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

This Annual Report on Form 10-K includes "forward-looking statements" within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements about our plans, objectives, representations and contentions, and are not historical facts and typically are identified by use of terms such as "may," "will," "should," "could," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential," "continue" and similar words, although some forward-looking statements are expressed differently. You should be aware that the forward-looking statements included herein represent management's current judgment and expectations, but our actual results, events and performance could differ materially from those expressed or implied by forward-looking statements. We do not intend to update any of these forward-looking statements or publicly announce the results of any revisions to these forward-looking statements, other than as is required under U.S. federal securities laws. Our business is subject to numerous risks and uncertainties, including those relating to variability in our operating results, the inability of certain of our customers or suppliers to access their traditional sources of credit, our industry’s rapidly changing technology, our dependence on a few large customers for a substantial portion of our revenue, a loss of revenue if contracts with the U.S. government or defense and aerospace contractors are canceled or delayed, our ability to implement innovative technologies, our ability to bring new products to market and achieve design wins, the efficient and successful operation of our wafer fabrication facilities, assembly facilities and test and tape and reel facilities, our ability to adjust production capacity in a timely fashion in response to changes in demand for our products, variability in manufacturing yields, industry overcapacity and current macroeconomic conditions, inaccurate product forecasts and corresponding inventory and manufacturing costs, dependence on third parties and our ability to manage platform providers and customer relationships, our dependence on international sales and operations, our ability to attract and retain skilled personnel and develop leaders, our ability to successfully integrate the business of RFMD and TriQuint and fully realize the anticipated benefits from the Business Combination, the possibility that future acquisitions may dilute our stockholders’ ownership and cause us to incur debt and assume contingent liabilities, fluctuations in the price of our common stock, additional claims of infringement on our intellectual property portfolio, lawsuits and claims relating to our products, security breaches and other similar disruptions compromising our information and exposing us to liability, and the impact of stringent environmental regulations, These and other risks and uncertainties, which are described in more detail under Item 1A, “Risk Factors” in this Annual Report on Form 10-K and in other reports and statements that we file with the SEC, could cause actual results and developments to be materially different from those expressed or implied by any of these forward-looking statements.

The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements, including the notes thereto.

OVERVIEW

Company

On February 22, 2014, RF Micro Devices, Inc. (“RFMD”) entered into an Agreement and Plan of Merger and Reorganization as subsequently amended on July 15, 2014 (the "Merger Agreement"), with TriQuint Semiconductor, Inc. ("TriQuint") providing for the combination of RFMD and TriQuint in a merger of equals ("Business Combination") under a new holding company named Qorvo, Inc. (the “Company” or “Qorvo”). The transactions contemplated by the Merger Agreement were consummated on January 1, 2015, and as a result, TriQuint's results of operations are included in Qorvo's Consolidated Statements of Operations for the period of January 1, 2015 through March 28, 2015 (the "Post-Combination Period").

For financial reporting and accounting purposes, RFMD was the acquirer of TriQuint in the Business Combination. Unless otherwise noted, “we,” “our” or "us" in this report refers to RFMD and its subsidiaries prior to the closing of the Business Combination and to Qorvo and its subsidiaries after the closing of the Business Combination.

We are a leading provider of core technologies and radio frequency (“RF”) solutions for mobile, infrastructure and defense and aerospace applications. We have more than 6,700 global employees dedicated to delivering solutions for everything that connects the world. Qorvo has one of the industry's broadest portfolios of RF products and core technologies, and world-class ISO9001-, ISO 14001- and ISO/TS 16949-certified manufacturing facilities. Our Richardson, Texas facility is a U.S. Department of Defense (“DoD”)-accredited ‘Trusted Source’ (Category 1A) for gallium arsenide (“GaAs"), gallium nitride (“GaN”) and bulk acoustic wave (“BAW”) technologies, products and services. We are a preferred supplier to the world’s leading companies that serve the mobile device, networks infrastructure and defense and aerospace markets. Our design and manufacturing expertise encompasses many semiconductor process technologies, which we source both internally and through external suppliers. We operate worldwide with our design, sales and manufacturing facilities located throughout Asia, Europe and North America. Our primary design and manufacturing facilities are located in North Carolina, Oregon, Texas and Florida, and our primary assembly and test facilities are located in China, Costa Rica and Texas.

Business Segments

We design, develop, manufacture and market our products to leading U.S. and international original equipment manufacturers (“OEMs”) and original design manufacturers (“ODMs”) in the following operating segments:

- *Mobile Products (MP)* - MP is a leading global supplier of RF solutions that perform various functions in the increasingly complex cellular radio front end section of smartphones and other cellular devices. These RF solutions are required in fourth generation (“4G”) data-centric devices operating under Long-Term Evolution (“LTE”) 4G networks, as well as third generation (“3G”) and second generation (“2G”) mobile devices. Our solutions include complete RF front end modules that combine high-performance filters, power amplifiers (“PAs”) and switches, PA modules, transmit modules, antenna control solutions, antenna switch modules, diversity receive modules and envelope tracking ("ET") power management devices. MP supplies its broad portfolio of RF solutions into a variety of mobile devices, including smartphones, handsets, notebook computers, wearables and tablets.

- *Infrastructure and Defense Products (IDP)* - IDP is a leading global supplier of a broad array of RF solutions to wireless network infrastructure, defense and aerospace markets and short-range connectivity applications for commercial, consumer, industrial and automotive markets. Infrastructure applications include 4G LTE and 3G base station deployments, WiFi infrastructure, microwave point-to-point ("PtP") radio and optical network links, and cable television ("CATV") wireline infrastructure. Defense and aerospace applications, which require extreme precision, reliability, durability and supply assurance, include a variety of advanced systems, such as active phased array radar, electronic warfare and various communications applications. Industrial and automotive applications include energy management, private mobile radio, satellite radio and test and measurement equipment. Our IDP products include high power GaAs and GaN PAs, low noise amplifiers, switches, fixed frequency and voltage-controlled oscillators (“VCOs”), filters, attenuators, modulators, driver and transimpedance amplifiers and various multichip and hybrid assemblies.

As of March 28, 2015, our reportable segments are MP and IDP. These business segments are based on the organizational structure and information reviewed by our Chief Executive Officer, who is our chief operating decision maker (or CODM), and are managed separately based on the end markets and applications they support. The CODM allocates resources and evaluates the performance of each operating segment primarily based on operating income and operating income as a percentage of revenue. In connection with the Business Combination, in the fourth quarter of fiscal 2015 we renamed our Cellular Products Group (CPG) operating segment as MP and our Multi-Market Products Group (MPG) operating segment as IDP. Additionally, the CODM elected to discontinue reporting Compound Semiconductor Group (CSG) as an operating segment (see Note 16 of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report for additional information regarding our operating segments).

