CABOT OIL & GAS CORP
Form 4
January 05, 2011

FORM 4

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL
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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
KEISER ROBERT L

(Last) (First) (Middle)

840 GESSNER ROAD, SUITE 1400

(Street)

HOUSTON, TX 77024

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
CABOT OIL & GAS CORP [COG]

3. Date of Earliest Transaction (Month/Day/Year)
01/03/2011

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	01/03/2011		M		5,000	A	$ 38.73	45,472	D	
Common Stock	01/03/2011		M		10,000	A	$ 38.72	55,472	D	
Common Stock	01/03/2011		S		10,000	D	$ 38.72	45,472	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Stock Option (right to buy)	$ 23.8	01/03/2011		M			15,000	02/23/2007 (1)	02/23/2011	Common	15,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
KEISER ROBERT L 840 GESSNER ROAD, SUITE 1400 HOUSTON, TX 77024	X			

Signatures

Lisa A. Machesney, Attorney-in-Fact for Robert L. Keiser	01/05/2011
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) 33 1/3% of option became exercisable on February 23, 2007 and an additinal 33 1/3% became exercisable on each of the next two one-year anniversaries of such date.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. fiscal 2001, implemented a reduced work week at its Mexicali facility. Washington/Mexicali recorded restructuring charges of $2.7 million in fiscal 2001 related to the workforce reductions completed through September 30, 2001. The restructuring initiatives and other expense reduction actions resulted in a quarterly reduction of operating expenses of approximately $4.8 million for the fourth quarter of fiscal 2001 as compared with the second quarter of fiscal 2001. ASSET IMPAIRMENTS During fiscal 2001, Washington/Mexicali management determined that the value of the Newbury Park wafer fabrication assets was impaired as a result of then-current and projected business conditions. Accordingly, Washington/Mexicali recorded an impairment charge of $86.2 million to write down the carrying value of the wafer fabrication assets to their estimated fair value. SIX MONTHS ENDED MARCH 31, 2001 AND 2002 The following table sets forth the results of operations of Washington/Mexicali expressed as a percentage of net revenues for the six months ended March 31, 2001 and 2002:

