
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)
 QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 27, 2014

OR

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

For the transition period from _____ to _____

Commission file number 001-05560

SKYWORKS SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

04-2302115

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

20 Sylvan Road, Woburn, Massachusetts

(Address of principal executive offices)

01801

(Zip Code)

Registrant's telephone number, including area code: **(781) 376-3000**

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large Accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class

Outstanding at July 22, 2014

Common Stock, par value \$.25 per share

189,526,242

SKYWORKS SOLUTIONS, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED JUNE 27, 2014

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PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements.

SKYWORKS SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in millions, except per share amounts)

	Three Months Ended		Nine Months Ended	
	June 27, 2014	June 28, 2013	June 27, 2014	June 28, 2013
Net revenue	\$ 587.0	\$ 436.1	\$ 1,573.2	\$ 1,315.0
Cost of goods sold	322.8	247.9	874.6	757.5
Gross profit	264.2	188.2	698.6	557.5
Operating expenses:				
Research and development	64.2	56.6	184.2	171.0
Selling, general and administrative	45.8	40.3	128.8	118.1
Amortization of intangibles	5.7	7.0	18.5	22.4
Restructuring and other charges	—	—	—	6.4
Total operating expenses	115.7	103.9	331.5	317.9
Operating income	148.5	84.3	367.1	239.6
Other income (expense), net	—	0.2	(0.1)	(0.9)
Income before income taxes	148.5	84.5	367.0	238.7
Provision for income taxes	37.1	18.8	84.2	44.8
Net income	\$ 111.4	\$ 65.7	\$ 282.8	\$ 193.9
Earnings per share:				
Basic	\$ 0.59	\$ 0.35	\$ 1.51	\$ 1.03
Diluted	\$ 0.58	\$ 0.34	\$ 1.47	\$ 1.01
Weighted average shares:				
Basic	187.5	186.6	187.0	188.2
Diluted	193.2	191.2	192.2	192.8
Cash dividends declared and paid per share	\$ 0.11	\$ —	\$ 0.11	\$ —

See accompanying Notes to Consolidated Financial Statements.

SKYWORKS SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited, in millions)

	Three Months Ended		Nine Months Ended	
	June 27, 2014	June 28, 2013	June 27, 2014	June 28, 2013
Net income	\$ 111.4	\$ 65.7	\$ 282.8	\$ 193.9
Comprehensive income	\$ 111.4	\$ 65.7	\$ 282.8	\$ 193.9

See accompanying Notes to Consolidated Financial Statements.

SKYWORKS SOLUTIONS, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited, in millions, except per share amounts)

	As of	
	June 27, 2014	September 27, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 893.3	\$ 511.1
Receivables, net of allowance for doubtful accounts of \$0.8 and \$0.5, respectively	251.4	292.7
Inventory	198.7	229.5
Other current assets	43.9	40.0
Total current assets	1,387.3	1,073.3
Property, plant and equipment, net	387.3	328.6
Goodwill	800.5	800.5
Intangible assets, net	46.3	64.8
Deferred tax assets, net	55.3	54.1
Other assets	12.2	11.8
Total assets	\$ 2,688.9	\$ 2,333.1
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 164.0	\$ 126.5
Accrued compensation and benefits	61.8	41.2
Other current liabilities	9.0	12.0
Total current liabilities	234.8	179.7
Long-term tax liabilities	58.3	45.9
Other long-term liabilities	6.8	6.4
Total liabilities	299.9	232.0
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock, no par value: 25.0 shares authorized, no shares issued	—	—
Common stock, \$0.25 par value; 525.0 shares authorized; 213.3 shares issued and 189.2 shares outstanding at June 27, 2014, and 207.5 shares issued and 187.9 shares outstanding at September 27, 2013	47.3	47.0
Additional paid-in capital	2,206.7	2,041.4
Treasury stock, at cost	(504.9)	(365.3)
Retained earnings	640.8	378.9
Accumulated other comprehensive loss	(0.9)	(0.9)
Total stockholders' equity	2,389.0	2,101.1
Total liabilities and stockholders' equity	\$ 2,688.9	\$ 2,333.1

See accompanying Notes to Consolidated Financial Statements.

SKYWORKS SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in millions)

	Nine Months Ended	
	June 27, 2014	June 28, 2013
Cash flows from operating activities:		
Net income	\$ 282.8	\$ 193.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation	62.4	54.1
Depreciation	66.5	55.4
Amortization of intangible assets	18.5	22.4
Contribution of common shares to savings and retirement plans	10.4	10.5
Deferred income taxes	1.1	0.9
Excess tax benefit from share-based compensation	(38.3)	(5.3)
Other	0.6	0.2
Changes in assets and liabilities net of acquired balances:		
Receivables, net	41.3	13.7
Inventory	30.8	0.9
Other current and long-term assets	8.3	(2.1)
Accounts payable	37.5	(25.4)
Other current and long-term liabilities	50.1	23.0
Net cash provided by operating activities	<u>572.0</u>	<u>342.2</u>
Cash flows from investing activities:		
Capital expenditures	(125.7)	(85.4)
Sales and maturities of investments	—	0.8
Net cash used in investing activities	<u>(125.7)</u>	<u>(84.6)</u>
Cash flows from financing activities:		
Payment of contingent consideration	—	(1.1)
Excess tax benefit from share-based compensation	38.3	5.3
Repurchase of common stock - payroll tax withholding on equity awards	(19.7)	(17.3)
Repurchase of common stock - share repurchase program	(119.9)	(164.5)
Dividends paid	(20.9)	—
Net proceeds from exercise of stock options	58.1	13.2
Net cash used in financing activities	<u>(64.1)</u>	<u>(164.4)</u>
Net increase in cash and cash equivalents	382.2	93.2
Cash and cash equivalents at beginning of period	511.1	307.1
Cash and cash equivalents at end of period	<u>\$ 893.3</u>	<u>\$ 400.3</u>
Supplemental cash flow disclosures:		
Income taxes paid	\$ 43.9	\$ 19.8

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Skyworks Solutions, Inc. together with its consolidated subsidiaries, (“Skyworks” or the “Company”) is an innovator of high performance analog semiconductors. Leveraging core technologies, the Company supports automotive, broadband, cellular infrastructure, energy management, GPS, industrial, medical, military, wireless networking, smartphone and tablet applications. The Company’s portfolio consists of amplifiers, attenuators, battery chargers, circulators, DC/DC converters, demodulators, detectors, diodes, directional couplers, front-end modules, hybrids, infrastructure RF subsystems, isolators, LED drivers, mixers, modulators, optocouplers, optoisolators, phase shifters, PLLs/synthesizers/VCOs, power dividers/combiners, power management devices, receivers, switches, technical ceramics, and voltage regulators.

The accompanying unaudited interim consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial reporting. Certain information and footnote disclosures, normally included in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), have been condensed or omitted pursuant to those rules and regulations. However, in management’s opinion, the financial information reflects all adjustments, including those of a normal recurring nature, necessary to present fairly the results of operations, financial position, and cash flows of the Company for the periods presented. The results of operations, financial position, and cash flows for the Company during the interim periods are not necessarily indicative of those expected for the full year. This information should be read in conjunction with the Company’s financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the fiscal year ended September 27, 2013, filed with the SEC on November 18, 2013, as amended by Amendment No. 1 to such Annual Report on Form 10-K, filed with the SEC on January 27, 2014 (the “2013 10-K”).

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenue, expenses, comprehensive income and accumulated other comprehensive loss that are reported in these unaudited consolidated financial statements and accompanying disclosures. The Company evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. Significant judgment is required in determining the recognition and/or disclosure of reserves for and fair value of items such as inventory, income taxes, share-based compensation, loss contingencies, subsequent events (which the Company has evaluated through the date of issuance of these unaudited consolidated financial statements), bad debt allowances, intangible assets associated with business combinations, and overall fair value assessments of assets and liabilities, particularly those classified as Level 2 or Level 3 in the fair value hierarchy. In addition, significant judgment is required in determining whether a potential indicator of impairment of long-lived assets exists and in estimating future cash flows for any necessary impairment tests. Actual results could differ significantly from these estimates.

The Company’s fiscal year ends on the Friday closest to September 30. Fiscal year 2014 consists of 53 weeks and ends on October 3, 2014. Fiscal year 2013 consisted of 52 weeks and ended on September 27, 2013. The third quarters of fiscal year 2014 and fiscal year 2013 each consisted of 13 weeks and ended on June 27, 2014, and June 28, 2013, respectively.

2. PENDING ACQUISITION

On July 7, 2014, the Company, Panasonic Corporation, through its Automotive & Industrial Systems Company (“Panasonic”), Skyworks Panasonic Filter Solutions Japan Co., Ltd. (“FilterCo”), Skyworks Panasonic Filter Solutions Singapore Pte. Ltd., a wholly owned subsidiary of FilterCo (“FilterSub”), Skyworks Luxembourg S.a.r.l., and Panasonic Asia Pacific Pte. Ltd., entered into a stock purchase agreement (the “Agreement”) providing for the formation of a joint venture with respect to the design, manufacture and sale of Panasonic’s surface acoustic wave (“SAW”) and temperature-compensated (“TC”) SAW filter products. In connection with the consummation of the transaction contemplated by the Agreement, and pursuant to a corporate spin-out, Panasonic will contribute to FilterCo and FilterSub certain assets, properties and rights related to its SAW and TC SAW filter business. Upon completion of the contribution described above, the Company will purchase for \$148.5 million, subject to certain adjustments as described in the Agreement, a 66% interest in FilterCo (collectively, the “Transaction”). Following the two-year anniversary of the closing of the Transaction, the Company will have the right to acquire from Panasonic, and Panasonic will have the right to sell to the Company, the remaining 34% interest in FilterCo for \$76.5 million, subject to certain adjustments as described in the Agreement.

The parties expect the Transaction to close before the end of the fourth quarter of the Company’s fiscal year 2014, pending satisfaction of all closing conditions. The Company anticipates the Transaction will qualify as a business combination and plans to account for it using the acquisition method.

3. FAIR VALUE

Fair value is the price that would be received from selling an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants as of the measurement date. Applicable accounting guidance provides a hierarchy for inputs used in measuring fair value that prioritize the use of observable inputs over the use of unobservable inputs, when such observable inputs are available. The three levels of inputs that may be used to measure fair value are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets with insufficient volume or infrequent transactions (less active markets), or model-driven valuations in which all significant inputs are observable or can be derived principally from, or corroborated with, observable market data.
- Level 3 - Fair value is derived from valuation techniques in which one or more significant inputs are unobservable, including assumptions and judgments made by the Company.

Assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurements. The Company reviews the fair value hierarchy classification on a quarterly basis. Changes in the observable inputs may result in a reclassification of assets and liabilities within the three levels of the hierarchy outlined above.

Assets and Liabilities Measured and Recorded at Fair Value on a Recurring Basis

The Company measures certain assets and liabilities at fair value on a recurring basis, such as our financial instruments, which currently consist of marketable securities, and recognizes transfers within the fair value hierarchy at the end of the fiscal quarter in which the change in circumstances that caused the transfer occurred. There have been no transfers between Level 1, 2 or 3 assets during the three and nine months ended June 27, 2014.

As of June 27, 2014, the Company's marketable securities include an auction rate security that was classified as available for sale and recorded in other long-term assets. This security is scheduled to mature in 2017. Due to the illiquid market for this security the Company has classified the carrying value as a Level 3 asset with the difference between the par and carrying value being categorized as a temporary loss and recorded in accumulated other comprehensive loss.

At June 27, 2014, assets recorded at fair value on a recurring basis consist of the following (in millions):

	Fair Value Measurements			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Money market funds	\$ 443.9	\$ 443.9	\$ —	\$ —
Auction rate securities	2.3	—	—	2.3
Total	\$ 446.2	\$ 443.9	\$ —	\$ 2.3

Assets Measured and Recorded at Fair Value on a Nonrecurring Basis

The Company's non-financial assets and liabilities, such as goodwill, intangible assets, and other long-lived assets resulting from business combinations are measured at fair value using income approach valuation methodologies at the date of acquisition and subsequently re-measured if there are indicators of impairment. There were no indicators of impairment identified during the three and nine months ended June 27, 2014.

