trading securities	—	(2)
Changes in assets and liabilities, net of acquisitions:		
Trade accounts receivable, net	95	75
Inventory	(1)	(14)
Accounts payable	(24)	(34)
Employee compensation and benefits	(39)	(13)
Deferred tax assets and liabilities	(3)	1
Other current assets and current liabilities	(13)	(12)
Other long-term assets and long-term liabilities	1	1
<b>Net cash provided by operating activities</b>	<b>229</b>	<b>185</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(52)	(67)
Purchases of investments	—	(9)
<b>Net cash used in investing activities</b>	<b>(52)</b>	<b>(76)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from government grants	2	3
Issuance of ordinary shares, net of issuance costs	19	10
Repurchases of ordinary shares	(12)	(13)
Excess tax benefits from share-based compensation	3	—
Dividend payments to shareholders	(62)	(42)
<b>Net cash used in financing activities</b>	<b>(50)</b>	<b>(42)</b>
Net increase in cash and cash equivalents	127	67
Cash and cash equivalents at the beginning of period	985	1,084
Cash and cash equivalents at end of period	\$ 1,112	\$ 1,151

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**AVAGO TECHNOLOGIES LIMITED****NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****1. Overview, Basis of Presentation and Significant Accounting Policies****Overview**

Avago Technologies Limited, or the “Company”, was organized under the laws of the Republic of Singapore in August 2005. We are a designer, developer and global supplier of analog semiconductor devices with a focus on III-V based products. We offer products in three primary target markets: wireless communications, wired infrastructure and industrial & other. Applications for our products in these target markets include cellular phones, consumer appliances, data networking and telecommunications equipment, enterprise storage and servers, factory automation and displays. References herein to “the Company”, “we”, “our”, “us” and “Avago” are to Avago Technologies Limited and its consolidated subsidiaries, unless otherwise specified or the context otherwise requires.

**Basis of Presentation**

*Fiscal Periods.* We operate on a 52- or 53-week fiscal year ending on the Sunday closest to October 31. Our fiscal year ending November 2, 2014, or fiscal year 2014, is a 52-week fiscal year. The first quarter of our fiscal year 2014 ended on February 2, 2014, the second quarter will end on May 4, 2014, the third quarter will end on August 3, 2014 and the fourth quarter will end on November 2, 2014. Our fiscal year ended November 3, 2013, or fiscal year 2013, was a 53-week fiscal year, with our first fiscal quarter containing 14 weeks.

*Information.* The unaudited condensed consolidated financial statements include the accounts of Avago Technologies Limited and all of its wholly-owned subsidiaries, and are prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. Intercompany transactions and balances have been eliminated in consolidation.

During fiscal year 2013, we completed our acquisition of CyOptics, Inc., or CyOptics. The unaudited condensed consolidated financial statements include the results of operations of CyOptics commencing as of the closing date of the acquisition. (See Note 3. “Acquisitions”)

Interim information presented in the unaudited condensed consolidated financial statements has been prepared by management and, in the opinion of management, includes all adjustments of a normal recurring nature that are necessary for the fair statement of the financial position, results of operations, comprehensive income and cash flows for the periods shown, and is in accordance with GAAP. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes for the fiscal year ended November 3, 2013, or fiscal year 2013, included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission, or the SEC, on December 20, 2013.

The operating results for the fiscal quarter ended February 2, 2014 are not necessarily indicative of the results that may be expected for fiscal year 2014, or for any other future period. The balance sheet data as of November 3, 2013 presented are derived from the audited consolidated financial statements as of that date.

**Significant Accounting Policies**

*Use of estimates.* The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and such differences could affect the results of operations reported in future periods.

*Concentrations of credit risk and significant customers.* Our cash, cash equivalents and accounts receivable are potentially subject to concentration of credit risk. Cash and cash equivalents may be redeemable upon demand and are maintained with several financial institutions that management believes are of high credit quality and therefore bear minimal credit risk. We seek to mitigate our credit risks by spreading such risks across multiple counterparties and monitoring the risk profile of these counterparties. Our accounts receivable are derived from revenue earned from customers located in the U.S. and internationally. We mitigate collection risks from our customers by performing regular credit evaluations of our customers' financial conditions, and require collateral, such as letters of credit and bank guarantees, in certain circumstances.

We sell our products through our direct sales force, distributors and manufacturers' representatives. One direct customer accounted for 26% of our net accounts receivable balance at both February 2, 2014 and November 3, 2013. For the fiscal quarter ended February 2, 2014, one direct customer represented 25% of our net revenue. For the fiscal quarter ended February 3, 2013, one direct customer represented 21% of our net revenue.

*Warranty.* We accrue for the estimated costs of product warranties at the time revenue is recognized. Product warranty costs are estimated based upon our historical experience and specific identification of product requirements, which may fluctuate

based on product mix. Additionally, we accrue for warranty costs associated with occasional or unanticipated product quality issues if a loss is probable and can be reasonably estimated. Warranty costs were not material for either of the fiscal quarters ended February 2, 2014 or February 3, 2013.

*Net income per share.* Basic net income per share is computed using the weighted-average number of ordinary shares outstanding during the period. Diluted net income per share is computed using the weighted-average number of ordinary shares and potentially dilutive share equivalents outstanding during the period. Diluted shares outstanding includes the dilutive effect of in-the-money options (including market-based share options), restricted share units, or RSUs, and employee share purchase rights under the Avago Technologies Limited Employee Share Purchase Plan, or ESPP. The dilutive effect of such equity awards is calculated based on the average share price for each fiscal period, using the treasury stock method. Under the treasury stock method, the amount the employee must pay for exercising share options and to purchase shares under the ESPP, the amount of compensation cost for future service that the Company has not yet recognized, and the amount of tax benefits that would be recorded in an ordinary shares account when equity awards become deductible for income tax purposes are collectively assumed to be used to repurchase ordinary shares.

Diluted net income per share for the fiscal quarter ended February 2, 2014 and the fiscal quarter ended February 3, 2013 excluded the potentially dilutive effect of weighted-average outstanding equity awards (options, RSUs and ESPP rights) to acquire 1 million and 2 million ordinary shares respectively, as their effect was antidilutive.

The following is a reconciliation of the basic and diluted net income per share computations for the periods presented (in millions, except per share data):

	Fiscal Quarter Ended	
	February 2, 2014	February 3, 2013
<b>Net income (Numerator):</b>		
Net income	\$ 134	\$ 125
<b>Shares (Denominator):</b>		
Basic weighted-average ordinary shares outstanding	249	246
Add incremental shares for:		
Dilutive effect of share options, RSUs and ESPP rights	6	5
Shares used in diluted computation	255	251
<b>Net income per share:</b>		
Basic	\$ 0.54	\$ 0.51
Diluted	\$ 0.53	\$ 0.50

*Supplemental cash flow disclosures.* At February 2, 2014 and November 3, 2013, we had \$34 million and \$31 million, respectively, of unpaid purchases of property, plant, and equipment included in accounts payable and other current liabilities. Amounts reported as unpaid purchases will be recorded as cash outflows from investing activities for purchases of property, plant, and equipment in the unaudited condensed consolidated statement of cash flows for the period in which they are paid.

#### *Recently Adopted Accounting Guidance*

In the first quarter of fiscal year 2014, we adopted guidance issued by the Financial Accounting Standards Board, or FASB, relating to reporting on reclassifications out of accumulated other comprehensive income (loss). This guidance seeks to improve the reporting of such reclassifications by requiring an entity to report the effect of significant reclassifications out of accumulated other comprehensive income (loss) on the respective line items in net income if the amount being reclassified is required under GAAP to be reclassified in its entirety to net income. For other amounts that are not required under GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under GAAP that provide additional detail about those amounts. The amendments in this guidance supersede the presentation requirements for reclassifications out of accumulated other comprehensive income (loss) in previously issued guidance. The adoption of this guidance affected the presentation of comprehensive income, but did not have any impact our financial condition or results of operations.



*Recent Accounting Guidance Not Yet Adopted*

In July 2013, the FASB issued an amendment to the accounting guidance related to the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists. The guidance requires an unrecognized tax benefit to be presented as a decrease in a deferred tax asset where a net operating loss, a similar tax loss or a tax credit carryforward exists and certain criteria are met. This guidance will be effective for the first quarter of our fiscal year 2015. The adoption of this guidance will affect the presentation of our unrecognized tax benefits but will not impact the Company's financial condition or results of operations.

**2. Inventory**

Inventory consists of the following (in millions):

	February 2, 2014	November 3, 2013
Finished goods	\$ 56	\$ 53
Work-in-process	146	154
Raw materials	84	78
Total inventory	<u>\$ 286</u>	<u>\$ 285</u>

**3. Acquisitions***Pending Merger with LSI Corporation*

On December 15, 2013, we entered into a merger agreement with LSI Corporation, or LSI, a U.S. publicly traded company that designs semiconductors and software that accelerate storage and networking in data centers, mobile networks and client computing. Pursuant to the merger agreement, we have agreed to acquire all of the issued and outstanding shares of common stock of LSI for an aggregate acquisition consideration of approximately \$6.6 billion in cash, or \$11.15 in cash per share of LSI common stock. Under the merger agreement, we will also assume all unvested LSI stock options and restricted stock units held by continuing employees and service providers. All vested LSI stock options and restricted stock units, after giving affect to any acceleration, will be settled in cash at the effective time of the merger and any remaining unvested LSI stock options and restricted stock units will be cancelled for no consideration.

The transaction has been approved by the Avago and LSI boards of directors and is subject to the satisfaction of customary closing conditions, including the receipt of regulatory approvals in various jurisdictions, as well as approval of LSI's stockholders. The merger agreement contains certain termination rights for Avago and LSI, and provides that, upon termination of the merger agreement under certain specified circumstances, LSI will be obligated to pay Avago a termination fee of \$200 million and Avago will be obligated to pay LSI a termination fee of \$400 million. There are no financing contingencies related to the acquisition. The transaction is presently expected to close in the first half of calendar year 2014.

We expect to finance the transaction with \$1.0 billion of cash from the combined company balance sheets, \$4.6 billion of fully committed term loans from a group of banks and \$1.0 billion in proceeds from the private placement of 2% Convertible Senior Notes (referred to as the Convertible Notes), or preferred stock with equivalent economic terms, to an investment fund affiliated with Silver Lake Partners. The completion of the private placement of the Convertible Notes is contingent on satisfaction or waiver of customary conditions, as well as a requirement that the merger with LSI be consummated and that Avago shall have simultaneously or substantially simultaneously received the proceeds of the committed term loan debt financing referenced above. The initial conversion rate for the Convertible Notes is 20.8160 shares of Avago's ordinary shares per \$1,000 principal amount of Convertible Notes, which is equivalent to an initial conversion price of approximately \$48.04 per Avago ordinary shares. In addition, we expect to enter into a new \$500 million secured revolving credit facility.

*CyOptics*

On June 28, 2013, we completed our acquisition of all of the outstanding shares of capital stock of CyOptics, Inc., a U.S.-based company that manufactures and sells Indium Phosphide, or InP, optical chip and component technologies for the data communications and telecommunications markets. CyOptics has front-end manufacturing operations in the U.S. and back-end manufacturing operations in Mexico. As a result of the CyOptics acquisition, we acquired approximately 1,100 additional employees, with 745 of these employees located in Mexico.

The aggregate consideration for the acquisition was approximately \$377 million (including a \$1 million working capital adjustment payment made in the fiscal quarter ended November 3, 2013), of which \$373 million was paid in cash, net of \$3

million in cash acquired. We also agreed to pay additional deferred consideration to the previous shareholders of CyOptics in the amount of \$4 million one year subsequent to the acquisition date, which was recorded in other current liabilities.

An additional approximately \$27 million is payable to key employees of CyOptics as part of a retention bonus plan. This amount was paid into escrow and will be paid to those employees over a three-year period subsequent to the acquisition date and is being recognized as compensation expense in operating results over the same period. For eligible CyOptics employees whose employment is involuntarily terminated by the Company, their retention bonus payments are accelerated and due in full upon such termination in accordance with the provisions of the plan. During the first quarter of fiscal year 2014, we recorded a compensation expense of \$9 million due to the departures of certain plan participants.

We have preliminarily estimated the fair value of the acquired assets and liabilities for CyOptics. We allocated the purchase price to tangible assets, liabilities and identifiable intangible assets acquired based on their estimated fair values. The excess of the purchase price over the aggregate fair values was recorded as goodwill. The fair value assigned to identifiable intangible assets acquired was based on estimates and assumptions made by management at the time of acquisition. As additional information becomes available, such as finalization of negotiations of working capital adjustments and tax related matters, we have revised and may continue to revise our preliminary purchase price allocation.

During the fourth quarter of fiscal year 2013, adjustments were made to account for a \$10 million increase to fixed assets, based on the result of the physical inventory of fixed assets, a \$4 million increase in deferred tax liabilities relating to the fixed asset adjustment, a \$3 million increase in deferred tax liabilities related to measurement period tax positions and a \$1 million increase in consideration paid due to payments related to working capital adjustments. These adjustments resulted in a \$2 million decrease in the fair value assigned to goodwill related to post-acquisition fixed assets counts, working capital settlement and deferred tax adjustments.

Our preliminary allocation of the total purchase price for CyOptics and the purchased intangible assets as of February 2, 2014 is as follows (in millions):

	Estimated Fair Value
Trade accounts receivable	\$ 51
Inventory	35
Other current assets	2
Property, plant and equipment	44
Goodwill	190
Intangible assets	141
Total assets acquired	463
Accounts payable	(25)
Employee compensation and benefits	(5)
Other current liabilities	(2)
Long-term deferred tax liabilities (included in Other long-term liabilities)	(54)
Total liabilities assumed	(86)
Purchase price allocation	\$ 377

There were no significant contingencies assumed as part of the acquisition. As of February 2, 2014, we have recorded \$12 million in indemnification receivables in other long-term assets for tax positions related to CyOptics' value-added tax and income tax payables existing prior to the acquisition.

	Estimated Fair Value (in millions)	Estimated Useful Lives (in years)
Purchased intangible assets		
Purchased technology - base product	\$ 98	8
Purchased technology - packaging	3	5
Customer relationships	32	7
Other - customer backlog	4	1
Total identified intangible finite lived assets	137	
In process research and development indefinite lived assets	4	
Total identified intangible assets	\$ 141	

*Purchased Intangible Assets.* Developed technology represents base product technology and packaging technology. We valued the base product technology that generates cash flows from sales of the existing products using the income approach, specifically the multi-period excess earnings method which calculates the value based on the risk-adjusted present value of the cash flows specific to the products, allowing for a reasonable return. The useful life of 8 years was determined based on the technology cycle related to the base product technology as well as the life of current legacy products.

Packaging technology is valued utilizing the relief-from-royalty method, a form of the income approach. The relief-from-royalty method estimates the cost savings that accrue to the owner of an intangible asset that would otherwise be payable as royalties or license fees on revenues earned through the use of the asset. The royalty rate is based on an analysis of empirical, market-derived royalty rate for guideline intangible assets.

Customer relationships represent the fair value of future projected revenue that will be derived from sales of products to existing customers of CyOptics. Customer relationships were valued using the with-and-without-method, a form of the income approach. In this method, fair value is measured by the lost profits associated with the period of time necessary to reacquire the customers. The method involves a comparison of the cash flows assuming the customer relationships were in place versus as if the customer relationships were to be created "from scratch." There are additional considerations related to the build-in time for certain product lines and the qualification periods included in the valuation model. This method also assumes that all other assets, know-how and technology were easily available in both scenarios.

The fair value of in-process research and development, or IPR&D, from the CyOptics acquisition was determined using the multi-period excess earnings method, a form of the income approach. Under the income approach, the expected future cash flows from each project under development are estimated and discounted to their net present values at an appropriate risk-adjusted rate of return.

We believe the amount recorded as developed technology, IPR&D and customer relationships, represent the fair value of and approximate the amount a market participant would pay for these projects as of the acquisition date.

The purchased intangible assets are being amortized over their estimated useful lives of 1 year to 8 years. (See Note 4. Goodwill and Intangible Assets)

*Unaudited Pro Forma Information.* The following table presents certain unaudited pro forma financial information for each of the fiscal years ended November 3, 2013 and October 28, 2012 as if CyOptics had been acquired as of the beginning of the fiscal year prior to the acquisition date. The unaudited estimated pro forma information combines the historical results of CyOptics with our consolidated historical results and includes certain fair value adjustments reflecting the estimated impact of amortization of purchased intangible assets and depreciation of acquired property, plant and equipment for the respective periods. The pro forma data are for informational purposes only and are not necessarily indicative of the consolidated results of operations of the combined business had the acquisition actually occurred at the beginning of our fiscal year 2012 or of the results of future operations of the combined business. Consequently, actual results will differ from the unaudited pro forma information presented below (in millions, except for per share amounts):

	Fiscal Year Ended	
	November 3, 2013	October 28, 2012
Pro forma net revenue	\$ 2,663	\$ 2,578
Pro forma net income	\$ 547	\$ 551
Pro forma net income per share-basic	\$ 2.21	\$ 2.25
Pro forma net income per share-diluted	\$ 2.17	\$ 2.20

#### 4. Goodwill and Intangible Assets

##### Goodwill

There were no material change in the goodwill balance for the period ended February 2, 2014.

##### Intangible Assets

Purchased intangibles consist of the following (in millions):

	Gross Carrying Amount	Accumulated Amortization	Net Book Value
<b>As of February 2, 2014:</b>			
Purchased technology	\$ 843	\$ (480)	\$ 363
Customer and distributor relationships	289	(192)	97
Other	8	(5)	3
Intangible assets subject to amortization	1,140	(677)	463
In-process research and development	4	—	4
Total	\$ 1,144	\$ (677)	\$ 467

##### As of November 3, 2013:

Purchased technology	\$ 843	\$ (462)	\$ 381
Customer and distributor relationships	289	(186)	103
Other	8	(4)	4
Intangible assets subject to amortization	1,140	(652)	488
In-process research and development	4	—	4
Total	\$ 1,144	\$ (652)	\$ 492

The following table presents the amortization expense of purchased intangible assets (in millions):

	Fiscal Quarter Ended	
	February 2, 2014	February 3, 2013
Cost of products sold	\$ 18	\$ 14
Operating expenses	7	5
Total amortization expense	\$ 25	\$ 19

Based on the amount of intangible assets subject to amortization at February 2, 2014, the expected amortization expense for each of the next five fiscal years and thereafter is as follows (in millions):

Fiscal Year	Amount
2014 (remainder)	\$ 74
2015	95
2016	78
2017	68
2018	33
2019	29
Thereafter	86
	\$ 463

The weighted-average amortization periods remaining by intangible asset category at February 2, 2014 were as follows (in years):

Amortizable intangible assets:	
Purchased technology	7
Customer and distributor relationships	6
Other	9

## 5. Retirement Plans and Post-Retirement Benefits

An amendment was made to our U.S. post-retirement medical benefit plan with an effective date of January 1, 2014. This plan was transferred to us from Agilent Technologies, Inc., or Agilent, as part of the Semiconductor Products Group, or SPG, acquisition on December 1, 2005. The amendment affected active, eligible employees and had no impact on existing retirees. As a result of the amendment, employees who were previously eligible for the medical benefit spending account of \$40,000 upon retirement received a cash settlement based on age and years of service and have ceased to be eligible for post-retirement medical benefits under the program. During the first quarter of fiscal year 2014, we paid an aggregate of \$6 million in cash into these employees' 401(k) accounts. Employees who were previously eligible for the medical benefit spending account of \$55,000 upon retirement, have had the period during which they, as retirees, may use the spending account to pay premiums paid for medical coverage extended from age 65 to 75. Employees who were previously eligible for the traditional retiree medical plan upon retirement have ceased to be eligible to participate in such a plan and will, instead, only be eligible for the extended \$55,000 retiree medical account program described above. As a result of the above plan amendment, a curtailment gain of \$1 million and a settlement gain of \$2 million were recorded in the unaudited condensed consolidated financial statements for the fiscal quarter ended February 2, 2014. As of February 2, 2014, the U.S. post-retirement medical benefit plan's remaining liability balance was \$14 million, which is primarily included in other long-term liabilities in our unaudited condensed consolidated balance sheet.

## 6. Borrowings

We had no borrowings as of February 2, 2014 and November 3, 2013 with respect to the 2013 unsecured revolving credit facility. We were in compliance with the financial covenants under our credit agreement as of February 2, 2014.

### Debt issuance cost

Unamortized debt issuance costs associated with our 2013 unsecured revolving credit facility were \$2 million at February 2, 2014 and are included in other current assets and other long-term assets on the condensed consolidated balance sheets. Amortization of debt issuance costs is classified as interest expense in the unaudited condensed consolidated statements of operations.

## 7. Fair Value

Fair value is defined as the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three level hierarchy is applied to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under the guidance for fair value measurements are described below:

**Level 1** — Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Our Level 1 assets include bank acceptances, trading securities investments and investment funds (i.e., deferred compensation plan assets). We measure trading securities investments and investment funds at quoted market prices as they are traded in an active market with sufficient volume and frequency of transactions. As of February 2, 2014, the fair market value of a minority interest equity investment was \$14 million and classified as trading securities in other current assets on the unaudited condensed consolidated balance sheets.

**Level 2**—Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3**—Level 3 inputs are unobservable inputs for the asset or liability in which there is little, if any, market activity for the asset or liability at the measurement date. Level 3 assets and liabilities include cost method investments, goodwill, amortizable intangible assets, and property, plant and equipment, which are measured at fair value using a discounted cash flow approach when they are impaired. Quantitative information for Level 3 assets and liabilities reviewed at each reporting period

includes indicators of significant deterioration in the earnings performance, credit rating, asset quality, business prospects of the investee, and financial indicators of the investee's ability to continue as a going concern.

We did not have any Level 3 asset or liability activities during the fiscal quarter ended February 2, 2014.

#### ***Assets and Liabilities Measured at Fair Value on a Recurring Basis***

The table below sets forth by level our financial assets and liabilities that were accounted for at fair value as of February 2, 2014. The table does not include cash on hand and also does not include assets that are measured at historical cost or any basis other than fair value (in millions).

	Fair Values as of February 2, 2014			
	Portion of Carrying Value Measured at Fair Value	Fair Value Measurement Using Quoted Prices In Active Market For Identical Assets (Level 1)	Fair Value Measurement Using Significant Other Inputs (Level 2)	Fair Value Measurement Using Unobservable Inputs (Level 3)
<b>Assets:</b>				
Trading securities (1)	\$ 14	\$ 14	\$ —	\$ —
Investment funds — deferred compensation plan assets (1)	11	11	—	—
Bank acceptances (1)	1	1	—	—
Total assets measured at fair value	<u>\$ 26</u>	<u>\$ 26</u>	<u>\$ —</u>	<u>\$ —</u>
<b>Liabilities:</b>				
Deferred compensation plan liabilities (2)	<u>\$ 11</u>	<u>\$ —</u>	<u>\$ 11</u>	<u>\$ —</u>

(1) Included in other current assets in our unaudited condensed consolidated balance sheet

(2) Included in other current liabilities in our unaudited condensed consolidated balance sheet

During the fiscal quarter ended February 2, 2014, there were no material transfers between Level 1, Level 2 or Level 3 fair value instruments.

#### ***Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis***

There were no non-financial assets or liabilities measured at fair value as of February 2, 2014.

#### ***Fair Value of Other Financial Instruments***

The fair values of cash equivalents, trade accounts receivable, accounts payable and accrued liabilities, to the extent the underlying liability will be settled in cash, approximate carrying values because of the short-term nature of these instruments.

### **8. Shareholders' Equity**

#### ***Share Repurchase Program***

The Company repurchased 0.3 million shares for an aggregate purchase price of \$12 million in cash at a weighted-average purchase price per share of \$43.50 during the fiscal quarter ended February 2, 2014 under the 2013 share repurchase program. The 2013 share repurchase program will expire the day prior to the Company's 2014 annual general meeting, unless earlier terminated.

#### ***Dividends***

We paid a cash dividend of \$0.25 and \$0.17 per share, or \$62 million and \$42 million in total, during the fiscal quarters ended February 2, 2014 and February 3, 2013, respectively.

### Share-Based Compensation Expense

The following table summarizes share-based compensation expense related to share-based awards granted to employees, directors, and non-employees for the fiscal quarters ended February 2, 2014 and February 3, 2013 (in millions):

	Fiscal Quarter Ended	
	February 2, 2014	February 3, 2013
Cost of products sold	\$ 3	\$ 2
Research and development	8	7
Selling, general and administrative	13	9
Total share-based compensation expense	\$ 24	\$ 18

The fair values of our time-based options and ESPP rights were estimated using the Black-Scholes option pricing model. Certain stock options granted in the fiscal quarter ended February 2, 2014 included both service and market conditions. The fair value of those market-based stock options was estimated using Monte Carlo simulation techniques.

The weighted-average assumptions utilized for our time-based options, ESPP rights and market-based stock options granted during the fiscal quarters ended February 2, 2014 and February 3, 2013 were as follows:

	Time-based Options	
	Fiscal Quarter Ended	
	February 2, 2014	February 3, 2013
Risk-free interest rate	1.2%	0.7%
Dividend yield	2.0%	1.9%
Volatility	35.0%	52.0%
Expected term (in years)	4.2	5.0

	ESPP Rights	
	Fiscal Quarter Ended	
	February 2, 2014	February 3, 2013
Risk-free interest rate	—%	0.1%
Dividend yield	2.3%	1.8%
Volatility	37.0%	45.0%
Expected term (in years)	0.5	0.5

	Market-based Options	
	Fiscal Quarter Ended	
	February 2, 2014	
Risk-free interest rate		2.4%
Dividend yield		1.9%
Volatility		46%

The dividend yields for the fiscal quarters ended February 2, 2014 and February 3, 2013 are based on the dividend yield as of the respective award grant dates. For the fiscal quarter ended February 2, 2014, expected volatility for time-based options is based on our own historical share price volatility over the period commensurate with the expected life of the awards and the implied volatility from our own traded shares with a term of 180 days measured at a specific date. Prior to fiscal year 2014, expected volatility was based on the combination of historical volatility of guideline publicly-traded companies and our own historical share price volatility over the period commensurate with the expected life of the awards and the implied volatility from traded options in guideline publicly-traded companies and our own shares with a term of 720 days or greater measured over the last three months.

For the fiscal quarter ended February 2, 2014, market-based options expected volatility was based on the combination of historical volatility of guideline publicly-traded companies and our own historical share price volatility over the period commensurate with the expected life of the awards and the implied volatility from our own shares with a term of 180 days

measured on date of grant. For the fiscal year ended November 3, 2013, market-based options expected volatility was based on the combination of historical volatility of guideline publicly-traded companies and our own historical share price volatility over the period commensurate with the expected life of the awards and the implied volatility from traded options in guideline publicly-traded companies and our own shares with a term of 720 days measured on date of grant.

The risk-free interest rate is derived from the average U.S. Treasury Strips rate during the period, which approximates the rate in effect at the time of grant.

For the fiscal quarter ended February 2, 2014, the expected term for time-based options was based on a weighted- average combining the average life of options that have already been exercised or cancelled with the expected life of all unexercised options. The expected life for unexercised options is calculated assuming that the options will be exercised at the midpoint of the vesting date (if unvested) or the valuation date (if vested) and the full contractual term. Our computations of expected term for time-based options prior to fiscal year 2014 were based on data, such as the data of peer companies and company-specific attributes, that we believe could affect employees' exercise behavior.

The expected life of market-based stock options valued using Monte Carlo simulation techniques is based upon the vesting dates forecasted by the simulation and then assuming that options which vest, and for which the market condition has been satisfied, are exercised at the midpoint between the forecasted vesting date and their expiration.

Based on the above assumptions, the weighted-average fair values of the time-based options granted under the Company's equity incentive award plan for the fiscal quarters ended February 2, 2014 and February 3, 2013 were \$11.57 and \$13.32, respectively. The weighted-average fair value of the market-based options granted under the Company's equity incentive award plan for the fiscal quarter ended February 2, 2014 is \$19.10. There were no market-based options granted for the fiscal quarter ended February 3, 2013.

The weighted-average fair values of the rights to purchase shares in the ESPP for the fiscal quarters ended February 2, 2014 and February 3, 2013 were \$12.16 and \$11.54, respectively. The weighted-average fair values of RSUs granted in the fiscal quarters ended February 2, 2014 and February 3, 2013 were \$46.60 and \$34.83, respectively.

Total compensation cost of time and market-based options granted but not yet vested as of February 2, 2014 was \$165 million, which is expected to be recognized over the remaining weighted-average service period of 3 years. The total grant-date fair values of the time-based options vested during the fiscal quarters ended February 2, 2014 and February 3, 2013 were \$10 million and \$8 million, respectively. Total unrecognized compensation cost related to the ESPP rights as of February 2, 2014 was immaterial and is expected to be recognized over the remaining portion of the current offering period under the ESPP, which ends on March 14, 2014. Total compensation cost related to unvested RSUs as of February 2, 2014 was \$38 million, which is expected to be recognized over the remaining weighted-average service period of 3 years. The total grant-date fair values of RSUs that vested during the fiscal quarter ended February 2, 2014 was \$1 million. The total grant-date fair value of RSUs that vested during the fiscal quarter ended February 3, 2013 was immaterial.

### Equity Incentive Award Plans

A summary of option award activity related to our equity incentive plans is as follows (in millions, except years and per share amounts):

	Shares Available for Grant	Number Outstanding	Option Awards Outstanding		
			Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Balance as of November 3, 2013	10	22	\$ 29.81		
Annual increase in shares available for issuance, per equity incentive plan terms	6				
Granted	(1)	1	50.08		
Exercised	—	—	23.46		
Cancelled	—	—	34.59		
Balance as of February 2, 2014	15	23	31.21	5.57	\$ 531
Fully vested as of February 2, 2014		7	21.02	4.94	229
Fully vested and expected to vest as of February 2, 2014		22	30.82	5.53	512



As of November 3, 2013, there were 10 million shares available for grant under the 2009 Equity Incentive Plan. Per the terms of the 2009 Equity Incentive Plan, an annual increase of 6 million shares was approved for issuance on the first day of fiscal year 2014. As of the quarter ended February 2, 2014, there were 15 million shares that remained available for grant.

