Avago Technologies LTD
Form 10-K
December 20, 2013
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
Form 10-K
(MARK ONE)

R ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended November 3, 2013

OR

o 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)	98-0682363 (I.R.S. Employer Identification No.)
1 Yishun Avenue 7 Singapore 768923 (Address of Principal Executive Offices)	N/A (Zip Code)
(65) 6755-7888 (Registrant's telephone number, including area code)	

Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Name of Each Exchange on Which Registered
Ordinary Shares, no par value	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes R No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 for 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 R No o

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 R No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. R

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 R Accelerated filer o Non-accelerated filer o Smaller reporting company o
(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 o No þ

State the aggregate market value of the Registrant's voting and non-voting ordinary shares held by non-affiliates as of the last business day of the Registrant's most recently completed second fiscal quarter: As of May 5, 2013, the last business day of our most recently completed second fiscal quarter, the aggregate market value of the Registrant's ordinary shares held by non-affiliates of the Registrant (based upon the closing sale price of such shares on the Nasdaq Global Select Market on May 3, 2013, the last trading day prior to our fiscal quarter end) was approximately $7,858,766,599.

As of December 6, 2013, the Registrant had 248,909,416 ordinary shares outstanding.

Documents Incorporated by Reference

Information required in response to Part III of this Annual Report on Form 10-K is hereby incorporated by reference from the Registrant's definitive Proxy Statement for its 2014 Annual Meeting of Shareholders. Except as expressly incorporated by reference, the Registrant's Proxy Statement shall not be deemed to be a part of this Annual Report on Form 10-K. The Registrant intends to file its definitive Proxy Statement within 120 days after its fiscal year ended November 3, 2013.

AVAGO TECHNOLOGIES LIMITED
2013 ANNUAL REPORT ON FORM 10-K

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PART I

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K. This Annual Report on Form 10-K contains forward-looking statements within the meaning of the federal securities laws and particularly in Item 1: “Business,” Item 1A:“Risk Factors,” Item 3: “Legal Proceedings” and Item 7: “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Annual Report on Form 10-K. These statements are indicated by words or phrases such as “anticipate,” “expect,” “estimate,” “seek,” “plan,” “believe,” “could,” “intend,” “will,” and similar words or phrases. 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 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 business. 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. Important factors that could cause actual results to differ materially from our expectations are disclosed under “Risk Factors” in Part I, Item 1A of this Annual Report on Form 10-K. These factors include global economic conditions and concerns; cyclicality in the semiconductor industry or in our target markets; quarterly and annual fluctuations in our operating results; customer concentration and the demands or loss of our significant customers; increased dependence on the volatile, wireless handset market; our competitive performance and ability to continue achieving design wins with our customers, as well as the timing of those design wins; market acceptance of the end products into which our products are designed; our ability to achieve the growth prospects and synergies expected from our acquisitions, including CyOptics; delays, challenges and expenses associated with integrating acquired companies, including CyOptics, with our existing businesses; our dependence on contract manufacturing and outsourced supply chain, and our ability to improve our cost structure through our manufacturing outsourcing program; prolonged disruptions of our or our contract manufacturers' manufacturing facilities or other significant operations; our dependence on outsourced service providers for certain key business services and their ability to execute to our requirements; our ability to maintain or improve gross margin; our ability to maintain tax concessions in certain jurisdictions; our ability to protect our intellectual property and any associated increases in litigation expenses; dependence on and risks associated with distributors of our products; any expenses or reputational damage associated with resolving customer product warranty and indemnification claims; and other events and trends on a national, regional and global scale, including those of a political, economic, business, competitive and regulatory nature. All of the forward-looking statements in this Annual Report on Form 10-K are qualified in their entirety by reference to the factors listed above and those discussed under the heading “Risk Factors” in Part I, Item 1A of this Annual Report on Form 10-K. We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this Annual Report on Form 10-K may not in fact occur. We undertake no intent or obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as otherwise required by law.

References in this Annual Report on Form 10-K to “Avago”, “the Company”, “we”, “our”, or “us” refer to Avago Technologie Limited and its subsidiaries, on a consolidated basis, unless otherwise indicated or the context otherwise requires. Our fiscal year ends on the Sunday closest to October 31. We refer to our fiscal years by the calendar year in which they end. For example, the fiscal year ended November 3, 2013 is referred to as “fiscal year 2013”.

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ITEM 1. BUSINESS

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, data networking and telecommunications equipment, enterprise storage and servers, factory automation and industrial equipment.

We have an over 50-year history of innovation, dating back to our origins within Hewlett-Packard Company. Over the years, we have assembled a large team of analog design engineers around the world. We maintain design and product development engineering resources at multiple locations in each of the United States, Asia and Europe, which allows us to leverage this worldwide engineering expertise. Our history and market position enable us to strategically focus our research and development resources to address niche opportunities in our target markets. We have also developed an extensive portfolio of U.S. and foreign patents and other intellectual property, and we leverage our significant intellectual property portfolio to integrate multiple technologies and create component solutions that target growth opportunities. We design products that deliver high-performance and provide mission-critical functionality. In particular, we were among the first to deliver commercial film bulk acoustic resonator, or FBAR, filters which offer technological advantages over competing filters for smartphones to function more efficiently in today's congested RF spectrum. FBAR technology has historically maintained a significant market share within code division multiple access, or CDMA, and 3G/W-CDMA markets. As cellular carriers move to the 4G/long term evolution, or LTE, and LTE-advanced standards worldwide, we believe these advantages will continue to facilitate rapid adoption of FBAR technology throughout the mobile phone ecosystems. In optical solutions, we were a pioneer in commercializing vertical-cavity surface emitting laser, or VCSEL. Our fiber optic products and our VCSEL-based products, including high bandwidth parallel optic transceivers and modules, have been widely adopted throughout the wired infrastructure and computing industries. In optoelectronics, we are a market leader in optocoupler and optical encoder solutions.

Original equipment manufacturers, or OEMs, and distributors typically account for the substantial majority of our sales. We have established strong relationships with leading OEM customers across multiple target markets. Many of our major customer relationships have been in place multiple years and we have supplied multiple products during that time period. Our close customer relationships have often been built as a result of years of collaborative product development which has enabled us to build our intellectual property portfolio and develop critical expertise regarding our customer’s requirements, including substantial system level knowledge. This collaboration has provided us with key insights into our customers and has enabled us to be more efficient and productive and to better serve our target markets and customers. We have a direct sales force focused on supporting large OEMs. We also distribute a substantial portion of our products through our broad distribution network, and a significant amount of these sales are to large global electronic components distributors, including Avnet, Inc. and Arrow Electronics, Inc. We also have a diversified and well-established base of thousands of end customers, located throughout the world, which we serve through our multi-channel sales and fulfillment system.

We focus on maintaining an efficient global supply chain and a variable, low-cost operating model. Accordingly, we have outsourced a majority of our manufacturing operations utilizing third-party foundry and assembly and test capabilities, as well as some of our corporate infrastructure functions. We aim to minimize capital expenditures by focusing our internal manufacturing capacity on products utilizing our innovative materials and processes to protect our intellectual property and to develop the technology for manufacturing, while outsourcing standard complementary metal oxide semiconductor, or CMOS, processes. We also have over 40 years of operating history in Asia, where approximately 42% of our employees are located and where we produce and source the majority of our products. Our presence in Asia places us in close proximity to many of our customers’ manufacturing facilities and at the center of worldwide electronics manufacturing.

Markets and Products

We focus on leveraging our design capabilities to develop products for target markets where we believe our innovation and reputation will allow us to earn attractive margins. In each of our target markets, we have multiple product families that primarily provide OEMs with component or subsystem products. Our product portfolio ranges from discrete devices to complex sub-systems that include multiple device types and incorporate firmware for interfacing between digital systems. In some cases, our products include mechanical hardware that interfaces with optoelectronic or capacitive sensors. We intend to

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continue expanding our product offerings to address existing and adjacent market opportunities, and plan to target select niches within large established markets. We target markets that require high quality and the integrated performance characteristics of our products. For the fiscal year ended November 3, 2013, wireless communications contributed 48%, wired infrastructure contributed 30% and industrial & other contributed 22% of our net revenue, respectively.

Wireless Communications. We support the wireless industry with a broad variety of RF semiconductor devices, including monolithic microwave integrated circuit filters and duplexers using our proprietary FBAR technology, front end modules that incorporate multiple die into multi-function RF devices, diodes and discrete transistors. Our expertise in amplifier design, FBAR technology and module integration enables us to offer industry-leading efficiency in RF transmitter applications. Our proprietary GaAs processes are critical to the production of power amplifier, or PA, and low noise amplifier products. In addition to RF devices, we provide a variety of optoelectronic sensors for mobile handset applications.

Wired Infrastructure. In the storage and Ethernet networking markets, we supply transceivers that receive and transmit information along optical fibers. We provide a range of product bandwidth options for customers, including options ranging from 125 Megabits per second, or Mbps, Fast Ethernet transmitters and receivers to 168 Gigabits per second, or Gbps, transceivers. In Ethernet networking, we focus on higher bandwidth applications, principally 10G and emerging 40G and 100G for data center as well as enterprise customers. In storage, we focus on fiber channel-based applications including 8G and emerging 16G transceivers. In addition, we supply parallel optic transceivers with as many as 12 parallel channels for core routing, server, and high performance computing applications. We also supply optical laser and receiver components to the access, metro and long-haul telecommunication markets. For enterprise networking and server input/output, or I/O, applications, we supply high speed serializer/deserializer, or SerDes, products integrated into application specific integrated circuits, or ASICs. Our ASICs are designed on advanced CMOS process technologies, focused primarily on 28nm and next generation 16nm processes. In these geometries, we are able to support data transmission rates of up to 32G per second.

Industrial & Other. We provide a broad variety of products for the general industrial and automotive markets. We offer optical isolators, or optocouplers, which provide electrical insulation and signal isolation for signaling systems that are susceptible to electrical noise or interference. Optocouplers are used in a diverse set of applications, including industrial motors, automotive systems including those used in hybrid engines, power generation and distribution systems, switching power supplies, motion sensors, telecommunications equipment, computers and office equipment, plasma displays, and military electronics. For industrial motors and robotic motion control, we supply optical encoders, as well as integrated circuits, or ICs, for the controller and decoder functions. For electronic signs and signals, we supply LED assemblies that offer high brightness and stable light output over thousands of hours, enabling us to support traffic signals, large commercial signs and other displays. For industrial networking, we provide faster optical transceivers using plastic optical fiber that enable quick and interoperable networking and factory automation.

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The table below presents the major product families and major applications in our three primary target markets.

Target Market	Major Applications	Major Product Families
Wireless Communications	• Smartphones	• RF power amplifiers • RF filters • RF front end modules (FEMs) • Ambient light sensors • Proximity Sensors
	• Base stations	• Low noise amplifiers • Multimarket-wave mixers • Diodes
Wired Infrastructure	• Data communications, storage area networking, servers, core routing and transport	• Fiber optic transceivers
	• Data communications, storage area networking and servers	• Serializer/deserializer (SerDes) ASICs
	• Data communications and telecommunications	• Optical laser and receiver components
Industrial & Other	• Factory automation, in-car infotainment and renewable energy systems	• Industrial fiber optics
	• Power isolation, power conversion and renewable energy systems	• Optocouplers
	• Motor controls and factory automation	• Motion control encoders and subsystems
	• Displays and lighting	• LEDs

Research and Development

We are committed to continuous investment in product development, with a focus on rapidly introducing new, proprietary products. Many of our products have grown out of our own research and development efforts, and have given us competitive advantages in certain target markets due to performance differentiation. However, from time to time we also seek to enhance our capabilities through the acquisition of engineers and businesses with complementary research and development skills. We focus our research and development efforts on the development of innovative, sustainable and higher value product platforms. We leverage our design capabilities in markets where we believe our innovation and reputation will allow us to earn attractive margins by developing high value-add products.

We intend to continue to build on our history of innovation and our intellectual property portfolio, design expertise and system-level knowledge, to create more integrated solutions. We plan to continue investing in product development, both organically and through acquisition, to drive growth in our business. We also invest in process development and maintain fabrication capabilities in order to optimize processes for devices that are manufactured internally. Our field application engineers, or FAEs, and design engineers are located near many of our customers around the world, enabling us to support our customers in each stage of their product development cycle, from early stages of production design through volume manufacturing and future growth. By collaborating with our customers, we have opportunities to develop high value added, customized products for them that leverage our existing technologies. Research and development expenses were $398 million, $335 million and $317 million for the fiscal years ended November 3, 2013, October 28, 2012 and October 30, 2011, respectively. We anticipate that we will continue to make significant research and development expenditures in order to maintain our competitive position with a continuous flow of innovative and sustainable product platforms. As of November 3, 2013, we had approximately 1,400 employees dedicated to research and development at multiple locations around the world.

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Customers, Sales, Marketing and Distribution

Historically, a relatively small number of customers account for a significant portion of our net revenue. Sales to distributors accounted for 28% of our net revenue for fiscal year 2013. In fiscal year 2013, direct sales to Foxconn Technology Group companies, or Foxconn, accounted for 18% of our net revenue. Our top ten direct customers, which included three distributors, collectively accounted for 64% of our net revenue. We believe our aggregate sales to Apple, Inc. and Cisco Systems, Inc., when direct sales are combined with indirect sales to them through the respective contract manufacturers that they utilize, each accounted for more than 10% of our net revenues, for fiscal year 2013. We expect to continue to experience significant customer concentration in future periods. The loss of, or significant decrease in demand from any of our top ten customers could have a material adverse effect on our business, results of operations and financial condition.

We sell our products through our direct sales force and a network of distributors globally. Certain customers require us to contract with them directly and with specified intermediaries, such as contract manufacturers, and both often require timely delivery of our products to multiple locations around the world. Our direct sales force is focused on supporting our large OEM customers. Additionally, our extensive network of FAEs enhances our customer reach and our visibility into new product opportunities. We have strategically developed distributor relationships to serve thousands of customers around the world. Based on net revenue, our main global distributors are Avnet, Inc., and Arrow Electronics, Inc., complemented by a number of specialty regional distributors with customer relationships based on their respective product ranges.

As of November 3, 2013, our sales and marketing organization consisted of approximately 500 employees, many of whom have responsibility for emerging accounts, for large, global accounts, or for our distributors. Our sales force has specialized product and service knowledge that enables us to sell specific offerings at key levels throughout a customer’s organization.

As part of our global reach, we have a number of sales offices located in various countries, with a significant presence in Asia, which is a key center of the worldwide electronics supply chain. Many of our customers design products in North America or Europe that are then manufactured in Asia. We maintain dedicated regional customer support call centers, where we address customer issues and handle logistics and other order fulfillment requirements. We believe we are well-positioned to support our customers throughout the design, technology transfer and manufacturing stages across all geographies.

Operations

We use third-party contract manufacturers for a significant majority of our assembly and test operations, including ASE Korea Inc., and Inari Technology SDN BHD. A portion of our front-end wafer manufacturing operations is outsourced to external foundries, including Taiwan Semiconductor Manufacturing Company Ltd., or TSMC, and WIN Semiconductors Corp. We maintain our internal fabrication facilities for products utilizing our innovative materials and processes to protect our intellectual property and to develop the technology for manufacturing, while we outsource standard CMOS processes. Examples of internally fabricated semiconductors include FBAR filters for wireless communications and VCSEL-based and indium phosphide-based lasers for fiber optic communications. The majority of our internal III-V semiconductor wafer fabrication is done in the United States and Singapore. As of November 3, 2013, approximately 2,600 manufacturing employees were devoted to our internal fabrication operations as well as management of outsourced activities. 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, and in some instances, we may only qualify one contract manufacturer to manufacture certain of our products. For selected customers, we maintain finished goods inventory near or at customer manufacturing sites to support their just-in-time production.

Materials and Suppliers

Our manufacturing operations employ a wide variety of semiconductors, electromechanical components and assemblies and raw materials. We purchase materials from hundreds of suppliers on a global basis. These supply relationships are generally conducted on a purchase order basis. While we have not experienced any significant difficulty in obtaining the materials used in the conduct of our business and we believe that no single supplier is material, some of the parts are not readily available from alternate suppliers due to their unique design or the length of

time necessary for re-design or qualification. Our long-term relationships with our suppliers allow us to proactively manage our technology development and product discontinuance plans, and to monitor our suppliers' financial health. Some suppliers may nonetheless extend their lead times, limit supplies, increase prices or cease to produce necessary parts for our products. If these are unique components, we may not be able to find a substitute quickly, or at all. To address the potential disruption in our supply chain, we may use a number of techniques, including qualifying more than one source of supply, redesigning products for alternative components and incremental, or in some cases "lifetime", purchases of affected parts for supply buffer.

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Competition

The global semiconductor market is highly competitive. Our competitors range from large, international companies offering a wide range of products to smaller companies specializing in narrow markets. We compete with integrated device manufacturers, or IDMs, and fabless semiconductor companies as well as the internal resources of large, integrated OEMs. The competitive landscape is changing as a result of a trend toward consolidation within the industry, as some of our competitors have merged with or been acquired by other competitors while others have begun collaborating with each other. We expect this consolidation trend to continue. We expect competition in the markets in which we participate to continue to increase as existing competitors improve or expand their product offerings and as new companies enter the market. Additionally, our ability to compete effectively depends on a number of factors, including: 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.

In the wireless communications target market, we provide RF amplifiers, filters modules and ambient light and proximity sensors for mobile phones. Our primary competitors for this target market are ams AG (formerly TAOS Inc.), Murata Manufacturing Co., Ltd., RF Micro Devices, Inc., Skyworks Solutions, Inc., and TriQuint Semiconductor, Inc. We compete based on our expertise in amplifier design, FBAR technology and module integration. We also compete against a number of smaller, niche wireless players based on our proprietary design expertise, broad product portfolio, proprietary material processes and integration expertise.

In the wired infrastructure target market, we provide fiber optic transceivers and SerDes ASICs for high-speed data communications and server applications. Our primary competitors for this target market are Finisar Corporation, International Business Machines Corp. (Microelectronics Division), LSI Corporation, ST Microelectronics N.V. and Sumitomo Corporation. We compete based on the strength of our high speed proprietary design expertise, our customer relationships, proprietary process technology and broad product portfolio.

In the industrial & other target market, we provide fiber optic transceivers for communication networks, LEDs for displays, motion control encoders and subsystems and optocouplers for factory automation and motor controls. Our primary competitors for this target market are Analog Devices, Inc., Cree, Inc., Hamamatsu Photonics K.K., Heidenhain Corporation, Renesas Electronics Corporation and Toshiba Corporation. We compete based on our design expertise, broad product portfolio, reputation for quality products and large customer base.

Intellectual Property

Our success depends in part upon our ability to protect our intellectual property. To accomplish this, we rely on a combination of intellectual property rights, including patents, copyrights, trademarks, service marks, trade secrets and similar intellectual property, as well as customary contractual protections with our customers, suppliers, employees and consultants, and through security measures to protect our trade secrets. We believe our current product expertise, key engineering talent and intellectual property portfolio provide us with a strong platform from which to develop application specific products in key target markets.

As of November 3, 2013, we had approximately 3,100 U.S. and foreign patents and approximately 800 U.S. and foreign pending patent applications. Our research and development efforts are presently resulting in approximately 100 new patent applications per year relating to a wide range of ASIC, isolation, encoder, LED, RF and optoelectronic components and associated applications. The expiration dates of our patents range from 2013 to 2033, with a small number of patents expiring in the near future, none of which are expected to be material to our intellectual property portfolio. We are not substantially dependent on any single patent or group of related patents.

We focus our patent application program to a greater extent on those inventions and improvements that we believe are likely to be incorporated into our products, as contrasted with more basic research. However, we do not know whether any of our pending patent applications will result in the issuance of patents or the extent to which the examination process could require us to narrow our claims.

We have also entered into a variety of intellectual property licensing and cross-licensing arrangements. A meaningful portion of our intellectual property is the subject of cross-licenses to other companies that have been granted by Agilent Technologies, Inc., or if originally derived from Hewlett-Packard Company, by Hewlett-Packard Company. In addition, we license third-party technologies that are incorporated into some elements of our design activities,

products and manufacturing processes. Historically, licenses of the third-party technologies used by us have been available to us on acceptable terms.

The semiconductor industry is characterized by the existence of a large number of patents, copyrights, trademarks and trade secrets and by the vigorous pursuit, protection and enforcement of intellectual property rights. Many of our customer agreements require us to indemnify our customers for third-party intellectual property infringement claims. This has in the past required, and may in the future require, that we defend those claims, and might also require that we pay damages in the case of

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adverse rulings. Claims of this sort could harm our relationships with our customers and might deter future customers from doing business with us. With respect to any intellectual property rights claims against us or our customers or distributors, we may be required to cease manufacture of the infringing product, pay damages, expend resources to develop non-infringing technology, seek a license which may not be available on commercially reasonable terms or at all, or relinquish patents or other intellectual property rights.

Employees

As of November 3, 2013, we had approximately 4,800 employees worldwide. Approximately 1,400 were dedicated to research and development, 2,600 to manufacturing, 500 to sales and marketing and 300 to general and administrative functions. By geography, approximately 42% of our employees are located in Asia, 52% in North America, and 6% in Europe. The substantial majority of our employees are not party to a collective bargaining agreement. However in Asia, approximately 300 of our 900 employees in Singapore, none of whom are in management or supervisory positions, are subject to a collective bargaining agreement with United Workers of Electronic and Electrical Industries, which expires on June 30, 2016, and some of our employees in Japan are subject to a collective bargaining agreement. In Europe, all of our employees in Italy are subject to a collective bargaining agreement. In Italy we are also subject to national collective agreements between unions and employer associations. Such Italian national collective agreements are compulsory for both the employees and the employer. In addition, in Germany we are subject to collective agreements with the works councils at our sites, which apply to German employees other than managing directors and managers with similar authority. In Mexico, approximately 500 of our 700 employees are subject to a collective bargaining agreement, none of whom are in management or supervisory positions. We believe we have a good working relationship with our employees and we have never experienced an interruption of business as a result of labor disputes.

Environmental and Other Regulation

Our research and development and manufacturing operations involve the use of hazardous substances and are regulated under international, federal, state and local laws governing health and safety and the environment. These regulations include limitations on discharge of pollutants to air, water, and soil; remediation requirements; product chemical content limitations; manufacturing chemical use and handling restrictions; pollution control requirements; waste minimization considerations; and treatment, transport, storage and disposal of solid and hazardous wastes. We are also subject to regulation by the United States Occupational Safety and Health Administration and similar health and safety laws in other jurisdictions.

We believe that our properties and operations at our facilities comply in all material respects with applicable environmental laws and worker health and safety laws; however, the risk of environmental liabilities cannot be completely eliminated and there can be no assurance that the application of environmental and health and safety laws to our business will not require us to incur significant expenditures.

We are also regulated under a number of international, federal, state and local laws regarding recycling, product packaging and product content requirements, including legislation enacted in the European Union and China, among a growing number of jurisdictions, which have placed greater restrictions on the use of lead, among other chemicals, in electronic products, which affects materials composition and semiconductor packaging. These laws are becoming more stringent and may in the future cause us to incur significant expenditures. We are also subject to new SEC rules 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 rules require companies to diligence, disclose and report on whether or not such minerals originate from the Democratic Republic of Congo and adjoining countries. The implementation of these rules 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.

Backlog

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

future sales.

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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, 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.

Financial Information about Geographic Areas

For information on the geographic concentration of our net revenues and long-lived assets, please see Note 13. “Segment Information,” of our consolidated financial statements, included elsewhere in the Annual Report on Form 10-K.

Other Information

Avago Technologies Limited was incorporated under the laws of the Republic of Singapore in August 2005. Our Singapore company registration number is 200510713C. The address of our registered office and our principal executive offices is 1 Yishun Avenue 7, Singapore 768923, and our telephone number is +65-6755-7888. Our ordinary shares are listed on the Nasdaq Global Select Market under the trading symbol “AVGO”.

We are subject to the information and periodic reporting requirements of the Securities Exchange Act of 1934, or Exchange Act, and, in accordance therewith, file periodic reports, proxy statements and other information with the SEC. Such periodic reports, proxy statements and other information is available for inspection and copying at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549 or may be obtained by calling the SEC at 1–800–SEC–0330. In addition, the SEC maintains a website at http://www.sec.gov that contains reports, proxy statements and other information regarding issuers that file electronically with the SEC. We maintain a website at www.avagotech.com. You may access our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other reports (and amendments thereto) filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act with the SEC free of charge at the “Investors — SEC Filings” section of our website, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The reference to our website address does not constitute incorporation by reference of the information contained on or accessible through our website.

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ITEM 1A. RISK FACTORS

Our business, operations and financial results are subject to various risks and uncertainties, including those described below, that could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our ordinary shares. The following important factors, among others, could cause our actual results to differ materially from those expressed in forward-looking statements made by us or on our behalf in filings with the SEC, press releases, communications with investors and oral statements.

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. If 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 our 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 fiscal year 2013, Foxconn Technology Group companies together accounted for 18% of our net revenue (20% in the fourth quarter of fiscal year 2013) and our top 10 customers, which included three distributors, collectively accounted for 64% of our net revenue. During fiscal year 2012, Foxconn Technology Group companies together accounted for 17% of our net revenue, and our top 10 customers, which included three distributors, collectively accounted for 62% of our net revenue. We also believe that aggregate sales of our products to certain of our customers exceeds the amount of our direct sales to them. For example, we believe our aggregate sales to Apple Inc. and Cisco Systems, Inc., when direct sales are combined with indirect sales to them through the respective contract manufacturers that they utilize, each accounted for more than 10% of our net revenues, respectively, for fiscal year 2013. 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

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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 products. During the fiscal years 2013 and 2012, revenue from our wireless communications target market accounted for 48% and 45% of our net revenue, respectively. 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 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;
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our ability to successfully and timely integrate, and realize the benefits of, our acquisition of CyOptics, Inc., or CyOptics, and any other significant acquisitions we may make;

- new product announcements and introductions by us or our competitors;

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- 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 12 to 18 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.

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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 does not align with projected market requirements, this could also have a material adverse effect on our business and results of operations.

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

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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. 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 Corporation, or LSI, which will be our largest acquisition to date, by a significant margin.

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

Our ability to integrate significant acquisitions is unproven, and any failure to successfully integrate the business, operations and employees of CyOptics, which we acquired on June 28, 2013, or to otherwise realize the anticipated benefits of the acquisition, could harm our result 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 CyOptics 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 CyOptics include:

- combining and rationalizing our respective product offerings;
- preserving customer, supplier and other important relationships of both CyOptics and Avago;
- improving gross margin (including by improving fabrication facility, or fab, utilization rates) and maintaining or improving average selling prices of CyOptics products;
- coordinating and integrating operations in Mexico, a country in which Avago has not previously operated;
- 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 acquisition of CyOptics are, necessarily, based on projections and assumptions about the combined businesses of Avago and CyOptics and assume, among other things, the successful integration of CyOptics into our business and operations. We may not successfully integrate CyOptics 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. These risks may also apply to our pending acquisition of LSI.

In addition, our future effective tax rate is likely to increase as a result of the acquisition of CyOptics. The majority of CyOptics revenue is generated in the United States, which has a higher statutory tax rate than many other jurisdictions in which we operate, and such revenues will not receive the benefits of the tax incentive arrangements we have negotiated in Singapore and Malaysia. Similarly, the acquisition will significantly increase the amount of our goodwill

and other intangible assets, which could adversely affect our future results of operations.

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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 gallium arsenide, or 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

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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 affect 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 fiscal year 2013, we purchased 55% of the materials for our manufacturing processes from six suppliers. For fiscal year 2012, we purchased 54% 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.

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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 may 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

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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, affect our overall gross margin. For example, CyOptics products typically carry a lower gross margin, on average, than Avago products and, as a result, the acquisition of CyOptics may have an adverse effect on our gross margin unless we are able to improve the gross margins of the acquired business.

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, October 28, 2012 and October 30, 2011, 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, $81 million, and $82 million, respectively, and increase diluted net income per share by $0.31, $0.33 and $0.32, 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

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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;

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- 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, CyOptics and 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.

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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 November 3, 2013, we had an aggregate of approximately $32 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 28% and 32% of our net revenue for fiscal year 2013 and fiscal year 2012, respectively.

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

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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 November 3, 2013, 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;

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- 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 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. During fiscal year 2012, we recorded an aggregate of $7 million in credits to research and development expense and $1 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

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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. We have not previously had to comply with ITAR and are currently integrating CyOptics' ITAR controls and compliance with our own programs. 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 affect 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.

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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 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, as well as using 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 October 28, 2012, 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. We are in the process of integrating our and CyOptics financial and controls, to ensure the effectiveness of their controls and procedures. However, there can be no assurance that we will be able to do so effectively in the one-year post-acquisition exemption period or at all.

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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

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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. 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.

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;
- 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

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type of litigation in the future. Securities litigation against us 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 September 30, 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.

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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 Annual Report on Form 10-K could result in the actual operating results being different than the guidance, and such differences may be adverse and material.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

Our principal executive offices are located in Yishun, Singapore, and the headquarters for our U.S. subsidiaries is located in San Jose, California. We conduct our administration, manufacturing, research and development and sales and marketing in both owned and leased facilities. We believe that our owned and leased facilities are adequate for our present operations. The following is a list of our principal facilities and their primary functions.