4. INVENTORY

Inventory consists of the following (in millions):

	As of	
	June 27, 2014	September 27, 2013
Raw materials	\$ 18.6	\$ 25.2
Work-in-process	119.3	128.3
Finished goods	51.5	65.0
Finished goods held on consignment by customers	9.3	11.0
Total inventory	\$ 198.7	\$ 229.5

5. PROPERTY, PLANT AND EQUIPMENT

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

	As of	
	June 27, 2014	September 27, 2013
Land and improvements	\$ 11.7	\$ 12.2
Buildings and improvements	68.1	60.3
Furniture and fixtures	24.0	23.4
Machinery and equipment	806.7	668.1
Construction in progress	69.8	95.3
Total property, plant and equipment, gross	980.3	859.3
Accumulated depreciation	(593.0)	(530.7)
Total property, plant and equipment, net	\$ 387.3	\$ 328.6

6. GOODWILL AND INTANGIBLE ASSETS

There were no changes to the carrying amount of goodwill during the three and nine months ended June 27, 2014.

The Company tests its goodwill and non-amortizing trademarks for impairment annually as of the first day of its fourth fiscal quarter and in interim periods if certain events occur indicating the carrying value of goodwill or non-amortizing trademarks may be impaired. There were no indicators of impairment noted during the three and nine months ended June 27, 2014.

Intangible assets consist of the following (in millions):

	Weighted Average Amortization Period Remaining (Years)	As of June 27, 2014			As of September 27, 2013		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	2.2	\$ 78.7	\$ (58.5)	\$ 20.2	\$ 78.7	\$ (49.3)	\$ 29.4
Developed technology and other	2.2	88.9	(64.4)	24.5	88.9	(55.3)	33.6
In-process research and development	0.0	6.1	(6.1)	—	6.1	(5.9)	0.2
Trademarks	Indefinite	1.6	—	1.6	1.6	—	1.6
Total intangible assets		\$ 175.3	\$ (129.0)	\$ 46.3	\$ 175.3	\$ (110.5)	\$ 64.8

Annual amortization expense for the next five years related to intangible assets is expected to be as follows (in millions):

	Remaining 2014	2015	2016	2017	2018	Thereafter
Amortization expense	\$ 5.4	\$ 21.0	\$ 16.3	\$ 2.0	\$ —	\$ —

7. INCOME TAXES

Income tax provision consists of the following components (in millions):

	Three Months Ended		Nine Months Ended	
	June 27, 2014	June 28, 2013	June 27, 2014	June 28, 2013
United States income taxes	\$ 34.6	\$ 16.2	\$ 82.4	\$ 37.9
Foreign income taxes	2.5	2.6	1.8	6.9
Provision for income taxes	\$ 37.1	\$ 18.8	\$ 84.2	\$ 44.8
Effective tax rate	25.0%	22.3%	22.9%	18.8%

The difference between the Company's effective tax rate and the 35% United States federal statutory rate for the three and nine months ended June 27, 2014, resulted primarily from foreign earnings taxed at rates lower than the federal statutory rate, the domestic production activities deduction, and a tax benefit related to an adjustment to the Company's deferred taxes in Mexico as a result of a change in Mexican tax law, partially offset by an increase in the Company's tax expense related to a change in the Company's reserve for uncertain tax positions.

The federal tax credit available under the Internal Revenue Code for research and development expenses expired on December 31, 2013. As of June 27, 2014, the United States Congress had not taken action to extend the Research and Experimentation Tax Credit. Accordingly, the income tax provision for the three and nine months ended June 27, 2014, does not reflect the impact of any research and development tax credits that would have been earned after December 31, 2013, had the federal tax credit not expired.

In December 2013, Mexico enacted a comprehensive tax reform package, which became effective on January 1, 2014. As a result of this change, the Company adjusted its deferred taxes in that jurisdiction, resulting in the recognition of a tax benefit in the first fiscal quarter that reduced the Company's foreign income tax expense by \$4.5 million for the nine months ended June 27, 2014.

The Company's federal income tax return for fiscal year 2011 is currently under examination by the Internal Revenue Service ("IRS"). The Company expects the IRS examination to close in the fourth quarter of fiscal 2014 and does not expect the results of this audit to have an adverse impact on its tax expense. In addition, various state and international returns are under examination by their respective taxing authorities. The Company does not expect the results of these audits to have a material impact on its financial position, results of operations, or cash flows.

The difference between the Company's effective tax rate and the 35% United States federal statutory rate for the three and nine months ended June 28, 2013, resulted primarily from foreign earnings taxed at rates lower than the federal statutory rate, the domestic production activities deduction, and research and experimentation tax credits earned, partially offset by an increase in the Company's tax expense related to a change in the Company's reserve for uncertain tax positions.

In January 2013, the United States Congress enacted the American Taxpayer Relief Act of 2012, extending numerous tax provisions which had expired. The impact of this legislation reduced the Company's tax expense for the three and nine months ended June 28, 2013, by \$6.1 million and \$15.1 million, respectively.

8. COMMITMENTS AND CONTINGENCIES

Legal Matters

From time to time, various lawsuits, claims and proceedings have been, and may in the future be, instituted or asserted against the Company, including those pertaining to patent infringement, intellectual property, environmental hazards, product liability and warranty, safety and health, employment and contractual matters.

The semiconductor industry is characterized by vigorous protection and pursuit of intellectual property rights. From time to time, third parties have asserted and may in the future assert patent, copyright, trademark and other intellectual property rights to technologies that are important to the Company's business and have demanded and may in the future demand that the Company license their technology. The outcome of any such litigation cannot be predicted with certainty and some such lawsuits, claims or proceedings may be disposed of unfavorably to the Company. Generally speaking, intellectual property disputes often have a risk of injunctive relief, which, if imposed against the Company, could materially and adversely affect the Company's financial condition, or results of operations. From time to time the Company may also be involved in legal proceedings in the ordinary course of business. Legal costs are expensed as incurred.

The Company monitors the status of legal proceedings and other contingencies on an ongoing basis to ensure amounts are recognized and/or disclosed in our financial statements and footnotes as required by Accounting Standards Codification 450, *Loss Contingencies*. At the time of this filing, the Company had not recorded any accrual for loss contingencies associated with its legal proceedings as losses resulting from such matters were determined not to be probable. The Company does not believe there are any pending legal proceedings that are reasonably possible to result in a material loss. We are engaged in various legal actions in the normal course of business and, while there can be no assurances, the Company believes the outcome of all pending litigation involving the Company will not have, individually or in the aggregate, a material adverse effect on its business.

Guarantees and Indemnifications

The Company has made no contractual guarantees for the benefit of third parties. However, the Company generally indemnifies its customers from third-party intellectual property infringement litigation claims related to its products, and, on occasion, also provides other indemnities related to product sales. In connection with certain facility leases, the Company has indemnified its lessors for certain claims arising from the facility or the lease.

The Company indemnifies its directors and officers to the maximum extent permitted under the laws of the state of Delaware. The duration of the indemnities varies, and in many cases is indefinite. The indemnities to customers in connection with product sales generally are subject to limits based upon the amount of the related product sales and in many cases are subject to geographic and other restrictions. In certain instances, the Company's indemnities do not provide for any limitation of the maximum potential future payments the Company could be obligated to make. As of June 27, 2014, the Company had not recorded any liability for these indemnities in the accompanying consolidated balance sheets. The Company continues to monitor and reassess indemnities each reporting period.

9. STOCKHOLDERS' EQUITY

Stock Repurchase Program

On July 16, 2013, the Board of Directors approved a stock repurchase program, pursuant to which the Company is authorized to repurchase up to \$250.0 million of the Company's common stock from time to time on the open market or in privately negotiated transactions, as permitted by securities laws and other legal requirements. During the three months ended June 27, 2014, the Company paid \$41.3 million (including commissions) in connection with the repurchase of 1.0 million shares of its common stock (paying an average price of \$41.32 per share). During the nine months ended June 27, 2014, the Company paid \$119.9 million (including commissions) in connection with the repurchase of 3.7 million shares of its common stock (paying an average price of \$32.68 per share). As of June 27, 2014, \$109.7 million remained available under the existing share repurchase authorization.

Dividends

On July 17, 2014, the Company announced that the Board of Directors had declared a cash dividend on its common stock of \$0.11 per share, payable on August 21, 2014, to the Company's stockholders of record as of the close of business on August 7, 2014. During the three months ended June 27, 2014, the Company declared and paid a \$0.11 dividend per common share with a total charge to retained earnings of \$20.9 million.

10. EARNINGS PER SHARE

(In millions, except per share amounts)

	Three Months Ended		Nine Months Ended	
	June 27, 2014	June 28, 2013	June 27, 2014	June 28, 2013
Net income	\$ 111.4	\$ 65.7	\$ 282.8	\$ 193.9
Weighted average shares outstanding – basic	187.5	186.6	187.0	188.2
Dilutive effect of equity based awards	5.7	4.6	5.2	4.6
Weighted average shares outstanding – diluted	193.2	191.2	192.2	192.8
Net income per share – basic	\$ 0.59	\$ 0.35	\$ 1.51	\$ 1.03
Net income per share – diluted	\$ 0.58	\$ 0.34	\$ 1.47	\$ 1.01
Anti-dilutive common stock equivalents	0.1	6.0	1.2	6.2

Basic earnings per share are calculated by dividing net income by the weighted average number of shares of the Company's common stock outstanding. The calculation of diluted earnings per share includes the dilutive effect of equity based awards that were outstanding during the three and nine months ended June 27, 2014, using the treasury stock method. Certain of the Company's outstanding stock options, noted in the table above, were excluded because they were anti-dilutive, but they could become dilutive in the future.

11. RESTRUCTURING AND OTHER CHARGES

The following tables present a summary of the Company's restructuring activity (in millions):

Three months ended June 27, 2014	Balance at March 28, 2014	Current Charges	Cash Payments	Other	Balance at June 27, 2014
FY13 restructuring programs					
Employee severance costs	\$ 0.1	\$ —	\$ (0.1)	\$ —	\$ —
Other restructuring					
Lease and other contractual obligations	0.3	—	—	—	0.3
Total	\$ 0.4	\$ —	\$ (0.1)	\$ —	\$ 0.3
Nine months ended June 27, 2014	Balance at September 27, 2013	Current Charges	Cash Payments	Other	Balance at June 27, 2014
FY13 restructuring programs					
Employee severance costs	\$ 0.6	\$ —	\$ (0.6)	\$ —	\$ —
Other restructuring					
Lease and other contractual obligations	0.4	—	(0.1)	—	0.3
Total	\$ 1.0	\$ —	\$ (0.7)	\$ —	\$ 0.3

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

This report and other documents we have filed with the SEC contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), and are subject to the "safe harbor" created by those sections. Words such as "believes," "expects," "may," "will," "would," "should," "could," "seek," "intends," "plans," "potential," "continue," "estimates," "anticipates," "predicts," and similar expressions or variations or negatives of such words are intended to identify forward-looking statements, but are not the exclusive means of identifying forward-looking statements in this report. Additionally, statements concerning future matters such as the development of new products, enhancements of technologies, sales levels, expense levels and other statements regarding matters that are not historical are forward-looking statements. Although forward-looking statements in this report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements involve inherent risks and uncertainties and actual results and outcomes may differ materially and adversely from the results and outcomes discussed in or anticipated by the forward-looking statements. A number of important factors could cause actual results to differ materially and adversely from those in the forward-looking statements. We urge you to consider the risks and uncertainties discussed in this Quarterly Report on Form 10-Q and the 2013 10-K, under the heading "Risk Factors" and in the other documents we have filed with the SEC in evaluating our forward-looking statements. We have no plans, and undertake no obligation, to revise or update our forward-looking statements to reflect any event or circumstance that may arise after the date of this Quarterly Report on Form 10-Q. We caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made.

In this document, the words "we," "our," "ours" and "us" refer only to Skyworks Solutions, Inc. and its subsidiaries and not any other person or entity.

RESULTS OF OPERATIONS**THREE AND NINE MONTHS ENDED JUNE 27, 2014, AND JUNE 28, 2013**

The following table sets forth the results of our operations expressed as a percentage of our net revenue:

	Three Months Ended		Nine Months Ended	
	June 27, 2014	June 28, 2013	June 27, 2014	June 28, 2013
Net revenue	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	55.0	56.8	55.6	57.6
Gross profit	45.0	43.2	44.4	42.4
Operating expenses:				
Research and development	10.9	13.0	11.7	13.0
Selling, general and administrative	7.8	9.2	8.2	9.0
Amortization of intangibles	1.0	1.6	1.2	1.7
Restructuring and other charges	—	—	—	0.5
Total operating expenses	19.7	23.8	21.1	24.2
Operating income	25.3	19.4	23.3	18.2
Other income (expense), net	—	—	—	(0.1)
Income before income taxes	25.3	19.4	23.3	18.1
Provision for income taxes	6.3	4.3	5.3	3.4
Net income	19.0%	15.1%	18.0%	14.7%

OVERVIEW

We, together with our consolidated subsidiaries, are an innovator of high performance analog semiconductors. Leveraging core technologies, we support automotive, broadband, cellular infrastructure, energy management, GPS, industrial, medical, military, wireless networking, smartphone and tablet applications. Our portfolio consists of amplifiers, attenuators, battery chargers, circulators, DC/DC converters, demodulators, detectors, diodes, directional couplers, front-end modules, hybrids, infrastructure RF subsystems, isolators, LED drivers, mixers, modulators, optocouplers, optoisolators, phase shifters, PLLs/synthesizers/VCOs, power dividers/combiners, power management devices, receivers, switches, technical ceramics, and voltage regulators.

