**ITEM 2. PROPERTIES.**

We are headquartered in Woburn, Massachusetts and have executive offices in Irvine, California. For information regarding property, plant and equipment by geographic region for each of the last two fiscal years, see Note 16 of Item 8 of this Annual Report on Form 10-K. The following table sets forth our principal facilities:

| Location | Owned/Leased | Square Footage | Primary Function |
|---|---|---|---|
| Woburn, Massachusetts | Owned | 158,000 | Corporate headquarters and manufacturing |
| Adamstown, Maryland | Owned | 121,200 | Manufacturing and office space |
| Newbury Park, California | Owned | 111,600 | Manufacturing and office space |
| Newbury Park, California | Leased | 108,400 | Design center |
| Irvine, California | Leased | 63,400 | Design center |
| Cedar Rapids, Iowa | Leased | 42,900 | Design center |
| Santa Clara, California | Leased | 42,200 | Design center |
| Mexicali, Mexico | Owned | 380,000 | Manufacturing and office space |
| Singapore | Leased | 134,000 | Filter manufacturing |
| Kadoma, Japan | Leased | 103,000 | Filter manufacturing and office space |
| Seoul, Korea | Leased | 22,900 | Design center |
| Ottawa, Ontario | Leased | 30,900 | Design center |

**ITEM 3. LEGAL PROCEEDINGS.**

The information set forth under Note 12 of Notes to Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K is incorporated herein by reference.

**ITEM 4. MINE SAFETY DISCLOSURES.**

*Not Applicable.*

# PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS ANDISSUER PURCHASES OF EQUITY SECURITIES.

### MARKET INFORMATION

Our common stock is traded on the NASDAQ Global Select Market under the symbol "SWKS". The following table sets forth the range of high and low closing prices for our common stock for the periods indicated, as reported by the NASDAQ Global Select Market. The number of stockholders of record of Skyworks' common stock as of November 14, 2014 was 23,496.

| | Fiscal Years Ended | | | |
|---|---|---|---|---|
| | October 3, 2014 | | September 27, 2013 | |
| | High | Low | High | Low |
| First quarter | $ 28.43 | $ 23.71 | $ 24.08 | $ 19.80 |
| Second quarter | 39.27 | 27.40 | 24.97 | 20.30 |
| Third quarter | 48.34 | 34.90 | 23.95 | 20.15 |
| Fourth quarter | 58.84 | 46.34 | 26.33 | 20.99 |

### DIVIDENDS

The Company paid a total of $41.4 million in dividends during fiscal 2014. On November 6, 2014, the board of directors declared a cash dividend of $0.13 per share of common stock, an increase over the dividend from the prior quarter, payable on December 11, 2014 to stockholders of record as of November 18, 2014. We intend to continue to pay quarterly dividends subject to capital availability and our view that cash dividends are in the best interests of our stockholders. Future dividends may be affected by, among other items, our views on potential future capital requirements, including those relating to research and development, creation and expansion of sales distribution channels and investments and acquisitions, legal risks, stock repurchase programs, debt issuance, changes in federal and state income tax law and changes to our business model.

### ISSUER PURCHASES OF EQUITY SECORITIES

The following table provides information regarding repurchases of common stock made during the fiscal quarter ended October 3, 2014:

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1) | Maximum Number (or Approximately Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (1) |
|---|---|---|---|---|
| 6/28/14-7/25/14 | 5,249 | $49.82 | — | $109.7 million |
| 7/26/14-8/29/14 | 877,666(2) | $52.60 | 875,000 | $63.9 million |
| 8/30/14-10/3/14 | 35,777 | $56.50 | — | $63.9 million |

(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) We repurchased 875,000 shares of common stock at an average price of $52.60 from July 26, 2014 to August 29, 2014 as part of our share repurchase program and 2,666 shares were withheld for tax obligations under restricted stock agreements with an average price of $53.99.

On November 11, 2014, the Board of Directors approved a new share repurchase program, pursuant to which we are authorized to repurchase up to $300.0 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 repurchase program is set to expire on November 11, 2016; however, it may be suspended, discontinued or extended by the Board of Directors at any time prior to its expiration on November 11, 2016. This authorized stock repurchase program replaced in its entirety the July 16, 2013 stock repurchase program. These repurchase programs have been and will be funded with our working capital.