Site	Major Activity	Owned/Leased	Square Footage	Lease Expiration
Yishun, Singapore	Administration, Manufacturing, Research and Development and Sales and Marketing	Leased	101,500	November 2015
San Jose, CA, United States	Administration, Research and Development and Sales and Marketing	Leased	139,000	November 2015
Penang, Malaysia	Manufacturing, Research and Development, and Administration	Owned—Building Leased—Land	318,000 925,000	NA May 2051
Fort Collins, CO, United States	Manufacturing and Research and Development	Owned	1,001,800	NA
Jitra, Malaysia	Manufacturing	Owned—Building Leased—Land	50,100 258,800	NA April 2051
Senoko, Singapore	Manufacturing	Owned—Building Leased—Land	52,200 72,000	Not applicable (NA) September 2029
Breinigsville, PA, United States	Administration, Manufacturing, Research and Development and Sales and Marketing	Leased Leased	103,000 14,300	October 2017 July 2014
Matamoros, Tamaulipas, Mexico	Manufacturing	Leased	81,750	December 2015
Seoul, Korea	Research and Development and Sales and Marketing	Leased	72,000	October 2015
Wuxi, China	Administration, Manufacturing and Research and Development and Sales	Leased	58,000	May 2015
Depot Road, Singapore	Manufacturing	Leased	50,175	October 2030
Turin, Italy	Manufacturing, Research and Development Manufacturing, Research and Development	Leased Leased	15,000 23,600	April 2018 June 2017
Samorin, Slovakia	Manufacturing	Leased	31,000	March 2018
South Plainfield, NJ, United States	Manufacturing	Leased	21,100	July 2014
Boeblingen, Germany	Administration, Research and Development and Sales and Marketing	Leased	19,000	April 2015
Shirakawa, Japan	Manufacturing and Research and Development	Owned	17,000	NA
Sarego, Italy	Administration, Manufacturing and Research and Development and Sales and Marketing	Owned	14,500	NA
Munich, Germany	Research and Development	Leased	10,900	September 2019

Regensburg, Germany	Manufacturing, Research and Development and Marketing	Leased	10,400	June 2015
Austin, TX, United States	Administration, Manufacturing, Research and Development and Sales and Marketing	Leased	9,500	January 2015

ITEM 3. LEGAL PROCEEDINGS

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 and employment issues. As of the date of this filing, we are not involved in any pending legal proceedings that we believe would likely have a material adverse effect on our financial condition, results of operations or cash flows. However, from time to time certain disputes involve claims by third parties that our activities infringe their patent, copyright, trademark or other intellectual property rights. These 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

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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.

ITEM 4. MINE SAFETY DISCLOSURES

None.

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PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our ordinary shares are listed on The Nasdaq Global Select Market under the symbol "AVGO". The following table sets forth, for each quarterly period presented, the high and low sales prices of our ordinary shares as reported by The Nasdaq Global Select Market:

	Market Prices	
	High	Low
Fiscal Year ended October 28, 2012		
First Quarter (ended January 29, 2012)	$35.00	$27.39
Second Quarter (ended April 29, 2012)	$39.22	$32.38
Third Quarter (ended July 29, 2012)	$36.47	$29.70
Fourth Quarter (ended October 28, 2012)	$37.88	$32.39
Fiscal Year ended November 3, 2013		
First Quarter (ended February 3, 2013)	$36.30	$30.50
Second Quarter (ended May 5, 2013)	$36.98	$30.57
Third Quarter (ended August 4, 2013)	$39.74	$31.96
Fourth Quarter (ended November 3, 2013)	$47.21	$35.75

Holders

As of December 6, 2013, there were 4 holders of record of our ordinary shares. A substantially greater number of shareholders are "street name" or beneficial holders, whose shares are held of record by banks, brokers and other financial institutions.

Dividends

In fiscal years 2013 and 2012, we declared and paid the following quarterly cash dividends:

	Fiscal Year 2013	Fiscal Year 2012
First Quarter	$0.17	$0.12
Second Quarter	$0.19	$0.13
Third Quarter	$0.21	$0.15
Fourth Quarter	$0.23	$0.16

Our board of directors, or Board, has adopted a dividend policy authorizing us to pay a cash dividend on a quarterly basis. On December 10, 2013, our Board declared an interim cash dividend of $0.25 per share payable on December 31, 2013 to shareholders of record at the close of business (5:00 p.m.), Eastern Time, on December 20, 2013. In fiscal years 2013 and 2012, we paid an aggregate of $198 million and $137 million, respectively, in dividends to our shareholders.

Our Board reviews our dividend policy regularly and the declaration and payment of any future cash dividends will be at the discretion and approval of our Board, and subject to the Board's continuing determination that they are in the Company's best interests. Future dividend payments will also depend upon such factors as our earnings level, capital requirements, contractual restrictions, cash position, overall financial condition and any other factors deemed relevant by our Board.

The payment of cash dividends on our ordinary shares is restricted under applicable law and our corporate structure. Pursuant to Singapore law and our articles of association, no cash 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 may be limited by restrictions on our ability to obtain sufficient funds through dividends from subsidiaries, including restrictions under the terms of agreements governing our indebtedness.

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Issuer Purchases of Equity Securities

Share Repurchase Program

On April 11, 2013, we announced that our Board had authorized the Company to repurchase up to 20 million of its ordinary shares, or the 2013 share repurchase program. This replaced the 2012 share repurchase program announced by the Company on June 8, 2012, which expired on April 9, 2013. Shares 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. All shares repurchased are immediately retired. The 2013 share repurchase program will expire on the day prior to the Company's 2014 annual general meeting of shareholders, or AGM, unless earlier terminated.

The following table presents details of our share repurchases during the fiscal quarter ended November 3, 2013:

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)	Shares Available Under Repurchase Programs
				(in millions)
August 5, 2013 - September 1, 2013	300,000	$36.99	300,000	18.7
September 2, 2013 - September 29, 2013	386,650	$39.14	386,650	18.3
September 30, 2013 - November 3, 2013	165,734	$43.16	165,734	18.1
Total	852,384	$39.16	852,384	

(1) All share repurchases during the fiscal quarter ended November 3, 2013 were made in open market transactions in accordance with Rule 10b-18 under the Exchange Act, pursuant to the 2013 share repurchase program discussed above.

Share Performance Graph

The following graph shows a comparison of cumulative total return for the Company’s ordinary shares, the Standard & Poor’s 500 Stock Index, or S&P 500 Index, and the Philadelphia Semiconductor Index, or PHLX Semiconductor Index. The graph covers the period from August 6, 2009 (the first trading day of our ordinary shares on the Nasdaq Global Select Market) to November 1, 2013, the last trading day of our fiscal year 2013. While the initial public offering price of our ordinary shares was $15.00 per share, the graph assumes the initial value of our ordinary shares on August 6, 2009 was the closing sales price of $16.18 per share on that day. The total return graph and table assume that $100 was invested on August 6, 2009 in Avago Technologies Limited ordinary shares and $100 was invested on July 31, 2009 for each the S&P 500 Index and the PHLX Semiconductor Index and assumes all dividends are reinvested. Indexes are calculated on a month-end basis.

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The comparisons in the graph below are based on historical data and are not indicative of, or intended to forecast, the possible future performance of our ordinary shares.

Comparison of 51 Month Cumulative Total Return
Among Avago Technologies Limited, the S&P 500 Index and the PHLX Semiconductor Index

	8/6/2009	11/1/2009	10/31/2010	10/30/2011	10/28/2012	11/3/2013
Avago Technologies Limited	$100	$93	$ 153	$ 210	$ 215	$290
S&P 500 Index	100	105	123	133	153	195
PHLX Semiconductor Index	100	96	117	134	137	182

The graph and the table above shall not be deemed “filed” with the SEC for the purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing made by us with the SEC, regardless of any general incorporation language in such filing.

Securities Authorized for Issuance Under Equity Compensation Plans

The information required by this item regarding securities authorized for issuance under equity compensation plans is incorporated herein by reference to the definitive Proxy Statement for our 2014 Annual Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended November 3, 2013.

ITEM 6. SELECTED FINANCIAL DATA

You should read the following selected consolidated financial data together with the information included under the headings “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our historical financial statements and related notes included elsewhere in this Annual Report on Form 10-K. The selected consolidated statements of operations data for the fiscal years ended November 3, 2013, October 28, 2012 and October 30,

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2011 and the selected balance sheet data as of November 3, 2013 and October 28, 2012 have been derived from audited historical financial statements and related notes included elsewhere in this Annual Report on Form 10-K. The selected consolidated statements of operations data for the fiscal years ended October 31, 2010 and November 1, 2009 and the selected balance sheet data as of October 30, 2011, October 31, 2010 and November 1, 2009 have been derived from audited historical financial statements and related notes not included in this Annual Report on Form 10-K. The historical financial data may not be indicative of our future performance. We adopted a 52-or 53-week fiscal year beginning with our fiscal year 2008. Our fiscal year ends on the Sunday closest to October 31. Our fiscal year 2013 was a 53-week fiscal year.

Summary of Five Year Selected Financial Data

	Fiscal Year Ended				
	November 3, 2013	October 28, 2012	October 30, 2011	October 31, 2010	November 1, 2009
	(In millions, except per share amounts)				
Statement of Operations Data:					
Net revenue	$2,520	$2,364	$2,336	$2,093	$1,484
Cost of products sold:					
Cost of products sold(1)	1,260	1,164	1,133	1,068	855
Amortization of intangible assets	61	56	56	58	58
Restructuring charges(2)	1	2	—	1	11
Total cost of products sold	1,322	1,222	1,189	1,127	924
Gross margin	1,198	1,142	1,147	966	560
Research and development	398	335	317	280	245
Selling, general and administrative(1)	222	199	220	196	165
Amortization of intangible assets	24	21	22	21	21
Restructuring charges(2)	2	5	4	3	23
Advisory agreement termination fee(3)	—	—	—	—	54
Selling shareholder expenses(4)	—	—	—	—	4
Total operating expenses	646	560	563	500	512
Income from operations(4)(5)	552	582	584	466	48
Interest expense(6)	(2)	(1)	(4)	(34)	(77)
Loss on extinguishment of debt	(1)	—	(20)	(24)	(8)
Other income (expense), net	19	4	1	(2)	1
Income (loss) before taxes	568	585	561	406	(36)
Provision for (benefit from) income taxes(7)	16	22	9	(9)	8
Net income (loss)	$552	$563	$552	$415	$(44)
Net income (loss) per share:					
Basic	$2.23	$2.30	$2.25	$1.74	$(0.20)
Diluted	$2.19	$2.25	$2.19	$1.69	$(0.20)
Weighted average shares:					
Basic	247	245	245	238	219
Diluted	252	250	252	246	219
Balance Sheet Data (at end of period):					
Cash and cash equivalents	$985	$1,084	$829	$561	$472
Total assets	$3,415	$2,862	$2,446	$2,157	$1,970
Long-term debt and capital lease obligations	$1	$2	$4	$4	$233

Total shareholders' equity	$2,886	$2,419	$2,006	$1,505	$1,040
Other Financial Data:					
Cash dividends declared and paid per share	$0.80	$0.56	$0.35	$—	$—

(1) During the fiscal year ended November 3, 2013, we incurred acquisition related costs of $23 million, of which $11 million was recorded as part of operating expenses and the remainder was recorded as part of cost of products sold. During the fiscal years ended October 28, 2012 and October 30, 2011, acquisition related costs were not material.

(2) Our restructuring charges predominantly represent employee termination benefits. During the fiscal year ended November 3, 2013, we incurred restructuring charges of $3 million, of which $2 million was recorded as part of

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operating expenses and the remainder was recorded as part of cost of products sold. During the fiscal year ended October 28, 2012, we incurred restructuring charges of $7 million, all of which $5 million was recorded as part of operating expenses and the remainder was recorded as part of cost of products sold. During the fiscal year ended October 30, 2011, we incurred restructuring charges of $4 million all of which was recorded as part of operating expenses. During the fiscal year ended October 31, 2010, we incurred restructuring charges of $4 million, of which $3 million was recorded as part of operating expenses and the remainder was recorded as part of cost of products sold. During the fiscal year ended November 1, 2009, we incurred restructuring charges of $34 million, of which $23 million was recorded as part of operating expenses and the remainder was recorded as part of cost of products sold.

(3) The advisory agreement among the Company and investment funds affiliated with each of Kohlberg Kravis Roberts and Co., and Silver Lake Partners, together referred to as the Sponsors was terminated pursuant to its terms upon completion of our initial public offering in August 2009, for a termination fee of $54 million.

(4) We recorded $4 million in selling shareholder expenses, in connection with the IPO, on behalf of the selling shareholders in the offering.

(5) Includes share-based compensation expense of $77 million for the fiscal year ended November 3, 2013, $53 million for the fiscal year ended October 28, 2012, $38 million for the fiscal year ended October 30, 2011, $25 million for the fiscal year ended October 31, 2010 and $12 million for the fiscal year ended November 1, 2009.

(6) Interest expense for the fiscal years ended November 3, 2013 and October 28, 2012 includes commitment fees for the $300 million unsecured revolving credit facility and amortization expense of related debt issuance costs. Interest expense for the fiscal years ended October 30, 2011, October 31, 2010 and November 1, 2009 includes interest expense on our 10 1/8% Senior Notes due 2013, or our senior notes, and our Floating Rate Notes due 2013, or our floating rate notes, both of which were fully redeemed during the first quarter of fiscal year 2010, and our 11 7/8% Senior Subordinated Notes due 2015, or senior subordinated notes, which were fully redeemed during the first quarter of fiscal year 2011.

(7) During fiscal year 2013, the provision for income taxes was $16 million. The decrease from fiscal year 2012 is primarily attributable to a benefit of $2 million from the recognition of previously unrecognized tax benefits as a result of the expiration of the statute of limitations for certain audit periods, a benefit of $3 million from the enactment of the American Taxpayer Relief Act of 2012, which was signed into law on January 2, 2013, retroactively extending the U.S. Federal Research and Development tax credit from January 1, 2012 to December 31, 2013, and an additional $1 million decrease in tax provision primarily due to a change in the jurisdictional mix of income and expense. In fiscal year 2012, the provision for income taxes was $22 million. The increase from fiscal year 2011 is primarily attributable to an increase in worldwide income and a change in the jurisdictional mix of income and expense. The provision for income taxes for fiscal year 2011 included a $3 million tax benefit from the write-up of deferred tax assets from U.S. legislation retroactively reinstating the research and development tax credit and a $3 million tax benefit from a change in estimate related to research and development tax credits. In fiscal year 2010, we recorded an income tax benefit totaling $9 million. The income tax benefit is associated with the release of $29 million of deferred tax asset valuation allowances, mainly associated with the Company irrevocably calling our senior subordinated notes for redemption in October 2010, partially offset by the write-off of $6 million of deferred tax assets resulting from the grant of Malaysia tax incentive status, and an increase in overall tax provision due to an increase in worldwide taxable income.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with "Selected Financial Data" and our consolidated financial statements and notes thereto which appear elsewhere in this Annual Report on Form 10-K. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the caption "Risk Factors" or in other parts of this Annual Report on Form 10-K.

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.

We have an over 50-year history of innovation, dating back to our origins within Hewlett-Packard Company. Over the years, we have assembled a large team of analog design engineers around the world. We maintain design and product development engineering resources at multiple locations in each of the United States, Asia and Europe, which allows us to leverage this worldwide engineering expertise. Our history and market position enable us to strategically focus our research and development resources to address niche opportunities in our target markets. We have also developed an extensive portfolio of U.S. and foreign patents and other intellectual property, and we leverage our significant intellectual property portfolio to integrate multiple technologies and create component solutions that target growth opportunities. We design products that deliver high-performance and provide mission-critical functionality. In particular, we were among the first to deliver commercial film bulk acoustic resonator, or FBAR, filters which offer technological advantages over competing filters for smartphones to function more efficiently in today's congested RF spectrum. FBAR technology has historically maintained a significant market share within code division multiple access, or CDMA, and 3G/W-CDMA markets. As cellular carriers move to the 4G/long term evolution, or LTE, and LTE-advanced standards worldwide, we believe these advantages will continue to facilitate rapid adoption of FBAR technology throughout the mobile phone ecosystems. In optical solutions, we were a pioneer in commercializing vertical-cavity surface emitting laser, or VCSEL. Our fiber optic products and our VCSEL-based products, including high bandwidth parallel optic transceivers and modules, have been widely adopted throughout the wired infrastructure and computing industries. In optoelectronics, we are a market leader in optocoupler and optical encoder solutions.

Original equipment manufacturers, or OEMs, and distributors typically account for the substantial majority of our sales. We have established strong relationships with leading OEM customers across multiple target markets. Many of our major customer relationships have been in place multiple years and we have supplied multiple products during that time period. Our close customer relationships have often been built as a result of years of collaborative product development which has enabled us to build our intellectual property portfolio and develop critical expertise regarding our customer's requirements, including substantial system level knowledge. This collaboration has provided us with key insights into our customers and has enabled us to be more efficient and productive and to better serve our target markets and customers. We have a direct sales force focused on supporting large OEMs. We also distribute a substantial portion of our products through our broad distribution network, and a significant amount of these sales are to large global electronic components distributors, including Avnet, Inc. and Arrow Electronics, Inc. We also have a diversified and well-established base of thousands of end customers, located throughout the world, which we serve through our multi-channel sales and fulfillment system.

We focus on maintaining an efficient global supply chain and a variable, low-cost operating model. Accordingly, we have outsourced a majority of our manufacturing operations utilizing third-party foundry and assembly and test capabilities, as well as some of our corporate infrastructure functions. We aim to minimize capital expenditures by focusing our internal manufacturing capacity on products utilizing our innovative materials and processes to protect our intellectual property and to develop the technology for manufacturing, while outsourcing standard complementary metal oxide semiconductor, or CMOS, processes. We also have over 40 years of operating history in Asia, where approximately 42% of our employees are located and where we produce and source the majority of our products. Our presence in Asia places us in close proximity to many of our customers' manufacturing facilities and at the center of worldwide electronics manufacturing.

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Our business is impacted by general conditions of the semiconductor industry, seasonal demand patterns in our target markets, to some extent, and the timing of major product launches by our OEM customers, particularly in our wireless target market. In recent years our wireless target market has typically accounted for the largest portion of our revenue. However, we believe that our focus on multiple target markets and geographies helps mitigate our exposure to volatility in any single target market.

Erosion of average selling prices of established products is typical of the semiconductor industry. Consistent with trends in the industry, we anticipate that average selling prices will continue to decline in the future. However, as part of our normal course of business, we seek to offset declining average selling prices with efforts to reduce manufacturing costs of existing products and the introduction of new and higher value-added products.

Historically, a relatively small number of customers have accounted for a significant portion of our net revenue. Sales to distributors accounted for 28% and 32% of our net revenue for the fiscal years ended November 3, 2013 and October 28, 2012, respectively. During the fiscal year ended November 3, 2013, or fiscal year 2013, Foxconn Technology Group companies, or Foxconn, accounted for 18% of our net revenue, and our top direct ten customers, which included three distributors, collectively accounted for 64% of our net revenue. During the fiscal year ended October 28, 2012, or fiscal year 2012, Foxconn accounted for 17% of our net revenue and our top ten customers, which included three distributors, collectively accounted for 62% of our net revenue. We believe our aggregate sales to Apple, Inc. and Cisco Systems, Inc., when direct sales are combined with indirect sales to them through the respective contract manufacturers that they utilize, each accounted for more than 10% of our net revenues, for fiscal year 2013 and fiscal year 2012. We expect to continue to experience significant customer concentration in future periods. The loss of, or significant decrease in demand from, any of our top ten customers could have a material adverse effect on our business, results of operation and financial condition.

The demand for our products has been affected in the past, and is likely to continue to be affected in the future, by various factors, including the following:

- general economic and market conditions in the semiconductor industry and in our target markets;
- our ability to define specifications for, develop or acquire, complete, introduce and market, new products and technologies in a cost-effective and timely manner;
- the timing, rescheduling or cancellation of expected customer orders and our ability to manage inventory;
- the rate at which our present and future customers and end-users adopt our products and technologies in our target markets, and the rate at which our customers' products that include our technology are accepted in their markets; and
- the qualification, availability and pricing of competing products and technologies and the resulting effects on sales and pricing of our products.

Current uncertainty in global economic conditions, including the economic recovery in the United States and the level of growth in China, still poses significant risks to our business. For example, customers may defer purchases in response to tighter credit and negative financial news, which would in turn negatively affect product demand and our results of operations.

Net Revenue

Substantially all of our net revenue is derived from sales of semiconductor devices which our customers incorporate into electronic products. We serve three primary target markets: wireless communications, wired infrastructure and industrial & other. 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. We sell our products primarily through our direct sales force, although we may also use manufacturers representatives in particular geographic areas and for new customers. We also use distributors for a portion of our business and recognize revenue upon delivery of product to the distributors. Such revenue is reduced for estimated returns and distributor allowances.

Our legacy consumer and computing peripherals target market historically represented a small portion of our total net revenue. As this became a mature and non-strategic market for us, during fiscal year 2012, we transitioned from manufacturing and selling products to selling and licensing intellectual property relevant to this market. This transition was completed in the fourth quarter of fiscal year 2012 and we now generate royalty revenue instead of product sales from this former target market. Due to the structure of these licensing arrangements, royalty revenue may fluctuate

from period to period. Beginning with fiscal year 2013, we ceased to separately present or discuss revenues from the consumer and computing peripherals target market. Instead, they have been combined with revenues from our industrial and automotive electronics target market, which is referred to as our industrial & other target market.

Costs and Expenses

Total cost of products sold. Cost of products sold consists primarily of the cost of semiconductor wafers and other materials, and the cost of assembly and test. Cost of products sold also includes personnel costs and overhead related to our manufacturing operations, including share-based compensation, and related occupancy, computer services and equipment costs,

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manufacturing quality, order fulfillment, warranty and inventory adjustments, including write-downs for inventory obsolescence, energy costs, other manufacturing expenses and acquisition-related costs. Total cost of products sold also includes amortization of intangible assets and restructuring charges.

Although we outsource a significant portion of our manufacturing activities, we also have some proprietary semiconductor fabrication and assembly and test facilities. If we are unable to utilize our owned fabrication and assembly and test facilities at a desired level, the fixed costs associated with these facilities will not be fully absorbed, resulting in higher average unit costs and lower gross margins.

Research and development. Research and development expense consists primarily of personnel costs for our engineers engaged in the design and development of our products and technologies, including share-based compensation expense. These expenses also include project material costs, third-party fees paid to consultants, prototype development expenses, allocated facilities costs and other corporate expenses, computer services costs related to supporting computer tools used in the engineering and design process and acquisition-related costs.

Selling, general and administrative. Selling expense consists primarily of compensation and associated costs for sales and marketing personnel, including share-based compensation expense, sales commissions paid to our independent sales representatives, costs of advertising, trade shows, corporate marketing, promotion, travel related to our sales and marketing operations, related occupancy and equipment costs and other marketing costs. General and administrative expense consists primarily of compensation and associated costs for executive management, finance, human resources and other administrative personnel, outside professional fees, allocated facilities costs, acquisition-related costs and other corporate expenses.

Amortization of intangible assets. In connection with acquisitions, we recorded intangible assets that are being amortized over their estimated useful lives of 1 year to 25 years. In connection with these acquisitions, we also recorded goodwill which is not being amortized.

Interest expense. On March 31, 2011, we terminated our senior secured revolving credit facility, and Avago Technologies Finance Pte. Ltd., or Avago Finance, and certain other subsidiaries of the Company entered into a credit agreement which initially provided for a $200 million unsecured revolving credit facility, or the 2011 credit facility. On August 6, 2012, Avago Finance exercised the accordion feature under this credit agreement to increase the aggregate commitments for its unsecured revolving credit facility from $200 million to $300 million. Interest expense in fiscal year 2013 included commitment fees under our 2011 revolving credit facility and amortization of debt issuance costs associated with this credit facility. On October 28, 2013, we terminated the 2011 credit facility and Avago Finance, and certain other subsidiaries of the Company entered into a new credit agreement, which initially provides for a $575 million unsecured revolving credit facility, on substantially the same terms as the 2011 credit facility, other than the aggregate principal amount of the facility, referred to as the 2013 credit facility.

Loss on extinguishment of debt. In fiscal year 2013, the termination of the 2011 credit facility noted above resulted in a loss on extinguishment of debt of $1 million, related to the write-off of debt amortization costs and other related expenses and is shown on the consolidated statements of operations.

Other income, net. Other income, net includes net realized gains on the sale of available-for-sale securities, realized and unrealized gains on trading securities, gains on the sale of cost method investments, interest income, currency gains (losses) on balance sheet remeasurement and other miscellaneous items.

Provision for income taxes. 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, subject in certain cases to potential extensions. 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 such 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

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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 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. As a result of the tax incentives and tax holidays we have obtained, if we continue to comply with their respective operating conditions, we expect the income from our operations to be subject to relatively lower income taxes than would otherwise be the case under ordinary income tax rules. For the fiscal years ended November 3, 2013, October 28, 2012, and October 30, 2011, 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, $81 million and $82 million, 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.

Going forward, our effective tax rate will vary based on a variety of factors, including overall profitability, the geographical mix of income before income taxes and the related tax rates in the jurisdictions where we operate, as well as discrete events, such as settlements of future audits and acquisitions we may make from time to time. In particular, we may owe significant taxes in jurisdictions outside Singapore during periods when we are profitable in those jurisdictions even though we may be experiencing low operating profit or operating losses on a consolidated basis, potentially resulting in significant tax liabilities on a consolidated basis during those periods. Our historical provision for income taxes is not necessarily reflective of our future results of operations.

Acquisitions and Investments

Acquisitions

Javelin

In the second quarter of fiscal year 2013, we completed the acquisition of Javelin Semiconductor, Inc., or Javelin, a U.S.-based company engaged in developing mixed-signal complementary metal oxide semiconductor, or CMOS, integrated circuits, or ICs, for wireless communications applications for approximately $37 million in cash. This acquisition is intended to generate cost savings and form the foundation of the Company's radio frequency CMOS design and development for our wireless target market due to the radio frequency CMOS engineering talent and technical personnel and technology that we acquired in this transaction.

CyOptics

In the third quarter of fiscal year 2013, we completed our acquisition of CyOptics, Inc., or CyOptics, 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.

The aggregate consideration for the acquisition was $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 (exclusive of $3 million of cash acquired in the transaction). In addition, approximately $27 million in cash was paid into escrow and is payable to key CyOptics employees in the form of retention bonuses over a three-year period, and which we will recognize as compensation expense over the same period. We also agreed to pay additional consideration to the previous shareholders of CyOptics in the amount of $4 million, one year subsequent to acquisition closing, which was recorded as a current liability.

This transaction is intended to strengthen our fiber optics product portfolio for emerging 40G and 100G enterprise and data center applications for our wired infrastructure target market. CyOptics' single-mode InP laser, receiver and photonics integration capability is expected to help extend our technology leadership position in these applications. To date, Avago's optical transceiver products have primarily leveraged VCSEL-based technology. In addition, the

acquisition of CyOptics is expected to facilitate Avago's establishment of a complementary fiber optic components business, not only to serve enterprise and data center segments, but also for growing segments of the access, metro and long-haul markets. Our and CyOptics' products are complementary to one another, with little overlap between our respective product portfolios. As a result of the CyOptics acquisition, we acquired approximately 1,100 additional employees, with 745 of these employees located in Mexico.

The accompanying consolidated financial statements include the results of operations of acquired companies commencing on their respective acquisition dates. (See Note 3. "Acquisitions and Investments")

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. The aggregate acquisition consideration payable in the transaction is 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.

Investments

During the first quarter of fiscal year 2013, we invested $9 million in the common stock of a U.S.-based stock exchange listed company which is accounted for as a trading securities. (See Note 8. "Fair Value.")

During the third quarter of fiscal year 2013, in addition to our initial $1 million investment made in fiscal year 2010 in a non-U.S.-based stock exchange listed company resulting in our initial ownership of 33 million ordinary shares, we made an additional investment of $1 million in this company as part of a rights offering to its existing shareholders. In connection with this additional investment, we purchased approximately 8 million ordinary shares and received approximately 16 million warrants to acquire a corresponding number of ordinary shares of the company per the terms of the rights offerings. We classified our total investment in the company's ordinary shares as available-for-sale securities and the warrants as trading securities. In the fourth quarter of fiscal year 2013, we exited our entire investment in the ordinary shares and warrants of this company. For the fiscal year 2013, we realized net gains of $9 million, respectively, from the sale of the ordinary shares and warrants which were recorded in other income, net. (See Note 12. "Other Income, net")

During the fourth quarter of fiscal year 2013, we made a cash investment of $5 million in a privately-held non-U.S.-based company. We accounted for the investment in the equity of this company using the cost method, as we do not have the ability to exercise significant influence or control. We periodically review cost investments for impairment. This equity investment is included at cost on the consolidated balance sheets in other long-term assets.

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, 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.

Revenue recognition. We recognize revenue related to sales of our products, net of sales returns and allowances, provided that (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) the price is fixed or determinable and (iv) collectibility is reasonably assured. Delivery is considered to have occurred when title and risk of loss have transferred to the customer. We consider the price to be fixed or determinable when the price is not subject to refund or adjustments or when any such adjustments can be estimated. We evaluate the creditworthiness of our customers to determine that appropriate credit limits are established prior to the acceptance of an order. Revenue, including sales to resellers and distributors, is reduced for estimated returns and distributor allowances. We recognize revenue from sales of our products to distributors upon delivery of product to the distributors. An allowance for distributor credits, covering price adjustments and scrap allowances, is made based on our estimate of historical experience rates as well as consideration of prevailing economic conditions and contractual terms. To date, actual distributor claims activity has been materially consistent with the provisions we have made based on our historical estimates. However, because of the inherent nature of estimates, there is always a risk that there could be significant

differences between actual amounts and our estimates. Different judgments or estimates could result in variances that might be significant to reported operating results.

