SKYWORKS SOLUTIONS INC
Form 10-Q
February 17, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended January 2, 2004

Commission file number 1-5560

SKYWORKS SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**04-2302115**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
20 Sylvan Road, Woburn, Massachusetts	**01801**
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code	**(781) 376-3000**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
[X] Yes [ ] No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
[X] Yes [ ] No

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

Class	Outstanding at January 30, 2004
Common Stock, par value $.25 per share	149,083,148

The Exhibit Index is located on page 39

SKYWORKS SOLUTIONS, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED DECEMBER 31, 2003

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands, except per share amounts)

ASSETS	December 31, 2003	September 30, 2003
Current assets:		
Cash and cash equivalents	$ 176,251	$ 161,506
Short-term investments	--	3,988
Restricted cash	5,312	5,312
Receivables, net of allowance for doubtful accounts of $2,066 and $1,979, respectively	150,842	144,267
Inventories	61,844	58,168
Other current assets	12,587	12,854
Total current assets	406,836	386,095
Property, plant and equipment, less accumulated depreciation and amortization of $239,322 and $232,480, respectively	126,669	121,556
Property held for sale	6,265	6,209
Goodwill	505,034	505,514
Intangible assets, less accumulated amortization of $5,040 and $4,460, respectively	21,601	22,181
Deferred tax asset	22,766	22,766
Other assets	26,551	26,347
Total assets	$ 1,115,722	$ 1,090,668
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ --	$ 29
Short-term debt	39,005	41,652
Accounts payable	64,393	50,369
Accrued compensation and benefits	27,156	16,963
Other current liabilities	25,047	27,803
Total current liabilities	155,601	136,816
Long-term debt, less current maturities	275,000	275,000
Other long-term liabilities	5,891	5,677
Total liabilities	436,492	417,493
Commitments and contingencies	--	--
Stockholders' equity:		
Preferred stock, no par value: 25,000 authorized, no shares issued	--	--
Common stock, $0.25 par value: 525,000 shares authorized; 148,900 and 148,604 shares issued and outstanding, respectively	37,225	37,151
Additional paid-in capital	1,260,074	1,258,265
Accumulated deficit	(617,437)	(621,609)
Accumulated comprehensive loss	(632)	(632)
Total stockholders' equity	679,230	673,175
Total liabilities and stockholders' equity	$ 1,115,722	$ 1,090,668

ASSETS	December 31,	September 30,

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

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands, except per share amounts)

	Three Months Ended December 31, 2003	Three Months Ended December 31, 2002
Net revenues	$ 175,108	$ 160,194
Cost of goods sold	108,368	95,074
Gross profit	66,740	65,120
Operating expenses:		
Research and development	36,694	37,301
Selling, general and administrative	18,904	20,252
Amortization of intangible assets	769	1,127
Total operating expenses	56,367	58,680
Operating income	10,373	6,440
Interest expense	(5,374)	(5,734)
Other income (expense), net	453	823
Income before income taxes and cumulative effect of change in accounting principle	5,452	1,529
Provision for income taxes	1,280	738
Income before cumulative effect of change in accounting principle	4,172	791
Cumulative effect of change in accounting principle, net of tax	--	(397,139)
Net income (loss)	$ 4,172	$ (396,348)
Per share information:		
Income before cumulative effect of change in accounting principle, basic and diluted	$ 0.03	$ 0.01
Cumulative effect of change in accounting principle, net of tax, basic and diluted	--	(2.88)
Net income (loss), basic and diluted	$ 0.03	$ (2.87)
Weighted average number of common shares outstanding:		
Basic	148,784	137,896
Diluted	150,997	137,896