Fiscal 2015 Management Summary

- Our revenue increased 49.0% in fiscal 2015 to $1,711.0 million as compared to $1,148.2 million in fiscal 2014. Approximately $259.5 million of this increase relates to the inclusion of TriQuint revenue for the Post-Combination Period. The remaining increase is primarily due to increased demand for our cellular RF solutions for smartphones.

- Our gross margin for fiscal 2015 increased to 40.3% as compared to 35.3% for fiscal 2014. This increase was primarily due to a favorable change in product mix towards higher margin products and manufacturing- and sourcing-related cost reductions. The increase was partially offset by costs related to the Business Combination (including intangible amortization and inventory step-up), and price erosion on the average selling prices of our products.

- Our operating income was $122.5 million in fiscal 2015 as compared to $27.3 million in fiscal 2014. This increase was primarily due to higher revenue and improved gross margin, which was partially offset by costs related to the Business Combination (including intangible amortization, inventory step-up, stock-based compensation related to the Business Combination, integration, acquisition and restructuring expenses).

- Our net income per diluted share was $2.11 for fiscal 2015 compared to $0.18 for fiscal 2014.
- We generated positive cash flow from operations of $305.6 million for fiscal 2015 as compared to $130.8 million for fiscal 2014. This year-over-year increase was primarily attributable to improved profitability resulting from higher revenue.
- Capital expenditures totaled $169.9 million in fiscal 2015 as compared to $66.8 million in fiscal 2014, primarily due to the addition of manufacturing capacity.
- During fiscal 2015, our 1.00% Convertible Subordinated Notes due 2014 (the "2014 Notes") became due and we paid the remaining principal balance of $87.5 million plus interest of $0.4 million with cash on hand.
- During fiscal 2015, we repurchased approximately 0.8 million shares of our common stock for approximately $50.9 million.
- During fiscal 2015, we recorded merger-related expenses, integration costs and restructuring expenses totaling $54.4 million related to the Business Combination, which was completed on January 1, 2015.

RESULTS OF OPERATIONS

Consolidated

The following table presents a summary of our results of operations for fiscal years 2015, 2014 and 2013:

	2015		2014		2013	
(In thousands, except percentages)	Dollars	% of Revenue	Dollars	% of Revenue	Dollars	% of Revenue
Revenue	$ 1,710,966	100.0%	$ 1,148,231	100.0%	$ 964,147	100.0 %
Cost of goods sold	1,021,658	59.7	743,304	64.7	658,332	68.3
Gross profit	689,308	40.3	404,927	35.3	305,815	31.7
Research and development	257,494	15.0	197,269	17.2	178,793	18.5
Marketing and selling	164,657	9.6	74,672	6.5	68,674	7.1
General and administrative	85,229	5.0	76,732	6.7	64,242	6.7
Other operating expense	59,462	3.5	28,913	2.5	9,786	1.0
Operating income (loss)	$ 122,466	7.2%	$ 27,341	2.4%	$ (15,680)	(1.6)%

Revenue

Our overall revenue increased $562.7 million, or 49.0%, in fiscal 2015 as compared to fiscal 2014. Approximately $259.5 million of this increase relates to the inclusion of TriQuint revenue for the Post-Combination period. The remaining increase was primarily due to increased demand for our cellular RF solutions for smartphones.

Our overall revenue increased $184.1 million, or 19.1%, in fiscal 2014 as compared to fiscal 2013. Fiscal 2014 reflected increased demand for our cellular RF solutions for smartphones and our WiFi products.

We sold our products to our largest end customer through multiple contract manufacturers, which in the aggregate, accounted for approximately 32%, 20% and 9% of total revenue in fiscal years 2015, 2014 and 2013, respectively. Samsung Electronics, Co., Ltd. (Samsung), accounted for approximately 14%, 25% and 22% of our total revenue in fiscal years 2015, 2014 and 2013, respectively. The majority of the revenue from these customers was from our mobile product sales. No other customer accounted for more than 10% of our total revenue.

International shipments amounted to $1,395.2 million in fiscal 2015 (approximately 82% of revenue) compared to $805.4 million in fiscal 2014 (approximately 70% of revenue) and $667.7 million in fiscal 2013 (approximately 69% of revenue). Shipments to Asia totaled $1,282.2 million in fiscal 2015 (approximately 75% of revenue) compared to $756.1 million in fiscal 2014 (approximately 66% of revenue) and $603.6 million in fiscal 2013 (approximately 63% of revenue).

Gross Margin

Our overall gross margin for fiscal 2015 increased to 40.3% as compared to 35.3% in fiscal 2014. This increase was primarily due to a favorable change in product mix towards higher margin products and manufacturing- and sourcing-related cost reductions. The increase was partially offset by costs related to the Business Combination (including intangible amortization and inventory step-up), and average selling price erosion.

Our overall gross margin for fiscal 2014 increased to 35.3% as compared to 31.7% in fiscal 2013. This increase was primarily due to manufacturing- and sourcing-related cost reductions and increased demand, which were partially offset by average selling price erosion.

Operating Expenses

Research and Development

In fiscal 2015, research and development expenses increased $60.2 million, or 30.5%, compared to fiscal 2014, primarily due to the inclusion of TriQuint research and development expenses for the Post-Combination Period.

In fiscal 2014, research and development expenses increased $18.5 million, or 10.3%, compared to fiscal 2013, primarily due to increased personnel expenses associated with both new product development for 3G/4G mobile devices and our investment in CMOS PAs.

Marketing and Selling

In fiscal 2015, marketing and selling expenses increased $90.0 million, or 120.5%, compared to fiscal 2014, primarily due to the inclusion of TriQuint marketing and selling expenses for the Post-Combination Period.

In fiscal 2014, marketing and selling expenses increased $6.0 million, or 8.7%, compared to fiscal 2013, primarily due to increased salaries and commission expenses in support of our customer diversification efforts and in support of our new products for 3G/4G mobile devices.

General and Administrative

In fiscal 2015, general and administrative expenses increased $8.5 million, or 11.1%, compared to fiscal 2014. The inclusion of TriQuint general and administrative expenses for the Post-Combination Period accounted for an increase of approximately $22.9 million. This increase was partially offset by decreased consulting expenses and IP-related legal expenses as compared to fiscal 2014.