We enter into development agreements with some of our customers and recognize revenue from these agreements upon completion and acceptance by the customer of contract deliverables, upon achievement of milestones or as services are provided, depending on the terms of the arrangement. Revenue is deferred for any amounts billed or received prior to completion of milestones or delivery of services. As we retain the intellectual property generated from these development agreements, costs related to these arrangements are included in research and development expense.

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We recognize revenue from the licensing of our intellectual property when the following fundamental criteria are met:(i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) the sales price is fixed or determinable, and (iv) collection of resulting receivables is reasonably assured. Revenue from upfront payments for the licensing of our patents is recognized when the arrangement is mutually signed, if there is no future delivery or future performance obligation and all other criteria are met. Revenue from guaranteed royalty streams are recognized when paid, or collection is reasonably assured and all other criteria are met. When patent licensing arrangements include royalties for future sales of the licensees' products using our licensed patented technology, revenue is recognized when the royalty report is received from the licensee, at which time the sales price is fixed and determinable, provided that all other criteria have been met.

Accounting for business combinations. We use the acquisition method of accounting for business combinations and recognize assets acquired and liabilities assumed measured at their fair values on the date acquired. This requires us to recognize separately from goodwill the assets acquired and the liabilities assumed at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our consolidated statements of operations.

Accounting for business combinations requires our management to make significant estimates and assumptions, especially at the acquisition date, including our estimates for intangible assets, contractual obligations assumed, restructuring liabilities, pre-acquisition contingencies and contingent consideration, where applicable. Although we believe the assumptions and estimates we have made in the past have been reasonable and appropriate, they are based, in part, on historical experience and information obtained from the management of the acquired companies and are inherently uncertain. Critical estimates in valuing certain of the intangible assets we have acquired include, but are not limited to: future expected cash flows from product sales, customer contracts and acquired technologies, expected costs to develop in-process research and development into commercially viable products, estimated cash flows from the projects when completed, and discount rates. Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates or actual results.

Valuation of long-lived assets, intangible assets and goodwill. We assess the impairment of long-lived assets including business combinations related in-process research and development, or IPR&D, assets, property, plant and equipment, intangible assets and goodwill whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Factors we consider important, and which could trigger an impairment review of our long-lived and intangible assets, include significant under-performance relative to historical or projected future operating results, significant changes in the manner of our use of the acquired assets or the strategy for our overall business, and significant negative industry or economic trends. An impairment loss must be measured if the sum of the expected future cash flows (undiscounted and before interest) from the use of the asset is less than the net book value of the asset. The amount of the impairment loss will generally be measured as the difference between the net book value of the asset (or asset group) and its (their) estimated fair value.

We perform an annual impairment review of our goodwill during the fourth fiscal quarter of each year, and more frequently if we believe indicators of impairment exist, and we follow the two-step approach in performing the impairment test in accordance with the accounting guidance on goodwill and other intangible assets. The first step of the goodwill impairment test compares the estimated fair value of the reporting unit with the related carrying amount. If the fair value of the reporting unit exceeds its carrying amount, the reporting unit's goodwill is not considered to be impaired and the second step of the impairment test is unnecessary. If the reporting unit's carrying amount exceeds its estimated fair value, the second step of the test must be performed to measure the amount of the goodwill impairment loss, if any. The second step of the test compares the implied fair value of the reporting unit's goodwill, determined in the same manner as the amount of goodwill recognized in a business combination, with the carrying amount of such

goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess. The process of evaluating the potential impairment of goodwill is highly subjective and requires significant judgment. We have one reporting unit for goodwill impairment testing purposes which is based on the manner in which we operate our business and the nature of those operations, including consideration of how the Chief Operating Decision Maker, as defined in the accounting guidance on segment reporting, manages the business as a whole. (See Note 13. "Segment information") We operate as one semiconductor company with sales of semiconductors representing the only material source of revenue. Substantially all products offered incorporate analog functionality and are manufactured under similar manufacturing processes.

For fiscal year 2013, we used the quoted market price of our ordinary shares to determine the fair value of our reporting unit, which is the Company as a whole. No impairment of goodwill was identified based on the annual impairment review

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during the fourth quarter of fiscal year 2013. A 10% decline in the quoted market prices of our ordinary shares would not impact the result of our goodwill impairment assessment.

The process of evaluating the potential impairment of long-lived assets under the accounting guidance on property, plant and equipment and other intangible assets such as ours, is also highly subjective and requires significant judgment. In order to estimate the fair value of long-lived assets, we typically make various assumptions about the future prospects about our business or the part of our business that the long-lived asset relates to, consider market factors specific to the business and estimate future cash flows to be generated by the business, which requires significant judgment as it is based on assumptions about market demand for our products over a number of future years. Based on these assumptions and estimates, we determine whether we need to take an impairment charge to reduce the value of the long-lived asset stated on our consolidated balance sheet to reflect its estimated fair value. Assumptions and estimates about future values and remaining useful lives are complex and often subjective. They can be affected by a variety of factors, including external factors, such as the real estate market, industry and economic trends, and internal factors, such as changes in our business strategy and our internal forecasts. Although we believe the assumptions and estimates we have made in the past have been reasonable and appropriate, changes in assumptions and estimates could materially impact our reported financial results.

Inventory valuation and warranty reserves. We value our inventory at the lower of the actual cost of the inventory or the current estimated market value of the inventory, with cost being determined under the first-in, first-out method. We regularly review inventory quantities on hand and record a provision for excess and obsolete inventory based primarily on our forecast of product demand and production requirements. Demand for our products can fluctuate significantly from period to period. A significant decrease in demand could result in an increase in the amount of excess inventory quantities on hand. In addition, our industry is characterized by rapid technological change, frequent new product development and rapid product obsolescence that could result in an increase in the amount of obsolete inventory quantities on hand. Additionally, our estimates of future product demand may prove to be inaccurate, which may cause us to understate or overstate both the provision required for excess and obsolete inventory and cost of products sold. Therefore, although we make every effort to ensure the accuracy of our forecasts of future product demand, any significant unanticipated changes in demand or technological developments could have a significant impact on the value of our inventory and our results of operations. We establish reserves for estimated product warranty costs at the time revenue is recognized. Although we engage in extensive product quality control programs and processes, our warranty obligation has been and may in the future be affected by product failure rates, product recalls, repair or field replacement costs and additional development costs incurred in correcting any product failure, as well as possible claims for consequential costs. Should actual product failure rates, use of materials or service delivery costs differ from our estimates, additional warranty reserves could be required. In that event, our gross margins would be reduced.

Accounting for income taxes. We account for income taxes in accordance with the accounting guidance on income taxes. The provision for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities, and for operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled. We record a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized. Significant management judgment is required in developing our provision for income taxes, including the determination of deferred tax assets and liabilities and any valuation allowances that might be required against the deferred tax assets. We have considered projected future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for valuation allowances. If we determine, in the future, that a valuation allowance is required, such adjustment to the deferred tax assets would increase our tax expense in the period in which such determination is made. Conversely, if we determine, in the future, a valuation allowance exceeds our requirement, such adjustment to the deferred tax assets would decrease tax expense in the period in which such determination is made. In evaluating the exposure associated with various tax filing positions, we accrue an income tax liability when such positions do not meet the more-likely-than-not threshold for recognition.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax law and regulations in a multitude of jurisdictions. We recognize potential liabilities for anticipated tax audit issues in Singapore and other tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes and interest will be due. If our estimate of income tax liabilities proves to be less than the actual amount ultimately assessed, a further charge to expense would be required. If the payment of these amounts ultimately proves to be unnecessary, the reversal of the liabilities would result in tax benefits being recognized in the period when we determine the liabilities no longer exist.

The gross unrecognized tax benefit increased by $10 million during fiscal year 2013 to $37 million as of November 3, 2013 from $27 million as of October 28, 2012. The gross unrecognized tax benefit as of October 30, 2011 was $30 million.

We recognize interest and penalties related to unrecognized tax benefits within the provision for income taxes line in the consolidated statements of operations. Accrued interest and penalties are included within the other long-term liabilities line in

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the consolidated balance sheets. As of November 3, 2013, October 28, 2012, and October 30, 2011, the combined amount of cumulative accrued interest and penalties was approximately $4 million, $4 million and $6 million, respectively.

Retirement and post-retirement benefit plan assumptions. Retirement and post-retirement benefit plan costs are a significant cost of doing business. They represent obligations that will ultimately be settled sometime in the future and therefore are subject to estimation. Pension accounting is intended to reflect the recognition of future retirement and post-retirement benefit plan costs over the employees' average expected future service to the Company, based on the terms of the plans and investment and funding decisions. To estimate the impact of these future payments and our decisions concerning funding of these obligations, we are required to make assumptions using actuarial concepts within the framework of GAAP. One critical assumption is the discount rate used to calculate the estimated costs. Other important assumptions include the expected long-term return on plan assets, the health care cost trend rate, expected future salary increases, expected future increases to benefit payments, expected retirement dates, employee turnover, retiree mortality rates, and portfolio composition. We evaluate these assumptions at least annually.

The discount rate is used to determine the present value of future benefit payments at the relevant measurement dates — November 3, 2013 and October 28, 2012, for both U.S. and non-U.S. plans, in fiscal years 2013 and 2012, respectively. For fiscal years 2013 and 2012, the U.S. discount rates were based on the results of matching expected plan benefit payments with cash flows from a published pension discount curve. The discount rate for non-U.S. plans was generally based on published rates for high quality corporate bonds. Lower discount rates increase present values of pension liability and subsequent year pension expense; higher discount rates decrease present values of pension liability and subsequent year pension expense.

The expected long-term return on plan assets is estimated using current and expected asset allocations as well as historical and expected returns. Plan assets are valued at fair value. A one percent change in the estimated long-term return on plan assets for assumptions set in 2013 would result in an immaterial impact on non-U.S. pension expense for fiscal year 2014. We have no plan assets under our U.S. plan.

The net periodic retirement and post-retirement benefit costs recorded in consolidated statement of operations excluding curtailments and settlements were $6 million in fiscal year 2013, $7 million in fiscal year 2012, and $6 million in fiscal year 2011.

Share-based compensation expense. Share-based compensation expense consists of expense for stock options and restricted share units, or RSUs, granted to both employees and non-employees as well as expense associated with Avago Technologies Limited Employee Share Purchase Plan, or ESPP. We recognize compensation expense based on the estimated grant date fair value method required under the authoritative guidance using Black-Scholes valuation model with a straight-line amortization method. Since the authoritative guidance requires that share-based compensation expense be based on awards that are ultimately expected to vest, estimated share-based compensation expense for such awards has been reduced for estimated forfeitures. Changes in the estimated forfeiture rates can have a significant effect on share-based compensation expense since the effect of adjusting the rate is recognized in the period the forfeiture estimate is changed.

In the second quarter of fiscal year 2013, the Company began granting share price performance options, which are accounted for as market-based stock options. The fair value of these market-based option awards is estimated on the date of grant using a Monte Carlo simulation model. Assumptions utilized in the Monte Carlo simulation model follow the same methodology as our time-based option awards. Compensation expense for market-based option awards is amortized based upon a graded vesting method and is recognized if the service period is met even if the market condition is not met

The weighted-average assumptions utilized for our Black-Scholes valuation model for options and employee share purchase rights granted during the fiscal years ended November 3, 2013, October 28, 2012 and October 30, 2011 are as follows:

	Time Based Options	Market Based Options	ESPP
	Year Ended	Year Ended	Year Ended

	November 3, 2013	October 28, 2012	October 30, 2011	November 3, 2013	November 3, 2013	October 28, 2012	October 30, 2011
Risk-free interest rate	1.0 %	0.8 %	2.0 %	2.0 %	0.1 %	0.1 %	0.1 %
Dividend yield	2.0 %	1.4 %	0.9 %	2.2 %	2.1 %	1.4 %	0.6 %
Volatility	48.0 %	53.0 %	45.0 %	48.0 %	44.0 %	50.4 %	42.6 %
Expected term (in years)	5.0	5.0	5.0		0.5	0.5	0.5

The dividend yields for the years ended November 3, 2013, October 28, 2012 and October 30, 2011 are based on the historical and expected dividend payouts as of the respective option grant dates. For the fiscal year ended November 3, 2013, expected volatility is based on the combination of historical volatility of guideline publicly-traded companies and our own

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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. Effective for the first quarter of fiscal year 2013 we updated our guideline publicly-traded companies based on direct competitors in our target markets. Prior to fiscal year 2013, expected volatility was based on the combination of historical volatility of our previous group of guideline publicly-traded companies over the period commensurate with the expected life of the options and the implied volatility of guideline publicly-traded companies from traded options with a term of 180 days or greater measured over the last three months. 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. Our computation of expected term was based on other data, such as the data of peer companies and company-specific attributes that we believe could affect employees' exercise behavior.

In fiscal year 2011, we began to grant RSUs, which are equity awards that are granted with an exercise price equal to zero and represent the right to receive one of our ordinary shares per RSU immediately upon vesting. We recognize compensation expense for RSUs using the straight-line amortization method based on the fair value of RSUs on the date of grant. The fair value of RSUs is the closing market price of our ordinary shares on the date of grant, which is equal to their intrinsic value on the date of grant.

We also record share-based compensation expense based on an estimate of the fair value of rights to purchase ordinary shares under the ESPP and recognize this share-based compensation expense using the straight-line amortization method.

Employee Bonus Programs. Our employee bonus programs, which are overseen by our Compensation Committee, provide for variable compensation based on the attainment of overall corporate annual targets and functional performance metrics. In the first fiscal quarter of the year, if management determines that it is probable that the targets and metrics will be achieved and the amounts can be reasonably estimated, a variable, proportional compensation accrual is recorded based on an assumed 100% achievement of the targets and metrics. The bonus payout levels can be greater if attainment of metrics and targets is greater than 100% and a portion of the payouts may not occur if a minimum floor of performance is not achieved. In subsequent quarters, we monitor and accrue for variable compensation expense based on our actual progress toward the achievement of the annual targets and metrics. The actual achievement of target metrics at the end of the fiscal year, which is subject to approval by our Compensation Committee, may result in the actual variable compensation amounts being significantly higher or lower than the relevant estimated amounts accrued in earlier quarters, which would result in a corresponding adjustment in the fourth fiscal quarter.

Fiscal Year Presentation

We operate on a 52- or 53-week fiscal year which ends on the Sunday closest to October 31. Fiscal year 2013 consisted of 53 weeks, with the extra week falling in the first quarter of fiscal year 2013. Each of fiscal years 2012 and 2011 consisted of 52 weeks.

The financial statements included in this Annual Report on Form 10-K are presented in accordance with GAAP and expressed in U.S. dollars.

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Results from Operations

Year Ended November 3, 2013 Compared to Year Ended October 28, 2012

The following tables set forth our results of operations for the years ended November 3, 2013 and October 28, 2012.

	Year Ended			
	November 3, 2013	October 28, 2012	November 3, 2013	October 28, 2012
	(In millions)		(As a percentage of net revenue)	
Statement of Operations Data:				
Net revenue	$2,520	$2,364	100 %	100 %
Cost of products sold:				
Cost of products sold	1,260	1,164	50	49
Amortization of intangible assets	61	56	2	3
Restructuring charges	1	2	—	—
Total cost of products sold	1,322	1,222	52	52
Gross margin	1,198	1,142	48	48
Research and development	398	335	16	14
Selling, general and administrative	222	199	9	8
Amortization of intangible assets	24	21	1	1
Restructuring charges	2	5	—	—
Total operating expenses	646	560	26	23
Income from operations	552	582	22	25
Interest expense	(2)	(1)	—	—
Loss on extinguishment of debt	(1)	—	—	—
Other income, net	19	4	1	—
Income before income taxes	568	585	23	25
Provision for income taxes	16	22	1	1
Net income	$552	$563	22 %	24 %

Net revenue. Net revenue was $2,520 million for fiscal year 2013, compared to $2,364 million for fiscal year 2012, an increase of $156 million or 7%. The increase in net revenue was primarily due to strength in the wireless communications target market and in the wired infrastructure target market and due to continued revenue contribution from the CyOptics acquisition, partially offset by the transition from developing, manufacturing and selling our legacy consumer and computing peripherals products to licensing intellectual property relevant to these products in our industrial & other target market. Further, fiscal year 2013 consisted of 53 weeks compared to 52 weeks in fiscal year 2012.

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 fiscal 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 shut downs at many original equipment manufacturer, or OEM, customers and distributors, and the first half of the fiscal year has tended to generate lower revenue than the second half of the fiscal year. However, in recent periods typical seasonality and industry cyclicality 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. In fiscal year 2013, strength in the smartphone market, particularly in the second half of the fiscal year, and strong sales to our two largest smartphone OEMs, as well as 4G/long-term evolution, or LTE, product launches by other OEMs in our wireless target market contributed to the revenue increase from this market. However, this increase was partially offset by a significant decrease in net revenue from our industrial & other target market, primarily as a result of our transition from developing, manufacturing and selling consumer and computing peripherals products to licensing intellectual property relevant to these products.

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Historically, a relatively small number of customers have accounted for a significant portion of our net revenue. During the fiscal year ended November 3, 2013, Foxconn Technology Group companies accounted for 18% of our net revenue. Our top ten customers for fiscal year ended November 3, 2013, which included three distributors each, collectively accounted for 64% of our net revenue. We believe our aggregate sales to Apple Inc. and Cisco Systems, Inc., when direct sales are combined with indirect sales to them through the respective contract manufacturers that they utilize, each accounted for more than 10% of our net revenues, for the fiscal year ended November 3, 2013. We expect to continue to experience significant customer concentration in future periods. The loss of, or significant decrease in demand from, any of our top ten customers could have a material adverse effect on our business, results of operation and financial condition.

Net revenue by target market data is derived from our understanding of our end customers' primary markets. As discussed previously, effective fiscal year 2013 our legacy consumer and computing peripherals target market will no longer be presented separately and has been included in our industrial & other target market.

Net revenue by target market was as follows:

% of Net Revenue	Year Ended November 3, 2013		October 28, 2012		Change	
Wireless communications	48	%	45	%	15	%
Wired infrastructure	30		28		12	
Industrial & other	22		27		(13	)
Total net revenue	100	%	100	%		

Net Revenue	Year Ended November 3, 2013	October 28, 2012	Change
	(In millions)		
Wireless communications	$1,219	$1,064	$155
Wired infrastructure	744	662	82
Industrial & other	557	638	(81)
Total net revenue	$2,520	$2,364	$156

Net revenue from our wireless communications target market increased in fiscal year 2013 compared with the prior year due to continued strength in mobile smartphone sales. Unit sales of smartphones containing our products, as well as the amount of our product content in those phones is a key driver of our revenue from this target market. New 4G/LTE product ramps at major smartphone OEMs and handset launches at other OEMs, as well as improvements in our content in those phones, also drove revenue growth during fiscal year 2013. As a result, we experienced higher demand for our power amplifiers and our film bulk acoustic resonator, or FBAR, duplexers in fiscal year 2013.

Net revenue from our wired infrastructure target market increased in fiscal year 2013, compared with fiscal year 2012. The increase in revenue from this target market in fiscal year 2013 compared to fiscal year 2012 was primarily due to revenues resulting from our CyOptics acquisition and improvement in datacenter demand, partially offset by weak carrier routing spending.

Net revenue from our industrial & other target market decreased in fiscal year 2013 compared with fiscal year 2012. This decrease was due primarily to our transition from developing, manufacturing and selling our consumer and computing peripherals products to licensing intellectual property relevant to these products. This decrease was partially offset by improved demand from our industrial distributors and OEMs, notably in transportation and power generation, in fiscal year 2013 compared with fiscal year 2012. However, demand in Asia tapered off towards the end of fiscal year 2013. In fiscal year 2013, we generated approximately $19 million compared to $31 million in fiscal year 2012 of intellectual property sales and licensing royalty revenue. Due to the structure of these licensing arrangements, royalty revenue may fluctuate from period to period.

Gross margin. Gross margin was $1,198 million for fiscal year 2013 compared to $1,142 million for fiscal year 2012, an increase of $56 million. As a percentage of net revenue, gross margin was flat at 48% for fiscal years 2013 and

2012. The increase in gross margin, in absolute dollars, in fiscal year 2013 was driven by increased sales, partially offset by a decrease in revenue from sales and licensing of intellectual property of $25 million. In addition, during fiscal year 2013 less favorable product mix, with a higher proportion of sales into our wireless communication target market, and the effects of lower margin CyOptics-related revenue, also impacted gross margin compared to fiscal year 2012.

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Research and development. Research and development expense was $398 million for fiscal year 2013, compared to $335 million for fiscal year 2012, an increase of $63 million or 19%. As a percentage of net revenue, research and development expenses were 16% for fiscal year 2013, compared to 14% for fiscal year 2012. The majority of this increase, in absolute dollars, resulted from investments in our wired infrastructure and wireless communications solutions. Part of the increase was attributable to a $12 million increase in research and development project consumables and services. The overall dollar increase in research and development expense was also attributable to a $16 million increase in accrued incentive compensation expense related to our employee bonus program, which is a variable expense related to our achievement of program performance metrics, and annual merit-based salary increases, a $15 million increase in salaries and employee benefits expense, due to annual merit-based salary increases and additional headcount costs from the CyOptics acquisition, a $10 million increase in share-based compensation expense attributable to annual focal employee equity awards at higher grant-date fair values, a $2 million increase in retention compensation expense primarily related to CyOptics acquisition, a $3 million increase in computer software expenses and a $2 million increase in depreciation expense related to capital expenditures supporting research and development efforts. These increases were partially offset by a $2 million decrease in accrued reimbursements pursuant to research and development grants in fiscal year 2013, compared to the fiscal year 2012. 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.

Selling, general and administrative. Selling, general and administrative expense was $222 million for the fiscal year ended November 3, 2013 compared to $199 million for the fiscal year ended October 28, 2012, an increase of $23 million or 12%. As a percentage of net revenue, selling, general and administrative expense increased slightly to 9% for the fiscal year ended November 3, 2013 compared to 8% for the fiscal year ended October 28, 2012. Changes in components of selling, general and administrative expense for the fiscal year 2013, compared to the fiscal year 2012, consisted primarily of a $10 million increase in share-based compensation attributable to annual focal employee equity awards at higher grant-date fair values, a $9 million increase in accrued incentive compensation expense related to our employee bonus program, a $5 million increase in salaries and employee benefits expense related primarily to annual merit-based salary increases, and partially offset by decreased overhead expenses.

Amortization of intangible assets. Total amortization expense of intangible assets incurred was $85 million and $77 million, respectively, for fiscal years 2013 and 2012. We anticipate our amortization expense will continue to be higher in future periods primarily as a result of a significant increase in amortizable intangible assets resulting from the CyOptics and Javelin acquisitions.

Restructuring charges. We incurred total restructuring charges of $3 million for fiscal year 2013 compared to $7 million for fiscal year 2012, both predominantly representing employee termination costs.

Interest expense. Interest expense was $2 million for fiscal year 2013, compared to $1 million for fiscal year 2012. This $1 million increase was due to commitment fees related to our 2011 revolving credit facility and amortization of related deferred debt issuance costs.

Loss on extinguishment of debt. In fiscal year 2013, the termination of the 2011 credit facility resulted in a loss on extinguishment of debt of $1 million related to the write-off of debt amortization costs and other related expenses.

Other income, net. Other income, net includes net realized gains on the sale of available-for-sales securities, realized and unrealized gains on trading securities, gains on the sale of cost method investments, interest income, currency gains (losses) on balance sheet remeasurement, and other miscellaneous items. Other income, net was $19 million for fiscal year 2013 compared to other income, net of $4 million for fiscal year 2012. This increase in other income, net for fiscal year 2013 is primarily attributable to realized gains on the sale of available-for-sale and trading securities and unrealized gains on trading securities. Interest income was $4 million for each fiscal years 2013 and 2012, respectively.

Provision for income taxes. We recorded an income tax provision totaling $16 million for fiscal year 2013 compared to an income tax provision of $22 million for fiscal year 2012. The income tax provision for fiscal year 2013 included a benefit of $2 million from the recognition of previously unrecognized tax benefits as a result of the expiration of the statute of limitations for certain audit periods, and $3 million from the enactment of the American Taxpayer Relief Act of 2012, which was signed into law on January 2, 2013, retroactively extending the U.S. Federal Research and

Development tax credit from January 1, 2012 to December 31, 2013, and an additional $1 million decrease in tax provision primarily due to a change in the jurisdictional mix of income and expense.

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Year Ended October 28, 2012 Compared to Year Ended October 30, 2011

The following tables set forth our results of operations for the years ended October 28, 2012 and October 30, 2011.

	Year Ended October 28, 2012	October 30, 2011	October 28, 2012	October 30, 2011
	(In millions)		(As a percentage of net revenue)	
Statement of Operations Data:				
Net revenue	$2,364	$2,336	100 %	100 %
Cost of products sold:				
Cost of products sold	1,164	1,133	49	49
Amortization of intangible assets	56	56	3	2
Restructuring charges	2	—	—	—
Total cost of products sold	1,222	1,189	52	51
Gross margin	1,142	1,147	48	49
Research and development	335	317	14	14
Selling, general and administrative	199	220	8	9
Amortization of intangible assets	21	22	1	1
Restructuring charges	5	4	—	—
Total operating expenses	560	563	23	24
Income from operations	582	584	25	25
Interest expense	(1)	(4)	—	—
Loss on extinguishment of debt	—	(20)	—	(1)
Other income, net	4	1	—	—
Income before income taxes	585	561	25	24
Provision for income taxes	22	9	1	—
Net income	$563	$552	24 %	24 %

Net revenue. Net revenue was $2,364 million for fiscal year 2012, compared to $2,336 million for fiscal year 2011, an increase of $28 million or 1%. The slight increase in net revenue was primarily due to strength in our wireless communications target market, largely offset by weakness in our industrial target market. Net revenue from our consumer and computing peripherals target market remained relatively flat compared to fiscal year 2011, benefiting from the last time purchases of product due to our transition from manufacturing and sales of products to an intellectual property licensing and royalty business model in this target market. This transition was completed in the fourth quarter of fiscal year 2012.

Until August 2012, we also manufactured products for the consumer and computing peripherals target market, including motion control encoders that control the paper feed and print head movement in printers and other office automation products and image sensors for optical mouse applications, using LEDs and CMOS image sensors to create a subsystem that can detect motion over an arbitrary desktop surface. During fiscal year 2013, we transitioned from manufacturing and selling these products to selling or licensing our intellectual property relevant to this target market, thereby generating royalty revenue instead of product sales.

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

% of Net Revenue	Year Ended October 28, 2012	October 30, 2011	Change
Wireless communications	45 %	38 %	7 %
Wired infrastructure	28	28	— %
Industrial and automotive electronics	22	29	(7)
Consumer and computing peripherals	5	5	—
Total net revenue	100 %	100 %	— %

Net Revenue	Year Ended October 28, 2012	October 30, 2011	Change
	(In millions)		
Wireless communications	$1,064	$887	$177
Industrial and automotive electronics	518	672	(154)
Wired infrastructure	662	659	3
Consumer and computing peripherals	120	118	2
Total net revenue	$2,364	$2,336	$28

Net revenue from our wireless communications target market increased in fiscal year 2012 compared with the corresponding prior year periods due to continued strength in mobile smartphone sales and new handset ramps incorporating our products at major smartphone OEMs. We experienced higher demand for our multi-mode, multi-band power amplifiers, in particular, as well as for our FBAR duplexers in fiscal year 2012. Demand for FBAR duplexers in fiscal year 2012 also benefited from transitions by various cellular carriers to the 4G/LTE standard.

Net revenue from our wired infrastructure target market remained relatively flat in fiscal year 2012, compared with fiscal year 2011. During fiscal year 2012, we saw strong growth from sales of our ASICs used in data center applications compared to fiscal year 2011. Revenues from this target market for fiscal year 2012 also reflect an increase in development agreement and intellectual property licensing revenue of $12 million. However for fiscal year 2012, these effects were substantially offset by a decrease in high-performance computing hardware sales, as well as a pullback in sales of proprietary parallel optics at several of our large communications OEM customers due to weak core routing spending with service providers.

Net revenue from our industrial and automotive electronics target market decreased in fiscal year 2012 compared with fiscal year 2011. This decrease was due primarily to continued, and worse than expected, supply chain corrections and weakness in industrial spending, in China in particular, in fiscal year 2012 compared with fiscal year 2011. These effects were partially offset by increases in revenue from development agreements and the sale of certain of our intellectual property of approximately $6 million, for fiscal year 2012.

Net revenue from our legacy consumer and computing peripherals target market increase slightly in fiscal year 2012 compared with fiscal year 2011. This was largely due to the last time purchases of product in the third quarter of fiscal year 2012, resulting from our transition from manufacturing and sales of products to an intellectual property licensing and royalty business model in this target market. The transition to the intellectual property licensing royalty model was completed in the fourth quarter of fiscal year 2012. During the fiscal year 2012, we generated approximately $23 million in intellectual property-related revenue from this target market. Due to the structure of these licensing arrangements, royalty revenue may fluctuate from period to period.