The total intrinsic values of options exercised during the fiscal quarters ended February 2, 2014 and February 3, 2013 were \$22 million and \$25 million, respectively.

A summary of RSU activity related to our equity incentive plans is as follows (in millions, except years and per share amounts):

	RSU Awards Outstanding		
	Number Outstanding	Weighted-Average Grant Date Fair Market Value	Weighted-Average Remaining Contractual Life (in years)
Balance as of November 3, 2013	2	\$ 34.38	
Granted	—	46.60	
Vested	—	34.86	
Forfeited	—	38.37	
Balance as of February 2, 2014	2	35.27	2.80

The following table summarizes the ranges of outstanding and exercisable option awards as of February 2, 2014 (in millions, except years and per share amounts):

Exercise Prices	Option Awards Outstanding			Option Awards Exercisable	
	Number Outstanding	Weighted-Average Remaining Contractual Life (in years)	Weighted-Average Exercise Price Per Share	Number Exercisable	Weighted-Average Exercise Price Per Share
\$0.00-\$10.00	1	4.27	\$ 8.44	1	\$ 8.01
\$10.01-\$20.00	2	4.82	13.39	2	13.31
\$20.01-\$30.00	2	6.40	21.02	1	20.87
\$30.01-\$40.00	16	5.57	35.44	3	33.95
\$40.01-\$50.00	1	6.72	45.55	—	—
\$50.01-\$53.78	1	6.92	52.77	—	—
Total	23	5.57	31.21	7	21.02

#### Employee Share Purchase Plan

No shares were issued under the ESPP during the fiscal quarters ended February 2, 2014 and February 3, 2013. At February 2, 2014, 9.3 million shares remained available for issuance under the ESPP.

## 9. Income Taxes

For the fiscal quarter ended February 2, 2014, we recorded an income tax provision of \$5 million, compared to \$1 million for the fiscal quarter ended February 3, 2013. The increase in tax provision is primarily due to a change in the jurisdictional mix of income and expense. The tax expense for the fiscal quarter ended February 2, 2014 included a benefit of \$4 million from the recognition of previously unrecognized tax benefits as a result of lapses in statutes of limitations. The tax expense for the fiscal quarter ended February 3, 2013 included a benefit of \$3 million from U.S. legislation enacted in January 2, 2013 retroactively reinstating the research and development credit.

Pursuant to Accounting Standards Codification (“ASC”) 740-10-25-3(e) (Income Taxes) and ASC 810-10-45-8 (Consolidation), during the fiscal quarter ended February 2, 2014, we recorded a deferred charge for the deferral of income tax expense on certain intercompany asset transactions that occurred in the fiscal quarter. The deferred charge of approximately \$32 million, with \$4 million included in other current assets and \$28 million included in other long-term assets on our unaudited condensed consolidated balance sheets. The deferred charge will be amortized on a straight-line basis and will be included as a component of income tax expense over the life of the underlying assets, which has been estimated to be seven years.

## Unrecognized Tax Benefits

As of November 3, 2013, the amount of unrecognized tax benefits that, if recognized, would affect our effective tax rate was approximately \$35 million, including accrued interest and penalties.

We are subject to Singapore income tax examinations for the years ended October 31, 2006 and later, and in major jurisdictions outside Singapore for the years ended October 31, 2007 and later. However, we are not under Singapore income tax examination at this time. We believe it is possible that we may recognize \$1 million to \$13 million of our existing unrecognized tax benefits within the next 12 months as a result of lapses of statute of limitations for certain audit periods.

## 10. Segment Information

ASC 280 "Segment Reporting," or ASC 280, establishes standards for the way public business enterprises report information about operating segments in annual consolidated financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. ASC 280 also establishes standards for related disclosures about products and services, geographic areas and major customers. We completed the CyOptics acquisition in the third quarter of fiscal year 2013 and have fully integrated CyOptics into Avago's organization structure and business model. Therefore, we have concluded that we continue to have one reportable segment based on the following factors: sales of semiconductors represents our only material source of revenue; substantially all products offered incorporate analog functionality and are manufactured under similar manufacturing processes; we use an integrated approach in developing our products in that discrete technologies developed are frequently integrated across many of our products; and we use a common order fulfillment process and similar distribution approach for our products. Broad distributor networks are typically used to distribute our products, with large accounts being serviced by a direct sales force. The Chief Executive Officer has been identified as the Chief Operating Decision Maker, as defined by ASC 280.

## 11. Related Party Transactions

During the fiscal quarters ended February 2, 2014 and February 3, 2013, in the ordinary course of business, the Company purchased from, or sold to, several entities where one of the Company's directors also serves or served as a director or executive officer of that entity, including eSilicon Corporation (ceased to be a related party after the quarter ended May 5, 2013), KLA-Tencor Corporation and Wistron Corporation (ceased to be a related party after the quarter ended August 4, 2013). Management believes that such transactions are at arm's length and on similar terms as would have been obtained from unaffiliated third parties.

The following tables provide information regarding the aggregate amounts involved in the transactions with these parties for the indicated periods (for the portion of such period that they were considered related) (in millions):

	Fiscal Quarter Ended	
	February 2, 2014	February 3, 2013
Total net revenue (1) (2)	\$ — *	\$ 6
Total costs and expenses (2)	— *	1
	February 2, 2014	November 3, 2013
Total receivables	\$ — *	\$ — *
Total payables	— *	— *

\* Represent amounts less than \$0.5 million.

(1) Amounts include net revenue for related party transactions with Wistron Corporation through the fiscal quarter ended February 3, 2013. Wistron Corporation ceased to be a related party after the fiscal quarter ended August 4, 2013.

(2) Amounts include net revenue, cost and expenses for related party transactions with eSilicon Corporation through the fiscal quarter ended February 3, 2013. eSilicon Corporation ceased to be a related party after the fiscal quarter May 5, 2013.

## 12. Commitments and Contingencies

### Commitments

The following table sets forth changes in our commitments as of February 2, 2014 for the fiscal periods noted (in millions):

	Total	2014 (remainder)	2015	2016	2017	2018	2019	Thereafter
Purchase Commitments	\$ 143	\$ 143	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Other Contractual Commitments	\$ 49	\$ 14	\$ 16	\$ 12	\$ 5	\$ 2	\$ —	\$ —

*Purchase Commitments.* We have unconditional purchase obligations which include agreements to purchase goods or services that are enforceable and legally binding on us and that specify all significant terms, including fixed or minimum quantities to be purchased, fixed, minimum or variable price provisions and the approximate timing of the transaction. Purchase obligations exclude agreements that are cancelable without penalty.

We also make purchases from a variety of vendors in connection with the expansion of our Fort Collins internal fabrication facility. These purchases are typically conducted on a purchase order basis and the purchase commitment amount shown in the table above includes \$48 million in cancelable and non-cancelable outstanding purchase obligations under such purchase orders as of February 2, 2014.

*Other Contractual Commitments.* Represents amounts payable pursuant to agreements related to outsourced IT, human resources, financial infrastructure outsourcing services and other services agreements.

There were no other substantial changes to our contractual commitments during the first quarter of fiscal year 2014 from those disclosed in our Annual Report on Form 10-K for fiscal year 2013.

### Contingencies

From time to time, we are involved in litigation that we believe is of the type common to companies engaged in our line of business, including commercial disputes, employment issues and disputes involving claims by third parties that our activities infringe their patent, copyright, trademark or other intellectual property rights. Legal proceedings are often complex, may require the expenditure of significant funds and other resources, and the outcome of litigation is inherently uncertain, with material adverse outcomes possible. Intellectual property claims generally involve the demand by a third-party that we cease the manufacture, use or sale of the allegedly infringing products, processes or technologies and/or pay substantial damages or royalties for past, present and future use of the allegedly infringing intellectual property. Claims that our products or processes infringe or misappropriate any third-party intellectual property rights (including claims arising through our contractual indemnification of our customers) often involve highly complex, technical issues, the outcome of which is inherently uncertain. Moreover, from time to time we pursue litigation to assert our intellectual property rights. Regardless of the merit or resolution of any such litigation, complex intellectual property litigation is generally costly and diverts the efforts and attention of our management and technical personnel.

#### *Lawsuits Relating to the Pending Acquisition of LSI*

Fifteen purported class action complaints have been filed by alleged stockholders of LSI against us. Eight of those lawsuits were filed in the Delaware Court of Chancery, and the other seven lawsuits were filed in the Superior Court of the State of California, County of Santa Clara on behalf of the same putative class as the Delaware actions. On January 17, 2014, the Delaware Court of Chancery entered an order consolidating the Delaware actions into a single action. These actions generally allege that we aided and abetted breaches of fiduciary duty by the members of LSI's board of directors in connection with the merger because the merger was not in the best interest of LSI, the merger consideration is unfair and certain other terms of the merger agreement are unfair. Among other remedies, the lawsuits seek to enjoin the merger, or in the event that an injunction is not entered and the merger closes, to rescind the merger or obtain unspecified money damages, costs and attorneys' fees.

On March 7, 2014, the parties reached an agreement in principle to settle the consolidated Delaware action on a class wide basis, and negotiated a stipulation of settlement that was presented to the Delaware Court of Chancery on March 10, 2014. We and our board of directors believe these claims are entirely without merit and, in the event the settlement is not approved, we intend to vigorously defend these actions.

#### *Other Matters*

In addition to the matters discussed above, we are currently engaged in a number of legal actions in the ordinary course of our business.

While there can be no assurance, we do not believe that we are involved in any pending legal proceedings that would be reasonably possible to have a material adverse effect on our financial condition, results of operations or cash flows. During the

periods presented we have not recorded any accrual for loss contingencies associated with any legal proceedings nor determined that an unfavorable outcome is probable or reasonably possible. As a result, no amounts have been accrued or disclosed in the accompanying unaudited condensed consolidated financial statements with respect to these legal proceedings.

### **Warranty**

There were no material changes to our warranty accrual during the fiscal quarter ended February 2, 2014.

### **Indemnifications to Hewlett-Packard and Agilent**

Agilent, has given multiple indemnities to Hewlett-Packard Company in connection with its activities prior to its spin-off from Hewlett-Packard Company in June 1999 for the businesses that constituted Agilent prior to the spin-off. We are the successor to the SPG, of Agilent, which we acquired on December 1, 2005, which we refer to as the SPG Acquisition. As the successor to the SPG business of Agilent, we have acquired responsibility for indemnifications related to assigned intellectual property agreements. Additionally, when we completed the acquisition from Agilent in December 2005, we provided indemnities to Agilent with regard to Agilent's conduct of the SPG business prior to the SPG Acquisition. In our opinion, the fair value of these indemnifications is not material and no amount has been accrued in the accompanying unaudited condensed consolidated financial statements with respect to these indemnification obligations.

### **Other Indemnifications**

As is customary in our industry and as provided for in local law in the United States and other jurisdictions, many of our standard contracts provide remedies to our customers and others with whom we enter into contracts, such as defense, settlement, or payment of judgment for intellectual property claims related to the use of our products. From time to time, we indemnify customers, as well as our suppliers, contractors, lessors, lessees, companies that purchase our businesses or assets and others with whom we enter into contracts, against combinations of loss, expense, or liability arising from various triggering events related to the sale and the use of our products, the use of their goods and services, the use of facilities and state of our owned facilities, the state of the assets and businesses that we sell and other matters covered by such contracts, usually up to a specified maximum amount. In addition, from time to time we also provide protection to these parties against claims related to undiscovered liabilities, additional product liability or environmental obligations. In our experience, claims made under such indemnifications are rare and the associated estimated fair value of the liability is not material.

## **13. Restructuring Charges**

In January 2014, we committed to a restructuring plan to close a fabrication facility as a result of the integration of the CyOptics business. The plan is expected to be substantially completed in the third quarter of fiscal year 2014. We recorded \$8 million and \$4 million in research and development expense and costs of products sold, respectively, during the quarter ended February 2, 2014, related to employment termination costs. As we previously effected a restructuring plan in the same location, for which similar termination packages were offered, we are therefore required to record the employment termination cost for the current restructuring plan in the period in which the plan was approved by our management in accordance with relevant accounting guidance. As of February 2, 2014, none of this charge has been paid and the remaining balance will be paid during fiscal year 2014 as the employees exit the Company. Other costs, including impairment of fixed assets and lease termination expenses of approximately \$12 million, will be recorded in future quarters pursuant to the relevant accounting guidance. We also incurred restructuring charges of \$5 million as a result of rationalizing research and development programs and continued alignment of our global manufacturing operations.

The following table sets forth significant activities within and components of the restructuring charges during the first fiscal quarter of fiscal 2014 (in millions):

	<b>Employee Termination Cost</b>	<b>Asset Abandonment Costs</b>	<b>Total</b>
Balance as of November 3, 2013	\$ —	\$ —	\$ —
Research and development	9	1	10
Cost of product sold	5	—	5
Operating expenses	2	—	2
Less: Non-cash portion	—	1	1
Less: Cash payments	2	—	2
Accrued balance as of February 2, 2014 - included in Other current liabilities	<u>\$ 14</u>	<u>\$ —</u>	<u>\$ 14</u>

#### 14. Accumulated Other Comprehensive Income (Loss)

The change in accumulated other comprehensive income (loss) by component and related tax effects in the first quarter of fiscal 2014 is as follows (in millions):

	Prior Service Credits (Cost)	Actuarial Gains (Losses)	Total
Balance as of November 3, 2013	\$ (1)	\$ (5)	\$ (6)
Other comprehensive income (loss) before reclassifications	1	—	1
Amounts reclassified out of accumulated other comprehensive loss	(1)	(2)	(3)
Tax effects	—	1	1
Other comprehensive loss	—	(1)	(1)
Balance as of February 2, 2014	<u>\$ (1)</u>	<u>\$ (6)</u>	<u>\$ (7)</u>

The amounts reclassified out of accumulated other comprehensive income (loss) into the unaudited condensed consolidated statements of operations, with presentation location, during each period were as follows (in millions):

Comprehensive Income Components	February 2, 2014	February 3, 2013	Classified to:
Post-retirement benefit amendment, curtailment and settlement gain, net	\$ 1	\$ —	Cost of products sold
Post-retirement benefit amendment, curtailment and settlement gain, net	1	—	Research and development
Post-retirement benefit amendment, curtailment and settlement gain, net	1	—	Selling, general and administrative
Total amounts reclassified out of accumulated other comprehensive income (loss)	<u>\$ 3</u>	<u>\$ —</u>	

#### 15. Subsequent Event

On March 5, 2014, the Board declared an interim cash dividend on the Company's ordinary shares of \$0.27 per share, payable on March 31, 2014 to shareholders of record at the close of business (5:00 p.m.), Eastern Time, on March 20, 2014.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the audited consolidated financial statements and notes thereto and management’s discussion and analysis of financial condition and results of operations for the fiscal year ended November 3, 2013, or fiscal year 2013, included in our Annual Report on Form 10-K for fiscal year 2013, or 2013 Annual Report on Form 10-K. References to “Avago,” “the Company,” “we,” “our” and “us” are to Avago Technologies Limited and its consolidated subsidiaries, unless otherwise specified or the context otherwise requires. This Quarterly Report on Form 10-Q may contain predictions, estimates and other forward-looking statements that involve a number of risks and uncertainties, which are made under the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These forward-looking statements may include projections of financial information; statements about historical results that may suggest trends for our business; statements of the plans, strategies, and objectives of management for future operations; statements of expectation or belief regarding future events (including our pending acquisition of LSI Corporation, or LSI, and any acquisitions we may make), technology developments, our products, product sales, expenses, liquidity, cash flow and growth rates, or enforceability of our intellectual property rights; and the effects of seasonality on our results of operations. Such statements are based on current expectations, estimates, forecasts and projections of our or industry performance and macroeconomic conditions, 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. We derive most of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. Accordingly, we caution you not to place undue reliance on these statements. For example, there can be no assurance that our product sales efforts, revenues or expenses will meet any expectations or follow any trend(s), that our ability to compete effectively will be successful or yield anticipated results, or that we will be able to complete our pending acquisition of LSI or realize the expected benefits from such acquisition. Important factors that could cause actual results to differ materially from our expectations are disclosed under “Risk Factors” in Part II, Item 1A of this Quarterly Report on Form 10-Q, and in other documents we file from time to time with the Securities and Exchange Commission, or SEC. All of the forward-looking statements in this Quarterly Report on Form 10-Q are qualified in their entirety by reference to the factors listed above and those discussed under the heading “Risk Factors” below. 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.*

### Overview

We are a leading designer, developer and global supplier of a broad range of analog semiconductor devices with a focus on III-V based products. III-V semiconductor materials have higher electrical conductivity than silicon and thus tend to have better performance characteristics in radio frequency, or RF, and optoelectronic applications. III-V refers to elements from the 3rd and 5th groups in the periodic table of chemical elements, and examples of these materials are gallium arsenide, or GaAs, gallium nitride, or GaN, and indium phosphide, or InP. We differentiate ourselves through our high performance design and integration capabilities. We serve three primary target markets: wireless communications, wired infrastructure and industrial & other. Our product portfolio is extensive and includes thousands of products. Applications for our products in these target markets include smartphones, consumer appliances, data networking and telecommunications equipment, enterprise storage and servers, factory automation and industrial equipment.

During the first quarter of fiscal year 2014, our net revenue increased significantly compared to the first quarter of fiscal year 2013. Net revenue from each of our three target markets increased during this period compared to the first quarter of fiscal year 2013, mainly due to strong demand from a large smartphone original equipment manufacturer, or OEM, customer in the wireless communications target market and revenue contribution from the acquired CyOptics business in the wired infrastructure target market. Our fiscal year ended November 3, 2013, or fiscal year 2013, was a 53-week fiscal year, with the first fiscal quarter consisting of 14 weeks.

## Acquisitions

### *Pending Acquisition of LSI Corporation*

On December 15, 2013, we entered into a merger agreement with LSI Corporation, or LSI, a U.S. publicly traded company that designs semiconductors and software that accelerate storage and networking in datacenters, mobile networks and client computing. Pursuant to the merger agreement, we have agreed to acquire all of the issued and outstanding shares of common stock of LSI for aggregate acquisition consideration of approximately \$6.6 billion in cash, or \$11.15 in cash per share of LSI common stock. The transaction has been approved by the Avago and LSI boards of directors and is subject to the satisfaction of customary closing conditions, including the receipt of regulatory approvals in various jurisdictions, as well as approval of LSI's stockholders. The transaction is presently expected to close in the first half of calendar 2014.

### *CyOptics*

On June 28, 2013, we completed our acquisition of CyOptics, Inc., or CyOptics, a U.S.-based company that manufactures and sells InP optical chip and component technologies for the data communications and telecommunications markets. CyOptics has front-end manufacturing operations in the U.S. and back-end manufacturing operations in Mexico.

The aggregate consideration for the acquisition was approximately \$377 million including a \$1 million working capital adjustment payment made in the fiscal quarter ended November 3, 2013, of which \$373 million was paid in cash, net of \$3 million in cash acquired, to acquire all of the outstanding shares of capital stock of CyOptics. We also agreed to pay additional deferred consideration to the previous shareholders of CyOptics in the amount of \$4 million one year subsequent to the acquisition date, which was recorded in other current liabilities.

In addition, approximately \$27 million is payable to key employees of CyOptics as part of a retention bonus plan. This amount was paid into escrow and will be paid over a three-year period subsequent to the acquisition date and is being recognized as compensation expense in operating results over the same period. For eligible CyOptics employees whose employment is involuntarily terminated by the Company, their retention bonus payments are accelerated and due in full upon such termination in accordance with the provisions of the plan. During the first quarter of fiscal year 2014, we recorded a compensation expense of \$9 million due to the departures of certain plan participants.

During the fourth quarter of fiscal year 2013, adjustments were made to account for a \$10 million increase to fixed assets, based on the result of the physical fixed assets counts, a \$4 million increase in deferred tax liabilities for the aforementioned adjustment, a \$3 million increase in deferred tax liabilities related to measurement period tax positions and a \$1 million increase in consideration paid due to payments related to working capital adjustments. These adjustments resulted in a \$2 million decrease in the fair value assigned to goodwill related to post-acquisition fixed assets counts, working capital settlement and deferred tax adjustments.

See Note 3. "Acquisitions" to the Unaudited Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

### **Critical Accounting Policies and Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles in the United States, or GAAP, requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. We base our estimates and assumptions on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by us may differ materially and adversely from our estimates. Our critical accounting policies are those that affect our historical financial statements materially and involve difficult, subjective or complex judgments by management. Those policies include revenue recognition, accounting for business combinations, valuation of long-lived assets, intangible assets and goodwill, inventory valuation and warranty reserves, accounting for income taxes, retirement and post-retirement benefit plan assumptions, share-based compensation, and employee bonus programs.

There were no significant changes in our critical accounting policies during the fiscal quarter ended February 2, 2014 compared to those previously disclosed in "Critical Accounting Policies and Estimates" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2013 Annual Report on Form 10-K.

## Results from Operations

### Fiscal Quarter Ended February 2, 2014 Compared to Fiscal Quarter Ended February 3, 2013

The following table sets forth our results of operations for the fiscal quarters ended February 2, 2014 and February 3, 2013.

	Fiscal Quarter Ended			
	February 2, 2014	February 3, 2013	February 2, 2014	February 3, 2013
	(In millions)		(As a percentage of net revenue)	
Statements of Operations Data:				
Net revenue	\$ 709	\$ 576	100%	100%
Cost of products sold:				
Cost of products sold	347	286	49	50
Amortization of intangible assets	18	14	2	2
Restructuring charges	5	—	1	—
Total cost of products sold	370	300	52	52
Gross margin	339	276	48	48
Research and development	107	93	15	16
Selling, general and administrative	74	53	10	9
Amortization of intangible assets	7	5	1	1
Restructuring charges	12	1	2	—
Total operating expenses	200	152	28	26
Income from operations	139	124	20	22
Other income, net	—	2	—	—
Income before income taxes	139	126	20	22
Provision for income taxes	5	1	1	—
Net income	\$ 134	\$ 125	19%	22%

*Net revenue.* Net revenue was \$709 million for the fiscal quarter ended February 2, 2014, compared to \$576 million for the fiscal quarter ended February 3, 2013, an increase of \$133 million, or 23%. The fiscal quarter ended February 2, 2014 consisted of 13 weeks compared to 14 weeks in the fiscal quarter ended February 3, 2013. The increase in net revenue for the fiscal quarter ended February 2, 2014 compared to the fiscal quarter ended February 3, 2013 was primarily due to continued strength in demand from a large smartphone original equipment manufacturer, or OEM, customer in our wireless communications target market and in the wired infrastructure target market, mainly due to revenue contribution from the CyOptics business that we acquired in the third quarter of fiscal year 2013.

Our three target markets are wireless communications, wired infrastructure and industrial & other. The percentage of total net revenue generated by sales in each of our target markets varies from quarter to quarter, due largely to fluctuations in end-market demand, including the effects of seasonality. The first fiscal quarter has historically been our lowest revenue and cash generating quarter due, in part, to holiday shutdowns at many OEM, customers and distributors, and the first half of the fiscal year has tended to generate lower revenue than the second half. However, in recent periods, typical seasonality and industry cyclicalities have been increasingly overshadowed by other factors such as wider macroeconomic effects, the timing of significant product transitions and launches by large OEMs, particularly in the wireless communications target market, and new product launches by our competitors.

Historically, a relatively small number of customers have accounted for a significant portion of our net revenue. During the fiscal quarter ended February 2, 2014, direct sales to Foxconn Technology Group companies, or Foxconn, accounted for 25% of our net revenue.

Our top 10 direct customers for the fiscal quarter ended February 2, 2014, which included three distributors, collectively accounted for 63% of our net revenue. We believe our aggregate sales to Apple Inc., when direct sales are combined with indirect sales through the contract manufacturers that it utilizes, accounted for more than 10% of our net revenues for the fiscal quarter ended February 2, 2014.



Net revenue by target market data is derived from our understanding of our end customers' primary markets. Net revenue by target market was as follows:

% of net revenue	Fiscal Quarter Ended		Change
	February 2, 2014	February 3, 2013	
Wireless communications	49%	53%	(4)%
Wired infrastructure	32	25	7
Industrial & other	19	22	(3)
Total net revenue	100%	100%	

Net revenue (in millions)	Fiscal Quarter Ended		Change
	February 2, 2014	February 3, 2013	
Wireless communications	\$ 349	\$ 308	\$ 41
Wired infrastructure	228	143	85
Industrial & other	132	125	7
Total net revenue	\$ 709	\$ 576	\$ 133

Net revenue from our wireless communications target market increased by \$41 million, or 13%, in the first quarter of fiscal year 2014, compared with the corresponding prior year period, due to continued strength in mobile smartphone sales on sustained demand from a large smartphone OEM customer. Unit sales of smartphones containing our products, as well as the amount of our product content in those phones are key drivers of our revenue increase from this target market. Improvements in our product content in a number of new smartphone platforms helped drive revenue growth during the first quarter of fiscal year 2014. We continued to experience high demand for our film bulk acoustic resonator, or FBAR, duplexers in the quarter ended February 2, 2014.

Net revenue from our wired infrastructure target market increased by \$85 million, or 59%, in the first fiscal quarter of 2014 compared to the first fiscal quarter of 2013. The increase in the first quarter of fiscal 2014 compared to 2013 was largely due to \$64 million of revenue contribution from our CyOptics component sales, an \$11 million increase in intellectual property licensing and development agreement revenue and the remaining increase primarily from higher enterprise and storage revenue.

Net revenue from our industrial & other target market increased by \$7 million, or 6%, in the first quarter of fiscal year 2014, compared with the corresponding prior year period. This increase was due primarily to a \$3 million increase in intellectual property licensing royalties and a recovery in overall end market demand in this target market.

From time to time, some of our key customers, particularly in our wireless target market, place large orders causing our quarterly net revenue to fluctuate significantly. We expect that these fluctuations will continue and that they may be exaggerated by the launches of, and seasonal variations in sales of, consumer products such as mobile handsets, as well as changes in the overall economic environment.

**Gross margin.** Gross margin was \$339 million for the fiscal quarter ended February 2, 2014 compared to \$276 million for the fiscal quarter ended February 3, 2013, an increase of \$63 million. As a percentage of net revenue, gross margin remained flat at 48% for the fiscal quarter ended February 2, 2014 compared to fiscal quarter ended February 3, 2013. The increase in gross margin dollars was due primarily to additional gross margin contributions from the CyOptics business, which we acquired during the third quarter of fiscal year 2013, an increase in net revenue in both the wireless communication and wired infrastructure target markets, higher revenue from intellectual property licensing and development agreements and improved product mix in our wireless communications target market. These were partially offset by an increase in restructuring expense in the quarter ended February 2, 2014 related to the planned closure of a fabrication facility (see Note 13. "Restructuring Charges" to the Unaudited Condensed Consolidated Financial Statements) and increases in amortization of intangible assets and in share-based compensation expense in the fiscal quarter ended February 2, 2014 compared to the fiscal quarter ended February 3, 2013.

**Research and development.** Research and development expense was \$107 million for the fiscal quarter ended February 2, 2014, compared to \$93 million for the fiscal quarter ended February 3, 2013, an increase of \$14 million, or 15%. The overall dollar increase in research and development expense was attributable to a \$5 million increase in salaries and employee benefits expense due to annual merit-based salary increases and additional headcount due to the CyOptics acquisition, a \$1 million increase in share-based compensation expense attributable to annual focal employee equity awards at higher grant-date fair values, a \$5 million increase in research and development project expenses, including consumables and external services, a \$3

million increase in depreciation of fixed assets and a \$2 million increase in accrued incentive compensation expense. These increases were partially offset by a \$1 million curtailment and settlement gain from an amendment to our U.S. post-retirement benefits plan effected in the fiscal quarter ended February 2, 2014, and a \$1 million decrease in computer software and support expense.

***Selling, general and administrative.*** Selling, general and administrative expense was \$74 million for the fiscal quarter ended February 2, 2014, compared to \$53 million for the fiscal quarter ended February 3, 2013, an increase of \$21 million or 40%. As a percentage of net revenue, selling, general and administrative expense increased to 10% for the fiscal quarter ended February 2, 2014, compared to 9% for the fiscal quarter ended February 3, 2013. The increase in selling, general and administrative expense for the fiscal quarter ended February 2, 2014 consisted of a \$9 million increase in retention bonuses related to the CyOptics acquisition, a \$1 million increase in variable and bonus compensation expense due to annual merit-based salary increases and additional headcount due to the CyOptics acquisition, a \$2 million increase in salaries and employee benefits expense, and a \$4 million increase in share-based compensation primarily attributable to a special, long-term compensation and retention equity award made to our President and Chief Executive Officer and to our annual focal employee equity awards at higher grant-date fair values. The remaining \$5 million increase in selling, general and administrative costs relates primarily to legal and other transaction costs related to our pending acquisition of LSI.

***Amortization of intangible assets.*** Total amortization of intangible assets incurred was \$25 million and \$19 million for the fiscal quarters ended February 2, 2014 and February 3, 2013, respectively. The increase in amortization expense for the fiscal quarter ended February 2, 2014 is attributable to the increase in amortizable intangible assets from the CyOptics and Javelin Semiconductor Inc. acquisitions completed in fiscal year 2013. We anticipate our amortization expense will be higher in future periods, primarily as a result of increases in amortizable intangible assets from acquisitions we completed in fiscal year 2013 as well as from completing the pending acquisition of LSI, which is currently expected to occur during the first half of calendar year 2014.

***Restructuring charges.*** We incurred \$17 million in restructuring charges for the fiscal quarter ended February 2, 2014, compared to restructuring charges of \$1 million for the fiscal quarter ended February 3, 2013, of which \$5 million and \$12 million were recorded in costs of products sold (see "*Gross Margin*" above) and in operating expenses, respectively. These expenses were due primarily to the planned closure of a fabrication facility as a result of the integration of the CyOptics business. We expect to incur additional restructuring charges in future periods as a result of further integration and alignment of completed acquisitions and acquisitions that we may make in the future, including the LSI acquisition.

***Interest expense.*** Interest expense was not material for the fiscal quarters ended February 2, 2014 and February 3, 2013. Interest expense represents ongoing commitment fees related to our revolving credit facility.