In fiscal 2014, general and administrative expenses increased $12.5 million, or 19.4%, compared to fiscal 2013 primarily due to increased consulting expenses.

Other Operating Expense

In fiscal 2015, other operating expenses increased $30.5 million compared to fiscal 2014. In fiscal 2015 we recorded acquisition costs of $12.2 million, integration costs of $31.3 million, and restructuring costs of $10.9 million associated with the Business Combination.

In fiscal 2014, other operating expenses increased $19.1 million compared to fiscal 2013, primarily due to an impairment of in-process research and development (IPRD), restructuring expenses associated with achieving both manufacturing efficiencies and operating cost reductions, merger-related expenses and integration costs associated with the Business Combination, and expenses related to the phase out of manufacturing and sale of our U.K.-based GaAs facility. These increases were partially offset by the loss realized on the transfer of our molecular beam epitaxy ("MBE") wafer growth operations to IQE, Inc. ("IQE") as well as acquisition-related expenses associated with the acquisition of Amalfi Semiconductor, Inc. ("Amalfi") during fiscal 2013.

Operating Income

Our overall operating income was $122.5 million for fiscal 2015 as compared to $27.3 million for fiscal 2014. This increase in operating income was primarily due to higher revenue and improved gross margin, which were partially offset by costs related to the Business Combination (including intangible amortization expense of the acquired intangible assets, inventory step-up, stock-based compensation related to the Business Combination, integration, acquisition and restructuring expenses totaling approximately $274.5 million).

Our overall operating income was $27.3 million for fiscal 2014 as compared to an operating loss of $15.7 million for fiscal 2013. This increase in operating income was primarily due to higher revenue and improved gross margin, which were partially offset by increased personnel expenses, an impairment of IPRD, increased consulting expenses, restructuring expenses associated with achieving both manufacturing efficiencies and operating expense reductions, and merger-related expenses associated with the Business Combination, and expenses related to the phase out of manufacturing and sale of our U.K.-based GaAs facility. During fiscal 2013, other operating expenses included a $5.0 million loss realized on the transfer of our MBE wafer growth operations to IQE as well as expenses related to the purchase of Amalfi.

Segment Product Revenue, Operating Income and Operating Income as a Percentage of Revenue

Mobile Products

	Fiscal Year		
	2015	2014	2013
(In thousands, except percentages)			
Revenue	$ 1,395,035	$ 935,313	$ 761,425
Operating income	$ 404,382	$ 109,862	$ 52,574
Operating income as a % of revenue	29.0%	11.7%	6.9%

MP revenue increased $459.7 million, or 49.2%, in fiscal 2015 as compared to fiscal 2014. Approximately $174.0 million of this increase relates to the inclusion of TriQuint revenue for the Post-Combination Period. The remaining increase is primarily due to increased demand for our cellular RF solutions for smartphones.

MP operating income increased $294.5 million, or 268.1%, in fiscal 2015 as compared to fiscal 2014, primarily due to higher revenue and improved gross margin resulting from a favorable change in product mix towards higher margin products and manufacturing- and sourcing-related cost reductions, which were partially offset by average selling price erosion.

MP revenue increased $173.9 million, or 22.8%, in fiscal 2014 as compared to fiscal 2013, primarily due to increased demand for our cellular RF solutions and smartphones.

MP operating income increased $57.3 million, or 109.0%, in fiscal 2014 as compared to fiscal 2013, primarily due to higher revenue and improved gross margin (resulting from manufacturing and sourcing-related cost reductions, partially offset by average selling price erosion) which was partially offset by increased personnel expenses associated with new product development for 3G/4G mobile devices and our investment in CMOS PAs.

Infrastructure and Defense Products

	Fiscal Year		
	2015	2014	2013
(In thousands, except percentages)			
Revenue	$ 313,274	$ 212,897	$ 202,722
Operating income	$ 72,262	$ 32,315	$ 11,181
Operating income as a % of revenue	23.1%	15.2%	5.5%

IDP revenue increased $100.4 million, or 47.1%, in fiscal 2015 as compared to fiscal 2014. Approximately $85.5 million of this increase relates to the inclusion of TriQuint revenue for the Post-Combination Period. The remaining increase is primarily due to increased demand for our wireless infrastructure products.

IDP operating income increased $39.9 million, or 123.6%, in fiscal 2015 as compared to fiscal 2014, primarily due to improved gross margin resulting from manufacturing and sourcing-related cost reductions and a favorable shift in product mix towards higher margin wireless infrastructure products, which was partially offset by average selling price erosion.

IDP revenue increased $10.2 million, or 5.0%, in fiscal 2014 as compared to fiscal 2013, primarily due to increased demand for our WiFi products.

IDP operating income increased $21.1 million, or 189.0%, in fiscal 2014 as compared to fiscal 2013, primarily due to improved gross margin resulting from manufacturing- and sourcing-related cost reductions and increased revenue, which was partially offset by average selling price erosion.

See Note 16 of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report for a reconciliation of segment operating income (loss) to the consolidated operating income (loss) for fiscal years 2015, 2014 and 2013.

OTHER (EXPENSE) INCOME AND INCOME TAXES

	Fiscal Year		
(In thousands)	**2015**	**2014**	**2013**
Interest expense	$ (1,421)	$ (5,983)	$ (6,532)
Interest income	450	179	249
Loss on retirement of convertible subordinated notes	—	—	(2,756)
Other (expense) income	(254)	2,336	(1,180)
Income tax benefit (expense)	75,062	(11,231)	(27,100)

Interest expense

Interest expense has decreased as a result of lower debt balances. Our 2014 Notes became due on April 15, 2014 and the remaining principal balance of $87.5 million plus interest of $0.4 million was paid with cash on hand. During the first quarter of fiscal 2013, our 0.75% Convertible Subordinated Notes due 2012 became due and we paid the remaining principal balance of $26.5 million. During fiscal 2013, we purchased and retired $47.4 million original principal amount of our 2014 Notes.

Loss on the retirement of convertible subordinated notes

The remaining principal balance of our 2014 Notes was retired in the first quarter of fiscal 2015. During fiscal 2014, we did not purchase and retire any of our 2014 Notes. During fiscal 2013, we purchased and retired $47.4 million original principal amount of our 2014 Notes for an average price of $98.34, which resulted in a loss of $2.8 million as a result of applying Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 470-20.