Gross margin. Gross margin was $1,142 million for fiscal year 2012 compared to $1,147 million for fiscal year 2011, a decrease of $5 million. As a percentage of net revenue, gross margin decreased slightly to 48% for fiscal year 2012, compared to 49% fiscal year 2011. The slight decrease in gross margin in fiscal year 2012 was driven by product mix, with a higher proportion of sales into our wireless communication target market compared to sales into our higher-margin industrial and automotive electronics target market. This mix effect was substantially offset by (i) an increase in revenue from development agreements and sales and licensing of intellectual property of $51 million in

fiscal year 2012, (ii) a $12 million decrease in cost of products sold due to a revision in wafer cost allocation methodology during fiscal year 2012, and (iii) a $8 million decrease in depreciation expense during the fiscal year 2012, resulting from a change in the duration of the useful lives of certain of our manufacturing equipment which occurred in the fourth quarter of fiscal year 2011. During the fiscal quarter ended January 29,

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2012, we revised our cost allocation methodology to fully burden with overhead costs the expense for wafers used in research and development projects that are processed through our internal fabrication facilities, or R&D wafer cost allocation methodology.

Research and development. Research and development expense was $335 million for fiscal year 2012, compared to $317 million for fiscal year 2011, an increase of $18 million or 6%. As a percentage of net revenue, research and development expenses remained flat at 14% for fiscal year 2012, compared to fiscal year 2011. The majority of this increase, in absolute dollars, resulted from investments in our wired infrastructure and wireless communications solutions. Part of the increase was attributable to a $15 million increase in research and development project consumables and services, $12 million of which was due to the change in R&D wafer cost allocation methodology, as discussed above under "Gross margin," which increased gross margin by a corresponding amount. The overall dollar increase in research and development expense was also attributable to an $8 million increase in depreciation expense related to capital expenditures supporting research and development efforts, a $7 million increase in salaries and employee benefits expense, and a $6 million increase in share-based compensation expense attributable to grants of share-based awards at higher fair market values and to our ESPP. These increases were partially offset by a $13 million decrease in accrued incentive compensation expense related to our employee bonus program, which is a variable expense related to our achievement of program performance metrics, and a $3 million decrease in computer software expenses in fiscal year 2012, compared to the fiscal year 2011. The overall dollar increase in research and development expense is also net of $7 million in accrued reimbursements pursuant to research and development grants. 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.

Selling, general and administrative. Selling, general and administrative expense was $199 million for the year ended October 28, 2012 compared to $220 million for the year ended October 30, 2011, a decrease of $21 million or 10%. As a percentage of net revenue, selling, general and administrative expense decreased slightly to 8% for the year ended October 28, 2012 compared to 9% for the year ended October 30, 2011. Changes in components of selling, general and administrative expense for the fiscal year 2012, compared to the fiscal year 2011, consisted of a $13 million decrease in legal expenses related to offensive litigation matters, a $8 million decrease in accrued incentive compensation expense related to our performance-based employee bonus program, a $4 million decrease in external services related to consulting and IT, a $3 million decrease in depreciation expense, and a $2 million decrease in salaries and wages expense, partially offset by a $7 million increase in share-based compensation expense attributable to grants of share-based awards at higher fair market values and to our ESPP.

Amortization of intangible assets. Total amortization of intangible assets incurred was $77 million and $78 million, respectively, for fiscal years 2012 and 2011.

Restructuring charges. We incurred total restructuring charges of $7 million for fiscal year 2012 compared to $4 million for fiscal year 2011, both predominantly representing employee termination costs.

Interest expense. Interest expense was $1 million for fiscal year 2012, compared to $4 million for fiscal year 2011, which represents a decrease of $3 million. The decrease is primarily due to the redemption of the remaining $230 million aggregate principal amount of our senior subordinated rate notes on December 1, 2010.

Loss on extinguishment of debt. During fiscal year 2011, we redeemed $230 million aggregate principal amount of our senior subordinated notes. The redemption of the senior subordinated notes resulted in a loss on extinguishment of debt of $19 million. During fiscal year 2011, we also terminated our senior secured revolving credit facility. There were no outstanding loan borrowings under this facility at the time of termination. This termination resulted in a loss on extinguishment of debt of $1 million, related to the write-off of debt amortization costs and other related expenses. See Note 7. “Borrowings” to the Consolidated Financial Statements.

Other income, net. Other income, net includes interest income, foreign currency gain (loss), loss on other-than-temporary impairment of investment and other miscellaneous items. Other income, net was $4 million for fiscal year 2012 compared to other income, net of $1 million for fiscal year 2011. This increase in other income, net for fiscal year 2012 is primarily attributable to an increase in interest income due to higher cash balances compared to prior year.

Provision for income taxes. We recorded an income tax expense totaling $22 million for fiscal year 2012 compared to an income tax expense of $9 million for fiscal year 2011. The increase is primarily attributable to an increase in worldwide income, change in the jurisdictional mix of income and expense and the expiration of the research and development tax credit in the U.S. on December 31, 2011. The provision for income taxes in 2011 is net of a $3 million tax benefit for the increase in deferred tax assets from U.S. legislation retroactively reinstating the research and development tax credit and a $3 million tax benefit from a change in estimate related to research and development tax credits.

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Liquidity and Capital Resources

The following section discusses our principal liquidity and capital resources as well as our principal liquidity requirements and sources and uses of cash. Our cash and cash equivalents are maintained in highly liquid investments with remaining maturities of 90 days or less at the time of purchase. We believe our cash equivalents are liquid and accessible. The majority of our cash and cash equivalents are held in financial institutions in Singapore.

Our primary sources of liquidity as at November 3, 2013 consisted of: (1) approximately $985 million in cash and cash equivalents, (2) cash we expect to generate from operations and (3) our new $575 million unsecured, revolving 2013 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 from time to time and (iii) quarterly dividend payments (if and when declared by our Board) and any share repurchases we may choose to make under our share repurchase program. 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 April 4, 2012, our Board of Directors authorized the Company to repurchase up to 15 million of its ordinary shares, referred to as the 2012 share repurchase program. Prior to the expiration of the 2012 share repurchase program on April 9, 2013, during fiscal year 2013 the Company repurchased 0.7 million shares for an aggregate purchase price of $24 million in cash under the 2012 share repurchase program.

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, to replace the expired 2012 share repurchase program. The 2013 share repurchase program will expire the day prior to the Company's 2014 AGM, unless earlier terminated. During fiscal year 2013, the Company repurchased and retired an aggregate of 1.9 million shares for an aggregate purchase price of $71 million in cash under the 2013 share repurchase program.

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 or terminated at any time without prior notice.

Our cash and cash equivalents decreased by $99 million to $985 million at November 3, 2013 from $1,084 million at October 28, 2012 primarily as a result of an aggregate of $414 million in cash paid for business acquisitions completed during fiscal year 2013, $15 million in cash paid for equity investments, $236 million in cash paid for capital expenditures, $95 million in cash paid to repurchase 2.6 million of our ordinary shares, and $198 million in cash dividends paid to our shareholders. Partially offsetting the decrease in cash and cash equivalents was $722 million in cash provided by operating activities, $101 million in cash received from the issuance of ordinary shares pursuant to the exercise of options under our employee share option plans and purchase rights under our employee share purchase plan, $13 million in cash received from the sale of equity investments and $10 million in cash received from government grants.

We believe that our cash and cash equivalents on hand, and cash flows from operations, combined with availability under our 2013 unsecured, revolving credit facility, 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 under our 2013 share repurchase program 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 continued spending related to ongoing capacity expansion in our Fort Collins internal fabrication facility, as well as spending on equipment to support various research and development projects.

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 acquisitions of CyOptics and Javelin. Any such transaction could require significant use of our cash and cash equivalents, or require us to issue debt or equity securities, or borrow under our revolving credit facility to fund the transaction. If we do not have sufficient cash to

fund our operations or to finance growth opportunities, including acquisitions, or unanticipated capital expenditures, our business and financial condition could suffer. We could also reduce certain expenditures such as repurchases of our ordinary shares and payment of our quarterly cash dividend. In such circumstances we may 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 2013 unsecured, revolving credit facility, will depend on our ability to generate cash in the future. 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.

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The aggregate acquisition consideration payable in our recently announced transaction to acquire LSI is approximately $6.6 billion in cash. In connection with our entry into the merger agreement relating to that transaction, we also entered into a note purchase agreement with an affiliate of Silver Lake Partners, or SLP, to purchase $1 billion aggregate principal amount of our 2.0% Convertible Senior Notes, or Convertible Notes. 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 that the merger with LSI shall have been consummated or shall be consummated substantially. 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 ordinary share. The balance of the acquisition consideration payable by us in connection with the merger agreement is expected to be provided by approximately $1 billion of cash on hand of the combined company and a $4.6 billion term loan. The term loan is expected to be entered into by a newly-formed Avago subsidiary, or Borrower, and will be guaranteed by certain of our other subsidiaries and secured by, subject to certain exceptions, all of the assets of such other subsidiaries and of the Borrower. We have received commitments from a group of banks to provide us with the $4.6 billion term loan, as well as a $500 million secured, revolving credit facility that would replace our current unsecured revolving credit facility.

The following table summarizes our cash flows for the periods indicated (in millions):

	Year Ended		
	November 3, 2013	October 28, 2012	October 30, 2011
Net cash provided by operating activities	$722	$693	$726
Net cash used in investing activities	(652)	(244)	(122)
Net cash used in financing activities	(169)	(194)	(336)
Net (decrease) increase in cash and cash equivalents	$(99)	$255	$268

Cash Flows for the Years Ended November 3, 2013 and October 28, 2012

Operating Activities

Net cash provided by operating activities during the year ended November 3, 2013 was $722 million. The net cash provided by operating activities was principally due to net income of $552 million and non-cash charges of $271 million, partially offset by net cash gains on investments of $10 million, and by changes in operating assets and liabilities of $91 million.

Accounts receivable increased to $418 million at the end of fiscal year 2013 from $341 million at the end of fiscal year 2012. Accounts receivable days sales outstanding increased to 52 days at November 3, 2013 from 51 days at October 28, 2012, primarily due to the 1 to 2-day unfavorable impact of the inclusion of CyOptics accounts receivable, partially offset by timing of collections. We use the current fiscal quarter revenue and accounts receivable at November 3, 2013 in our calculation of number of days sales outstanding.

Inventory increased to $285 million at November 3, 2013 from $194 million at the end of fiscal year 2012. The number of days of inventory on hand increased to 69 days at November 3, 2013 compared to 58 days at October 28, 2012, due primarily to an increase in inventory to prepare for an anticipated increase in demand from our wireless communications target market and significant lifetime purchases of certain wafers and other materials in the fiscal year ended November 3, 2013. Of the 69 days and 58 days of inventory on hand as at November 3, 2013 and October 28, 2012, 9 days and 8 days of inventory on hand, respectively, were attributable to these lifetime purchases. The acquisition of CyOptics resulted in an increase of inventory of $27 million in absolute dollars, but favorably impacted inventory days on hand as at November 3, 2013 by 3 days. We use the current quarter cost of products sold and inventory at November 3, 2013 in our calculation of days on hand of inventory.

Other current assets increased to $130 million at the end of fiscal year 2013 from $72 million at the end of fiscal year 2012 primarily due to a $18 million net increase in current deferred tax assets attributable to the CyOptics and Javelin acquisitions, a $16 million increase in cash advances made to certain of our existing distributors for anticipated distributor price adjustments, a $15 million increase due the purchase of and mark-to-market of our short-term marketable equity securities, a $8 million increase due to the CyOptics employee retention plan, and a $1 million increase in government grant and miscellaneous assets partially offset by a $2 million decrease in receivables from

intellectual property-related revenue and a $1 million decrease in deposits paid for fixed assets. During the second quarter of fiscal year 2012, we entered into agreements with certain distributors whereby we agreed to advance cash to them to fund estimated price adjustments. These advances are estimated based on an agreed percentage of the rolling previous three months average ending inventory, as reported by the distributor, multiplied by the rolling previous three months price adjustment credits as a percentage of the distributor's reported rolling previous three months resales. The terms of these advances are set forth in binding legal agreements and are unsecured,

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bear no interest on unsettled balances, and are due upon demand. The agreements governing these advances can be cancelled by us at any time. Such advances have no impact on revenue recognition or our consolidated statements of operations and are recorded in other current assets on our consolidated balance sheets.

Current liabilities increased to $423 million at the end of fiscal year 2013 from $346 million at the end of fiscal year 2012 mainly due to an increase in employee compensation and benefits accruals, in accounts payable and other current liabilities. Employee compensation and benefits increased to $98 million at the end of fiscal year 2013 from $61 million at the end of fiscal year 2012 mainly due to performance levels under our employee bonus program related to our overall profitability and other variable performance metrics and increased headcount primarily from acquisitions. Accounts payable increased to $278 million at the end of fiscal year 2013 from $248 million at the end of fiscal year 2012 due to timing of disbursements and a higher volume of purchases to support the increase in revenue over the year. Other current liabilities increased to $46 million at the end of fiscal year 2013 from $36 million at the end of fiscal year 2012, primarily due to a $9 million increase in other accrued liabilities related to the CyOptics acquisition and a $3 million increase in deferred revenue offset by a $2 million decrease in current deferred tax liabilities, income tax and sales and use tax payables and a $1 million decrease in supplier inventory liabilities.

Other long-term assets decreased to $53 million at the end of fiscal year 2013 from $66 million at the end of fiscal year 2012 mainly due to a $42 million decrease in long-term deferred tax assets including valuation allowances offset by a $17 million increase in long-term prepaid expense due to the CyOptics employee retention plan and a $13 million increase to long-term receivables from the CyOptics shareholders.

Other long-term liabilities increased to $105 million at the end of fiscal year 2013 from $95 million at the end of fiscal year 2012 mainly due to a $6 million increase in other accrued liabilities related to CyOptics, a $4 million increase in accrued tax liabilities and a $2 million increase in deferred revenue offset by a $3 million net decrease in pension liability due to the change in actuarial assumptions used in the valuation of our post-retirement benefit and defined benefit pension plans liabilities offset by the net periodic pension expenses recorded during the year for our post-retirement benefit and defined benefit pension plans.

Net cash provided by operating activities during the year ended October 28, 2012 was $693 million. The net cash provided by operating activities was principally due to net income of $563 million and non-cash charges of $217 million, offset by changes in operating assets and liabilities of $87 million.

Investing Activities

Net cash used in investing activities for the year ended November 3, 2013 was $652 million. The net cash used in investing activities principally related to the $373 million and $37 million cash payments for the acquisition of CyOptics and Javelin, respectively, purchases of property, plant and equipment of $236 million, primarily in connection with the expansion of our internal manufacturing facilities in Fort Collins, Colorado, and $15 million paid for the purchase of investments, partially offset by cash proceeds of $13 million from the sales of equity investments.

Net cash used in investing activities for the year ended October 28, 2012 was $244 million. The net cash used in investing activities principally related to purchases of property, plant and equipment of $241 million in connection with the expansion of our internal manufacturing facilities in Fort Collins, Colorado and $4 million related to immaterial business acquisitions completed in fiscal year 2012.

Financing Activities

Net cash used in financing activities for the year ended November 3, 2013 was $169 million. The net cash used in financing activities was principally due to an aggregate of $198 million in payments of cash dividends to shareholders and the payment of an aggregate of $95 million to repurchase and cancel 2.6 million shares of our ordinary stock under our share repurchase programs. This use of cash was partially offset by $101 million in net proceeds provided by the exercises of options, and purchases of our ordinary shares by employees under our ESPP, proceeds from research and development grants of $10 million and an excess tax benefit of $17 million.

Net cash used in financing activities for the year ended October 28, 2012 was $194 million. The net cash used in financing activities was principally due to an aggregate of $137 million in payments of cash dividends to shareholders and the payment of an aggregate of $110 million to repurchase and cancel 3.5 million shares of our ordinary shares under our share repurchase program. This was partially offset by $44 million in net proceeds provided by the exercises of options and purchases of our ordinary shares by employees under our ESPP.

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Cash Flows for the Years Ended October 28, 2012 and October 30, 2011

Operating Activities

Net cash provided by operating activities during the year ended October 28, 2012 was $693 million. The net cash provided by operating activities was principally due to net income of $563 million and non-cash charges of $217 million, offset by changes in operating assets and liabilities of $87 million.

Accounts receivable increased to $341 million at the end of fiscal year 2012 from $328 million at the end of fiscal year 2011. Accounts receivable days sales outstanding increased to 51 days at October 28, 2012 from 48 days at October 30, 2011 primarily due to linearity of shipments in the last three months of fiscal year 2012 as compared to the last three months of fiscal year 2011. We use the current quarter revenue in our calculation of number of days sales outstanding.

Inventory was $194 million at both October 28, 2012 and October 30, 2011. Inventory days on hand remained flat at 58 days as of both October 28, 2012 and October 30, 2011. We use the current quarter cost of products sold in our calculation of days on hand of inventory.

Other current assets increased to $72 million at October 28, 2012 from $42 million at the end of fiscal year 2011 primarily due to a $16 million increase in cash advances made to certain of our existing distributors for anticipated distributor price adjustments, a $5 million increase in receivables from our contract manufacturers for materials purchased by us on their behalf to secure pricing, a $5 million increase in receivables from intellectual property-related revenue, a $3 million increase in receivables from government grants, a $3 million increase in assets related to the employee deferred compensation plan and a $1 million increase in deposits paid for fixed assets, partially offset by a $4 million decrease in current deferred taxes, net of valuation allowances. During the second quarter of fiscal year 2012, we entered into agreements with certain distributors whereby we agreed to advance cash to them to fund estimated price adjustments. These advances are estimated based on an agreed percentage of the rolling previous three months average ending inventory, as reported by the distributor, multiplied by the rolling previous three months price adjustment credits as a percentage of the distributor's reported rolling previous three months resales. The terms of these advances are set forth in binding legal agreements and are unsecured, bear no interest on unsettled balances, and are due upon demand. The agreements governing these advances can be cancelled by us at any time. Such advances have no impact on revenue recognition or our consolidated statements of operations and are recorded in other current assets on our consolidated balance sheets.

Current liabilities decreased to $346 million at the end of fiscal year 2012 from $350 million at the end of fiscal year 2011 mainly due to a decrease in employee compensation and benefits accruals and other current liabilities, partially offset by an increase in accounts payable. Employee compensation and benefits decreased to $61 million at the end of fiscal year 2012 from $89 million at the end of fiscal year 2011 mainly due to performance levels under our employee bonus program related to our overall profitability and other performance metrics. Other current liabilities decreased to $36 million at the end of fiscal year 2012 from $38 million at the end of fiscal year 2011 primarily due to a $3 million release from and $1 million utilization of warranty accruals, a $2 million decrease in supplier inventory liabilities and $2 million recognition of previously deferred revenue, offset by a $6 million increase in income tax and sales and use tax payables. Accounts payable increased to $248 million as at October 28, 2012 from $221 million at the end of fiscal year 2011 due to timing of disbursements and a higher volume of purchases to support the increase in revenue over the year.

Other long-term assets increased to $66 million at the end of fiscal year 2012 from $61 million at the end of fiscal year 2011 mainly due to the increase in long-term deferred tax assets. Other long-term liabilities increased to $95 million at the end of fiscal year 2012 from $86 million at the end of fiscal year 2011 mainly due to the change in actuarial assumptions used in the valuation of our post-retirement benefit and defined benefit pension plans liabilities and the net periodic pension expenses recorded during the year for our post-retirement benefit and defined benefit pension plans.

Net cash provided by operating activities during the year ended October 30, 2011 was $726 million. The net cash provided by operating activities was principally due to net income of $552 million and non-cash charges of $209 million, offset by changes in operating assets and liabilities of $35 million.

Investing Activities

Net cash used in investing activities for the year ended October 28, 2012 was $244 million. The net cash used in investing activities principally related to purchases of property, plant and equipment of $241 million, in connection with the expansion of our internal manufacturing facilities in Fort Collins, Colorado and $4 million related to immaterial business acquisitions completed in fiscal year 2012.

Net cash used in investing activities for the year ended October 30, 2011 was $122 million. The net cash used in investing activities principally related to purchases of property, plant and equipment of $112 million and $8 million related to a business acquisition completed in fiscal year 2011.

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Financing Activities

Net cash used in financing activities for the year ended October 28, 2012 was $194 million. The net cash used in financing activities was principally due to an aggregate of $137 million in payments of cash dividends to shareholders and the payment of an aggregate of $110 million to repurchase and cancel 3.5 million shares of our ordinary shares under our share repurchase program. This was partially offset by $44 million in net proceeds provided by the exercises of options, and purchases of our ordinary shares by employees under our ESPP.

Net cash used in financing activities for the year ended October 30, 2011 was $336 million. The net cash used in financing activities was principally due to the redemption of the remaining $230 million in principal amount of senior subordinated notes, an aggregate of $86 million in payments of cash dividends to shareholders and the payment of an aggregate of $93 million to repurchase and cancel 2.6 million shares of our ordinary shares under our share repurchase program. This was partially offset by $70 million in net proceeds provided by the exercises of options and purchases of our ordinary shares by employees under our ESPP.

Indebtedness

At November 3, 2013, we had $575 million of borrowing capacity available under our new, senior unsecured revolving credit facility.

Capital Lease Obligations

As of November 3, 2013, we had $2 million of capital lease obligations.

Revolving Credit Facility

2011 credit facility

On October 28, 2013, we terminated our $300 million senior unsecured, revolving credit facility under our credit agreement dated March 31, 2011, referred to as the 2011 credit facility. This credit agreement initially provided for a $200 million unsecured revolving credit facility, which was increased to $300 million pursuant to the exercise by Avago Finance of the accordion feature under this credit agreement. There were no outstanding borrowings under the 2011 credit facility at the time of termination. This termination resulted in a loss on extinguishment of debt of $1 million, related to the write-off of debt amortization costs and other related expenses.

2013 credit facility

In connection with the termination of our 2011 credit facility, on October 28, 2013, Avago Technologies Finance Pte. Ltd., or Avago Finance, and certain other subsidiaries of the Company entered into a new credit agreement. The new credit agreement provides for a $575 million senior unsecured, revolving credit facility with a term of five years, ending on October 28, 2018, referred to as the 2013 credit facility. The 2013 credit facility is available for cash borrowings and for the issuance of letters of credit up to a sub-limit of $20 million. The new credit agreement contains substantially the same terms as the credit agreement relating to the 2011 credit facility, other than the aggregate principal amount of the facility, and contains financial covenants requiring Avago Finance to maintain a maximum leverage ratio and a minimum interest coverage ratio and customary restrictive covenants, including certain restrictions on the ability of our subsidiaries (including Avago Finance) to pay dividends, and customary events of default. Compliance with financial covenants is required for the term of the new credit agreement, irrespective of the amount of borrowings outstanding. Avago Finance has the ability, at any time, to increase the aggregate commitments under the new credit agreement from $575 million to $675 million, subject to certain conditions and the receipt of sufficient commitments for such increase from the lenders. Certain of our subsidiaries guarantee the 2013 credit facility.

Borrowings under our 2013 credit facility are subject to floating rates of interest and will bear interest at a rate per annum equal to:

Base Rate Advances: the highest of (x) Citibank's publicly announced base rate from time to time, (y) the U.S. Federal funds rate plus 0.5% and (z) the British Bankers Association Interest Settlement Rate, or BBA LIBOR Rate applicable to Dollars for a period of one month plus 1.00%; or

Eurocurrency Advances: the rate per annum obtained by dividing (x) the BBA LIBOR Rate for deposits in Dollars for the applicable interest period by (y) a percentage equal to 100% minus the Eurocurrency liabilities reserve percentage specified by the U.S. Federal Reserve System for such interest period,

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plus, in each case, a margin based on the credit rating of Avago Finance's long-term unsecured debt or Avago Finance's corporate credit rating, as applicable, or the Avago Public Debt Rating. Avago Finance is also required to pay the lenders a commitment fee at a rate per annum that varies based on the Public Debt Rating and the aggregate amount of the available credit or outstanding commitments under the new credit agreement.

As of November 3, 2013, we had no borrowings outstanding under the 2013 revolving credit facility and were in compliance with the financial covenants under our credit agreement. We did not draw on our 2011 credit facility or our 2013 credit facility during fiscal year 2013.

Contractual Commitments

Our cash flows from operations are dependent on a number of factors, including fluctuations in our operating results, accounts receivable collections, inventory management, and timing of payments. As a result, the impact of contractual obligations on our liquidity and capital resources in future periods should be analyzed in conjunction with such factors.

The following table sets forth our contractual obligations and commitments as of November 3, 2013 for the fiscal periods noted (in millions):

	Total	2014	2015 to 2016	2017 to 2018	Thereafter
Operating leases(1)	$91	$13	$16	$9	$53
Capital leases(2)	2	1	1	—	—
Other contractual commitments(3)	51	21	24	6	—
Revolving credit facility commitments(4)	5	1	2	2	—
Purchase commitments(5)	124	124	—	—	—

(1) Includes operating lease commitments for facilities and equipment that we have entered into with third parties.

(2) Includes capital lease commitments for equipment that we have entered into with third parties.

(3) Represents amounts payable pursuant to agreements related to outsourced IT, human resources, financial infrastructure outsourcing services and other services agreements.

(4) Represents commitment and letter of credit fee amounts due.

(5) We purchase components from a variety of suppliers and use several contract manufacturers to provide manufacturing services for our products. During the normal course of business, we issue purchase orders with estimates of our requirements several months ahead of the delivery dates. However, our agreements with these suppliers usually allow us the option to cancel, reschedule, and adjust our requirements based on our business needs prior to firm orders being placed. Typically purchase orders outstanding with delivery dates within 30 days are non-cancelable.

We also make purchases from a variety of vendors in connection with the expansion of our Fort Collins, Colorado internal fabrication facility. These purchases are typically conducted on a purchase order basis and the amount shown in the table includes $33 million in cancelable and non-cancelable outstanding purchase obligations under such purchase orders as of November 3, 2013.

In addition to the above non-cancelable purchase commitments, we record a liability for firm, non-cancelable, and unconditional purchase commitments for quantities in excess of our future demand forecasts in conjunction with our write-down of inventory. As of November 3, 2013, the liability for our firm, non-cancelable and unconditional purchase commitments related to inventory suppliers was $1 million. This amount is included in other current liabilities in our consolidated balance sheet at November 3, 2013, and is excluded from the preceding table.

Due to the inherent uncertainty with respect to the timing of future cash outflows associated with our unrecognized tax benefits at November 3, 2013, we are unable to reliably estimate the timing of cash settlement with the respective taxing authority. Therefore, $23 million of unrecognized tax benefits and accrued interest classified as long-term income tax payable in the consolidated balance sheet as of November 3, 2013 have been excluded from the contractual obligations table above.

Off-Balance Sheet Arrangements

We had no material off-balance sheet arrangements at November 3, 2013 as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

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Indemnifications to Hewlett-Packard and Agilent

Agilent Technologies, Inc. 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. As the successor to the SPG business of Agilent, we may acquire responsibility for indemnifications related to assigned intellectual property agreements. Additionally, when we completed the SPG Acquisition 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 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.

Accounting Changes and Recent Accounting Guidance

For a description of accounting changes and recent accounting guidance, including the expected dates of adoption and estimated effects, if any, on our consolidated financial statements, see Note 2. "Summary of Significant Accounting Policies" to Consolidated Financial Statements of this Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Derivative Instruments

Although a majority of our revenue and operating expenses is denominated in U.S. dollars, and we prepare our financial statements in U.S. dollars in accordance with GAAP, a portion of our revenue and operating expenses is in foreign currencies. Our revenues, costs and expenses and monetary assets and liabilities are exposed to changes in currency exchange rates as a result of our global operating and financing activities. To mitigate the exposures resulting from the changes in the exchange rates of these currencies, we enter into foreign exchange forward contracts to hedge a portion of these exposures. Contracts that meet accounting criteria are designated at inception as hedges of the related foreign currency exposures, which include committed and anticipated transactions that are denominated in currencies other than the U.S. dollar. The criteria for designating a derivative as a hedge include the assessment of the instrument's effectiveness in risk reduction, matching of the derivative instrument to its underlying transaction, and the assessment of the probability that the underlying transaction will occur. Our foreign exchange forward contracts generally mature within three to six months. We do not use derivative financial instruments for speculative or trading purposes. As of November 3, 2013, there were no foreign exchange forward contracts outstanding. Losses (gains) from foreign currency transactions, as well as derivative instruments, are included in our consolidated statements of operations in the amounts of $1 million, $0 million and $0 million for the years ended November 3, 2013, October 28, 2012 and October 30, 2011, respectively.

Interest Rate Risk

Borrowings under our revolving 2013 credit facility are subject to floating rates of interest. Any significant changes in interest rates would increase our borrowing costs under our 2013 credit facility. However, a hypothetical increase of 100 basis points in short-term interest rates would not have a material impact on our revolving 2013 credit facility. We did not have any borrowings outstanding under the 2013 credit facility or the 2011 credit facility during fiscal year 2013 or as at November 3, 2013.

European Debt Exposures

We actively monitor our exposure to the European financial markets, including but not limited to 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

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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 November 3, 2013, we do not believe that we have any material direct or indirect exposure to the European financial markets.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

AVAGO TECHNOLOGIES LIMITED
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Avago Technologies Limited:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Avago Technologies Limited and its subsidiaries at November 3, 2013 and October 28, 2012, and the results of their operations and their cash flows for each of the three years in the period ended November 3, 2013 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of November 3, 2013, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in Management’s Report on Internal Controls over Financial Reporting appearing under Item 9A, management has excluded CyOptics, Inc. from its assessment of internal control over financial reporting as of November 3, 2013 because it was acquired by the Company in a business combination during the third quarter of

fiscal 2013. We have also excluded CyOptics Inc. from the audit of internal control over financial reporting. CyOptics, Inc. is a wholly owned subsidiary of the Company whose total assets and revenues represent less than 5% and 4% respectively of the related consolidated financial statements as of, and for the year ended November 3, 2013.