GENERAL

During the three and nine months ended June 27, 2014, the following key factors contributed to our overall results of operations, financial position and cash flows:

- Net revenue increased by 35% and 20% to \$587 million and \$1,573 million for the three and nine months ended June 27, 2014, respectively, as compared to the corresponding periods in the prior fiscal year. This increase in revenue was primarily related to our continued growth as smartphones displace traditional cellular phones, increased strength in emerging markets due to the adoption of 3G and 4G technologies, increases in tablet computing, and the expansion of our analog product portfolio to address additional content within the handset and tablet markets as well as new vertical markets including medical, automotive, military and industrial.
- Operating margin increased by approximately 595 and 510 basis points to over 25% and 23% for the three and nine months ended June 27, 2014, respectively, as compared to the corresponding periods in the prior fiscal year. This increase in operating margin was primarily related to higher revenue and the leveraging impact on our gross margin and operating expenses partially offset by higher employee compensation expense.
- As a result of the aforementioned factors, overall diluted earnings per share increased by 71% and 46% for the three and nine months ended June 27, 2014, respectively, as compared to the corresponding periods in the prior fiscal year.
- Our ending cash and cash equivalents balance increased approximately 75% to \$893 million as of June 27, 2014, from \$511 million as of September 27, 2013. This increase was the result of \$572 million in cash from operations for the nine months ended June 27, 2014, due to increased net income and improvements in working capital, partially offset by cash outflows of: \$126 million in capital expenditures, \$120 million to repurchase 3.7 million shares of common stock and \$21 million in our first quarterly dividend payment.

NET REVENUE

	Three Months Ended			Nine Months Ended		
	June 27, 2014	Change	June 28, 2013	June 27, 2014	Change	June 28, 2013
(dollars in millions)						
Net revenue	\$ 587.0	34.6%	\$ 436.1	\$ 1,573.2	19.6%	\$ 1,315.0

We market and sell our products directly to original equipment manufacturers of communications and electronics products, third-party original design manufacturers and contract manufacturers, and indirectly through electronic components distributors. We generally experience seasonal peaks during the second half of the calendar year primarily as a result of increased worldwide production of consumer electronics in anticipation of increased holiday sales, whereas our second fiscal quarter is typically lower and in line with seasonal industry trends. In addition, we periodically enter into revenue generating arrangements that leverage our broad intellectual property portfolio by licensing or selling our non-core patents or other intellectual property; we anticipate continuing this intellectual property strategy in future periods.

We generated net revenue of \$587.0 million for the three months ended June 27, 2014, an increase of \$150.9 million or 34.6%, as compared to \$436.1 million for the corresponding period in fiscal year 2013. Net revenue increased by 19.6% or \$258.2 million to \$1,573.2 million for the nine months ended June 27, 2014, as compared to \$1,315.0 million for the corresponding period in fiscal year 2013. The increase in revenue for both the three and nine months ended June 27, 2014, was primarily driven by our ability to capture a higher share of the increasing RF and analog content per device as smartphones continue to displace traditional cellular phones, increased strength in emerging markets due to the adoption of 3G and 4G technologies, the increasing popularity of tablet computing, and our expanding analog product portfolio supporting new vertical markets including medical, automotive, military and industrial.

GROSS PROFIT

	Three Months Ended			Nine Months Ended		
	June 27, 2014	Change	June 28, 2013	June 27, 2014	Change	June 28, 2013
(dollars in millions)						
Gross profit	\$ 264.2	40.4%	\$ 188.2	\$ 698.6	25.3%	\$ 557.5
% of net revenue	45.0%		43.2%	44.4%		42.4%

Gross profit represents net revenue less cost of goods sold. Our cost of goods sold consists primarily of purchased materials, labor and overhead (including depreciation and share-based compensation expense) associated with product manufacturing. 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 for our established products will continue to decline at a normalized rate of five to ten percent per year. As part of our normal course of business, we mitigate the gross margin impact of declining average selling prices with efforts to increase unit volumes, reduce material costs, improve manufacturing efficiencies, lower manufacturing costs of existing products and by introducing new and higher value-added products.

The \$76.0 million increase in gross profit for the three months ended June 27, 2014, as compared to the corresponding period in fiscal year 2013, was primarily the result of higher unit volumes and lower per unit materials and manufacturing costs with an aggregate gross profit benefit of \$88.1 million. This benefit was partially offset by the erosion of our average selling prices and changes in product mix having a combined unfavorable impact to gross profit of \$12.1 million. Gross profit margin increased from 43.2% for the three months ended June 28, 2013, to 45.0% for the three months ended June 27, 2014.

The \$141.1 million increase in gross profit for the nine months ended June 27, 2014, as compared to the corresponding period in fiscal year 2013, was primarily the result of higher unit volumes, lower per unit materials and manufacturing costs with an aggregate gross profit benefit of \$148.6 million. This benefit was partially offset by the erosion of our average selling price and changes in product mix having a combined unfavorable impact to gross profit of \$7.5 million. As a result, gross profit margin increased from 42.4% for the nine months ended June 28, 2013, to 44.4% for the nine months ended June 27, 2014.

During the nine months ended June 27, 2014, we continued to benefit from higher contribution margins associated with the licensing and/or sale of intellectual property.

RESEARCH AND DEVELOPMENT

	Three Months Ended			Nine Months Ended		
	June 27, 2014	Change	June 28, 2013	June 27, 2014	Change	June 28, 2013
(dollars in millions)						
Research and development	\$ 64.2	13.4%	\$ 56.6	\$ 184.2	7.7%	\$ 171.0
% of net revenue	10.9%		13.0%	11.7%		13.0%

Research and development expenses consist primarily of direct personnel costs including share-based compensation expense, costs for pre-production evaluation and testing of new devices, masks, engineering prototypes and design tool costs.

The increase in research and development expenses for the three and nine months ended June 27, 2014, as compared to the corresponding periods in fiscal year 2013, was primarily related to increased employee compensation and product development related expenses. Research and development expenses for both periods decreased as a percentage of net revenue due to the aforementioned increase in net revenue.

SELLING, GENERAL AND ADMINISTRATIVE

	Three Months Ended			Nine Months Ended		
	June 27, 2014	Change	June 28, 2013	June 27, 2014	Change	June 28, 2013
(dollars in millions)						
Selling, general and administrative	\$ 45.8	13.6%	\$ 40.3	\$ 128.8	9.1%	\$ 118.1
% of net revenue	7.8%		9.2%	8.2%		9.0%

Selling, general and administrative expenses include legal and related costs, accounting, treasury, human resources, information systems, customer service, bad debt expense, sales commissions, share-based compensation expense, advertising, marketing, costs associated with business combinations completed or contemplated during the period and other costs.

The increase in selling, general and administrative expenses for the three and nine months ended June 27, 2014, as compared to the corresponding periods in fiscal year 2013, was primarily related to increases in employee compensation, legal and acquisition-related costs incurred during the period. Selling, general and administrative expenses for both periods decreased as a percentage of net revenue due to the aforementioned increase in net revenue.

AMORTIZATION OF INTANGIBLES

	Three Months Ended			Nine Months Ended		
	June 27, 2014	Change	June 28, 2013	June 27, 2014	Change	June 28, 2013
(dollars in millions)						
Amortization of intangibles	\$ 5.7	(18.6)%	\$ 7.0	\$ 18.5	(17.4)%	\$ 22.4
% of net revenue	1.0%		1.6%	1.2%		1.7%

The decrease in amortization expense for the three and nine months ended June 27, 2014, was due to the end of the estimated useful lives of certain fully amortized intangible assets that were acquired in prior fiscal years.

PROVISION FOR INCOME TAXES

	Three Months Ended			Nine Months Ended		
	June 27, 2014	Change	June 28, 2013	June 27, 2014	Change	June 28, 2013
(dollars in millions)						
Provision for income taxes	\$ 37.1	97.3%	\$ 18.8	\$ 84.2	87.9%	\$ 44.8
% of net revenue	6.3%		4.3%	5.3%		3.4%

We recorded a provision for income taxes of \$37.1 million (which consisted of \$34.6 million and \$2.5 million related to United States and foreign income taxes, respectively) and \$84.2 million (which consisted of \$82.4 million and \$1.8 million for United States and foreign income taxes, respectively) for the three and nine months ended June 27, 2014, respectively.

The effective tax rate for the three and nine months ended June 27, 2014 was 25.0% and 22.9%, respectively, as compared to 22.3% and 18.8% for the three and nine months ended June 28, 2013, respectively. The difference between our year-to-date effective tax rate of 22.9% and the federal statutory rate of 35% was principally due to the recognition of foreign earnings taxed at rates lower than the federal statutory rate, the domestic production activities deduction, and a tax benefit related to an adjustment of our deferred taxes in Mexico as a result of a change in Mexican tax law, partially offset by an increase in tax expense related to an increase in our reserve for uncertain tax positions.

The federal tax credit available under the Internal Revenue Code for research and development expenses expired on December 31, 2013. As of June 27, 2014, the United States Congress had not taken action to extend the Research and Experimentation Tax Credit. Accordingly, the income tax provision for the three and nine months ended June 27, 2014 does not reflect the impact of any research and development tax credits that would have been earned after December 31, 2013, had the federal tax credit not expired.

In December 2013, Mexico enacted a comprehensive tax reform package, which became effective on January 1, 2014. As a result of this change, we adjusted our deferred taxes in that jurisdiction, resulting in the recognition of a tax benefit that reduced our foreign income tax expense by \$4.5 million for the nine months ended June 27, 2014.

Our federal income tax return for fiscal year 2011 is currently under examination by the IRS. We expect the IRS examination to close in the fourth quarter of fiscal 2014 and do not anticipate the results of this audit to have an adverse impact on our tax expense. In addition, various state and international tax returns are under examination by their respective taxing authorities. We do not expect the results of these audits to have a material impact on our financial position, results of operations, or cash flows.

LIQUIDITY AND CAPITAL RESOURCES

(in millions)	Nine Months Ended	
	June 27, 2014	June 28, 2013
Cash and cash equivalents at beginning of period	\$ 511.1	\$ 307.1
Net cash provided by operating activities	572.0	342.2
Net cash used in investing activities	(125.7)	(84.6)
Net cash used in financing activities	(64.1)	(164.4)
Cash and cash equivalents at end of period	\$ 893.3	\$ 400.3

Cash Flow from Operating Activities:

Our cash flow from operating activities consists of net income for the period adjusted for certain non-cash items and changes in certain operating assets and liabilities. During the nine months ended June 27, 2014, we generated \$572.0 million of cash flow from operating activities, an increase of \$229.8 million as compared to the \$342.2 million generated during the nine months ended June 28, 2013. The increase in cash flow from operating activities during the nine months ended June 27, 2014, was related to higher net income combined with a net cash inflow from changes in operating assets and liabilities and to a lesser extent the increase in non-cash depreciation and share-based compensation. These increases were partially offset by a higher excess tax benefit reclassification to financing activities related to employee stock option exercises. Specifically, the changes in operating assets and liabilities that resulted in sources of cash were: \$50.1 million in other current and long-term liabilities primarily related to accrued tax liabilities, \$41.3 million due to the collection of outstanding accounts receivable during the period, \$37.5 million increase in accounts payable related to the timing of and payment of vendor invoices, \$30.8 million in inventory related to higher sales volume and \$8.3 million in other current and long-term assets.

Cash Flow from Investing Activities:

Our cash flow from investing activities typically consists of cash paid for acquisitions net of cash acquired, capital expenditures, cash received from the sale of capital assets and the sale and maturity of investments. Cash flow used in investing activities was \$125.7 million during the nine months ended June 27, 2014, as compared to \$85.4 million during the nine months ended June 28, 2013. The increase in capital expenditures was due to the purchase of manufacturing equipment to support increased production in anticipation of accelerating demand from key customers at our assembly and test facility in Mexicali, Mexico, and to a lesser extent, our wafer fabrication facilities in the United States.