Other income (expense)

In fiscal 2015, we incurred a foreign currency loss of $0.2 million as compared to a gain of $0.2 million in fiscal 2014 and a loss of $1.2 million in fiscal 2013. The foreign currency loss for fiscal 2015 was driven by the changes in the local currency denominated balance sheet accounts, the appreciation of the U.S dollar against the British Pound and Euro, and the depreciation of the U.S dollar against the Renminbi. The foreign currency loss for fiscal 2013 was driven by the changes in the local currency denominated balance sheet accounts, the appreciation of the U.S dollar against the British Pound and Euro, and the depreciation of the U.S. dollar against the Renminbi. Additionally, during fiscal 2014, we recognized a $2.1 million gain on an equity investment.

Income taxes

Income tax benefit for fiscal 2015 was $75.1 million, which is primarily comprised of tax expense related to domestic and international operations offset by a tax benefit of $135.8 million related to a decrease in the valuation allowance against domestic deferred tax assets. Realization of substantially all of the domestic deferred tax assets is now more likely than not with the addition of the domestic deferred tax liabilities arising from amortizable intangible assets in connection with the Business Combination. For fiscal 2015, this resulted in an annual effective tax rate of (61.9%).

In comparison, income tax expense for fiscal 2014 was $11.2 million, which was primarily comprised of tax expense related to international operations. For fiscal 2014, this resulted in an annual effective tax rate of 47.05%.

Income tax expense for fiscal 2013 was $27.1 million, which was primarily comprised of tax expense related to international operations, a $1.3 million reduction in U.K. net deferred tax assets due to a decrease in the U.K. tax rate, and a $12.0 million increase in the valuation allowance against U.K. net deferred tax assets in connection with the phase out of manufacturing operations at the Newton Aycliffe, U.K. facility. For fiscal 2013, this resulted in an annual effective tax rate of (104.64%).

A valuation allowance has been established against deferred tax assets in the taxing jurisdictions where, based upon the positive and negative evidence available, it is more likely than not that the related deferred tax assets will not be realized. Realization is dependent upon generating future income in the taxing jurisdictions in which the operating loss carryovers, credit carryovers, depreciable tax basis, and other tax deferred assets exist. The realizability of these deferred tax assets is reevaluated on a quarterly basis. As of the end of fiscal years 2013, 2014 and 2015, the valuation allowance against domestic and foreign deferred tax assets was $164.2 million, $143.3 million, and $13.8 million, respectively.

The valuation allowance against net deferred tax assets increased in fiscal 2013 by $51.5 million from the $112.7 million balance as of the end of fiscal 2012. The increase was comprised of $12.0 million established during the fiscal year related to the U.K. net deferred tax assets, $10.8 million related to the Amalfi acquisition, and a $28.7 million increase related to other changes in domestic net deferred tax assets during the fiscal year. The U.K. valuation allowance was recorded as a result of the decision, announced in March 2013, to phase out manufacturing at the U.K. facility. Consequently, we determined that this represented significant negative evidence, and that it was no longer “more likely than not” that any U.K. deferred tax assets remaining at the end of fiscal 2014 would ultimately be realized.

The valuation allowance against net deferred tax assets decreased in fiscal 2014 by $20.9 million. The decrease was comprised of the reversal of the $12.0 million U.K. valuation allowance established during fiscal 2013 and $15.1 million related to deferred tax assets used against deferred intercompany profits, offset by increases related to a $3.4 million adjustment in the net operating losses acquired in the Amalfi acquisition and $2.8 million for other changes in net deferred tax assets for domestic and other foreign subsidiaries during the fiscal year. The U.K. valuation allowance was reversed in connection with the sale of the U.K. manufacturing facility in fiscal 2014 and the write-off of the remaining U.K. deferred tax assets.

The valuation allowance against net deferred tax assets decreased in fiscal 2015 by $129.5 million. The decrease was comprised of $135.7 million for domestic deferred tax assets for which realization is now more likely than not with the increase in domestic deferred tax liabilities related to domestic amortizable intangible assets arising in connection with the Business Combination and other changes in the net deferred tax assets for foreign subsidiaries during the fiscal year, offset by an increase of $6.2 million related to deferred tax assets acquired in the Business Combination which are not more likely than not of being realized. At the end of fiscal 2015, a $0.2 million valuation allowance remained against foreign net deferred tax assets and a $13.6 million valuation allowance remained against domestic deferred tax assets as it is more likely than not that the related deferred tax assets will not be realized, effectively increasing the domestic net deferred tax liabilities.

As of March 28, 2015, we had federal loss carryovers of approximately $202.3 million that expire in fiscal years 2016 to 2035 if unused and state losses of approximately $184.9 million that expire in fiscal years 2016 to 2035 if unused. Federal research credits of $79.9 million, federal foreign tax credits of $1.7 million, and state credits of $45.9 million may expire in fiscal years 2018 to 2035, 2016 to 2035, and 2016 to 2030, respectively. Federal alternative minimum tax credits of $3.2 million carry forward indefinitely. Included in the amounts above are certain net operating losses and other tax attribute assets acquired in conjunction with acquisitions in prior years. The utilization of these acquired domestic tax assets is subject to certain annual limitations as required under Internal Revenue Code Section 382 and similar state income tax provisions.

Our gross unrecognized tax benefits totaled $37.9 million as of March 30, 2013, $39.4 million as of March 29, 2014, and $59.4 million as of March 28, 2015. Of these amounts, $29.7 million (net of federal benefit of state taxes), $30.9 million (net of federal benefit of state taxes), and $55.0 million (net of federal benefit of state taxes) as of March 30, 2013, March 29, 2014, and March 28, 2015, respectively, represent the amounts of unrecognized tax benefits that, if recognized, would impact the effective tax rate in each of the fiscal years. It is our policy to recognize interest and penalties related to uncertain tax positions as a component of income tax expense. As of March 28, 2015 accrued interest and penalties related to unrecognized tax benefits totaled $3.4 million, of which $1.2 million was recognized in fiscal 2015. A minimal amount included in the balance of gross unrecognized tax benefits at March 28, 2015, which is related to tax positions for which it is reasonably possible that the total amounts could significantly change in the next 12 months. This amount represents a potential decrease in gross unrecognized tax benefits related to reductions for tax positions in prior years.

STOCK-BASED COMPENSATION

Under FASB ASC 718, *"Compensation – Stock Compensation"* (ASC 718), stock-based compensation cost is measured at the grant date, based on the estimated fair value of the award using an option pricing model for stock options (Black-Scholes) and market price for restricted stock units, and is recognized as expense over the employee's requisite service period.

As of March 28, 2015, total remaining unearned compensation cost related to nonvested restricted stock units and options was $153.0 million, which will be amortized over the weighted-average remaining service period of approximately 1.3 years.