/s/ PricewaterhouseCoopers LLP

San Jose, California
December 20, 2013

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AVAGO TECHNOLOGIES LIMITED

CONSOLIDATED BALANCE SHEETS

	November 3, 2013	October 28, 2012
	(In millions, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$985	$1,084
Trade accounts receivable, net	418	341
Inventory	285	194
Other current assets	130	72
Total current assets	1,818	1,691
Property, plant and equipment, net	661	503
Goodwill	391	180
Intangible assets, net	492	422
Other long-term assets	53	66
Total assets	$3,415	$2,862
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$278	$248
Employee compensation and benefits	98	61
Capital lease obligations — current	1	1
Other current liabilities	46	36
Total current liabilities	423	346
Long-term liabilities:		
Capital lease obligations — non-current	1	2
Other long-term liabilities	105	95
Total liabilities	529	443
Commitments and contingencies (Note 15)		
Shareholders' equity:		
Ordinary shares, no par value; 249,100,178 shares and 245,477,491 shares issued and outstanding on November 3, 2013 and October 28, 2012, respectively	1,587	1,479
Retained earnings	1,305	951
Accumulated other comprehensive loss	(6)	(11)
Total shareholders' equity	2,886	2,419
Total liabilities and shareholders' equity	$3,415	$2,862

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

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AVAGO TECHNOLOGIES LIMITED

CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Year Ended		
	November 3, 2013	October 28, 2012	October 30, 2011
	(In millions, except per share data)		
Net revenue	$2,520	$2,364	$2,336
Cost of products sold:			
Cost of products sold	1,260	1,164	1,133
Amortization of intangible assets	61	56	56
Restructuring charges	1	2	—
Total cost of products sold	1,322	1,222	1,189
Gross margin	1,198	1,142	1,147
Research and development	398	335	317
Selling, general and administrative	222	199	220
Amortization of intangible assets	24	21	22
Restructuring charges	2	5	4
Total operating expenses	646	560	563
Income from operations	552	582	584
Interest expense	(2)	(1)	(4)
Loss on extinguishment of debt	(1)	—	(20)
Other income, net	19	4	1
Income before income taxes	568	585	561
Provision for income taxes	16	22	9
Net income	$552	$563	$552
Net income per share:			
Basic	$2.23	$2.30	$2.25
Diluted	$2.19	$2.25	$2.19
Weighted average shares:			
Basic	247	245	245
Diluted	252	250	252
Cash dividends declared and paid per share	$0.80	$0.56	$0.35

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

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AVAGO TECHNOLOGIES LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Fiscal Year Ended		
	November 3, 2013	October 28, 2012	October 30, 2011
	(In millions)		
Net income	$552	$563	$552
Other comprehensive income (loss), net of tax:			
Unrealized gains (losses) of other post-retirement plans and defined benefit pension plans	8	(13)	3
Change in net unrealized gain (loss) on available-for-sale securities	(3)	—	3
Other comprehensive income (loss)	5	(13)	6
Comprehensive income	$557	$550	$558

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

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AVAGO TECHNOLOGIES LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended		
	November 3, 2013	October 28, 2012	October 30, 2011
	(In millions)		
Cash flows from operating activities:			
Net income	$552	$563	$552
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	187	155	157
Loss on disposal of property, plant and equipment	1	3	1
Share-based compensation	77	53	38
Tax benefits from share-based compensation	25	13	14
Excess tax benefits from share-based compensation	(17)	(9)	(8)
Gain from sale of investments	(10)	—	—
Unrealized gain on trading securities	(4)	—	—
Impairment of investment and loan receivable from investee	—	2	—
Amortization of debt issuance costs	1	—	1
Loss on extinguishment of debt	1	—	6
Changes in assets and liabilities, net of acquisitions:			
Trade accounts receivable	(26)	(13)	(42)
Inventory	(55)	—	(5)
Accounts payable	22	(2)	25
Employee compensation and benefits	32	(28)	7
Other current assets and current liabilities	(58)	(32)	(13)
Other long-term assets and long-term liabilities	(6)	(12)	(7)
Net cash provided by operating activities	722	693	726
Cash flows used in investing activities:			
Purchase of property, plant and equipment	(236)	(241)	(112)
Acquisitions, net of cash acquired	(414)	(4)	(8)
Purchases of investments	(15)	—	(1)
Proceeds from sale of investments	13	—	—
Proceeds from insurance claims on property, plant and equipment	—	1	—
Loan receivable from cost method investee	—	—	(1)
Net cash used in investing activities	(652)	(244)	(122)
Cash flows used in financing activities:			
Debt repayments	—	—	(230)
Proceeds from government grants	10	2	—
Debt financing costs	(2)	—	(2)
Payment on capital lease obligation	(2)	(2)	(3)
Issuance of ordinary shares, net of issuance costs	101	44	70
Repurchase of ordinary shares	(95)	(110)	(93)
Excess tax benefits from share-based compensation	17	9	8
Dividend payments to shareholders	(198)	(137)	(86)
Net cash used in financing activities	(169)	(194)	(336)
Net (decrease) increase in cash and cash equivalents	(99)	255	268
Cash and cash equivalents at the beginning of year	1,084	829	561

Cash and cash equivalents at end of year	$985	$1,084	$829
Supplemental disclosure of cash flow information:			
Cash paid for interest	$1	$1	$14
Cash paid for income taxes, net of refunds	$6	$9	$7

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

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AVAGO TECHNOLOGIES LIMITED
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Ordinary Shares		Retained Earnings	Accumulated Other Comprehensive Income (loss)	Total Shareholders' Equity
	Shares	Amount			
	(In millions, except share amounts)				
Balance as of October 31, 2010	239,888,231	$1,450	$59	$ (4)	$ 1,505
Issuance of ordinary shares in connection with equity incentive plans	8,711,944	70	—	—	70
Repurchase of ordinary shares	(2,637,855)	(93)	—	—	(93)
Share-based compensation	—	38	—	—	38
Tax benefits from share-based compensation	—	14	—	—	14
Cash dividends paid to shareholders	—	—	(86)	—	(86)
Changes in accumulated other comprehensive income:					
Unrealized gain on available-for-sale investment	—	—	—	3	3
Actuarial gains and prior service costs associated with post-retirement benefit and defined benefit pension plans, net of taxes	—	—	—	3	3
Net income	—	—	552	—	552
Balance as of October 30, 2011	245,962,320	1,479	525	2	2,006
Issuance of ordinary shares in connection with equity incentive plans	3,023,933	44	—	—	44
Repurchase of ordinary shares	(3,508,762)	(110)	—	—	(110)
Share-based compensation	—	53	—	—	53
Tax benefits from share-based compensation	—	13	—	—	13
Cash dividends paid to shareholders	—	—	(137)	—	(137)
Changes in accumulated other comprehensive loss:					
Actuarial losses and prior service costs associated with post-retirement benefit and defined benefit pension plans, net of taxes	—	—	—	(13)	(13)
Net income	—	—	563	—	563
Balance as of October 28, 2012	245,477,491	1,479	951	(11)	2,419
Issuance of ordinary shares in connection with equity incentive plans	6,198,818	101	—	—	101
Repurchase of ordinary shares	(2,576,131)	(95)	—	—	(95)
Share-based compensation	—	77	—	—	77
Tax benefits from share-based compensation	—	25	—	—	25
Cash dividends paid to shareholders	—	—	(198)	—	(198)
Changes in accumulated other comprehensive income (loss):					
Change in unrealized gain on available-for-sale investment	—	—	—	(3)	(3)
Actuarial gains and prior service costs associated with post-retirement benefit and	—	—	—	8	8

defined benefit pension plans, net of taxes					
Net income	—	—	552	—	552
Balance as of November 3, 2013	249,100,178	$1,587	$1,305	$ (6)	$ 2,886

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

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AVAGO TECHNOLOGIES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Overview and Basis of Presentation

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. Our wireless communications, wired infrastructure and industrial & other account for the substantial majority of our revenues. 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 which ends on the Sunday closest to October 31. Our fiscal year ending November 3, 2013, or fiscal year 2013, is a 53-week fiscal year, with our first fiscal quarter containing 14 weeks. The first quarter of our fiscal year 2013 ended on February 3, 2013, the second quarter ended on May 5, 2013, the third quarter ended on August 4, 2013 and the fourth quarter ended on November 3, 2013.

Principles of Consolidation

Our consolidated financial statements include the accounts of Avago and our wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. During the second quarter of fiscal 2013, we completed our acquisition of Javelin Semiconductor, Inc., or Javelin. On June 28, 2013, we completed our acquisition of CyOptics, Inc., or CyOptics. In addition, in the fourth quarter of fiscal 2013, we completed one acquisition that was immaterial both in the aggregate and on a standalone basis to consolidated statements of operations. The consolidated financial statements include the results of operations of CyOptics, Javelin and the immaterial acquisition commencing as of their respective acquisition dates. (See Note 3. "Acquisitions and Investments")

2. Summary of Significant Accounting Policies

Use of estimates. The preparation of financial statements in conformity with generally accepted accounting principles in the United States, or 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 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.

Cash and cash equivalents. We consider all highly liquid investment securities with original or remaining maturities of three months or less at the date of purchase to be cash equivalents. We determine the appropriate classification of our cash and cash equivalents at the time of purchase. The majority of our cash and cash equivalents are held in financial institutions in Singapore. Cash equivalents included $659 million and $759 million of time deposits as of November 3, 2013 and October 28, 2012, respectively.

Trade accounts receivable, net. Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Such accounts receivable have been reduced by an allowance for doubtful accounts, which is our best estimate of the amount of probable credit losses in our existing accounts receivable. We determine the allowance based on customer specific experience and the aging of such receivables, among other factors. These allowances were $1 million each as of November 3, 2013 and October 28, 2012, respectively. Accounts receivable are also recorded net of sales returns and distributor allowances. These amounts are recorded when it is both probable and estimable that discounts will be granted or products will be returned. Aggregate accounts receivable allowances at November 3, 2013 and October 28, 2012 were $42 million and $37 million, respectively.

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

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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% and 32% of our net accounts receivable balance at November 3, 2013 and October 28, 2012, respectively.

For the fiscal year ended November 3, 2013, one direct customer represented 18% of our net revenue. For the fiscal year ended October 28, 2012, one direct customer represented 17% of our net revenue. For the fiscal year ended October 30, 2011, no direct customer represented 10% or more of our net revenue.

Concentration of other risks. The semiconductor industry is characterized by rapid technological change, competitive pricing pressures and cyclical market patterns. Our financial results are affected by a wide variety of factors, including general economic conditions worldwide, economic conditions specific to the semiconductor industry, timely implementation of new manufacturing technologies, ability to safeguard patents and other intellectual property in a rapidly evolving market and reliance on assembly and test subcontractors, third-party wafer fabricators and independent distributors. In addition, the semiconductor market has historically been cyclical and subject to significant economic downturns at various times. We are exposed to the risk of obsolescence of our inventory depending on the mix of future business.

Inventory. We value our inventory at the lower of the actual cost of the inventory or the current estimated market value of the inventory, with cost being determined under the first-in, first-out method. We record a provision for excess and obsolete inventory based primarily on our forecast of product demand and production requirements. The excess balance determined by this analysis becomes the basis for our excess inventory charge and the written-down value of the inventory becomes its cost. Written-down inventory is not written up if market conditions improve.

Investments. We determine the appropriate classification of our investments at the time of acquisition and reevaluate such determination at each balance sheet date. Our minority investments in privately-held companies are accounted for using the cost method and evaluated for impairment quarterly. Such analysis requires significant judgment to identify events or circumstances that would likely have a significant other than temporary adverse effect on the carrying value of the investment. At the time of purchase, we classify investments in publicly-traded equity securities, including warrants to acquire such securities, as held by us, as available-for-sale securities or trading securities. These investments are recorded in the consolidated balance sheets at fair value. (See Note 8. "Fair Value.") Unrealized gains and losses on available-for-sale securities are included as a separate component of accumulated other comprehensive income (loss). Unrealized gains and losses on trading securities are included in current operating results in other income (expense), net. We classify our investments as current or non-current based on the intent of management, the nature of the investments and whether they are readily available for use in current operations. At November 3, 2013, we had $14 million and $5 million of investments, respectively, included in current and other long-term assets. At October 28, 2012 and October 30, 2011 we had $5 million and $6 million of investments included in other long-term assets, respectively. Unrealized gains associated with trading securities were $4 million and included in the financial results for fiscal year ended November 3, 2013.

Deferred Compensation Plan. Employee contributions under the deferred compensation plan (See Note 6. "Retirement Plans and Post-Retirement Benefits") are maintained in a rabbi trust and are not readily available to us. Participants can direct the investment of their deferred compensation plan accounts in the same investments funds offered by the 401(k) plan. Although participants direct the investment of these funds, they are classified as trading securities and are included in other current assets. The corresponding liability related to the deferred compensation plan is recorded in other current liabilities. Unrealized gain (loss) in connection with these trading securities is recorded in other income, net, with an offset for the same amount recorded in compensation expense. We had deferred compensation plan assets of $9 million and $8 million at November 3, 2013 and October 28, 2012, respectively, which are included in other current assets. Unrealized gains (losses) associated with these trading securities was not material for fiscal years ended November 3, 2013, October 28, 2012 and October 30, 2011.

Derivative instruments. We are subject to foreign currency risks for transactions denominated in foreign currencies, primarily Singapore Dollar, Malaysian Ringgit, Euro and Japanese Yen. Therefore, we enter into foreign exchange

forward contracts to manage financial exposures resulting from the changes in the exchange rates of these foreign currencies. These contracts are designated at inception as hedges of the related foreign currency exposures, which include committed and forecasted revenue and expense transactions that are denominated in currencies other than the functional currency of the subsidiary which has the exposure. We exclude time value from the measurement of effectiveness. To achieve hedge accounting, contracts must reduce the foreign currency exchange rate risk otherwise inherent in the amount and duration of the hedged exposures and comply with established risk management policies; our hedging contracts generally mature within three months. We do not use derivative financial instruments for speculative or trading purposes.

We designate our forward contracts as either cash flow or fair value hedges. All derivatives are recognized on the consolidated balance sheets at their fair values. For derivative instruments that are designated and qualify as fair value hedges, changes in value of the instruments are recognized in income in the current period. Such hedges are recorded in net income

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(loss) and are offset by the changes in fair value of the underlying assets or liabilities being hedged. For derivative instruments that are designated and qualify as a cash flow hedge, changes in the value of the effective portion of the derivative instrument are recognized in accumulated other comprehensive income (loss), a component of shareholders' equity. These amounts are then reclassified and recognized in net income (loss) when either the forecasted transaction occurs or it becomes probable the forecasted transaction will not occur. Changes in the fair value of the ineffective portion of derivative instruments are recognized in net income (loss) in the current period, which have not been significant to date. Separate disclosures required for derivative instruments and hedging were not presented because the impact of derivative instruments is immaterial to our consolidated financial statements for all periods presented.

Property, plant and equipment. Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Additions, improvements and major renewals are capitalized, and maintenance, repairs and minor renewals are expensed as incurred. Assets are held in construction in progress until placed in service, upon which date, we begin to depreciate these assets. When assets are retired or disposed of, the assets and related accumulated depreciation and amortization are removed from our property, plant and equipment records and the resulting gain or loss is reflected in the consolidated statements of operations. Buildings and leasehold improvements are generally depreciated over 15 to 40 years, or over the lease period, whichever is shorter, and machinery and equipment are generally depreciated over 3 to 10 years. We use the straight-line method of depreciation for all property, plant and equipment.

Capitalized software development costs. We capitalize eligible costs related to the application development phase of software developed internally or obtained for internal use in accordance with the accounting guidance on goodwill and other intangible assets. The capitalization of software development costs during the years ended November 3, 2013, October 28, 2012 and October 30, 2011 was not material. We begin amortizing the costs associated with software developed for internal use at the time the software is ready for its intended use over its estimated useful life of 3 years.

Accounting for business combinations. We account for business combinations under the acquisition method of accounting. It requires us to recognize separately from goodwill the assets acquired and the liabilities assumed at their acquisition date fair values. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our consolidated statements of operations.

Accounting for business combinations requires our management to make significant estimates and assumptions, especially at the acquisition date including our estimates for intangible assets, contractual obligations assumed, restructuring liabilities, pre-acquisition contingencies and contingent consideration, where applicable. Although we believe the assumptions and estimates we have made in the past have been reasonable and appropriate, they are based in part on historical experience and information obtained from the management of the acquired companies and are inherently uncertain. Critical estimates in valuing certain of the intangible assets we have acquired include but are not limited to: future expected cash flows from product sales, customer contracts and acquired technologies, expected costs to develop in-process research and development into commercially viable products and estimated cash flows from the projects when completed and discount rates. Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates or actual results. Results of operations of business combinations completed during fiscal years ended November 3, 2013, October 28, 2012 and October 30, 2011 are included in the consolidated financial statements commencing as of their respective acquisition dates. (See Note 3. "Acquisitions and Investments")

Goodwill and purchased intangible assets. Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. Goodwill is not amortized but is reviewed annually (or more frequently if impairment indicators arise) for impairment. Purchased finite-lived intangible assets are carried at cost less accumulated amortization. Amortization is computed using the straight-line method over the estimated useful lives of the respective assets, generally 1 to 25 years. Purchased in-process research

and development (IPR&D) projects are capitalized at fair value as an indefinite lived intangible asset and assessed for impairment thereafter. Upon completion of each underlying project, IPR&D assets are reclassified as an amortizable purchased intangible asset and amortized over their estimated useful lives. If an IPR&D project is abandoned, we will record a charge for the value of the related intangible asset to our consolidated statements of operations in the period it is abandoned. No project abandonments or transfers from IPR&D to amortizable purchased intangible asset occurred for the fiscal year ended November 3, 2013.

On a quarterly basis, we monitor factors and changes in circumstances that could indicate carrying amounts of long-lived assets, including goodwill, intangible assets, and property, plant and equipment, may not be recoverable. Factors we consider important which could trigger an impairment review include (i) significant underperformance relative to historical or projected future operating results, (ii) significant changes in the manner of our use of the acquired assets or the strategy for our overall business, and (iii) significant negative industry or economic trends. An impairment loss must be measured if the sum of the

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expected future cash flows (undiscounted and before interest) from the use and eventual disposition of the asset (or asset group) is less than the net book value of the asset (or asset group). The amount of the impairment loss will generally be measured as the difference between the net book value of the asset (or asset group) and their estimated fair value. We perform an annual impairment review of goodwill and intangibles including IPR&D during the fourth fiscal quarter of each year, or more frequently if we believe indicators of impairment exist. No impairment of long-lived assets resulted from our most recent evaluation of long-lived assets for impairment, which occurred in the fourth quarter of fiscal year 2013. No impairment of long-lived assets resulted in any of the periods presented. Additionally, on a quarterly basis, we assess if there have been triggers that may require us to evaluate the reasonableness of the remaining estimated useful lives of intangible assets and the property, plant & equipment. No such triggers were identified during fiscal year 2013.

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 the products 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.

The following table summarizes the changes in accrued warranty (in millions):

Balance as of October 30, 2011 — included in other current liabilities	$6
Adjustment to estimate - released to cost of products sold	(3)
Utilized	(1)
Balance as of October 28, 2012 — included in other current liabilities	2
Charged to cost of products sold	2
Adjustment to estimate - released to cost of products sold	(1)
Utilized	(1)
Balance as of November 3, 2013 — included in other current liabilities	$2

During the fiscal year ended November 3, 2013, we have released in aggregate $1 million and settled all compensation claims and product issues with a specific quality issue dating back prior to fiscal 2011. In the fiscal years ended October 28, 2012 and October 30, 2011, we released warranty related charges of $1 million and $6 million, respectively, relating to this same quality issue.

Accumulated other comprehensive income (loss). Accumulated other comprehensive income (loss) includes certain transactions that have been reported in the consolidated statements of shareholders' equity and consolidated statements of comprehensive income. The components of accumulated other comprehensive income (loss), net of taxes, at November 3, 2013, October 28, 2012 and October 30, 2011 consisted of net unrecognized prior service credit and actuarial gain (loss) on defined benefit pension plans and post-retirement medical benefit plans and unrealized gain(loss) on available-for-sale investments.

Revenue recognition. We recognize revenue related to sales of our products, net of trade discounts and allowances, provided that (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) the price is fixed or determinable and (iv) collectibility is reasonably assured. Delivery is considered to have occurred when title and risk of loss have transferred to the customer. We consider the price to be fixed or determinable when the price is not subject to refund or adjustments or when any such adjustments can be estimated. We evaluate the creditworthiness of our customers to determine that appropriate credit limits are established prior to the acceptance of an order. Revenue, including sales to resellers and distributors, is reduced for estimated returns and distributor allowances. We recognize revenue from sales of our products to distributors upon delivery of products to the distributors. An allowance for distributor credits covering price adjustments and scrap allowances is made based on our estimate of historical experience rates as well as considering economic conditions and contractual terms. To date, actual distributor claim activity has been materially consistent with the provisions we have made based on our historical estimates.

We enter into development agreements with some of our customers and recognize revenue from these agreements upon completion and acceptance by the customer of contract deliverables or as services are provided, depending on the terms of the arrangement. Revenue is deferred for any amounts billed or received prior to completion or delivery of services. As we retain the intellectual property generated from these development agreements, costs related to these arrangements are included in research and development expense. These revenues, which are included in net revenue,

totaled $64 million, $62 million and $52 million in fiscal years 2013, 2012 and 2011, respectively.

We recognize revenue from the licensing of our intellectual property when the following fundamental criteria are met:(i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) the sales price is fixed or determinable, and (iv) collection of resulting receivables is reasonably assured. Revenue from upfront payments for the licensing of our patents is

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recognized when the arrangement is mutually signed, if there is no future delivery or future performance obligation and all other criteria are met. Revenue from guaranteed royalty streams are recognized when paid, or collection is reasonably assured and all other criteria are met. When patent licensing arrangements include royalties for future sales of the licensees' products using our licensed patented technology, revenue is recognized when the royalty report is received from the licensee, at which time the sales price is fixed and determinable, provided that all other criteria have been met. Revenues from licensing and royalty arrangements totaled $18 million and $47 million in fiscal years 2013 and 2012, respectively. Revenue from licensing and royalty arrangements for fiscal year 2011 was immaterial.

Research and development. Costs related to research, design and development of our products are charged to research and development expense as they are incurred. Research and development expense consists primarily of personnel costs for our engineers engaged in the design and development of our products and technologies, including salary, bonus and share-based compensation expense. These expenses also include project material costs, third-party fees paid to consultants, prototype development expenses, allocated facilities costs and other corporate expenses and computer services costs related to supporting computer tools used in the engineering and design process.

Government grants. Investment incentives related to government grants are recognized when a legal right to the grant exists, there is reasonable assurance that both the terms and conditions associated with the grant will be fulfilled and the grant proceeds will be received. For capital expenditure related government grants, the amount of the grants is recorded as a deferred credit and amortized over the useful life of the asset and are reflected in the consolidated statements of cash flows as a financing activity. All other government grants are recorded as a reduction of the qualifying cost being reimbursed and are reflected in the consolidated statements of cash flows as an operating activity.

Share-based compensation expense. For time-based options and employee stock purchase plan, or ESPP, rights, we recognize compensation expense based on the estimated grant date fair value method required under the authoritative guidance using the Black-Scholes valuation model with a straight-line amortization method. For share price performance, or market-based, stock options granted, the fair value is estimated using Monte Carlo simulation techniques. Compensation expense for market-based option awards is amortized based upon a graded vesting method. Since the authoritative guidance requires that share-based compensation expense be based on awards that are ultimately expected to vest, estimated share-based compensation for such awards has been reduced for estimated forfeitures. Authoritative guidance requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from the estimate. We recognize a benefit from share-based compensation in shareholders' equity if an incremental tax benefit is realized by following the ordering provisions of the tax law.

Shipping and handling costs. Our shipping and handling costs charged to customers are included in net revenue and the associated expense is recorded in cost of products sold in the consolidated statements of operations for all periods presented.

Advertising. Business specific advertising costs are expensed as incurred and included within selling, general and administrative expense. Advertising costs was $3 million for fiscal year ended November 3, 2013. Advertising costs were $4 million for each of the fiscal years ended October 28, 2012 and October 30, 2011.

Foreign currency remeasurement. We operate in a U.S. dollar functional currency environment. As such, foreign currency assets and liabilities are remeasured into U.S. dollars at current exchange rates except for non-monetary items such as inventory and property, plant and equipment, which are remeasured at historical exchange rates. Net income for fiscal years 2013, 2012 and 2011 included net foreign currency losses of $1 million, $0 million and $0 million, respectively, associated with foreign currency remeasurement.

Taxes on income. We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the consolidated financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

We record net deferred tax assets to the extent we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In the event we were to determine that we would be able to realize our deferred income tax assets in the future in excess of their net recorded amount, we would make an adjustment to the valuation allowance which would reduce the provision for income taxes. Likewise, if we determine that we would not be able to realize all or part of our net deferred tax assets, an adjustment would be made to increase the provision for income taxes in the period such determination is made.

We account for uncertainty in income taxes in accordance with accounting guidance on income taxes. The guidance provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position

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will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of accounting guidance on income taxes and in subsequent periods. This guidance also addresses measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. (See Note 10. “Income Taxes”.)

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, 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 stock 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 ordinary shares when the equity awards become deductible for income tax purposes are collectively assumed to be used to repurchase ordinary shares. The dilutive effect of market-based share options are included when the market conditions have been met.

Diluted net income per share for fiscal years 2013, 2012 and 2011 excluded the potentially dilutive effect of weighted average equity awards (options, RSUs, and ESPP rights) to purchase 2 million, 2 million and 1 million ordinary shares, respectively, as their effect was antidilutive.

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

	Fiscal Year Ended		
	November 3, 2013	October 28, 2012	October 30, 2011
Net income (Numerator):			
Net income	$552	$563	$552
Shares (Denominator):			
Basic weighted average ordinary shares outstanding	247	245	245
Add: Incremental shares for:			
Dilutive effect of share options, RSUs, and ESPP rights	5	5	7
Shares used in diluted computation	252	250	252
Net income per share:			
Basic	$2.23	$2.30	$2.25
Diluted	$2.19	$2.25	$2.19

Recently Adopted Accounting Guidance

In fiscal year 2013, we adopted guidance on the presentation of comprehensive income issued by the Financial Accounting Standards Board, or FASB, which requires that all non-owner changes in stockholders' equity be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements, and eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders’ equity. The requirement to present reclassification adjustments out of accumulated other comprehensive income on the face of the consolidated statement of income has been deferred by an update issued by the FASB in December 2011. Upon adoption of this guidance, we have separately reported Consolidated Statements of Comprehensive Income and the adoption did not have a significant impact on our results of operations and financial position.

In fiscal year 2013, we adopted the updated guidance issued by the FASB, related to goodwill impairment testing, which reduces the cost and complexity of the goodwill impairment test by providing entities an option to perform a qualitative assessment to determine whether further impairment testing is necessary. An entity is no longer required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is

more likely than not that its fair value is less than its carrying amount. The adoption of this guidance did not have a significant impact on our results of operations and financial position.

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In fiscal year 2013, we adopted updated guidance on indefinite-lived intangible assets impairment test issued by the FASB. This guidance is intended to reduce the cost and complexity of testing indefinite-lived intangible assets for impairment, other than goodwill. It allows companies to perform a qualitative assessment to determine whether further impairment testing of indefinite-lived intangible assets is necessary, similar in approach to the goodwill impairment test. The adoption of this guidance did not have a significant impact on our results of operations and financial position.

Recent Accounting Guidance Not Yet Adopted

In February 2013, the FASB issued updated guidance on 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. This guidance will be effective for our first quarter of fiscal year 2014. The adoption of this guidance will affect the presentation of comprehensive income, but will not impact our results of operations or financial condition.

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 is effective for our first quarter of fiscal year 2015 and is consistent with our current practice. The adoption of this guidance will not have a significant impact on our results of operations and financial position.

3. Acquisitions and Investments

Acquisitions

The consolidated financial statements include the results of operations of the acquired companies commencing on their respective acquisition dates.

During fiscal year 2013, we acquired CyOptics and Javelin, both U.S.-based companies, for aggregate consideration of approximately $377 million and $37 million, respectively. In the fourth quarter of fiscal year 2013, we also completed the purchase of certain assets of a non-US, privately held company for approximately $4 million in cash.

During fiscal year 2012, we made two acquisitions that were immaterial both in the aggregate and on a standalone basis to our consolidated results of operations.

During fiscal year 2011, we acquired a U.S.-based company engaged in the manufacturing of integrated circuits for approximately $8 million in cash. The purchase price was allocated to the acquired net assets based on estimates of fair values as follows: net assets of $8 million including intangible assets of $4 million and goodwill of $5 million. The intangible assets are being amortized over their useful lives ranging from 5 to 15 years.

Unaudited pro-forma results of operations for CyOptics acquisition are presented below. Unaudited pro-forma results of operations for other acquisitions completed in fiscal years 2013, 2012 and 2011 have not been presented because the effects of the acquisitions, individually or in the aggregate, were not material to our consolidated financial statements.