***Other income, net.*** Other income, net includes unrealized gains or losses on trading securities and investment funds, interest income, foreign currency gains (losses) on balance sheet remeasurement and other miscellaneous items. Other income, net was \$0 million for the fiscal quarter ended February 2, 2014, compared to other income, net of \$2 million for the fiscal quarter ended February 3, 2013. Other income for the fiscal quarter ended February 3, 2013 included \$2 million of unrealized gain related to trading securities.

***Provision for income taxes.*** We recorded an income tax provision of \$5 million for the fiscal quarter ended February 2, 2014, compared to \$1 million for the fiscal quarter ended February 3, 2013. The increase in tax provision is primarily due to a change in the jurisdictional mix of income and expense. The tax expense for the quarter ended February 2, 2014 included a benefit of \$4 million from the recognition of previously unrecognized tax benefits as a result of the expiration of the statute of limitations for certain audit periods. The tax expense for the fiscal quarter ended February 3, 2013 included a benefit of \$3 million from U.S. legislation enacted in January 2, 2013 retroactively reinstating the research and development credit.

Pursuant to Accounting Standards Codification ("ASC") 740-10-25-3(e) (Income Taxes) and ASC 810-10-45-8 (Consolidation), during the fiscal quarter ended February 2, 2014, we recorded a deferred charge for the deferral of income tax expense on certain intercompany asset transactions that occurred in the fiscal quarter. The deferred charge of approximately \$32 million, with \$4 million included in other current assets and \$28 million included in other long-term assets on our unaudited condensed consolidated balance sheets. The deferred charge will be amortized on a straight-line basis and will be included as a component of income tax expense over the life of the underlying assets, which has been estimated to be seven years.

## **Backlog**

Our sales are generally made pursuant to short-term purchase orders. These purchase orders are made without deposits and may be rescheduled, cancelled or modified on relatively short notice, and in most cases without substantial penalty. Therefore, we believe that purchase orders or backlog are not a reliable indicator of future sales.

## Seasonality

We have historically been affected by seasonal trends in the semiconductor and related industries. Our net revenue in the second half of the fiscal year has typically been higher than our net revenue in the first half of the fiscal year due to seasonality in our wireless communications target market. This target market historically tended to experience seasonality due to the calendar year-end holiday selling seasons. From time to time, some of our key customers, particularly in our wireless communications target market, place large orders causing our quarterly net revenue to fluctuate significantly. We expect that these fluctuations will continue and that they may be exaggerated by the launches of, and seasonal variations in sales of, consumer products such as mobile handsets, as well as changes in the overall economic environment. These fluctuations combined with other factors have increasingly overshadowed these seasonal effects in recent periods.

## Liquidity and Capital Resources

Our primary sources of liquidity as at February 2, 2014 consist of: (1) approximately \$1,112 million in cash and cash equivalents, (2) cash we expect to generate from operations and (3) our \$575 million unsecured revolving credit facility, which is committed until October 28, 2018, all of which is available to be drawn.

Our short-term and long-term liquidity requirements primarily arise from: (i) working capital requirements, (ii) research and development and capital expenditure needs, including acquisitions, such as our recently announced, pending acquisition of LSI, and investments we may make from time to time, (iii) quarterly dividend payments (if and when declared by our board of directors, or the Board), and (iv) any share repurchases we may choose to make under our share repurchase programs. Our ability to fund these requirements will depend on our future cash flows, which are determined by future operating performance and are, therefore, subject to prevailing global macroeconomic conditions and financial, business and other factors, some of which are beyond our control.

On December 15, 2013, we entered into a merger agreement with LSI Corporation, or LSI, a U.S. publicly traded company. Pursuant to the merger agreement, we will acquire all of the issued and outstanding common stock of LSI for aggregate acquisition consideration of approximately \$6.6 billion in cash, or \$11.15 in cash per share of LSI common stock. We anticipate funding the transaction with \$1.0 billion of cash from the combined balance sheets of the two companies, and cash provided by a \$4.6 billion term loan from a group of banks and \$1.0 billion in proceeds from the private placement of 2% Convertible Senior Notes (referred to as the Convertible Notes) or preferred stock with substantially equivalent economic terms, to an investment fund affiliated with Silver Lake Partners, or SLP, all of which will significantly increase our short-term and long-term liquidity requirements following completion of the acquisition. In addition, we expect to enter into a new \$500 million secured revolving credit facility, which would replace our existing \$575 million unsecured revolving credit facility.

On April 10, 2013, our Board authorized the Company to repurchase up to 20 million of its ordinary shares in open market transactions, referred to as the 2013 share repurchase program. The 2013 share repurchase program will expire the day prior to the Company's 2014 annual general meeting of shareholders, or AGM, currently scheduled to occur on April 9, 2014, unless earlier terminated.

Under the 2013 share repurchase program, the Company repurchased and retired 0.3 million shares for an aggregate purchase price of \$12 million in cash during the fiscal quarter ended February 2, 2014.

Share repurchases under our share repurchase programs are made in the open market at such times and in such amounts as the Company deems appropriate. The timing and actual number of shares repurchased depend on a variety of factors including price, market conditions and applicable legal requirements. The 2013 share repurchase program does not obligate the Company to repurchase any specific number of shares and may be suspended from time to time or terminated at any time without prior notice.

On March 5, 2014, the Board declared an interim cash dividend on the Company's ordinary shares of \$0.27 per share, payable on March 31, 2014 to shareholders of record at the close of business (5:00 p.m.), Eastern Time, on March 20, 2014.

Our cash and cash equivalents increased by \$127 million to \$1,112 million at February 2, 2014 from \$985 million at November 3, 2013. The increase was largely due to \$229 million in cash provided by operating activities and \$19 million in cash received from the issuance of ordinary shares upon exercises of options, partially offset by \$62 million in dividends paid to our shareholders, \$52 million in cash paid for capital expenditures and \$12 million of cash paid to repurchase 0.3 million of our ordinary shares.

We believe that our cash and cash equivalents on hand and cash flows from operations, combined with current availability under our senior unsecured revolving credit facility and committed debt financing relating to the pending LSI acquisition, will provide sufficient liquidity to fund our current obligations, projected working capital requirements, capital spending, quarterly cash dividends (if and when declared by our Board) and any share repurchases we may choose to make for at least the next 12 months.

We anticipate that our capital expenditures for fiscal year 2014 may be higher than for fiscal year 2013, due primarily to spending on capacity expansion in our Fort Collins internal fabrication facility.

From time to time, we engage in discussions with third parties regarding potential acquisitions of, or investments in, businesses, technologies and product lines, such as our recent announcement of the pending \$6.6 billion acquisition of LSI. Any such transaction could require significant use of our cash and cash equivalents, require us to issue debt or equity securities and require us to borrow under our revolving credit facility or arrange new financing to fund the transaction. If we do not have sufficient cash to fund our operations or finance growth opportunities, including acquisitions, or unanticipated capital expenditures, our business and financial condition could suffer. In such circumstances we may also seek to obtain debt or equity financing in the future. However, we cannot assure that such additional financing will be available on terms acceptable to us or at all. Our ability to service any indebtedness we may incur, including under our revolving credit facility, will depend on our ability to generate cash in the future. We could also reduce certain expenditures such as repurchases of our ordinary shares and payment of our quarterly cash dividend.

In addition, even though we may not need additional funds, we may still elect to sell additional debt or equity securities or increase our current credit facility for other reasons.

In summary, our cash flows were as follows (in millions):

	Fiscal Quarter Ended	
	February 2, 2014	February 3, 2013
Net cash provided by operating activities	\$ 229	\$ 185
Net cash used in investing activities	(52)	(76)
Net cash used in financing activities	(50)	(42)
Net increase in cash and cash equivalents	\$ 127	\$ 67

#### ***Cash Flows for the Fiscal Quarters Ended February 2, 2014 and February 3, 2013***

##### ***Operating Activities***

Net cash provided by operating activities during the fiscal quarter ended February 2, 2014 was \$229 million. The net cash provided by operating activities was principally due to net income of \$134 million, which includes non-cash charges of \$79 million and changes in operating assets and liabilities of \$16 million. The non-cash charges of \$79 million included \$57 million for depreciation and amortization and \$24 million of non-cash, share-based compensation.

Accounts receivable decreased to \$323 million at February 2, 2014 from \$418 million at the end of fiscal year 2013. The number of days sales outstanding decreased to 42 days at February 2, 2014 from 52 days at November 3, 2013 due to the linearity of revenue during the quarter and timing of collections. We use the current fiscal quarter revenue and accounts receivable at fiscal quarter end in our calculation of number of days sales outstanding.

Inventory slightly increased to \$286 million at February 2, 2014 from \$285 million at the end of fiscal year 2013. The number of days of inventory on hand increased to 75 days at February 2, 2014 compared to 69 days at November 3, 2013, due primarily to the lower costs of products sold associated with lower revenue and significant lifetime purchases of certain wafers and other materials in fiscal quarter ended February 2, 2014. Of the 75 days and 69 days of inventory on hand as at February 2, 2014 and November 3, 2013, respectively, 11 days and 9 days, respectively, were attributable to these lifetime purchases. We use the current quarter cost of products sold and inventory at fiscal quarter end in our calculation of days on hand of inventory.

Other current assets increased to \$138 million at February 2, 2014 from \$130 million at the end of fiscal year 2013, primarily due to a \$5 million increase in receivables from our contract manufacturers for materials purchased by us on their behalf to secure pricing, a \$4 million increase in receivables from development arrangements and intellectual property-related revenue and a \$4 million increase in prepaid expenses. These increases were partially offset by a \$4 million net decrease in current deferred tax assets during the fiscal quarter ended February 2, 2014.

Other long-term assets increased to \$70 million at February 2, 2014 from \$53 million at the end of fiscal year 2013, primarily due to a \$24 million increase in long-term deferred tax assets and a \$3 million increase in long-term receivables. These increases were partially offset by a \$9 million decrease in long-term prepaid expenses relating to the CyOptics acquisition.

Current liabilities decreased to \$364 million at February 2, 2014 from \$423 million at the end of fiscal year 2013, primarily due to decreases in employee compensation and benefits accruals and accounts payable. Employee compensation and benefits accruals decreased to \$59 million at February 2, 2014 compared to \$98 million at the end of fiscal year 2013 primarily due to payments made under our employee cash bonus plan in respect of our fiscal year 2013 performance. Accounts payable decreased to \$257 million at February 2, 2014 from \$278 million at the end of fiscal year 2013 mainly due to timing of disbursements. Other current liabilities increased slightly to \$47 million at February 2, 2014 from \$46 million at the end of fiscal year 2013 due to a \$13 million increase in accrued restructuring charges partially offset by a \$7 million decrease in various accrued current liabilities and a \$4 million decrease in deferred revenue.

Other long-term liabilities increased to \$115 million at February 2, 2014 from \$105 million at the end of fiscal year 2013, primarily due to a \$17 million increase in long-term deferred tax liabilities. These increases were partially offset by a \$7 million decrease in long-term pension liabilities resulting from an amendment to our U.S. post-retirement medical benefit plan.

Net cash provided by operating activities during the fiscal quarter ended February 3, 2013 was \$185 million. The net cash provided by operating activities was principally due to net income of \$125 million, which includes non-cash charges of \$56 million, partially offset by changes in operating assets and liabilities of \$4 million. The non-cash charges of \$56 million included \$41 million for depreciation and amortization and \$17 million of share-based compensation.

Accounts receivable decreased to \$266 million at February 3, 2013 from \$341 million at the end of fiscal year 2012. The number of days sales outstanding decreased to 46 days at February 3, 2013 from 51 days at October 28, 2012 due to linearity of revenue and timing of collections. We use the current quarter revenue and accounts receivable at quarter end in our calculation of number of days sales outstanding.

Inventory increased to \$208 million at February 3, 2013 from \$194 million at the end of fiscal year 2012. The number of days of inventory on hand increased to 71 days at February 3, 2013 compared to 58 days at October 28, 2012 due to an increase in inventory to prepare for an anticipated increase in demand, as well as a significant lifetime purchase of certain wafers in the quarter ended February 3, 2013. We use the current quarter cost of products sold and inventory at quarter end in our calculation of days on hand of inventory.

Other current assets increased to \$88 million at February 3, 2013 from \$72 million at the end of fiscal year 2012 primarily due to \$11 million in fair market value of trading securities purchased during the quarter (of which \$9 million in purchase cost is presented as cash flow used in investing activities), a \$5 million increase in prepaid expenses and a \$2 million increase in advances made to certain of our existing distributors for anticipated distributor price adjustments, partially offset by a \$3 million decrease in receivables from intellectual property-related revenue.

Current liabilities decreased to \$277 million at February 3, 2013 from \$346 million at the end of fiscal year 2012 primarily due to decreases in accounts payable, employee compensation and benefits accruals and other current liabilities. Accounts payable decreased to \$196 million from \$248 million at the end of fiscal year 2012 mainly due to timing of disbursements. Employee compensation and benefits accruals decreased to \$48 million at February 3, 2013 from \$61 million at fiscal year 2012 mainly due to payments made under our employee bonus plan in respect of fiscal year 2012 performance. Other current liabilities decreased due to a \$2 million decrease in income tax and sales and use tax payables and a \$2 million decrease in accrued sales commissions.

#### Investing Activities

Net cash used in investing activities for the fiscal quarter ended February 2, 2014 was \$52 million, attributable to the purchases of property, plant and equipment in connection with the continued expansion of our manufacturing facility in Fort Collins, Colorado.

Net cash used in investing activities for the fiscal quarter ended February 3, 2013 was \$76 million, primarily due to \$67 million in purchases of property, plant and equipment in connection with the continued expansion of our manufacturing facility in Fort Collins, Colorado and \$9 million in purchases of trading securities.

#### Financing Activities

Net cash used in financing activities for the fiscal quarter ended February 2, 2014 was \$50 million. The net cash used in financing activities was principally due to an aggregate of \$62 million in payments of cash dividends to shareholders, the payment of an aggregate of \$12 million to repurchase and cancel 0.3 million of our ordinary shares under our 2013 share repurchase program. This was offset by \$19 million in net proceeds provided by the exercise of options and purchases under our ESPP, proceeds from research and development grants of \$2 million and an excess tax benefit of \$3 million.

Net cash used in financing activities for the fiscal quarter ended February 3, 2013 was \$42 million. The net cash used in financing activities was principally due to an aggregate of \$42 million in payments of cash dividends to shareholders, the payment of an aggregate of \$13 million to repurchase and cancel 0.4 million shares of our ordinary shares under our 2012 share repurchase program. This was offset by \$10 million in net proceeds provided by the exercise of options and proceeds from research and development grants of \$3 million.

#### **Indebtedness**

As of February 2, 2014, we had \$2 million of capital lease obligations. At such date, we also had \$575 million of borrowing capacity available under our unsecured revolving credit facility. We had no borrowings outstanding, and were in compliance with our covenants, under our unsecured revolving credit facility as of February 2, 2014.

We anticipate funding our pending acquisition of LSI with cash provided by a combination of \$4.6 billion term loan from a group of banks, \$1 billion in proceeds from the private placement of 2% Convertible Notes, or preferred stock with substantially equivalent economic terms, to an investment fund affiliated with SLP, and \$1 billion in cash from the combined

balance sheets of the two companies. We also plan to enter into a new \$500 million secured revolving credit facility in connection with the acquisition, which will replace our existing \$575 million unsecured revolving facility. As a result of the completion of the LSI acquisition, we will substantially increase our indebtedness.

#### **Contractual Commitments**

See Note 12 to the Unaudited Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

There were no other substantial changes to our contractual commitments during the first quarter of fiscal year 2014 from those disclosed in our 2013 Annual Report on Form 10-K.

#### **Off-Balance Sheet Arrangements**

We had no material off-balance sheet arrangements at February 2, 2014 as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

#### **Indemnifications**

See Note 12 to the Unaudited Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

#### **Accounting Changes and Recent Accounting Standards**

For a description of accounting changes and recent accounting standards, including the expected dates of adoption and estimated effects, if any, on our unaudited condensed consolidated financial statements, see Note 1 to the Unaudited Condensed Consolidated Financial Statements of this Quarterly Report on Form 10-Q.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There have been no material changes in market risk from the information presented in Part II, Item 7A. “Quantitative and Qualitative Disclosures About Market Risk,” in our 2013 Annual Report on Form 10-K other than those noted below.

#### *Foreign Currency Derivative Instruments*

We enter into foreign exchange forward contracts to hedge a portion of our exposures to changes in currency exchange rates as a result of our global operating and financing activities. Gains and losses from foreign currency transactions, as well as derivative instruments, were included in our unaudited condensed consolidated statements of operations in the amounts \$0 million and a \$1 million loss for the fiscal quarters ended February 2, 2014 and February 3, 2013, respectively.

#### *European Debt Exposures*

We actively monitor our exposure to the European financial markets, including the impact of sovereign debt issues. We also mitigate our risk by investing in fixed deposits with various financial institutions and we limit the amount we hold with any one institution. We do not have any direct investments in the sovereign debt of European countries. From time to time, we may have deposits with major European financial institutions. We also mitigate collection risks from our customers by performing regular credit evaluations of our customers' financial conditions and require collateral, such as letters of credit and bank guarantees, in certain circumstances. As of February 2, 2014, we do not believe that we have any material direct or indirect exposure to the European financial markets.

#### **Item 4. Controls and Procedures**

(a) *Evaluation of Disclosure Controls and Procedures.* Our management, with the participation of our Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, evaluated the effectiveness of our disclosure controls and procedures as of February 2, 2014. We maintain disclosure controls and procedures that are intended to ensure that the information required to be disclosed in our Exchange Act filings is properly and timely recorded, processed, summarized and reported. These disclosure controls and procedures are also intended to ensure that information is accumulated and communicated to management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosures. Based on this evaluation, our CEO and CFO concluded that, as of February 2, 2014, our disclosure controls and procedures were effective at the reasonable assurance level.

In designing and evaluating our disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their desired control objectives, and our management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

(b) *Changes in Internal Controls Over Financial Reporting.* There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



## PART II — OTHER INFORMATION

### Item 1. Legal Proceedings

Fifteen purported class action complaints have been filed by alleged stockholders of LSI against us. Eight of those lawsuits were filed in the Delaware Court of Chancery, and the other seven lawsuits were filed in the Superior Court of the State of California, County of Santa Clara on behalf of the same putative class as the Delaware actions. On January 17, 2014, the Delaware Court of Chancery entered an order consolidating the Delaware actions into a single action. These actions generally allege that we aided and abetted breaches of fiduciary duty by the members of LSI's board of directors in connection with the merger because the merger was not in the best interest of LSI, the merger consideration is unfair and certain other terms of the merger agreement are unfair. Among other remedies, the lawsuits seek to enjoin the merger, or in the event that an injunction is not entered and the merger closes, to rescind the merger or obtain unspecified money damages, costs and attorneys' fees.

On March 7, 2014, the parties reached an agreement in principle to settle the consolidated Delaware action on a class wide basis, and negotiated a stipulation of settlement that was presented to the Delaware Court of Chancery on March 10, 2014. We and our board of directors believe these claims are entirely without merit and, in the event the settlement is not approved, we intend to vigorously defend these actions.

For a discussion of legal proceedings, please refer to Part I, Item 1. Financial Statements—Note 12, Commitments and Contingencies of this Quarterly Report on Form 10-Q. For an additional discussion of certain risks associated with legal proceedings, please see Item 1A. Risk Factors immediately below.

### Item 1A. Risk Factors

A description of some of the primary risk factors associated with our business is set forth below. We review and, where applicable, update our risk factors each quarter. The description set forth below supersedes the description of the risk factors previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended November 3, 2013. These risk factors, which could materially affect our business, financial conditions or results of operations, are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently do not deem to be material may also adversely affect our business, financial condition or results of operations.

## Risks Related to Our Business

### ***Adverse global economic conditions could have a negative effect on our business, results of operations and financial condition and liquidity.***

Adverse global economic conditions have from time to time caused or exacerbated significant slowdowns in the semiconductor industry generally, as well as in our target markets, which adversely affected our business and results of operations. In recent periods, market and business conditions in general have been adversely affected by investor and customer concerns about the global economic outlook, including concerns about economic recovery in the United States and the level of growth in China. In addition, U.S. and global economic conditions could be exacerbated by the negative effects on economic growth resulting from the concerns about, and the effects of, the U.S. fiscal and monetary policies, any related spending cuts and tax increases and the possibility of further downgrades to the U.S. government's credit rating. Macroeconomic weakness and uncertainty also make it more difficult for us to accurately forecast revenue, gross margin and expenses. Sustained uncertainty about, or worsening of, current global economic conditions will likely cause our customers and consumers to reduce or delay spending, leading to reduced demand for our products, could lead to the insolvency of key suppliers (resulting in product delays) and customers and intensify pricing pressures. Any or all of these factors could negatively affect our business, financial condition and result of operations.

### ***We operate in the highly cyclical semiconductor industry, which is subject to significant downturns.***

The semiconductor industry is highly cyclical and is characterized by constant and rapid technological change and price erosion, evolving technical standards, frequent new product introductions, short product life cycles (for semiconductors and for the end products in which they are used) and wide fluctuations in product supply and demand. From time to time, these and other factors, together with changes in general economic conditions, cause significant upturns and downturns in the industry in general and in our business in particular. Periods of industry downturns have been characterized by diminished demand for end-user products, high inventory levels and periods of inventory adjustment, under-utilization of manufacturing capacity, changes in revenue mix and accelerated erosion of average selling prices, resulting in an adverse effect on our business, financial condition and results of operations. We expect our business to continue to be subject to cyclical downturns even when overall economic conditions are relatively stable. To the extent we cannot offset recessionary periods or periods of reduced growth that may occur in the industry, or in our target markets in particular, through increased market share or otherwise, our business could be adversely affected, net revenues may decline and financial condition and results of operations may suffer. In addition, in any future economic downturn we may be unable to reduce our costs quickly enough to maintain our operating profitability.

### ***The majority of our sales come from a small number of customers and the demands or loss of one or more of our significant customers may adversely affect our business.***

We are dependent on a reasonably small number of direct customers, OEMs and distributors for a majority of our business, revenue and results of operations. During the fiscal quarter ended February 2, 2014, direct sales to Foxconn Technology Group companies, or Foxconn, accounted for 25% of our net revenue and our top 10 customers, which included three distributors, collectively accounted for 63% of our net revenue. During the fiscal 2013, direct sales to Foxconn accounted for 18% of our net revenue and our top 10 direct customers, which included three distributors, collectively accounted for 64% of our net revenue. However, we also believe our aggregate sales to Apple, Inc., when direct sales are combined with indirect sales through the contract manufacturers that it utilizes, accounted for more than 10% of our net revenues for the fiscal quarter ended February 2, 2014. We expect to continue to experience significant customer concentration in future periods.

This customer concentration increases the risk of quarterly fluctuations in our revenues and operating results. In addition, our top customers' purchasing power has, in some cases, given them the ability to make greater demands on us with regard to pricing and contractual terms in general. We expect this trend to continue, which may adversely affect our gross margins on certain products. In addition, we expect this will result in our results of operations becoming increasingly sensitive to deterioration in the financial condition of, or other adverse developments related to, one or more of our significant customers. Although we believe that our relationships with our major customers are good, we generally do not have long-term contracts with any of them, which is typical of our industry. Although our customers often provide us with medium- to long-term product roadmaps and related indications of their product needs and purchases on a periodic basis, they generally purchase our products on a weekly or daily basis and the relationship, as well as particular orders, can be terminated at any time. In order to ensure availability of our products for some of our largest customers, we start manufacturing our products in advance of receiving purchase orders, based on forecasts provided by these customers. These forecasts are not binding purchase commitments and, as a result, we incur inventory and manufacturing costs in advance of anticipated sales. Since actual demand for our products may not match these forecasts, manufacturing on this basis subjects us to increased risks of high inventory carrying costs, product obsolescence and increased operating costs. In addition, the loss of any of our major direct or indirect customers, or any substantial reduction in sales to any of these customers, could have a material adverse effect on our business, financial condition and results of operations.

***We are increasingly dependent on the mobile handset market, which is volatile and is characterized by short product life cycles, fluctuations in demand, seasonality and increasingly high customer concentration any of which could negatively impact our business or results of operations.***

A substantial and increasing portion of our revenue is generated from sales of products for use in mobile handsets, particularly our FBAR filter products, the market for which is growing and becoming increasingly competitive. During the fiscal quarter ended February 2, 2014, revenue from our wireless communications target market accounted for 49% of our net revenue. During fiscal year 2013, revenue from our wireless communications target market accounted for 48% of our net revenue. The mobile handset market is characterized by intense competition among an increasingly concentrated group of OEMs, rapidly evolving technology, including the shift to LTE and LTE-advanced standards, and changing consumer preferences. These factors result in the frequent introduction of new products, aggressive price competition, short product life cycles, and continually evolving mobile handset specifications. If we, our customers or mobile handset OEMs are unable to manage product transitions, our business and results of operations could be negatively affected. Our success in this market is dependent on the continued competitiveness of our FBAR filter products, and on the broad commercial acceptance of the mobile handsets into which our products are incorporated, as well as increasing the amount of our products in successive generations of those handsets. If the mobile handsets into which our products are designed do not achieve significant customer acceptance, our revenue will be adversely affected. Similarly, even though we may achieve design wins for a particular handset, we may not be designed into the next generation of a particular handset or new model of handset, which could result in a sharp decrease in our revenues.

In the mobile handset market, demand has typically been stronger in the second half of the year than the first half of the year, but the timing of new handset launches, which also drive demand, is often unpredictable. If mobile handset OEMs inaccurately forecast consumer demand, this may lead to significant changes in orders to their component suppliers. We have experienced both sharp increases and decreases in orders within the same quarter, often with limited advance notice, and we expect such increases and decreases to occur in the future. In addition, although the worldwide wireless handset market is large, growth trends and other variables are often uncertain and difficult to predict. Since the wireless handset market is a consumer-driven market, changes in the economy that affect consumer demand can adversely affect our business and operating results.

***Our operating results are subject to substantial quarterly and annual fluctuations.***

Our revenues and operating results have fluctuated in the past and are likely to fluctuate in the future. These fluctuations may occur on a quarterly and annual basis and are due to a number of factors, many of which are beyond our control. These factors include, among others:

- the timing of launches by our customers of new products, such as cell phones, in which our products are included and changes in end-user demand for the products manufactured and sold by our customers;
- the timing of receipt, reduction or cancellation of significant orders by customers;
- fluctuations in the levels of component inventories held by our customers;
- customer concentration and the gain or loss of significant customers;
- market acceptance of our products and our customers' products;
- changes in our product mix or customer mix and their effect on our gross margin;
- our ability to develop, introduce and market new products and technologies on a timely basis;
- the timing and extent of our non-product revenue, such as product development revenues and royalty and other payments from intellectual property sales and licensing arrangements;
- our ability to successfully and timely integrate, and realize the benefits of, our pending acquisition of LSI Corporation, or LSI, and any other significant acquisitions we may make;
- new product announcements and introductions by us or our competitors;
- timing and amount of research and development and related new product expenditures, and the timing of receipt of any research and development grant monies;
- seasonality or cyclical fluctuations in our markets;
- currency fluctuations;
- utilization of our internal manufacturing facilities;
- fluctuations in manufacturing yields;
- significant warranty claims, including those not covered by our suppliers or our insurers;

- availability and cost of raw materials from our suppliers;
- intellectual property disputes and associated litigation expenses;
- loss of key personnel or the shortage of available skilled workers;
- the effects of competitive pricing pressures, including decreases in average selling prices of our products;
- the timing of acquisitions of, or making and exiting investments in, other entities, businesses or technologies; and
- changes in our tax incentive arrangements or structure, which may adversely affect our net tax expense in any quarter in which such an event occurs.

The foregoing factors are difficult to forecast, and these, as well as other factors, could materially adversely affect our quarterly or annual operating results. In addition, a significant amount of our operating expenses are relatively fixed in nature due to our significant sales, research and development and internal manufacturing overhead costs. Any failure to adjust spending quickly enough to compensate for a revenue shortfall could magnify the adverse impact of such revenue shortfall on our results of operations. As a result, we believe that quarter-to-quarter comparisons of our revenue and operating results may not be meaningful or a reliable indicator of our future performance. If our operating results in one or more future quarters fail to meet the expectations of securities analysts or investors, an immediate and significant decline in the trading price of our ordinary shares may occur.

***Winning business is subject to lengthy, competitive selection processes that require us to incur significant expense. Even if we begin a product design, a customer may decide to cancel or change its product plans, which could cause us to generate no revenues from a product and adversely affect our results of operations.***

Our business is dependent on us winning competitive bid selection processes, known as “design wins,” to develop semiconductors for use in our customers' products. These selection processes are typically lengthy and can require us to incur significant design and development expenditures and dedicate scarce engineering resources in pursuit of a single customer opportunity. We may not win the competitive selection process and may never generate any revenue despite incurring significant design and development expenditures. These risks are exacerbated by the fact that many of our products, and the end products into which our products are incorporated, often have very short life cycles. For example, cell-phone manufacturers regularly introduce new or upgraded handsets, often every nine to 15 months and sometimes more frequently, and will bid out the components for each new model, and often every upgrade of a particular model. Failure to obtain a design win sometimes prevents us from offering an entire generation of a product. This can result in lost revenues and could weaken our position in future competitive selection processes.

Winning a product design does not guarantee sales to a customer. We may experience delays in generating revenue from our products as a result of the lengthy development cycle typically required, or may not realize as much revenue as we had anticipated. In addition, a delay or cancellation of a customer's plans could materially and adversely affect our financial results, as we may have incurred significant expense in the design process and generated little or no revenue. Customers could choose at any time to stop using our products or may fail to successfully market and sell their products, which could reduce demand for our products and materially adversely affect our business, financial condition and results of operations.

Finally, the timing of design wins is unpredictable and implementing production for a major design win, or multiple design wins occurring at or around the same time, may strain our resources and those of our contract manufacturers. In such event we may be forced to dedicate significant additional resources and incur additional, unanticipated costs and expenses, which may have a material adverse effect on our results of operations.