LIQUIDITY AND CAPITAL RESOURCES

We have funded our operations to date through revenue from product sales, sales of equity and debt securities, bank borrowings and capital equipment leases. As of March 28, 2015, we had working capital of approximately $1,174.8 million, including $299.8 million in cash and cash equivalents, compared to working capital at March 29, 2014, of $317.4 million, including $171.9 million in cash and cash equivalents. Working capital increased primarily due to improved profitability and $224.3 million in cash received from TriQuint in the Business Combination.

Our total cash, cash equivalents and short-term investments were $544.6 million as of March 28, 2015. This balance includes approximately $145.5 million held by our foreign subsidiaries. If these funds held by our foreign subsidiaries are needed for our operations in the U.S., we would be required to accrue and pay U.S. taxes to repatriate these funds. We currently expect to reinvest these funds outside of the U.S. permanently and do not expect to repatriate them to fund our U.S. operations.

Stock Repurchase

On February 5, 2015, our Board of Directors authorized the repurchase of up to $200 million of our outstanding shares of common stock, exclusive of related fees, commissions or other expenses. Repurchases may be made at management's discretion from time to time on the open market or in privately negotiated transactions, and the program may be discontinued at any time. During the fourth quarter of fiscal 2015, we repurchased approximately 0.8 million shares of our common stock at an average price of $65.87 on the open market for approximately $50.0 million, including transaction costs. As of March 28, 2015, approximately $150.0 million remains available for repurchase under this program.

In connection with the Business Combination, each share of RFMD common stock was converted into the right to receive 0.25 of a share of Qorvo common stock plus cash in lieu of fractional shares, and each share of TriQuint common stock was converted into the right to receive 0.4187 of a share of Qorvo common stock plus cash in lieu of fractional shares. Approximately 13,160 fractional shares were repurchased for $0.9 million.

Prior to the Business Combination, RFMD had a share repurchase program under which RFMD was authorized to repurchase up to $200 million of RFMD's outstanding shares of common stock. Under this program and denominated in shares of Qorvo common stock, during fiscal 2014, we repurchased approximately 0.6 million shares of our common stock at an average price of $20.12 on the open market for approximately $12.8 million including transaction costs, and during fiscal 2013, we repurchased approximately 0.5 million shares of our common stock at an average price of $15.00 on the open market for approximately $7.0 million including transaction costs.

Cash Flows from Operating Activities

Operating activities in fiscal 2015 provided cash of $305.6 million, compared to $130.8 million in fiscal 2014. This year-over-year increase was primarily attributable to improved profitability resulting from manufacturing- and sourcing-related cost reductions as well as higher revenue.

Cash Flows from Investing Activities

Net cash used in investing activities in fiscal 2015 was $63.9 million compared to $57.0 million in fiscal 2014. The Business Combination accounted for an increase in cash provided by investing activities of approximately $224.3 million. This increase was offset by an increase in net purchases of available-for-sale securities as well as increased purchases of property and equipment in fiscal 2015 as compared to fiscal 2014 primarily to fund additional manufacturing capacity.

Cash Flows from Financing Activities

Net cash used in financing activities in fiscal 2015 was $112.9 million compared to $4.2 million in fiscal 2014. Net cash used in financing activities was higher during fiscal 2015 as we paid the $87.5 million remaining principal balance of the 2014 Notes. In addition, during fiscal 2015, we repurchased approximately 0.8 million shares of our common stock at an average price of $65.87 on the open market for a total of $50.0 million plus we repurchased fractional shares in connection with the Business Combination for $0.9 million.

Our future capital requirements may differ materially from those currently anticipated and will depend on many factors, including, but not limited to, market acceptance of our products, volume pricing concessions, capital improvements, demand for our products, technological advances and our relationships with suppliers and customers. Based on current and projected levels of cash flow from operations, coupled with our existing cash and cash equivalents and our revolving credit facility, we believe that we have sufficient liquidity to meet both our short-term and long-term cash requirements. However, if there is a significant decrease in demand for our products, or in the event that growth is faster than we had anticipated, operating cash flows may be insufficient to meet our needs. If existing resources and cash from operations are not sufficient to meet our future requirements or if we perceive conditions to be favorable, we may seek additional debt or equity financing. We cannot be sure that any additional equity or debt financing will not be dilutive to holders of our common stock. Further, we cannot be sure that additional equity or debt financing, if required, will be available on favorable terms, if at all.

IMPACT OF INFLATION

We do not believe that the effects of inflation had a significant impact on our revenue or income from continuing operations during fiscal years 2015, 2014 and 2013. Our financial results in fiscal 2016 could be adversely affected by wage and commodity price inflation (including precious metals).

OFF-BALANCE SHEET ARRANGEMENTS

As of March 28, 2015, we had no off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

CONTRACTUAL OBLIGATIONS

The following table summarizes our significant contractual obligations and commitments (in thousands) as of March 28, 2015, and the effect such obligations are expected to have on our liquidity and cash flows in future periods.

	Payments Due By Period				
	Total Payments	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Capital commitments	$ 124,052	$ 122,474	$ 1,578	$ —	$ —
Operating leases	59,939	13,195	19,595	10,415	16,734
Purchase obligations	128,171	127,180	991	—	—
Cross-licensing liability	18,560	3,140	5,080	4,940	5,400
Deferred compensation	8,614	5,269	1,131	1,131	1,083
Total	$ 339,336	$ 271,258	$ 28,375	$ 16,486	$ 23,217

Capital Commitments

On March 28, 2015, we had capital commitments of approximately $124.1 million, primarily related to projects for increasing manufacturing capacity, as well as for equipment replacements, equipment for process improvements and general corporate requirements.

Operating Leases

We lease certain of our corporate, wafer fabrication and other facilities from multiple third-party real estate developers. The remaining terms of these operating leases range from approximately one year to 13 years. Several have renewal options of up to two ten-year periods and several also include standard inflation escalation terms. Several also include rent escalation, rent holidays and leasehold improvement incentives, which are recognized to expense on a straight-line basis. The amortization period of leasehold improvements made either at the inception of the lease or during the lease term is amortized over the lesser of the remaining life of the lease term (including renewals that are reasonably assured) or the useful life of the asset. We also lease various machinery and equipment and office equipment under non-cancelable operating leases. The remaining terms of these operating leases range from less than one year to approximately three years. As of March 28, 2015, the total future minimum lease payments were approximately $59.8 million related to facility operating leases and approximately $0.1 million related to equipment operating leases.