SIX MONTHS ENDED MARCH 31, --------------- 2001 2002 ------ ----- Net Revenues... 100.0% 100.0% Cost of goods sold.. 137.4 76.6 ------ ----- Gross Margin... (37.4) 23.4 Operating Expenses: Research and development................................ 39.4 32.9 Selling, general and administrative...................... 23.8 11.3 Amortization of intangible assets........................ 5.3 4.1 Special charges... 1.3 -- ------ ----- Total operating expenses............................. 69.8 48.3 ------ ----- Operating loss... (107.2) (24.9) Other income, net ------ ----- Loss before income taxes.................................. (107.2) (24.9) Provision for income taxes................................ 0.6 2.2 ------ ----- Net loss.. (107.8)% (27.1)% ====== ===== 34 NET REVENUES SIX MONTHS ENDED ---------------------------- MARCH 31, MARCH 31, 2001 CHANGE 2002 --------- ------ --------- (IN MILLIONS) Net revenues: Third parties....................................... $115.1 57% $180.7 Conexant... 27.9 (52)% 13.4 ------ --- ------ $143.0 $194.1 ====== === ====== The Washington Business markets and sells its semiconductor products and system solutions to leading OEMs of communication electronics products, third-party original design manufacturers, or ODMs, and contract manufacturers and indirectly through electronic components distributors. Samsung Electronics Co. Ltd accounted for 50% of net revenues from third parties for the first six months of fiscal 2002 and sales to the Washington Business's top 10 customers accounted for 93% of net revenues from third parties for the period. Revenues derived from customers located in the Americas, Asia-Pacific and Europe/Middle East/Africa regions were 4%, 93% and 3%, respectively, of net revenues from third parties for the first six months of fiscal 2002. Washington /Mexicali generally recognizes revenues from product sales directly to its customers and to certain distributors upon shipment and transfer of title. Provision for sales returns is made at the time of sale based on experience. An insignificant portion of product sales are made to electronic component distributors under agreements allowing for price protection and/or a right of return on unsold products. The recognition of revenue on sales to these distributors is deferred until the products are sold by the distributors. Revenues from product sales to third parties, which represented 93% of total net revenues for the first six months of fiscal 2002, increased 57% from the comparable period of fiscal 2001, principally reflecting increased sales of GSM products, including power amplifier modules and complete cellular systems. Washington/Mexicali also experienced increased demand for its power amplifier modules for CDMA and TDMA applications from a number of its key customers. Revenues from wafer fabrication and semiconductor assembly and test services provided to Conexant, which represented 7% of total revenues for the first six months of fiscal 2002, decreased 52% from the comparable period of fiscal 2001. The decrease principally reflects lower demand for assembly and test services from Conexant's Mindspeed Technologies and broadband access businesses due to the broad slowdown affecting most of the communications electronics end-markets for Conexant's products. GROSS MARGIN SIX MONTHS ENDED ----------------------------------- MARCH 31, MARCH 31, 2001 CHANGE 2002 --------- ------------ --------- (IN MILLIONS) Gross margin: Third parties................................... $(54.7) nm $44.7 Percent of net revenues from third parties........ (48)% 25% Conexant.. $ 1.3 (48)% $ 0.7 Percent of net revenues from Conexant............ 5% 5% ------------------- nm = not meaningful Gross margin represents net revenues less cost of goods sold. Cost of goods sold consists primarily of purchased materials, labor and overhead (including depreciation) associated with product manufacturing, royalty and other intellectual property costs, warranties and sustaining engineering expenses pertaining to 35 products sold. In the past, Washington/Mexicali purchased a portion of its requirements for complementary metal-oxide semiconductor, or CMOS, wafers from Conexant at Conexant's actual cost. In fiscal 2001 and the first six months of fiscal 2002, approximately 46% and 36%, respectively, of cost of goods sold represented the value of products supplied by Conexant, which were charged to Washington/Mexicali at Conexant's actual cost. Because Washington/Mexicali and Conexant incur substantial fixed costs to maintain their own manufacturing facilities, in periods of lower utilization of these manufacturing facilities, unit costs have increased. Cost of goods sold also includes allocations from Conexant of manufacturing cost variances, process engineering and other manufacturing costs which are not included in the unit costs of Washington/ Mexicali inventories but are expensed as incurred. The improvement in gross margin from third party sales for the first six months of fiscal 2002, compared with the first six months of fiscal 2001, reflects increased revenues, improved utilization of Washington/Mexicali's manufacturing facilities and a decrease in quarterly depreciation expense of approximately $3.5 million that resulted from the write-down of the Newbury Park wafer fabrication assets in the third quarter of fiscal 2001. Although recent revenue growth has increased the level of utilization of Washington/Mexicali's manufacturing facilities, these facilities continue to operate below optimal capacity and underutilization continues to adversely affect Washington/Mexicali's unit cost of goods sold and gross margin. Gross margin for the first six months of fiscal 2002 was also adversely impacted by additional warranty costs of $14.0 million. The additional warranty costs were the result of an agreement with a major customer for the reimbursement of costs the customer incurred in connection with the failure of a product when used in a certain adverse environment. Although Washington/Mexicali developed and sold the product to the customer pursuant to mutually agreed-upon specifications, the product experienced unusual failures when used in an environment in which the product had not been previously tested. The product has since been modified and no additional costs are expected to be incurred in connection with this issue. Gross margin for the fiscal 2002 period benefited by approximately $8.7 million as a result of the sale of inventories having a historical cost of $8.7 million that were written down to a zero cost basis during fiscal year 2001: such sales resulted from sharply increased demand beginning in the fourth quarter of fiscal 2001 that was not anticipated at the time of the write-downs. Excluding the effect of the additional warranty cost and the sale of the zero-cost basis inventories, gross margin for the first six months of fiscal 2002 was approximately $50.0 million, or 28% of net revenues from third parties. Gross margin for the first six months of fiscal 2001 was adversely affected by inventory write-downs of approximately $51.4 million. The inventory write-downs recorded in the first six months of fiscal 2001 resulted from the sharply reduced end-customer demand Washington/Mexicali experienced, primarily associated with its radio frequency components, as a result of the rapidly changing demand environment for digital cellular handsets during that period. As a result of these market conditions, Washington/Mexicali experienced a significant number of order cancellations and a decline in the volume of new orders, beginning in the fiscal 2001 first quarter and becoming more pronounced in the second quarter. Due to the relatively weak global market for cellular handsets, in the second quarter of fiscal 2001 the Washington Business's revenues from third parties decreased 32% compared with the immediately preceding quarter. Washington/Mexicali assesses the recoverability of inventories through an on-going review of inventory levels in relation to sales backlog and forecasts, product marketing plans and product life cycles. When the inventory on hand exceeds the foreseeable demand, Washington/Mexicali writes down the value of those inventories which, at the time of its review, it expects to be unable to sell. Washington/Mexicali sells its products to communications equipment OEMs that have designed its products into equipment such as cellular handsets. These design wins are gained through a lengthy sales cycle, which includes providing technical support to the OEM customer. Moreover, once a customer has designed a particular supplier's components into a cellular handset, substituting another supplier's components requires substantial design changes which involve significant cost, time, effort and risk. In the event of the loss of business from existing OEM customers, Washington/Mexicali may be unable to secure new customers for its existing products without first achieving new design wins. Consequently, when the quantities of inventory on hand exceed forecasted demand from existing OEM customers into whose products 36 Washington/Mexicali's products have been designed, Washington/Mexicali generally will be unable to sell its excess inventories to others, and the net realizable value of such inventories is generally estimated to be zero. The amount of the write-down is the excess of historical cost over estimated realizable value (generally zero). Once established, these write-downs are considered permanent adjustments to the cost basis of the excess inventory. Through March 31, 2002, Washington/Mexicali scrapped inventories having an original cost of approximately $34.5 million and sold an additional $13.2 million of inventories previously written down to a zero cost basis. As of March 31, 2002, Washington/Mexicali continued to hold inventories with an original cost of approximately $11.0 million which were previously written down to a zero cost basis. Washington/Mexicali currently intends to hold these remaining inventories and will sell these inventories if it experiences renewed demand for these products. While there can be no assurance that it will be able to do so, if Washington/Mexicali is able to sell a portion of the inventories which are carried at zero cost basis, its gross margins will be favorably affected. As a result of sharply increased demand beginning in the fourth quarter of fiscal 2001 that was not anticipated at the time of the writedowns, subsequent to March 31, 2002, Washington/Mexicali sold to OEM customers inventories having an original cost of approximately $1 million which had been written down to a zero cost basis in fiscal 2001. To the extent that Washington/Mexicali does not experience renewed demand for the remaining inventories, they will be scrapped as they become obsolete. Washington/Mexicali bases its assessment of the recoverability of its inventories, and the amounts of any write-downs, on currently available information and assumptions about future demand (generally over six months) and market conditions. Demand for Washington/Mexicali's products may fluctuate significantly over time, and actual demand and market conditions may be more or less favorable than those projected by management. In the event that actual demand is lower than originally projected, additional inventory write-downs may be required. Under supply agreements entered into in connection with the merger, Skyworks Solutions will receive wafer fabrication, wafer probe and certain other services from the Newport Beach, California foundry joint venture's Newport Beach wafer fabrication facility and Skyworks Solutions will provide wafer fabrication, wafer probe, final test and other services to Conexant at the Newbury Park facility, in each case, for a three-year period after the merger. Skyworks Solutions will also provide semiconductor assembly and test services to Conexant at the Mexicali facility. The price for the services under the agreements in the first year will be the actual cost of the services. In the second year the price will be the average of (1) the actual cost in the first year and (2) the market price (determined prior to the start of the second year) of the services. In the third year the price will be based on the market price of the services. During the term of the supply agreement with the Newport Beach, California foundry joint venture, Washington/Mexicali's unit cost of goods supplied by the Newport Beach foundry joint venture will continue to be affected by the level of utilization of the Newport Beach foundry joint venture's Newport Beach wafer fabrication facility and other factors outside Washington/Mexicali's control. Under this supply agreement, we are committed to obtain a minimum level of service from the Newport Beach, California foundry joint venture. We estimate that our liability under this contract will result in an expense of approximately $8 to $12 million in the quarter ended June 28, 2002 and will result in a total expense of approximately $8 to $15 million over the next twelve months. In addition, Washington/Mexicali's costs will be affected by the extent of its use of outside foundries and the pricing it is able to obtain. During periods of high industry demand for wafer fabrication capacity, Washington/Mexicali may have to pay higher prices to secure wafer fabrication capacity. Washington/Mexicali has historically sold gallium arsenide semiconductors to Conexant at cost and has provided semiconductor assembly and test services to Conexant at approximately 5% over cost. Washington/Mexicali's overall gross margin on sales to Conexant has been approximately 5% of net revenues. 37 RESEARCH AND DEVELOPMENT SIX MONTHS ENDED ----------------------------- MARCH 31, MARCH 31, 2001 CHANGE 2002 --------- ------ --------- (IN MILLIONS) Research and development................................ $56.4 13% $63.8 Percent of net revenues................................ 39% 33% Research and development expenses consist principally of direct personnel costs, costs for pre-production evaluation and testing of new devices and design and test tool costs. Research and development expenses also include allocated costs for shared research and development services provided by Conexant, principally in the areas of advanced semiconductor process development, design automation and advanced package development, for the benefit of several of Conexant's businesses. The increase in research and development expenses for the first six months of fiscal 2002 compared to the similar period of fiscal 2001 primarily reflects the opening of a new design center in Le Mans, France and higher headcount and personnel-related costs. Subsequent to the first quarter of fiscal 2001, Washington/Mexicali expanded its customer support engagements as well as development efforts targeted at components and full system solutions using the CDMA2000, GSM, General Packet Radio Services, or GPRS, and third-generation, or 3G, wireless standards in both the digital cellular handset and infrastructure markets. Under a transition services agreement entered into in connection with the merger, Conexant will continue to perform various research and development services for Skyworks Solutions at actual cost until December 31, 2002, unless the parties otherwise agree. To the extent Washington/Mexicali uses these services subsequent to the expiration of the specified term, the pricing is subject to negotiation. SELLING, GENERAL AND ADMINISTRATIVE SIX MONTHS ENDED ------------------------------------ MARCH 31, MARCH 31, 2001 CHANGE 2002 --------- ------------- --------- (IN MILLIONS) Selling, general and administrative................. $34.1 (36)% $22.0 Percent of net revenues............................ 24% 11% Selling, general and administrative expenses include personnel costs, sales representative commissions, advertising and other marketing costs. Selling, general and administrative expenses also include allocated general and administrative expenses from Conexant for a variety of shared functions, including legal, accounting, treasury, human resources, real estate, information systems, customer service, sales, marketing, field application engineering and other corporate services. The decrease in selling, general and administrative expenses for the first six months of fiscal 2002 compared to the first six months of fiscal 2001 primarily reflects lower headcount and personnel-related costs resulting from the expense reduction and restructuring actions initiated during fiscal 2001 and lower provisions for uncollectible accounts receivable. The provision for uncollectible accounts receivable net of recoveries of $(1.2) million for the first six months of fiscal 2002 resulted from collections experience more favorable than previously estimated; in the first six months of fiscal 2001 the provision reflected an increase in past-due accounts which management estimated would ultimately be uncollectible. Under the transition services agreement, Conexant will continue to perform various services for Skyworks Solutions at actual cost until