***Competition in our industry could prevent us from growing our revenue and from raising prices to offset increases in costs.***

The global semiconductor market is highly competitive. We compete in different target markets to various degrees on the basis of, among other things, quality, technical performance, price, product features, product system compatibility, system-level design capability, engineering expertise, responsiveness to customers, new product innovation, product availability, delivery timing and reliability, and customer sales and technical support. Current and prospective customers for our products evaluate our capabilities against the merits of our direct competitors. Some of our competitors are well established, have a more extensive product portfolio, have substantially greater market share and manufacturing, financial, research and development and marketing resources to pursue development, engineering, manufacturing, marketing and distribution of their products. In addition, many of our competitors have longer independent operating histories, greater presence in key markets, more comprehensive patent protection and greater name recognition. We compete with integrated device manufacturers, or IDMs, and fabless semiconductor companies as well as the internal resources of large, integrated OEMs. Our competitors range from large, international companies offering a wide range of semiconductor products to smaller companies specializing in narrow markets. We expect competition in the markets in which we participate to continue to increase as existing competitors improve or expand their product offerings. In addition, companies not currently in direct competition with us may introduce competing products in the future. Because our products are often building block semiconductors providing functions that in some cases can be integrated into more complex ICs, we also face competition from manufacturers of ICs, as well as customers that develop their own IC products.

Our ability to compete successfully depends on elements both within and outside of our control, including industry and general economic trends. During past periods of downturns in our industry, competition in the markets in which we operate intensified as manufacturers of semiconductors reduced prices in order to combat production overcapacity and high inventory levels. The actions of our competitors, particularly in the area of pricing, can have a substantial adverse impact on our revenues, and potentially on revenues in specific industry end markets. In periods where the semiconductor industry experiences significant declines, manufacturers in financial difficulties or in bankruptcy may implement pricing structures designed to ensure short-term market share and near-term survival, rather than securing long-term viability. In addition, many of our competitors have substantially greater financial and other resources than us with which to withstand adverse economic or market conditions and any associated pricing actions of other market participants in the future.

***Our target markets may not perform as expected and our business and operating results could be harmed in such event.***

Visibility into our target markets is limited and industry and target market growth rates may not be as forecasted. Any decline in our customers' markets would likely result in a reduction in demand for our products. In such an environment, pricing pressures could intensify and, if we were unable to respond quickly, could significantly reduce our gross margins and reduce our revenue. If target market growth rates are not as expected, particularly in areas such as LTE handsets and datacenters, to the extent that we incur expenditures on process and product development that do not align with projected market requirements, this could also have a material adverse effect on our business and results of operations.

***The failure to complete our acquisition of LSI may adversely affect our business and our share price.***

Our and LSI's obligations to consummate our acquisition of LSI are subject to the satisfaction or waiver of certain customary conditions, including (i) adoption of the merger agreement by LSI's stockholders, (ii) the receipt of certain regulatory approvals or clearances in the United States, China, Germany and Russia, (iii) the absence of any restraining orders, injunctions or other legal restraints prohibiting or preventing the transaction, (iv) the accuracy of the representations and warranties of the parties, (v) compliance by the parties with their respective obligations under the merger agreement and (vi) the absence of any event, change or occurrence that has had a material adverse effect on LSI, as defined and described in the merger agreement. While the required regulatory approvals or clearances have been obtained in the United States, Germany and Russia and the transaction has cleared antitrust review in the United States, there can be no assurance that the remaining conditions to the completion of the acquisition will be satisfied in a timely manner or at all. In addition, other factors, such as our ability to obtain the debt financing we need to consummate the transaction, may affect when and whether the merger will occur. Following the announcement of our pending acquisition of LSI, our share price increased substantially. If our acquisition of LSI is not completed, our share price could fall to the extent that our current price reflects an assumption that the acquisition will be completed. Furthermore, if the acquisition is not completed, we may suffer other consequences that could adversely affect our business, results of operations and share price, including the following:

- we could be required to pay a termination fee of \$400 million to LSI in certain circumstances described in the merger agreement;
- we would have incurred significant costs in connection with the acquisition that we would be unable to recover;
- we may be subject to additional legal proceedings related to the acquisition;

- the failure to consummate the acquisition may result in negative publicity and a negative impression of us in the investment community; and
- any disruptions to our business resulting from the announcement and pendency of the acquisition, including any adverse changes in our relationships with our customers, vendors and employees, may continue or intensify in the event the merger is not consummated.

***We may pursue acquisitions, dispositions, investments and joint ventures, which could affect our results of operations.***

We may make acquisitions of, and investments in, businesses that offer complementary products, services and technologies, augment our market coverage, or enhance our technological capabilities. We may also enter into strategic alliances or joint ventures to achieve these goals. We cannot assure you that we will be able to identify suitable acquisition, investment, alliance, or joint venture opportunities, that we will be able to consummate any such transactions or relationships on terms and conditions acceptable to us, or that such transactions or relationships will be successful. In addition, our original estimates and assumptions used in assessing any acquisition that we make may be inaccurate and we may not realize the expected financial or strategic benefits of any such acquisition. From time to time, we may also divest portions of our business that are no longer strategically important or exit minority investments, which could materially affect our cash flows and results of operations for the period in which such events occur.

These transactions or any other acquisitions or dispositions involve risks and uncertainties. For example, the integration of acquired businesses may not be successful and could result in disruption to other parts of our business. In addition, any such integration may require that we incur significant restructuring charges, including as a result of streamlining, or divesting non-core portions of, acquired businesses. To integrate acquired businesses, we must implement our management information systems, operating systems and internal controls, and assimilate and manage the personnel of the acquired operations. The difficulties of these integrations may be further complicated by such factors as the size of the business or entity acquired, geographic distances, lack of experience operating in the geographic market or industry sector of the acquired business, delays and challenges associated with integrating the business with our existing businesses, diversion of management's attention from daily operations of the business, potential loss of key employees and customers of the acquired business, the potential for deficiencies in internal controls at the acquired or combined business, performance problems with the acquired business' technology, difficulties in entering markets in which we have no or limited direct prior experience, exposure to unanticipated liabilities of the acquired business, insufficient revenues to offset increased expenses associated with the acquisition, and our potential inability to achieve the growth prospects and synergies expected from any such acquisition. Even when an acquired business has already developed and marketed products, there can be no assurance that product enhancements will be made in a timely fashion or that all pre-acquisition due diligence will have identified all material issues that might arise with respect to such acquired business.

Any acquisition may also cause us to assume liabilities and ongoing lawsuits, acquire goodwill and non-amortizable intangible assets that will be subject to impairment testing and potential impairment charges, incur amortization expense related to certain intangible assets, increase our expenses and working capital requirements, and subject us to litigation, which would reduce our return on invested capital. In addition, if the businesses or products lines that we acquire have a different pricing or cost structure than we do, such acquisitions may adversely affect our profitability and reduce our overall margin. Failure to manage and successfully integrate the acquisitions we make or to improve margins of the acquired businesses and products could materially harm our business, operating results and margins.

Any future acquisitions may require significant additional debt or equity financing, which, in the case of debt financing, would increase our leverage and potentially affect our credit ratings and, in the case of equity or equity-linked financing, would be dilutive to our existing shareholders. We expect to incur a significant amount of debt in connection with our acquisition of LSI, which is expected to be secured by the substantial majority of our assets. Any downgrades in our credit ratings associated with an acquisition could adversely affect our ability to borrow by resulting in more restrictive borrowing terms. As a result of the foregoing, we also may not be able to complete acquisitions or other strategic transactions in the future to the same extent as in the past, or at all. These and other factors could harm our ability to achieve anticipated levels of profitability at acquired operations or realize other anticipated benefits of an acquisition, and could adversely affect our business, financial condition and results of operations. All of the above may apply to our pending acquisition of LSI, which will be our largest acquisition to date by a significant margin.

***The acquisition of LSI and the integration of its business, operations and employees with our own will involve risks and the failure to integrate successfully in the expected time frame may adversely affect our future results.***

Any failure to successfully integrate the business, operations and employees of LSI, or to otherwise realize the anticipated benefits of the pending acquisition of LSI, if and when closed, could harm our results of operations. Our ability to realize these benefits will depend, in part, on the timely integration and consolidation of organizations, operations, facilities, procedures, policies and technologies, and the harmonization of differences in the business cultures between the two companies and their personnel. Implementation and integration of the LSI business will be complex and time-consuming, will involve additional

expense and could disrupt our business and divert management's attention from ongoing business concerns. The challenges involved in integrating LSI will include:

- preserving customer, supplier and other important relationships of both LSI and Avago;
- improving LSI's operating margins;
- coordinating and integrating operations in India, a country in which Avago has not previously operated, and in China;
- integrating financial forecasting and controls, procedures and reporting cycles;
- combining and integrating IT systems; and
- integrating employees and related HR systems and benefits, maintaining employee morale and retaining key employees.

The benefits we expect to realize from the pending acquisition of LSI are, necessarily, based on projections and assumptions about the combined businesses of Avago and LSI and assume, among other things, the successful integration of LSI into our business and operations. We may not successfully integrate LSI and our operations in a timely manner, or at all. If we do not realize the anticipated benefits of this transaction, our growth strategy and future profitability could be affected. In addition, the acquisition will significantly increase the amount of our goodwill and other intangible assets, which could adversely affect our future results of operations.

***Dependence on contract manufacturing and outsourcing other portions of our supply chain may adversely affect our ability to bring products to market, damage our reputation and adversely affect our results of operations.***

We operate a primarily outsourced manufacturing business model that principally utilizes third-party foundry and module assembly and test capabilities. As a result, we are highly reliant on third-party foundry wafer fabrication capacity, including single-sourcing for many components or products. Most of our products are designed to be manufactured in a specific process, typically at one particular foundry, either our own or with a particular contract manufacturer. We also use third-party contract manufacturers for a significant majority of our assembly and test operations, including ASE Korea Inc. and Inari Technology SDN BHD.

The ability and willingness of our contract manufacturers to perform is largely outside of our control. If one or more of our contract manufacturers or other outsourced providers fails to perform its obligations in a timely manner or at satisfactory quality levels, our ability to bring products to market and to timely deliver products to our customers, and our reputation could suffer. Suppliers may extend lead times, limit supplies, increase prices or discontinue parts due to capacity constraints, changes to manufacturing processes or other factors. Some parts are not readily available from alternate suppliers due to their unique design or the length of time necessary for design work. If one of our suppliers, particularly a single-source supplier, ceases to, or is unable to, manufacture such a component, or changes its manufacturing process, or if supply is otherwise constrained, we may need to transition the manufacture of that product to another foundry or contract manufacturer or source alternative parts, which may be difficult, expensive and take an extended period of time. We may also be forced to make a significant "lifetime" purchase of the affected product, in order to enable us to meet our customer demand, or to re-engineer a product. Significant lifetime purchases of such discontinued components could significantly increase our inventory and other expenses, such as insurance costs, and expose us to additional risks, such as the loss of, or damage to, products which may not subsequently be available to us from an alternative source. Such supply issues may also cause us to fail to timely meet customer demand. This could result in the payment of significant damages by us to our customers, and our net revenue could decline. In such events, our business, financial condition and results of operations would be adversely affected.

We review our supply chain on an ongoing basis and may seek to qualify second source manufacturers and suppliers for some components and products. Qualifying such second sources may be a lengthy and potentially costly process.

To the extent we rely on third-party manufacturing relationships, we face the following risks:

- inability of our manufacturers to develop manufacturing methods appropriate for our products, manufacturers' lack of sufficient capacity, or their unwillingness to devote adequate capacity, to produce our products and unanticipated changes to their manufacturing processes;
- inaccuracies in the forecasts of our product needs from our manufacturers;
- product and manufacturing costs that are higher than anticipated;
- reduced control over product reliability and delivery schedules;
- more complicated supply chains; and
- time, expense and uncertainty in identifying and qualifying additional or replacement manufacturers.

Much of our outsourcing takes place in developing countries, and as a result may additionally be subject to geopolitical uncertainty. See "Our business, financial condition and results of operations could be adversely affected by the political and economic conditions of the countries in which we conduct business and other factors related to our international operations."



***A prolonged disruption of our manufacturing facilities or other significant operations could have a material adverse effect on our business, financial condition and results of operations.***

Although we operate using a primarily outsourced manufacturing business model, we also rely on the manufacturing facilities we own, in particular our GaAs fabs in Fort Collins, Colorado and Singapore, and our InP fab in Breinigsville, Pennsylvania and InP back-end assembly facility in Matamoros, Mexico, acquired as part of the CyOptics transaction. We maintain our internal fabrication facilities for products utilizing our innovative materials and processes, to protect our intellectual property, to develop the technology for manufacturing and to ensure supply of certain components. We are currently expanding our Fort Collins facility to support anticipated growth in sales of our proprietary products, particularly for our wireless target market, and to leverage our fixed costs. Unanticipated delays in the construction of this expansion, or the failure of suppliers to timely deliver tools and other equipment needed to commence manufacturing in the expanded facility, could result in significant additional costs, and could result in us being unable to timely satisfy customer demand for the products we plan to manufacture at the expanded facility, all of which could have a material adverse effect on our business, financial condition and results of operations. In addition, a prolonged disruption or material malfunction of, interruption in, or the loss of operations at, one or more of our production facilities, especially our Fort Collins, Singapore, Breinigsville and Matamoros facilities, or the failure to maintain our labor force at one or more of these facilities, would limit our capacity to meet customer demands and delay new product development until a replacement facility and equipment, if necessary, were found. The replacement of any of our manufacturing facilities could take an extended amount of time and significant expenditures on our part before manufacturing operations could restart. Our U.S. headquarters are located in San Jose, California and the lease on our facility there expires in November 2015. If we are unable to renew this lease on satisfactory terms, we would be required to locate suitable replacement premises, with the goal of ensuring a smooth transition between facilities on or prior to the expiration of our current lease. We may not be able to timely find suitable replacement premises or acceptable terms, or at all, and relocating our U.S. corporate headquarters could require us to incur significant expenses and may cause disruptions to our operations. The potential delays and significant costs resulting from such steps could have a material adverse effect on our business, financial condition and results of operations.

We are also dependent on various information technology systems, including, but not limited to, networks, applications, and outsourced services. We continually enhance and implement new systems and processes throughout our global operations. Failure of these systems to operate effectively, could disrupt our operations and materially and adversely affect our business, financial condition, and results of operations by harming our ability to accurately forecast sales demand, manage our supply chain and production facilities, fulfill customer orders, and report financial and management information on a timely and accurate basis.

***If we or our contract manufacturers suffer loss or significant damage to our factories, facilities or distribution system due to catastrophe, our operations could be seriously harmed.***

Our factories, facilities and distribution system, and those of our contract manufacturers, are subject to risk of catastrophic loss due to fire, flood, earthquake or other natural or man-made disasters. The majority of our facilities and those of our contract manufacturers are located in the Pacific Rim region, a region with above average seismic and severe weather activity. In addition, our research and development personnel are concentrated in a few locations, primarily Malaysia, Singapore, South Korea, Fort Collins, Colorado, San Jose, California, and Breinigsville, Pennsylvania, with the expertise of the personnel at each such location tending to be focused on one or two specific areas. Any catastrophic natural disaster in those regions or catastrophic loss or significant damage to any of our facilities or those of our contract manufacturers in those regions would likely disrupt our operations, delay production, shipments and revenue, and could materially and adversely affect our business. Such events could also result in significant expenses to repair or replace our affected facilities, and in some instances could significantly curtail our research and development efforts in a particular product area or target market.

***We generally do not have any long-term supply contracts with our contract manufacturers or materials suppliers and may not be able to obtain the products or raw materials required for our business, which could have a material adverse effect on our business.***

We either obtain the products we need for our business from third-party contract manufacturers or we obtain the materials we need for our products from suppliers, some of which are our single source suppliers for these materials. We purchase a significant portion of our semiconductor materials and finished goods from a few suppliers and contract manufacturers. For the first quarter of fiscal year 2014, we purchased 52% of the materials for our manufacturing processes from six suppliers. For fiscal year 2013, we purchased 55% of the materials for our manufacturing processes from six suppliers. Substantially all of our purchases are on a purchase order basis, and we have not generally entered into long-term contracts with our contract manufacturers or suppliers. In the event that these purchase orders or relationships with suppliers are terminated, we cannot obtain sufficient quantities of raw materials at reasonable prices, the quality of the material deteriorates, we fail to satisfy our customers' requirements or we are not able to pass on higher materials or energy costs to our customers, our business, financial condition and results of operations could be adversely impacted.



Our manufacturing processes rely on many materials, including silicon and GaAs and InP wafers, copper lead frames, precious metals, mold compound, ceramic packages and various chemicals and gases. From time to time, suppliers may extend lead times, limit supplies or increase prices due to commodity price increases, capacity constraints or other factors. Although we believe that our current supplies of materials are adequate, shortages could occur in various essential materials due to interruption of supply or increased demand in the industry.

***Failure to adjust our supply chain volume due to changing market or other conditions or failure to accurately estimate our customers' demand could adversely affect our results of operations.***

We make significant decisions, including determining the levels of business that we will seek and accept, production schedules, levels of reliance on contract manufacturing and outsourcing, personnel needs and other resource requirements, based on our estimates of customer requirements. The short-term nature of commitments by many of our customers and the possibility of rapid changes in demand for their products reduces our ability to accurately estimate future customer requirements. Our results of operations could be harmed if we are unable to adjust our supply chain volume to address market fluctuations, including those caused by the seasonal or cyclical nature of the markets in which we operate, or by other unanticipated events such as natural disasters. In addition, the sale of our products is dependent, to a large degree, on customers whose industries are subject to seasonal or cyclical trends in the demand for their products. For example, the smartphone market is particularly volatile and is subject to seasonality related to the holiday selling season, making demand difficult to anticipate.

Severe supply chain disruptions, such as those caused by large scale natural disasters, can adversely affect our, and our customers', ability to source materials and components needed to manufacture products. In such event, even if we are able to promptly resume production of our affected products, if our customers cannot timely resume their own manufacturing following such an event, they may cancel or scale back their orders from us and this may in turn adversely affect our results of operations.

From time to time, customers may require rapid increases in production, for example when they are ramping up for a new product launch, such as a new generation smartphone, which can challenge our resources and reduce margins. We may not be able to purchase sufficient supplies or components or secure sufficient contract manufacturing capacity, to meet such increases in product demand. This could harm our reputation, prevent us from taking advantage of opportunities, reduce revenue growth and subject us to additional liabilities if we are not able to timely satisfy customer orders.

In order to secure components for the production of our products, we may enter into non-cancelable purchase commitments with vendors or make advance payments to suppliers, which could reduce our ability to adjust our inventory or expense levels to declining market demands. Prior commitments of this type have resulted in an excess of parts when demand for our products has decreased. Downturns in the semiconductor industry have in the past caused, and may in the future cause, our customers to reduce significantly the amount of products ordered from us. If demand for our products is less than we expect, we may experience excess and obsolete inventories and be forced to incur additional charges. Conversely, if OEMs order more of our products in any particular quarter than are ultimately required to satisfy end customer demand, inventories at these OEMs may grow in such quarter, which could adversely affect our product revenues in a subsequent quarter as such OEMs would likely reduce future orders until their inventory levels realign with end customer demand. In addition, because certain of our sales, research and development and internal manufacturing overhead expenses are relatively fixed, a reduction in customer demand may decrease our gross margins and operating income.

***We rely on third parties to provide corporate infrastructure services necessary for the operation of our business. Any failure of one or more of our vendors to provide these services could have a material adverse effect on our business.***

We rely on third-party vendors to provide critical corporate infrastructure services, including, among other things, certain services related to accounting, billing, human resources, benefit plan administration, information technology, or IT, network development and network monitoring. We depend on these vendors to ensure that our corporate infrastructure will consistently meet our business requirements. The ability of these third-party vendors to successfully provide reliable, high quality services is subject to technical and operational uncertainties that are beyond our control. While we may be entitled to damages if our vendors fail to perform under their agreements with us, our agreements with these vendors limit the amount of damages we may receive. In addition, we do not know whether we will be able to collect on any award of damages or that any such damages would be sufficient to cover the actual costs we would incur as a result of any vendor's failure to perform under its agreement with us. Any failure of our corporate infrastructure could have a material adverse effect on our business, financial condition and results of operations. Upon expiration or termination of any of our agreements with third-party vendors, we may not be able to replace the services provided to us in a timely manner or on terms and conditions, including service levels and cost, that are favorable to us and a transition from one vendor to another vendor could subject us to operational delays and inefficiencies until the transition is complete.

***Our gross margin is dependent on a number of factors, including our product mix, customer mix, commodity prices, non-product revenue, acquisitions we make and level of capacity utilization.***

Our gross margin is highly dependent on product mix, with proprietary products and products sold into our industrial & other target market typically providing higher gross margin than other products. A shift in sales mix away from our higher margin products could adversely affect our future gross margin percentages. In addition, OEMs are becoming increasingly price conscious when they design semiconductors from third party suppliers into their products. This sensitivity, combined with large OEMs' purchasing power, can lead to intense price competition among competing suppliers, which may require us to decrease our prices in order to win a design with an OEM customer. This can, in turn, adversely affect our gross margin. Our margin may also be affected by fluctuations in commodity prices, either directly in the price of the raw materials we buy, or as a result of prices increases passed on to us by our suppliers. We do not hedge our exposure to commodity prices, some of which (including gold and fuel prices) are very volatile, and sudden or prolonged increases in commodities prices may adversely affect our gross margin.

Our gross margin is also affected by the timing and amount of our non-product revenue, including non-refundable payments from customers for research and development projects during product development and intellectual property-related revenue such as licensing royalty payments and revenues from sales of intellectual property. Our non-product revenue is generally high margin, but fluctuates significantly from quarter to quarter. Businesses or companies that we may acquire from time to time may have different gross margin profiles than us and could, therefore, also affect our overall gross margin.

In addition, semiconductor manufacturing requires significant capital investment, leading to high fixed costs, including depreciation expense. Although we outsource a significant portion of our manufacturing activities, we do retain some semiconductor fabrication facilities. We are making substantial capital investments in our Fort Collins, Colorado manufacturing facility and we may not realize the benefit we anticipate from these investments. If we are unable to utilize our owned fabrication facilities at a high level, the fixed costs associated with these facilities, such as depreciation expense, will not be fully absorbed, resulting in higher average unit costs and lower gross margins. In the past, we have experienced periods where our gross margins declined due to, among other things, reduced factory utilization resulting from reduced customer demand, reduced selling prices and a change in product mix towards lower margin devices. Increased competition and the existence of product alternatives, more complex engineering requirements, lower demand, reductions in our technological lead, compared to our competitors, and other factors may lead to further price erosion, lower revenues and lower margins for us in the future.

***If the tax incentive or tax holiday arrangements we have negotiated in Singapore and other jurisdictions change or cease to be in effect or applicable, in part or in whole, for any reason, or if our assumptions and interpretations regarding tax laws and incentive or holiday arrangements prove to be incorrect, the amount of corporate income taxes we have to pay could significantly increase.***

We have structured our operations to maximize the benefit from various tax incentives and tax holidays extended to us in various jurisdictions to encourage investment or employment. For example, we have obtained several tax incentives from the Singapore Economic Development Board, an agency of the Government of Singapore, which provide that certain classes of income we earn in Singapore are subject to tax holidays or reduced rates of Singapore income tax. Each such tax incentive is separate and distinct from the others, and may be granted, withheld, extended, modified, truncated, complied with or terminated independently without any effect on the other incentives. In order to retain these tax benefits in Singapore, we must meet certain operating conditions specific to each incentive relating to, among other things, maintenance of a treasury function, a corporate headquarters function, specified intellectual property activities and specified manufacturing activities in Singapore. Some of these operating conditions are subject to phase-in periods through 2015. The Singapore tax incentives are presently scheduled to expire at various dates generally between 2014 and 2025. Renewals and extensions of such tax incentives are in the discretion of the Singapore government, and we may not be able to extend these tax incentive arrangements after their expiration on similar terms or at all. We may elect not to seek to renew or extend certain tax incentive arrangements. Absent these tax incentives, the corporate income tax rate in Singapore that would otherwise apply to us would be 17%. In February 2010, the Malaysian government granted us a tax holiday on our qualifying Malaysian income, which is effective for 10 years beginning with our fiscal year 2009. The tax incentives that we have negotiated in Malaysia and other jurisdictions are also subject to our compliance with various operating and other conditions. If we cannot, or elect not to, comply with the operating conditions included in any particular tax incentive, we will lose the related tax benefits. In such event, we could be required to refund material tax benefits previously realized by us with respect to that incentive and, depending on the incentive at issue, could likely be required to modify our operational structure and tax strategy. Any such modified structure or strategy may not be as beneficial to us from an income tax expense or operational perspective as the benefits provided under the present tax concession arrangements. For the fiscal years ended November 3, 2013 and October 28, 2012, the effect of all these tax incentives, in the aggregate, was to reduce the overall provision for income taxes from what it otherwise would have been in such year by approximately \$77 million and \$81 million, respectively, and increase diluted net income per share by \$0.31 and \$0.33, respectively.

Our interpretations and conclusions regarding the tax incentives are not binding on any taxing authority, and if our assumptions about tax and other laws are incorrect or if these tax incentives are substantially modified or rescinded we could suffer material adverse tax and other financial consequences, which would increase our expenses, reduce our profitability and adversely affect our cash flows. In addition, taxable income in any jurisdiction is dependent upon acceptance of our operational practices and intercompany transfer pricing by local tax authorities as being on an arm's length basis. Due to inconsistencies in application of the arm's length standard among taxing authorities, as well as lack of adequate treaty-based protection, transfer pricing challenges by tax authorities could, if successful, substantially increase our income tax expense. We are subject to, and are under, audit in various jurisdictions, and such jurisdictions may assess additional income tax against us. Although we believe our tax positions are reasonable, the final determination of tax audits could be materially different from our recorded income tax provisions and accruals. The ultimate results of an audit could have a material adverse effect on our operating results or cash flows in the period or periods for which that determination is made.

***We may be subject to claims of infringement of third-party intellectual property rights or demands that we license third-party technology, which could result in significant expense and loss of our intellectual property rights.***

The semiconductor industry is characterized by companies holding large numbers of patents, copyrights, trademarks and trade secrets and by the vigorous pursuit, protection and enforcement of intellectual property rights, including actions by patent-holding companies that do not make or sell products. From time to time, third parties assert against us and our customers and distributors their patent, copyright, trademark, trade secret and other intellectual property rights to technologies that are important to our business.

Litigation or settlement of claims that our products or processes infringe or misappropriate these rights, regardless of their merit, are frequently costly and divert the efforts and attention of our management and technical personnel. In addition, many of our customer agreements, and in some cases our asset sale agreements, require us to indemnify our customers or purchasers for third-party intellectual property infringement claims, which have required and may in the future require that we defend those claims, and might require that we pay damages in the case of adverse rulings. Claims of this sort could also harm our relationships with our customers and might deter future customers from doing business with us. We do not know whether we will prevail in such proceedings given the complex technical issues and inherent uncertainties in intellectual property litigation. If any pending or future proceedings result in an adverse outcome, we could be required to:

- cease the manufacture, use or sale of the infringing products, processes or technology;
- pay substantial damages for past, present and future use of the infringing technology;
- expend significant resources to develop non-infringing technology;
- license technology from the third-party claiming infringement, which license may not be available on commercially reasonable terms, or at all;
- enter into cross-licenses with our competitors, which could weaken our overall intellectual property portfolio and our ability to compete in particular product categories;
- indemnify customers or distributors;
- pay substantial damages to our customers or end users to discontinue use or replace infringing technology with non-infringing technology; or
- relinquish intellectual property rights associated with one or more of our patent claims, if such claims are held invalid or otherwise unenforceable.

Any of the foregoing results could have a material adverse effect on our business, financial condition and results of operations.

***We utilize a significant amount of intellectual property in our business. If we are unable or fail to protect our intellectual property, our business could be adversely affected.***

Our success depends in part upon protecting our intellectual property. To accomplish this, we rely on a combination of intellectual property rights, including patents, copyrights, trademarks, trade secrets and similar intellectual property, as well as customary contractual protections with our customers, suppliers, employees and consultants. We may be required to spend significant resources to monitor and protect our intellectual property rights, and even with significant expenditures we may not be able to protect our intellectual property rights valuable to our business. We are unable to predict that:

- intellectual property rights that we presently employ in our business will not lapse or be invalidated, circumvented, challenged, or, in the case of third-party intellectual property rights, licensed or sub-licensed to us, be licensed to others;
- our intellectual property rights will provide competitive advantages to us;

- rights previously granted by third parties to intellectual property rights licensed or assigned to us, including portfolio cross-licenses, will not hamper our ability to assert our intellectual property rights against potential competitors or hinder the settlement of currently pending or future disputes;
- any of our pending or future patent, trademark or copyright applications will be issued or have the coverage originally sought; or
- our intellectual property rights will be enforced in certain jurisdictions where competition may be intense or where legal protection may be weak.

In addition, our competitors or others may develop products or technologies that are similar or superior to our products or technologies, duplicate our products or technologies or design around our protected technologies. Effective patent, trademark, copyright and trade secret protection may be unavailable or more limited in one or more relevant jurisdictions, relative to those protections available in the United States, may not be applied for or may be abandoned in one or more relevant jurisdictions. We may elect to abandon or divest patents or otherwise not pursue prosecution of certain pending patent applications, due to strategic concerns or other factors. In addition, when patents expire, we lose the protection and competitive advantages they provided to us. From time to time we pursue litigation to assert our intellectual property rights, including, in some cases, against third parties with whom we have ongoing relationships, such as customers and suppliers, and third parties may pursue litigation against us. An adverse decision in such types of legal action could limit our ability to assert our intellectual property rights and limit the value of our technology, including the loss of opportunities to sell or license our technology to others or to collect royalty payments based upon successful protection and assertion of our intellectual property against others. In addition, such legal actions or adverse decisions could otherwise negatively impact our business, financial condition and results of operations.

From time to time we may need to obtain additional intellectual property licenses or renew existing license agreements. We are unable to predict whether these license agreements can be obtained or renewed on acceptable terms or at all.