Acquisition related transaction costs such as legal, accounting and other related expenses were recorded as a component of selling, general and administrative expense in our consolidated statements of operations. During fiscal year 2013, we incurred $5 million in transaction costs related to acquisitions. Acquisition related transaction costs were not material for both fiscal years 2012 and 2011.

CyOptics

On June 28, 2013, we completed our acquisition of CyOptics, 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, to acquire all of the outstanding shares of capital stock of CyOptics. We also agreed to pay

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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 as a liability.

In addition, approximately $27 million is payable to key employees. This amount was paid into escrow, recorded as other current assets and other long-term assets and will be disbursed in the form of retention bonuses over a three-year period subsequent to the acquisition date. The amounts disbursed will be recognized as compensation expense over the same period as operating expense in our consolidated statements of operations.

As of November 3, 2013, we preliminarily estimated the fair value of the acquired assets and liabilities for CyOptics and 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 tax related matters, we may revise our preliminary purchase price allocation.

Our primary reason for acquiring CyOptics was to strengthen our fiber optics product portfolio for emerging 40G and 100G enterprise and data center applications, through CyOptics' single-mode InP laser, receiver and photonics integration capability. Our optical transceiver products primarily leverage VCSEL-based technology today. In addition, we also acquired CyOptics for their optical components business, which serves segments of the access, metro and long-haul markets. The purchase price for CyOptics was determined based on cash flow projections assuming the integration of any acquired technology and products with our own, which are of considerably greater value than utilizing CyOptics’ technology or products on a standalone basis, as well as the assembled workforce of CyOptics. These factors, among others, contributed to a purchase price in excess of the estimated fair value of the net identifiable assets acquired, and, as a result, we have recorded goodwill in connection with this transaction. This acquired goodwill is not deductible for tax purposes.

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 4. "Goodwill and Intangible Assets").

Our preliminary allocation of the total cash consideration paid for CyOptics and the purchased intangible assets with adjustments made through November 3, 2013 were as follows (in millions, except for useful lives):

	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. 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.

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	Estimated Fair Value	Estimated Useful Lives
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 as if 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, customer relationships, customer backlog and IPR&D, 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").

Included in the consolidated statements of operations for fiscal year 2013 was net revenue of $85 million for CyOptics.

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

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Javelin

During the second quarter of fiscal year 2013, we acquired Javelin Semiconductor, Inc. or Javelin, a U.S.-based company, engaged in developing mixed-signal complementary metal oxide semiconductor integrated circuits, or CMOS ICs, for wireless communications for aggregate consideration of approximately $37 million in cash. A portion of the cash consideration was used to immediately pay off outstanding debt of the acquired company totaling $5 million in the aggregate. The purchase price was allocated to the acquired net assets, based on estimates of fair values, as follows: net assets of $37 million including intangible assets of $10 million, net short-term deferred tax assets of $7 million and goodwill of $21 million. The intangible assets are being amortized over their estimated useful lives of 10 years. (See Note 5. "Goodwill and Intangible Assets").

We acquired Javelin for their radio frequency CMOS engineering talent and technical personnel and technology to form the foundation of our radio frequency CMOS design and development for products for its wireless target market. These factors, among others, contributed to a purchase price in excess of the estimated fair value of the net identifiable assets acquired, and, as a result, we have recorded goodwill in connection with this transaction. This acquired goodwill is not deductible for tax purposes.

Investments

We determine the appropriate classification of our investments at the time of acquisition and re-evaluate such determination at each balance sheet date. We record at cost non-marketable equity investments where we do not have the ability to exercise significant influence or control and periodically review them for impairment.

In the fourth quarter of fiscal year 2013, we made a minority investment of $5 million in the equity of a privately-held non-U.S. based company. This minority equity investment is accounted for under the cost method and is included on the consolidated balance sheets in other long-term assets. In addition, we completed a sale of our entire minority interest investment in a private foreign company that we acquired from Agilent, our predecessor company, in connection with the acquisition of the Semiconductor Products Group, or SPG, Business from Agilent in December 2005, which we refer to as the SPG Acquisition. As a result of the sale, we realized a gain of approximately $1 million which was recorded in other income, net. (See Note 12. "Other income, net")

In the third quarter of fiscal year 2013, in addition to our initial $1 million investment made in fiscal year 2010 in a non-U.S.-based stock exchange listed company resulting in our initial ownership of 33 million ordinary shares, we made an additional investment of $1 million as part of a rights offering to its existing shareholders. In connection with this additional investment, we purchased approximately 8 million ordinary shares and received approximately 16 million warrants to acquire a corresponding number of ordinary shares of the investee per the terms of the rights offerings. We classified our total investment in the company's ordinary shares as available-for-sale securities and the warrants as trading securities. In the fourth quarter of fiscal year 2013, we exited our entire investment in the ordinary shares and warrants of this company. For the fourth fiscal quarter and year 2013, we realized a gain of $7 million and $9 million, respectively, from the sale of the ordinary shares and warrants which were recorded in other income, net. (See Note 12. "Other income, net")

In fiscal year 2013, we made a minority equity investment of $9 million in a U.S. stock exchange listed company. At November 3, 2013, we classified this investment as trading securities. (See Note 8. "Fair Value.")

During fiscal year 2011, we made an investment of $1 million in the common shares of a non-U.S. privately-held company and we also provided them with a secured loan of $1 million for a term of one year and received a warrant to purchase up to 1 million additional common shares of the company. Based on the quantitative assessment of the financial condition and business prospects of the investee, this equity investment and loan were both determined to be impaired in fiscal year 2012.

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4. Balance Sheet Components

Inventory

Inventory consists of the following (in millions):

	November 3, 2013	October 28, 2012
Finished goods	$53	$42
Work-in-process	154	99
Raw materials	78	53
Total inventory	$285	$194

Inventory as of November 3, 2013 includes $27 million of inventory related to CyOptics, which was acquired in June 2013. During the fiscal year ended November 3, 2013, we recorded write-downs to inventories with a charge recorded to cost of products sold of $14 million, associated with reduced demand assumptions, compared to $11 million recorded during the fiscal year ended October 28, 2012 and $20 million recorded during the fiscal year ended October 30, 2011.

Other Current Assets

Other current assets consist of the following (in millions):

	November 3, 2013	October 28, 2012
Distributor deposits	$32	$16
Deferred income tax assets	32	14
Prepayments	16	8
Other receivables	15	15
Short-term marketable equity investment	14	—
Deferred compensation plan assets	9	8
Non-U.S. transaction tax receivable	4	3
Other	8	8
Total other current assets	$130	$72

Starting from the second quarter of fiscal year 2012, we entered into agreements with certain distributors whereby we agreed to advance cash to them to fund estimated future price adjustments. These advances are estimated based on an agreed percentage of the rolling previous three months average ending inventory, as reported by the distributor, multiplied by the rolling previous three months price adjustment credits as a percentage of the distributor's reported rolling previous three months resales. The terms of these advances are set forth in binding legal agreements and are unsecured, bear no interest on unsettled balances, and are due upon demand. The agreements governing these advances can be cancelled by us at any time. Such advances have no impact on revenue recognition or our consolidated statements of operations and are recorded in other current assets on our consolidated balance sheets.

Property, Plant and Equipment, Net

Property, plant and equipment, net consist of the following (in millions):

	November 3, 2013	October 28, 2012
Land	$12	$11
Construction in progress	83	127
Buildings and leasehold improvements	182	158
Machinery and equipment	955	692
Total property, plant and equipment	1,232	988
Accumulated depreciation and amortization	(571)	(485)
Total property, plant and equipment, net	$661	$503

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Depreciation expense was $102 million, $78 million and $79 million, for the fiscal years ended November 3, 2013, October 28, 2012 and October 30, 2011, respectively.

Effective August 1, 2011, following a comprehensive study, we extended the estimated depreciable useful lives of certain equipment in our internal fabrication facilities, in order to more accurately reflect their expected useful lives. As a result of this change in our accounting estimate, depreciation expense for the fiscal years ended October 28, 2012 and October 30, 2011 was reduced by $8 million and $3 million, respectively, and gross margin, income from operations and net income increased by approximately the same amount.

At November 3, 2013 and October 28, 2012, machinery and equipment included $72 million and $67 million of software costs, respectively, and accumulated amortization included $60 million and $51 million, respectively.

At November 3, 2013 and October 28, 2012, we had $8 million and $12 million of gross carrying amount of assets under capital leases, respectively, and accumulated amortization of $6 million and $8 million, respectively.

At November 3, 2013 and October 28, 2012, we had $31 million and $48 million, respectively, of unpaid purchases of property, plant, and equipment included in accounts payable. Amounts reported as unpaid purchases are recorded as cash outflows from investing activities for purchases of property, plant, and equipment in the consolidated statements of cash flows in the period they are paid.

Other Current Liabilities

Other current liabilities consist of the following (in millions):

	November 3, 2013	October 28, 2012
Income and other taxes payable	$15	$16
Deferred revenue	11	8
Acquisition-related payable	10	—
Accrued commissions	5	5
Warranty	2	2
Supplier liabilities	1	2
Restructuring charges	—	1
Other	2	2
Total other current liabilities	$46	$36

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5. Goodwill and Intangible Assets

Goodwill

The following table summarizes changes in goodwill (in millions):

Balance as of October 30, 2011	$177
2012 acquisitions (Note 3. “Acquisitions and Investments”)	3
Balance as of October 28, 2012	180
2013 acquisitions (Note 3. "Acquisitions and Investments")	211
Balance as of November 3, 2013	$391

Intangible Assets

Purchased intangibles consist of the following (in millions):

	Gross Carrying Amount	Accumulated Amortization	Net Book Value
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
As of October 28, 2012			
Purchased technology	$728	$(402)	$326
Customer and distributor relationships	257	(163)	94
Other	4	(2)	2
Total	$989	$(567)	$422

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

	Year Ended November 3, 2013	October 28, 2012	October 30, 2011
Cost of products sold	$61	$56	$56
Operating expenses	24	21	22
Total	$85	$77	$78

During fiscal year 2013, we recorded intangible assets with weighted-average amortization periods as follows:

	Gross Carrying Amount (in millions)	Weighted-Average Amortization Period (in years)
Javelin acquisition	$10	10
CyOptics acquisition	137	8
Other acquisition	4	5
CyOptics in-process research and development	4	—
Total	$155	

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Based on the amount of intangible assets subject to amortization at November 3, 2013, the expected amortization expense for each of the next five fiscal years and thereafter is as follows (in millions):

Fiscal Year	Amount
2014	$99
2015	95
2016	78
2017	68
2018	33
Thereafter	115
	$488

The weighted average amortization periods remaining by intangible asset category were as follows (in years):

	November 3, 2013	October 28, 2012
Amortizable intangible assets:		
Purchased technology	7	7
Customer and distributor relationships	6	7
Other	7	22

6. Retirement Plans and Post-Retirement Benefits

Non-U.S. Defined Benefit Plans. We have defined benefit plans in Taiwan, Korea, Japan, Germany, Italy and France.

401(k) Defined Contribution Plan. Our U.S. eligible employees participate in the Avago Technologies U.S. Inc. 401(k) Plan, or the 401(k) Plan. Enrollment in the 401(k) Plan is automatic for employees who meet eligibility requirements unless they decline participation. Under the 401(k) Plan, we provide matching contributions to employees up to a maximum of 6% of an employee's annual eligible compensation. The maximum contribution to the 401(k) Plan is 50% of an employee's annual eligible compensation, subject to regulatory and plan limitations. The 401(k) Plan expense is included in the corporate employee overhead rate allocation.

U.S. Deferred Compensation Plan. We also have a deferred compensation plan, which allows highly compensated employees (as defined by IRS regulations) to voluntarily defer greater percentages of compensation than would otherwise be permitted under the salary deferral 401(k) plan and IRS regulations. The deferred compensation plan is a non-qualified plan of deferred compensation maintained in a rabbi trust. Participants can direct the investment of their deferred compensation plan accounts that are generally the same as the investment funds offered by the 401(k) plan. Participants and their beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interests or claims in any property or assets of the Company. For purposes of the payment of benefits under the deferred compensation plan, any and all of Avago's assets shall be, and shall remain Avago's general, unpledged, unrestricted assets. Avago's obligation under the deferred compensation plan shall be merely that of an unfunded and unsecured promise to pay money in the future.

U.S. Post-Retirement Medical Benefit Plans. Our U.S. employees who transferred to us from Agilent as part of the SPG Acquisition, who were age 49 or younger on January 1, 2005 and who meet the retirement eligibility requirements as of their termination dates, may receive post-retirement medical benefits under our retiree medical account program. Under our retiree medical account program, eligible retirees are allocated a spending account of either $40,000 or $55,000, depending on the retiree's age at January 1, 2005, from which the retiree can receive reimbursement for premiums paid for medical coverage to age 65. U.S. employees who transferred to us from Agilent and who were age 50 or over on January 1, 2005 may be eligible for our traditional retiree medical plan upon meeting certain eligibility requirements and certain service criteria. Once participating in the traditional retiree medical plan, retirees are provided with access to both pre-65 medical coverage and supplemental Medicare coverage with medical premiums based on the type of coverage chosen and service criteria. Retirees in this group are also given the option to choose the $55,000 retiree medical account program instead of the traditional retiree medical plan.

Non-U.S Retirement Benefit Plans. In addition to the defined benefit plan for certain employees in Taiwan, Korea, Japan, France, Italy and Germany, other eligible employees outside of the U.S. receive retirement benefits under various defined contribution retirement plans. Eligibility is generally determined based on the terms of our plans and local statutory requirements.

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The net pension plan costs of our non-U.S defined benefit plans for the years ended November 3, 2013, October 28, 2012 and October 30, 2011 were $5 million each. The net pension plan costs of our U.S. post-retirement medical benefit plans for the years ended November 3, 2013, October 28, 2012 and October 30, 2011 were $1 million, $2 million and $1 million, respectively.

For the year ended November 3, 2013, we recognized $0 million (net of tax benefit of $3 million) of unrealized net actuarial gains in accumulated other comprehensive loss, related to our non-U.S. defined benefit plans. Of the unrealized net actuarial gains included in accumulated other comprehensive loss, related to our non-U.S. defined benefit plans, we expect to recognize $1 million in fiscal year 2014. For the year ended October 28, 2012, we recognized $11 million of unrealized net actuarial losses in accumulated other comprehensive loss (net of tax of $0 million), related to our non-U.S. defined benefit plans. For the year ended October 30, 2011, we recognized $4 million of unrealized net actuarial gains in accumulated other comprehensive income (net of tax of $0 million), related to our non-U.S. defined benefit plans.

During the year ended November 3, 2013, we recognized $8 million of unrealized net actuarial gains in accumulated other comprehensive loss (net of tax of $3 million), related to our U.S. post-retirement medical benefit plans, of which we expect to recognize $1 million gain in fiscal year 2014. During the year ended October 28, 2012, we recognized $2 million of unrealized net actuarial losses in accumulated other comprehensive income (net of tax of $1 million), related to our U.S. post-retirement medical benefit plans. Of the unrealized prior service cost included in accumulated other comprehensive loss, related to our U.S. post-retirement medical benefit plans, we recognized an immaterial amount in fiscal year 2013. During the year ended October 30, 2011, we recognized $1 million of unrealized net actuarial losses in accumulated other comprehensive loss (net of tax of $1 million), related to our U.S. post-retirement medical benefit plans. Other long-term assets include deferred tax assets relating to pension liabilities and post-retirement medical benefit plan liabilities.

Net Periodic Benefit Cost. For the years ended November 3, 2013, October 28, 2012 and October 30, 2011, components of net periodic benefit cost and other amounts recognized in other comprehensive (income) loss were comprised of (in millions):

	Non-U.S. Defined Benefit Plans			U.S. Post Retirement Medical Benefit Plans		
	November 3, 2013	October 28, 2012	October 30, 2011	November 3, 2013	October 28, 2012	October 30, 2011
Net periodic benefit cost:						
Service cost	$3	$4	$4	$—	$1	$—
Interest cost	2	1	1	1	1	1
Net periodic benefit cost	$5	$5	$5	$1	$2	$1
Other changes in plan assets and benefit obligations recognized in accumulated comprehensive (income) loss:						
Net actuarial (gain) loss	$4	$11	$(5)	$(11)	$3	$1
Prior service cost	—	—	1	—	—	—
Currency impact	—	—	—	—	—	—
Total recognized in accumulated comprehensive (income) loss	$4	$11	$(4)	$(11)	$3	$1

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Funded Status. The funded status of the U.S. post-retirement medical benefit plans and non-U.S. defined benefit plans was as follows (in millions):

	Non-U.S. Defined Benefit Plans		U.S. Post Retirement Medical Benefit Plans	
	November 3, 2013	October 28, 2012	November 3, 2013	October 28, 2012
Change in plan assets:				
Fair value — beginning of period	$13	$14	$—	$—
Employer contributions	1	1	—	—
Payments from plan assets	(1)	(2)	—	—
Fair value of plan assets — end of period	$13	$13	$—	$—
Change in benefit obligation:				
Benefit obligation — beginning of period	$46	$32	$32	$27
Service cost	3	4	—	1
Interest cost	2	1	1	1
Actuarial (gain) loss	4	11	(11)	3
Benefit payments	(1)	(1)	—	—
Currency impact	1	(1)	—	—
Benefit obligation — end of period	$55	$46	$22	$32
Plan assets less than benefit obligation	$(42)	$(33)	$(22)	$(32)

Amounts recognized in the consolidated balance sheets were as follows (in millions):

	Non-U.S. Defined Benefit Plans		U.S. Post Retirement Medical Benefit Plans	
	November 3, 2013	October 28, 2012	November 3, 2013	October 28, 2012
Other current liabilities	$—	$—	$1	$1
Other long-term liabilities	$41	$33	$21	$31
Amounts recognized in accumulated other comprehensive income (loss) net of taxes:				
Prior service benefits (cost)	$(1)	$(1)	$—	$—
Net actuarial gains (losses)	(9)	(9)	4	(4)
Total amounts recognized in accumulated other comprehensive income (loss) net of taxes	$(10)	$(10)	$4	$(4)

As of November 3, 2013 and October 28, 2012, the amounts of the obligations for our non-U.S. defined benefit plans were as follows (in millions):

	Non-U.S. Defined Benefit Plans	
	November 3, 2013	October 28, 2012
Aggregate projected benefit obligation (“PBO”)	$47	$46
Aggregate accumulated benefit obligation (“ABO”)	$55	$40

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We currently expect to make contributions of $0 million and $1 million, respectively, to our non-U.S. defined benefit plans and U.S. post-retirement medical benefit plans in fiscal year 2014. It is expected that as of November 3, 2013 various benefit plans will make payments over the next ten fiscal years as follows (in millions):

	Non-U.S. Defined Benefit Plans	U.S. Post Retirement Medical Benefit Plans
2014	$1	$1
2015	1	1
2016	1	1
2017	1	1
2018	1	2
2019-2023	12	9

Investment Policy. Plan assets of the funded defined benefit pension plans are invested in funds held by third-party fund managers or are deposited into government-managed accounts in which we have no active involvement in and no control over investment strategy, other than establishing broad investment guidelines and parameters. The plan assets held by third-parties consist primarily of fixed income funds and cash. The fund managers monitor the fund's asset allocation within the guidelines established by our plan's Investment Committee. In line with plan investment objectives and consultation with our management, our Investment Committee set an allocation benchmark among equity, bond and other assets based on the relative weighting of overall international market indices. The overall investment objectives of the plan are 1) the acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet current and future plan benefits, 2) to limit the risk of the assets failing to meet the long term liabilities of the plan, and 3) to minimize the long term costs of the plan by maximizing the return on the assets. Performance is regularly evaluated by the Investment Committee and is based on actual returns achieved by the fund manager relative to its benchmark.

Our non-U.S. defined benefit pension plans weighted average asset allocations by category were:

	Non-U.S. Defined Benefit Plans			
	November 3, 2013		October 28, 2012	
	Actual	Target	Actual	Target
Fixed income	88%	88%	83%	83%
Time deposits	2	2	16	16
Other	10	10	1	1
Total	100%	100%	100%	100%

Fair Value Measurement of Plan Assets The following table presents the fair value of plan assets by major categories using the same three-level hierarchy described in Note 8. "Fair Value" (in millions):

	Fair Value Measurement as of November 3, 2013 Using Quoted Prices in Active Market for Identical Assets (Level 1)
Assets:	

Fixed income	$12
Total assets	$12

Fixed income assets consist primarily of funds that invest in Euro-denominated government bonds. These government bonds are valued at quoted prices reported in the active market. The remaining balance of plan assets include time deposits, cash and other of $1 million as of November 3, 2013.

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Assumptions. The assumptions used to determine the benefit obligations and expense for our non-U.S. defined benefit and U.S. post-retirement medical benefit plans are presented in the table below. The expected long-term return on assets shown in the table below represents an estimate of long-term returns on investment portfolios primarily consisting of fixed income investments. We consider long-term rates of return, which are weighted based on the asset classes (both historical and forecasted) in which we expect the pension and post-retirement funds to be invested. Discount rates reflect the current rate at which non-U.S. defined benefit and U.S post-retirement medical benefit obligations could be settled based on the measurement dates of the plans, which in each case is our fiscal year end. The range of assumptions that are used for non-U.S. defined benefit plans reflects the different economic environments within various countries.

	Assumptions for Benefit Obligation as of		Assumptions for Expense Year Ended		
	November 3, 2013	October 28, 2012	November 3, 2013	October 28, 2012	October 30, 2011
Non-U.S. defined benefit plans:					
Discount rate	1.00%-4.75%	1.25%-4.25%	1.25%-4.25%	1.50%-5.75%	1.50%-5.00%
Average increase in compensation levels	2.50%-4.00%	2.00%-5.00%	2.00%-5.00%	2.50%-3.50%	2.50%-5.00%
Expected long-term return on assets	1.50%-3.00%	2.00%-3.00%	2.00%-3.00%	2.00%-4.00%	1.50%-4.00%

	Assumptions for Benefit Obligation as of		Assumptions for Expense Year Ended		
	November 3, 2013	October 28, 2012	November 3, 2013	October 28, 2012	October 30, 2011
U.S. post-retirement medical benefits plan:					
Discount rate	4.00%	3.50%	3.50%	4.50%	5.50%
Current medical cost trend rate	8.33%	8.67%	8.67%	9.00%	9.00%
Ultimate medical cost trend rate	3.50%	3.50%	3.50%	4.00%	4.50%
Medical cost trend rate decreases to ultimate trend rate in year	2031	2031	2031	2026	2025

Changes in the assumed health care cost trend rates could have a significant effect on the amounts reported for the U.S. post-retirement medical benefit plans. A one percentage point change in the assumed healthcare cost trend rates for the year ended November 3, 2013 would have the following effects:

	1% Increase	1% Decrease
Effect on U.S. post-retirement medical benefit obligation (in millions)	$1	$(1)
Percentage effect on U.S. post-retirement medical benefit obligation	7%	(6)%

A one percentage point increase or decrease in our healthcare cost trend rates would have increased or decreased the service and interest cost components of the net periodic benefit cost by $0 million.

In December 2013, plan amendments, effective January 1, 2014, were made to the U.S. post-retirement medical benefit plan. The plan amendment affected active employees and had no impact to existing retirees. A cash settlement based on age and years of service will be paid to employees eligible for the spending account of $40,000 under our retiree medical account program. This cash settlement is estimated to occur in the first quarter of fiscal year 2014. For those employees eligible for the spending account of $55,000, upon retirement, the period during which retirees may claim reimbursement for premiums paid for medical coverage has been extended from age 65 to 75. In addition, those employees previously eligible for the traditional retiree medical plan upon retirement will only be eligible for the extended $55,000 retiree medical account program. Based on the above plan amendments, there will be both a curtailment and a settlement impact to the consolidated financial statements. The plan amendments are estimated to reduce the aggregate benefit obligation by $8 million to $14 million. Further, the estimated curtailment impact to results from operations is a gain of $1 million and the settlement impact is a gain of $2 million.

7. Borrowings

We had no borrowings as of November 3, 2013 and October 28, 2012.

2013 Revolving Credit Facility

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On October 28, 2013, Avago Technologies Finance Pte. Ltd., or Avago Finance, and certain other subsidiaries of the Company entered into a new credit agreement with a syndicate of financial institutions, referred to as the 2013 credit agreement. The 2013 credit agreement provides for a $575 million unsecured, revolving credit facility. The credit agreement expires on October 28, 2018. The 2013 credit agreement includes (i) financial covenants requiring Avago Finance to maintain a maximum leverage ratio and a minimum interest coverage ratio; (ii) customary restrictive covenants (subject, in each case, to certain exceptions and amounts) that limit Avago Finance's ability to, among other things, create liens, merge or consolidate with and into other persons, pay dividends and sell assets; (iii) customary events of default, upon the occurrence of which, after any applicable grace period, the lenders will have the ability to accelerate all outstanding loans thereunder and terminate the commitments; and (iv) customary representations and warranties. Compliance with financial covenants is required for the term of the 2013 credit agreement irrespective of the amount of borrowing outstanding. In addition, Avago Finance has the ability, at any time, to increase the aggregate commitments under the 2013 credit agreement from $575 million to $675 million subject to the condition that no default or event of default shall have occurred and be continuing and other terms and conditions set forth in the credit agreement, and the receipt of sufficient commitments for such increase from the lenders.

Certain subsidiaries of the Company guarantee the new unsecured, revolving credit facility. The 2013 credit agreement also provides for the issuance of letters of credit of up to $20 million in the aggregate, which reduces the available borrowing capacity under the unsecured, revolving credit facility on a dollar for dollar basis. As of November 3, 2013, we had $575 million available under the 2013 unsecured, revolving credit facility and were in compliance with the financial covenants under our 2013 credit agreement.

Borrowings under the unsecured, revolving credit facility are subject to floating rates of interest and bear interest at a rate per annum equal to:

Base Rate Advances: the highest of (x) Citibank's publicly announced base rate from time to time, (y) the U.S. Federal funds rate plus 0.5% and (z) the British Bankers Association Interest Settlement Rate, or BBA LIBOR Rate applicable to Dollars for a period of one month plus 1.00%; or

Eurocurrency Advances: the rate per annum obtained by dividing (x) the BBA LIBOR Rate for deposits in Dollars for the applicable interest period by (y) a percentage equal to 100% minus the Eurocurrency liabilities reserve percentage specified by the U.S. Federal Reserve System for such interest period,

plus, in each case, a margin based on the credit rating of Avago Finance's long-term unsecured debt or Avago Finance's corporate credit rating, as applicable, referred to as the Avago Public Debt Rating. Avago Finance is also required to pay the lenders a commitment fee at a rate per annum that varies based on the Public Debt Rating and the aggregate amount of the outstanding commitments under the credit agreement.

2011 Revolving Credit Facility

On October 28, 2013, in connection with entering into the 2013 credit agreement discussed above, we terminated our previous $300 million senior unsecured credit facility (originally a $200 million credit facility), under the credit agreement among Avago Finance and certain other subsidiaries of the Company and a syndicate of financial institutions entered into on March 31, 2011, or the 2011 credit agreement. There were no outstanding loan borrowings under this facility at the time of termination. This termination resulted in a loss on extinguishment of debt of $1 million, related to the write-off of debt amortization costs and other related expenses and is shown on the consolidated statements of operations.

On August 6, 2012, Avago Finance exercised the accordion feature under the 2011 credit agreement to increase the aggregate commitments for its unsecured revolving credit facility from $200 million to $300 million. This increase in the unsecured, revolving credit facility commitment result in a corresponding increase in commitment fees payable under the credit agreement. (See Note 11. "Interest Expense")

Senior Secured Credit Facility

On March 31, 2011, in connection with entering into the credit agreement discussed above, we terminated our previous $350 million senior secured credit facility, which we entered into in connection with the SPG Acquisition. There were no outstanding loan borrowings under this facility at the time of termination. This termination resulted in a loss on extinguishment of debt of $1 million, related to the write-off of debt amortization costs and other related expenses.

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Senior and Senior Subordinated Notes

In connection with the SPG Acquisition, we completed a private placement of $1,000 million principal amount of unsecured debt consisting of (i) $500 million principal amount of 10 1/8% Senior Notes due December 1, 2013, or senior fixed rate notes, (ii) $250 million principal amount of Senior Floating Rate Notes due June 1, 2013, or senior floating rate notes and, together with the senior fixed rate notes, the senior notes, and (iii) $250 million principal amount of 11 7/8% Senior Subordinated Notes due December 1, 2015, or senior subordinated notes.

During fiscal year 2011, we redeemed the remaining $230 million aggregate principal amount outstanding of our senior subordinated notes. We redeemed the senior subordinated notes at a 5.938% premium of the principal amount plus accrued interest, resulting in a loss on extinguishment of debt of $19 million, which consisted of a $14 million premium and a $5 million write-off of debt issuance costs and other related expenses.

Debt Issuance Costs

Unamortized debt issuance costs associated with the 2013 credit facility were $2 million at November 3, 2013 and unamortized debt issuance costs associated with the 2011 credit facility were $1 million at October 28, 2012, and are included in other current assets and other long-term assets on the consolidated balance sheets. Amortization of debt issuance costs is classified as interest expense in the consolidated statements of operations.(See Note 11. "Interest Expense")

8. Fair Value

Fair Value Measurements

Fair value is defined as the price that would be received to sell 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.