**ITEM 6. SELECTED FINANCIAL DATA.**

You should read the data set forth below in conjunction with Item 7,*Management's Discussion and Analysis of Financial Condition and Results of Operations*, and our consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. Our fiscal year ends on the Friday closest to September 30. Fiscal 2014 consisted of 53 weeks and ended on October 3, 2014. The previous four fiscal years each consisted of 52 weeks and ended on September 27, 2013, September 28, 2012, September 30, 2011 and October 1, 2010.

The following table represents the selected financial data (in millions, except per share data):

| | Fiscal Years Ended | | | | |
|---|---|---|---|---|---|
| **Statement of Operations Data:** | **October 3, 2014** | **September 27, 2013** | **September 28, 2012** | **September 30, 2011** | **October 1, 2010** |
| Net revenue | $ 2,291.5 | $ 1,792.0 | $ 1,568.6 | $ 1,418.9 | $ 1,071.8 |
| Operating income | $ 565.2 | $ 345.1 | $ 255.6 | $ 295.3 | $ 199.7 |
| Operating margin | 24.7% | 19.3% | 16.3% | 20.8% | 18.6% |
| Net income | $ 457.7 | $ 278.1 | $ 202.0 | $ 226.6 | $ 137.3 |
| Earnings per share: | | | | | |
| Basic | $ 2.44 | $ 1.48 | $ 1.09 | $ 1.24 | $ 0.78 |
| Diluted | $ 2.38 | $ 1.45 | $ 1.05 | $ 1.19 | $ 0.75 |

| | As of | | | | |
|---|---|---|---|---|---|
| **Balance Sheet Data:** | **October 3, 2014** | **September 27, 2013** | **September 28, 2012** | **September 30, 2011** | **October 1, 2010** |
| Working capital | $ 1,131.6 | $ 893.6 | $ 700.6 | $ 569.2 | $ 585.5 |
| Property, plant and equipment, net | $ 555.9 | $ 328.6 | $ 279.4 | $ 251.4 | $ 204.4 |
| Total assets | $ 2,973.8 | $ 2,333.1 | $ 2,136.6 | $ 1,890.4 | $ 1,564.1 |
| Stockholders' equity | $ 2,532.4 | $ 2,101.1 | $ 1,905.5 | $ 1,609.1 | $ 1,316.6 |

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

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes that appear elsewhere in this Annual Report on Form 10-K. In addition to historical information, the following discussion contains forward-looking statements that are subject to risks and uncertainties. Actual results may differ substantially and adversely from those referred to herein due to a number of factors, including but not limited to those described below and in Item 1A "Risk Factors" and elsewhere in this Annual Report on Form 10-K.*

**OVERVIEW**

We, together with our consolidated subsidiaries, are an innovator of high performance analog and mixed signal semiconductors linking people, places and things across a rapidly expanding number of new and previously unimagined applications including automotive, broadband, wireless infrastructure, energy management, GPS, industrial, medical, military, networking, smartphones and tablets. Our portfolio consists of amplifiers, attenuators, battery chargers, circulators, DC/DC converters, demodulators, detectors, diodes, directional couplers, filters, front-end modules, hybrids, infrastructure radio frequency, or 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. Our key customers include Arris, Bose, Cisco, Dell, Ericsson, Foxconn, Fujitsu, General Electric, Google, Honeywell, HTC, Huawei, Landis & Gyr, Lenovo, LG Electronics, Microsoft, Nest, Netgear, Northrop Grumman, Rockwell Collins, Samsung, Sonos, and ZTE. Our competitors include Analog Devices, Avago Technologies, Linear Technology, Maxim Integrated Products, Murata Manufacturing, QUALCOMM, RF Micro Devices and Triquint Semiconductor.

## RESULTS OF OPERATIONS

### FISCAL YEARS ENDED OCTOBER 3, 2014, SEPTEMBER 27, 2013, AND SEPTEMBER 28, 2012.

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

| | October 3, 2014 | September 27, 2013 | September 28, 2012 |
|---|---|---|---|
| Net revenue | 100.0% | 100.0 % | 100.0 % |
| Cost of goods sold | 55.4 | 57.2 | 57.5 |
| Gross profit | 44.6 | 42.8 | 42.5 |
| Operating expenses: | | | |
| Research and development | 11.0 | 12.6 | 13.5 |
| Selling, general and administrative | 7.8 | 8.9 | 10.1 |
| Amortization of intangibles | 1.1 | 1.6 | 2.1 |
| Restructuring and other charges | — | 0.4 | 0.5 |
| Total operating expenses | 19.9 | 23.5 | 26.2 |
| Operating income | 24.7 | 19.3 | 16.3 |
| Other expense, net | — | — | — |
| Income before income taxes | 24.7 | 19.3 | 16.3 |
| Provision for income taxes | 4.7 | 3.7 | 3.4 |
| Net income | 20.0% | 15.6 % | 12.9 % |

## GENERAL

During the fiscal year ended October 3, 2014, the following key factors contributed to our overall results of operations, financial position and cash flows:

- Net revenue increased to approximately $2.3 billion, an increase of 28% as compared to 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 540 basis points to 24.7% for fiscal 2014 up from 19.3% in fiscal 2013. The 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 expenses.

