

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

	Fiscal Quarter Ended			Two Fiscal Quarters Ended	
	May 4, 2014	February 2, 2014	May 5, 2013	May 4, 2014	May 5, 2013
Net revenue	\$ 701	\$ 709	\$ 562	\$ 1,410	\$ 1,138
Cost of products sold:					
Cost of products sold	326	347	276	673	562
Amortization of intangible assets	18	18	14	36	28
Restructuring charges	-	5	-	5	-
Total cost of products sold	<u>344</u>	<u>370</u>	<u>290</u>	<u>714</u>	<u>590</u>
Gross margin	<u>357</u>	<u>339</u>	<u>272</u>	<u>696</u>	<u>548</u>
Research and development	114	107	95	221	188
Selling, general and administrative	67	74	52	141	105
Amortization of intangible assets	8	7	6	15	11
Restructuring charges	8	12	1	20	2
Total operating expenses	<u>197</u>	<u>200</u>	<u>154</u>	<u>397</u>	<u>306</u>
Income from operations	160	139	118	299	242
Interest expense	(1)	-	(1)	(1)	(1)
Other income, net	-	-	1	-	3
Income before income taxes	<u>159</u>	<u>139</u>	<u>118</u>	<u>298</u>	<u>244</u>
Provision for income taxes	1	5	5	6	6
Net income	<u>\$ 158</u>	<u>\$ 134</u>	<u>\$ 113</u>	<u>\$ 292</u>	<u>\$ 238</u>
Net income per share:					
Basic	\$ 0.63	\$ 0.54	\$ 0.46	\$ 1.17	\$ 0.97
Diluted	\$ 0.61	\$ 0.53	\$ 0.45	\$ 1.14	\$ 0.95
Shares used in per share calculations:					
Basic	251	249	246	250	246
Diluted	258	255	251	256	251
Share-based compensation expense included in:					
Cost of products sold	\$ 3	\$ 3	\$ 2	\$ 6	\$ 4
Research and development	10	8	7	18	14
Selling, general and administrative	17	13	8	30	17
Total share-based compensation expense	<u>\$ 30</u>	<u>\$ 24</u>	<u>\$ 17</u>	<u>\$ 54</u>	<u>\$ 35</u>

AVAGO TECHNOLOGIES LIMITED
NON-GAAP FINANCIAL SUMMARY - UNAUDITED(1)
(IN MILLIONS, EXCEPT PERCENTAGES AND PER SHARE DATA)

	Fiscal Quarter Ended			Two Fiscal Quarters Ended	
	May 4, 2014	February 2, 2014	May 5, 2013	May 4, 2014	May 5, 2013
Net revenue	\$ 701	\$ 709	\$ 562	\$ 1,410	\$ 1,138
Gross margin	\$ 381	\$ 366	\$ 288	\$ 747	\$ 580
% of net revenue	54%	52%	51%	53%	51%
Research and development	\$ 101	\$ 98	\$ 88	\$ 199	\$ 174
Selling, general and administrative	\$ 47	\$ 44	\$ 42	\$ 91	\$ 86
Total operating expenses	\$ 148	\$ 142	\$ 130	\$ 290	\$ 260
% of net revenue	21%	20%	23%	21%	23%
Income from operations	\$ 233	\$ 224	\$ 158	\$ 457	\$ 320
Interest expense	\$ (1)	\$ -	\$ (1)	\$ (1)	\$ (1)
Other income, net	\$ -	\$ -	\$ 1	\$ -	\$ 3
Income before income taxes	\$ 232	\$ 224	\$ 158	\$ 456	\$ 322
Provision for income taxes	\$ 9	\$ 7	\$ 5	\$ 16	\$ 6
Net income	\$ 223	\$ 217	\$ 153	\$ 440	\$ 316
Net income per share - diluted	\$ 0.85	\$ 0.84	\$ 0.61	\$ 1.69	\$ 1.25
Shares used in per share calculation - diluted	263	258	252	261	252

(1) A reconciliation of the non-GAAP measures presented above to the most directly comparable GAAP financial data appears on the next page. These non-GAAP measures are provided in addition to and not as a substitute for measures of financial performance prepared in accordance with GAAP. The financial summary excludes amortization of intangible assets, share-based compensation expense, restructuring charges, acquisition-related costs, and income tax effects of non-GAAP reconciling adjustments.