Purchase Obligations

Our purchase obligations, totaling approximately $128.2 million, are primarily for the purchase of raw materials and manufacturing services that are not recorded as liabilities on our balance sheet because we have not yet received the related goods or services as of March 28, 2015.

Cross-Licensing Agreements

The cross-licensing liability represents payables under a cross-licensing agreement which are included in "Accrued liabilities" and "Other long-term liabilities" on the Consolidated Balance Sheet as of March 28, 2015.

Deferred Compensation

Commitments for deferred compensation represents the liability for our Non-Qualified Deferred Compensation Plan (the "Plan"). The Plan provides eligible employees and members of the Board of Directors with the opportunity to defer a specified percentage of their cash compensation. The deferred earnings are invested at the discretion of each participating employee or director and the deferred compensation we are obligated to deliver is adjusted for increases or decreases in the deferred amount due to such investment. The current portion and non-current portion of the deferred compensation obligation is included in "Accrued liabilities" and "Other long-term liabilities" in the Consolidated Balance Sheets.

Other Contractual Obligations

As of March 28, 2015, in addition to the amounts shown in the Contractual Obligations table above, we have $62.8 million of unrecognized income tax benefits and accrued interest, of which $11.6 million has been recorded as a liability. We are uncertain as to if, or when, such amounts may be settled.

As discussed in Note 9 of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report, we have two pension plans in Germany with a combined benefit obligation of approximately $12.2 million as of March 28, 2015. Pension benefit payments are not included in the schedule above as they are not available for all periods presented. Pension benefit payments were less than $0.5 million in fiscal 2015 and are expected to be consistent in fiscal 2016.

Credit Agreement

In March 2013, RFMD and certain material domestic subsidiaries of RFMD entered into a four-year senior credit facility with Bank of America, N.A., as Administrative Agent and a lender, and a syndicate of other lenders (the "Credit Facility"). On March 26, 2015, RFMD terminated its Credit Facility in anticipation of Qorvo entering into a new, larger revolving credit facility which Qorvo entered into on April 7, 2015 (see Note 18). No borrowings were ever made under the Credit Facility and no early termination penalty was incurred by RFMD in connection with such termination.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated financial statements requires management to use judgment and estimates. The level of uncertainty in estimates and assumptions increases with the length of time until the underlying transactions are completed. Actual results could differ from those estimates. The accounting policies that are most critical in the preparation of our consolidated financial statements are those that are both important to the presentation of our financial condition and results of operations and require significant judgment and estimates on the part of management. Our critical accounting policies are reviewed periodically with the Audit Committee of the Board of Directors. We also have other policies that we consider key accounting policies; however, these policies typically do not require us to make estimates or judgments that are difficult or subjective (see Note 1 of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report).

Inventory Reserves. The valuation of inventory requires us to estimate obsolete or excess inventory. The determination of obsolete or excess inventory requires us to estimate the future demand for our products within specific time horizons, generally 12 to 24 months. The estimates of future demand that we use in the valuation of inventory reserves are the same as those used in our revenue forecasts and are also consistent with the estimates used in our manufacturing plans to enable consistency between inventory valuations and build decisions. Product-specific facts and circumstances reviewed in the inventory valuation process include a review of the customer base, market conditions, and customer acceptance of our products and technologies, as well as an assessment of the selling price in relation to the product cost.

Historically, inventory reserves have fluctuated as new technologies have been introduced and customers’ demand has shifted. Inventory reserves had a 1% or lower impact on margins in fiscal years 2015, 2014 and 2013.

Revenue Recognition. Net revenue is generated principally from sales of semiconductor products. We recognize revenue from product sales when the fundamental criteria are met, such as the time at which the title and risk and rewards of product ownership are transferred to the customer, price and terms are fixed or determinable, no significant vendor obligation exists and collection of the resulting receivable is reasonably assured.

Sales of products are generally made through either our sales force, manufacturers' representatives or through a distribution network. Revenue from the majority of our products is recognized upon shipment of the product to the customer from a Company-owned or third-party location. Some revenue is recognized upon receipt of the shipment by the customer. We have limited rebate programs offering price protection to certain distributors. These rebates represent less than 1% of net revenue and can be reasonably estimated based on specific criteria included in the rebate agreements and other known factors at the time. We reduce revenue and record reserves for product returns and allowances for price protection and stock rotation based on historical experience or specific identification depending on the contractual terms of the arrangement.

We also recognize a portion of our net revenue through other agreements such as non-recurring engineering fees, contracts for research and development work, royalty income, intellectual property (IP) revenue, and service revenue. These agreements are collectively less than 1% of consolidated revenue on an annual basis. Revenue from these agreements is recognized when the service is completed or upon certain milestones, as provided for in the agreements.

Revenue from certain contracts is recognized on the percentage of completion method based on the costs incurred to date and the total contract amount, plus the contractual fee. If these contracts experience cost overruns, the percentage of completion method is used to determine revenue recognition. Revenue from fixed price contracts is recognized when the required deliverable is satisfied.

Royalty income is recognized based on a percentage of sales of the relevant product reported by licensees during the period.

In addition, we license or sell our rights to use portions of our IP portfolio, which includes certain patent rights useful in the manufacture and sales of certain products. IP revenue recognition is dependent on the terms of each agreement. We will recognize IP revenue (i) upon delivery of the IP and (ii) if we have no substantive future obligation to perform under the arrangement. We will defer recognition of IP revenue where future performance obligations are required to earn the revenue or the revenue is not guaranteed. Revenue from services is recognized during the period that the service is performed.

Accounts receivable are recorded for all revenue items listed above. We evaluate the collectability of accounts receivable based on a combination of factors. In cases where we are aware of circumstances that may impair a specific customer's ability to meet its financial obligations subsequent to the original sale, we will record an allowance against amounts due, and thereby reduce the receivable to the amount we reasonably believe will be collected. For all other customers, we recognize allowances for doubtful accounts based on the length of time the receivables are past due, industry and geographic concentrations, the current business environment and the Company's historical experience.

Our terms and conditions do not give our customers a right of return associated with the original sale of its products. However, we will authorize sales returns under certain circumstances, which include perceived quality problems, courtesy returns and like-kind exchanges. We evaluate our estimate of returns by analyzing all types of returns and the timing of such returns in relation to the original sale. Reserves are adjusted to reflect changes in the estimated returns versus the original sale of product.