- As a result of the aforementioned factors, overall profitability increased significantly from fiscal 2013 with both net income and diluted earnings per share increasing 64% year over year.

- Our ending cash and cash equivalents balance increased 58% to $806 million in fiscal 2014 from $511 million in fiscal 2013. This was the result of a 54% increase in cash from operations to $772 million in fiscal 2014 from $500 million in fiscal 2013 due to higher net income and improvements in working capital. In addition, we invested $209 million on capital expenditures, $166 million to repurchase over 4.5 million shares of our common stock, $149 million for a 66% controlling interest in a joint venture and $41 million in cash dividend payments.

- We created a joint venture with Panasonic Corporation with respect to the design, manufacture and sale of Panasonic's surface acoustic wave (“SAW”) and temperature-compensated (“TC”) SAW filter products. Panasonic contributed certain assets, properties, employees and rights related to its filter business, for which we acquired a 66% controlling interest. Overall demand for SAW and TC SAW filters is increasing as technology enhancements and product architectures become more complex to support the overall evolution of wireless technology and the increasing number of frequency bands that are utilized in end consumer products. The acquisition assists us in securing a dedicated supply of SAW and TC SAW filters in addition to allowing for integrating filters into the design and production of our products.

**NET REVENUE**

| | Fiscal Years Ended | | | | |
|---|---|---|---|---|---|
| (dollars in millions) | October 3, 2014 | Change | September 27, 2013 | Change | September 28, 2012 |
| Net revenue | $ 2,291.5 | 27.9% | $ 1,792.0 | 14.2% | $ 1,568.6 |

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. 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, and we anticipate continuing this intellectual property strategy in future periods.

The $499.5 million increase in revenue in fiscal 2014 as compared to fiscal 2013 was primarily driven by our ability to capture a higher share of the increasing RF and analog content per device due to more complex smartphones continuing 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.

The $223.4 million increase in revenue in fiscal 2013 as compared to fiscal 2012 was primarily due to the increasing demand for our 3G, Switching, Wireless LAN and GPS solutions. This increase was partially offset by lower GSM/GPRS product revenue as a result of the contracting 2G market.

For information regarding net revenue by geographic region and customer concentration, see Note 16 of Item 8 of this Annual Report on Form 10-K.

**GROSS PROFIT**

| | Fiscal Years Ended | | | | |
|---|---|---|---|---|---|
| (dollars in millions) | October 3, 2014 | Change | September 27, 2013 | Change | September 28, 2012 |
| Gross profit | $ 1,022.7 | 33.4% | $ 766.6 | 14.9% | $ 667.1 |
| % of net revenue | 44.6% | | 42.8% | | 42.5% |

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.

Gross profit was $256.1 million greater for the fiscal year ended October 3, 2014 than gross profit for the prior fiscal year. The increase in gross profit was primarily the result of higher unit volumes, lower overall per unit material and manufacturing costs with an aggregate gross profit benefit of $273.5 million. These benefits were partially offset by the erosion of average selling price, unfavorable changes in product mix and other costs which combined to negatively impact gross profit by $17.4 million. As a result of these impacts, gross profit margin increased to 44.6% of net revenue for the fiscal year ended October 3, 2014.

Gross profit was $99.5 million greater for the fiscal year ended September 27, 2013 than gross profit for the prior fiscal year. The increase in gross profit was primarily the result of higher unit volumes and lower overall per unit material and manufacturing costs with an aggregate gross profit benefit of $152.1 million. These benefits were partially offset by the erosion of average selling price and unfavorable changes in product mix which combined to negatively impact gross profit by $52.6 million. As a result of these impacts, gross profit margin increased to 42.8% of net revenue for the fiscal year ended September 27, 2013.

During fiscal 2014 and 2013 we continued to benefit from higher contribution margins associated with the licensing and/or sale of intellectual property although revenue associated with the licensing and/or sale of intellectual property was immaterial to the consolidated results of operations for the periods presented.