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Three months ended December 31, 2003	Three months ended December 31, 2002
Cash flows from operating activities:		
Net income (loss)	$ 4,172	$ (396,348)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Goodwill transitional impairment charge	--	397,139
Depreciation	8,625	9,108
Amortization	769	1,127
Amortization of deferred financing costs	553	271
Contribution of common shares to Savings and Retirement Plans	725	1,471
Loss on sale of assets	56	52
Deferred income taxes	--	301
Changes in assets and liabilities:		
Receivables, net	(6,575)	(15,482)
Inventories, net	(3,676)	7,380
Other assets	(199)	7,278
Accounts payable	14,024	377
Other liabilities	7,651	(43,727)
Net cash provided by (used in) operating activities	26,125	(31,053)
Cash flows from investing activities:		
Capital expenditures	(13,850)	(13,932)
Maturities of short-term investments	3,998	--
Net cash provided by (used in) investing activities	(9,862)	(13,932)
Cash flows from financing activities:		
Proceeds from unsecured notes offering	--	230,000
Payments on notes payable	(2,676)	(135,034)
Financing costs	--	(9,409)
Exercise of stock options	1,158	333
Net cash provided by (used in) financing activities	(1,518)	85,890
Net increase in cash and cash equivalents	14,745	40,905
Cash and cash equivalents at beginning of period	161,506	53,358
Cash and cash equivalents at end of period	$ 176,251	$ 94,263
Supplemental cash flow disclosures:		
Taxes paid	$ 317	$ 767
Interest paid	$ 7,331	$ 7,424
Non-cash financing activities:		
Conexant debt refinancing	$ --	$ 45,000

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

NOTES TO CONSOLIDATED STATEMENTS (UNAUDITED)

NOTE 1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Skyworks Solutions, Inc. (Skyworks or the Company) is a leading wireless semiconductor company focused exclusively on radio frequency (RF) and complete cellular system solutions for mobile communications applications. The Company offers front-end modules, RF subsystems and cellular systems to leading wireless handset and infrastructure customers.

On June 25, 2002, pursuant to an Agreement and Plan of Reorganization, dated as of December 16, 2001, as amended as of April 12, 2002, by and among Alpha Industries, Inc. (Alpha), Conexant Systems, Inc. (Conexant) and Washington Sub, Inc. (Washington), a wholly owned subsidiary of Conexant to which Conexant spun off its wireless communications business, including its gallium arsenide wafer fabrication facility located in Newbury Park, California, but excluding certain assets and liabilities, Washington merged with and into Alpha with Alpha as the surviving entity (the Merger). Following the Merger, Alpha changed its corporate name to Skyworks Solutions, Inc.

Immediately following completion of the Merger, the Company purchased Conexant s semiconductor assembly, module manufacturing and test facility located in Mexicali, Mexico, and certain related operations (Mexicali Operations) for $150 million. For financial accounting purposes, the sale of the Mexicali Operations by Conexant to Skyworks Solutions was treated as if Conexant had contributed the Mexicali Operations to Washington as part of the spin-off, and the $150 million purchase price was treated as a return of capital to Conexant.

The Merger was accounted for as a reverse acquisition whereby Washington was treated as the acquirer and Alpha as the acquiree, primarily because Conexant shareholders owned a majority, approximately 67 percent, of the Company upon completion of the Merger. Under a reverse acquisition, the purchase price of Alpha was based upon the fair market value of Alpha common stock for a reasonable period of time before and after the announcement date of the Merger and the fair value of Alpha stock options. The purchase price of Alpha was allocated to the assets acquired and liabilities assumed by Washington, as the acquiring company for accounting purposes, based upon their estimated fair market value at the acquisition date.

Since the date of the Merger, the Company has purchased certain services from Conexant (information systems, research and technology, accounting, etc.) pursuant to a transition services agreement, most of which expired on December 31, 2002. The Company expects to transition the remaining information systems services from Conexant to third party providers before the end of fiscal 2004.

The unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). Certain information and footnote disclosures, normally included in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to those rules and regulations. However, in the opinion of management, the financial information reflects all adjustments, consisting of adjustments of a normal recurring nature necessary to present fairly the financial position, results of operations, and cash flows of the Company. The results of operations for the three months ended December 31, 2003 are not necessarily indicative of the results to be expected for the full year. This information should be read in conjunction with the Company s financial statements and notes thereto contained in the Company s Form 10-K for the fiscal year ended September 30, 2003 as filed with the SEC.

Fiscal Periods The Company s fiscal year ends on the Friday closest to September 30. For convenience, the consolidated financial statements have been shown as ending on the last day of the calendar month. Fiscal year 2003 ended on October 3, 2003 and the first quarters of fiscal 2004 and fiscal 2003 ended on January 2, 2004 and December 27, 2002, respectively.