December 31, 2002, unless the parties otherwise agree. To the extent Skyworks Solutions uses these services subsequent to the expiration of the specified term, the pricing is subject to negotiation. In addition, until Skyworks Solutions completes the integration of its previously separate operations, it will incur duplicative costs for certain functions. 38 AMORTIZATION OF INTANGIBLE ASSETS SIX MONTHS ENDED ----------------------------- MARCH 31, MARCH 31, 2001 CHANGE 2002 --------- ------ --------- (IN MILLIONS) Amortization of intangible assets....................... $7.5 5% $7.9 In connection with the fiscal 2000 acquisition of Philsar, Washington/Mexicali recorded an aggregate of $78.2 million of identified intangible assets and goodwill. These assets are being amortized over their estimated useful lives (principally five years). The higher amortization expense in the first six months of fiscal 2002 primarily resulted from the additional consideration for the acquisition of Philsar paid by Conexant during fiscal 2001 upon the expiration of an indemnification period. The value of the additional consideration paid was added to the recorded amounts of goodwill and is being amortized over the remainder of the original estimated lives of the goodwill. Under the recently-issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets", which Washington/Mexicali will adopt in the first quarter of fiscal 2003, Washington/Mexicali will cease amortizing goodwill against its results of operations, reducing annual amortization expense by approximately $14 million. However, Washington/Mexicali will be required to evaluate goodwill at least annually for impairment, and to write down the value of goodwill -- with a charge against its results of operations -- when the recorded value of goodwill exceeds its estimated fair value. OTHER INCOME, NET Other income, net is comprised primarily of interest income on invested cash balances, gains/losses on the sale of assets, foreign exchange gains/losses and other non-operating income and expense items. PROVISION FOR INCOME TAXES As a result of its history of operating losses and the expectation of future operating results, Washington/Mexicali determined that it is more likely than not that the income tax benefits which arose during the first six months of fiscal 2001 and fiscal 2002 will not be realized. Consequently, no income tax benefit has been recognized relating to the operating loss for either period. As of March 31, 2002, Washington/Mexicali has established a valuation allowance against all of its deferred tax assets (principally arising from net operating loss carryforwards) which currently are not expected to be realized through the reduction of future income tax payments. The net operating loss carryforwards and other tax benefits relating to the historical operations of Washington/Mexicali were retained by Conexant in the spin-off transaction, and will not be available to be utilized in the future separate tax returns of Skyworks Solutions. The provision for income taxes for the first six months of fiscal 2001 and fiscal 2002 consist of foreign income taxes incurred by foreign operations. Washington/Mexicali does not expect to recognize any income tax benefits relating to future operating losses until management determines that such benefits are more likely than not to be realized. QUARTERLY RESULTS OF OPERATIONS The following table presents Washington/Mexicali's combined operating results for each of the ten fiscal quarters in the period ended March 31, 2002. The information for each of these quarters is derived from unaudited combined interim financial statements that have been prepared on the same basis as the audited combined financial statements of Washington/Mexicali included in the proxy statement/prospectus-information statement forming a part of Alpha Industries' Registration Statement on Form S-4, as amended, filed with the Securities and Exchange Commission on May 10, 2002. In the 39 opinion of Washington/Mexicali management, all necessary adjustments, which consist only of normal and recurring accruals as well as inventory write-downs, special charges and the write-off of purchased in-process research and development, have been included to fairly present the unaudited quarterly results. This data should be read together with the Combined Financial Statements of the Washington Business and the Mexicali Operations and the notes thereto included in the proxy statement/prospectus-information statement forming a part of Alpha Industries' Registration Statement on Form S-4, as amended, filed with the Securities and Exchange Commission on May 10, 2002 and incorporated herein by reference. THREE MONTHS ENDED -- DEC. 31, MAR. 31, JUNE 30, SEPT. 30, DEC. 31, MAR. 31, JUNE 30, SEPT. 30, 1999 2000 2000 2000 2000 2001 2001 2001 -------- -------- -------- --------- -------- --------- --------- --------- (IN THOUSANDS) Net revenues: Third parties................ $75,470 $82,098 $ 78,494 $ 76,921 $ 68,518 $ 46,583 $ 42,310 $ 58,091 Conexant.................... 15,875 16,760 15,393 17,405 16,978 10,920 8,735 8,316 ------- ------- -------- -------- -------- --------- --------- -------- Total net revenues..... 91,345 98,858 93,887 94,326 85,496 57,503 51,045 66,407 Cost of goods sold: Third parties................ 42,970 50,696 51,917 61,867 76,272 93,577 55,137 43,763 Conexant.................... 15,080 16,023 14,712 16,905 16,244 10,352 8,322 7,836 ------- ------- -------- -------- -------- --------- --------- -------- Total cost of goods sold................. 58,050 66,719 66,629 78,772 92,516