**RESEARCH AND DEVELOPMENT**

| | Fiscal Years Ended | | | | |
|---|---|---|---|---|---|
| | October 3, 2014 | Change | September 27, 2013 | Change | September 28, 2012 |
| (dollars in millions) | | | | | |
| Research and development | $ 252.2 | 11.4% | $ 226.3 | 6.5% | $ 212.5 |
| % of net revenue | 11.0% | | 12.6% | | 13.5% |

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 expense in fiscal 2014 as compared to fiscal 2013 is primarily related to increased compensation expense, including share-based compensation of $19.1 million, enhanced development activity, related services and other costs of $6.8 million. Research and development expense decreased as a percentage of net revenue due to the aforementioned increase in net revenue.

The increase in research and development expense in fiscal 2013 as compared to fiscal 2012 is primarily attributable to a net increase of $8.3 million related to product design and development activity including the full year impact of AATI activities as well as a net increase of $6.7 million in compensation expense. These increases were partially offset by reductions related to the organizational restructuring initiated during the fiscal year. Research and development expense decreased as a percentage of net revenue due to the aforementioned increase in net revenue.

**SELLING, GENERAL AND ADMINISTRATIVE**

| | Fiscal Years Ended | | | | |
|---|---|---|---|---|---|
| | October 3, 2014 | Change | September 27, 2013 | Change | September 28, 2012 |
| (dollars in millions) | | | | | |
| Selling, general and administrative | $ 179.1 | 12.1% | $ 159.7 | 0.8% | $ 158.4 |
| % of net revenue | 7.8% | | 8.9% | | 10.1% |

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 fiscal 2014 as compared to fiscal 2013 was primarily related to increased compensation expense including share-based compensation of $8.1 million, legal expense related to ongoing litigation of $3.9 million and acquisition related expenses of $3.4 million. Selling, general and administrative expenses decreased as a percentage of net revenue due to the decrease in the aforementioned expenses as well as the increase in net revenue.

The increase in fiscal 2013 as compared to fiscal 2012 was primarily related to increased compensation expense offset by the decrease in aggregated acquisition-related and legal expenses incurred in the prior fiscal year. Selling, general and administrative expenses decreased as a percentage of net revenue due to the decrease in the aforementioned expenses as well as the increase in net revenue.

**AMORTIZATION OF INTANGIBLES**

| | Fiscal Years Ended | | | | |
|---|---|---|---|---|---|
| | October 3, 2014 | Change | September 27, 2013 | Change | September 28, 2012 |
| (dollars in millions) | | | | | |
| Amortization of intangibles | $ 25.9 | (11.0)% | $ 29.1 | (11.3)% | $ 32.8 |
| % of net revenue | 1.1% | | 1.6% | | 2.1% |

Amortization expense decreased in fiscal 2014 when compared to the prior fiscal year due to the end of the estimated useful lives of certain fully amortized intangible assets acquired in prior fiscal years. This decrease was partially offset by the amortization of intangibles acquired in the Panasonic transaction.

Amortization expense decreased for the fiscal year ended September 27, 2013 when compared to the prior fiscal year due to the end of the estimated useful lives of certain fully amortized intangible assets acquired in prior fiscal years.

**PROVISION FOR INCOME TAXES**

| | Fiscal Years Ended | | | | |
|---|---|---|---|---|---|
| (dollars in millions) | October 3, 2014 | Change | September 27, 2013 | Change | September 28, 2012 |
| Provision for income taxes | $ 107.5 | 61.9% | $ 66.4 | 25.5% | $ 52.9 |
| % of net revenue | 4.7% | | 3.7% | | 3.4% |

The annual effective tax rate for fiscal 2014 of 19.0% was less than the United States federal statutory rate of 35% primarily due to benefits of 13.7% related to foreign earnings taxed at a rate less than the United States federal rate, benefits of 1.9% related to a domestic production activities deduction, and benefits of 3.5% from the settlement of the IRS audit of our fiscal 2011 income tax return, partially offset by income tax rate expense impact of 2.0% related to a change in our tax reserves.

We operate under a tax holiday in Singapore, which is effective through September 30, 2020. This tax holiday is conditional upon our compliance in meeting certain employment and investment thresholds in Singapore. The impact of the tax holiday decreased Singapore's taxes by $12.6 million and $10.0 million for the fiscal years ended October 3, 2014 and September 27, 2013, respectively. This resulted in tax benefits of $0.07 and $0.05 of diluted earnings per share for the fiscal years ended October 3, 2014 and September 27, 2013, respectively.