***If we are unable to attract, train and retain qualified personnel, especially our design and technical personnel, we may not be able to execute our business strategy effectively.***

Our future success depends on our ability to retain, attract and motivate qualified personnel, including our management, sales and marketing, legal and finance personnel, and especially our design and technical personnel. We also seek to acquire talented engineering and technical personnel through acquisitions we may make from time to time, including, for example, Javelin. We do not know whether we will be able to retain all of these employees as we continue to pursue our business strategy. We have historically encountered difficulties in hiring and retaining qualified engineers because there is a limited pool of engineers with expertise in analog and optoelectronic semiconductor design. Competition for such personnel is intense in the semiconductor industry, particularly in Southeast Asia where qualified engineers are in high demand. In addition, employees of companies or businesses that we acquire may decide not to continue working for us, with little or no notice, for reasons that may include dissatisfaction with our corporate culture, compensation or new roles and responsibilities. As the source of our technological and product innovations, our design and technical personnel represent a significant asset. The loss of the services of key employees, especially our key design and technical personnel, or our inability to retain, attract and motivate qualified design and technical personnel, could have a material adverse effect on our business, financial condition and results of operations.

***We are subject to warranty claims, product recalls and product liability.***

From time to time, we may be subject to warranty or product liability claims that have lead, and may in the future lead, to significant expenses as we compensate affected customers for costs incurred related to product quality issues. Although we maintain reserves for reasonably estimable liabilities and purchase product liability insurance, our reserves may be inadequate to cover the uninsured portion of such claims. Conversely, in some cases, amounts we reserve may ultimately exceed our actual liability for particular claims and may need to be reversed.

Although we maintain product liability insurance, such insurance is subject to significant deductibles and there is no guarantee that such insurance will be available or adequate to protect against all such claims, or we may elect to self-insure with respect to certain matters. We may incur costs and expenses in the event of any recall of a customer's product containing one of our devices. The process of identifying a recalled product in devices that have been widely distributed may be lengthy and require significant resources, and we may incur significant replacement costs, contract damage claims from our customers and reputational harm. Our customer contracts typically contain warranty and indemnification provisions, and in certain cases may also contain liquidated damages provisions, relating to product quality issues. The potential liabilities associated with such provisions are significant, and in some cases, including in agreements with some of our largest customers, are potentially unlimited. Any such liabilities may greatly exceed any revenues we receive from the relevant products. Costs, payments or damages incurred or paid by us in connection with warranty and product liability claims and product recalls could materially and adversely affect our financial condition and results of operations.

***The complexity of our products could result in unforeseen delays or expenses or undetected defects or bugs, which could adversely affect the market acceptance of new products, damage our reputation with current or prospective customers, and materially and adversely affect our operating costs.***

Highly complex products such as those we offer, may contain defects and bugs when they are first introduced or as new versions are released, or their release may be delayed due to unforeseen difficulties during product development. We have in the past experienced, and may in the future experience, such defects, bugs and delays. If any of our products contain defects or bugs, or have reliability, quality or compatibility problems, we may not be able to successfully design workarounds. Consequently, our reputation may be damaged and customers may be reluctant to buy our products, which could materially and adversely affect our ability to retain existing customers, attract new customers, and our financial results. In addition, these defects or bugs could interrupt or delay sales to our customers. To resolve these problems, we may have to invest significant capital and other resources. Although our products are tested by our suppliers, our customers and ourselves, it is possible that our new products will contain defects or bugs. If any of these problems are not found until after we have commenced commercial production of a new product, we may be required to incur additional development costs and product recall, repair or replacement costs. These problems may also result in claims against us by our customers or others. For example, if a delay in the manufacture and delivery of our products causes the delay of a customer's product delivery, we may be required, under the terms of our agreement with that customer, to compensate the customer for the adverse effects of such delays. In addition, these problems may divert our technical and other resources from other development efforts, and we would likely lose, or experience a delay in, market acceptance of the affected product or products, and we could lose credibility with our current and prospective customers. As a result, our financial results could be materially and adversely affected.

***We are subject to risks associated with our distributors' product inventories and product sell-through.***

We sell many of our products to customers through distributors who maintain their own inventory of our products for sale to dealers and end users. We limit distributor return rights and we allow limited price adjustments on sales to distributors. Price adjustments may be effected by way of credits for future product or by cash payments to the distributor either in arrears or in advance based on estimates. We record reserves for distributor rights related to these limited stock returns and price adjustments. We recognize revenues for sales to distributors upon delivery to the distributors, net of estimated provisions for these stock return and price adjustment programs. We have extended these programs to certain distributors in the United States, Asia and Europe and may extend them on a selective basis to some of our other distributors in these geographies. The reserves recorded for these programs are based on significant judgments and estimates, using historical experience rates, inventory levels in distribution, current trends and other factors, and there could be significant differences between actual amounts and our estimates. These programs may require us to deploy a substantial amount of cash to fund them. As at February 2, 2014, we had an aggregate of approximately \$31 million on deposit with various distributors to fund these programs. The timing and mix of payments and credits associated with such price adjustments could change over time, which could adversely affect our cash flows. Sales to distributors accounted for 30% and 28% of our net revenue for the fiscal quarter ended February 2, 2014 and fiscal year 2013, respectively. As at November 3, 2013, we had an aggregate of approximately \$32 million on deposit with various distributors to fund these programs.

If our distributors are unable to sell an adequate amount of their inventory of our products in a given quarter to dealers and end users or if they decide to decrease their inventories for any reason, such as due to adverse global economic conditions or due to any downturn in technology spending, our sales to these distributors and our revenues may decline. We also face the risk that our distributors may purchase, or for other reasons accumulate, inventory levels of our products in any particular quarter in excess of future anticipated sales to end-customers. If such sales do not occur in the time frame anticipated by these distributors for any reason, these distributors may substantially decrease the amount of product they order from us in subsequent periods until their inventory levels realign with end customer demand, which would harm our business and could adversely affect our product revenues in such subsequent periods. Our reserve estimates associated with products stocked by our distributors are based largely on reports that our distributors provide to us on a weekly or monthly basis. To date, we believe this data has been generally accurate. To the extent that this resale and channel inventory data is inaccurate or not received in a timely manner, we may not be able to make reserve estimates for future periods accurately or at all.

We do not always have a direct relationship with the end customers of our products sold through distributors. As a result, our products may be used in or for applications for which they were not necessarily designed or tested, including, for example, medical devices, and they may not perform as anticipated in such applications. In such event, failure of even a small number of parts could result in significant liabilities to us, damage our reputation and harm our business and results of operations.

***Unless we and our suppliers continuously improve manufacturing efficiency and quality, our financial performance could be adversely affected.***

Manufacturing semiconductors involves highly complex processes that require advanced equipment. We and our suppliers, as well as our competitors, continuously modify these processes in an effort to improve yields and product performance. Defects or other difficulties in the manufacturing process can reduce yields and increase costs. Our manufacturing efficiency

will be an important factor in our future financial performance, and we may be unable to maintain or increase our manufacturing efficiency to the same extent as our competitors. For products that we outsource manufacturing, our product yields and performance will be subject to the manufacturing efficiencies of our third-party suppliers.

From time to time, we and our suppliers have experienced difficulty in beginning production at new facilities, transferring production to other facilities, achieving and maintaining a high level of process quality and effecting transitions to new manufacturing processes, all of which have caused us to suffer delays in product deliveries or reduced yields. We and our suppliers may experience manufacturing problems in achieving acceptable yields or experience product delivery delays in the future as a result of, among other things, capacity constraints, construction delays, transferring production to other facilities, upgrading or expanding existing facilities, including our Fort Collins facility, or changing our process technologies, any of which could result in a loss of future revenues. Our results of operations could be adversely affected by any increase in costs related to increases in production capacity if revenues do not increase proportionately.

***The enactment of legislation implementing changes in U.S. taxation of international business activities or the adoption of other international tax reform policies or principles could materially impact our financial position and results of operations.***

Tax bills are introduced from time to time to reform U.S. taxation of international business activities. Depending on the final form of legislation enacted, if any, these consequences may be significant for us due to the large scale of our international business activities. If any of these proposals are enacted into legislation, or if other international, consensus-based tax policies and principles are amended or implemented, they could have material adverse consequences on the amount of tax we pay and thereby on our financial position and results of operations.

***We make substantial investments in research and development to improve existing and develop new technologies to remain competitive in our business and unsuccessful investments could materially adversely affect our business, financial condition and results of operations.***

The semiconductor industry requires substantial investment in research and development in order to develop and bring to market new and enhanced technologies and products. In order to remain competitive, we have made significant investments in research and development and anticipate that we will need to maintain or increase our levels of research and development expenditures. We expect research and development expenses to increase in absolute dollars for the foreseeable future, due to the increasing complexity and number of products we plan to develop. The technologies where we have focused or may focus our research and development expenditures may not become commercially successful. Significant investments in unsuccessful research and development efforts could materially adversely affect our business, financial condition and results of operations. In addition, increased investments in research and development could cause our cost structure to fall out of alignment with demand for our products, which would have a negative impact on our financial results.

***Our business would be adversely affected by the departure of existing members of our senior management team or if our senior management team is unable to effectively implement our strategy.***

Our success depends, in large part, on the continued contributions of our senior management team, in particular, the services of Mr. Hock E. Tan, our President and Chief Executive Officer, and Mr. Bryan T. Ingram, our Senior Vice President and Chief Operating Officer. None of our senior management is bound by written employment contracts to remain with us for a specified period. In addition, we do not currently maintain key person life insurance covering our senior management. The loss of any of our senior management could harm our ability to implement our business strategy and respond to the rapidly changing market conditions in which we operate.

***Our business, financial condition and results of operations could be adversely affected by the political and economic conditions of the countries in which we conduct business and other factors related to our international operations.***

We sell our products throughout the world. In addition, as at February 2, 2014, approximately 62% of our employees are located outside of the United States. Multiple factors relating to our international operations and to particular countries in which we operate could have a material adverse effect on our business, financial condition and results of operations. These factors include:

- changes in political, regulatory, legal or economic conditions;
- restrictive governmental actions, such as restrictions on the transfer or repatriation of funds and foreign investments and trade protection measures, including export duties and quotas and customs duties and tariffs;
- disruptions of capital and trading markets;
- changes in import or export licensing requirements;
- transportation delays;



- civil disturbances or political instability;
- geopolitical turmoil, including terrorism, war or political or military coups;
- changes in labor standards;
- limitations on our ability under local laws to protect our intellectual property;
- nationalization of businesses and expropriation of assets;
- changes in tax laws;
- currency fluctuations, which may result in our products becoming too expensive for foreign customers or foreign-sourced materials and services becoming more expensive for us; and
- difficulty in obtaining distribution and support.

A significant legal risk associated with conducting business internationally is compliance with various and differing anti-corruption and anti-bribery laws and regulations of the countries in which we do business, including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and similar laws in China. In addition, the anti-corruption laws in various countries are constantly evolving and may, in some cases, conflict with each other. Our Code of Ethics and Business Conduct and other policies prohibit us and our employees from offering or giving anything of value to a government official for the purpose of obtaining or retaining business and from engaging in unethical business practices, including kick-backs to or from purely private parties. However, there can be no assurance that all of our employees or agents will refrain from acting in violation of this and our related anti-corruption policies and procedures. Any such violation could have a material adverse effect on our business.

A majority of our products are produced and sourced in Asia, including in China, Malaysia, the Philippines, Singapore, South Korea, Taiwan and Thailand. As a result of the acquisition of CyOptics, we also have facilities and personnel in, and conduct business from, Mexico, an area in which we have not previously operated. Any conflict or uncertainty in these countries, including due to political or civil unrest, public health or safety concerns or natural disasters, could have a material adverse effect on our business, financial condition and results of operations. In addition, if the government of any country in which our products are manufactured or sold sets technical standards for products manufactured in or imported into their country that are not widely shared, it may lead certain of our customers to suspend imports of their products into that country, require manufacturers in that country to manufacture products with different technical standards and disrupt cross-border manufacturing relationships which, in each case, could have a material adverse effect on our business, financial condition and results of operations.

In addition, our subsidiaries may require future equity-related financing, and any capital contributions to certain of our subsidiaries may require the approval of the relevant authorities in the jurisdiction in which the subsidiary is incorporated. The approvals are required from the investment commissions or similar agency of the particular jurisdiction and relate to any initial or additional equity investment by foreign entities in local corporations. Our failure to obtain the required approvals and our resulting inability to provide such equity-related financing or capital contributions could have an adverse effect on our business, financial condition and results of operations.

***We may not realize the full benefits of our research and development grants.***

We have accepted research and development grants, the receipt and amount of which are subject to our compliance with specified terms and conditions, both individually and in the aggregate. During the fiscal quarter ended February 2, 2014, we recorded an aggregate of \$3 million in credits to research and development expense and \$2 million as a deferred credit for capital expenditures pursuant to these grants. During fiscal year 2013, we recorded an aggregate of \$11 million in credits to research and development expense and \$2 million as a deferred credit for capital expenditures pursuant to these grants. If we cannot or elect not to satisfy the terms and conditions of any of these grants, expenses incurred in respect of the relevant research and development projects will not be approved for reimbursement, we may be required to return amounts previously paid to us under the grants and further grants may not be available to us in the future. In the event we are unable to comply with the terms of any such grant, we may seek to amend the terms. However, any amendment, extension or renewal of such grants is in the discretion of the granting authority and we may not be able to effect any such change.

***Our business is subject to various governmental regulations, and compliance with these regulations may cause us to incur significant expenses. If we fail to maintain compliance with applicable regulations, we may be forced to recall products and cease their manufacture and distribution, and we could be subject to civil or criminal penalties.***

Our business is subject to various significant international and U.S. laws and other legal requirements, including packaging, product content, labor and import/export regulations. These regulations are complex, change frequently and have generally become more stringent over time. We may be required to incur significant expenses to comply with these regulations or to remedy violations of these regulations. Certain CyOptics products, when customized for use with or incorporation into a

defense article, are subject to the jurisdiction of the U.S. Department of State in accordance with the International Traffic in Arms Regulation, or ITAR. Prior to our acquisition of CyOptics, we were not required to comply with ITAR. Any failure by us to comply with applicable government regulations, including ITAR, could result in cessation of our operations or portions of our operations, product recalls or impositions of fines and restrictions on our ability to conduct our operations. In addition, because many of our products are regulated or sold into regulated industries, we must comply with additional regulations in marketing our products.

Our products and operations are also subject to the rules of industrial standards bodies, like the International Standards Organization, as well as regulation by other agencies, such as the U.S. Federal Communications Commission. If we fail to adequately address any of these rules or regulations, our business could be harmed.

We must conform the manufacture and distribution of our semiconductors to various laws and adapt to regulatory requirements in all countries as these requirements change. If we fail to comply with these requirements in the manufacture or distribution of our products, we could be required to pay civil penalties, face criminal prosecution and, in some cases, be prohibited from distributing our products commercially until the products or component substances are brought into compliance.

***We are subject to environmental, health and safety laws, which could increase our costs, restrict our operations and require expenditures that could have a material adverse effect on our results of operations and financial condition.***

We are subject to a variety of international and U.S. laws and other legal requirements relating to the use, disposal, clean-up of and human exposure to, hazardous materials. Any failure by us to comply with environmental, health and safety requirements could result in the limitation or suspension of production or subject us to future liabilities in excess of our reserves. In addition, compliance with environmental, health and safety requirements could restrict our ability to expand our facilities or require us to acquire costly pollution control equipment, incur other significant expenses or modify our manufacturing processes. In the event of the discovery of new contamination, additional requirements with respect to existing contamination, or the imposition of other cleanup obligations for which we are responsible, we may be required to take remedial or other measures which could have a material adverse effect on our business, financial condition and results of operations.

We also face increasing complexity in our product design and procurement operations as we adjust to new requirements relating to the materials composition of our products, including the restrictions on lead and certain other substances in electronics that apply to specified electronics products sold in the European Union as of July 1, 2006 under the Restriction of Hazardous Substances in Electrical and Electronic Equipment Directive. Other countries, such as the United States, China and Japan, have enacted or may enact laws or regulations similar to the EU legislation. Other environmental regulations may require us to re-engineer our products to utilize components that are more environmentally compatible. Such re-engineering and component substitution may result in excess inventory or other additional costs and could have a material adverse effect on our results of operations.

In addition to the costs of complying with environmental, health and safety requirements, we may in the future incur costs defending against environmental litigation brought by government agencies and private parties. We may be defendants in lawsuits brought by parties in the future alleging environmental damage, personal injury or property damage. A significant judgment against us could harm our business, financial condition and results of operations.

In the last few years, there has been increased media scrutiny and associated reports focusing on a potential link between working in semiconductor manufacturing clean room environments and certain illnesses, primarily different types of cancers. Regulatory agencies and industry associations have begun to study the issue to see if any actual correlation exists. Because we utilize clean rooms, we may become subject to liability claims. In addition, these reports may also affect our ability to recruit and retain employees.

We cannot predict:

- changes in environmental or health and safety laws or regulations;
- the manner in which environmental or health and safety laws or regulations will be enforced, administered or interpreted;
- our ability to enforce and collect under indemnity agreements and insurance policies relating to environmental liabilities; or
- the cost of compliance with future environmental or health and safety laws or regulations or the costs associated with any future environmental claims, including the cost of clean-up of currently unknown environmental conditions, particularly at sites that we may acquire from time to time.



***New regulations related to “conflict minerals” may force us to incur additional expenses, may make our supply chain more complex and may result in damage to our reputation with customers.***

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, the SEC has adopted new requirements for companies that use certain minerals and metals, known as conflict minerals, in their products, whether or not these products are manufactured by third parties. These requirements will require companies to perform diligence, disclose and report whether or not such minerals originate from the Democratic Republic of Congo and adjoining countries. The implementation of these new requirements could adversely affect the sourcing, availability and pricing of minerals used in the manufacture of semiconductor devices, including our products. In addition, we will incur additional costs to comply with the disclosure requirements, including costs related to determining the source of any of the relevant minerals and metals used in our products. Since our supply chain is complex, we may not be able to sufficiently verify the origins for these minerals and metals used in our products through the due diligence procedures that we implement, which may harm our reputation. In such event, we may also face difficulties in satisfying customers who require that all of the components of our products are certified as conflict mineral free.

***In addition to our employee sales representatives, we also rely on third-party distributors to sell our products, an use manufacturers' representatives in some circumstances, and the failure of these distributors or representatives to perform as expected could reduce our future sales.***

In addition to selling products through our employee sales representatives, we also rely on distributors to sell our products to our customers. In some cases we also use manufacturers' representatives to sell our products, particularly, for example, in markets where we do not have a significant physical presence and new markets that we are seeking to enter. We are unable to predict the extent to which our distributors and manufacturers' representatives will be successful in marketing and selling our products. Moreover, many of our distributors and manufacturers' representatives also market and sell competing products. Our relationships with our distributors and manufacturers' representatives may be terminated by either party at any time. Our future performance will depend, in part, on our ability to attract additional distributors or manufacturers' representatives that will be able to market and support our products effectively, especially in markets where we have not previously distributed our products, and on our ability to effectively manage distribution efforts by our remaining global, full-line distributors. If we cannot retain our current distributors or manufacturers' representatives, recruit additional or replacement distributors or manufacturers' representatives where needed, or effectively manage changes to our sales and distributions strategies, our sales and operating results will be harmed.

***The average selling prices of products in our markets have historically decreased rapidly and will likely do so in the future, which could harm our revenues and gross profits.***

The products we develop and sell are used for high volume applications. As a result, the prices of those products have historically decreased rapidly. Gross profits on our products may be negatively affected by, among other things, pricing pressures from our customers, and the proportion of sales of our wireless and other products into consumer application markets, which are highly competitive and cost sensitive. In the past, we have reduced the average selling prices of our products in anticipation of future competitive pricing pressures, new product introductions by us or our competitors and other factors. In addition, some of our customer agreements provide for volume-based pricing and product pricing roadmaps, which can also reduce the average selling prices of our products over time. Our gross margin and financial results will suffer if we are unable to offset any reductions in our average selling prices by increasing our sales volumes, reducing manufacturing costs, or developing new and higher value-added products on a timely basis.

***We are required to assess our internal control over financial reporting on an annual basis and any adverse findings from such assessment could result in a loss of investor confidence in our financial reports, significant expenses to remediate any internal control deficiencies and ultimately have an adverse effect on our share price.***

We are required to assess the effectiveness of our internal control over financial reporting annually, as required by Section 404 of the Sarbanes-Oxley Act. Even though, as at November 3, 2013, we concluded that our internal control over financial reporting was effective, we need to maintain our processes and systems and adapt them as our business grows and changes. This continuous process of maintaining and adapting our internal controls and complying with Section 404 is expensive, time-consuming and requires significant management attention. We cannot be certain that our internal control measures will continue to provide adequate control over our financial processes and reporting and ensure compliance with Section 404. Furthermore, as we grow our business or acquire other businesses, our internal controls may become more complex and we may require significantly more resources to ensure they remain effective. Failure to implement required new or improved controls, or difficulties encountered in their implementation, either in our existing business or in businesses that we may acquire, could harm our operating results or cause us to fail to meet our reporting obligations. If we or our independent registered public accounting firm identify material weaknesses in our internal controls, the disclosure of that fact, even if

quickly remedied, may cause investors to lose confidence in our financial statements and the trading price of our ordinary shares may decline.

Remediation of a material weakness could require us to incur significant expense and if we fail to remedy any material weakness, our financial statements may be inaccurate, our ability to report our financial results on a timely and accurate basis may be adversely affected, our access to the capital markets may be restricted, the trading price of our ordinary shares may decline, and we may be subject to sanctions or investigation by regulatory authorities, including the SEC or The Nasdaq Global Select Market. We may also be required to restate our financial statements from prior periods.

***Our financial condition and results of operations could be adversely affected by employee-benefit related costs and expenses.***

We sponsor several defined benefit plans outside of the United States and post-retirement medical benefit plans in the United States. We are required to make contributions to these plans to comply with minimum funding requirements imposed by laws governing these employee benefit plans. The difference between the obligations and assets of these plans, or the funded status of these plans, is a significant factor in determining our pension expense and the ongoing funding requirements of these plans. Weak economic conditions and related under-performance of asset markets could lead to increased pension and post-retirement benefit expenses. We may also seek to move defined benefit plans to defined contribution plans and any such changes may adversely affect our results of operations, including our profitability and cash flow. In the United States, we also self-fund a significant portion of our employees' health benefits. The costs of providing these benefits has been increasing steadily and significantly, and may increase further as the Patient Protection and Affordable Care Act of 2010 is implemented. Also, a significant portion of our employees' cash compensation is performance-related, based on achievement of annual metrics, which can cause significant fluctuations in our employee compensation expense, and in cashflows in the period in which payment occurs. Significant increases in the compensation, costs and expenses of the benefits we provide to our employees could adversely affect our financial condition and results of operations.

***A breach of our security systems may have a material adverse effect on our business.***

Our security systems are designed to maintain the physical security of our facilities and protect our customers', suppliers' and employees' confidential information. However, we are also dependent on a number of third-party "cloud-based" service providers of critical corporate infrastructure services relating to, among other things, human resources, electronic communication services and certain finance functions, and we are, of necessity, dependent on the security systems of these providers. Accidental or willful security breaches or other unauthorized access by third parties to our facilities, our information systems or the systems of our cloud-based service providers or the existence of computer viruses in our or their data or software could expose us to a risk of information loss and misappropriation of proprietary and confidential information. Any theft or misuse of such information could result in, among other things, unfavorable publicity, damage to our reputation, difficulty in marketing our products, allegations by our customers that we have not performed our contractual obligations, litigation by affected parties and possible financial obligations for liabilities and damages related to the theft or misuse of such information, as well as fines and other sanctions resulting from any related breaches of data privacy regulations, any of which could have a material adverse effect on our business, profitability and financial condition. Since the techniques used to obtain unauthorized share repurchase program access or to sabotage systems change frequently and are often not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures.

## Risks Relating to Investments in Singapore Companies

***It may be difficult to enforce a judgment of U.S. courts for civil liabilities under U.S. federal securities laws against us, our directors or officers in Singapore.***

We are incorporated under the laws of the Republic of Singapore, and certain of our officers and directors are resident outside the United States. Moreover, a majority of our consolidated assets are located outside the United States. Although we are incorporated outside the United States, we have agreed to accept service of process in the United States through our agent designated for that purpose. Nevertheless, since a majority of the consolidated assets owned by us are located outside the United States, any judgment obtained in the United States against us may not be collectible within the United States.

There is no treaty between the United States and Singapore providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters and a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon the federal securities laws, would, therefore, not be automatically enforceable in Singapore. There is doubt whether a Singapore court may impose civil liability on us or our directors and officers who reside in Singapore in a suit brought in the Singapore courts against us or such persons with respect to a violation solely of the federal securities laws of the United States, unless the facts surrounding such a violation would constitute or give rise to a cause of action under Singapore law. Consequently, it may be difficult for investors to enforce against us, our directors or our officers in Singapore judgments obtained in the United States, which are predicated upon the civil liability provisions of the federal securities laws of the United States.

***We are incorporated in Singapore and our shareholders may have more difficulty in protecting their interest than they would as shareholders of a corporation incorporated in the United States, and we may have more difficulty attracting and retaining qualified board members and executives.***

Our corporate affairs are governed by our memorandum and articles of association and by the laws governing corporations incorporated in Singapore. The rights of our shareholders and the responsibilities of the members of our board of directors under Singapore law are different from those applicable to a corporation incorporated in the United States. Therefore, our public shareholders may have more difficulty in protecting their interest in connection with actions taken by our management or members of our board of directors than they would as shareholders of a corporation incorporated in the United States. Draft legislation that would make significant changes to the Singapore Companies Act has recently been proposed by the Singapore authorities, some of which may alter the rights of shareholders that are currently provided under the Singapore Companies Act and our memorandum and articles of association. However, it is not yet certain which of these amendments will be included in the final legislation or when such amendments will become effective.

In addition, being a public company incorporated in Singapore may make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on committees of our Board, and qualified executive officers.

***For a limited period of time, our directors have general authority to allot and issue new ordinary shares on terms and conditions as may be determined by our board of directors in its sole discretion.***

Under Singapore law, we may only allot and issue new ordinary shares with the prior approval of our shareholders in a general meeting. At our 2013 AGM, our shareholders provided our directors with the general authority to allot and issue any number of new ordinary shares until the earlier of (i) the conclusion of our 2014 AGM, (ii) the expiration of the period within which the next annual general meeting is required to be held (i.e. within 15 months from the conclusion of the last general meeting) or (iii) the subsequent revocation or modification of such general authority by our shareholders acting at a duly noticed and convened meeting. At our 2014 AGM, scheduled to be held on April 9, 2014, we plan to ask our shareholders to provide us with similar general authority to allot and issue new ordinary shares until our 2014 AGM, or the date by which it is required by law to be held, unless earlier revoked by our shareholders. Subject to the general authority to allot and issue new ordinary shares provided by our shareholders, the provisions of the Singapore Companies Act and our memorandum and articles of association, our board of directors may allot and issue new ordinary shares on terms and conditions as they may think fit to impose. Any additional issuances of new ordinary shares by our directors may adversely impact the market price of our ordinary shares.

## Risks Relating to Owning Our Ordinary Shares

***At times, our share price has been volatile and it may fluctuate substantially in the future, which could result in substantial losses for our investors as well as class action litigation against us and our management which could cause us to incur substantial costs and divert our management's attention and resources.***

The trading price of our ordinary shares has, at times, fluctuated significantly. The trading price of our ordinary shares could be subject to wide fluctuations in response to many of the risk factors listed in this “Risk Factors” section, and others, many of which are beyond our control, including:

- actual or anticipated fluctuations in our financial condition and operating results;
- issuance of new or updated research or reports by securities analysts;
- fluctuations in the valuation and results of operations of our significant customers as well as companies perceived by investors to be comparable to us;
- announcements of proposed acquisitions by us or our competitors, including the announcement of our pending acquisition of LSI, following which our share price increased;
- announcements of, or expectations of additional debt or equity financing efforts;
- share price and volume fluctuations attributable to inconsistent trading volume levels of our shares; and
- changes in our dividend or share repurchase policies.

These fluctuations are often unrelated or disproportionate to our operating performance. These broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may negatively impact the market price of our ordinary shares. You may not realize any return on your investment in us and may lose some or all of your investment. In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. We are also the subject of a number of lawsuits stemming from our pending acquisition of LSI. Securities litigation against us, including the lawsuits related to the LSI transaction, could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business.

***A substantial amount of our shares are held by a small number of institutional investors and significant sales of our ordinary shares in the public market by one or more of these holders could cause our share price to fall.***

As of December 31, 2013, we believe that our five largest shareholders are institutional investors and that they hold over 40% of our outstanding ordinary shares in the aggregate. These institutional investors may sell their shares for a variety of reasons, including dissatisfaction with our short- or long-term results. These holders may sell their shares at any time and such sales could depress the market price of our ordinary shares, given the large amounts of our shares held by these investors. Such sales could also impair our ability to raise capital through the sale of additional equity securities.

***There can be no assurance that we will continue to declare cash dividends or repurchase shares.***

Our Board adopted a dividend policy pursuant to which the Company will pay quarterly dividends on our ordinary shares, and, following our 2013 AGM on April 10, 2013, our Board approved our 2013 share repurchase program authorizing management to repurchase up to 20 million of the Company's ordinary shares, in their discretion, which authorization will expire the day prior to our 2014 AGM. The declaration and payment of any future dividend is subject to the approval of our Board and our dividend policy could change at any time. Similarly, our share repurchase program does not obligate us to repurchase any specific number of shares and may be suspended from time to time or terminated at any time prior to its expiration. There can be no assurance that we will declare cash dividends or repurchase shares in the future in any particular amounts, or at all. Furthermore, we may declare dividends as interim dividends, which are wholly provisional under Singapore law and may be revoked by our Board at any time prior to the payment thereof. The payment of cash dividends is restricted by applicable law and our corporate structure. Pursuant to Singapore law and our articles of association, no dividends may be paid except out of our profits. Also, because we are a holding company, our ability to pay cash dividends on our ordinary shares and to repurchase our shares may be limited by restrictions on our ability to obtain sufficient funds through dividends from subsidiaries, including restrictions under the terms of our credit agreement.