103,929 63,459 51,599 ------- ------- -------- -------- -------- --------- --------- -------- Gross margin................. 33,295 32,139 27,258 15,554 (7,020) (46,426) (12,414) 14,808 Operating expenses: Research and development..... 20,058 22,324 23,998 25,236 26,918 29,465 26,571 28,099 Selling, general and administrative............ 11,367 11,375 11,874 17,806 16,013 18,075 12,681 4,498 Amortization of intangible assets.................... -- -- 1,304 4,023 3,737 3,807 3,808 3,915 Special charges(1)........... -- -- -- -- -- 1,846 86,627 403 Purchased in-process research and development........... -- -- 24,362 -- -- -- -- -- ------- ------- -------- -------- -------- --------- --------- -------- Total operating expenses............. 31,425 33,699 61,538 47,065 46,668 53,193 129,687 36,915 ------- ------- -------- -------- -------- --------- --------- -------- Operating income (loss)....... 1,870 (1,560) (34,280) (31,511) (53,688) (99,619) (142,101) (22,107) Other income (expense), net... 33 34 18 57 (11) 63 23 135 ------- ------- -------- -------- -------- --------- --------- -------- Income (loss) before income taxes....................... 1,903 (1,526) (34,262) (31,454) (53,699) (99,556) (142,078) (21,972) Provision (benefit) for income taxes....................... 870 852 153 (735) 265 604 347 403 ------- ------- -------- -------- -------- --------- --------- -------- Net income (loss)............ $ 1,033 $(2,378) $(34,415) $(30,719) $(53,964) $(100,160) $(142,425) $(22,375) ======= ======= ======== ======== ======== ========= ========= ======== THREE MONTHS ENDED ------------------- DEC. 31, MAR. 31, 2001 2002 -------- --------- (IN THOUSANDS) Net revenues: Third parties............... $ 88,404 $ 92,285 Conexant.................... 5,356 8,071 -------- --------- Total net revenues..... 93,760 100,356 Cost of goods sold: Third parties............... 72,729 63,426 Conexant.................... 5,077 7,677 -------- --------- Total cost of goods sold................. 77,806 70,923 -------- --------- Gross margin................. 15,954 29,433 Operating expenses: Research and development..... 32,181 31,620 Selling, general and administrative............ 10,636 11,366 Amortization of intangible assets.................... 3,937 4,007 Special charges(1)........... -- 65 Purchased in-process research and development........... -- -- -------- --------- Total operating expenses............. 46,754 47,058 -------- --------- Operating income (loss)....... (30,800) (17,625) Other income (expense), net... 52 7 -------- --------- Income (loss) before income taxes....................... (30,748) (17,618) Provision (benefit) for income taxes....................... 3,549 721 -------- --------- Net income (loss)............ $(34,297) $ (18,339) ======== ========= Washington/Mexicali's quarterly revenues increased through the second quarter of fiscal 2000, but commencing in the third quarter of fiscal 2000 quarterly revenues declined as a result of reduced global demand for digital cellular handsets. The decline in quarterly revenues, together with lower utilization of Washington/Mexicali's and Conexant's manufacturing facilities and the inventory write-downs caused a deterioration in gross margins as a percentage of net revenues. During fiscal 2002, quarterly revenue has increased and gross margin has improved as a result of increased demand from customers. Research and development expenses generally increased through the quarterly periods presented, reflecting Washington/Mexicali's sustained investment in product development. Quarterly selling, general and administrative expenses generally increased, but declined beginning in the third quarter of fiscal 2001 as a result of the cost reduction initiatives. Operating expenses (both research and development and selling, general and administrative) increased as a percentage of net revenues through the third quarter of fiscal 2001 primarily as a result of the decline in net revenues. In the third quarter of fiscal 2000, Washington/Mexicali recorded the in-process research and development charge and commenced amortization of intangible assets upon completion of Conexant's acquisition of Philsar. Washington/Mexicali did not recognize any tax benefit relating to its operating losses in any of the quarters presented; the provision for income taxes for each quarter consisted of foreign income taxes incurred by foreign operations. 40 The historical quarterly financial information set forth above presents the results of operations of Washington/Mexicali while it was part of Conexant. The historical quarterly results of operations are not necessarily indicative of Washington/Mexicali's future performance and do not reflect the results Washington/Mexicali would have achieved had it been an independent company during the periods presented. In the past, Washington/Mexicali's quarterly operating results have fluctuated due to a number of factors, many of which are outside Washington/Mexicali's control. These include changes in the overall demand for digital cellular handsets, changes in product mix, the timing of new product introductions, the timing of receipt, reduction or cancellation of significant orders by customers, and other factors that have had a significant impact on Washington/Mexicali's revenues and gross margins. In addition, the level of utilization of Washington/Mexicali's and Conexant's wafer fabrication and assembly and test facilities has affected Washington/Mexicali's gross margins. Significant quarterly fluctuations in results of operations have also caused significant fluctuations in Washington/Mexicali's liquidity and working capital, including its cash and cash equivalents, accounts receivable and inventories. LIQUIDITY AND CAPITAL RESOURCES Historically, Conexant has managed cash on a centralized basis. Cash receipts associated with Washington/Mexicali's business were generally collected by Conexant, and Conexant generally made disbursements on behalf of Washington/Mexicali. Cash and cash equivalents at September 30, 2001 and March 31, 2002 totaled $2.0 million and $5.0 million, respectively, representing cash balances held by foreign operations. Working capital at March 31, 2002 was approximately $40.5 million compared to $60.5 million at September 30, 2001. In connection with the spin-off transaction, Conexant transferred to Washington the assets and liabilities which relate to the Washington Business, except for the Washington Business's cash and cash equivalents, accounts receivable, accounts payable and certain other assets and liabilities which Conexant retained. Cash provided by operating activities was $2.6 million for the first six months of fiscal 2002, compared to cash used in operating activities of $64.6 million for the first six months of fiscal 2001. Operating cash flows for the first six months of fiscal 2002 reflect a net loss of $52.6 million, offset by non-cash charges (depreciation and amortization, special charges and other) of $31.7 million and a net decrease in the non-cash components of working capital of approximately $23.6 million. Before the effect of the working capital changes, cash used in operating activities was $21.0 million for the first six months of fiscal 2002 compared to $59.1 million for the first six months of fiscal 2001. The first six months of fiscal 2002 net working capital decrease includes a $15.0 million increase in accrued expenses and other current liabilities, a $0.8 million decrease in net inventories, a $6.6 million decrease in net receivables, a $1.6 million increase in accounts payable, and other working capital changes. Cash used in investing activities consisted of capital expenditures of $12.3 million and $40.2 million for the first six months of fiscal 2002 and 2001, respectively. The capital expenditures for the first six months of fiscal 2002 reflect a significant reduction from annual capital expenditures of $51.1 million in fiscal 2001, a key component of the cost reduction initiatives implemented by Washington/Mexicali in fiscal 2001. Cash provided by financing activities consisted of net transfers from Conexant of $12.6 million and $105.8 million for the first six months of fiscal 2002 and 2001, respectively. During fiscal years 1998 through 2001, Washington/Mexicali made a series of capital investments which increased the capacity of its Newbury Park gallium arsenide wafer fabrication facility. Washington/ Mexicali made these investments to support then-current and anticipated future growth in sales of its wireless communications products, such as power amplifiers, that use the gallium arsenide process. During the same period, Washington/Mexicali made a series of capital investments at the Mexicali facility to expand its integrated circuit assembly capacity, including the addition of assembly lines using surface 41 mount technology processes for the production of multi-chip modules, which the Mexicali facility principally produces for the Washington Business. The capital investments also increased the Mexicali facility's test capacity, including radio frequency capable equipment for testing wireless communications products. Washington/Mexicali invested in the Mexicali facility to support then-current and anticipated future growth in sales of its wireless communications products and to support increasing demand for assembly and test services from Conexant. Capital investments for the Newbury Park wafer fabrication facility totaled $35.5 million, $27.3 million and $0.3 million during fiscal 2000, fiscal 2001 and the first six months of fiscal 2002, respectively. A significant portion of the fiscal 2001 capital investments were made to continue or complete capital investment programs that Washington/Mexicali had initiated during fiscal 2000. During the second quarter of fiscal 2001, in response to the broad slowdown affecting the wireless communications sector, including Conexant and the Washington Business, Washington/Mexicali sharply curtailed its capital expenditure programs. Ongoing changes in end-user demand and fluctuations in the levels of channel inventories have reduced visibility into future demand and Washington/Mexicali expects that these and other factors will continue to affect its revenues in fiscal 2002. Washington/Mexicali also believes that ongoing underutilization of its manufacturing capacity will adversely affect its gross margin and operating profit. Consequently, Washington/Mexicali anticipates that it will continue to experience negative cash flows from operations in the near term. Historically, Washington/Mexicali has relied on funding from Conexant together with cash generated from operations to fund its operations, research and development efforts and capital expenditures. Although reduced capital expenditures are a key component of the cost reduction initiatives, a focused program of capital expenditures will be required to sustain Washington/Mexicali's current manufacturing capabilities, including its specialty-process wafer fabrication facilities. Washington/Mexicali may also consider acquisition opportunities to extend its technology portfolio and design expertise and to expand its product offerings. Skyworks Solutions will be required to raise capital to satisfy its working capital needs after the merger and to repay the short-term note delivered to Conexant in payment of the purchase price of