AVAGO TECHNOLOGIES LIMITED
FINANCIAL RECONCILIATION: GAAP TO NON-GAAP - UNAUDITED
(IN MILLIONS)

	Fiscal Quarter Ended			Two Fiscal Quarters Ended	
	May 4, 2014	February 2, 2014	May 5, 2013	May 4, 2014	May 5, 2013
Net income on GAAP basis	\$ 158	\$ 134	\$ 113	292	238
Amortization of intangible assets	26	25	20	51	39
Share-based compensation expense	30	24	17	54	35
Restructuring charges	8	17	1	25	2
Acquisition-related costs	9	19	2	28	2
Income tax effects of non-GAAP reconciling adjustments	(8)	(2)	-	(10)	-
Net income on non-GAAP basis	<u>\$ 223</u>	<u>\$ 217</u>	<u>\$ 153</u>	<u>\$ 440</u>	<u>\$ 316</u>
Gross margin on GAAP basis	\$ 357	\$ 339	\$ 272	\$ 696	\$ 548
Amortization of intangible assets	18	18	14	36	28
Share-based compensation expense	3	3	2	6	4
Restructuring charges	-	5	-	5	-
Acquisition-related costs	3	1	-	4	-
Gross margin on non-GAAP basis	<u>\$ 381</u>	<u>\$ 366</u>	<u>\$ 288</u>	<u>\$ 747</u>	<u>\$ 580</u>
Research and development on GAAP basis	\$ 114	\$ 107	\$ 95	\$ 221	\$ 188
Share-based compensation expense	10	8	7	18	14
Acquisition-related costs	3	1	-	4	-
Research and development on non-GAAP basis	<u>\$ 101</u>	<u>\$ 98</u>	<u>\$ 88</u>	<u>\$ 199</u>	<u>\$ 174</u>
Selling, general and administrative expense on GAAP basis	\$ 67	\$ 74	\$ 52	\$ 141	\$ 105
Share-based compensation expense	17	13	8	30	17
Acquisition-related costs	3	17	2	20	2
Selling, general and administrative expense on non-GAAP basis	<u>\$ 47</u>	<u>\$ 44</u>	<u>\$ 42</u>	<u>\$ 91</u>	<u>\$ 86</u>
Total operating expense on GAAP basis	\$ 197	\$ 200	\$ 154	\$ 397	\$ 306
Amortization of intangible assets	8	7	6	15	11
Share-based compensation expense	27	21	15	48	31
Restructuring charges	8	12	1	20	2
Acquisition-related costs	6	18	2	24	2
Total operating expense on non-GAAP basis	<u>\$ 148</u>	<u>\$ 142</u>	<u>\$ 130</u>	<u>\$ 290</u>	<u>\$ 260</u>
Income from operations on GAAP basis	\$ 160	\$ 139	\$ 118	\$ 299	\$ 242
Amortization of intangible assets	26	25	20	51	39
Share-based compensation expense	30	24	17	54	35
Restructuring charges	8	17	1	25	2
Acquisition-related costs	9	19	2	28	2
Income from operations on non-GAAP basis	<u>\$ 233</u>	<u>\$ 224</u>	<u>\$ 158</u>	<u>\$ 457</u>	<u>\$ 320</u>
Income before income taxes on GAAP basis	\$ 159	\$ 139	\$ 118	\$ 298	\$ 244
Amortization of intangible assets	26	25	20	51	39
Share-based compensation expense	30	24	17	54	35
Restructuring charges	8	17	1	25	2
Acquisition-related costs	9	19	2	28	2
Income before income taxes on non-GAAP basis	<u>\$ 232</u>	<u>\$ 224</u>	<u>\$ 158</u>	<u>\$ 456</u>	<u>\$ 322</u>
Provision for income taxes on GAAP basis	\$ 1	\$ 5	\$ 5	\$ 6	\$ 6
Income tax effects of non-GAAP reconciling adjustments	8	2	-	10	-
Provision for income taxes on non-GAAP basis	<u>\$ 9</u>	<u>\$ 7</u>	<u>\$ 5</u>	<u>\$ 16</u>	<u>\$ 6</u>
Shares used in per share calculation - diluted on GAAP basis	258	255	251	256	251
Non-GAAP adjustment	5	3	1	5	1
Shares used in per share calculation - diluted on non-GAAP basis(1)	<u>263</u>	<u>258</u>	<u>252</u>	<u>261</u>	<u>252</u>

(1) The number of shares used in the diluted per share calculations on a non-GAAP basis excludes the impact of share-based compensation expense expected to be incurred in future periods and not yet recognized in the financial statements, which would otherwise be assumed to be used to repurchase shares under the GAAP treasury stock method.