NOTE 2. INVENTORY

Inventories consist of the following (in thousands):

	December 31, 2003	September 30, 2003
Raw materials	$ 8,493	$8,475
Work-in-process	39,572	35,797

	December 31,	September 30,
Finished goods	13,779	13,896
	$61,844	$58,168

NOTE 3. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets are principally the result of the Merger with Washington/Mexicali completed on June 25, 2002. The Company adopted Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangibles, on October 1, 2002 and performed a transitional impairment test for goodwill. The goodwill impairment test is a two-step process. The first step of the impairment analysis compares the Company s fair value to its net book value. In determining fair value, SFAS No. 142 allows for the use of several valuation methodologies, although it states quoted market prices are the best evidence of fair value. As part of the first step, the Company determined that it has one reporting unit for purposes of performing the fair-value based test of goodwill. This reporting unit is consistent with its single operating segment, which management determined is appropriate under the provisions of SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information. The Company completed step one and determined that its goodwill and unamortized intangible assets were impaired. Step two of the analysis compares the implied fair value of goodwill to its carrying amount. If the carrying amount of goodwill exceeds its implied fair value, an impairment loss is recognized equal to that excess. The Company completed step two and determined that the carrying amount of its goodwill was $397.1 million greater than its implied fair value. This transitional impairment charge was recorded as a cumulative effect of a change in accounting principle and is reflected in the Company s results of operations as of the beginning of fiscal 2003. The Company tests its goodwill for impairment annually as of the first day of its fourth fiscal quarter and in interim periods if certain events occur indicating that the carrying value of goodwill may be impaired.

Goodwill and intangible assets consist of the following (in thousands):

		December 31, 2003			September 30, 2003		
	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Goodwill		$ 505,034	$ --	$ 505,034	$ 505,514	$ --	$505,514
Amortized intangible assets:							
Developed technology	10	10,550	(3,057)	7,493	10,550	(2,806)	7,744
Customer relationships	10	12,700	(1,915)	10,785	12,700	(1,598)	11,102
Other	3	122	(68)	54	122	(56)	66
		23,372	(5,040)	18,332	23,372	(4,460)	18,912
Unamortized intangible assets:							
Trademarks		3,269	--	3,269	3,269	--	3,269
	10	$ 531,675	$ (5,040)	$ 526,635	$ 532,155	$ (4,460)	$527,695

Amortization expense related to intangible assets are as follows (in thousands):

	Three Months Ended December 31,	
	2003	2002
Amortization expense	$ 580	$ 887

Annual amortization expense related to intangible assets is expected to be as follows (in thousands):

	2004	2005	2006	2007	2008
Amortization expense	$ 2,285	$ 2,161	$ 2,144	$ 2,144	$ 2,144

The changes in the gross carrying amount of goodwill and intangible assets are as follows:

	Goodwill	Developed Technology	Customer Relationships	Trademarks	Other	Total
Balance as of September 30, 2003	$ 505,514	$ 10,550	$ 12,700	$ 3,269	$ 122	$ 532,155
Additions (deductions) during year	(480)	--	--	--	--	(480)
Balance as of December 31, 2003	$ 505,034	$ 10,550	$ 12,700	$ 3,269	$ 122	$ 531,675

The deductions in the first quarter of fiscal 2004 reflect the recognition of a portion of the deferred tax assets for which no benefit was previously recognized as of the date of the Merger. The future realization of certain pre-Merger deferred assets will be applied to reduce the carrying value of goodwill. The remaining portion of the valuation allowance for these pre-Merger deferred tax assets for which subsequently recognized tax benefits will be applied to reduce goodwill is approximately $43.5 million.

NOTE 4. BORROWING ARRANGEMENTS

LONG-TERM DEBT

Long-term debt consists of the following (in thousands):

	December 31, 2003,	September 30, 2003
Junior notes	$230,000	$ 230,000
Senior notes	45,000	45,000
CDBG Grant	--	29
	275,000	275,000
Less - current maturities	--	29
	$275,000	$275,000

Junior notes represent the Company s 4.75 percent convertible subordinated notes due 2007. These junior notes can be converted into 110.4911 shares of common stock per $1,000 principal balance, which is the equivalent of a conversion price of approximately $9.05 per share. The Company may redeem the junior notes at any time after November 20, 2005. The redemption price of the junior notes during the period between November 20, 2005 through November 14, 2006 will be $1,011.875 per $1,000 principal amount of notes to be redeemed, plus accrued and unpaid interest, if any, to the redemption date, and the redemption price of the notes beginning on November 15, 2006 and thereafter will be $1,000 per $1,000 principal amount of notes to be redeemed, plus accrued and unpaid interest, if any, to the redemption date. Holders may require the Company to repurchase the junior notes upon a change in control of the Company. The Company pays interest in cash semi-annually in arrears on May 15 and November 15 of each year.