the Mexicali operations and amounts outstanding, if any, under the revolving loans under the financing agreement with Conexant. Skyworks Solutions will likely seek to raise capital through a public or private offering of equity, debt or some combination thereof within the next six months. Moreover, under the terms of the short-term note, Skyworks Solutions must use 100% of the proceeds from asset sales or other dispositions of property or from the issuance of debt or equity to prepay the amount outstanding under the note until paid in full. In addition, Skyworks Solutions may be limited in the amount of stock that it can issue to raise additional capital in the two years subsequent to the merger because of the change in control limitation imposed by Section 355 (e) of the Internal Revenue Code. See "Risk Factors -- We may be affected by significant restrictions with respect to issuance of our equity securities for two years after Conexant's spin-off of Washington". QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK Washington/Mexicali's financial instruments include cash and cash equivalents. Washington/ Mexicali's main investment objectives are the preservation of investment capital and the maximization of after-tax returns on its investment portfolio. Consequently, Washington/Mexicali invests with only high-credit-quality issuers and limits the amount of its credit exposure to any one issuer. Washington/Mexicali's cash and cash equivalents are not subject to significant interest rate risk due to the short maturities of these instruments. As of March 31, 2002, the carrying value of Washington/ Mexicali's cash and cash equivalents approximates fair value. Washington/Mexicali does not expect that changes in foreign currency exchange rates will have a material effect on its financial position or results of operations, as the majority of its revenues are denominated in U.S. dollars. When exposures to foreign exchange risk arise, Washington/Mexicali may use hedging strategies, including foreign currency forward exchange contracts, to manage its foreign 42 exchange risk. As of March 31, 2002, Washington/Mexicali had no obligations under any forward exchange contracts. Washington/Mexicali limits its use of derivative financial instruments to specific risk management strategies. Washington/Mexicali does not use derivative instruments for speculative or investment purposes. IMPACT OF RECENTLY-ISSUED ACCOUNTING PRONOUNCEMENTS In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards, or SFAS, No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS 141 requires that all business combinations be accounted for using the purchase method and provides new criteria for recording intangible assets separately from goodwill. Existing goodwill and intangible assets will be evaluated against these new criteria, which may result in certain intangible assets being subsumed into goodwill. SFAS 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets. Goodwill and intangible assets that have indefinite useful lives will not be amortized into results of operations, but instead will be evaluated at least annually for impairment and written down when the recorded value exceeds the estimated fair value. Washington/Mexicali will adopt the provisions of each statement that apply to goodwill and intangible assets acquired prior to June 30, 2001 as of the beginning of fiscal 2003. However, SFAS 142 is immediately applicable to any goodwill and intangible assets acquired after June 30, 2001. Upon adoption, Washington/Mexicali will cease amortizing goodwill against its results of operations, reducing annual amortization expense by approximately $14 million. Washington/Mexicali is evaluating the full impact of adopting the new standards. In addition, impairment reviews may result in charges against earnings to write down the value of goodwill. In August 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which supersedes previous guidance on financial accounting and reporting for the impairment or disposal of long-lived assets and for segments of a business to be disposed of. Adoption of SFAS 144 is required no later than the beginning of fiscal 2003. Management does not expect the adoption of SFAS 144 to have a significant impact on the combined financial position or results of operations of Washington/Mexicali. However, future impairment reviews may result in charges against earnings to write down the value of long-lived assets. 43 COMBINED COMPANY UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION The following tables present selected pro forma condensed combined statements of operations and balance sheet information of Alpha Industries (the predecessor to Skyworks Solutions) and the Washington Business and the Mexicali operations. The information is presented as if the spin-off transaction and the merger had occurred on October 1, 2000 for statement of operations data and on March 31, 2002 for balance sheet data. The pro forma data take into account that Skyworks Solutions exchanged 0.351 of a share of Skyworks Solutions common stock for each share of Washington common stock in the merger and paid an aggregate of $150 million for the Mexicali operations. For financial accounting purposes, the sale of the Mexicali operations by Conexant to Skyworks Solutions is treated as if Conexant had contributed the Mexicali operations to Washington as part of the spin-off transaction, and the $150 million aggregate purchase price paid by Skyworks Solutions to Conexant is accounted for as a return of capital to Conexant. The merger is being accounted for as a purchase business combination as defined by Statement of Financial Accounting Standards No. 141, Business Combinations. Because Conexant stockholders own a majority of the outstanding shares of Skyworks Solutions after the merger, the merger is being accounted for as a reverse acquisition in which Alpha Industries survived. Accordingly, for accounting purposes, in the merger Alpha Industries is treated as the acquired company and Washington is treated as the acquiring company and the historical financial statements of the Washington Business and the Mexicali operations became those of Skyworks Solutions after the merger. Under reverse acquisition accounting, the purchase price of Alpha Industries was based upon the fair market value of Alpha Industries common stock and the fair value of Alpha Industries stock options. The purchase price of Alpha Industries was allocated to the assets and liabilities of Alpha Industries assumed by Washington, as the acquiring company for accounting purposes, based on their estimated fair market values at the acquisition date. The unaudited pro forma condensed combined financial information is provided for illustrative purposes only, and is not necessarily indicative of the operating results or financial position that would have occurred if the spin-off transaction and the merger had been consummated at the beginning of the periods or on the dates indicated, nor is it necessarily reflective of any future operating results or financial position. The pro forma adjustments are preliminary and have been made solely for purposes of developing the pro forma information. The unaudited pro forma condensed combined financial information does not include any adjustments related to any potential cost savings or one-time charges that may result from the merger. The unaudited pro forma condensed combined financial information reflects a preliminary allocation of the purchase price which is subject to change based on finalization of the fair value of the tangible and intangible assets acquired and liabilities assumed or potentially incurred as of the date of the closing of the merger. In the pro forma condensed combined financial information, Alpha Industries' unaudited historical information as of and for the six months ended March 31, 2002 was derived from Alpha Industries' Annual Report on Form 10-K for the fiscal year ended March 31, 2002, filed with the Securities and Exchange Commission on July 1, 2002 and from Alpha Industries' Quarterly Report on Form 10-Q for the quarterly period ended December 30, 2001, filed with the Securities and Exchange Commission on February 13, 2002. Alpha Industries' historical data for the twelve months ended September 30, 2001, was derived from its unaudited quarterly financial statements. The Washington/Mexicali historical statement of operations information for the year ended September 30, 2001 has been derived from the audited combined financial statements of the Washington Business and the Mexicali operations and the notes thereto incorporated by reference in this prospectus. The Washington/Mexicali historical statement of operations information for the six months ended March 31, 2002 has been derived from the unaudited combined financial statements of the Washington Business and the Mexicali operations and the notes thereto appearing elsewhere in this prospectus. The Washington/Mexicali adjusted historical balance sheet information as of March 31, 2002 has been derived from the unaudited pro forma condensed combined 44 balance sheet of the Washington Business and the Mexicali operations and the notes thereto appearing elsewhere in this prospectus. The Combined Company Unaudited Pro Forma Condensed Combined Financial Information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations of the Washington Business and the Mexicali Operations and the Unaudited Condensed Combined Financial Statements of the Washington Business and the Mexicali Operations and the notes thereto appearing elsewhere in this prospectus and Alpha Industries' historical financial information incorporated by reference into this prospectus. 45 COMBINED COMPANY UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2001 HISTORICAL HISTORICAL WASHINGTON/ PRO FORMA PRO FORMA ALPHA MEXICALI ADJUSTMENTS COMBINED ---------- ---------- ---------- --------- (IN THOUSANDS, EXCEPT PER SHARE DATA) Net sales................................. $197,901 $ 260,451 $ (42)(1) $ 458,310 Cost of sales............................. 121,811 311,503 (22)(1) 436,232 40 (3) 2,900 (2) Research and development expenses.......... 39,026 111,053 38 (3) 150,117 Selling, general and administrative expenses................................ 33,494 51,267 59 (3) 84,820 Amortization of intangible assets.......... -- 15,267 3,060 (2) 18,327 Special charges........................... -- 88,876 -- 88,876 -------- --------- -------- --------- Operating income (loss)................... 3,570 (317,515) (6,117) (320,062) Other income (expense), net................ 8,098 210 (19,500)(4) (11,192) -------- --------- -------- --------- Income (loss) before income taxes.......... 11,668 (317,305) (25,617) (331,254) Provision (benefit) for income taxes....... 3,700 1,619 (3,700)(5) 1,619 -------- --------- -------- --------- Net income (loss)......................... $ 7,968 $(318,924) $(21,917) $(332,873) ======== ========= ======== ========= Basic earnings (loss) per share........... $ 0.18 $ (2.57) ======== ========= Diluted earnings (loss) per share.......... $ 0.18 $ (2.57) ======== ========= Shares used in computing: Basic earnings (loss) per share....... 43,550 129,444(6) Diluted earnings (loss) per share..... 45,130 129,444(6) See accompanying notes to unaudited pro forma condensed combined financial information. 46