Cash Flow from Financing Activities:

Our cash flow from financing activities consists primarily of cash transactions related to our equity. During the nine months ended June 27, 2014, we had net cash outflows from financing activities of \$64.1 million, as compared to net cash outflows of \$164.4 million during the nine months ended June 28, 2013. The decrease in cash used in financing activities was primarily related to the increase in stock option proceeds and the excess tax benefit reclassification from operating activities during the nine months ended June 27, 2014. During the nine months ended June 27, 2014, we had the following significant uses of cash in financing activities:

- \$119.9 million related to our repurchase of 3.7 million shares of our common stock pursuant to the share repurchase program approved by our Board of Directors on July 16, 2013;
- \$20.9 million related to the payment of a cash dividend of \$0.11 per share of our common stock outstanding; and
- \$19.7 million related to payroll tax withholdings on the vesting of employee performance and restricted stock awards.

These uses of cash were offset by the net proceeds from employee stock option exercises of \$58.1 million and the excess tax benefit reclassification from operations for employee stock option exercises of \$38.3 million during the nine months ended June 27, 2014.

Liquidity:

Cash and cash equivalent balances were \$893.3 million at June 27, 2014, representing an increase of \$382.2 million from September 27, 2013. The increase resulted from \$572.0 million in cash generated from operations which was partially offset by \$125.7 million in capital expenditures for increased production capacity, \$119.9 million used to repurchase 3.7 million shares of stock and \$20.9 million in cash dividend payments during the nine months ended June 27, 2014. On July 7, 2014, we entered into a stock purchase agreement providing for the formation of a joint venture with Panasonic Corporation. We expect to pay approximately \$148.5 million in cash to purchase a 66% interest in the joint venture entity during the fourth quarter of fiscal year 2014. Based on our historical results of operations, we expect that our cash and cash equivalents on hand and the cash we expect to generate from operations will be sufficient to fund our research and development, capital expenditures, pending acquisitions, working capital, quarterly cash dividend payments of \$0.11 per share (if such dividends are declared by the Board of Directors), and other cash requirements for at least the next 12 months. However, we cannot be certain that our cash on hand and cash generated from operations will be available in the future to fund all of our capital and operating requirements. In addition, any future strategic investments and acquisitions may require additional cash and capital resources. If we are unable to obtain sufficient cash or capital to meet our needs on a timely basis and on favorable terms, our business and operations could be materially and adversely affected.

Our invested cash balances primarily consist of highly liquid term deposits with original maturities of 90 days or less and money market funds where the underlying securities primarily consist of United States treasury obligations, United States agency obligations and repurchase agreements collateralized by United States government and agency obligations.

Our cash and cash equivalent balance of \$893.3 million at June 27, 2014, consisted of \$510.4 million held domestically and \$382.9 million held by foreign subsidiaries. Of the cash and cash equivalents held by our foreign subsidiaries at June 27, 2014, \$325.0 million is considered by us to be indefinitely reinvested and would be subject to material tax effects if repatriated to the United States. The remaining \$57.9 million of foreign cash and cash equivalents can be repatriated without any tax consequences.

CONTRACTUAL OBLIGATIONS

Our contractual obligations disclosure in the 2013 10-K has not materially changed since we filed that report.

OFF-BALANCE SHEET ARRANGEMENTS

We have no material off-balance sheet arrangements as defined in SEC Regulation S-K- 303(a)(4)(ii).

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods or services. New disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers are also required. This guidance is effective for the Company in the first quarter of fiscal year 2018 and early application is not permitted. Entities must adopt the new guidance using one of two retrospective application methods. The Company is currently evaluating the standard but does not expect it to have a material impact on our financial position, results of operations or cash flows.

In April 2014, the FASB issued ASU No. 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of an Entity*, which changes the criteria for determining which disposals can be presented as discontinued operations and modifies the related disclosure requirements. Under the new guidance, a discontinued operation is defined as a disposal of a component or group of components that represents a strategic shift that has, or will have, a major effect on an entity's operations and financial results. The revised guidance is effective for the Company in the first quarter of fiscal year 2016 and early adoption is permitted. The adoption of this guidance is not expected to have a material impact on our financial position or results of operations.

In July 2013, the FASB issued ASU No. 2013-11, *Income Taxes*, to improve the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This guidance is expected to reduce diversity in practice and better reflect the manner in which an entity would settle at the reporting date any additional income taxes that would result from the disallowance of a tax position when net operating loss carryforwards, similar tax losses, or tax credit carryforwards exists. This guidance is not effective for us until fiscal year 2015. The adoption of this guidance is not expected to have a material impact on our financial position or results of operations.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

We are subject to investment risk, interest rate risk, and foreign exchange rate risk as described below.

Investment and Interest Rate Risk

Our exposure to interest rate and general market risks relates principally to our investment portfolio, which consists of the following (in millions):

	<u>As of</u>
	<u>June 27,</u>
	<u>2014</u>
Cash and cash equivalents (time deposits, certificates of deposit and money market funds)	\$ 893.3
Available for sale securities (auction rate securities) at carrying value	2.3
	<u>\$ 895.6</u>

The main objectives of our investment activities are the liquidity and preservation of capital. Our cash equivalent investments have short-term maturity periods that dampen the impact of market or interest rate risk. Credit risk associated with our investments is not material because our money market and deposits are diversified across several financial institutions with high credit ratings, which reduces the amount of credit exposure to any one counterparty. We currently do not use derivative instruments for trading, speculative or investment purposes; however, we may use derivatives in the future.

Based on our results of operations for the three and nine months ended June 27, 2014, a hypothetical reduction in the interest rates on our cash and cash equivalents to zero would result in an immaterial reduction of interest income with a de minimis impact to income before income taxes.

We own \$3.2 million of par value auction rate securities that currently are valued at \$2.3 million as of June 27, 2014. In the event that the market conditions change in the future and our auction rate security becomes fully and permanently impaired, the impact to income before income taxes would be the par value of the auction rate security of approximately \$3.2 million as of June 27, 2014.

Given the low interest rate environment, the objectives of our investment activities, and the relatively low interest income generated from our cash and cash equivalents and other investments, we do not believe that investment or interest rate risks pose material exposures to our current business or results of operations.

Exchange Rate Risk

Substantially all sales to our customers and our arrangements with third-party manufacturers provide for pricing and payment in United States dollars, thereby reducing the impact of foreign exchange rate fluctuations on our results. A small percentage of our international operational expenses are denominated in foreign currencies and exchange rate volatility could positively or negatively impact those operating costs. Increases in the value of the United States dollar relative to other currencies could make our products more expensive, which could negatively impact our ability to compete. Conversely, decreases in the value of the United States dollar relative to other currencies could result in our suppliers raising their prices to continue doing business with us. Given the relatively small number of customers and arrangements with third-party manufacturers denominated in foreign currencies, we do not believe that foreign exchange volatility has a material impact on our current business or results of operations. However, fluctuations in currency exchange rates could have a greater effect on our business or results of operations in the future to the extent our expenses increasingly become denominated in foreign currencies.

Item 4. 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 our disclosure controls and procedures as of June 27, 2014. 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 management's evaluation of our disclosure controls and procedures as of June 27, 2014, 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.

Changes in internal controls over financial reporting

There are no changes to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, various lawsuits, claims and proceedings have been, and may in the future be, instituted or asserted against us, including those pertaining to patent infringement, intellectual property, environmental hazards, product liability and warranty, safety and health, employment and contractual matters.

The semiconductor industry is characterized by vigorous protection and pursuit of intellectual property rights. From time to time, third parties have asserted and may in the future assert patent, copyright, trademark and other intellectual property rights to technologies that are important to our business and have demanded and may in the future demand that we license their technology. The outcome of any such litigation cannot be predicted with certainty and some such lawsuits, claims or proceedings may be disposed of unfavorably to us. Generally speaking, intellectual property disputes often have a risk of injunctive relief, which, if imposed against us, could materially and adversely affect our financial condition, or results of operations. From time to time we may also be involved in legal proceedings in the ordinary course of business. Legal costs are expensed as incurred.

Item 1A. Risk Factors.

In addition to the other information set forth in this quarterly report on Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A Risk Factors in the 2013 10-K, which could materially affect our business, financial condition or future results.

As a result of our newly announced quarterly cash dividend program, we have added a new risk factor below. Other than the addition of this new risk factor, there have been no material changes from the risk factors previously disclosed in the 2013 10-K.

There can be no assurance that we will continue to declare cash dividends.

In March 2014, we announced the initiation of a quarterly cash dividend program. We intend to pay quarterly dividends subject to capital availability and periodic determinations by our Board of Directors that cash dividends are in the best interest of our stockholders.

Future dividends may be affected by, among other factors:

- our views on potential future capital requirements, including those related to acquisitions as well as research and development;
- use of cash to consummate various acquisition transactions;
- capital requirements related to stock repurchase programs;
- changes in federal and state income tax laws or corporate laws; and
- changes to our business model.

Our dividend payments may change from time to time, and we cannot provide assurance that we will increase our dividend payment or declare dividends in any particular amounts or at all. A reduction in our dividend payments could have a negative effect on our stock price.

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

The following table provides information regarding repurchases of common stock made during the three months ended June 27, 2014:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
3/29/14-4/25/14	5,876(2)	\$36.23	—	\$151.0 million
4/26/14-5/23/14	1,005,500(2) (3)	\$41.32(3)	1,000,000	\$109.7 million
5/24/14-6/27/14	16,481(2)	\$42.48	—	\$109.7 million
Total	<u>1,027,857</u>			

(1) The share repurchase program approved by the Board of Directors on July 16, 2013, authorizes the repurchase of up to \$250.0 million of our common stock from time to time on the open market or in privately negotiated transactions as permitted by securities laws and other legal requirements. The share repurchase program is scheduled to expire on July 16, 2015.

(2) Represents shares repurchased by us at the fair market value of the common stock as of the applicable purchase date, in connection with the satisfaction of tax withholding obligations under restricted stock agreements.

(3) 1,000,000 shares were repurchased at an average price of \$41.32 per share as part of our share repurchase program and 5,500 shares were withheld for tax obligations under restricted stock agreements with an average price of \$41.55.

Item 6. Exhibits.

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Form</u>	<u>Incorporated by Reference</u>			<u>Filed Herewith</u>
			<u>File No.</u>	<u>Exhibit</u>	<u>Filing Date</u>	
2.1	Memorandum of Understanding dated as of April 28, 2014, by and between the Company and Panasonic Corporation, acting through Automotive & Industrial Systems Company					X
10.1	Cash Compensation Plan for Directors					X
31.1	Certification of the Company's Chief Executive Officer pursuant to Securities Exchange Act of 1934, as amended, Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of the Company's Chief Financial Officer pursuant to Securities Exchange Act of 1934, as amended, Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1	Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2	Certification of the Company's Chief 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 Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X

SIGNATURES

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

SKYWORKS SOLUTIONS, INC.

Date: July 30, 2014

By: /s/ David J. Aldrich

David J. Aldrich
Chairman and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Donald W. Palette

Donald W. Palette
Executive Vice President and Chief Financial Officer
(Principal Accounting and Financial Officer)

MEMORANDUM OF UNDERSTANDING

April 28, 2014

Panasonic Corporation (“**Panasonic**”), acting through Automotive & Industrial Systems Company (“**AIS**”), a division of Panasonic and Skyworks Solutions, Inc., (“**Skyworks**”) intend to form a joint venture to combine Panasonic’s leading-edge filter technology with Skyworks’ innovative front-end solutions and strong customer relationships.

This Memorandum of Understanding (“**MOU**”) sets forth certain binding terms and conditions under which Panasonic and Skyworks are prepared to proceed with the transactions and agreements described below:

Joint Venture Entity

The joint venture entity (“**FilterCo**”) will be newly created by Panasonic and will be a Japanese *kaishiki* with Skyworks, through one or more of its wholly-owned subsidiaries, owning 66% of FilterCo’s issued and outstanding common stock and Panasonic owning 34% of FilterCo’s issued and outstanding common stock. The company name of FilterCo will be agreed upon by the parties hereto.