While our cash dividend payments have historically increased over time, this trend may not continue any may be discontinued or reduced at any time. Future dividends and share repurchases, if any, their timing and amount, as well as the relative allocation of cash between dividends and share repurchases, may be affected by, among other factors: our views on potential future capital requirements for strategic transactions, including acquisitions; earnings levels; contractual restrictions; cash position and overall financial condition; and changes to our business model. In addition, the amount we spend and the

number of shares we are able to repurchase under our share repurchase program may further be affected by a number of other factors, including the share price and blackout periods in which we are restricted from repurchasing shares. A reduction in, or elimination of, our dividend payments and/or share repurchases could have a negative effect on our share price.

***Singapore corporate law may impede a takeover of our company by a third-party, which could adversely affect the value of our ordinary shares.***

The Singapore Code on Take-overs and Mergers contains provisions that may delay, deter or prevent a future takeover or change in control of our company for so long as we remain a public company with more than 50 shareholders and net tangible assets of S\$5 million or more. Any person acquiring an interest, whether by a series of transactions over a period of time or not, either on their own or together with parties acting in concert with such person, in 30% or more of our voting shares, or, if such person holds, either on their own or together with parties acting in concert with such person, between 30% and 50% (both inclusive) of our voting shares, and such person (or parties acting in concert with such person) acquires additional voting shares representing more than 1% of our voting shares in any six-month period, must, except with the consent of the Securities Industry Council in Singapore, extend a mandatory takeover offer for the remaining voting shares in accordance with the provisions of the Singapore Code on Take-overs and Mergers. While the Singapore Code on Take-overs and Mergers seeks to ensure equality of treatment among shareholders, its provisions may discourage or prevent certain types of transactions involving an actual or threatened change of control of our company. These legal requirements may impede or delay a takeover of our company by a third-party, which could adversely affect the value of our ordinary shares.

***Our actual operating results may differ significantly from our guidance.***

From time to time, we release guidance regarding our future performance that represents our management's estimates as of the date of release. This guidance, which consists of forward-looking statements, is prepared by our management and is qualified by, and subject to, the assumptions and the other information contained or referred to in the release. Our guidance is not prepared with a view toward compliance with published guidelines of the American Institute of Certified Public Accountants, and neither our independent registered public accounting firm nor any other independent expert or outside party compiles or examines the guidance and, accordingly, no such person expresses any opinion or any other form of assurance with respect thereto.

Guidance is based upon a number of assumptions and estimates that, while presented with numerical specificity, is inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change. We generally state possible outcomes as high and low ranges which are intended to provide a sensitivity analysis as variables are changed but are not intended to represent that actual results could not fall outside of the suggested ranges. The principal reason that we release this data is to provide a basis for our management to discuss our business outlook with analysts and investors. We do not accept any responsibility for any projections or reports published by any such persons.

Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions of the guidance furnished by us will not materialize or will vary significantly from actual results, particularly any guidance relating to the results of operations of acquired businesses or companies, such as CyOptics, as our management will, necessarily, be less familiar with their business, procedures and operations. Accordingly, our guidance is only an estimate of what management believes is realizable as of the date of release. Actual results will vary from the guidance and the variations may be material. Investors should also recognize that the reliability of any forecasted financial data diminishes the farther in the future that the data is forecast. In light of the foregoing, investors are urged to put the guidance in context and not to place undue reliance on it.

Any failure to successfully implement our operating strategy or the occurrence of any of the events or circumstances set forth in this Quarterly Report on Form 10-Q could result in the actual operating results being different than the guidance, and such differences may be adverse and material.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no sales of unregistered securities during the fiscal quarter ended February 2, 2014.

### Issuer Repurchase of Equity Securities

The following table presents details of our share repurchases during the fiscal quarter ended February 2, 2014:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Shares Available Under Repurchase Programs
				(in millions)
November 4, 2013 - December 1, 2013	269,807	\$ 43.50	269,807	17.8
December 2, 2013 - December 29, 2013	—	\$ —	—	17.8
December 30, 2013 - February 2, 2014	—	\$ —	—	17.8
<b>Total</b>	<u>269,807</u>	<u>\$ 43.50</u>	<u>269,807</u>	

(1) All share repurchases during the fiscal quarter ended February 2, 2014 were made in open market transactions, pursuant to our publicly announced 2013 share repurchase program. All repurchases were made in accordance with Rule 10b-8 under the Exchange Act.

On April 11, 2013, we announced that our Board had approved the 2013 share repurchase program, which authorized the Company to repurchase up to 20 million of its ordinary shares. Share repurchases under the 2013 share repurchase program, if any, will be made in the open market at such times and in such amounts as the Company deems appropriate. The timing and actual number of shares repurchased will depend on a variety of factors including price, market conditions and applicable legal requirements. The 2013 share repurchase program does not obligate the Company to repurchase any specific number of shares and may be suspended or terminated at any time without prior notice. The 2013 share repurchase program will expire the day prior to the Company's 2014 AGM, currently scheduled to occur on April 9, 2014, unless earlier terminated.

## Item 3. Defaults Upon Senior Securities

None.

## Item 4. Mine Safety Disclosures

None.

## Item 5. Other Information

None.

**Item 6. Exhibits**

Exhibit Number	Description	Incorporated by Reference Herein		Filed Herewith
		Form	Filing Date	
2.1*	Agreement and Plan of Merger, dated December 15, 2013, by and among LSI Corporation, Avago Technologies Limited, Avago Technologies Wireless (U.S.A.) Manufacturing, Inc. and Leopold Merger Sub, Inc.	Avago Technologies Limited Current Report on Form 8-K/A (Commission File No. 001-34428).	December 16, 2013	
3.1	Memorandum and Articles of Association	Avago Technologies Limited Current Report on Form 8-K (Commission File No. 001-34428).	August 14, 2009	
10.1+	Fiscal Year 2014 Avago Performance Bonus Plan for Executive Employees	Avago Technologies Limited Current Report on Form 8-K (Commission File No. 001-34428).	December 12, 2013	
10.2	Note Purchase Agreement, dated as of December 15, 2013, by and among Avago Technologies Limited, Silver Lake Partners IV, L.P. and Deutsche Bank AG, Singapore Branch, as lead manager	Avago Technologies Limited Current Report on Form 8-K/A (Commission File No. 001-34428).	December 16, 2013	
10.3	Form of Indenture related to 2.0% Convertible Senior Notes	Avago Technologies Limited Current Report on Form 8-K/A (Commission File No. 001-34428).	December 16, 2013	
10.5	Form of Registration Rights Agreement related to 2.0% Convertible Senior Notes	Avago Technologies Limited Current Report on Form 8-K/A (Commission File No. 001-34428).	December 16, 2013	
10.6+	Severance Benefit Agreement, dated January 23, 2014, between Avago Technologies Limited and Hock E. Tan			X
10.7+	Severance Benefit Agreement, dated January 24, 2014, between Avago Technologies Limited and Anthony E. Maslowski			X
10.8+	Severance Benefit Agreement, dated January 30, 2014, between Avago Technologies Limited and Bryan T. Ingram			X

Exhibit Number	Description	Incorporated by Reference Herein		Filed Herewith
		Form	Filing Date	
10.9+	Severance Benefit Agreement, dated February 15, 2014, between Avago Technologies Limited and Boon Chye Ooi			X
10.10+	Severance Benefit Agreement, dated January 24, 2014, between Avago Technologies Limited and Patricia H. McCall			X
31.1	Certification of Principal Executive Officer Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			X
31.2	Certification of Principal Financial Officer Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			X
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			X
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			X
101.INS†	XBRL Instance Document			X
101.SCH†	XBRL Schema Document			X
101.CAL†	XBRL Calculation Linkbase Document			X
101.DEF†	XBRL Definition Linkbase Document			X
101.LAB†	XBRL Labels Linkbase Document			X
101.PRE†	XBRL Presentation Linkbase Document			X

+ Indicates a management contract or compensatory plan or arrangement.

\* Pursuant to Item 601(b)(2) of Regulation S-K promulgated by the SEC, certain exhibits and schedules to the Agreement and Plan of Merger have been omitted. Avago hereby agrees to furnish supplementally to the SEC, upon its request, any or all of such omitted exhibits or schedules.

† Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Unaudited Condensed Consolidated Balance Sheets at February 2, 2014 and November 3, 2013, (ii) Unaudited Condensed Consolidated Statements of Operations for the fiscal quarters ended February 2, 2014 and February 3, 2013, (iii) Unaudited Condensed Consolidated Statements of Comprehensive Income for the fiscal quarters ended February 2, 2014 and February 3, 2013, (iv) Unaudited Condensed Consolidated Statements of Cash Flows for the fiscal quarters ended February 2, 2014 and February 3, 2013 and (v) Notes to Unaudited Condensed Consolidated Financial Statements.



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**AVAGO TECHNOLOGIES LIMITED**

By: /s/ Anthony E. Maslowski

Anthony E. Maslowski

Chief Financial Officer

Date: March 13, 2014

**AVAGO TECHNOLOGIES LIMITED**  
**SEVERANCE BENEFIT AGREEMENT**

This Severance Benefit Agreement (the “**Agreement**”) is made and entered into by and between Hock E. Tan (“**Executive**”) and Avago Technologies Limited (company registration number 200510713C), a public company incorporated under the Singapore Companies Act (the “**Company**”), effective as of the later of the (i) the latest date set forth by the signatures of the parties hereto below or (ii) the date the Company’s shareholders approve this Agreement (the “**Effective Date**”). Upon the Effective Date, this Agreement supersedes the change in control and severance provisions of that certain offer letter agreement between the Company and Executive, as amended (the “**Offer Letter**”), in their entirety. In the event, the shareholders of the Company fail to approve this Agreement at the Company’s 2014 annual general meeting of shareholders, it shall become void *ab initio*, and the change in control and severance provisions of the Offer Letter shall remain in full force and effect.

**RECITALS**

A. The Compensation Committee (the “**Compensation Committee**”) of the Board of Directors of the Company (the “**Board**”) recognizes that the possibility of an acquisition of the Company or an involuntary termination can be a distraction to Executive and can cause Executive to consider alternative employment opportunities. The Compensation Committee has determined that it is in the best interests of the Company and its shareholders to assure that the Company will have the continued dedication and objectivity of Executive, notwithstanding the possibility, threat or occurrence of such an event.

B. The Compensation Committee believes that it is in the best interests of the Company and its shareholders to provide Executive with an incentive to continue Executive’s employment and to motivate Executive to maximize the value of the Company upon a Change in Control (as defined below) for the benefit of its shareholders.

C. The Compensation Committee believes that it is imperative to provide Executive with severance benefits upon certain terminations of Executive’s service to the Company and its subsidiaries (collectively, “**Avago**”) that enhance Executive’s financial security and provide incentive and encouragement to Executive to remain with Avago notwithstanding the possibility of such an event.

D. Unless otherwise defined herein, capitalized terms used in this Agreement are defined in Section 8 below.

The parties hereto agree as follows:

1. **Term of Agreement.** This Agreement shall become effective as of the Effective Date and terminate upon the date that all obligations of the parties hereto with respect to this Agreement have been satisfied.

2. At-Will Employment. The Company and Executive acknowledge that Executive's employment with Avago is and shall continue to be "at-will," as defined under applicable law. If Executive's employment with Avago terminates for any reason, Executive shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement.

3. Change in Control. In the event that the price per Company ordinary share paid by an acquirer in a Change in Control is equal to or greater than the minimum share price contingency upon which a portion of a performance-based share option or other equity award would become vested and/or exercisable under the applicable award agreement, then such minimum share price contingency shall be deemed to have been satisfied as of immediately prior to the Change in Control. In the event Executive holds performance-based equity awards that vest based upon the achievement of performance goals other than average share price, then the performance goals applicable to such performance-based equity awards shall be deemed satisfied up to 100% to the extent determined appropriate by the Board, in its sole discretion, based upon the performance of the Company through the date of such Change in Control.

4. Covered Termination Other Than During a Change in Control Period. If Executive experiences a Covered Termination at any time other than during a Change in Control Period, and if Executive delivers to the Company a general release of all claims against the Company and its affiliates in a form acceptable to the Company (a "**Release of Claims**") that becomes effective and irrevocable within sixty (60) days, or such shorter period of time specified by Avago, following such Covered Termination, then in addition to any accrued but unpaid salary, bonus, benefits, vacation and expense reimbursement payable in accordance with applicable law, Executive shall be entitled to receive Executive's base salary at the rate in effect immediately prior to the Termination Date during the period of time commencing on the Termination Date and ending on the first (1<sup>st</sup>) anniversary of the Termination Date. Executive shall also be entitled to receive an additional amount equal to the lesser of (i) Executive's actual cash bonus for the prior year and (ii) Executive's target cash bonus for the prior year. Such payments shall be made in substantially equal installments in accordance with Avago's standard payroll policies, less applicable withholdings, with such installments to commence on the sixtieth (60<sup>th</sup>) day following the Termination Date with the first installment to include any amount that would have been paid had installments commenced on the Termination Date.

5. Covered Termination During a Change in Control Period. If Executive experiences a Covered Termination during a Change in Control Period, and if Executive delivers to Avago a Release of Claims that becomes effective and irrevocable within sixty (60) days, or such shorter period of time specified by Avago, following such Covered Termination, then in addition to any accrued but unpaid salary, bonus, benefits, vacation and expense reimbursement payable in accordance with applicable law, Avago shall provide Executive with the following, provided that such payments shall be reduced by any payments which as of such date have already been made pursuant to Section 4 hereof:

(a) Severance. Executive shall be entitled to receive Executive's base salary at the rate in effect immediately prior to the Termination Date during the period of time commencing on the Termination Date and ending on the second (2<sup>nd</sup>) anniversary of the Termination Date. Executive shall also be entitled to receive an additional amount equal to the lesser of two hundred percent (200%) of (i) Executive's actual cash bonus for the prior year and (ii) Executive's target cash bonus for the prior year. Such payments shall be made in substantially equal installments in accordance with Avago's

standard payroll policies, less applicable withholdings, with such installments to commence on the sixtieth (60<sup>th</sup>) day following the Termination Date and with the first installment to include any amount that would have been paid had the installments commenced on the Termination Date.

(b) Equity Awards. Each outstanding and unvested equity and equity-linked award that, pursuant to its terms and after giving effect to any deemed satisfaction of performance goals pursuant to Section 3 vests solely based upon continued service, including, without limitation, each time-based share option and restricted share unit award, held by Executive shall automatically become vested and, if applicable, any forfeiture restrictions or rights of repurchase thereon shall immediately lapse, in each case, with respect to one-hundred percent (100%) of that number of unvested shares underlying such equity award as of the Termination Date.

6. Other Terminations. If Executive's service with Avago is terminated by Avago or by Executive for any or no reason other than as a Covered Termination, then Executive shall not be entitled to any benefits hereunder other than accrued but unpaid salary, bonus, vacation and expense reimbursement in accordance with applicable law and to elect any continued healthcare coverage as may be required under COBRA or similar state law.

7. Limitation on Payments. Notwithstanding anything in this Agreement to the contrary, if any payment or distribution Executive would receive pursuant to this Agreement or otherwise ("**Payment**") would (a) constitute a "parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "**Code**"), and (b) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then such Payment shall either be (i) delivered in full, or (ii) delivered as to such lesser extent which would result in no portion of such Payment being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by Executive on an after-tax basis, of the largest payment, notwithstanding that all or some portion the Payment may be taxable under Section 4999 of the Code. The accounting firm engaged by Avago for general audit purposes as of the day prior to the effective date of the Change in Control shall perform the foregoing calculations. Avago shall bear all expenses with respect to the determinations by such accounting firm required to be made hereunder. The accounting firm shall provide its calculations to Avago and Executive within fifteen (15) calendar days after the date on which Executive's right to a Payment is triggered (if requested at that time by Avago or Executive) or such other time as requested by Avago or Executive. Any good faith determinations of the accounting firm made hereunder shall be final, binding and conclusive upon Avago and Executive. Any reduction in payments and/or benefits pursuant to this Section 7 will occur in the following order: (1) reduction of cash payments; (2) cancellation of accelerated vesting of equity awards other than share options; (3) cancellation of accelerated vesting of share options; and (4) reduction of other benefits payable to Executive.

8. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) Cause. "**Cause**" means (i) Executive's willful refusal to perform in any material respect Executive's lawful duties or responsibilities for Avago or willful disregard in any material respect

of any financial or other budgetary limitations established in good faith by the Board; (ii) Executive's material breach of any provision of this Agreement that is not cured upon ten (10) days notice thereof; (iii) the engaging by Executive in conduct that causes material and demonstrable injury, monetarily or otherwise, to Avago, including, but not limited to, misappropriation or conversion of assets of Avago (other than non-material assets); or (iv) Executive's conviction of or entry of a plea of *nolo contendere* to a felony.

(b) Change in Control. "**Change in Control**" shall mean and includes each of the following:

i. A transaction or series of transactions (other than an offering of Company ordinary shares to the general public through a registration statement filed with the Securities and Exchange Commission) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934) (other than the Company, any of its subsidiaries, an employee benefit plan maintained by the Company or any of its subsidiaries or a "person" that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934) of securities of the Company possessing more than 50% of the total combined voting power of the Company's securities outstanding immediately after such acquisition; or

ii. During any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new director(s) (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in Sections 8(b)(i) or 8(b)(iii) hereof) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

iii. The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions or (z) the acquisition of assets or shares of another entity, in each case other than a transaction:

A. Which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "**Successor Entity**")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

B. After which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this Section 8(b)(iii)(B) as beneficially owning 50% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or

iv. The Company's shareholders approve a liquidation or dissolution of the Company.

Notwithstanding the foregoing, a "**Change in Control**" must also constitute a "change in control event," as defined in Treasury Regulation §1.409A-3(i)(5).

(c) Change in Control Period. "**Change in Control Period**" means the period of time commencing three (3) months prior to and ending twelve (12) months following a Change in Control.

(d) Covered Termination. "**Covered Termination**" means the termination of Executive's employment by Avago other than for Cause, by Executive for Good Reason, or because of Executive's death or permanent disability, in each case, to the extent necessary, that constitutes a "Separation from Service" (as defined below).

(e) Good Reason. "**Good Reason**" means any of the following: (A) a material reduction in Executive's salary (other than as part of a broad salary reduction program instituted because Avago is in financial distress); (B) a substantial reduction in Executive's duties and responsibilities; (C) the elimination or reduction of Executive's eligibility to participate in Avago's benefit programs that is inconsistent with the eligibility of executive employees of Avago to participate therein; (D) Avago informs Executive of its intention to transfer Executive's primary workplace to a location that is more than 50 miles from the location of Executive's primary workplace as of such date; (E) Avago's material breach of this Agreement that is not cured within sixty (60) days written notice thereof; and (F) any serious chronic mental or physical illness of Executive or a member of Executive's family that requires Executive to terminate Executive's employment because of substantial interference with Executive's duties at Avago; provided, that at Avago's request Executive shall provide Avago with a written physician's statement confirming the existence of such mental or physical illness. Notwithstanding the foregoing, Executive shall not be deemed to have "Good Reason" under this Agreement unless Executive provides written notice to Avago of the event or condition giving rise to Good Reason within ninety (90) days after its initial occurrence, such event or condition continues to exist on the thirtieth (30<sup>th</sup>) day following Avago's receipt of such notice (the "**Cure Period**") and Executive's resignation is effective within sixty (60) days following the end of the Cure Period.

(f) Termination Date. "**Termination Date**" means the date Executive experiences a Covered Termination.

9. Successors.

(a) Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "**Company**" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement described in this Section 9(a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Executive's Successors. The terms of this Agreement and all rights of Executive hereunder shall inure to the benefit of, and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

10. Notices. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or one day following mailing via Federal Express or similar overnight courier service. In the case of Executive, mailed notices shall be addressed to Executive at Executive's home address that Avago has on file for Executive. In the case of the Company or Avago, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of the Company's General Counsel.

11. Confidentiality; Non-Disparagement.

(a) Confidentiality. Executive hereby expressly confirms Executive's continuing obligations to Avago pursuant to Executive's confidential information and inventions assignment agreement with the Company (the "**Confidential Information Agreement**").

(b) Non-Disparagement. Executive agrees that he or she shall not disparage, criticize or defame the Company, its affiliates and their respective affiliates, directors, officers, agents, partners, shareholders or employees, either publicly or privately. The Company agrees that it shall not, and it shall instruct its officers and members of its Board to not, disparage, criticize or defame Executive, either publicly or privately. Nothing in this Section 11(b) shall have application to any evidence or testimony required by any court, arbitrator or government agency.

12. Dispute Resolution. To ensure the timely and economical resolution of disputes that arise in connection with this Agreement, Executive and the Company agree that any and all disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance or interpretation of this Agreement, Executive's employment, or the termination of Executive's employment, shall be resolved to the fullest extent permitted by law by final, binding and confidential arbitration, by a single arbitrator, in Santa Clara County, California, conducted by Judicial Arbitration and Mediation Services, Inc. ("**JAMS**") under the applicable JAMS employment rules. **By agreeing to this arbitration procedure, both Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding.** The arbitrator shall: (i) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (ii) issue a written arbitration decision, to include the arbitrator's essential findings and conclusions and a statement of the award. The arbitrator shall be

authorized to award any or all remedies that Executive or the Company would be entitled to seek in a court of law. Avago shall pay all JAMS' arbitration fees in excess of the amount of court fees that would be required if the dispute were decided in a court of law. Nothing in this Agreement is intended to prevent either Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Notwithstanding the foregoing, Executive and the Company each have the right to resolve any issue or dispute over intellectual property rights by Court action instead of arbitration.

13. Miscellaneous Provisions.

(a) Section 409A.

i. Separation from Service. Notwithstanding any provision to the contrary in this Agreement, no amount deemed deferred compensation subject to Section 409A of the Code shall be payable pursuant to Sections 4 or 5 above unless Executive's termination of employment constitutes a "separation from service" with Avago within the meaning of Section 409A of the Code and the Department of Treasury regulations and other guidance promulgated thereunder ("**Separation from Service**").

ii. Specified Employee. Notwithstanding any provision to the contrary in this Agreement, if Executive is deemed at the time of his separation from service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of Executive's benefits shall not be provided to Executive prior to the earlier of (a) the expiration of the six (6)-month period measured from the date of Executive's Separation from Service or (b) the date of Executive's death. Upon the first business day following the expiration of the applicable Code Section 409A(a)(2)(B)(i) period, all payments deferred pursuant to this Section 13(a)(ii) shall be paid in a lump sum to Executive, and any remaining payments due under this Agreement shall be paid as otherwise provided herein.

iii. Installments. For purposes of Section 409A of the Code (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), Executive's right to receive any installment payments under this Agreement shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment.

(b) Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by an authorized officer of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Whole Agreement. This Agreement and the Confidential Information Agreement represent the entire understanding of the parties hereto with respect to the subject matter hereof and supersede all prior arrangements and understandings regarding same, including, without limitation, the change in control and severance provisions of the Offer Letter.

(d) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California.

(e) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(f) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

*(Signature page follows)*



IN WITNESS WHEREOF, each of the parties has executed this Severance Benefit Agreement, in the case of the Company by its duly authorized officer, as of the day and year set forth below.

**AVAGO**

**TECHNOLOGIES LIMITED**

(Company Registration Number 200510713C)

By: /s/ James V. Diller

Title: Chairman of the Board of Directors

Date: January 23, 2014

**EXECUTIVE**

/s/ Hock E. Tan

Hock E. Tan

Date: January 23, 2014

**AVAGO TECHNOLOGIES LIMITED**  
**SEVERANCE BENEFIT AGREEMENT**

This Severance Benefit Agreement (the “**Agreement**”) is made and entered into by and between Anthony E. Maslowski (“**Executive**”) and Avago Technologies Limited (company registration number 200510713C), a public company incorporated under the Singapore Companies Act (the “**Company**”) is effective as of the latest date set forth by the signatures of the parties hereto below (the “**Effective Date**”).

RECITALS

A. The Compensation Committee (the “Compensation Committee”) of the Board of Directors of the Company (the “**Board**”) recognizes that the possibility of an acquisition of the Company or an involuntary termination can be a distraction to Executive and can cause Executive to consider alternative employment opportunities. The Compensation Committee has determined that it is in the best interests of the Company and its shareholders to assure that the Company will have the continued dedication and objectivity of Executive, notwithstanding the possibility, threat or occurrence of such an event.

B. The Compensation Committee believes that it is in the best interests of the Company and its shareholders to provide Executive with an incentive to continue Executive’s employment and to motivate Executive to maximize the value of the Company upon a Change in Control (as defined below) for the benefit of its shareholders.

C. The Compensation Committee believes that it is imperative to provide Executive with severance benefits upon certain terminations of Executive’s service to the Company and its subsidiaries (collectively, “Avago”) that enhance Executive’s financial security and provide incentive and encouragement to Executive to remain with Avago notwithstanding the possibility of such an event.

D. Unless otherwise defined herein, capitalized terms used in this Agreement are defined in Section 8 below.

The parties hereto agree as follows:

1. Term of Agreement. This Agreement shall become effective as of the Effective Date and terminate upon the date that all obligations of the parties hereto with respect to this Agreement have been satisfied.

2. At-Will Employment. The Company and Executive acknowledge that Executive’s employment with Avago is and shall continue to be “at-will,” as defined under applicable law. If Executive’s employment with Avago terminates for any reason, Executive shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement.

3. Change in Control. In the event that the price per Company ordinary share paid by an acquirer in a Change in Control is equal to or greater than the minimum share price contingency upon which a portion of a performance-based share option or other equity award would become vested and/or exercisable under the applicable award agreement, then such minimum share price contingency shall be deemed to have been satisfied as of immediately prior to the Change in Control. In the event Executive holds performance-based equity awards that vest based upon the achievement of performance goals other than average share price, then the performance goals applicable to such performance-based equity awards shall be deemed satisfied up to 100% to the extent determined appropriate by the Board, in its sole discretion, based upon the performance of the Company through the date of such Change in Control.

4. Covered Termination Other Than During a Change in Control Period. If Executive experiences a Covered Termination at any time other than during a Change in Control Period, and if Executive delivers to the Company a general release of all claims against the Company and its affiliates in a form acceptable to the Company (a “**Release of Claims**”) that becomes effective and irrevocable within sixty (60) days, or such shorter period of time specified by Avago, following such Covered Termination, then in addition to any accrued but unpaid salary, bonus, benefits, vacation and expense reimbursement payable in accordance with applicable law, Avago shall provide Executive with the following:

(a) Severance. Executive shall be entitled to receive Executive’s base salary at the rate in effect immediately prior to the Termination Date during the period of time commencing on the Termination Date and ending on the nine (9) month anniversary of the Termination Date. Executive shall also be entitled to receive an additional amount equal to the lesser of fifty percent (50%) of (i) Executive’s actual cash bonus for the prior year and (ii) Executive’s target cash bonus for the prior year, provided that for Executive’s first year of employment, Executive’s actual bonus for the prior year and Executive’s target bonus for the prior year shall both be deemed to be your first year’s target bonus. Such payments shall be made in substantially equal installments in accordance with Avago’s standard payroll policies, less applicable withholdings, with such installments to commence on the first payroll date following the date the Release of Claims becomes effective and irrevocable and with the first installment to include any amount that would have been paid had the Release of Claims been effective and irrevocable on the Termination Date.

(b) Continued Healthcare. If Executive elects to receive continued healthcare coverage pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“**COBRA**”), Avago shall directly pay, or reimburse Executive for, the premium for Executive and Executive’s covered dependents through the earlier of (i) the six (6) month anniversary of the Termination Date and (ii) the date Executive and Executive’s covered dependents, if any, become eligible for healthcare coverage under another employer’s plan(s). After Avago ceases to pay premiums pursuant to the preceding sentence, Executive may, if eligible, elect to continue healthcare coverage at Executive’s expense in accordance the provisions of COBRA.

5. Covered Termination During a Change in Control Period. If Executive experiences a Covered Termination during a Change in Control Period, and if Executive delivers to Avago a Release of Claims that becomes effective and irrevocable within sixty (60) days, or such shorter period of time specified by Avago, following such Covered Termination, then in addition to any accrued but unpaid

salary, bonus, benefits, vacation and expense reimbursement payable in accordance with applicable law, Avago shall provide Executive with the following:

(a) Severance. Executive shall be entitled to receive Executive's base salary at the rate in effect immediately prior to the Termination Date during the period of time commencing on the Termination Date and ending on the twelve (12) month anniversary of the Termination Date. Executive shall also be entitled to receive an additional amount equal to the lesser of one hundred percent (100%) of (i) Executive's actual cash bonus for the prior year and (ii) Executive's target cash bonus for the prior year, provided that for Executive's first year of employment, Executive's actual bonus for the prior year and Executive's target cash bonus for the prior year shall both be deemed to be Executive's first year's target cash bonus. Such payments shall be made in substantially equal installments in accordance with Avago's standard payroll policies, less applicable withholdings, with such installments to commence on the first payroll date following the date the Release of Claims becomes effective and irrevocable and with the first installment to include any amount that would have been paid had the Release of Claims been effective and irrevocable on the Termination Date.

(b) Equity Awards. Each outstanding and unvested equity and equity-linked award that, pursuant to its terms and after giving effect to any deemed satisfaction of performance goals pursuant to Section 3, vests solely based upon continued service, including, without limitation, each time-based share option and restricted share unit award, held by Executive shall automatically become vested and, if applicable, any forfeiture restrictions or rights of repurchase thereon shall immediately lapse, in each case, with respect to one-hundred percent (100%) of that number of unvested shares underlying such equity award as of the Termination Date.

(c) Continued Healthcare. If Executive elects to receive continued healthcare coverage pursuant to the provisions of COBRA, Avago shall directly pay, or reimburse Executive for, the premium for Executive and Executive's covered dependents through the earlier of (i) the twelve (12) month anniversary of the Termination Date and (ii) the date Executive and Executive's covered dependents, if any, become eligible for healthcare coverage under another employer's plan(s). After Avago ceases to pay premiums pursuant to the preceding sentence, Executive may, if eligible, elect to continue healthcare coverage at Executive's expense in accordance the provisions of COBRA.