COMBINED COMPANY UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS FOR THE SIX MONTHS ENDED MARCH 31, 2002 HISTORICAL HISTORICAL WASHINGTON/ PRO FORMA PRO FORMA ALPHA MEXICALI ADJUSTMENTS COMBINED --------- ---------- ---------- --------- (IN THOUSANDS, EXCEPT PER SHARE DATA) Net sales................................ $ 61,280 $194,116 $ -- $255,396 Cost of sales............................ 43,821 148,729 20(3) 194,020 1,450(2) Research and development expenses......... 19,367 63,801 19(3) 83,187 Selling, general and administrative expenses.............................. 11,227 22,002 29(3) 33,258 Amortization of intangible assets......... -- 7,944 1,530(2) 9,474 Special charges.......................... 6,648 65 -- 6,713 -------- -------- -------- -------- Operating loss........................... (19,783) (48,425) (3,048) (71,256) Other income (expense), net.............. 2,201 59 (11,250)(4) (8,990) -------- -------- -------- -------- Loss before income taxes................. (17,582) (48,366) (14,298) (80,246) Provision (benefit) for income taxes...... (5,803) 4,270 5,803(5) 4,270 -------- -------- -------- -------- Net loss................................ $(11,779) $(52,636) $(20,101) $(84,516) ======== ======== ======== ======== Basic loss per share...................... $ (0.27) $ (0.63) ======== ======== Diluted loss per share................... $ (0.27) $ (0.63) ======== ======== Shares used in computing: Basic loss per share................ 44,202 134,759(6) Diluted loss per share.............. 44,202 134,759(6) See accompanying notes to unaudited pro forma condensed combined financial information. 47 COMBINED COMPANY UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET AS OF MARCH 31, 2002 HISTORICAL HISTORICAL WASHINGTON/MEXICALI PRO FORMA PRO FORMA ALPHA AS ADJUSTED(A) ADJUSTMENTS COMBINED --------- ------------------ ---------- ---------- (IN THOUSANDS) Current assets: Cash and cash equivalents.......... $ 62,413 $ -- $ (32,000)(10) $ 17,413 (13,000)(8) Short-term investments............. 51,727 -- -- 51,727 Accounts receivable, net........... 24,485 -- -- 24,485 Inventories....................... 12,218 36,461 1,700(7) 50,379 Prepaid expenses and other current assets......................... 7,048 1,949 (3,724)(7) 5,273 -------- -------- ---------- ---------- Total current assets....... 157,891 38,410 (47,024) 149,277 Property, plant and equipment, net... 134,356 157,083 -- 291,439 Intangible assets................... 133 4,349 36,400(7) 43,082 2,200(7) Goodwill, net....................... 4,245 45,313 834,045(7) 883,603 Other assets........................ 19,494 4,177 (16,121)(7) 7,550 -------- -------- ---------- ---------- Total assets........................ $316,119 $249,332 $ 809,500 $1,374,951 ======== ======== ========== ========== Current liabilities: Current portion of long-term debt........................... $ 129 $ -- $ -- $ 129 Short-term debt................... -- -- 150,000(9) 150,000 Accounts payable.................. 14,345 -- -- 14,345 Accrued liabilities and other current liabilities............ 7,094 35,213 -- 42,307 -------- -------- ---------- ---------- Total current liabilities............. 21,568 35,213 150,000 206,781 Long-term debt...................... 106 -- -- 106 Other long-term liabilities.......... 2,283 3,855 -- 6,138 Stockholders' equity................. 292,162 210,264 (292,162)(7) 1,161,926 1,155,299(7) (53,500)(7) (137)(7)(11) (150,000)(9) -------- -------- ---------- ---------- Total liabilities and stockholders' equity............................ $316,119 $249,332 $ 809,500 $1,374,951 ======== ======== ========== ========== --------------- (a) Historical Washington/Mexicali as adjusted is derived from the unaudited pro forma condensed combined balance sheet of the Washington Business and the Mexicali operations appearing elsewhere in this prospectus. See accompanying notes to unaudited pro forma condensed combined financial information. 48 NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION NOTE 1 -- PURCHASE PRICE The purchase consideration of the merger is assumed to be approximately $1.2 billion, based on the sum of the fair market value of the outstanding Alpha Industries common stock and the fair value of Alpha Industries stock options, a warrant issued by Skyworks Solutions in connection with the merger to the Newport Beach, California foundry joint venture between Conexant and The Carlyle Group and estimated transaction costs. The estimate of the transaction costs of Washington is preliminary. The fair market value of the shares of Alpha Industries common stock used in determining the purchase price was $23.79 per share, which reflects the average of the closing prices of Alpha Industries common stock on December 17, 2001, the date the merger was announced, and on the three business days before and after this announcement. Conexant stockholders received 0.351 of a share of Skyworks Solutions common stock for each share of Washington common stock issued to them in the spin-off. Alpha Industries stockholders continue to hold their existing shares of Alpha Industries common stock as shares of Skyworks Solutions after the merger and did not receive any new shares in the merger. The fair value of Alpha Industries stock options and the warrant was estimated using the Black-Scholes option pricing model with the following assumptions: risk free rate of return of approximately 3.5%, expected lives of approximately three years, expected dividend rate of 0%, and volatility of approximately 120%. The purchase consideration is summarized as follows (in thousands): Fair market value of