Panasonic Contribution of the Filter Business

Panasonic will contribute, utilizing a corporate spin-out transaction (*kaisha bunkatsu*), pursuant to the corporate spin-out documents in substantially the form attached hereto as **Exhibit A** (the “**Kaisha Bunkatsu Documents**”), and will cause Panasonic Industrial Devices Singapore (“**PIDSG**”), which is a part of Panasonic Asia Pacific Pte. Ltd., a wholly owned subsidiary of Panasonic, and registered as a registered business in Singapore (registration number: 53204581E) to contribute, pursuant to a Business Transfer Agreement in substantially the form attached hereto as **Exhibit B** (the “**Singapore Business Transfer Agreement**”), all rights, title and interest to all of the assets, properties and rights that are used, or held for use, in Panasonic’s business of SAW and TC-SAW filters (including duplexers) for mobile communications applications (such filter products, the “**Filter Products**”) that is currently operated by (A) the Circuit Components Business Division (“**CCBD**”) of AIS and (B) the Circuit Components Business Group 2 (“**CCBG2**”) of PIDSG (collectively, the “**Filter Business**”), (i) to FilterCo with respect to such assets, properties and rights owned by Panasonic and (ii) to a newly created and wholly owned Singapore subsidiary of FilterCo (“**FilterSub**”) with respect to such assets, properties and rights owned by PIDSG. In connection with the contribution, FilterCo or FilterSub, as applicable, will assume all of the ordinary course liabilities and obligations of the Filter Business (the “**Assumed Liabilities**”). The categories of assets, properties and rights used in the Filter Business to be contributed by Panasonic and PIDSG (the “**Transferred Assets**”) and the Assumed Liabilities are all set forth on **Schedule I** attached hereto. For the avoidance of doubt, the Transferred Assets will not include any Excluded Assets (as defined in **Schedule I**) and the Assumed Liabilities will not include any Excluded Liabilities (as defined in **Schedule I**). In addition, those employees listed as transferred employees on **Schedule II** attached hereto (the “**Transferred Employees**”) will become employees of FilterCo or FilterSub, as applicable, and those employees listed as seconded employees on **Schedule II** attached hereto (the “**Seconded Employees**”) will be first seconded to FilterCo and then, subject to consent by each Seconded Employee, transferred to FilterCo, as further described in “Employee Matters” below.

Skyworks Purchase of FilterCo 66% Ownership Interest

Upon the completion of the contribution of the Filter Business to FilterCo and FilterSub (the “**Contribution**”) and on the date of the Closing (as defined below), Skyworks will or will cause its wholly-owned subsidiary to purchase 66% of FilterCo’s issued and outstanding common stock from Panasonic for US\$148.5 million, subject to adjustment thereof as set forth below (the “**Purchase Price**”), pursuant to a Stock Purchase Agreement, in substantially the form attached hereto as **Exhibit C** (the “**Stock Purchase Agreement**”). Skyworks will or will cause its wholly-owned subsidiary to pay US\$148.5 million in cash on the date of the Closing by wire transfer of immediately available funds to a bank account designated by Panasonic and pursuant to the Stock Purchase Agreement.

Purchase Price Adjustment

Following the closing of Skyworks' purchase of 66% FilterCo's stock from Panasonic described in the Stock Purchase Agreement (the "**Closing**"), the Purchase Price will be increased or decreased by a post-Closing adjustment whereby a Closing net assets calculation will be determined in accordance with **Schedule III** attached hereto (and is made a part of the Stock Purchase Agreement as Schedule 2.6(b)) ("**Purchase Price Adjustment**"). **Schedule III** attached hereto shows the estimated Closing balance sheet of the consolidated Filter Business for this Purchase Price Adjustment calculation (the "**Target Closing Balance Sheet for PPA**") and the target Closing net assets for this Purchase Price Adjustment calculation (the "**Target Closing Net Assets for PPA**") and, as a non-binding reference, an example of a hypothetical actual Closing balance sheet for the purpose of this Purchase Price Adjustment calculation.

Within 90 calendar days following the Closing, Skyworks shall deliver the actual Closing balance sheet for this Purchase Price Adjustment calculation (the "**Actual Closing Balance Sheet for PPA**") and its calculation of the actual Closing net assets (the "**Actual Closing Net Assets for PPA**"). The Stock Purchase Agreement includes an expedited process for resolving disputes with respect to the final determination of the actual Closing net assets with Panasonic having 90 calendar days after its receipt of Skyworks' calculation of the actual Closing net assets to provide written notice of objection, the parties negotiating in good faith for 30 calendar days following receipt of any such objection and, if no resolution is reached, referral to an independent valuation firm for a binding determination.

If the final Actual Closing Net Assets for PPA exceed the Target Closing Net Assets for PPA, Skyworks will pay an amount equal to the excess to Panasonic. If the final Actual Closing Net Assets for PPA are less than the Target Closing Net Assets for PPA, Panasonic will pay to Skyworks an amount equal to the shortfall. The payment of this Purchase Price Adjustment shall be made in US Dollars as converted from Japanese Yen to US Dollars based on the average exchange rate for the 30 calendar days ending on the date prior to the Closing.

Underfunded Retirement Benefit for Japan Transferred Employees

Unless otherwise agreed by the parties, the underfunded retirement benefit for the Transferred Employees will be treated as follows:

At the Closing, Panasonic will contribute to FilterCo cash equal to the aggregate amount of underfunded retirement benefit obligations (*mitsumitate-taishoku-kyufu-saimu*), as determined in accordance with Applicable Law and any rules or regulations of the underlying plan or fund, for the Transferred Employees being transferred to FilterCo as one of the Transferred Assets pursuant to the *kaisha bunkatsu*, the actual amount of which will be calculated based on the underfunded balance as of March 31, 2014. For avoidance of doubt, in no event shall the Purchase Price be adjusted by the actual increase or decrease of the amount of underfunded retirement benefit obligations from such calculated amount for such Transferred Employees.

By the Union Employee Transfer Date (as defined in “Employee Matters” section hereof below), FilterCo will assume all the underfunded retirement benefit obligations for Seconded Employees whose employment is transferred to FilterCo by the Union Employee Transfer Date. In consideration of such assumption by FilterCo, Panasonic will pay to FilterCo cash equal to the aggregate amount of underfunded retirement benefit obligations, as determined in accordance with Applicable Law and any rules or regulations of the underlying plan or fund, for the Seconded Employees whose employment is transferred to FilterCo, the actual amount of which will be calculated based on the underfunded balance for such transferring Seconded Employees as of March 31, 2015. Panasonic shall make such payment at a time to be mutually agreed upon by the parties after prior confirmation of such payment amount by FilterCo.

Panasonic shall not be liable for any further contribution or compensation of retirement benefit obligations for Transferred Employees and Seconded Employees whose employment is transferred to FilterCo by the Union Employee Transfer Date, other than as set forth in this section.

Following the Union Employee Transfer Date, FilterCo will assume all the underfunded retirement benefit obligations for Seconded Employees whose employment is transferred to FilterCo after the Union Employee Transfer Date. In consideration of such assumption by FilterCo, Panasonic will pay to FilterCo cash equal to the aggregate amount of underfunded retirement benefit obligations, as determined in accordance with Applicable Law and any rules or regulations of the underlying plan or fund, for the Seconded Employees whose employment is transferred to FilterCo, the actual amount of which will be calculated based on the underfunded balance for such transferring Seconded Employees as of March 31 of the most recent fiscal year-end prior to the transfer of such Seconded Employees. Panasonic shall make such payment at a time to be mutually agreed upon by the parties after prior confirmation of such payment amount by FilterCo.

Panasonic shall not be liable for any further contribution or compensation of retirement benefit obligations for Seconded Employees whose employment is transferred to FilterCo after the Union Employee Transfer Date, other than as set forth in this section.

FilterCo will exit from Panasonic pension fund at the end of the JV Period, or sooner if mutually agreed, and be responsible for any underfunded amount as of the time of such exit, with respect to the Transferred Employees and Seconded Employees whose employment is transferred to FilterCo prior to the end of the JV Period. FilterCo will be entitled to retain any overfunded amount as of the time of such exit. For the avoidance of doubt, FilterCo will not be responsible for any pension obligations of Seconded Employees whose employment is not transferred to FilterCo.

Equipment

The parties hereto acknowledge and agree that certain new equipment for production of the Filter Products that has already been ordered by Panasonic and scheduled to be delivered to Panasonic’s Kadoma factory before the Closing (“**New Equipment**”), will be included in the Transferred Assets and contributed to FilterCo pursuant to the *kaisha bunkatsu*. The Purchase Price Adjustment in connection with this New Equipment shall be made in accordance with **Schedule III** attached hereto. In addition, the terms relating to such New Equipment and certain other equipment are as set forth on **Schedule VIII**.

Singapore Goods and Services Tax

Following the signing of this MOU, Panasonic shall use its best efforts to form FilterSub in accordance with Singapore law. In addition, Panasonic shall use its best efforts to, and Skyworks shall use its best efforts to cooperate with Panasonic and/or FilterSub to, obtain confirmation issued by the relevant Singapore governmental entity that the transfer of the assets qualifies as a transfer of business as a going concern such that no goods and services tax is chargeable in Singapore, in each case prior to signing Stock Purchase Agreement.

Allocation of Consideration in Contribution The allocation of the consideration paid in connection with the Contribution to FilterCo and FilterSub and within each of FilterCo and FilterSub shall be determined by mutual agreement of Panasonic and Skyworks.

**Stock Purchase Agreement
Representations, Warranties and
Covenants****Representations and Warranties**

Each of Panasonic and Skyworks will make the representations and warranties set forth in Articles III and V, respectively, of the Stock Purchase Agreement, relating to the following matters:

- organization and good standing;
- authorization and enforceability;
- no violation;
- consents and approvals; and
- brokers.

In addition, Panasonic will make the representations and warranties set forth in Article IV of the Stock Purchase Agreement, with regard to the FilterCo stock to be sold to Skyworks and the Filter Business, relating to the following matters. The representations and warranties will be qualified by: (i) in certain instances the knowledge of Panasonic, as more fully described in the Stock Purchase Agreement, and, (ii) the Disclosure Schedules to the Stock Purchase Agreement:

- organization and good standing;
- authority and enforceability;
- no violation
- consents and approvals;
- capitalization;
- subsidiaries;
- financial statements;
- absence of certain changes or events;
- title to the Transferred Assets and effect of the Contribution;
- sufficiency of the Transferred Assets to operate the Filter Business;
- condition of the Transferred Assets;
- absence of undisclosed liabilities;
- real property;
- intellectual property subject to **Schedule VII** (“**IP Representations**”);
- material contracts;
- litigation;
- governmental licenses and permits;
- tax matters;
- employee benefits;
- employee matters and labor relations;
- environmental health and safety matters;
- related party transactions;
- key customers and suppliers
- insurance;
- product warranties and liabilities;
- compliance with laws;
- books and records; and
- data protection.

Covenants between the signing of Stock Purchase Agreement and the Closing

The covenants governing the actions of the parties between the signing of Stock Purchase Agreement and the Closing will be as set forth in Article VI of the Stock Purchase Agreement, relating to the following matters:

- conduct of business in substantially same manner as set forth in the first paragraph of “MOU Covenants during the signing of this MOU and the signing of the Stock Purchase Agreement” section hereof;
- access and information;
- mutual best efforts and further assurances;
- cooperation for required legal or regulatory approvals, including antitrust and competition law analysis and, if necessary, any arrangement of merger filing;
- exclusivity and no solicitation of competing proposals; and
- employees in substantially the same terms as set forth in “Employee Matters” section hereto.

Covenants after the Closing

The covenants governing the actions of the parties following the Closing will be as set forth in Article VI of the Stock Purchase Agreement, relating to the following matters:

- confidentiality and publicity;
- expenses;
- consents;
- employees as described in the “Employee Matters” section hereto;
- non-compete and non-solicit in substantially the same terms as set forth in “Non-Compete/Non-Solicit” section hereto;
- separation of network and infrastructure;
- no usage of Panasonic brand except as expressly permitted by Panasonic;
- transfer to FilterCo and/or FilterSub of additional Transferred Assets not transferred at Closing; and
- supply contracts and customer support.

Stock Purchase Agreement Indemnification Panasonic will indemnify Skyworks as set forth in Article IX of the Stock Purchase Agreement, for damages arising from (i) breaches of its representations or warranties, (ii) breaches of its covenants or agreements, (iii) the Excluded Liabilities; (iv) any recalls or product warranties related to Filter Products manufactured prior to the Closing in excess of any reserve amounts set forth on the financial statements; and (v) liabilities as a result of failure or defects in the Contribution.

Skyworks will indemnify Panasonic as set forth in Article IX of the Stock Purchase Agreement, for damages arising from (i) breaches of its representations or warranties, (ii) breaches of covenants or agreements, and (iii) the Assumed Liabilities.

Limitations on Indemnification for Breaches of Representations and Warranties

As set forth in Article IX of the Stock Purchase Agreement, indemnification for breaches of representations and warranties will be subject to the following limitations:

Survival of Indemnification for Breaches of Representations and Warranties (except for the IP Representations): 18 months following the Closing. However, the following types of claims are not subject to this survival limitation: breaches of representations and warranties regarding organization, authorization and enforceability, ownership of stock; capitalization, subsidiaries, title to Transferred Assets, brokers, accredited investor (collectively, “**Fundamental Representations**”).