AVAGO TECHNOLOGIES LIMITED
CONDENSED CONSOLIDATED BALANCE SHEETS - UNAUDITED
(IN MILLIONS)

	May 4, 2014	November 3, 2013 (1)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,278	\$ 985
Trade accounts receivable, net	319	418
Inventory	301	285
Other current assets	136	130
Total current assets	2,034	1,818
Property, plant and equipment, net	731	661
Goodwill	392	391
Intangible assets, net	441	492
Other long-term assets	73	53
Total assets	\$ 3,671	\$ 3,415
 LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 274	\$ 278
Employee compensation and benefits	86	98
Other current liabilities	56	47
Total current liabilities	416	423
Long-term liabilities:		
Other long-term liabilities	101	106
Total liabilities	517	529
Shareholders' equity:		
Ordinary shares, no par value	1,694	1,587
Retained earnings	1,467	1,305
Accumulated other comprehensive loss	(7)	(6)
Total shareholders' equity	3,154	2,886
Total liabilities and shareholders' equity	\$ 3,671	\$ 3,415

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

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

	Fiscal Quarter Ended			Two Fiscal Quarters Ended	
	May 4, 2014	February 2, 2014	May 5, 2013 (1)	May 4, 2014	May 5, 2013 (1)
Cash flows from operating activities:					
Net income	\$ 158	\$ 134	\$ 113	\$ 292	\$ 238
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	61	57	42	118	83
Share-based compensation	30	24	18	54	35
Tax benefits of share-based compensation	8	4	-	12	-
Excess tax benefits from share-based compensation	(8)	(3)	-	(11)	-
Unrealized (gain)/loss on trading securities	-	-	1	-	(1)
Gain from post-retirement medical plan curtailment and settlement	-	(3)	-	(3)	-
Loss on disposal of property, plant and equipment	-	-	1	-	1
Changes in assets and liabilities, net of acquisitions:					
Trade accounts receivable	4	95	(5)	99	70
Inventory	(15)	(1)	(20)	(16)	(34)
Accounts payable	8	(24)	36	(16)	2
Employee compensation and benefits	27	(39)	11	(12)	(2)
Deferred tax assets and liabilities	19	(3)	1	16	2
Other current assets and current liabilities	(7)	(13)	(9)	(20)	(21)
Other long-term assets and long-term liabilities	(34)	1	(1)	(33)	-
Net cash provided by operating activities	251	229	188	480	373
Cash flows from investing activities:					
Purchases of property, plant and equipment	(73)	(52)	(47)	(125)	(114)
Acquisition, net of cash acquired	-	-	(37)	-	(37)
Purchases of investments	-	-	-	-	(9)
Proceeds from sale of investment	14	-	-	14	-
Net cash used in investing activities	(59)	(52)	(84)	(111)	(160)
Cash flows from financing activities:					
Proceeds from government grants	-	2	5	2	8
Payment on capital lease obligation	-	-	(1)	-	(1)
Issuance of ordinary shares, net of issuance cost	34	19	18	53	28
Repurchases of ordinary shares	-	(12)	(11)	(12)	(24)
Excess tax benefits from share-based compensation	8	3	-	11	-
Dividend payments to shareholders	(68)	(62)	(47)	(130)	(89)
Net cash used in financing activities	(26)	(50)	(36)	(76)	(78)
Net increase in cash and cash equivalents	166	127	68	293	135
Cash and cash equivalents at the beginning of period	1,112	985	1,151	985	1,084
Cash and cash equivalents at end of period	<u>\$ 1,278</u>	<u>\$ 1,112</u>	<u>\$ 1,219</u>	<u>1,278</u>	<u>1,219</u>

(1) The statement of cash flows data for the quarter and two quarters ended May 5, 2013 reflects a reclassification of \$3 million of government grant reimbursements related to fixed assets from cash flows provided by operating activities to cash flows used in financing activities. As a result, net cash provided by operating activities and net cash used in financing activities for this period each decreased by a corresponding amount.