Alpha Industries common stock....................................... $1,054,111 Fair value of Alpha Industries stock options and warrant...................................... 101,188 Estimated transaction costs of Washington....... 32,000 ---------- Total... $1,187,299 ========== The unaudited pro forma condensed combined financial information reflects a preliminary allocation of the purchase price and represents Alpha Industries' expectations of the significant liabilities and tangible and intangible assets that will be recognized in connection with the merger. The items which could change are amortized and unamortized intangible assets, property, plant and equipment, goodwill and in-process research and development as the final computation of these values depends on the final valuation of the net assets acquired, liabilities assumed as of the closing of the merger and potential liabilities incurred in connection with restructuring. The preliminary allocation of the purchase price assuming the transaction occurred on March 31, 2002 is summarized below (in thousands): Working capital... $ 121,299 Property, plant and equipment.............................. 134,356 Other long-term assets..................................... 7,751 Amortized intangible assets................................ 36,400 Unamortized intangible assets.............................. 2,200 Goodwill.. 834,045 In-process research and development........................ 53,500 Long-term debt.. (106) Other long-term liabilities................................ (2,283) Deferred compensation...................................... 137 ---------- Net assets acquired....................................... $1,187,299 ========== The excess of the purchase price over the fair value of net assets acquired has been classified as goodwill. 49 Amortized intangible assets are comprised of the following (in thousands): Current Technology -- Semiconductor Segment........ $15,300 Current Technology -- Ceramics Segment............ 2,600 Customer Relationships -- Semiconductor Segment.... 8,600 Customer Relationships -- Ceramics Segment......... 4,100 Warrant.. 5,800 ------- Total amortized intangible assets................. $36,400 ======= The amortization period for each of the above intangibles is ten years, except for the warrant which is being amortized over a two year period. The preliminary value assigned to Current Technology for Alpha Industries' Semiconductor and Ceramics Segments was determined by management using the income approach. Under the income approach, the fair value reflects the present value of the projected cash flows that are expected to be generated by the products incorporating the current technology. The preliminary value assigned to Customer Relationships for Alpha Industries' Semiconductor and Ceramics Segments was determined by management using the cost approach. The cost approach determines the value of an asset as an estimate of the current cost to purchase or replace the asset. The warrant was valued using the Black-Scholes pricing model. Unamortized intangible assets are comprised of the following (in thousands): Trademark -- Ceramics Segment...................... $2,200 ------ $2,200 ====== The preliminary value assigned to Trademark- Ceramics Segment was determined using the income approach. The type of income approach was the relief from royalty methodology. Under the relief from royalty methodology, an estimate is made as to the appropriate royalty income that would be negotiated in an arm's length transaction if the subject intangible asset were licensed from an independent third-party owner. Approximately $53.5 million of the purchase price has been allocated to in-process research and development and will be written off to expense at the time of closing. See Note 4. Upon completion of the merger, the stock options held by certain Alpha Industries' directors who did not continue as directors of Skyworks Solutions vested. This will be recorded as a one-time charge to expense at the time of the closing and is expected to approximate $0.2 million. The pro forma condensed combined financial information is intended for information purposes, and does not purport to represent what the combined company's results of operations or financial position would actually have been had the transaction in fact occurred at an earlier date, or project the results for any future date or period. The actual financial position and results of operations of the combined company will differ, perhaps significantly, from the pro forma amounts reflected in this prospectus due to a variety of factors, including changes in operating results between the date of the pro forma condensed combined financial data and the date on which the merger is completed and thereafter, and those factors discussed under "Risk Factors". NOTE 2 -- PRO FORMA ADJUSTMENTS The following adjustments are reflected in the unaudited pro forma condensed combined statements of operations to reflect the estimated impact of the merger on the historical combined results of Alpha Industries and Washington/Mexicali: (1) To eliminate sales and cost of sales for transactions between Alpha Industries and Washington/Mexicali. 50 (2) To record the incremental amortization expense resulting from the preliminary adjustment to record Alpha Industries amortized intangible assets at estimated fair value utilizing the straight-line method over a useful life of two to ten years. (3) To record the amortization of unearned compensation related to unvested stock options held by Alpha Industries' employees at the time of the closing. (4) To record the interest expense on the short-term promissory note from Skyworks Solutions to Conexant. The rates of 13% and 15%