Survival of Indemnification for Breaches of IP Representations:

5 years following the Closing. For clarity, anything in this MOU to the contrary, Panasonic is not subject to any indemnification obligation with respect to any intellectual property infringement to the extent such infringement arises from any new products developed by Skyworks or any of its affiliates (including FilterCo and FilterSub) after the Closing or to the extent such infringement arises from any modifications or amendments to any existing products developed by Skyworks or any of its affiliates (including FilterCo and FilterSub) after the Closing; provided, however, the parties agree that Panasonic will remain liable for intellectual property infringement related to any underlying technology developed by Panasonic or its affiliates prior to the Closing.

Basket: No indemnification claims for breaches of representations and warranties, other than Fundamental Representations, may be made until (i) the individual damages for any individual claim or series of related claims arising out of the same facts or circumstances exceeds US\$50,000 and (ii) the aggregate damages exceed US\$2,000,000, but then the indemnified party will be entitled to the full amount of all damages from the first dollar.

Cap for Breaches of Representations and Warranties (except for the IP Representations): Skyworks’ recourse for indemnification claims based on breaches of representations and warranties (except for the IP Representations) shall be limited to US\$22,500,000. However, indemnification claims based on breaches of Fundamental Representations are not subject to any cap.

Cap for Breaches of IP Representations (except for the Cross-License Representation): Skyworks’ recourse for indemnification claims based on breaches of the IP Representations, except for the Cross-License Representation, shall be limited to US\$ 40,000,000. Such indemnification cap will be separate from the cap referred to in the preceding and following paragraph.

Cap for Breaches of the Cross-License Representation: Skyworks’ recourse for indemnification claims based on breaches of the Cross-License Representation shall be limited to US\$ 10,000,000. Such indemnification cap will be separate from the cap referred to in the preceding paragraphs.

For the avoidance of doubt, indemnification claims resulting from fraud or intentional misrepresentation are not subject to the survival, basket, or cap limitations described in this section.

Non-Compete/Non-Solicit

As set forth in Article VI of the Stock Purchase Agreement, from the Closing until five (5) years thereafter, except for any cases of inventory supply or manufacturing consignment pursuant to “Support for Panasonic’s Transition” section hereof, Panasonic shall not permit (i) CCBD, (ii) its semiconductor business division, or (iii) any majority-owned subsidiary or its division that is controlled by CCBD or its semiconductor business division, (each, a “**Non-Compete Company**”), and the successor of any Non-Compete Company, in case an organization restructuring involving a Non-Compete Company is implemented, to:

(i) design, develop, manufacture, distribute or sell the SAW and TC-SAW filters (including SAW duplexers) for mobile communication devices (the “**Non-Compete Filter Products**”);

(ii) participate, sponsor, organize, encourage, or invest in any entity that primarily engages in the business of the Non-Compete Filter Products;

(iii) cause, induce, solicit or encourage any contractor, vendor, service provider, strategic partner or customer of the Filter Business (the “**Covered Persons**”) to terminate such status with FilterCo or FilterSub or advise any third party against entering into such status with FilterCo or FilterSub;

(iv) otherwise intentionally disrupt or interfere with the relations of Skyworks or any of its affiliates with any Covered Person in any way related to the Filter Business; or

(v) disparage or make any false statements (whether in oral, written, electronic or other form) to any media source, industry member-company or group, financial institution or Covered Person regarding Skyworks or its affiliates in connection with the Filter Business;

provided, however, that, except for CCBD and any majority-owned subsidiary or its division that is controlled by CCBD, the foregoing shall not prohibit Panasonic, its successors and their subsidiaries and affiliates from, collectively, (a) purchasing or procuring the Non-Compete Filter Products from a supplier for utilizing them for Panasonic’s own products and distributing or selling such Panasonic’s products, or (b) acquiring or owning less than fifty percent (50%) of the equity of any entity.

As set forth in Article VI of the Stock Purchase Agreement, from the Closing until the exercise of the Put Right or the Call Right, Skyworks shall not, and from the Closing until the date that is two (2) years after the exercise of the Put Right or the Call Right, Panasonic shall not directly or indirectly, without the prior written consent of the other party, solicit for employment any FilterCo or FilterSub employee. Nothing herein shall prevent either party from (i) advertising to the general public any employment opportunities, whether through general newspaper or online advertisement or other general non-targeted recruitment techniques, (ii) hiring any FilterCo or FilterSub employee who responds to such general advertising or who independently seeks employment with such party, in either case, without any solicitation prohibited by this covenant, or (iii) soliciting and/or hiring any FilterCo or FilterSub employee whose employment was previously terminated by FilterCo or FilterSub in accordance with the JV Agreement.

Put Right

As set forth in the Option Agreement, at the Closing, Skyworks will grant Panasonic a put right (the “**Put Right**”) to sell Panasonic’s 34% ownership stake in FilterCo to Skyworks for US\$76.5 million (the “**Put Price**”) without revaluation. Following the second anniversary of the Closing, Panasonic can exercise the Put Right by giving written notice to Skyworks (the “**Put Notice**”). The Put Notice shall specify a closing date for the transaction of not less than 30 nor more than 60 days after the date of the Put Notice (subject to any then applicable legal or regulatory approvals). The Put Price shall be payable in cash upon the closing date thereof by wire transfer of immediately available funds to a bank account designated by Panasonic. Should the exchange rate of US Dollar per Japanese Yen at the closing date of Put Right is changed more than $\pm 10\%$ from the exchange rate at the Closing, the parties agree to adjust the Put Price in accordance with **Schedule IV** to increase or decrease in the Put Price caused by such change in exchange rate.

Call Right As set forth in the Option Agreement, at the Closing, Panasonic will grant Skyworks a call right (the “**Call Right**”) to purchase Panasonic’s 34% ownership stake in FilterCo to Skyworks for US\$76.5 million (the “**Call Price**”) without revaluation. Following the second anniversary of the Closing, Skyworks can exercise the Call Right by giving written notice to Panasonic (the “**Call Notice**”). The Call Notice shall specify a closing date for the transaction of not less than 30 nor more than 60 days after the date of the Call Notice (subject to any then applicable legal or regulatory approvals). The Call Price shall be payable in cash upon the closing date thereof by wire transfer of immediately available funds to a bank account designated by Panasonic. Should the exchange rate of US Dollar per Japanese Yen at the closing date of Call Right is changed more than $\pm 10\%$ from the exchange rate at the Closing, the parties agree to adjust the Call Price in accordance with Schedule IV to increase or decrease in the Call Price caused by such change in exchange rate.

Acceleration of Put and Call Rights As set forth in the Option Agreement, the Put Right or the Call Right, as applicable, will accelerate upon the occurrence of any of the following events (each an “**Acceleration Event**”):

- Mutual agreement of the parties;
- Insolvency, bankruptcy or commencement of liquidation of the non-accelerating party; and
- Material breach by the non-accelerating party of the JV Agreement not cured within 90 days after notice (acceleration right shall be in addition to any contractual legal or equitable rights or remedies for such breach).

JV Agreement At the Closing, the parties will enter into a Joint Venture Agreement in substantially the form attached hereto as Exhibit D (the “**JV Agreement**”) that will govern the parties’ relationship with respect to their joint ownership of FilterCo.

Transfer Restrictions and Maintenance of Interest Ratio As set forth in Section 4.1 of the JV Agreement, from the Closing until the closing date of the Put Right or the Call Right (described above) (“**JV Period**”), neither of the parties shall, without the prior written consent of the other party, which consent may be withheld in the sole discretion of the other party, directly or indirectly, transfer, pledge or in any way encumber its ownership stake in FilterCo, whether voluntarily or by operation of law.

Notwithstanding the foregoing, either party may transfer all, but not less than all, of its ownership stake in FilterCo to any one of its wholly owned subsidiaries without the consent of the other party (provided such subsidiary remains a wholly owned subsidiary of Panasonic or Skyworks, as applicable, and agrees to be bound by the JV Agreement in addition to the transferring party remaining bound by the JV Agreement). As set forth in Section 4.3 of the JV Agreement, during the JV Period, each party shall, unless obtaining the prior written consent of the other party, which consent may be withheld in the sole discretion of the other party, have FilterCo maintain the ownership interest ratio between Skyworks (66%) and Panasonic (34%) unchanged.

FilterCo Governance Matters

As set forth in Section 3.1 of the JV Agreement, during the JV Period, FilterCo will be managed by a board of directors (the “**Board**”) consisting of nine members, of whom three will be appointed by Panasonic and six will be appointed by Skyworks (including the Representative Director). Directors shall serve, during their appointment period, if any, and until their death, disability, resignation or removal. The party who appointed a director shall at any time be entitled to remove and replace such director, with or without cause. Only the appointing party will be permitted to replace its appointed directors.

As set forth in Section 3.1(c) of the JV Agreement, except as set forth in the following paragraph or as required by applicable law, all decisions by the Board will be made by the approval of a majority of the Board, including without limitation decisions relating to product development, capital expenditures (guaranteed by Skyworks or one or more of its subsidiaries), product pricing, new employee hiring, intellectual property development, and customer acquisition. Actions by the Board may be taken without a meeting by the unanimous written consent of the Board.

As set forth in Section 3.1(c) of the JV Agreement, so long as Panasonic (or a wholly owned subsidiary of Panasonic that was transferred such ownership in accordance with “Transfer Restrictions and Maintenance of Interest Ratio” described above) owns a 34% interest in FilterCo, each of the following actions by FilterCo shall require the prior written consent of all the directors appointed by Panasonic:

- matters requiring special resolution by a shareholder meeting pursuant to the Japan Companies Act;
- entry into any new business unrelated to the Filter Business by FilterCo and/or FilterSub;
- issuance of any new stock or any other capital increase or decrease by FilterCo that may cause any change in the equity ownership of Panasonic and Skyworks, respectively;
- termination or other dismissal of any employee(s) who are employed by FilterCo at the Closing without due disciplinary cause as described in any such employee’s employment agreement or in Panasonic’s employee handbook, copies of which in each case have been provided to Skyworks;
- material change in employment conditions in FilterCo that is inconsistent with Panasonic’s standard employment practices for the Filter Business as described in Panasonic’s current work rules and employee handbook, copies of which have been provided to Skyworks;
- movement of existing facilities to locations that are more than 50 kilometers away from current Kadoma, Uozu or Singapore facility; provided, however that the parties agree that additional facilities may be opened by FilterCo or FilterSub in addition to the current facilities;
 - assignment, transfer, issuance, redemption or disposal of any shares in or other equity securities of FilterSub;
 - sale, assignment, transfer or disposal of all or substantially all of the business or assets of FilterCo or FilterSub; and
 - reorganization, consolidation, merger or other similar transactions of FilterCo or FilterSub (except as permitted under Section 4.1 of the JV Agreement).

In addition, so long as Panasonic (or a wholly owned subsidiary of Panasonic that was transferred such ownership in accordance with “Transfer Restrictions and Maintenance of Interest Ratio” described above) owns a 34% ownership interest in FilterCo, the Board shall not approve any other material change that is reasonably likely to have a significant negative impact on the employees of FilterCo without prior consultation with Panasonic.

Panasonic Brand

FilterCo shall not use the Panasonic brand on any of its products.

Information Rights

As set forth in Section 3.4(b) of the JV Agreement, FilterCo and FilterSub will provide quarterly financial statements and their forecasts, or more regularly if practicable and if requested by Panasonic, in a format and in a timeframe sufficient for the parties to comply with their respective financial reporting obligations. The financial statements and forecasts will be prepared in accordance with FilterCo and FilterSub's accounting policies used in the preparation of FilterCo and FilterSub financial statements. Any financial information provided shall be kept confidential in accordance with the confidentiality obligations contained in the JV Agreement.

As set forth in Section 8.16 of the JV Agreement, each party will cooperate with the other and provide reasonable support with respect to compliance with regulatory inquiries in connection with FilterCo.

Patent License

At the Closing, FilterCo and Panasonic will enter into a Patent License Agreement in substantially the form attached hereto as **Exhibit E** (the "**Patent License**").

Patent License

Under the Patent License, Panasonic and its affiliates will grant to FilterCo and its affiliates a perpetual, irrevocable, non-exclusive, royalty-free, fully-paid up, non-sublicenseable (except as described below), non-transferable (except as described below), worldwide license under all Licensed Patents to make, Have Made, use, sell (directly or indirectly), offer to sell, import, export and otherwise provide any products or services in the Field of Use (defined below) ("**FilterCo Products**"), and to practice any methods for the purpose of making, Having Made, using, selling (directly or indirectly), importing, exporting or otherwise providing any FilterCo Products. This license shall remain in effect until the last to expire of the Licensed Patents (defined below). For the avoidance of doubt, the compensation for the license granted in this section and the grant of sublicense rights under "Sublicenses" hereunder is included in the Purchase Price.