6. Other Terminations. If Executive's service with Avago is terminated by Avago or by Executive for any or no reason other than as a Covered Termination, then Executive shall not be entitled to any benefits hereunder other than accrued but unpaid salary, bonus, vacation and expense reimbursement in accordance with applicable law and to elect any continued healthcare coverage as may be required under COBRA or similar state law.

7. Limitation on Payments. Notwithstanding anything in this Agreement to the contrary, if any payment or distribution Executive would receive pursuant to this Agreement or otherwise ("**Payment**") would (a) constitute a "parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "**Code**"), and (b) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then such Payment shall either be (i) delivered in full, or (ii) delivered as to such lesser extent which would result in no portion of such Payment being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the

applicable federal, state and local income taxes and the Excise Tax, results in the receipt by Executive on an after-tax basis, of the largest payment, notwithstanding that all or some portion the Payment may be taxable under Section 4999 of the Code. The accounting firm engaged by Avago for general audit purposes as of the day prior to the effective date of the Change in Control shall perform the foregoing calculations. Avago shall bear all expenses with respect to the determinations by such accounting firm required to be made hereunder. The accounting firm shall provide its calculations to Avago and Executive within fifteen (15) calendar days after the date on which Executive's right to a Payment is triggered (if requested at that time by Avago or Executive) or such other time as requested by Avago or Executive. Any good faith determinations of the accounting firm made hereunder shall be final, binding and conclusive upon Avago and Executive. Any reduction in payments and/or benefits pursuant to this Section 7 will occur in the following order: (1) reduction of cash payments; (2) cancellation of accelerated vesting of equity awards other than share options; (3) cancellation of accelerated vesting of share options; and (4) reduction of other benefits payable to Executive.

8. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) Cause. "**Cause**" means (i) Executive's willful refusal to perform in any material respect Executive's lawful duties or responsibilities for Avago or willful disregard in any material respect of any financial or other budgetary limitations established in good faith by the Board; (ii) Executive's material breach of any provision of this Agreement that is not cured upon ten (10) days notice thereof; (iii) the engaging by Executive in conduct that causes material and demonstrable injury, monetarily or otherwise, to Avago, including, but not limited to, misappropriation or conversion of assets of Avago (other than non-material assets); or (iv) Executive's conviction of or entry of a plea of nolo contendere to a felony.

(b) Change in Control. "**Change in Control**" shall mean and includes each of the following:

i. A transaction or series of transactions (other than an offering of Company ordinary shares to the general public through a registration statement filed with the Securities and Exchange Commission) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934) (other than the Company, any of its subsidiaries, an employee benefit plan maintained by the Company or any of its subsidiaries or a "person" that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934) of securities of the Company possessing more than 50% of the total combined voting power of the Company's securities outstanding immediately after such acquisition; or

ii. During any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new director(s) (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in Sections 8(b)(i) or 8(b)(iii) hereof) whose election by the Board or nomination for election

by the Company's shareholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

iii. The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions or (z) the acquisition of assets or shares of another entity, in each case other than a transaction:

A. Which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "**Successor Entity**")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

B. After which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this Section 8(b)(iii)(B) as beneficially owning 50% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or

iv. The Company's shareholders approve a liquidation or dissolution of the Company.

Notwithstanding the foregoing, a "**Change in Control**" must also constitute a "change in control event," as defined in Treasury Regulation §1.409A-3(i)(5).

(c) Change in Control Period. "**Change in Control Period**" means the twelve (12) month period of time commencing upon a Change in Control.

(d) Covered Termination. "**Covered Termination**" means the termination of Executive's employment by Avago other than for Cause, by Executive for Good Reason, or because of Executive's death or permanent disability, in each case, to the extent necessary, that constitutes a "Separation from Service" (as defined below).

(e) Good Reason. "**Good Reason**" means any of the following: (A) a material reduction in Executive's salary (other than as part of a broad salary reduction program instituted because Avago is in financial distress); (B) a substantial reduction in Executive's duties and responsibilities; (C) the elimination or reduction of Executive's eligibility to participate in Avago's benefit programs that is inconsistent with the eligibility of executive employees of Avago to participate therein; (D) Avago informs Executive of its intention to transfer Executive's primary workplace to a location that is more

than 50 miles from the location of Executive's primary workplace as of such date; (E) Avago's material breach of this Agreement that is not cured within sixty (60) days written notice thereof; and (F) any serious chronic mental or physical illness of Executive or a member of Executive's family that requires Executive to terminate Executive's employment because of substantial interference with Executive's duties at Avago; provided, that at Avago's request Executive shall provide Avago with a written physician's statement confirming the existence of such mental or physical illness. Notwithstanding the foregoing, Executive shall not be deemed to have "Good Reason" under this Agreement unless Executive provides written notice to Avago of the event or condition giving rise to Good Reason within ninety (90) days after its initial occurrence, such event or condition continues to exist on the thirtieth (30<sup>th</sup>) day following Avago's receipt of such notice (the "**Cure Period**") and Executive's resignation is effective within sixty (60) days following the end of the Cure Period.

(f) Termination Date. "**Termination Date**" means the date Executive experiences a Covered Termination.

9. Successors.

(a) Company's Successors. Except as set forth in Sections 4(b) and 5(c) above, any successor to the Company (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "**Company**" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement described in this Section 9(a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Executive's Successors. The terms of this Agreement and all rights of Executive hereunder shall inure to the benefit of, and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

10. Notices. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or one day following mailing via Federal Express or similar overnight courier service. In the case of Executive, mailed notices shall be addressed to Executive at Executive's home address that Avago has on file for Executive. In the case of the Company or Avago, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of the Company's General Counsel.

11. Confidentiality; Non-Disparagement.

(a) Confidentiality. Executive hereby expressly confirms Executive's continuing obligations to Avago pursuant to Executive's confidential information and inventions assignment agreement with the Company (the "**Confidential Information Agreement**").

(b) Non-Disparagement. Executive agrees that he or she shall not disparage, criticize or defame the Company, its affiliates and their respective affiliates, directors, officers, agents, partners, shareholders or employees, either publicly or privately. The Company agrees that it shall not, and it shall instruct its officers and members of its Board to not, disparage, criticize or defame Executive, either publicly or privately. Nothing in this Section 11(b) shall have application to any evidence or testimony required by any court, arbitrator or government agency.

12. Dispute Resolution. To ensure the timely and economical resolution of disputes that arise in connection with this Agreement, Executive and the Company agree that any and all disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance or interpretation of this Agreement, Executive's employment, or the termination of Executive's employment, shall be resolved to the fullest extent permitted by law by final, binding and confidential arbitration, by a single arbitrator, in Santa Clara County, California, conducted by Judicial Arbitration and Mediation Services, Inc. ("JAMS") under the applicable JAMS employment rules. **By agreeing to this arbitration procedure, both Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding.** The arbitrator shall: (i) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (ii) issue a written arbitration decision, to include the arbitrator's essential findings and conclusions and a statement of the award. The arbitrator shall be authorized to award any or all remedies that Executive or the Company would be entitled to seek in a court of law. Avago shall pay all JAMS' arbitration fees in excess of the amount of court fees that would be required if the dispute were decided in a court of law. Nothing in this Agreement is intended to prevent either Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Notwithstanding the foregoing, Executive and the Company each have the right to resolve any issue or dispute over intellectual property rights by Court action instead of arbitration.

13. Miscellaneous Provisions.

(a) Section 409A.

i. Separation from Service. Notwithstanding any provision to the contrary in this Agreement, no amount deemed deferred compensation subject to Section 409A of the Code shall be payable pursuant to Sections 4 or 5 above unless Executive's termination of employment constitutes a "separation from service" with Avago within the meaning of Section 409A of the Code and the Department of Treasury regulations and other guidance promulgated thereunder ("**Separation from Service**") and, except as provided under Section 13(a)(ii) of this Agreement, any such amount shall not be paid, or in the case of installments, commence payment, until the sixtieth (60<sup>th</sup>) day following Executive's Separation from Service. Any installment payments that would have been made to Executive during the sixty (60) day period immediately following Executive's Separation from Service but for the preceding sentence shall be paid to Executive on the sixtieth (60<sup>th</sup>) day following Executive's Separation from Service and the remaining payments shall be made as provided in this Agreement.

ii. Specified Employee. Notwithstanding any provision to the contrary in this Agreement, if Executive is deemed at the time of his separation from service to be a "specified



employee” for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of Executive’s benefits shall not be provided to Executive prior to the earlier of (a) the expiration of the six (6)-month period measured from the date of Executive’s Separation from Service or (b) the date of Executive’s death. Upon the first business day following the expiration of the applicable Code Section 409A(a)(2)(B)(i) period, all payments deferred pursuant to this Section 12(a)(ii) shall be paid in a lump sum to Executive, and any remaining payments due under this Agreement shall be paid as otherwise provided herein.

iii. Expense Reimbursements. To the extent that any reimbursements payable pursuant to this Agreement are subject to the provisions of Section 409A of the Code, any such reimbursements payable to Executive pursuant to this Agreement shall be paid to Executive no later than December 31 of the year following the year in which the expense was incurred, the amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year, and Executive’s right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

iv. Installments. For purposes of Section 409A of the Code (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), Executive’s right to receive any installment payments under this Agreement shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment.

(b) Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by an authorized officer of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Whole Agreement. This Agreement and the Confidential Information Agreement represent the entire understanding of the parties hereto with respect to the subject matter hereof and supersede all prior arrangements and understandings regarding same, including, without limitation, any severance or change in control benefits in Executive’s offer letter agreement, employment agreement and any share option agreement.

(d) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California.

(e) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(f) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

*(Signature page follows)*

IN WITNESS WHEREOF, each of the parties has executed this Severance Benefit Agreement, in the case of the Company by its duly authorized officer, as of the day and year set forth below.

200510713C) **AVAGO TECHNOLOGIES LIMITED** (Company Registration Number

By: /s/ Hock E. Tan

Title: President and Chief Executive Officer

Date: January 24, 2014

**EXECUTIVE**

/s/ Anthony E. Maslowski  
ANTHONY E. MASLOWSKI

Date: January 24, 2014

Severance Benefit Agreement 2014

## AVAGO TECHNOLOGIES LIMITED

## AMENDED AND RESTATED SEVERANCE BENEFIT AGREEMENT

This Amended and Restated Severance Benefit Agreement (the “**Agreement**”) is made and entered into by and between Bryan T. Ingram (“**Executive**”) and Avago Technologies Limited (company registration number 200510713C), a public company incorporated under the Singapore Companies Act (the “**Company**”) and amends and restates that certain Severance Benefits Agreement entered into between Executive and the Company dated as of March 9, 2011 (the “**Prior Agreement**”). This Agreement is effective as of the latest date set forth by the signatures of the parties hereto below (the “**Effective Date**”).

RECITALS

A. The Compensation Committee (the “Compensation Committee”) of the Board of Directors of the Company (the “**Board**”) recognizes that the possibility of an acquisition of the Company or an involuntary termination can be a distraction to Executive and can cause Executive to consider alternative employment opportunities. The Compensation Committee has determined that it is in the best interests of the Company and its shareholders to assure that the Company will have the continued dedication and objectivity of Executive, notwithstanding the possibility, threat or occurrence of such an event.

B. The Compensation Committee believes that it is in the best interests of the Company and its shareholders to provide Executive with an incentive to continue Executive’s employment and to motivate Executive to maximize the value of the Company upon a Change in Control (as defined below) for the benefit of its shareholders.

C. The Compensation Committee believes that it is imperative to provide Executive with severance benefits upon certain terminations of Executive’s service to the Company and its subsidiaries (collectively, “Avago”) that enhance Executive’s financial security and provide incentive and encouragement to Executive to remain with Avago notwithstanding the possibility of such an event.

D. Unless otherwise defined herein, capitalized terms used in this Agreement are defined in Section 8 below.

The parties hereto agree as follows:

1. Term of Agreement. This Agreement shall become effective as of the Effective Date and terminate upon the date that all obligations of the parties hereto with respect to this Agreement have been satisfied.

2. At-Will Employment. The Company and Executive acknowledge that Executive’s employment with Avago is and shall continue to be “at-will,” as defined under applicable law. If Executive’s employment with Avago terminates for any reason, Executive shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement.

3. Change in Control. In the event that the price per Company ordinary share paid by an acquirer in a Change in Control is equal to or greater than the minimum share price contingency upon which a portion of a performance-based share option or other equity award would become vested and/or exercisable under the applicable award agreement, then such minimum share price contingency shall be deemed to have been satisfied as of immediately prior to the Change in Control. In the event Executive holds performance-based equity awards that vest based upon the achievement of performance goals other than average share price, then the performance goals applicable to such performance-based equity awards shall be deemed satisfied up to 100% to the extent determined appropriate by the Board, in its sole discretion, based upon the performance of the Company through the date of such Change in Control.

4. Covered Termination Other Than During a Change in Control Period. If Executive experiences a Covered Termination at any time other than during a Change in Control Period, and if Executive delivers to the Company a general release of all claims against the Company and its affiliates in a form acceptable to the Company (a “**Release of Claims**”) that becomes effective and irrevocable within sixty (60) days, or such shorter period of time specified by Avago, following such Covered Termination, then in addition to any accrued but unpaid salary, bonus, benefits, vacation and expense reimbursement payable in accordance with applicable law, Avago shall provide Executive with the following:

(a) Severance. Executive shall be entitled to receive Executive’s base salary at the rate in effect immediately prior to the Termination Date during the period of time commencing on the Termination Date and ending on the nine (9) month anniversary of the Termination Date. Executive shall also be entitled to receive an additional amount equal to the lesser of fifty percent (50%) of (i) Executive’s actual cash bonus for the prior year and (ii) Executive’s target cash bonus for the prior year, provided that for Executive’s first year of employment, Executive’s actual bonus for the prior year and Executive’s target bonus for the prior year shall both be deemed to be your first year’s target bonus. Such payments shall be made in substantially equal installments in accordance with Avago’s standard payroll policies, less applicable withholdings, with such installments to commence on the first payroll date following the date the Release of Claims becomes effective and irrevocable and with the first installment to include any amount that would have been paid had the Release of Claims been effective and irrevocable on the Termination Date.

(b) Continued Healthcare. If Executive elects to receive continued healthcare coverage pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“**COBRA**”), Avago shall directly pay, or reimburse Executive for, the premium for Executive and Executive’s covered dependents through the earlier of (i) the six (6) month anniversary of the Termination Date and (ii) the date Executive and Executive’s covered dependents, if any, become eligible for healthcare coverage under another employer’s plan(s). After Avago ceases to pay premiums pursuant to the preceding sentence, Executive may, if eligible, elect to continue healthcare coverage at Executive’s expense in accordance the provisions of COBRA.

5. Covered Termination During a Change in Control Period. If Executive experiences a Covered Termination during a Change in Control Period, and if Executive delivers to Avago a Release of Claims that becomes effective and irrevocable within sixty (60) days, or such shorter period of time specified by Avago, following such Covered Termination, then in addition to any accrued but unpaid

salary, bonus, benefits, vacation and expense reimbursement payable in accordance with applicable law, Avago shall provide Executive with the following:

(a) Severance. Executive shall be entitled to receive Executive's base salary at the rate in effect immediately prior to the Termination Date during the period of time commencing on the Termination Date and ending on the twelve (12) month anniversary of the Termination Date. Executive shall also be entitled to receive an additional amount equal to the lesser of one hundred percent (100%) of (i) Executive's actual cash bonus for the prior year and (ii) Executive's target cash bonus for the prior year, provided that for Executive's first year of employment, Executive's actual bonus for the prior year and Executive's target cash bonus for the prior year shall both be deemed to be Executive's first year's target cash bonus. Such payments shall be made in substantially equal installments in accordance with Avago's standard payroll policies, less applicable withholdings, with such installments to commence on the first payroll date following the date the Release of Claims becomes effective and irrevocable and with the first installment to include any amount that would have been paid had the Release of Claims been effective and irrevocable on the Termination Date.

(b) Equity Awards. Each outstanding and unvested equity and equity-linked award that, pursuant to its terms and after giving effect to any deemed satisfaction of performance goals pursuant to Section 3, vests solely based upon continued service, including, without limitation, each time-based share option and restricted share unit award, held by Executive shall automatically become vested and, if applicable, any forfeiture restrictions or rights of repurchase thereon shall immediately lapse, in each case, with respect to one-hundred percent (100%) of that number of unvested shares underlying such equity award as of the Termination Date.

(c) Continued Healthcare. If Executive elects to receive continued healthcare coverage pursuant to the provisions of COBRA, Avago shall directly pay, or reimburse Executive for, the premium for Executive and Executive's covered dependents through the earlier of (i) the twelve (12) month anniversary of the Termination Date and (ii) the date Executive and Executive's covered dependents, if any, become eligible for healthcare coverage under another employer's plan(s). After Avago ceases to pay premiums pursuant to the preceding sentence, Executive may, if eligible, elect to continue healthcare coverage at Executive's expense in accordance the provisions of COBRA.

6. Other Terminations. If Executive's service with Avago is terminated by Avago or by Executive for any or no reason other than as a Covered Termination, then Executive shall not be entitled to any benefits hereunder other than accrued but unpaid salary, bonus, vacation and expense reimbursement in accordance with applicable law and to elect any continued healthcare coverage as may be required under COBRA or similar state law.

7. Limitation on Payments. Notwithstanding anything in this Agreement to the contrary, if any payment or distribution Executive would receive pursuant to this Agreement or otherwise ("**Payment**") would (a) constitute a "parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "**Code**"), and (b) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then such Payment shall either be (i) delivered in full, or (ii) delivered as to such lesser extent which would result in no portion of such Payment being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the

applicable federal, state and local income taxes and the Excise Tax, results in the receipt by Executive on an after-tax basis, of the largest payment, notwithstanding that all or some portion the Payment may be taxable under Section 4999 of the Code. The accounting firm engaged by Avago for general audit purposes as of the day prior to the effective date of the Change in Control shall perform the foregoing calculations. Avago shall bear all expenses with respect to the determinations by such accounting firm required to be made hereunder. The accounting firm shall provide its calculations to Avago and Executive within fifteen (15) calendar days after the date on which Executive's right to a Payment is triggered (if requested at that time by Avago or Executive) or such other time as requested by Avago or Executive. Any good faith determinations of the accounting firm made hereunder shall be final, binding and conclusive upon Avago and Executive. Any reduction in payments and/or benefits pursuant to this Section 7 will occur in the following order: (1) reduction of cash payments; (2) cancellation of accelerated vesting of equity awards other than share options; (3) cancellation of accelerated vesting of share options; and (4) reduction of other benefits payable to Executive.

8. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) Cause. "**Cause**" means (i) Executive's willful refusal to perform in any material respect Executive's lawful duties or responsibilities for Avago or willful disregard in any material respect of any financial or other budgetary limitations established in good faith by the Board; (ii) Executive's material breach of any provision of this Agreement that is not cured upon ten (10) days notice thereof; (iii) the engaging by Executive in conduct that causes material and demonstrable injury, monetarily or otherwise, to Avago, including, but not limited to, misappropriation or conversion of assets of Avago (other than non-material assets); or (iv) Executive's conviction of or entry of a plea of nolo contendere to a felony.

(b) Change in Control. "**Change in Control**" shall mean and includes each of the following:

i. A transaction or series of transactions (other than an offering of Company ordinary shares to the general public through a registration statement filed with the Securities and Exchange Commission) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934) (other than the Company, any of its subsidiaries, an employee benefit plan maintained by the Company or any of its subsidiaries or a "person" that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934) of securities of the Company possessing more than 50% of the total combined voting power of the Company's securities outstanding immediately after such acquisition; or

ii. During any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new director(s) (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in Sections 8(b)(i) or 8(b)(iii) hereof) whose election by the Board or nomination for election

by the Company's shareholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

iii. The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions or (z) the acquisition of assets or shares of another entity, in each case other than a transaction:

A. Which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "**Successor Entity**")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

B. After which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this Section 8(b)(iii)(B) as beneficially owning 50% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or

iv. The Company's shareholders approve a liquidation or dissolution of the Company.

Notwithstanding the foregoing, a "**Change in Control**" must also constitute a "change in control event," as defined in Treasury Regulation §1.409A-3(i)(5).

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(e) Good Reason. "**Good Reason**" means any of the following: (A) a material reduction in Executive's salary (other than as part of a broad salary reduction program instituted because Avago is in financial distress); (B) a substantial reduction in Executive's duties and responsibilities; (C) the elimination or reduction of Executive's eligibility to participate in Avago's benefit programs that is inconsistent with the eligibility of executive employees of Avago to participate therein; (D) Avago informs Executive of its intention to transfer Executive's primary workplace to a location that is more



than 50 miles from the location of Executive's primary workplace as of such date; (E) Avago's material breach of this Agreement that is not cured within sixty (60) days written notice thereof; and (F) any serious chronic mental or physical illness of Executive or a member of Executive's family that requires Executive to terminate Executive's employment because of substantial interference with Executive's duties at Avago; provided, that at Avago's request Executive shall provide Avago with a written physician's statement confirming the existence of such mental or physical illness. Notwithstanding the foregoing, Executive shall not be deemed to have "Good Reason" under this Agreement unless Executive provides written notice to Avago of the event or condition giving rise to Good Reason within ninety (90) days after its initial occurrence, such event or condition continues to exist on the thirtieth (30<sup>th</sup>) day following Avago's receipt of such notice (the "**Cure Period**") and Executive's resignation is effective within sixty (60) days following the end of the Cure Period.

(f) Termination Date. "**Termination Date**" means the date Executive experiences a Covered Termination.

9. Successors.

(a) Company's Successors. Except as set forth in Sections 4(b) and 5(c) above, any successor to the Company (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "**Company**" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement described in this Section 9(a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Executive's Successors. The terms of this Agreement and all rights of Executive hereunder shall inure to the benefit of, and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

10. Notices. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or one day following mailing via Federal Express or similar overnight courier service. In the case of Executive, mailed notices shall be addressed to Executive at Executive's home address that Avago has on file for Executive. In the case of the Company or Avago, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of the Company's General Counsel.

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(a) Confidentiality. Executive hereby expressly confirms Executive's continuing obligations to Avago pursuant to Executive's confidential information and inventions assignment agreement with the Company (the "**Confidential Information Agreement**").

(b) Non-Disparagement. Executive agrees that he or she shall not disparage, criticize or defame the Company, its affiliates and their respective affiliates, directors, officers, agents, partners, shareholders or employees, either publicly or privately. The Company agrees that it shall not, and it shall instruct its officers and members of its Board to not, disparage, criticize or defame Executive, either publicly or privately. Nothing in this Section 11(b) shall have application to any evidence or testimony required by any court, arbitrator or government agency.

12. Dispute Resolution. To ensure the timely and economical resolution of disputes that arise in connection with this Agreement, Executive and the Company agree that any and all disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance or interpretation of this Agreement, Executive's employment, or the termination of Executive's employment, shall be resolved to the fullest extent permitted by law by final, binding and confidential arbitration, by a single arbitrator, in Santa Clara County, California, conducted by Judicial Arbitration and Mediation Services, Inc. ("**JAMS**") under the applicable JAMS employment rules. **By agreeing to this arbitration procedure, both Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding.** The arbitrator shall: (i) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (ii) issue a written arbitration decision, to include the arbitrator's essential findings and conclusions and a statement of the award. The arbitrator shall be authorized to award any or all remedies that Executive or the Company would be entitled to seek in a court of law. Avago shall pay all JAMS' arbitration fees in excess of the amount of court fees that would be required if the dispute were decided in a court of law. Nothing in this Agreement is intended to prevent either Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Notwithstanding the foregoing, Executive and the Company each have the right to resolve any issue or dispute over intellectual property rights by Court action instead of arbitration.

13. Miscellaneous Provisions.

(a) Section 409A.

i. Separation from Service. Notwithstanding any provision to the contrary in this Agreement, no amount deemed deferred compensation subject to Section 409A of the Code shall be payable pursuant to Sections 4 or 5 above unless Executive's termination of employment constitutes a "separation from service" with Avago within the meaning of Section 409A of the Code and the Department of Treasury regulations and other guidance promulgated thereunder ("**Separation from Service**") and, except as provided under Section 13(a)(ii) of this Agreement, any such amount shall not be paid, or in the case of installments, commence payment, until the sixtieth (60<sup>th</sup>) day following Executive's Separation from Service. Any installment payments that would have been made to Executive during the sixty (60) day period immediately following Executive's Separation from Service but for the preceding sentence shall be paid to Executive on the sixtieth (60<sup>th</sup>) day following Executive's Separation from Service and the remaining payments shall be made as provided in this Agreement.

ii. Specified Employee. Notwithstanding any provision to the contrary in this Agreement, if Executive is deemed at the time of his separation from service to be a "specified

employee” for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of Executive’s benefits shall not be provided to Executive prior to the earlier of (a) the expiration of the six (6)-month period measured from the date of Executive’s Separation from Service or (b) the date of Executive’s death. Upon the first business day following the expiration of the applicable Code Section 409A(a)(2)(B)(i) period, all payments deferred pursuant to this Section 12(a)(ii) shall be paid in a lump sum to Executive, and any remaining payments due under this Agreement shall be paid as otherwise provided herein.

iii. Expense Reimbursements. To the extent that any reimbursements payable pursuant to this Agreement are subject to the provisions of Section 409A of the Code, any such reimbursements payable to Executive pursuant to this Agreement shall be paid to Executive no later than December 31 of the year following the year in which the expense was incurred, the amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year, and Executive’s right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

iv. Installments. For purposes of Section 409A of the Code (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), Executive’s right to receive any installment payments under this Agreement shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment.

(b) Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by an authorized officer of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Whole Agreement. This Agreement and the Confidential Information Agreement represent the entire understanding of the parties hereto with respect to the subject matter hereof and supersede all prior arrangements and understandings regarding same, including, without limitation, the Prior Agreement and any severance or change in control benefits in Executive’s offer letter agreement, employment agreement and any share option agreement.

(d) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California.

(e) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(f) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

*(Signature page follows)*

IN WITNESS WHEREOF, each of the parties has executed this Amended and Restated Severance Benefit Agreement, in the case of the Company by its duly authorized officer, as of the day and year set forth below.

200510713C) **AVAGO TECHNOLOGIES LIMITED** (Company Registration Number

By: /s/ Hock E. Tan

Title: President and Chief Executive Officer

Date: January 23, 2014

**EXECUTIVE**

/s/ Bryan T. Ingram

BRYAN T. INGRAM

Date: January 23, 2014

Severance Benefit Agreement 2014

**AVAGO TECHNOLOGIES LIMITED**  
**SEVERANCE BENEFIT AGREEMENT**

This Severance Benefit Agreement (the “**Agreement**”) is made and entered into by and between Boon Chye Ooi (“**Executive**”) and Avago Technologies Limited (company registration number 200510713C), a public company incorporated under the Singapore Companies Act (the “**Company**”) and is effective as of the latest date set forth by the signatures of the parties hereto below (the “**Effective Date**”). Upon the Effective Date, this Agreement supersedes the change in control and severance provisions of that certain offer letter agreement between the Company and Executive, as amended (the “**Offer Letter**”), in their entirety.

**RECITALS**

A. The Compensation Committee (the “Compensation Committee”) of the Board of Directors of the Company (the “**Board**”) recognizes that the possibility of an acquisition of the Company or an involuntary termination can be a distraction to Executive and can cause Executive to consider alternative employment opportunities. The Compensation Committee has determined that it is in the best interests of the Company and its shareholders to assure that the Company will have the continued dedication and objectivity of Executive, notwithstanding the possibility, threat or occurrence of such an event.

B. The Compensation Committee believes that it is in the best interests of the Company and its shareholders to provide Executive with an incentive to continue Executive’s employment and to motivate Executive to maximize the value of the Company upon a Change in Control (as defined below) for the benefit of its shareholders.

C. The Compensation Committee believes that it is imperative to provide Executive with severance benefits upon certain terminations of Executive’s service to the Company and its subsidiaries (collectively, “Avago”) that enhance Executive’s financial security and provide incentive and encouragement to Executive to remain with Avago notwithstanding the possibility of such an event.

D. Unless otherwise defined herein, capitalized terms used in this Agreement are defined in Section 8 below.

The parties hereto agree as follows:

1. Term of Agreement. This Agreement shall become effective as of the Effective Date and terminate upon the date that all obligations of the parties hereto with respect to this Agreement have been satisfied.

2. At-Will Employment. The Company and Executive acknowledge that Executive’s employment with Avago is and shall continue to be “at-will,” as defined under applicable law. If Executive’s employment with Avago terminates for any reason, Executive shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement.

3. Change in Control. In the event that the price per Company ordinary share paid by an acquirer in a Change in Control is equal to or greater than the minimum share price contingency upon which a portion of a performance-based share option or other equity award would become vested and/or exercisable under the applicable award agreement, then such minimum share price contingency shall be deemed to have been satisfied as of immediately prior to the Change in Control. In the event Executive holds performance-based equity awards that vest based upon the achievement of performance goals other than average share price, then the performance goals applicable to such performance-based equity awards shall be deemed satisfied up to 100% to the extent determined appropriate by the Board, in its sole discretion, based upon the performance of the Company through the date of such Change in Control.

4. Covered Termination Other Than During a Change in Control Period. If Executive experiences a Covered Termination at any time other than during a Change in Control Period, and if Executive delivers to the Company a general release of all claims against the Company and its affiliates in a form acceptable to the Company (a “**Release of Claims**”) that becomes effective and irrevocable within sixty (60) days, or such shorter period of time specified by Avago, following such Covered Termination, then in addition to any accrued but unpaid salary, bonus, benefits, vacation and expense reimbursement payable in accordance with applicable law, Avago shall provide Executive with the following:

(a) Severance. Executive shall be entitled to receive Executive’s base salary at the rate in effect immediately prior to the Termination Date during the period of time commencing on the Termination Date and ending on the six (6) month anniversary of the Termination Date. Executive shall also be entitled to receive an additional amount equal to the lesser of fifty percent (50%) of (i) Executive’s actual cash bonus for the prior year and (ii) Executive’s target cash bonus for the prior year, provided that for Executive’s first year of employment, Executive’s actual bonus for the prior year and Executive’s target bonus for the prior year shall both be deemed to be your first year’s target bonus. Such payments shall be made in substantially equal installments in accordance with Avago’s standard payroll policies, less applicable withholdings, with such installments to commence on the first payroll date following the date the Release of Claims becomes effective and irrevocable and with the first installment to include any amount that would have been paid had the Release of Claims been effective and irrevocable on the Termination Date.