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. We did not have any Level 2 assets activities during the fiscal year ended November 3, 2013.

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, include 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 record at cost non-marketable investments where we do not have the ability to exercise significant influence or control, and periodically review them for impairment.

During fiscal year 2011, we made an investment of $1 million in the common stock of a privately-held non-U.S. company. This equity investment is accounted for under the cost method and is included on the consolidated balance sheets in other long-term assets. In fiscal year 2011, we also entered into a collateralized loan and warrant purchase agreement with this company, pursuant to which we provided it with a collateralized loan of $1 million, at an annual interest rate of 8%, for a term of one year. Based on the quantitative assessment of the financial condition and business prospects of the investee, this equity investment and loan were both determined to be impaired in fiscal year 2012.

During fiscal year 2013, we made a minority equity investment of $9 million in a U.S. stock exchange listed company. At November 3, 2013, this minority equity investment was $14 million at fair value and we classified this investment as trading securities in other current assets on the consolidated balance sheets. We did not have any Level 3 asset or liability activities other than those noted above during the fiscal year ended November 3, 2013.

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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 November 3, 2013. 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):

	November 3, 2013			
	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 Significant Other Inputs (Level 3)
Assets:				
Trading Securities (1)	$14	$14	—	—
Investment Funds - Deferred Compensation Plan Assets (1)	9	9	—	—
Bank acceptance (1)	1	1	—	—
Total assets measured at fair value	$24	$24	$—	$—
Liabilities:				
Investment Funds - Deferred Compensation Plan Liabilities (2)	$9	$—	$9	$—
Total liabilities measured at fair value	$9	$—	$9	$—

(1) Included in other current assets in our consolidated balance sheets

(2) Included in other current liabilities in our consolidated balance sheets

During the fiscal year ended November 3, 2013, there were no transfers between Level 1 and Level 2 fair value instruments.

Assets Measured at Fair Value on a Nonrecurring Basis

There were no non-financial assets or liabilities measured at fair value as of November 3, 2013.

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.

9. Shareholders' Equity

On August 6, 2010, we filed a shelf registration statement on Form S-3 with the SEC, through which we or selling securityholders may sell from time to time any combination of ordinary shares, debt securities, warrants, rights, purchase contracts and units, in one or more offerings. Since then, certain of our shareholders sold our ordinary shares in a number of registered public offerings, as set forth in the table below. We did not receive any proceeds from the sale of shares sold in these offerings other than, in some instances, proceeds from options exercised by a shareholder in connection with the sale of shares by the shareholder in such offerings. This shelf registration statement expired in August 2013.

Date of final prospectus (filed with the SEC)	Date transaction closed	Number of shares sold by shareholders in the transaction
August 13, 2010	August 18, 2010	14,905,000
December 6, 2010	December 10, 2010	25,000,000
January 18, 2011	January 21, 2011	25,000,000
February 28, 2011	March 4, 2011	25,000,000

May 31, 2011	June 3, 2011	25,000,000
September 28, 2011	October 3, 2011	17,250,000
December 6, 2012	December 12, 2012	21,490,022

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On October 30, 2013, we filed a shelf registration statement on Form S-3 with the SEC, through which we or selling securityholders may sell from time to time any combination of ordinary shares, debt securities, warrants, rights, purchase contracts and units, in one or more offerings.

Share Repurchase Program

On April 4, 2012, the Board of Directors, or the Board, authorized the Company to repurchase up to 15 million of its outstanding ordinary shares, referred to as the 2012 repurchase program. The 2012 repurchase program expired on April 9, 2013, the day prior to the Company's 2013 annual general meeting on April 10, 2013. Under the 2012 share repurchase program, the Company repurchased and cancelled approximately 0.7 million shares for an aggregate purchase price of $24 million in cash during the two fiscal quarters ended May 5, 2013 prior to the expiration of the plan. The weighted-average purchase price per share for shares repurchased was $33.42 for the two fiscal quarters ended May 5, 2013. All repurchased shares were immediately retired.

On April 10, 2013, the Board authorized the Company to repurchase up to 20 million of its ordinary shares, or the 2013 share repurchase program. This program replaces the expired 2012 share repurchase program. The 2013 share repurchase program will expire the day prior to the Company's 2014 annual general meeting, unless earlier terminated. Share repurchases 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 from time to time or terminated at any time without prior notice. All repurchased shares are immediately retired. Under the 2013 share repurchase program, the Company repurchased 1.9 million shares for an aggregate purchase price of $71 million in cash at a weighted average purchase price per share of $38.35 during the fiscal year ended November 3, 2013. As of November 3, 2013, 18.1 million shares remained available for repurchase under the 2013 share repurchase program.

Dividends

During fiscal year 2013, aggregate cash dividends of $0.80 per share were declared and paid on the Company's outstanding ordinary shares, resulting in payments to our shareholders of an aggregate of $198 million. During fiscal year 2012, aggregate cash dividends of $0.56 per share were declared and paid on the Company's outstanding ordinary shares, resulting in payments to our shareholders of an aggregate of $137 million. During fiscal year 2011, aggregate cash dividends of $0.35 per share were declared and paid on the Company's outstanding ordinary shares, resulting in payments to our shareholders of an aggregate of $86 million.

Equity Incentive Award Plans

Effective December 1, 2005, we adopted two equity-based compensation plans, the Equity Incentive Plan for Executive Employees of Avago Technologies Limited and Subsidiaries, or the Executive Plan, and the Equity Incentive Plan for Senior Management Employees of Avago Technologies Limited and Subsidiaries, or the Senior Management Plan and, together with the Executive Plan, the Pre-IPO Equity Incentive Plans, which authorized the grant of options and share purchase rights covering up to 30 million ordinary shares. With effect from our IPO in August 2009, we are no longer permitted to make any further grants under the Pre-IPO Equity Incentive Plans. Options issued under the Executive Plan generally vest at a rate of 20% per year based on the passage of time, and the passage of time and attaining certain performance criteria, in each case subject to continued employment. Those options subject to vesting based on the passage of time may accelerate by one year upon certain terminations of employment. Options issued under the Senior Management Plan, generally vest at a rate of 20% per year based on the passage of time and continued employment.

Options issued under the Pre-IPO Equity Incentive Plans, generally expire ten years following the date of grant unless granted to a non-employee, in which case the awards generally expire five years following the date of grant. All options awarded under these plans were granted with an exercise price equal to the fair market value on the date of grant.

In July 2009, our Board adopted, and our shareholders approved, the Avago Technologies Limited 2009 Equity Incentive Award Plan, or the 2009 Plan, to authorize the grant of options, share appreciation rights, restricted share units, dividend equivalents, performance awards, and other share-based awards. 20 million ordinary shares are initially reserved for issuance under the 2009 Plan, subject to annual increases starting in fiscal year 2012. The amount

of the annual increase is equal to the least of (a) 6 million shares, (b) 3% of the ordinary shares outstanding on the last day of the immediately preceding fiscal year and (c) such smaller number of ordinary shares as determined by our Board. However, no more than 90 million ordinary shares may be issued upon the exercise of equity awards issued under the 2009 Plan. The 2009 Plan became effective on July 27, 2009. Options issued to employees under the 2009 Plan prior to March 2011 generally expire ten years following the date of grant. With effect from March 2011, options issued to employees under the 2009 Plan generally expire seven years after the date of grant. Options awarded to non-employees under this plan generally expire after five years. Options issued to employees

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under the 2009 Plan generally vest over a four year period from the date of grant and are granted with an exercise price equal to the fair market value on the date of grant. Any share options cancelled or forfeited under the Pre-IPO Equity Incentive Plans after July 27, 2009 become available for issuance under the 2009 Plan. Starting in the fourth quarter of fiscal year 2010, we began to grant restricted share units, or RSUs, as part of our equity compensation programs under the 2009 Plan. An RSU is an equity award that is granted with an exercise price equal to zero and which represents the right to receive one of our ordinary shares immediately upon vesting. RSU awards granted to employees are generally time-based and vest over four years.

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

		Awards Outstanding			
	Awards Available for Grant	Number Outstanding	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Balance as of October 31, 2010	14	23	$11.50		
Granted	(5)	5	$32.42		
Exercised		(8)	$7.59		
Cancelled	1	(1)	$17.11		
Balance as of October 30, 2011	10	19	$17.93		
Annual increase in shares available for issuance, per equity incentive plan terms	6				
Granted	(5)	5	$34.79		
Exercised		(3)	$13.24		
Cancelled	1	(1)	$23.98		
Balance as of October 28, 2012	12	20	$22.45		
Annual increase in shares available for issuance, per equity incentive plan terms	6				
Granted	(9)	9	$36.63		
Exercised		(6)	$16.02		
Cancelled	1	(1)	$27.57		
Balance as of November 3, 2013	10	22	$29.81	5.72	$333
Fully vested as of November 3, 2013		7	$20.44	5.14	$164
Fully vested and expected to vest as of November 3, 2013		21	$29.45	5.69	$323

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The total intrinsic value of options exercised during fiscal year 2013, 2012 and 2011 was $130 million, $62 million and $184 million, respectively.

The following table summarizes significant ranges of outstanding and exercisable option awards as of November 3, 2013 (in millions, except years and per share amounts):

	Awards Outstanding			Awards Exercisable	
Exercise Prices	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	4.49	$8.38	1	$7.96
10.01-20.00	3	5.08	$13.43	3	$13.25
20.01-30.00	2	6.65	$21.03	1	$20.87
30.01-40.00	16	5.81	$35.41	2	$33.94
40.01-42.60	—	6.93	$42.60	—	$—
Total	22	5.72	$29.81	7	$20.44

A summary of RSU activity related to our equity incentive plans for the fiscal year ended November 3, 2013 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 October 28, 2012	1	$32.69	
Granted	1	$35.69	
Vested	—	$31.31	
Forfeited	—	$29.91	
Balance as of November 3, 2013	2	$34.38	2.84

RSU activity and the number of outstanding RSUs were not material for either of the fiscal years ended October 28, 2012 and October 30, 2011.

Employee Share Purchase Plan

The ESPP provides eligible employees with the opportunity to acquire an ownership interest in the Company through periodic payroll deductions, based on a six-month look-back period, at a price equal to the lesser of 85% of the fair market value of the ordinary shares at either the beginning or ending of the relevant offering period. The ESPP is structured as a qualified employee stock purchase plan under Section 423 of the Internal Revenue Code of 1986. However, the ESPP is not intended to be a qualified pension, profit sharing or stock bonus plan under Section 401(a) of the Internal Revenue Code of 1986 and is not subject to the provisions of the Employee Retirement Income Security Act of 1974. The ESPP will terminate on July 27, 2019 unless sooner terminated. On the first day of the Company’s 2012 fiscal year, the number of available shares under the increased by 2 million shares in accordance with the terms set forth in the ESPP. During fiscal year 2013, 2012 and 2011, employees purchased 0.2 million, 0.2 million and 0.3 million shares, respectively, for aggregate consideration of $7 million, in each of such fiscal years. As at November 3, 2013, 9.3 million shares remained available for issuance under the ESPP.

Share-Based Compensation Expense

Share-based compensation expense consists of expense for time-based and market-based stock options and RSUs granted to both employees and non-employees as well as expense associated with ESPP.

We recognize compensation expense for time-based stock options based on the estimated grant date fair value method required under the authoritative guidance using Black-Scholes valuation model with a straight-line amortization

method. Since the authoritative guidance requires that share-based compensation expense be based on awards that are ultimately expected to vest, estimated share-based compensation expense for such awards has been reduced for estimated forfeitures. Changes in the

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estimated forfeiture rates can have a significant effect on share-based compensation expense since the effect of adjusting the rate is recognized in the period the forfeiture estimate is changed.

Certain stock options granted during of fiscal year 2013, included both service and market conditions. The fair value of these share price performance, or market-based, option awards is estimated on the date of grant using the Monte Carlo simulation technique. Assumptions utilized in the Monte Carlo simulation model follow the same methodology as our time-based option awards. Compensation expense for market-based option awards is amortized based upon a graded vesting method. We recorded $5 million of expense related to market-based options during the year ended November 3, 2013.

We recognize compensation expense for RSUs using the straight-line amortization method based on the fair value of RSUs on the date of grant. The fair value of RSUs is the closing market price of our ordinary shares on the date of grant, which is equal to their intrinsic value on the date of grant. We recorded $12 million, $5 million and $2 million of compensation expense related to RSUs for the year ended November 3, 2013, October 28, 2012 and October 30, 2011, respectively.

We record share-based compensation expense based on an estimate of the fair value of rights to purchase ordinary shares under the ESPP, and recognize this share-based compensation expense using the straight-line amortization method. We recorded $3 million of compensation expense related to the ESPP for each of the fiscal year ended November 3, 2013, October 28, 2012 and October 30, 2011.

The following table summarizes total share-based compensation expense for the years ended November 3, 2013, October 28, 2012 and October 30, 2011 (in millions):

	Fiscal Year Ended		
	November 3, 2013	October 28, 2012	October 30, 2011
Cost of products sold	$10	$6	$4
Research and development	30	20	14
Selling, general and administrative	37	27	20
Total share-based compensation expense	$77	$53	$38

The weighted-average assumptions utilized for our time-based options, ESPP rights and market-based stock options granted during the years ended November 3, 2013, October 28, 2012 and October 30, 2011 are as follows:

	Options		
	Fiscal Year Ended		
	November 3, 2013	October 28, 2012	October 30, 2011
Risk-free interest rate	1.0%	0.8%	2.0%
Dividend yield	2.0%	1.4%	0.9%
Volatility	48.0%	53.0%	45.0%
Expected term (in years)	5.0	5.0	5.0

	ESPP		
	Fiscal Year Ended		
	November 3, 2013	October 28, 2012	October 30, 2011
Risk-free interest rate	0.1%	0.1%	0.1%
Dividend yield	2.1%	1.4%	0.6%
Volatility	44.0%	50.4%	42.6%
Expected term (in years)	0.5	0.5	0.5

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	Market-based Options Fiscal Year Ended November 3, 2013	
Risk-free interest rate	2.0	%
Dividend yield	2.2	%
Volatility	48.0	%

The dividend yields for the fiscal years ended November 3, 2013, October 28, 2012 and October 30, 2011 are based on the historical and expected dividend payouts as of the respective option grant dates. For the fiscal year ended November 3, 2013, expected volatility is 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. Effective for the first quarter of fiscal year 2013 we updated our guideline publicly-traded companies based on direct competitors in our target markets. Prior to fiscal year 2013, expected volatility was based on the combination of historical volatility of our previous group of guideline publicly-traded companies over the period commensurate with the expected life of the options and the implied volatility of guideline publicly-traded companies from traded options with a term of 180 days or greater measured over the last three months. 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. Our computation of expected term was based on other 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 our equity incentive award plans for the years ended November 3, 2013, October 28, 2012 and October 30, 2011 was $12.77, $14.28 and $12.41, respectively. The weighted-average fair values of the market-based options for the year ended November 3, 2013 was $14.02. The weighted-average fair values of the rights to purchase shares in the ESPP for the year ended November 3, 2013, October 28, 2012 and October 30, 2011 were $11.78, $12.76 and $8.52 per ordinary share, respectively. The weighted-average fair value of RSUs granted under the 2009 Equity Incentive Award Plan for the year ended November 3, 2013, October 28, 2012 and October 30, 2011 was $35.69, $34.66 and $32.41, respectively. 1.5 million, 0.9 million and $0.5 million RSUs were unvested as of November 3, 2013, October 28, 2012 and October 30, 2011, respectively.

Based on our historical experience of pre-vesting option cancellations, we have assumed an annualized forfeiture rate for our options of 6%, for fiscal year 2013 and 8% for each of the fiscal years 2012 and 2011. We have assumed an annualized forfeiture rate of 5% for RSUs for fiscal year 2013 and 8% for fiscal year 2012 and 2011. We have assumed an annualized forfeiture rate of 0% for ESPP purchase rights for fiscal years 2013, 2012 and 2011 because the forfeiture impact was not material for either period. We will record additional expense if actual forfeitures are lower than we estimated, and will record a recovery of prior expense if actual forfeitures are higher than we estimated.

Total compensation cost of options granted but not yet vested as of November 3, 2013 was $164 million, which is expected to be recognized over the remaining weighted-average service period of 3 years. The total grant-date fair value of options vested during fiscal year 2013, 2012 and 2011 was $53 million, $42 million and $34 million, respectively. Total unrecognized compensation cost related to the ESPP as of November 3, 2013 was $1 million, which is expected to be recognized over the remaining 4 months of the current offering period under the ESPP. Total compensation cost related to unvested RSUs as of November 3, 2013 was $36 million, which is expected to be recognized over the remaining weighted-average service period of 3 years. The total grant-date fair value of RSUs vested during fiscal year 2013 and 2012 was $4 million and $1 million, respectively. No RSUs vested during the fiscal year 2011. The income tax benefits for share-based compensation expense was $25 million, $13 million and $14 million for fiscal years ended November 3, 2013, October 28, 2012 and October 30, 2011, respectively.

10. Income Taxes

Consequent to the incorporation of Avago in Singapore, domestic income reflects the results of operations based in Singapore.

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Components of Income Before Income Taxes

For financial reporting purposes, “Income before income taxes” included the following components (in millions):

	Fiscal Year Ended		
	November 3, 2013	October 28, 2012	October 30, 2011
Domestic income	$465	$503	$500
Foreign income	103	82	61
Income before income taxes	$568	$585	$561

Components of Provision for Income Taxes

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.

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 are also subject to our compliance with various operating and other conditions.

For the fiscal years ended November 3, 2013, October 28, 2012 and October 30, 2011, the effect of all these tax incentives, in the aggregate, was to reduce the overall provision for income taxes and increase net income from what it otherwise would have been in such year by $77 million, $81 million and $82 million, respectively, and increase diluted net income per share by $0.31, $0.33, and $0.32, respectively.

Significant components of the provision for income taxes are as follows (in millions):

	Fiscal Year Ended		
	November 3, 2013	October 28, 2012	October 30, 2011
Current tax expense:			
Domestic	$6	$6	$5
Foreign	32	15	12
	$38	$21	$17
Deferred tax expense (benefit):			
Domestic	$(1)	$(1)	$—
Foreign	(21)	2	(8)
	$(22)	$1	$(8)
Total provision for income taxes	$16	$22	$9

We recorded a total provision for income taxes of $16 million for the fiscal year ended November 3, 2013 compared to a total of $22 million for the fiscal year ended October 28, 2012. The provision for income taxes in fiscal year 2013 included a benefit of $2 million from the recognition of previously unrecognized tax benefits as a result of the expiration of the statute of limitations for certain audit periods, a benefit of $3 million from the enactment of the American Taxpayer Relief Act of 2012, which was signed into law on January 2, 2013, retroactively extending the U.S. Federal Research and Development tax credit from January 1, 2012 to December 31, 2013, and an additional $1

million decrease in tax provision primarily due to a change in the jurisdictional mix of income and expense.
The provision from income taxes in fiscal year 2011 included a $3 million benefit from the release of deferred tax asset valuation allowances and a $3 million tax benefit from a change in estimate related to research and development tax credits.

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Rate Reconciliation

A reconciliation of the expected statutory tax rate to the actual, effective tax rate on income before income taxes is as follows:

	Fiscal Year Ended		
	November 3, 2013	October 28, 2012	October 30, 2011
Expected statutory tax rate	17.0 %	17.0 %	17.0 %
Foreign income taxed at different rates	(0.1)	0.4	—
Tax holidays and concessions	(13.5)	(13.9)	(14.6)
Other, net	(0.6)	0.1	(1.0)
Valuation allowance	—	0.2	0.1
Actual tax rate on income before income taxes	2.8 %	3.8 %	1.5 %

Summary of Deferred Income Taxes

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their basis for income tax purposes and the tax effects of net operating losses and tax credit carryforwards.

The significant components of deferred tax assets and deferred tax liabilities included on the consolidated balance sheets were as follows (in millions):

	November 3, 2013	October 28, 2012
Deferred income tax assets:		
Depreciation and amortization	$1	$2
Inventory	5	2
Trade accounts	2	2
Employee benefits	29	14
Share options	23	19
Net operating loss carryovers and credit carryovers	70	37
Other deferred income tax assets	6	6
Gross deferred income tax assets	$136	$82
Less valuation allowance	(17)	(10)
Deferred income tax assets	$119	$72
Deferred income tax liabilities:		
Depreciation and amortization	$78	$9
Other deferred income tax liabilities	2	—
Foreign earnings not permanently reinvested	3	2
Deferred income tax liabilities	$83	$11
Net deferred income tax assets	$36	$61

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The above net deferred income tax asset has been reflected in the accompanying consolidated balance sheets as follows (in millions):

	November 3, 2013	October 28, 2012
Other current assets	$32	$14
Other current liabilities	(1)	(2)
Net current income tax assets	$31	$12
Other long-term assets	$10	$51
Other long-term liabilities	(5)	(2)
Net long-term income tax assets	$5	$49

As of November 3, 2013, we had Singapore net operating loss carryforwards of $8 million, U.S. net operating loss carryforwards of $96 million, of which $40 million are related to excess tax deductions related to stock options, U.S. state net operating loss carryforwards of $75 million, of which $52 million are related to excess tax deductions related to stock options, and other foreign net operating loss carryforwards of $3 million. The Singapore net operating losses have no limitation on utilization. U.S. federal and state net operating loss carryforwards, if not utilized, will begin to expire in fiscal year 2017 and 2016, respectively. The other foreign net operating losses expire in various fiscal years beginning 2018. As of November 3, 2013, we had $33 million and $19 million of U.S. federal and state research and development tax credits, respectively, which if not utilized, will begin to expire in fiscal year 2026.

The U.S. Tax Reform Act of 1986 limits the use of net operating loss and tax credit carryforwards in the case of an "ownership change" of a corporation or separate return loss year limitations. Any ownership changes, as defined, may restrict utilization of carryforwards. As of November 3, 2013, we had approximately $59 million and $17 million of federal net operating loss and tax credit carryforwards, respectively, in the U.S. subject to an annual limitation and $34 million subject to separate return loss carryforward limitation. We do not expect these limitations to result in any permanent loss of our tax benefits.

As of November 3, 2013, we had unrecognized deferred tax assets of approximately $16 million attributable to excess tax deductions related to stock options, the benefit of which will be credited to equity when realized.

We consider all operating income of foreign subsidiaries not to be indefinitely reinvested outside Singapore. We have provided $3 million for foreign taxes that may result from future remittances of undistributed earnings of foreign subsidiaries, the cumulative amount of which is estimated to be $106 million and $103 million as of November 3, 2013 and October 28, 2012, respectively.

Uncertain Tax Positions

The gross unrecognized tax benefits increased by $10 million during fiscal year 2013, resulting in gross unrecognized tax benefits of $37 million as of November 3, 2013.

We recognize interest and penalties related to unrecognized tax benefits within the provision for income taxes line in the accompanying consolidated statements of operations. We recognized approximately $1 million of expense related to interest and penalties in each of the years presented. Accrued interest and penalties are included within the other long-term liabilities line in the consolidated balance sheets. As of November 3, 2013, October 28, 2012 and October 30, 2011, the combined amount of cumulative accrued interest and penalties was approximately $4 million, $4 million and $6 million, respectively.

A reconciliation of the beginning and ending balance of gross unrecognized tax benefits is summarized as follows (in millions):

	November 3, 2013	October 28, 2012	October 30, 2011
Beginning of period	$27	$30	$27
Lapse of statute of limitations	(2)	(4)	—
Increases in balances related to tax positions taken during prior periods	9	1	1
Decreases in balances related to tax positions taken during prior periods	—	(1)	—
Increases in balances related to tax positions taken during current period	3	1	2

End of period	$37	$27	$30

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A portion of our unrecognized tax benefits will affect our effective tax rate if they are recognized upon favorable resolution of the uncertain tax positions. As of November 3, 2013, approximately $35 million of the unrecognized tax benefits including accrued interest and penalties would affect our effective tax rate. As of October 28, 2012, approximately $28 million of the unrecognized tax benefits including accrued interest and penalties would affect our effective tax rate.

During the fiscal year ended November 3, 2013, we recognized $2 million of previously unrecognized tax benefits as a result of the expiration of the statute of limitations for certain audit periods

We are subject to Singapore income tax examination for the years ended October 31, 2006 and later and in major jurisdictions outside Singapore for the fiscal year ended October 31, 2007 and later. We are not under Singapore income tax examination at this time. We believe it is possible that we may recognize $1 million to $14 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.

11. Interest Expense

Interest expense of $2 million, $1 million and $4 million for the fiscal years ended November 3, 2013, October 28, 2012 and October 30, 2011, respectively, consisted primarily of (i) interest expense of $1 million, $1 million and $3 million, respectively, with respect to commitment fees related to our prior $300 million unsecured, revolving credit facility under the 2011 credit agreement, as well as the previously outstanding senior notes, senior subordinated notes, and debt under the senior secured credit facilities, all issued or incurred in connection with the SPG Acquisition; and (ii) amortization of debt issuance costs of $1 million, $0 million and $1 million, respectively. (See Note 7. "Borrowings")

12. Other Income, net

Other income, net includes net realized gains on the sale of available-for-sale securities, realized and unrealized gains on trading securities, gains on the sale of cost method investments, interest income, currency gains (losses) on balance sheet remeasurement and other miscellaneous items. The following table presents the detail of other income, net (in millions):

	Fiscal Year Ended		
	November 3, 2013	October 28, 2012	October 30, 2011
Other income	$15	$3	$1
Interest income	4	4	1
Other expense	—	(3)	(1)
Other income, net	$19	$4	$1

13. 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 have concluded that we 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; we use a common order fulfillment process and similar distribution approach for our products; and broad distributor networks are typically utilized while large accounts are serviced by a direct sales force. We completed the CyOptics acquisition in fiscal 2013 and are in the process of fully integrating CyOptics into our existing reportable organization structure and business model. The Chief Executive Officer has been identified as the Chief Operating Decision Maker as defined by ASC 280.

The following table presents net revenue and long-lived asset information based on geographic region. Net revenue is based on the geographic location of the distributors, original equipment manufacturers or contract manufacturers who purchased the Company’s products, which may differ from the geographic location of the end customers. Long-lived assets include property, plant and equipment and are based on the physical location of the assets. For customer

concentration details, See Note 2. "Summary of Significant Accounting Policies": (in millions):

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	Fiscal Year Ended		
	November 3, 2013	October 28, 2012	October 30, 2011
Net revenue:			
China	$1,169	$981	$697
United States	368	371	407
Germany	195	184	230
Korea	191	150	225
Singapore	143	97	106
Rest of the World	454	581	671
	$2,520	$2,364	$2,336

	November 3, 2013	October 28, 2012
Long-lived assets:		
United States	$445	$324
Malaysia	60	53
Singapore	45	42
Rest of the World	111	84
	$661	$503

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14. Related Party Transactions

Capstone Consulting

Capstone Consulting, or Capstone, an affiliate of Kohlberg Kravis Roberts & Co., or KKR, one of our former controlling shareholders, was granted options to purchase 800,000 ordinary shares with an exercise price of $5.00 per share on February 3, 2006. In connection with a secondary public offering of our shares in fiscal year 2011, Capstone exercised and sold 477,501 vested options for an aggregate option exercise proceeds of $2 million.

During the fiscal years ended November 3, 2013, October 28, 2012 and October 30, 2011, in the ordinary course of business, we purchased from, or sold to, several entities, where one of the Company's directors also serves or served as a director of that entity, including eSilicon Corporation, KLA-Tencor Corporation, Wistron Corporation, WIN Semiconductor Corp., Unisteel Technology Limited, Kulicke & Soffa Industries, Inc. and Flextronics International Ltd. The following tables provide the transactions with these parties for the indicated periods (for the portion of such period that they were considered related):

Transactions and balances with our related parties were as follows (in millions):

	Fiscal Year Ended		
	November 3, 2013	October 28, 2012	October 30, 2011
Total net revenue (1) (2) (4)	$21	$7	$73
Total costs and expenses (2) (3) (5)	$2	$8	$56

	November 3, 2013		October 28, 2012
Total receivables (1)	$—	*	$1
Total payables	—	*	2

* Represents amounts less than $0.5 million.

(1) Amounts include net revenue and accounts receivable balances for transactions with Wistron Corporation through the three fiscal quarters ended and as of August 4, 2013, after which Wistron Corporation ceased to be a related party.

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

(3) Amounts include cost and expenses for transactions with Unisteel Technology Limited through the two fiscal quarters ended May 5, 2013, after which Unisteel Technology Limited ceased to be a related party.

(4) Amounts include net revenue for transactions with Flextronics through the two fiscal quarters ended May 1, 2011, after which Flextronics ceased to be a related party.

(5) Amounts include cost and expenses for related party transactions with WIN Semiconductor Corp through the three fiscal quarters ended July 31, 2011, after which WIN Semiconductor Corp ceased to be a related party.

15. Commitments and Contingencies

Commitments

The following table summarizes contractual obligations and commitments as at November 3, 2013 (in millions):

	Total	2014	2015	2016	2017	2018	Thereafter
Operating Leases	$91	$13	$11	$5	$5	$4	$53
Capital Leases	2	1	1	—	—	—	—
Other Contractual Commitments	51	21	14	10	4	2	—
Revolving Credit Facility Commitments	5	1	1	1	1	1	—
Purchase commitments	124	124	—	—	—	—	—

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Operating Lease Commitments. We lease certain real property and equipment from third parties under non-cancelable operating leases. Rent expense was $12 million, $12 million and $13 million for the fiscal years ended November 3, 2013, October 28, 2012 and October 30, 2011, respectively.