Non-Patent License

In addition, Panasonic and its affiliates will grant to FilterCo and its affiliates a perpetual, irrevocable, non-exclusive, royalty-free, fully-paid up, non-sublicenseable (except as described below), non-transferable (except as described below), worldwide license to use, reproduce, modify, adapt, create derivative works of, distribute (directly or indirectly), perform and display the Licensed Non-Patent IP (defined below) for the purpose of using, developing, manufacturing, marketing, distributing, selling and supporting FilterCo Products. For the avoidance of doubt, the compensation for the license grant in this section and the grant of sublicense rights under "Sublicenses" hereunder is included in the Purchase Price.

License Grant to Panasonic

Under the Patent License, FilterCo and its affiliates will grant to Panasonic and its affiliates a perpetual, irrevocable, non-exclusive, royalty-free, fully-paid up, non-sublicenseable (except as described below), non-transferable (except as described below), worldwide license under all patents in the Transferred Assets, including any and all divisionals, continuations, continuations-in-part, reissues, re-examinations, renewals, substitutions, extensions, and foreign counterparts thereof, to make, Have Made, use, sell (directly or indirectly), offer to sell, import, export and otherwise provide any products or services outside of the Field of Use ("**Panasonic Products**"), and to practice any methods for the purpose of making, Having Made, using, selling (directly or indirectly), importing, exporting or otherwise providing any Panasonic Products. This license shall remain in effect until the last to expire of the patents in the Transferred Assets, and all divisionals, continuations, continuations-in-part, reissues, re-examinations, renewals, substitutions, extensions, and foreign counterparts thereof. For the avoidance of doubt, the compensation for the license granted in this section and the grant of sublicense rights under "Sublicenses" hereunder is included in the Purchase Price.

Sublicenses

The parties and their respective affiliates may sublicense their rights described above to contract manufacturers, foundries, test and assembly contractors, design contractors and other contractors engaged by such party or its affiliates for the sole purpose of performing services and/or providing products directly for such party and/or its affiliates with respect to the parties' respective products.

FilterCo and its affiliates may sublicense their rights described above to their respective distributors, resellers, OEMs, customers and end users solely in connection with the use, sale, offer to sell, import, reproduction, modification, adaptation, creation of derivative works of, distribution, performance and display of the FilterCo Products purchased, licensed or otherwise acquired by such parties from FilterCo.

Panasonic and its affiliates may sublicense their rights described above to their respective distributors, resellers, OEMs, customers and end users solely in connection with the use, sale, offer to sell, import, reproduction, modification, adaptation, creation of derivative works of, distribution, performance and display of Panasonic Products purchased, licensed or otherwise acquired by such parties from Panasonic.

If either party sells, spins out, divests or otherwise transfers to a third party in one transaction or a series of related transactions all or a substantial portion of the equity, business or assets of any business unit that includes one or more existing FilterCo Products or existing Panasonic Products, as applicable, such party may sublicense its rights described above to such third party solely in connection with the exploitation of such existing FilterCo Products or existing Panasonic Products, as applicable, including corrections, revisions and enhancements thereof; provided, however, that such sublicense shall not extend to any other products or services of such third party.

All sublicenses shall be made under a written agreement containing license restrictions and terms and conditions that are no less restrictive and protective of Panasonic's interests in the Licensed Patents and Licensed Non-Patent IP or FilterCo's interests in the patents in the Transferred Assets as are the terms of the Patent License.

The parties agree that they will not exercise their sublicense rights with respect to any FilterCo Products or Panasonic Products, respectively, where primary purpose of the arrangement is for FilterCo or Panasonic to act as a manufacturing or sales agent for a third party's products.

Assignment

Neither party may transfer or assign the Patent License or any of its rights or interests thereunder without the prior written approval of the other party, and any such attempted transfer or assignment will be null and void and without effect. Notwithstanding the foregoing, either party may transfer or assign the Patent License without the written consent of the other party in connection with any acquisition, merger, transfer, or assignment, by operation of law or otherwise, of all or substantially all of any assets or business of the assigning party, provided that, the assignee agrees in writing to be bound by the terms of the Patent License, and provided further that, notwithstanding such assignment, (a) in the case of assignment by Panasonic, the rights granted to Panasonic under the Patent License shall extend to such assignee solely in connection with the exploitation of the existing Panasonic Products, including corrections, revisions and enhancements thereof, and not to any other products or services of the assignee, and (b) in the case of assignment by FilterCo, the rights granted to FilterCo under the Patent License shall extend to such assignee solely in connection with the exploitation of the existing FilterCo products, including corrections, revisions and enhancements thereof, and not to any other products or services of the assignee. Each party agrees that in the event it sells, transfers or otherwise assigns any patents or other intellectual property licensed under the Patent License, it will require such purchaser, transferee or assignee to agree in writing to be subject to the Patent License.

Certain Definitions

“**Field of Use**” means the field of acoustic filters, including without limitation, SAW, TC-SAW, and bulk acoustic filters and boundary acoustic wave filters, micromechanical filters, resonator filters, and filter architectures, including any related processes, manufacturing, packaging and services along with any revisions, improvements, modifications, extensions, derivations and enhancements thereof.

“**Licensed Non-Patent IP**” means all intellectual property (other than patents and trademarks) that are owned by Panasonic and/or its affiliates, or which Panasonic and/or its affiliates have the right to sublicense to FilterCo and its affiliates without the payment of any additional consideration to third parties or the need to obtain any third-party consents.

“**Licensed Patents**” means all patents related to the Filter Business and/or the Field of Use that are owned and/or controlled by Panasonic and/or its affiliates, or which Panasonic and/or its affiliates have the right to sublicense to FilterCo and its affiliates without the payment of any additional consideration to third parties or the need to obtain any third-party consents, (a) that are issued or allowed as of the Closing, (b) that issue from patent applications existing or pending as of the Closing, (c) that claim priority to any patents and/or patent applications (or based upon invention disclosures) existing as of the Closing, including any and all divisionals, continuations, continuations-in-part, reissues, re-examinations, renewals, substitutions, extensions, and foreign counterparts thereof, and/or (d) that issue from any patent application filed within 24 months of the Closing.

“**Have Made**” means to have manufactured products by a third party where (i) the designs and specifications for said products are furnished by and originated with either party of the Patent License (“Ordering Party”) and (ii) all of the products so manufactured are delivered to the Ordering Party (or delivered at the instruction of and on behalf of the Ordering Party to a customer); and (iii) the purpose and effect of said have made arrangement is not for the Ordering Party to act only as a sales agent for the third-party manufacturer.

Transition Services Agreement

At the Closing, FilterCo, FilterSub and Panasonic will enter into a Transition Services Agreement (the “TSA”), the material terms of which are described in **Exhibit F** attached hereto. The TSA will have an initial term of two years from the Closing. Following execution of the TSA, Skyworks shall use its best efforts to assist FilterCo and FilterSub, as applicable, in designing and operating the Filter Business in a self-reliant manner.

Real Property Leases

At the Closing, FilterCo and FilterSub, as applicable, and Panasonic and PIDSG will respectively enter into real property leases with respect to the facilities located in Kadoma, Japan and Singapore, the material terms of which are described in **Exhibit G** attached hereto (the “**Real Property Leases**”), subject to obtaining any necessary consent and/or approval from governmental authorities, including HDB consent to sub-letting of the part of PIDSG’s real property. The rent for each Real Property Lease shall not exceed the lesser of (i) Panasonic internal charge to CCBD or CCBG2 (not to exceed fair market value), as applicable, or (ii) the fair market value for each such Real Property Lease. The initial term for the Real Property Leases shall be the two years immediately following the Closing as may be extended as described on **Exhibit G**.

Other Ancillary Agreements

Uozu Manufacturing Consignment Agreement

At the Closing, FilterCo and a Panasonic affiliate will enter into a Uozu Manufacturing Consignment Agreement, the material terms of which are described in **Exhibit I** attached hereto.

Secondment Agreement (for both the Seconded Employees and currently seconded employees)

At the Closing, (i) FilterCo and Panasonic will enter into a Secondment Agreement for the Seconded Employees and (ii) FilterCo or FilterSub, on the one hand, and Panasonic or certain Panasonic affiliates, on the other hand, will enter into a Secondment Agreement for currently seconded employees, the material terms of which for both (i) and (ii) are described in **Exhibit J** attached hereto.

Closing Conditions

The Closing is subject to the satisfaction or waiver of the following conditions, that are also set forth in Articles VII and VIII of the Stock Purchase Agreement:

- No injunction or similar prohibition;
- Governmental and regulatory clearance (including HSR);
- Obtaining other material third party approvals set forth on Schedule 7.1(c) of the Stock Purchase Agreement;
- Representations and warranties of the parties being materially accurate as of signing and the Closing (except for representations as to a certain time);
- No material adverse effect with respect to the Filter Business, FilterCo or FilterSub;
- Transfer or secondment of those employees that are reasonably required to operate the Filter Business with equally good prospects as those prior to the transfer;
- Achievement of the pre-Closing target actions as set forth on **Schedule V**;
- Execution and delivery of the Kaisha Bunkatsu Documents, Singapore Business Transfer Agreement, Stock Purchase Agreement, JV Agreement and Patent License, in substantially the forms attached hereto, as well as any other transaction documents (including the TSA, Real Property Leases, and other ancillary documents) described in the Stock Purchase Agreement;
- Delivery of necessary documents for amendment to the Articles of Incorporation of FilterCo and FilterSub in substantially the forms attached to the JV Agreement; and
- Completion of the Contribution.

**MOU Covenants
during the signing of this MOU and the
signing of the Stock Purchase Agreement**

Between the signing of this MOU and the signing of the Stock Purchase Agreement, except as otherwise contemplated herein, Panasonic will conduct the Filter Business in the ordinary course consistent with past practice (“**Ordinary Course**”) and will not, without Skyworks’ prior consent (not to be unreasonably withheld or delayed), with respect to the Filter Business:

- make any material change in any method of accounting or accounting practice or policy other than as required by JGAAP or law;
- modify the compensation or benefits of any employees that may become FilterCo or FilterSub employees as part of the transactions contemplated herein or enter into or materially amend any employee benefit plan or other employment agreement with respect to such employees other than (i) as reasonably necessary to implement the transactions contemplated herein, or (ii) other than the following changes made in the Ordinary Course (a) standard annual modifications to the compensation and benefits for all employees or (b) as required by law or under an existing employment benefit plan or other agreement;
- hire any employee that may become a FilterCo or FilterSub employee as part of the transactions contemplated herein other than any hiring of new employees except as contemplated by **Schedule V** or as a replacement for a current employee with compensation and benefits substantially similar in the aggregate as the employee being replaced provided that such replacement has similar experience, expertise, and tenure and the necessary experience, expertise, and tenure to carry out the job functions of such position;
- sell or dispose of any material asset or property listed as a Transferred Asset on **Schedule I** other than products and inventory sold in the Ordinary Course;
- create or assume any mortgage, pledge or other encumbrance on any such Transferred Assets except (i) for permitted encumbrances agreed to by the parties, (ii) as required by law, or (iii) for contracts, agreements, capital expenditures, borrowings or other commitments entered into in the Ordinary Course;
- enter into any material contract, material amendment to a material contract or terminate any material contracts, in each case with respect to the Filter Business, other than in the Ordinary Course; or
- agree or commit to do any of the foregoing.

After the signing of this MOU, Panasonic will provide necessary and available cooperation with Skyworks and use its best efforts to secure the consent from any (i) regulatory authority necessary to consummate the transactions contemplated herein (except for applicable antitrust filings), or (ii) counterparties to agreements relating to the Filter Business that require consent from the counterparty to assign or transfer the corresponding agreement to FilterCo at the Closing.

After the signing of this MOU, Panasonic and Skyworks will use their best efforts to (i) sign the Stock Purchase Agreement and finalize forms of all exhibits thereto including the JV Agreement and the Patent License by June 26, 2014 and (ii) close the transactions described herein no later than August 1, 2014.

The parties shall use their best efforts to cooperate and prepare for the filings required under the applicable antitrust law.

Within two (2) business days after they are completed but in no event more than thirty (30) days following the end of each calendar month with respect to clause (i) below and in no event more than sixty (60) days following the end of each quarter with respect to clause (ii) below, Panasonic shall provide copies to Skyworks of (i) certain monthly financial information in a manner to be mutually agreed upon between the parties and (ii) quarterly pro forma unaudited financial statements of the Filter Business prepared in a manner consistent with Section 4.7 of the Stock Purchase Agreement.