Goodwill and Intangible Assets. Goodwill is recorded when the purchase price paid for a business exceeds the estimated fair value of the net identified tangible and intangible assets acquired. Intangibles are recorded when such assets are acquired by purchase or license. The value of our intangibles, including goodwill, could be impacted by future adverse changes such as: (i) any future declines in our operating results; (ii) a decline in the value of technology company stocks, including the value of our common stock; (iii) a prolonged or more significant slowdown in the worldwide economy or the semiconductor industry; or (iv) failure to meet the performance projections included in our forecasts of future operating results.

Goodwill and Other Intangible Assets with Indefinite Lives

We account for goodwill and indefinite-lived intangible assets in accordance with the FASB's guidance, which requires that they be tested annually for impairment or earlier if facts and circumstances indicate that they may be impaired. We perform our annual impairment test for our goodwill and indefinite-lived intangible assets on the first day of the fourth quarter in each fiscal year. Our indefinite-lived intangible assets consist of IPRD.

For fiscal 2015, we have determined that our reporting units are MP and IDP for purposes of allocating and testing goodwill. In evaluating our reporting units we first consider our operating segments and related components in accordance with FASB guidance. Goodwill is allocated to our reporting units based on the expected benefit from the synergies of the business combinations generating the underlying goodwill. As of March 28, 2015, our goodwill balance of $2,140.6 million is allocated between our MP and IDP reporting units.

We have the option to perform a qualitative assessment (commonly referred to as "step zero") to determine whether further quantitative analysis for impairment of goodwill or indefinite-lived intangible assets is necessary. In performing step zero for our impairment test, we are required to make assumptions and judgments including but not limited to, the following: the evaluation of macroeconomic conditions as related to our business; industry and market trends; and the overall future financial performance of our reporting units and future opportunities in the markets in which they operate. We also consider recent fair value calculations of our indefinite-lived intangible assets and reporting units as well as cost factors such as changes in raw materials, labor or other costs. If the step zero analysis indicates that it is more likely than not that the fair value of a reporting unit or indefinite-lived asset is less than its respective carrying value including goodwill, then we would perform an additional quantitative analysis. For goodwill, this involves a two-step process. The first step compares the fair value of the reporting unit, including its goodwill, to its carrying value. If the carrying value of the reporting unit exceeds its fair value, then the second step of the process is performed to determine the amount of impairment. The second step compares the implied fair value of the reporting unit's goodwill to the carrying value of the goodwill. An impairment charge is recognized for the amount the carrying value of the reporting unit's goodwill exceeds its implied fair value. For indefinite-lived intangible assets, the quantitative analysis compares the carrying value of the asset to its fair value and an impairment charge is recognized for the amount its carrying value exceeds its fair value. Determining the fair value of reporting units, indefinite-lived intangible assets and implied fair value of a reporting unit's goodwill is reliant upon estimated future revenues, profitability and cash flows and consideration of market factors. Assumptions, judgments and estimates are complex, subjective and can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy or our internal forecasts. Although we believe the assumptions, judgments and estimates we have made have been reasonable and appropriate, different assumptions, judgments and estimates could materially affect our results of operations.

We performed a step zero analysis for our goodwill impairment test in the fourth quarter of fiscal2015. As a result of our analysis, no further quantitative impairment test was deemed necessary for fiscal 2015. There was no impairment of goodwill as a result of our annual impairment tests completed during the fourth quarters of fiscal years 2015, 2014 and 2013.

In fiscal 2015, as a result of the Business Combination, we recorded IPRD of $470.0 million. IPRD was recorded at fair value as of the date of acquisition as an indefinite-lived intangible asset until the completion or abandonment of the associated research and development efforts or impairment. The fair value of the acquired IPRD was determined based on an income approach using the "excess earnings method," which estimated the value of the intangible assets by discounting the future projected earnings of the asset to present value as of the valuation date. Upon completion of development, acquired IPRD assets are transferred to finite-lived intangible assets and amortized over their useful lives. See Note 7 of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report for additional information regarding an impairment of assets recorded in the fourth quarter of fiscal 2014.

Intangible Assets with Definite Lives

Intangible assets are recorded when such assets are acquired by purchase or license.Finite-lived intangible assets consist primarily of technology licenses, customer relationships, developed technology, a wafer supply agreement, trade names and backlog resulting from business combinations and are subject to amortization.

Technology licenses are recorded at cost and are amortized on a straight-line basis over the lesser of the estimated useful life of the technology or the term of the license agreement, ranging from approximately five to eight years.

The fair value of customer relationships acquired during fiscal years 2013 and 2015 was determined based on an income approach using the “with and without method," in which the value of the asset is determined by the difference in discounted cash flows of the profitability of the Company "with" the asset and the profitability of the Company "without" the asset. Customer relationships are amortized on a straight-line basis over the estimated useful life, ranging from three to ten years.

The fair value of developed technology acquired during fiscal years 2013and 2015 was determined based on an income approach using the "excess earnings method," which estimated the value of the intangible assets by discounting the future projected earnings of the asset to present value as of the valuation date. Developed technology is amortized on a straight-line basis over the estimated useful life of four to six years.

The fair value of the wafer supply agreement was determined using the incremental income method, which is a discounted cash flow method within the income approach. Under this method, the fair value was estimated by discounting to present value the additional savings from expense reductions in operations at a discount rate to reflect the risk inherent in the wafer supply agreement as well as any tax benefits. The wafer supply agreement is amortized on a units of use activity method and has a useful life of approximately four years.

The fair value of trade names acquired in fiscal 2015 was determined based on an income approach using the "relief from royalty method," in which the value of the asset is determined by discounting the future projected cash flows generated from the trade name's estimated royalties. Trade names are amortized on a straight-line basis over the estimated useful life of three years.

The fair value of backlog acquired in fiscal 2015 was determined based on an income approach using the "excess earnings method" and is amortized on a straight-line basis over the estimated useful life of one year.

We regularly review identified intangible assets to determine if facts and circumstances indicate that the useful life is shorter than we originally estimated or that the carrying amount of the assets may not be recoverable. If such facts and circumstances exist, we assess the recoverability of identified intangible assets by comparing the projected undiscounted net cash flows associated with the related asset or group of assets over their remaining lives against their respective carrying amounts. Impairments, if any, are based on the excess of the carrying amount over the fair value of those assets and occur in the period in which the impairment determination was made.

Impairment of Long-lived Assets. We review the carrying values of all long-lived assets whenever events or changes in circumstances indicate that such carrying values may not be recoverable. Factors that we consider in deciding when to perform an impairment review include significant under-performance of a business, significant negative industry or economic trends, and significant changes or planned changes in our use of assets.