for the twelve months ended September 30, 2001 and the six months ended March 31, 2002, respectively, used in these calculations reflect the terms of the note provided under the Mexican stock and asset purchase agreement. Skyworks Solutions intends to obtain alternative financing as soon as practicable. It is expected that the interest rate on this alternative financing will be substantially lower than the rate used in this pro forma presentation. For each 1% decrease in the interest rate, the impact would be to increase income before income taxes by $1.5 million and $0.75 million for the twelve months ended September 30, 2001 and for the six months ended March 31, 2002, respectively. (5) To record the income tax effects of the merger and of the pro forma adjustments. (6) Pro forma per share data is based on the number of Alpha Industries common shares that would have been outstanding had the merger occurred on the date presented. In order to compute the number of shares used in the calculation of pro forma basic and diluted earnings (loss) per share, the weighted-average number of Conexant shares multiplied by the exchange ratio of 0.351 per share was added to the weighted-average number of Alpha Industries shares outstanding. The weighted-average number of shares outstanding for Conexant was 244,711,000 and 257,998,000 for the twelve months ended September 30, 2001 and for the six months ended March 31, 2002, respectively. Potentially dilutive securities are not taken into account when their effect would be anti-dilutive. A reconciliation of shares used to compute historical basic and diluted earnings (loss) per share to shares used to compute pro forma basic and diluted earnings (loss) per share is as follows (in thousands): TWELVE MONTHS ENDED SIX MONTHS ENDED SEPT. 30, 2001 MARCH 31, 2002 ------------------ ---------------- Shares used to compute Alpha Industries historical basic earnings (loss) per share................................. 43,550 44,202 Shares issued in merger.................. 85,894 90,557 ------- ------- Shares used to compute pro forma basic earnings (loss) per share.............. 129,444 134,759 ======= ======= Shares used to compute Alpha Industries historical diluted earnings (loss) per share................................. 45,130 44,202 Potentially dilutive securities........... (1,580) -- Shares issued in merger.................. 85,894 90,557 ------- ------- Shares used to compute pro forma diluted earnings (loss) per share.............. 129,444 134,759 ======= ======= The following adjustments are reflected in the unaudited pro forma condensed combined balance sheet to reflect the estimated impact of the merger on the historical combined results of Alpha Industries and Washington/Mexicali: (7) These pro forma adjustments reflect the allocation to the assets and liabilities of Alpha Industries of the difference between the market value of Alpha Industries and the book value of Alpha Industries (the excess purchase price). The market value of Alpha is assumed to be the sum of the fair market value of the outstanding Alpha Industries common stock and the fair value of the Alpha Industries outstanding stock options and the warrant. Alpha Industries' book value is assumed 51 to be its stockholders' equity, less estimated transaction fees. The following data is in thousands (except per share data): Market value of Alpha Industries: Shares of Alpha Industries common stock outstanding....... 44,309 Average market price per share of Alpha Industries common stock.. $ 23.79 ---------- Market value of Alpha Industries common stock............ $1,054,111 Fair value of Alpha Industries outstanding stock options and warrant.. $ 101,188 ---------- Market value of Alpha Industries...................... $1,155,299 Book value of Alpha Industries: Stockholders' equity at March 31, 2002................... $ 292,162 Estimated remaining transaction fees..................... $ (13,000) ---------- Book value of Alpha Industries........................ $ 279,162 Estimated transaction costs of Washington.................. $ 32,000 ---------- Excess purchase price..................................... $ 908,137 ========== This excess purchase price has been allocated to the assets and liabilities of Alpha Industries as follows: Inventories... $ 1,700 Goodwill... 834,045 Amortized intangible assets................................ 36,400 Unamortized intangible assets.............................. 2,200 In-process research and development........................ 53,500 Deferred tax asset.. (19,845) Deferred compensation..................................... 137 -------- Total.. $908,137 ======== (8) To record Alpha Industries' estimated direct merger costs, consisting primarily of fees for investment bankers, attorneys, accountants, and regulatory filing fees. Alpha Industries' fees are estimated to be $17 million, of which $4 million has already been paid. (9) To record a return of capital to Conexant. The amount consists of the issuance of $150 million in short-term debt and Conexant's transfer of the Mexicali Operations. (10) To record $32 million of estimated transaction costs, consisting primarily of fees for investment bankers, attorneys, accountants, and regulatory filing fees, for which Alpha Industries has agreed to reimburse Conexant. (11) The deferred compensation of $137,000 was calculated as the aggregate of the difference between the market price of Alpha Industries' common stock and the exercise price of all unvested options as of June 25, 2002 for all options with exercise prices lower than the fair market value of Alpha Industries' common stock as of June 25, 2002. NOTE 3 -- BASIS OF PRESENTATION Alpha Industries' unaudited historical information as of and for the six months ended March 31, 2002 was derived from Alpha Industries' Annual Report on Form 10-K for the fiscal year ended March 31, 2002, filed with the Securities and Exchange Commission on July 1, 2002 and from Alpha Industries' Quarterly Report on Form 10-Q for the quarterly period ended December 30, 2001, filed with the Securities and Exchange Commission on February 13, 2002. Alpha Industries' historical data for the 52 twelve months ended September 30, 2001 was derived from its unaudited quarterly financial statements. The historical income tax information was calculated based on an estimated annual effective rate of 32% for the twelve months ended September 30, 2001 and 33% for the six months ended March 30, 2002. Upon completion of the merger, the stock options held by certain Alpha Industries' directors who did not continue as directors of Skyworks Solutions vested. This will be recorded as a one-time charge to expense by Alpha Industries at the time of the closing of the merger and is expected to approximate $0.2 million. Additionally, upon completion of the merger, Skyworks Solutions will record estimated charges of $53.5 million for in-process research and development and approximately $20 to $30 million for expenses incurred and obligations assumed as a result of the merger. Skyworks Solutions anticipates that these amounts will be charged to expense in the period immediately following the merger. These charges are not reflected in the pro forma data as the charges are non-recurring and have no significant continuing impact. NOTE 4 -- IN-PROCESS RESEARCH AND DEVELOPMENT As of December 31, 2001, Alpha Industries was in the process of developing new technologies in its semiconductor and ceramics segments. The objective of the in-process research and development effort is to develop new semiconductor processes, ceramic materials and related products to satisfy customer requirements in the wireless and broadband markets. This analysis was performed as of December 31, 2001 and has not been updated to reflect potential changes since that time as the information is not yet available. This analysis may change significantly as of the date of the merger. SEMICONDUCTOR The semiconductor segment was involved in several projects that have been aggregated into the following categories based on the respective technologies: Power Amplifier Power amplifiers are designed and manufactured for use in different types of wireless handsets. The main performance attributes of these amplifiers are efficiency, power output, voltage of operation and distortion. Current research and development is focused on expanding the offering to all types of wireless standards, improving performance by process and circuit improvements and offering more integrated solutions. Control Products Control products consist of switches and switch filters that are used in wireless applications for channeling the signal. Most applications are in the handset market enabling multi-mode, multi-band handsets. Current research and development is focused on performance improvement and cost reduction by reducing chip size and increasing functionality. Broadband The products in this grouping consist of radio frequency and millimeter wave semiconductors and components designed and manufactured specifically to address the needs of the high-speed, wireline and wireless internet access. Current and long-term research and development is focused on performance enhancement of speed and bandwidth as well as cost reduction and integration. Silicon Diode These products use silicon processes to fabricate diodes (two terminal semiconductor devices) for use in a variety of radio frequency and wireless applications. Current research and development is focused on reducing the size of the device, improving performance and reducing cost. 53 CERAMICS The ceramics segment was involved in projects which relate to the design and manufacture of ceramic-based components such as resonators and filters for the wireless infrastructure market. Current research and development is focused on performance enhancements through improved formulations and electric designs. The fair value assigned to each of the significant projects and estimated time to complete are reported below. The estimated costs to complete for these projects, which are estimated at $11.6 million, are expected to be spent evenly for the remainder of their respective development cycles. FAIR HOURS TO PRODUCT VALUE COMPLETE ------- ------- -------- (IN THOUSANDS) Power Amplifiers.. $16,200 27.1 Control Products.. 17,800 15.3 Broadband... 16,400 29.1 Silicon Diode... 3,000 5.0 Ceramics.. 100 5.2 ------- ---- $53,500 81.7 ======= ==== The material risks associated with the successful completion of the in-process technology are associated with Alpha Industries' ability to successfully finish the creation of viable prototypes and successful design of the chips, masks and manufacturing processes required. Alpha Industries expects to benefit from the in-process projects as the individual products that contain the in-process technology are put into production and sold to end-users. The release dates for each of the products within the product families are varied. The fair value of the in-process research and development was determined using the income approach. Under the income approach, the fair value reflects the present value of the projected cash flows that are expected to be generated by the products incorporating the in-process research and development, if successful. The projected cash flows were discounted to approximate fair value. The discount rate applicable to the cash flows of each project reflects the stage of completion and other risks inherent in each project. The discount rate used in the valuation of in-process research and development was 30 percent. 54 LEGAL MATTERS The validity of the shares of common stock offered hereby will be passed upon for Skyworks Solutions by Daniel N. Yannuzzi, Vice President and General Counsel of Skyworks Solutions. As of July 1, 2002, Mr. Yannuzzi beneficially owned 77,543 shares of Skyworks Solutions common stock, including 77,145 shares subject to options. EXPERTS The consolidated financial statements of Alpha Industries, Inc. as of March 31, 2002 and April 1, 2001 and for each of the years in the three-year period ended March 31, 2002 have been incorporated by reference herein in reliance upon the report of KPMG LLP, independent accountants, given upon the authority of said firm as experts in accounting and auditing. The combined financial statements and the related financial statement schedule of the Washington Business and the Mexicali Operations of Conexant Systems, Inc. as of September 30, 2000 and 2001 and for each of the three years in the period ended September 30, 2001 incorporated in this prospectus by reference to Alpha Industries' Registration Statement on Form S-4, as amended, dated May 10, 2002, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report, which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing. 55 WHERE YOU CAN FIND MORE INFORMATION We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any document we file with the Securities and Exchange Commission at the Security and Exchange Commission's public reference room in Washington, D.C. and Chicago, Illinois. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the operation of the public reference rooms. Our Securities and Exchange Commission filings are also available to the public at the Securities and Exchange Commission's web site at http://www.sec.gov. The Securities and Exchange Commission allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and later information filed with the Securities and Exchange Commission will update and supersede this information. We incorporate by reference the documents and information identified below and any future filings made with the Securities and Exchange Commission under Sections 13(a), 3(c), 14, or 15(d) of the Securities Exchange Act of 1934 until this offering is completed. - Audited Combined Financial Statements of the Washington Business and the Mexicali Operations and the notes thereto contained on pages F-1 through F-28 of the proxy statement/prospectus-information statement included in our Registration Statement on Form S-4 (Registration No. 333-83768) filed with the Securities and Exchange Commission on May 10, 2002; - Management's Discussion and Analysis of Financial Condition and Results of Operations of the Washington Business and the Mexicali Operations contained on pages 94 through 113 of the proxy statement/prospectus-information statement included in our Registration Statement on Form S-4 (Registration No. 333-83768) filed with the Securities and Exchange Commission on May 10, 2002; - Annual Report on Form 10-K for the fiscal year ended March 31, 2002 filed with the Securities and Exchange Commission on July 1, 2002; - Current Report on Form 8-K filed with the Securities and Exchange Commission on May 2, 2002; - Current Report on Form 8-K filed with the Securities and Exchange Commission on June 28, 2002; and - The description of our common stock contained in Item 1 of our Registration Statement on Form 8-A filed with the Securities and Exchange Commission on May 29, 1998, including any amendments or reports filed for the purpose of updating the description. You may request a copy of these filings, at no cost, by writing or telephoning us at the following address: Investor Relations Skyworks Solutions, Inc. 20 Sylvan Road Woburn, Massachusetts 01801 Telephone (781) 935-5150 ext. 4798 56