The annual effective tax rate for fiscal 2013 of 19.3% was less than the United States federal statutory rate of 35% primarily due to benefits of 14.7% related to foreign earnings taxed at a rate less than the United States federal rate, benefits of 4.7% related to research and development tax credits, and benefits of 1.5% related to a domestic production activities deduction partially offset by income tax rate expense impact of 3.4% related to a change in our tax reserves.

As a result of the enactment of the Taxpayer Relief Act of 2012, which retroactively reinstated and extended the research and development tax credit, $7.0 million of federal research and development tax credits which were earned in fiscal 2012 reduced our tax rate during fiscal 2013.

**LIQUIDITY AND CAPITAL RESOURCES**

| | Fiscal Years Ended | | |
|---|---|---|---|
| (dollars in millions) | October 3, 2014 | September 27, 2013 | September 28, 2012 |
| Cash and cash equivalents at beginning of period | $ 511.1 | $ 307.1 | $ 410.8 |
| Net cash provided by operating activities | 772.4 | 499.7 | 285.2 |
| Net cash used in investing activities | (357.1) | (123.0) | (302.8) |
| Net cash used in financing activities | (120.6) | (172.7) | (86.1) |
| Cash and cash equivalents at end of period | $ 805.8 | $ 511.1 | $ 307.1 |

***Cash Flow from Operating Activities:***

Cash provided by operating activities is net income adjusted for certain non-cash items and changes in certain operating assets and liabilities. For fiscal 2014, we generated $772.4 million in cash flow from operations, an increase of $272.7 million when compared to $499.7 million generated in fiscal 2013. The increase in cash flow from operating activities during the fiscal year ended October 3, 2014 was related to higher net income combined with a net cash inflow from changes in operating assets and liabilities and the effects of non-cash depreciation and share-based compensation. Specifically, the changes in operating assets and liabilities that were sources of cash were: $74.2 million in accounts payable related to the timing of vendor payments, $63.4 million related to tax liabilities, payroll related accruals and other accrued expenses which include accrued expenses related to ongoing operations of an acquired interest in a joint venture and $7.3 million related to other current and long-term assets. These sources of cash were offset by uses of cash of $12.4 million in accounts receivable due to the timing of customer collections and $6.1 million related to an increase in inventory.

***Cash Flow from Investing Activities:***
Cash flow from investing activities consists of capital expenditures, the sale and maturity of investments and acquisitions, net of cash acquired. Cash flow used in investing activities was $357.1 million during fiscal 2014, compared to $123.0 million during fiscal 2013. This increase was related to capital expenditures of $208.6 million related to the purchase of manufacturing equipment to support increased production in anticipation of accelerating demand from key customers at our wafer fabrication facilities located in the United States and our assembly and test facility in Mexicali, Mexico and the acquisition of a 66% interest in a joint venture with Panasonic Corporation for $148.5 million in cash during fiscal 2014.

***Cash Flow from Financing Activities:***
Cash flows from financing activities consist primarily of cash transactions related to debt and equity. During fiscal 2014, we had net cash outflows of $120.6 million, compared to $172.7 million in fiscal 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 fiscal 2014. During fiscal 2014 we had the following significant uses of cash:

- $165.7 million related to our repurchase of approximately 4.5 million shares of our common stock pursuant to the share repurchase program approved by our Board of Directors on July 16, 2013;
- $41.4 million in cash dividend payments related to our $0.11 per share dividends declared on our common stock outstanding during the fiscal year; and
- $22.1 million related to the minimum statutory payroll tax withholdings upon vesting of employee performance and restricted stock awards.

These uses of cash were partially offset by the net proceeds from employee stock option exercises of $67.8 million and the tax benefit from stock option exercises of $40.8 million during fiscal 2014.

***Liquidity:***
Cash and cash equivalent balances were $805.8 million at October 3, 2014, representing an increase of $294.7 million from September 27, 2013. The increase resulted from $772.4 million in cash generated from operations which is partially offset by $208.6 million in capital expenditures for increased production capacity, $165.7 million used to repurchase 4.5 million shares of stock, $148.5 million in cash to acquire a 66% interest in a joint venture with Panasonic Corporation and $41.4 million in cash dividend payments during fiscal 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, acquisitions, working capital, quarterly cash dividend payments (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 $805.8 million at October 3, 2014 consisted of $608.4 million held domestically and $197.4 million held by foreign subsidiaries. Of the cash and cash equivalents held by our foreign subsidiaries at October 3, 2014, $141.9 million is considered by us to be indefinitely reinvested and would be subject to material tax effects if repatriated. The remaining $55.5 million of foreign cash and cash equivalents can be repatriated without any tax consequences.