In making impairment determinations for long-lived assets, we utilize certain assumptions, including but not limited to: (i) estimations and quoted market prices of the fair market value of the assets; and (ii) estimations of future cash flows expected to be generated by these assets, which are based on additional assumptions such as asset utilization, length of service that the asset will be used in our operations and estimated salvage values.

Stock-Based Compensation. Stock-based compensation cost is measured at the grant date, based on the estimated fair value of the award using an option pricing model for stock options (Black-Scholes) and market price for restricted stock units, and is recognized as expense over the employee's requisite service period. The Black-Scholes option pricing model requires a number of assumptions, including the expected lives of stock options, the volatility of the public market price for our common stock and interest rates.

Income Taxes. In determining income for financial statement purposes, we must make certain estimates and judgments in the calculation of tax expense, the resultant tax liabilities, and in the recoverability of deferred tax assets that arise from temporary differences between the tax and financial statement recognition of revenue and expense.

As part of our financial process, we assess on a tax jurisdictional basis the likelihood that our deferred tax assets can be recovered. If recovery is not likely (a likelihood of less than 50 percent), the provision for taxes must be increased by recording a reserve in the form of a valuation allowance for the deferred tax assets that are estimated not to ultimately be recoverable. In this process, certain relevant criteria are evaluated including: the amount of income or loss in prior years, the existence of deferred tax liabilities that can be used to absorb deferred tax assets, the taxable income in prior carryback years that can be used to absorb net operating losses and credit carrybacks, future expected taxable income, and prudent and feasible tax planning strategies. Changes in taxable income, market conditions, U.S. or international tax laws, and other factors may change our judgment regarding whether we will be able to realize the deferred tax assets. These changes, if any, may require material adjustments to the net deferred tax assets and an accompanying reduction or increase in income tax expense which will result in a corresponding increase or decrease in net income in the period when such determinations are made. See Note 12 of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report for additional information regarding changes in the valuation allowance and net deferred tax assets.

As part of our financial process, we also assess the likelihood that our tax reporting positions will ultimately be sustained. To the extent it is determined it is more likely than not that a tax reporting position will ultimately not be recognized and sustained, a provision for unrecognized tax benefit is provided by either reducing the applicable deferred tax asset or accruing an income tax liability. Our judgment regarding the sustainability of our tax reporting positions may change in the future due to changes in U.S. or international tax laws and other factors. These changes, if any, may require material adjustments to the related deferred tax assets or accrued income tax liabilities and an accompanying reduction or increase in income tax expense which will result in a corresponding increase or decrease in net income in the period when such determinations are made. See Note 12 of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report for additional information regarding our uncertain tax positions and the amount of unrecognized tax benefits.

RECENT ACCOUNTING PRONOUNCEMENTS

Accounting Pronouncements Not Yet Effective

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09,*"Revenue from Contracts with Customers"* that amends existing guidance on revenue recognition. The new guidance is based on principles that an entity will recognize revenue to depict the transfer of goods and services to customers at an amount the entity expects to be entitled to in exchange for those goods and services. The guidance requires additional disclosures regarding the nature, amount, timing and uncertainty of cash flows and both qualitative and quantitative information about contracts with customers and applied significant judgments. The new authoritative guidance will become effective in the first quarter of fiscal 2018, using one of two retrospective methods of adoption. The Company has not determined which method it will adopt and is currently evaluating the effects the new guidance will have on its consolidated financial statements.

Accounting Pronouncements Recently Adopted

In July 2013, the FASB issued ASU 2013-11,*"Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists."* ASU 2013-11 requires an unrecognized tax benefit, or a portion of an unrecognized tax benefit, to be presented in the financial statements as a reduction of a deferred tax asset or a tax credit carryforward, excluding certain exceptions. This ASU was effective for the Company beginning in the first quarter of fiscal 2015 and the adoption did not have a material impact on the Company's consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Financial Risk Management

We are exposed to financial market risks, including changes in interest rates, currency exchange rates and certain commodity prices. The overall objective of our financial risk management program is to seek a reduction in the potential negative earnings effects from changes in interest rates, foreign exchange rates and commodity prices arising from our business activities. We manage these financial exposures through operational means and by using various financial instruments. These practices may change as economic conditions change.

Interest Rates

Available-for-sale securities
We are exposed to interest rate risk primarily from our investments in available-for-sale securities. In accordance with an investment policy approved by the Audit Committee of our Board of Directors, our available-for-sale securities are predominantly comprised of U.S. government/agency securities, money market funds and corporate debt. We continually monitor our exposure to changes in interest rates and the credit ratings of issuers with respect to our available-for-sale securities. As a result of this monitoring and volatility of the financial markets, we adopted a more conservative investment strategy, and we are currently investing in lower risk and consequently lower interest-bearing investments. Accordingly, we believe that the effects of changes in interest rates and the credit ratings of these issuers are limited and would not have a material impact on our financial condition or results of operations. However, it is possible that we would be at risk if interest rates or the credit ratings of these issuers were to change unfavorably.

At March 28, 2015, we held available-for-sale investments with an estimated fair value of$299.5 million. We do not purchase financial instruments for trading or speculative purposes. Our investments are classified as available-for-sale securities and are recorded on the balance sheet at fair value with unrealized gains and losses reported as a separate component of accumulated other comprehensive (loss) income. Our cash and cash equivalents and investments earned an average annual interest rate of approximately 0.1% in fiscal 2015 or less than $0.5 million in interest income. In fiscal 2014, our investments earned an average annual interest rate of approximately 0.1% or approximately $0.1 million in interest income. We do not have any investments denominated in foreign currencies and therefore are not subject to foreign currency risk on such investments.

Currency Exchange Rates

As a global company, our results are affected by movements in currency exchange rates. Our exposure may increase or decrease over time as our foreign business levels fluctuate in the countries where we have operations, and these changes could have a material impact on our financial results. The functional currency for most of our international operations is the U.S. dollar.   We have foreign operations in Costa Rica, Europe and Asia and a substantial portion of our revenue is derived from sales to customers outside the U.S. Our international revenue is primarily denominated in U.S. dollars. Operating expenses and certain working capital items related to our foreign-based operations are, in some instances, denominated in the local foreign currencies and therefore are affected by changes in the U.S. dollar exchange rate in relation to foreign currencies, such as the Renminbi, Euro, Pound Sterling and Costa Rican Colon. If the U.S. dollar weakens compared to the Renminbi, Euro, Pound Sterling, Costa Rican Colon and other currencies, our operating expenses for foreign operations will be higher when remeasured back into U.S. dollars. We seek to manage our foreign exchange risk in part through operational means.