(b) Continued Healthcare. If Executive elects to receive continued healthcare coverage , Avago shall directly pay, or reimburse Executive for, the premium for Executive and Executive’s covered dependents through the earlier of (i) the six (6) month anniversary of the Termination Date and (ii) the date Executive and Executive’s covered dependents, if any, become eligible for healthcare coverage under another employer’s plan(s).

5. Covered Termination During a Change in Control Period. If Executive experiences a Covered Termination during a Change in Control Period, and if Executive delivers to Avago a Release of Claims that becomes effective and irrevocable within sixty (60) days, or such shorter period of time specified by Avago, following such Covered Termination, then in addition to any accrued but unpaid salary, bonus, benefits, vacation and expense reimbursement payable in accordance with applicable law, Avago shall provide Executive with the following:

(a) Severance. Executive shall be entitled to receive Executive's base salary at the rate in effect immediately prior to the Termination Date during the period of time commencing on the Termination Date and ending on the twelve (12) month anniversary of the Termination Date. Executive shall also be entitled to receive an additional amount equal to the lesser of one hundred percent (100%) of (i) Executive's actual cash bonus for the prior year and (ii) Executive's target cash bonus for the prior year, provided that for Executive's first year of employment, Executive's actual bonus for the prior year and Executive's target cash bonus for the prior year shall both be deemed to be Executive's first year's target cash bonus. Such payments shall be made in substantially equal installments in accordance with Avago's standard payroll policies, less applicable withholdings, with such installments to commence on the first payroll date following the date the Release of Claims becomes effective and irrevocable and with the first installment to include any amount that would have been paid had the Release of Claims been effective and irrevocable on the Termination Date.

(b) Equity Awards. Each outstanding and unvested equity and equity-linked award that, pursuant to its terms and after giving effect to any deemed satisfaction of performance goals pursuant to Section 3, vests solely based upon continued service, including, without limitation, each time-based share option and restricted share unit award, held by Executive shall automatically become vested and, if applicable, any forfeiture restrictions or rights of repurchase thereon shall immediately lapse, in each case, with respect to one-hundred percent (100%) of that number of unvested shares underlying such equity award as of the Termination Date.

(c) Continued Healthcare. If Executive elects to receive continued healthcare, Avago shall directly pay, or reimburse Executive for, the premium for Executive and Executive's covered dependents through the earlier of (i) the twelve (12) month anniversary of the Termination Date and (ii) the date Executive and Executive's covered dependents, if any, become eligible for healthcare coverage under another employer's plan(s).

6. Other Terminations. If Executive's service with Avago is terminated by Avago or by Executive for any or no reason other than as a Covered Termination, then Executive shall not be entitled to any benefits hereunder other than accrued but unpaid salary, bonus, vacation and expense reimbursement in accordance with applicable law and to elect any continued healthcare coverage as may be required under COBRA or similar state law.

7. Limitation on Payments. Notwithstanding anything in this Agreement to the contrary, if any payment or distribution Executive would receive pursuant to this Agreement or otherwise ("**Payment**") would (a) constitute a "parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "**Code**"), and (b) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then such Payment shall either be (i) delivered in full, or (ii) delivered as to such lesser extent which would result in no portion of such Payment being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by Executive on an after-tax basis, of the largest payment, notwithstanding that all or some portion the Payment may be taxable under Section 4999 of the Code. The accounting firm engaged by Avago for general audit purposes as of the day prior to the effective date of the Change in Control shall perform the foregoing calculations. Avago shall bear all expenses with respect to the determinations by such accounting firm



required to be made hereunder. The accounting firm shall provide its calculations to Avago and Executive within fifteen (15) calendar days after the date on which Executive's right to a Payment is triggered (if requested at that time by Avago or Executive) or such other time as requested by Avago or Executive. Any good faith determinations of the accounting firm made hereunder shall be final, binding and conclusive upon Avago and Executive. Any reduction in payments and/or benefits pursuant to this Section 7 will occur in the following order: (1) reduction of cash payments; (2) cancellation of accelerated vesting of equity awards other than share options; (3) cancellation of accelerated vesting of share options; and (4) reduction of other benefits payable to Executive.

8. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) Cause. **"Cause"** means (i) Executive's willful refusal to perform in any material respect Executive's lawful duties or responsibilities for Avago or willful disregard in any material respect of any financial or other budgetary limitations established in good faith by the Board; (ii) Executive's material breach of any provision of this Agreement that is not cured upon ten (10) days notice thereof; (iii) the engaging by Executive in conduct that causes material and demonstrable injury, monetarily or otherwise, to Avago, including, but not limited to, misappropriation or conversion of assets of Avago (other than non-material assets); or (iv) Executive's conviction of or entry of a plea of nolo contendere to a felony.

(b) Change in Control. **"Change in Control"** shall mean and includes each of the following:

i. A transaction or series of transactions (other than an offering of Company ordinary shares to the general public through a registration statement filed with the Securities and Exchange Commission) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934) (other than the Company, any of its subsidiaries, an employee benefit plan maintained by the Company or any of its subsidiaries or a "person" that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934) of securities of the Company possessing more than 50% of the total combined voting power of the Company's securities outstanding immediately after such acquisition; or

ii. During any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new director(s) (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in Sections 8(b)(i) or 8(b)(iii) hereof) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

iii. The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions or (z) the acquisition of assets or shares of another entity, in each case other than a transaction:

A. Which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "**Successor Entity**")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

B. After which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this Section 8(b)(iii)(B) as beneficially owning 50% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or

iv. The Company's shareholders approve a liquidation or dissolution of the Company.

Notwithstanding the foregoing, a "**Change in Control**" must also constitute a "change in control event," as defined in Treasury Regulation §1.409A-3(i)(5).

(c) Change in Control Period. "**Change in Control Period**" means the twelve (12) month period of time commencing upon a Change in Control.

(d) Covered Termination. "**Covered Termination**" means the termination of Executive's employment by Avago other than for Cause, by Executive for Good Reason, or because of Executive's death or permanent disability, in each case, to the extent necessary, that constitutes a "Separation from Service" (as defined below).

(e) Good Reason. "**Good Reason**" means any of the following: (A) a material reduction in Executive's salary (other than as part of a broad salary reduction program instituted because Avago is in financial distress); (B) a substantial reduction in Executive's duties and responsibilities; (C) the elimination or reduction of Executive's eligibility to participate in Avago's benefit programs that is inconsistent with the eligibility of executive employees of Avago to participate therein; (D) Avago informs Executive of its intention to transfer Executive's primary workplace to a location that is more than 50 miles from the location of Executive's primary workplace as of such date; (E) Avago's material breach of this Agreement that is not cured within sixty (60) days written notice thereof; and (F) any serious chronic mental or physical illness of Executive or a member of Executive's family that requires Executive to terminate Executive's employment because of substantial interference with Executive's duties at Avago; provided, that at Avago's request Executive shall provide Avago with a written physician's statement confirming the existence of such mental or physical illness. Notwithstanding the foregoing, Executive shall not be deemed to have "Good Reason" under this Agreement unless Executive provides written notice to Avago of the event or condition giving rise to Good Reason within ninety (90) days after its initial occurrence, such event or condition continues to exist on the thirtieth (30<sup>th</sup>) day following Avago's receipt of such notice (the "**Cure Period**") and Executive's resignation is effective within sixty (60) days following the end of the Cure Period.

(f) Termination Date. "**Termination Date**" means the date Executive experiences a Covered Termination.

## 9. Successors.

(a) Company's Successors. Except as set forth in Sections 4(b) and 5(c) above, any successor to the Company (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "**Company**" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement described in this Section 9(a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Executive's Successors. The terms of this Agreement and all rights of Executive hereunder shall inure to the benefit of, and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

10. Notices. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or one day following mailing via Federal Express or similar overnight courier service. In the case of Executive, mailed notices shall be addressed to Executive at Executive's home address that Avago

has on file for Executive. In the case of the Company or Avago, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of the Company's General Counsel.

11. Confidentiality; Non-Disparagement.

(a) Confidentiality. Executive hereby expressly confirms Executive's continuing obligations to Avago pursuant to Executive's confidential information and inventions assignment agreement with the Company (the "**Confidential Information Agreement**").

(b) Non-Disparagement. Executive agrees that he or she shall not disparage, criticize or defame the Company, its affiliates and their respective affiliates, directors, officers, agents, partners, shareholders or employees, either publicly or privately. The Company agrees that it shall not, and it shall instruct its officers and members of its Board to not, disparage, criticize or defame Executive, either publicly or privately. Nothing in this Section 11(b) shall have application to any evidence or testimony required by any court, arbitrator or government agency.

12. Dispute Resolution. To ensure the timely and economical resolution of disputes that arise in connection with this Agreement, Executive and the Company agree that any and all disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance or interpretation of this Agreement, Executive's employment, or the termination of Executive's employment, shall be resolved to the fullest extent permitted by law by final, binding and confidential arbitration, by a single arbitrator, in Santa Clara County, California, conducted by Judicial Arbitration and Mediation Services, Inc. ("JAMS") under the applicable JAMS employment rules. **By agreeing to this arbitration procedure, both Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding.** The arbitrator shall: (i) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (ii) issue a written arbitration decision, to include the arbitrator's essential findings and conclusions and a statement of the award. The arbitrator shall be authorized to award any or all remedies that Executive or the Company would be entitled to seek in a court of law. Avago shall pay all JAMS' arbitration fees in excess of the amount of court fees that would be required if the dispute were decided in a court of law. Nothing in this Agreement is intended to prevent either Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Notwithstanding the foregoing, Executive and the Company each have the right to resolve any issue or dispute over intellectual property rights by Court action instead of arbitration.

13. Miscellaneous Provisions.

(a) Section 409A.

i. Separation from Service. Notwithstanding any provision to the contrary in this Agreement, no amount deemed deferred compensation subject to Section 409A of the Code shall be payable pursuant to Sections 4 or 5 above unless Executive's termination of employment constitutes a "separation from service" with Avago within the meaning of Section 409A of the Code and the Department of Treasury regulations and other guidance promulgated thereunder ("**Separation from Service**") and, except as provided under Section 13(a)(ii) of this Agreement, any such amount shall not be paid, or in the case of installments, commence payment, until the sixtieth (60<sup>th</sup>) day following Executive's Separation from Service. Any installment payments that would have been made to Executive during the sixty (60) day period immediately following Executive's Separation from Service but for the preceding sentence shall be paid to Executive on the sixtieth (60<sup>th</sup>) day following Executive's Separation from Service and the remaining payments shall be made as provided in this Agreement.

ii. Specified Employee. Notwithstanding any provision to the contrary in this Agreement, if Executive is deemed at the time of his separation from service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of Executive's benefits shall not be provided to Executive prior to the earlier of (a) the expiration of the six (6)-month period measured from the date of Executive's Separation from Service or (b) the date of Executive's death. Upon the first business day following the expiration of the applicable Code Section 409A(a)(2)(B)(i) period, all payments deferred pursuant to this Section 12(a)(ii) shall be paid in a lump

sum to Executive, and any remaining payments due under this Agreement shall be paid as otherwise provided herein.

iii. Expense Reimbursements. To the extent that any reimbursements payable pursuant to this Agreement are subject to the provisions of Section 409A of the Code, any such reimbursements payable to Executive pursuant to this Agreement shall be paid to Executive no later than December 31 of the year following the year in which the expense was incurred, the amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year, and Executive's right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

iv. Installments. For purposes of Section 409A of the Code (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), Executive's right to receive any installment payments under this Agreement shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment.

(b) Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by an authorized officer of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Whole Agreement. This Agreement and the Confidential Information Agreement represent the entire understanding of the parties hereto with respect to the subject matter hereof and supersede all prior arrangements and understandings regarding same, including, without limitation, any severance or change in control benefits in Executive's Offer Letter, employment agreement and any share option agreement.

(d) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California.

(e) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(f) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

*(Signature page follows)*

IN WITNESS WHEREOF, each of the parties has executed this Severance Benefit Agreement, in the case of the Company by its duly authorized officer, as of the day and year set forth below.

200510713C) **AVAGO TECHNOLOGIES LIMITED** (Company Registration Number

By: /s/ Hock E. Tan

Title: President and Chief Executive Officer

Date: January 24, 2014

**EXECUTIVE**

/s/ Boon Chye Ooi BOON CHYE OOI

Date: January \_\_, 2014

Severance Benefit Agreement 2014

## AVAGO TECHNOLOGIES LIMITED

## AMENDED AND RESTATED SEVERANCE BENEFIT AGREEMENT

This Amended and Restated Severance Benefit Agreement (the “**Agreement**”) is made and entered into by and between Patricia H. McCall (“**Executive**”) and Avago Technologies Limited (company registration number 200510713C), a public company incorporated under the Singapore Companies Act (the “**Company**”) and amends and restates that certain Severance Benefits Agreement entered into between Executive and the Company dated as of December 18, 2008 (the “**Prior Agreement**”). This Agreement is effective as of the latest date set forth by the signatures of the parties hereto below (the “**Effective Date**”).

RECITALS

A. The Compensation Committee (the “Compensation Committee”) of the Board of Directors of the Company (the “**Board**”) recognizes that the possibility of an acquisition of the Company or an involuntary termination can be a distraction to Executive and can cause Executive to consider alternative employment opportunities. The Compensation Committee has determined that it is in the best interests of the Company and its shareholders to assure that the Company will have the continued dedication and objectivity of Executive, notwithstanding the possibility, threat or occurrence of such an event.

B. The Compensation Committee believes that it is in the best interests of the Company and its shareholders to provide Executive with an incentive to continue Executive’s employment and to motivate Executive to maximize the value of the Company upon a Change in Control (as defined below) for the benefit of its shareholders.

C. The Compensation Committee believes that it is imperative to provide Executive with severance benefits upon certain terminations of Executive’s service to the Company and its subsidiaries (collectively, “Avago”) that enhance Executive’s financial security and provide incentive and encouragement to Executive to remain with Avago notwithstanding the possibility of such an event.

D. Unless otherwise defined herein, capitalized terms used in this Agreement are defined in Section 8 below.

The parties hereto agree as follows:

1. Term of Agreement. This Agreement shall become effective as of the Effective Date and terminate upon the date that all obligations of the parties hereto with respect to this Agreement have been satisfied.

2. At-Will Employment. The Company and Executive acknowledge that Executive’s employment with Avago is and shall continue to be “at-will,” as defined under applicable law. If Executive’s employment with Avago terminates for any reason, Executive shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement.

3. Change in Control. In the event that the price per Company ordinary share paid by an acquirer in a Change in Control is equal to or greater than the minimum share price contingency upon which a portion of a performance-based share option or other equity award would become vested and/or exercisable under the applicable award agreement, then such minimum share price contingency shall be deemed to have been satisfied as of immediately prior to the Change in Control. In the event Executive holds performance-based equity awards that vest based upon the achievement of performance goals other than average share price, then the performance goals applicable to such performance-based equity awards shall be deemed satisfied up to 100% to the extent determined appropriate by the Board, in its sole discretion, based upon the performance of the Company through the date of such Change in Control.

4. Covered Termination Other Than During a Change in Control Period. If Executive experiences a Covered Termination at any time other than during a Change in Control Period, and if Executive delivers to the Company a general release of all claims against the Company and its affiliates in a form acceptable to the Company (a “**Release of Claims**”) that becomes effective and irrevocable within sixty (60) days, or such shorter period of time specified by Avago, following such Covered Termination, then in addition to any accrued but unpaid salary, bonus, benefits, vacation and expense reimbursement payable in accordance with applicable law, Avago shall provide Executive with the following:

(a) Severance. Executive shall be entitled to receive Executive’s base salary at the rate in effect immediately prior to the Termination Date during the period of time commencing on the Termination Date and ending on the nine (9) month anniversary of the Termination Date. Executive shall also be entitled to receive an additional amount equal to the lesser of fifty percent (50%) of (i) Executive’s actual cash bonus for the prior year and (ii) Executive’s target cash bonus for the prior year, provided that for Executive’s first year of employment, Executive’s actual bonus for the prior year and Executive’s target bonus for the prior year shall both be deemed to be your first year’s target bonus. Such payments shall be made in substantially equal installments in accordance with Avago’s standard payroll policies, less applicable withholdings, with such installments to commence on the first payroll date following the date the Release of Claims becomes effective and irrevocable and with the first installment to include any amount that would have been paid had the Release of Claims been effective and irrevocable on the Termination Date.

(b) Continued Healthcare. If Executive elects to receive continued healthcare coverage pursuant to the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“**COBRA**”), Avago shall directly pay, or reimburse Executive for, the premium for Executive and Executive’s covered dependents through the earlier of (i) the six (6) month anniversary of the Termination Date and (ii) the date Executive and Executive’s covered dependents, if any, become eligible for healthcare coverage under another employer’s plan(s). After Avago ceases to pay premiums pursuant to the preceding sentence, Executive may, if eligible, elect to continue healthcare coverage at Executive’s expense in accordance the provisions of COBRA.

5. Covered Termination During a Change in Control Period. If Executive experiences a Covered Termination during a Change in Control Period, and if Executive delivers to Avago a Release of Claims that becomes effective and irrevocable within sixty (60) days, or such shorter period of time specified by Avago, following such Covered Termination, then in addition to any accrued but unpaid



salary, bonus, benefits, vacation and expense reimbursement payable in accordance with applicable law, Avago shall provide Executive with the following:

(a) Severance. Executive shall be entitled to receive Executive's base salary at the rate in effect immediately prior to the Termination Date during the period of time commencing on the Termination Date and ending on the twelve (12) month anniversary of the Termination Date. Executive shall also be entitled to receive an additional amount equal to the lesser of one hundred percent (100%) of (i) Executive's actual cash bonus for the prior year and (ii) Executive's target cash bonus for the prior year, provided that for Executive's first year of employment, Executive's actual bonus for the prior year and Executive's target cash bonus for the prior year shall both be deemed to be Executive's first year's target cash bonus. Such payments shall be made in substantially equal installments in accordance with Avago's standard payroll policies, less applicable withholdings, with such installments to commence on the first payroll date following the date the Release of Claims becomes effective and irrevocable and with the first installment to include any amount that would have been paid had the Release of Claims been effective and irrevocable on the Termination Date.

(b) Equity Awards. Each outstanding and unvested equity and equity-linked award that, pursuant to its terms and after giving effect to any deemed satisfaction of performance goals pursuant to Section 3, vests solely based upon continued service, including, without limitation, each time-based share option and restricted share unit award, held by Executive shall automatically become vested and, if applicable, any forfeiture restrictions or rights of repurchase thereon shall immediately lapse, in each case, with respect to one-hundred percent (100%) of that number of unvested shares underlying such equity award as of the Termination Date.

(c) Continued Healthcare. If Executive elects to receive continued healthcare coverage pursuant to the provisions of COBRA, Avago shall directly pay, or reimburse Executive for, the premium for Executive and Executive's covered dependents through the earlier of (i) the twelve (12) month anniversary of the Termination Date and (ii) the date Executive and Executive's covered dependents, if any, become eligible for healthcare coverage under another employer's plan(s). After Avago ceases to pay premiums pursuant to the preceding sentence, Executive may, if eligible, elect to continue healthcare coverage at Executive's expense in accordance the provisions of COBRA.

6. Other Terminations. If Executive's service with Avago is terminated by Avago or by Executive for any or no reason other than as a Covered Termination, then Executive shall not be entitled to any benefits hereunder other than accrued but unpaid salary, bonus, vacation and expense reimbursement in accordance with applicable law and to elect any continued healthcare coverage as may be required under COBRA or similar state law.

7. Limitation on Payments. Notwithstanding anything in this Agreement to the contrary, if any payment or distribution Executive would receive pursuant to this Agreement or otherwise ("**Payment**") would (a) constitute a "parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "**Code**"), and (b) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then such Payment shall either be (i) delivered in full, or (ii) delivered as to such lesser extent which would result in no portion of such Payment being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the

applicable federal, state and local income taxes and the Excise Tax, results in the receipt by Executive on an after-tax basis, of the largest payment, notwithstanding that all or some portion the Payment may be taxable under Section 4999 of the Code. The accounting firm engaged by Avago for general audit purposes as of the day prior to the effective date of the Change in Control shall perform the foregoing calculations. Avago shall bear all expenses with respect to the determinations by such accounting firm required to be made hereunder. The accounting firm shall provide its calculations to Avago and Executive within fifteen (15) calendar days after the date on which Executive's right to a Payment is triggered (if requested at that time by Avago or Executive) or such other time as requested by Avago or Executive. Any good faith determinations of the accounting firm made hereunder shall be final, binding and conclusive upon Avago and Executive. Any reduction in payments and/or benefits pursuant to this Section 7 will occur in the following order: (1) reduction of cash payments; (2) cancellation of accelerated vesting of equity awards other than share options; (3) cancellation of accelerated vesting of share options; and (4) reduction of other benefits payable to Executive.

8. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) Cause. "**Cause**" means (i) Executive's willful refusal to perform in any material respect Executive's lawful duties or responsibilities for Avago or willful disregard in any material respect of any financial or other budgetary limitations established in good faith by the Board; (ii) Executive's material breach of any provision of this Agreement that is not cured upon ten (10) days notice thereof; (iii) the engaging by Executive in conduct that causes material and demonstrable injury, monetarily or otherwise, to Avago, including, but not limited to, misappropriation or conversion of assets of Avago (other than non-material assets); or (iv) Executive's conviction of or entry of a plea of nolo contendere to a felony.

(b) Change in Control. "**Change in Control**" shall mean and includes each of the following:

i. A transaction or series of transactions (other than an offering of Company ordinary shares to the general public through a registration statement filed with the Securities and Exchange Commission) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934) (other than the Company, any of its subsidiaries, an employee benefit plan maintained by the Company or any of its subsidiaries or a "person" that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934) of securities of the Company possessing more than 50% of the total combined voting power of the Company's securities outstanding immediately after such acquisition; or

ii. During any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new director(s) (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in Sections 8(b)(i) or 8(b)(iii) hereof) whose election by the Board or nomination for election

by the Company's shareholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

iii. The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions or (z) the acquisition of assets or shares of another entity, in each case other than a transaction:

A. Which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "**Successor Entity**")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

B. After which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this Section 8(b)(iii)(B) as beneficially owning 50% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or

iv. The Company's shareholders approve a liquidation or dissolution of the Company.

Notwithstanding the foregoing, a "**Change in Control**" must also constitute a "change in control event," as defined in Treasury Regulation §1.409A-3(i)(5).

(c) Change in Control Period. "**Change in Control Period**" means the twelve (12) month period of time commencing upon a Change in Control.

(d) Covered Termination. "**Covered Termination**" means the termination of Executive's employment by Avago other than for Cause, by Executive for Good Reason, or because of Executive's death or permanent disability, in each case, to the extent necessary, that constitutes a "Separation from Service" (as defined below).

(e) Good Reason. "**Good Reason**" means any of the following: (A) a material reduction in Executive's salary (other than as part of a broad salary reduction program instituted because Avago is in financial distress); (B) a substantial reduction in Executive's duties and responsibilities; (C) the elimination or reduction of Executive's eligibility to participate in Avago's benefit programs that is inconsistent with the eligibility of executive employees of Avago to participate therein; (D) Avago informs Executive of its intention to transfer Executive's primary workplace to a location that is more

than 50 miles from the location of Executive's primary workplace as of such date; (E) Avago's material breach of this Agreement that is not cured within sixty (60) days written notice thereof; and (F) any serious chronic mental or physical illness of Executive or a member of Executive's family that requires Executive to terminate Executive's employment because of substantial interference with Executive's duties at Avago; provided, that at Avago's request Executive shall provide Avago with a written physician's statement confirming the existence of such mental or physical illness. Notwithstanding the foregoing, Executive shall not be deemed to have "Good Reason" under this Agreement unless Executive provides written notice to Avago of the event or condition giving rise to Good Reason within ninety (90) days after its initial occurrence, such event or condition continues to exist on the thirtieth (30<sup>th</sup>) day following Avago's receipt of such notice (the "**Cure Period**") and Executive's resignation is effective within sixty (60) days following the end of the Cure Period.

(f) Termination Date. "**Termination Date**" means the date Executive experiences a Covered Termination.

9. Successors.

(a) Company's Successors. Except as set forth in Sections 4(b) and 5(c) above, any successor to the Company (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "**Company**" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement described in this Section 9(a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Executive's Successors. The terms of this Agreement and all rights of Executive hereunder shall inure to the benefit of, and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

10. Notices. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or one day following mailing via Federal Express or similar overnight courier service. In the case of Executive, mailed notices shall be addressed to Executive at Executive's home address that Avago has on file for Executive. In the case of the Company or Avago, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of the Company's General Counsel.

11. Confidentiality; Non-Disparagement.

(a) Confidentiality. Executive hereby expressly confirms Executive's continuing obligations to Avago pursuant to Executive's confidential information and inventions assignment agreement with the Company (the "**Confidential Information Agreement**").

(b) Non-Disparagement. Executive agrees that he or she shall not disparage, criticize or defame the Company, its affiliates and their respective affiliates, directors, officers, agents, partners, shareholders or employees, either publicly or privately. The Company agrees that it shall not, and it shall instruct its officers and members of its Board to not, disparage, criticize or defame Executive, either publicly or privately. Nothing in this Section 11(b) shall have application to any evidence or testimony required by any court, arbitrator or government agency.

12. Dispute Resolution. To ensure the timely and economical resolution of disputes that arise in connection with this Agreement, Executive and the Company agree that any and all disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance or interpretation of this Agreement, Executive's employment, or the termination of Executive's employment, shall be resolved to the fullest extent permitted by law by final, binding and confidential arbitration, by a single arbitrator, in Santa Clara County, California, conducted by Judicial Arbitration and Mediation Services, Inc. ("**JAMS**") under the applicable JAMS employment rules. **By agreeing to this arbitration procedure, both Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding.** The arbitrator shall: (i) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (ii) issue a written arbitration decision, to include the arbitrator's essential findings and conclusions and a statement of the award. The arbitrator shall be authorized to award any or all remedies that Executive or the Company would be entitled to seek in a court of law. Avago shall pay all JAMS' arbitration fees in excess of the amount of court fees that would be required if the dispute were decided in a court of law. Nothing in this Agreement is intended to prevent either Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Notwithstanding the foregoing, Executive and the Company each have the right to resolve any issue or dispute over intellectual property rights by Court action instead of arbitration.

13. Miscellaneous Provisions.

(a) Section 409A.

i. Separation from Service. Notwithstanding any provision to the contrary in this Agreement, no amount deemed deferred compensation subject to Section 409A of the Code shall be payable pursuant to Sections 4 or 5 above unless Executive's termination of employment constitutes a "separation from service" with Avago within the meaning of Section 409A of the Code and the Department of Treasury regulations and other guidance promulgated thereunder ("**Separation from Service**") and, except as provided under Section 13(a)(ii) of this Agreement, any such amount shall not be paid, or in the case of installments, commence payment, until the sixtieth (60<sup>th</sup>) day following Executive's Separation from Service. Any installment payments that would have been made to Executive during the sixty (60) day period immediately following Executive's Separation from Service but for the preceding sentence shall be paid to Executive on the sixtieth (60<sup>th</sup>) day following Executive's Separation from Service and the remaining payments shall be made as provided in this Agreement.

ii. Specified Employee. Notwithstanding any provision to the contrary in this Agreement, if Executive is deemed at the time of his separation from service to be a "specified

employee” for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of Executive’s benefits shall not be provided to Executive prior to the earlier of (a) the expiration of the six (6)-month period measured from the date of Executive’s Separation from Service or (b) the date of Executive’s death. Upon the first business day following the expiration of the applicable Code Section 409A(a)(2)(B)(i) period, all payments deferred pursuant to this Section 12(a)(ii) shall be paid in a lump sum to Executive, and any remaining payments due under this Agreement shall be paid as otherwise provided herein.

iii. Expense Reimbursements. To the extent that any reimbursements payable pursuant to this Agreement are subject to the provisions of Section 409A of the Code, any such reimbursements payable to Executive pursuant to this Agreement shall be paid to Executive no later than December 31 of the year following the year in which the expense was incurred, the amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year, and Executive’s right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

iv. Installments. For purposes of Section 409A of the Code (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), Executive’s right to receive any installment payments under this Agreement shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment.

(b) Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by an authorized officer of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Whole Agreement. This Agreement and the Confidential Information Agreement represent the entire understanding of the parties hereto with respect to the subject matter hereof and supersede all prior arrangements and understandings regarding same, including, without limitation, the Prior Agreement and any severance or change in control benefits in Executive’s offer letter agreement, employment agreement and any share option agreement.

(d) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California.

(e) Severability. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(f) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

*(Signature page follows)*

IN WITNESS WHEREOF, each of the parties has executed this Amended and Restated Severance Benefit Agreement, in the case of the Company by its duly authorized officer, as of the day and year set forth below.

200510713C) **AVAGO TECHNOLOGIES LIMITED** (Company Registration Number

By: /s/ Hock E. Tan

Title: President and Chief Executive Officer

Date: January 24, 2014

**EXECUTIVE**

/s/ Patricia H. McCall  
PATRICIA H. MCCALL

Date: January 24, 2014

Severance Benefit Agreement 2014



**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Hock E. Tan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Avago Technologies Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2014

/s/ Hock E. Tan

Hock E. Tan

Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Anthony E. Maslowski, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Avago Technologies Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2014

/s/ Anthony E. Maslowski

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Anthony E. Maslowski

Chief Financial Officer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Avago Technologies Limited (the “Company”) for the quarter ended February 2, 2014 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Hock E. Tan, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 13, 2014

/s/ Hock E. Tan

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Hock E. Tan

Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Avago Technologies Limited (the “Company”) for the quarter ended February 2, 2014 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Anthony E. Maslowski, interim Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 13, 2014

/s/ Anthony E. Maslowski

Anthony E. Maslowski

Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.