## OFF-BALANCE SHEET ARRANGEMENTS

All significant contractual obligations are recorded on our consolidated balance sheet or fully disclosed in the notes to our consolidated financial statements. We have no material off-balance sheet arrangements as defined in SEC Regulation S-K- 303(a)(4)(ii).

## CONTRACTUAL CASH FLOWS

Set forth below is a summary of our contractual payment obligations related to our operating leases, other commitments and long-term liabilities at October 3, 2014 (in millions):

| Obligation | | Payments Due By Period | | | |
|---|---|---|---|---|---|
| | Total | Less Than 1 Year | 1-3 Years | 3-5 Years | Thereafter |
| Other long-term liabilities (1) | $ 46.5 | $ 4.7 | $ — | $ — | $ 41.8 |
| Operating lease obligations | 44.3 | 13.1 | 17.5 | 8.9 | 4.8 |
| Other commitments (2) | 92.7 | 14.2 | 78.5 | — | — |
| Total | $ 183.5 | $ 32.0 | $ 96.0 | $ 8.9 | $ 46.6 |

(1) Other long-term liabilities include our gross unrecognized tax benefits, as well as executive deferred compensation, which are both classified as beyond five years due to the uncertain nature of the liabilities.

(2) Other commitments consist of liabilities related to business combinations, contractual license and royalty payments, and other purchase obligations. See Note 11 of Item 8 of this Annual Report on Form 10-K

## CRITICAL ACCOUNTING ESTIMATES

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles, or GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Securities and Exchange Commission has defined critical accounting policies as those that are both most important to the portrayal of our financial condition and results and which require our most difficult, complex or subjective judgments or estimates. Based on this definition, we believe our critical accounting policies include revenue recognition, inventory valuation, impairment of long-lived assets, goodwill and intangibles, business combinations, share-based compensation, loss contingencies and income taxes. Note 2 of Item 8 on this Annual Report on Form 10-K describes the significant accounting policies and methods used in the preparation of our consolidated financial statements.

On an ongoing basis, we evaluate the judgments and estimates underlying all of our accounting policies. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures, and reported amounts of revenues and expenses. These estimates and assumptions are based on our best judgments using historical experience and other factors, including the current economic environment, which we believe to be reasonable under the circumstances. We adjust such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, factors may arise over time that lead us to change our methods, estimates and judgments that could materially and adversely affect our results of operations.

*Revenue Recognition.* We recognize revenue in accordance with the Financial Accounting Standards Board's Accounting Standards Codification (“ASC”) 605 *Revenue Recognition* net of estimated reserves. Our revenue reserves contain uncertainties because they require management to make assumptions and to apply judgment to estimate the value of future credits to customers for price protection and product returns (stock rotation) for products sold to certain electronic component distributors. Our estimates of the amount and timing of the reserves is based primarily on historical experience and specific contractual arrangements. Historically, we have not experienced material differences between our estimated sales reserves and actual results.

*Inventory Valuation.* We value our inventory at the lower of cost or fair market value. Reserves for excess and obsolete inventory are established on a quarterly basis and are based on a detailed analysis of forecasted demand in relation to on-hand inventory, saleability of our inventory, general market conditions, and product life cycles. Once reserves are established, write-downs of inventory are considered permanent adjustments to the cost basis of inventory. Our reserves contain uncertainties because the calculation requires management to make assumptions and to apply judgment regarding historical experience, forecasted demand and technological obsolescence. Changes in actual demand or market conditions could adversely impact our reserve calculations. Historically, we have not experienced material differences between our estimated inventory reserves and actual results.

*Goodwill and Purchased Intangible Assets.* We evaluate goodwill and other purchased intangible assets for impairment annually on the first day of the fourth fiscal quarter and whenever events or circumstances arise that may indicate that the carrying value of the goodwill or other intangibles may not be recoverable.

The impairment evaluation of goodwill involves comparing the fair value to the carrying value of the reporting unit. We use the market price of the Company's stock adjusted for a market premium to calculate the fair value of the reporting unit. If the fair value exceeds the carrying value, then it is concluded that no goodwill impairment has occurred. If the carrying value of the reporting unit exceeds its fair value, a second step is required to measure the possible goodwill impairment loss.