Employee Matters

Employee Transfer at the Closing

The parties shall work together in good faith to develop the human resources strategy for facilitating smooth transfer of Transferred Employees at the Closing in accordance with **Schedule VI** which sets forth the treatments regarding the issues relating to employment matters.

Panasonic shall use its best efforts to assist Skyworks in the transfer to FilterCo or FilterSub, as applicable, of the employees set forth on Schedule 1.1(B) to the Stock Purchase Agreement (the “**Key Employees**”) as of the Closing in accordance with **Schedule VI**.

For the avoidance of doubt, the parties acknowledge that the transfer to FilterCo or FilterSub, as applicable, of the Transferred Employees shall be conditional upon receiving all necessary consents and/or approvals, including from such Transferred Employees. Neither Panasonic nor PIDSG shall assume any liabilities or obligations of Skyworks arising out of or in relation to any failure in such transfer.

Employee Secondment

The parties shall work together in good faith to develop the human resource strategy for facilitating the smooth secondment and eventual transfer of the Seconded Employees in accordance with **Schedule VI**.

Long-Term Human Resources Strategy

During the two years immediately following the Closing, Skyworks shall cause FilterCo and FilterSub to maintain the employment of the Transferred Employees and Seconded Employees whose employment is transferred to FilterCo, subject to termination, other actions as a result of due disciplinary cause or the matters described on **Schedule V**, on substantially similar terms and conditions at the same level or better, in the aggregate, than those provided by Panasonic as of the date hereof and described in Panasonic’s current work rules and employee handbook, copies of which have been provided to Skyworks.

Further, for at least 5 years after the Closing, Skyworks shall use its best efforts to cause FilterCo and FilterSub to maintain the employment of the Transferred Employees and Seconded Employees whose employment is transferred to FilterCo, subject to termination, other actions, or the matters described on **Schedule V**, as a result of due disciplinary cause, by designing and maintaining employment conditions (salary, benefit program, etc.) and other human resources strategies (performance-based salary system, stock option, other incentive programs, etc.) for and to such Transferred Employees and Seconded Employees whose employment is transferred to FilterCo to ensure long-term employee retention in a highly motivated culture.

Support for Panasonic’s Transition

For assisting Panasonic’s smooth transition of the Filter Business following the Closing, Skyworks will, subject to necessary consents from the counterparty, have FilterCo or FilterSub, as applicable, (i) assume the certain contracts specified in and subject to the terms of **Schedule VIII** attached hereto (“**Certain Contracts**”).

Assistance for Transition to New Site

Following the Closing, Panasonic will use its best efforts to assist FilterCo and FilterSub to transition operations from its Kadoma and Singapore locations to new sites as requested by FilterCo.

Exclusivity/No Shop

Upon the signing of this MOU, Panasonic is precluded from soliciting or engaging in negotiations for any alternative transaction with a third party with respect to the Filter Business. Until the earlier of the Closing or the date of termination of this MOU, as described in the “Term and Termination” section below, neither Panasonic nor any of its affiliates shall directly or indirectly, take any of the following actions with any party other than Skyworks and its affiliates; (i) solicit, encourage (including by way of furnishing non-customary information), facilitate, seek or initiate in any inquiry, negotiations, or discussions or enter into any agreement, with respect to any offer or proposal to acquire all or any material part of the Filter Business, or (ii) disclose or furnish any information not customarily disclosed to any third party concerning the Filter Business or any Transferred Assets, or afford to any third party access to its properties, technologies, books or records, not customarily afforded such access, except to Skyworks and its affiliates, (iii) assist or cooperate with any third party to make any proposal to purchase all or any part of the Filter Business, or (iv) enter into any agreement with any third party providing for the acquisition of the Filter Business except in furtherance of this MOU and the transactions contemplated herein. Upon receipt of any offer with respect to any such alternative transaction, Panasonic shall, subject to any confidentiality constraints, promptly notify Skyworks in writing of the details of such offer.

Dispute Resolution Process

Except as set forth in the Patent License, any dispute, controversy or claim (each, a “**Dispute**”) arising out of or relating to or in connection with this MOU, including any question regarding the existence, interpretation, breach, termination, validity or invalidity thereof, shall be referred to arbitration upon the demand of any party to the dispute with written notice (the “**Arbitration Notice**”) to the other parties to such dispute. The Dispute shall be settled by arbitration in Singapore by the Singapore International Arbitration Centre (the “**SIAC**”) in accordance with the Arbitration Rules of the Singapore International Arbitration Centre (the “**SIAC Rules**”) for the time being in force, which rules are deemed to be incorporated by reference in this clause. There shall be three arbitrators. Each party shall nominate one arbitrator for confirmation, with the third arbitrator to be jointly nominated by the two co-arbitrators within thirty days of the confirmation of the second arbitrator. If the two-co-arbitrators do not nominate the third arbitrator within that period, the third arbitrator shall be appointed by the SIAC Chairman. The third arbitrator may not be of the same nationality as any of the parties to the arbitration. The arbitral proceedings shall be conducted in English. To the extent that the SIAC Rules are in conflict with the provisions of this section, including the provisions concerning the appointment of the arbitrators, the provisions of this section shall prevail. The award of the arbitral tribunal shall be final and binding upon the parties thereto, and the prevailing party may apply to a court of competent jurisdiction for enforcement of such award. Notwithstanding the foregoing or anything else to the contrary, any party to this MOU shall be entitled to seek and obtain temporary or preliminary injunctive relief, any other interim measure, or specific performance from any court of competent jurisdiction pending the conclusion of the arbitration.

Confidentiality

Except as required by law or regulatory authority (including without limitation any SEC filings, TSE disclosure or other required stock exchange disclosures Skyworks or Panasonic may be required to make in connection with entering into this MOU or antitrust filings required by the transactions contemplated herein), other than communications with the labor unions deemed necessary by the parties, neither party will make any disclosure or issue any statement or communication to the public or press regarding the proposed joint venture without the prior written consent of the other party.

If this MOU is terminated by either party, the proposed terms of the joint venture and all joint venture-related discussions will be kept confidential and will not be disclosed to any third party, during 5-year period, without the prior written consent of the other party, except as required by law or regulatory authority.

Any information disclosure and other communications between the parties and their related affiliates hereunder shall be subject to the Non-Disclosure Agreement executed by the parties on or about October 9, 2013 (“**NDA**”).

Specific Performance

The parties hereby acknowledge and agree that it may cause irreparable injury to the other party or parties if any of the provisions of this MOU are not performed in accordance with their specific terms or otherwise are breached, for which damages, even if available, may not be an adequate remedy. Accordingly, each party agrees that the other party or parties shall have the right to seek injunctive relief by any court of competent jurisdiction to prevent breaches of the provisions of this MOU and to enforce specifically this MOU and the terms and provisions hereof in any action or proceeding, in addition to any other remedy to which it may be entitled, at law or in equity.

Expenses

Each party shall bear its own costs and expenses incurred in negotiating the joint venture transaction hereunder, and, to the extent this MOU is terminated because of a fraud, intentional misrepresentation, or material breach by the other party, and such terminating party is not in breach of its obligations under this MOU, then the breaching party will be responsible for the fees and expenses (including reasonable attorneys' fees) of the non-breaching party in connection with the negotiation and entry into this MOU; provided however that each party shall equally (one-half each) bear (i) HSR filing fee (if filing is necessary), (ii) charges or fees that may be imposed by HDB or other regulatory authorities for sub-letting PIDSG's real property if any, and (iii) certain transfer taxes and/or goods and services taxes (if applicable) imposed on the parties in relation to the transactions to occur on or prior to the Closing as set forth in Section 11.1 of the Stock Purchase Agreement.

Term and Termination

This MOU shall remain effective until the execution of the Stock Purchase Agreement.

Notwithstanding the foregoing, either party may terminate this MOU if:

- (i) the Stock Purchase Agreement has not been executed by October 1, 2014; or
- (ii) the Kaisha Bunkatsu Documents, Singapore Business Transfer Agreement, Stock Purchase Agreement, the JV Agreement, or the Patent License agreement has materially changed from the forms attached hereto.

Governing Law

This MOU is governed by the Laws of Japan, without regard to the conflict of laws principals.

This MOU is the binding understanding of the parties hereto and, subject to the satisfaction of the closing conditions described in the "Closing Conditions" described above, the parties are obligated to consummate the transactions (including, but not limited to, Panasonic and PIDSG's contribution of the Filter Business to FilterCo and FilterSub, and Skyworks' purchase of a 66% ownership interest in FilterCo and an option to buy the remaining 34% ownership interest, and payment to Panasonic of the Purchase Price) described in this MOU; provided, however, that the forms of agreements and descriptions of material terms set forth in the Exhibits attached hereto shall not be binding until such agreements or any agreements based on material terms described therein are executed by the parties thereto. Notwithstanding the foregoing, the terms and conditions set forth in the Exhibits have been negotiated in good faith by the parties hereto and shall not materially change prior to execution thereof without the prior written consent of the parties hereto. This MOU supersedes in its entirety all prior written or oral communications, understandings or agreements between the parties hereto, except for the NDA. This MOU may be executed in one or more counterparts, each of which will be deemed an original.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have executed this Memorandum of Understanding as of the date first written above.

**PANASONIC CORPORATION,
AUTOMOTIVE & INDUSTRIAL SYSTEMS COMPANY**

By: _____
Name:
Title:

SKYWORKS SOLUTIONS, INC.

By: _____
Name:
Title:

List of Omitted Schedules and Exhibits

Pursuant to Item 601(b)(2) of Regulation S-K, the following exhibits and schedules to the Memorandum of Understanding have been omitted from this Exhibit 2.1:

- Schedule I - Transferred Assets and Assumed Liabilities
- Schedule II - Transferred Employees
- Schedule III - Purchase Price Adjustment Mechanism
- Schedule IV - Currency Adjustment
- Schedule V - Target Actions
- Schedule VI - Certain Employee Matters
- Schedule VII - Certain Intellectual Property Matters
- Schedule VIII - Supply Contracts; Customer Support; Certain Equipment
- Exhibit A - Kaisha Bunkatsu Documents
- Exhibit B - Singapore Business Transfer Agreement
- Exhibit C - Stock Purchase Agreement
- Exhibit D - JV Agreement
- Exhibit E - Patent License Agreement
- Exhibit F - Material Terms of the Transition Services Agreement
- Exhibit G - Material Terms of the Real Property Leases
- Exhibit H - [Reserved]
- Exhibit I - Material Terms of the Uozu Manufacturing Consignment Agreement
- Exhibit J - Material Terms of Secondment Agreement

Any omitted exhibit, schedule or similar attachment will be furnished supplementally to the SEC upon request.

Skyworks Solutions, Inc.
Cash Compensation Plan for Directors

Directors who are not employees of Skyworks Solutions, Inc. (the “Company”), are paid an annual retainer of \$57,500 (\$60,000 beginning January 1, 2015). Additional annual retainers are paid to the Chairman of the Board* (\$50,000); the Chairman of the Audit Committee (\$20,000); the Chairman of the Compensation Committee (\$15,000); and the Chairman of the Nominating and Governance Committee (\$10,000). Additional annual retainers are also paid to directors who serve on committees in roles other than as Chairman as follows: Audit Committee (\$10,000); Compensation Committee (\$7,500); and Nominating and Corporate Governance Committee (\$5,000). All retainers are paid in quarterly installments. In addition, the Compensation Committee retains discretion to recommend to the full Board of Directors that additional cash payments be made to a non-employee director(s) for extraordinary service during a fiscal year.

* If the Chairman of the Board is an employee of the Company, the \$50,000 retainer will be paid to the Lead Independent Director, if one has been appointed.

CERTIFICATION OF THE CEO PURSUANT TO SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David J. Aldrich, certify that:

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

Date: July 30, 2014

/s/ David J. Aldrich

David J. Aldrich

Chairman and Chief Executive Officer

CERTIFICATION OF THE CFO PURSUANT TO SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a) AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Donald W. Palette, certify that:

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

Date: July 30, 2014

/s/ Donald W. Palette

Donald W. Palette

Executive Vice President and Chief Financial Officer

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

In connection with the quarterly report of Skyworks Solutions, Inc. (the "Company") on Form 10-Q for the period ended June 27, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David J. Aldrich, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ David J. Aldrich

David J. Aldrich
Chairman and Chief Executive Officer

July 30, 2014

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

In connection with the quarterly report of Skyworks Solutions, Inc. (the "Company") on Form 10-Q for the period ended June 27, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Donald W. Palette, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Donald W. Palette

Donald W. Palette
Executive Vice President and Chief Financial Officer

July 30, 2014