Capital Lease Commitments. We lease a portion of our equipment from unrelated third parties under non-cancelable capital leases.

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, Colorado, internal fabrication facility. These purchases are typically conducted on a purchase order basis and the amount shown in the table includes $33 million in cancelable and non-cancelable outstanding purchase obligations under such purchase orders as of November 3, 2013.

Revolving Credit Facility Commitments. Estimated future interest expense payments related to our revolving credit facility consist of payments for our commitment fees. (See Note 7. “Borrowings.”)

Other Contractual Commitments. We entered into several agreements related to IT, human resources and financial infrastructure outsourcing and other services agreements.

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 and employment issues. As of the date of this filing, we are not involved in any pending legal proceedings that we believe would likely have a material adverse effect on our financial condition, results of operations or cash flows. However, certain pending disputes involve claims by third parties that our activities infringe their patent, copyright, trademark or other intellectual property rights. These 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.

With respect to the legal proceedings, individually and in the aggregate, we have not yet been able to determine whether an unfavorable outcome is probable or reasonably possible and have not been able to reasonably estimate the amount or range of any possible loss. As a result, no amounts have been accrued or disclosed in the accompanying consolidated financial statements with respect to these legal proceedings.

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.

Warranty

Commencing in fiscal year 2008, we notified certain customers of a product quality issue and began taking additional steps to correct the quality issue and work with affected customers to determine potential costs covered by our warranty obligations. We maintain insurance coverage for product liability and have been working with our insurance carriers to determine the extent of covered losses in this situation. Based on settlements with customers to date, the status of discussions with other affected customers and discussions with our insurance carriers, we recorded a charge of $2 million during fiscal year 2009 to cover costs relating to this quality issue in excess of expected insurance coverage. On July 29, 2012, we reached a final settlement agreement with a customer on this product quality issue. However, the final settlement amount was fully recovered from our insurance carrier. Therefore, in fiscal year 2012, we released $2 million of the warranty accrual and reduced cost of goods sold for this product warranty issue.

During fiscal year 2011, related to another product quality issue identified during fiscal year 2009, we reached additional final settlement agreements with certain customers, made $3 million of cash settlement payments and credits and shipped $1 million of replacement parts in connection with these agreements, resulting in a $4 million decrease in the warranty accrual for this product quality issue during the period. In addition, during fiscal year 2011,

following these additional settlements and based on all information available to the Company regarding remaining customer exposures including the progress made in resolving customer issues, we reassessed our overall exposure relating to this product quality issue, including our estimate of any remaining replacement parts exposure, and reduced the warranty accrual we previously recorded by $6 million. During fiscal year 2012, following the additional settlements and based on all information available to the Company regarding remaining customer exposures

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including the progress made in resolving customer issues, we reassessed our overall exposure relating to this product quality issue, including our estimate of any remaining replacement parts exposure, and reduced the warranty accrual we previously recorded by $1 million. We reassessed our overall exposure relating to this product quality issue and released and settled the remaining warranty accrual balance of $1 million in fiscal year 2013.

Indemnifications to Hewlett-Packard and Agilent

Agilent Technologies, Inc., or 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 business of Agilent. 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 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.

16. Subsequent Events

Dividend

On December 10, 2013, the Board declared an interim cash dividend of $0.25 per ordinary share to holders of record at the close of business (5:00 p.m.), Eastern Time, on December 20, 2013 with such dividend to be paid on December 31, 2013.

Pending Acquisition

On December 15, 2013, we also 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. The aggregate acquisition consideration payable in the transaction is 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 cashed out 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 2014.

We expect to finance the transaction with $1 billion of cash from the combined company balance sheet, $4.6 billion of fully committed term loans from a group of banks and $1 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, or SLP. 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 that the merger with LSI be consummated and that Avago shall have received simultaneously or substantially simultaneously 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 share.

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Supplementary Financial Data — Quarterly Data (Unaudited)

	Three Months Ended							
	November 3, 2013	August 4, 2013	May 5, 2013	February 3, 2013	October 28, 2012	July 29, 2012	April 29, 2012	January 29, 2012
	(In millions, except per share data)							
Net revenue	$738	$644	$562	$576	$618	$606	$577	$563
Cost of products sold:								
Cost of products sold	373	325	276	286	304	297	284	279
Amortization of intangible assets	19	14	14	14	14	14	14	14
Restructuring charges	—	1	—	—	1	—	1	—
Total cost of products sold	392	340	290	300	319	311	299	293
Gross margin	346	304	272	276	299	295	278	270
Research and development	109	101	95	93	80	89	84	82
Selling, general and administrative	60	57	52	53	49	49	51	50
Amortization of intangible assets	7	6	6	5	5	6	5	5
Restructuring charges	—	—	1	1	1	2	1	1
Total operating expenses	176	164	154	152	135	146	141	138
Income from operations	170	140	118	124	164	149	137	132
Interest expense	—	(1)	(1)	—	—	—	—	(1)
Loss on extinguishment of debt	(1)	—	—	—	—	—	—	—
Other income (expense), net	11	5	1	2	1	1	3	(1)
Income before income taxes	180	144	118	126	165	150	140	130
Provision for income taxes	8	2	5	1	6	5	6	5
Net income	$172	$142	$113	$125	$159	$145	$134	$125
Net income per share:								
Basic	$0.69	$0.57	$0.46	$0.51	$0.65	$0.59	$0.55	$0.51
Diluted	$0.68	$0.56	$0.45	$0.50	$0.64	$0.58	$0.54	$0.50
Shares used in per share calculations:								
Basic	248	248	246	246	245	245	244	245
Diluted	253	252	251	251	250	250	250	250
Cash dividends declared and paid per share	$0.23	$0.21	$0.19	$0.17	$0.16	$0.15	$0.13	$0.12

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Schedule II — Valuation and Qualifying Accounts

	Balance at Beginning of Period	Charged/ Credited to Net Income (Loss)	Charges Utilized/ Write-offs	Balance at End of Period
	(In millions)			
Accounts receivable allowances:				
Distributor credit allowance (1)				
Fiscal year ended November 3, 2013	$32	$221	$(214)	$39
Fiscal year ended October 28, 2012	17	101	(86)	32
Fiscal year ended October 30, 2011	12	106	(101)	17
Other accounts receivable allowances (2)				
Fiscal year ended November 3, 2013	$5	$18	$(19)	$4
Fiscal year ended October 28, 2012	6	17	(18)	5
Fiscal year ended October 30, 2011	4	19	(17)	6
Income tax valuation allowance (3)				
Fiscal year ended November 3, 2013	$10	$7	$—	$17
Fiscal year ended October 28, 2012	7	1	2	10
Fiscal year ended October 30, 2011	4	1	2	7

(1) Distributor credit allowance relates to limited stock returns and price adjustments.
(2) Other accounts receivable allowances include allowance for doubtful accounts and sales returns.
(3) The change in fiscal year 2013 valuation allowance includes $6 million that does not impact net income.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of Avago's disclosure controls and procedures as of November 3, 2013. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of November 3, 2013, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and effected by the company's board of directors, management and other personnel, 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 and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of November 3, 2013. In making this assessment, the company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on this assessment, our management concluded that, as of November 3, 2013, our internal control over financial reporting is effective based on those criteria.

Our evaluation of the effectiveness of our internal control over the financial reporting as of November 3, 2013 did not include the internal controls of CyOptics. We excluded CyOptics from our assessment of internal control over financial reporting as of November 3, 2013 because it was acquired in a business combination in June 2013. CyOptics, Inc. is a wholly owned subsidiary of the Company whose total assets and revenues represent approximately less than 5% and 4%, respectively, of the related consolidated financial statements as of, and for the year ended November 3,

2013.

The effectiveness of the Company's internal control over financial reporting, excluding CyOptics, as of November 3, 2013 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included in Part II, Item 8. of this Form 10-K.

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Changes in Internal Controls over Financial Reporting.
No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended November 3, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information regarding our directors, executive officers and compliance with Section 16(a) of the Exchange Act, set forth in the sections entitled “Proposal 1 — Election of Directors”, “Executive Officers”, “Corporate Governance” and “Section 16(a) Beneficial Ownership Reporting Compliance”, in our definitive Proxy Statement for our 2014 Annual General Meeting of Shareholders to be filed with the SEC within 120 days of the end of our 2013 fiscal year pursuant to General Instruction G(3) to Form 10-K is hereby incorporated by reference in this section.

We have adopted a written Code of Ethics and Business Conduct that applies to all of our employees and directors, including our principal executive officer, principal financial officer and principal accounting officer, or persons performing similar functions and have posted it in the “Investors — Governance” section of our website, which is located at www.avagotech.com. We intend to satisfy any disclosure requirement under Item 5.05 of Form 8-K regarding any amendments to, or waivers from, our Code of Ethics and Business Conduct by posting such information on our website at the internet address and location above.

ITEM 11. EXECUTIVE COMPENSATION

The information regarding executive compensation required by this Item 11 set forth in the sections entitled “Director Compensation”, “Compensation Discussion and Analysis”, “Executive Compensation”, “Compensation Committee Report” and “Corporate Governance — Compensation Committee Interlocks and Insider Participation" in our definitive Proxy Statement for our 2014 Annual General Meeting of Shareholders to be filed with the SEC within 120 days of the end of our 2013 fiscal year pursuant to General Instruction G(3) to Form 10-K is hereby incorporated by reference in this section. However, the Compensation Committee Report included in such definitive Proxy Statement shall not be deemed “filed” with the SEC for the purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing made by us with the SEC, regardless of any general incorporation language in such filing.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information regarding security ownership of certain beneficial owners and management and related shareholder matters required by this Item 12 set forth in the section entitled “Security Ownership of Certain Beneficial Owners, Directors and Executive Officers” and “Equity Compensation Plan Information” in our definitive Proxy Statement for our 2014 Annual General Meeting of Shareholders to be filed with the SEC within 120 days of the end of our 2013 fiscal year pursuant to General Instruction G(3) to Form 10-K is hereby incorporated by reference in this section.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information regarding certain relationships, related transactions and director independence required by this Item 13 set forth in the sections entitled “Corporate Governance” and “Certain Relationships and Related Party Transactions” in our definitive Proxy Statement for our 2014 Annual General Meeting of Shareholders to be filed with the SEC within 120 days of the end of our 2013 fiscal year pursuant to General Instruction G(3) to Form 10-K is hereby incorporated by reference in this section.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information regarding principal accounting fees and services required by this Item 14 set forth in the proposal relating to the re-appointment of our independent registered public accounting firm in our definitive Proxy Statement for our 2014 Annual General Meeting of Shareholders to be filed with the Commission within 120 days of the end of our 2013 fiscal year pursuant to General Instruction G(3) to Form 10-K is hereby incorporated by reference in this

section.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following are filed as part of this Annual Report on Form 10-K:

1. Financial Statements

The following consolidated financial statements are included in Item 8 of this Annual Report on Form 10-K:

- Consolidated Balance Sheets as of November 3, 2013 and October 28, 2012
- Consolidated Statements of Operations for the years ended November 3, 2013, October 28, 2012 and October 30, 2011
- Consolidated Statements of Comprehensive Income for the years ended November 3, 2013, October 28, 2012 and October 30, 2011
- Consolidated Statements of Cash Flows for the years ended November 3, 2013, October 28, 2012 and October 30, 2011
- Consolidated Statements of Shareholders' Equity for the years ended November 3, 2013, October 28, 2012 and October 30, 2011

2. Financial Statement Schedules

The financial statement schedule required by Item 15(a) (Schedule II, Valuation and Qualifying Accounts) is included in Item 8 of this Annual Report on Form 10-K.

Schedules not filed have been omitted because they are not applicable, are not required or the information required to be set forth therein is included in the financial statements or notes thereto.

3. Exhibits

The exhibits listed in the Exhibit Index immediately preceding the exhibits are filed with or incorporated by reference in this Annual Report on Form 10-K.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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/ Hock E. Tan
Name: Hock E. Tan
Title: President and Chief Executive Officer

Date: December 20, 2013

POWER OF ATTORNEY

Each person whose individual signature appears below hereby authorizes and appoints Hock E. Tan, Anthony E. Maslowski and Patricia H. McCall, and each of them, with full power of substitution and resubstitution and full power to act without the other, as his or her true and lawful attorney-in-fact and agent to act in his or her name, place and stead and to execute in the name and on behalf of each person, individually and in each capacity stated below, and to file any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing, ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed by the following persons on behalf of the Registrant in the capacities indicated and on the dates indicated.

Signature	Title	Date
/s/ Hock E. Tan Hock E. Tan	President and Chief Executive Officer and Director (Principal Executive Officer)	December 20, 2013
/s/ Anthony E. Maslowski Anthony E. Maslowski	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	December 20, 2013
/s/ James Diller James Diller	Chairman of the Board of Directors	December 20, 2013
/s/ John Dickson John Dickson	Director	December 20, 2013
/s/ Bruno Guilmart Bruno Guilmart	Director	December 20, 2013
/s/ Kenneth Y. Hao Kenneth Y. Hao	Director	December 20, 2013
/s/ Justine Lien Justine Lien	Director	December 20, 2013
/s/ Donald Macleod	Director	December 20, 2013

Donald Macleod

Director

Peter J. Marks

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EXHIBIT INDEX

Exhibit No.	Description	Incorporated by Referenced Herein Form	Filing Date	Filed Herewith
2.1#	Asset Purchase Agreement, dated August 14, 2005, between Agilent Technologies, Inc. and Argos Acquisition Pte. Ltd.	Agilent Technologies, Inc. Current Report on Form 8-K (Commission File No. 001-15405)	August 15, 2005	
2.2#	Amendment No. 1 to the Asset Purchase Agreement, dated November 30, 2005, between Agilent Technologies, Inc. and Avago Technologies Limited.	Amendment No. 4 to Avago Technologies Limited Registration Statement on Form S-1 (Commission File No. 333-153127)	July 21, 2009	
2.3#	Amendment No. 2 to the Asset Purchase Agreement, dated December 29, 2006, between Agilent Technologies, Inc. and Avago Technologies Limited.	Amendment No. 1 to Avago Technologies Limited Registration Statement on Form S-1 (Commission File No. 333-153127)	October 1, 2008	
2.4#	Asset Purchase Agreement, dated June 25, 2008, by and among Avago Technologies GmbH, Avago Technologies International Sales Pte. Ltd., Avago Technologies Wireless IP (Singapore) Pte. Ltd., Avago Technologies Finance Pte. Ltd. and Infineon Technologies AG.	Amendment No. 4 to Avago Technologies Limited Registration Statement on Form S-1 (Commission File No. 333-153127)	July 21, 2009	
2.5#	Agreement and Plan of Merger, dated as of April 10, 2013, by and among CyOptics, Avago Technologies Wireless (U.S.A.) Manufacturing Inc., Celsus Acquisition Corp., the Company, Avago Technologies Finance Pte. Ltd. and Shareholder Representative Services LLC.	Avago Technologies Limited Current Report on Form 8-K (File No. 001-34428).	April 11, 2013	
3.1	Memorandum and Articles of Association.	Avago Technologies Limited Current Report on Form 8-K (File No. 001-34428).	August 14, 2009	
4.1	Form of Specimen Share Certificate for Registrant's Ordinary Shares.	Amendment No. 3 to Avago Technologies Limited Registration Statement on Form S-1 (Commission File No. 333-153127)	July 14, 2009	
10.1	Sublease Agreement, dated June 5, 2009, between Agilent Technologies Singapore Pte. Ltd. and Avago Technologies Manufacturing (Singapore) Pte. Ltd., relating to Avago's facility at 1 Yishun Avenue 7, Singapore 768923.	Avago Technologies Limited Registration Annual Report on Form 10-K (Commission File No. 001-33428)	December 15, 2010	

10.2	Lease No. I/33183P issued by Singapore Housing and Development Board to Compaq Asia Pte Ltd in respect of the land and structures comprised in Lot 1935X of Mukim 19, dated September 26, 2000, and includes the Variation of Lease I/49501Q registered January 15, 2002, relating to Avago's facility at 1 Yishun Avenue 7, Singapore 768923.	Avago Technologies Finance Pte. Ltd. Registration Statement on Form F-4 (Commission File No. 333-137664)	November 15, 2006
10.3	Lease No. I/31607P issued by Singapore Housing and Development Board to Compaq Asia Pte Ltd in respect of the land and structures comprised in Lot 1937C of Mukim 19, dated September 26, 2000, and includes the Variation of Lease I/49499Q registered January 15, 2002, relating to Avago's facility at 1 Yishun Avenue 7, Singapore 768923.	Avago Technologies Finance Pte. Ltd. Registration Statement on Form F-4 (Commission File No. 333-137664)	November 15, 2006

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Exhibit No.	Description	Incorporated by Referenced Herein Form	Filing Date	Filed Herewith
10.4	Lease No. I/33182P issued by Singapore Housing and Development Board to Compaq Asia Pte Ltd in respect of the land and structures comprised in Lot 2134N of Mukim 19, dated September 26, 2000, and includes the Variation of Lease I/49500Q registered January 15, 2002, relating to Avago's facility at 1 Yishun Avenue 7, Singapore 768923.	Avago Technologies Finance Pte. Ltd. Registration Statement on Form F-4 (Commission File No. 333-137664)	November 15, 2006	
10.5	Lease No. I/33160P issued by Singapore Housing and Development Board to Compaq Asia Pte Ltd in respect of the land and structures comprised in Lot 1975P of Mukim 19, dated September 26, 2000, and includes the Variation of Lease I/49502Q registered January 15, 2002, relating to Avago's facility at 1 Yishun Avenue 7, Singapore 768923.	Avago Technologies Finance Pte. Ltd. Registration Statement on Form F-4 (Commission File No. 333-137664)	November 15, 2006	
10.6	Tenancy Agreement, dated October 24, 2005, between Agilent Technologies (Malaysia) Sdn. Bhd. and Avago Technologies (Malaysia) Sdn. Bhd. (f/k/a Jumbo Portfolio Sdn. Bhd.), relating to Avago's facility at Bayan Lepas Free Industrial Zone, 11900 Penang, Malaysia.	Amendment No. 1 to Avago Technologies Limited Registration Statement on Form S-1 (Commission File No. 333-153127)	October 1, 2008	
10.7	Supplemental Agreement to Tenancy Agreement, dated December 1, 2005, between Agilent Technologies (Malaysia) Sdn. Bhd. and Avago Technologies (Malaysia) Sdn. Bhd. (f/k/a Jumbo Portfolio Sdn. Bhd.), relating to Avago's facility at Bayan Lepas Free Industrial Zone, 11900 Penang, Malaysia.	Amendment No. 1 to Avago Technologies Limited Registration Statement on Form S-1 (Commission File No. 333-153127)	October 1, 2008	
10.8	Subdivision and Use Agreement, dated December 1, 2005, between Agilent Technologies (Malaysia) Sdn. Bhd. and Avago Technologies (Malaysia) Sdn. Bhd. (f/k/a Jumbo Portfolio Sdn. Bhd.), relating to Avago's facility at Bayan Lepas Free Industrial Zone, 11900 Penang, Malaysia.	Amendment No. 1 to Avago Technologies Limited Registration Statement on Form S-1 (Commission File No. 333-153127)	October 1, 2008	
10.9	Sale and Purchase Agreement, dated December 1, 2005, between Agilent	Amendment No. 1 to Avago Technologies Limited Registration	October 1, 2008	

	Technologies (Malaysia) Sdn. Bhd. and Avago Technologies (Malaysia) Sdn. Bhd. (f/k/a Jumbo Portfolio Sdn. Bhd.), relating to Avago's facility at Bayan Lepas Free Industrial Zone, 11900 Penang, Malaysia.	Statement on Form S-1 (Commission File No. 333-153127)	
10.10	Lease Agreement, dated December 1, 2005, between Agilent Technologies, Inc. and Avago Technologies U.S. Inc., relating to Avago's facility at 350 West Trimble Road, San Jose, California 95131.	Amendment No. 1 to Avago Technologies Limited Registration Statement on Form S-1 (Commission File No. 333-153127)	October 1, 2008
10.11	First Amendment to Lease Agreement (Building 90) and Service Level Agreement, dated January 10, 2007, between Avago Technologies U.S. Inc. and Lumileds Lighting B.V. relating to Avago's facilities at 350 West Trimble Road, San Jose, California 95131.	Amendment No. 1 to Avago Technologies Limited Registration Statement on Form S-1 (Commission File No. 333-153127)	October 1, 2008

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Exhibit No.	Description	Incorporated by Referenced Herein Form	Filing Date	Filed Herewith
10.12	Lease Agreement dated as of April 29, 2005 by and between TriQuint Optoelectronics, Inc. and CyOptics, Inc. and related amendments and renewals.	Avago Technologies Limited Quarterly Report on Form 10-Q (Commission File No. 001-34428)	September 13, 2013	
10.13	Lease Agreement dated as of June 29, 2000 ("Lease") by and between Inmobiliaria Ayusa, S. de R.L. de C.V. ("Landlord") and Lucent Technologies Microelectronica de Mexico, S.A. de C.V., together with consent of Landlord to assign the Lease to a subsidiary of CyOptics, Inc. and related amendments to the Lease.	Avago Technologies Limited Quarterly Report on Form 10-Q (Commission File No. 001-34428)	September 13, 2013	
10.14	Credit Agreement, dated October 28, 2013, among Avago Technologies Finance Pte. Ltd., as Borrower, Avago Technologies Holding Pte. Ltd., Avago Technologies International Sales Pte. Limited, Avago Technologies US. Inc. and Avago Technologies General IP (Singapore) Pte. Ltd., as Guarantors and the Initial Lenders named therein as Initial Lenders and Citicorp International Limited as Administrative Agent and Barclays Bank PLC as Syndication Agent and Barclays Bank PLC and Citigroup Global Markets Inc. as Joint Lead Arrangers and Joint Bookrunners.	Avago Technologies Limited Current Report on Form 8-K (Commission File No. 001-34428)	October 30, 2013	
10.15	Ft. Collins Supply Agreement, dated October 28, 2005 between Avago Technologies Wireless (U.S.A.) Manufacturing, Inc. and Palau Acquisition Corporation.	Avago Technologies Finance Pte. Ltd. Amendment No. 1 to Annual Report on Form 20-F/A (Commission File No. 333-137664)	June 16, 2009	
10.16	Collective Agreement, dated April 29, 2013, between Avago Manufacturing (Singapore) Pte Ltd (and its Singapore affiliates) and United Workers of Electronic & Electrical Industries.	Avago Technologies Limited Current Report on Form 8-K (Commission File No. 001-33428)	September 5, 2013	
10.17	Collective Employment Contract for an Indefinite Duration dated as of February 16, 2010 by and between CyOptics of Mexico, S. de R.L. de C.V. and Union of Day Laborers and	Avago Technologies Limited Quarterly Report on Form 10-Q (Commission File No. 001-33428)	September 13, 2013	

	Industrial Workers and the Maquiladora Industry. (English translation of Spanish original).		
10.18+	2009 Equity Incentive Award Plan.	Amendment No. 5 to Avago Technologies Limited Registration Statement on Form S-1 (Commission File No. 333-153127)	July 27, 2009
10.19+	Equity Incentive Plan for Executive Employees of Avago Technologies Limited and Subsidiaries (Amended and Restated Effective as of February 25, 2008).	Avago Technologies Finance Pte. Ltd. Amendment No. 1 to Annual Report on Form 20-F/A (Commission File No. 333-137664)	February 27, 2008
10.20+	Equity Incentive Plan for Senior Management Employees of Avago Technologies Limited and Subsidiaries (Amended and Restated Effective as of February 25, 2008).	Avago Technologies Finance Pte. Ltd. Amendment No. 1 to Annual Report on Form 20-F/A (Commission File No. 333-137664)	February 27, 2008

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Exhibit No.	Description	Incorporated by Referenced Herein Form	Filing Date	Filed Herewith
10.21+	Amendment to the Equity Incentive Plan for Senior Management Employees of Avago Technologies Limited and its Subsidiaries, dated July 27, 2009	Avago Technologies Limited Annual Report on Form 10-K (Commission File No. 001-34428)	December 16, 2011	
10.22+	Amendment to the Equity Incentive Plan for Senior Management Employees of Avago Technologies Limited and its Subsidiaries, dated March 9, 2011	Avago Technologies Limited Quarterly Report on Form 10-Q (Commission File No. 001-34428)	June 9, 2011	
10.23+	Form of Nonqualified Share Option Agreement Under the Amended and Restated Equity Incentive Plan for Executive Employees of Avago Technologies Limited and Subsidiaries for U.S. employees.	Amendment No. 1 to Avago Technologies Limited Registration Statement on Form S-1 (Commission File No. 333-153127)	October 1, 2008	
10.24+	Form of Nonqualified Share Option Agreement Under the Equity Incentive Plan for Executive Employees of Avago Technologies Limited and Subsidiaries for employees in Singapore.	Amendment No. 1 to Avago Technologies Limited Registration Statement on Form S-1 (Commission File No. 333-153127)	October 1, 2008	
10.25+	Form of Nonqualified Share Option Agreement Under the Amended and Restated Equity Incentive Plan for Senior Management Employees of Avago Technologies Limited and Subsidiaries for U.S. non-employee directors.	Amendment No. 1 to Avago Technologies Limited Registration Statement on Form S-1 (Commission File No. 333-153127)	October 1, 2008	
10.26+	Form of Nonqualified Share Option Agreement Under the Amended and Restated Equity Incentive Plan for Senior Management Employees of Avago Technologies Limited and Subsidiaries for non-employee directors in Singapore.	Avago Technologies Finance Pte. Ltd. Registration Statement on Form F-4 (Commission File No. 333-137664)	September 29, 2006	
10.27+	Amended and Restated Offer Letter Agreement, dated July 17, 2009, between Avago Technologies Limited and Hock E. Tan.	Amendment No. 4 to Avago Technologies Limited Registration Statement on Form S-1 (Commission File No. 333-153127)	July 21, 2009	
10.28+	Amended and Restated Employment Agreement, dated July 17, 2009, between Avago Technologies U.S. Inc. and Bryan T. Ingram.	Amendment No. 4 to Avago Technologies Limited Registration Statement on Form S-1 (Commission File No. 333-153127)	July 21, 2009	
10.29+	Offer Letter Agreement, dated March 20, 2007, between Avago Technologies and Patricia H. McCall.	Avago Technologies Finance Pte. Ltd. Amendment No. 1 to Annual Report on Form 20-F/A (Commission File No.	February 27, 2008	

		333-137664)	
10.30+	Form of indemnification agreement between Avago and its directors (prior to June 2013).	Avago Technologies Finance Pte. Ltd. Amendment No. 1 to Annual Report on Form 20-F/A (Commission File No. 333-137664)	February 27, 2008
10.31+	Form of indemnification agreement between Avago and its directors (effective June 2013).	Avago Technologies Limited Quarterly Report on Form 10-Q (Commission File No. 001-34428)	September 13, 2013
10.32+	Form of indemnification agreement between Avago and each of its officers.	Avago Technologies Finance Pte. Ltd. Amendment No. 1 to Annual Report on Form 20-F/A (Commission File No. 333-137664)	February 27, 2008
10.33+	Severance Benefits Agreement, dated December 3, 2008, between Avago Technologies Limited and Patricia H. McCall.	Avago Technologies Finance Pte. Ltd. Current Report on Form 6-K (Commission File No. 333-137664)	March 5, 2009

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Exhibit No.	Description	Incorporated by Referenced Herein Form	Filing Date	Filed Herewith
10.34+	Offer Letter Agreement, dated December 5, 2008, between Avago Technologies Limited and B.C. Ooi.	Avago Technologies Finance Pte. Ltd. Current Report on Form 6-K (Commission File No. 333-137664)	March 5, 2009	
10.35+	Severance Benefits Agreement, dated March 9, 2011, between Avago Technologies US. Inc. and Bryan Ingram.	Avago Technologies Limited Quarterly Report on Form 10-Q (Commission File No. 001-34428)	June 9, 2011	
10.36+	Deferred Compensation Plan.	Amendment No. 2 to Avago Technologies Limited Registration Statement on Form S-1 (Commission File No. 333-153127)	July 2, 2009	
10.37+	Form of Option Agreement Under Avago Technologies Limited 2009 Equity Incentive Award Plan.	Amendment No. 5 to Avago Technologies Limited Registration Statement on Form S-1 (Commission File No. 333-153127)	July 27, 2009	
10.38+	Form of Notice and Restricted Share Unit Agreement Under Avago Technologies Limited 2009 Equity Incentive Award Plan.	Avago Technologies Limited Annual Report on Form 10-K (Commission File No. 001-33428)	December 15, 2010	
10.39+	Form of Restricted Share Unit Agreement (Sell to Cover) Under Avago Technologies Limited 2009 Equity Incentive Award Plan.	Avago Technologies Limited Quarterly Report on Form 10-Q (Commission File No. 001-34428)	June 7, 2013	
10.40+	Employee Share Purchase Plan (amended and restated effective as of June 2, 2010).	Avago Technologies Limited Quarterly Report on Form 10-Q (Commission File No. 001-34428)	June 3, 2010	
21.1	List of Subsidiaries.			X
23.1	Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm.			X
24.1	Power of Attorney (see signature page to this Form 10-K).			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			X

	of 2002.	
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

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Notes:

+ Indicates a management contract or compensatory plan or arrangement.

Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Avago Technologies hereby undertakes to furnish supplementally copies of any omitted schedules upon request by the SEC.