Senior notes represent the Company s 15 percent convertible senior subordinated notes due June 30, 2005, which were issued as part of the Company s debt refinancing with Conexant completed on November 13, 2002. These senior notes can be converted into the Company s common stock at a conversion rate based on the applicable conversion price, which is subject to adjustment based on, among other things, the market price of the Company s common stock. Based on this adjustable conversion price, the Company expects that the maximum number of shares that could be issued under the senior notes is approximately 7.1 million shares, subject to adjustment for stock splits and other similar dilutive occurrences. If the holder(s) of these senior notes converted the notes at a price that is less than the original conversion price ($7.87) as the result of a decrease in the market price of the Company s stock, the Company would be required to record a charge to interest expense in the period of conversion. At maturity (including upon certain acceleration events), the Company will pay the principal amount of the senior notes by issuing a number of shares of common stock equal to the principal amount of the senior notes then due and payable divided by the applicable conversion price in effect on such date, together with cash in lieu of any fractional shares. The senior notes are redeemable for cash at any time after May 12, 2004 at $1,030 per $1,000 principal amount of senior notes to be redeemed, plus accrued and unpaid interest, unless converted into common stock by the holder prior to the redemption date. The holder(s) may require the Company to repurchase the senior notes upon a change in control of the Company. The Company pays interest in cash on the senior notes on the last business day of each March, June, September and December of each year. Interest on the senior notes is not deductible for tax purposes because of the conversion feature.

The Company had a ten-year $960,000 loan from the State of Maryland under the Community Development Block Grant (CDBG) program. Quarterly payments were due through December 2003 and represented principal plus interest at 5 percent of the unamortized balance. The Company has paid this loan in full at December 31, 2003.

Aggregate annual maturities of the Company s long-term debt at December 31, 2003 are as follows (in thousands):

	Fiscal Year
2005	45,000
2006	--
2007	--
2008	230,000
	$275,000

SHORT-TERM DEBT

On July 15, 2003, the Company entered into a receivables purchase agreement under which it has agreed to sell from time to time certain of its accounts receivable to Skyworks USA, Inc. (Skyworks USA), a wholly-owned special purpose entity that is fully consolidated for accounting purposes. Concurrently, Skyworks USA entered into an agreement with Wachovia Bank, National Association providing for a $50 million credit facility (Facility Agreement) secured by the purchased accounts receivable. As a part of the consolidation, any interest incurred by Skyworks USA related to monies it borrows under the Facility Agreement is recorded as interest expense in the Company s results of operations. The Company performs collections and administrative functions on behalf of Skyworks USA. As of December 31, 2003, Skyworks USA had borrowings of $39.0 million outstanding under this agreement.

NOTE 5. RESTRUCTURING

During fiscal 2003, the Company recorded $6.2 million in restructuring charges to provide for workforce reductions and the consolidation of facilities. The charges were based upon estimates of the cost of severance benefits for affected employees and lease cancellation, facility sales, and other costs related to the consolidation of facilities. Substantially all amounts accrued for these actions are expected to be paid within one year.

During the second quarter of fiscal 2002, the Company implemented a number of cost reduction initiatives to more closely align its cost structure with the then-current business environment. The Company recorded restructuring charges of approximately $3.0 million for costs related to the workforce reduction and the consolidation of certain facilities. Substantially all amounts accrued for these actions have been paid.

	Fiscal 2002 Workforce Reductions	Fiscal 2002 Facility Closings and Other	Fiscal 2003 Workforce Reductions	Fiscal 2003 Facility Closings and Other	Total
Charged to costs and expenses	$ 2,923	$ 97	$ --	$ --	$ 3,020
Cash payments	(2,225)	(13)	--	--	(2,238)
Restructuring balance, September 30, 2002	698	84	--	--	782

	Fiscal 2002 Workforce Reductions	Fiscal 2002 Facility Closings and Other	Fiscal 2003 Workforce Reductions	Fiscal 2003 Facility Closings and Other	Total
Charged to costs and expenses	--	--	4,819	1,405	6,224
Cash payments	(698)	(47)	(3,510)	(1,236)	(5,491)
Restructuring balance, September 30, 2003	$ --	$ 37	$ 1,309	$ 169	$ 1,515
Charged to costs and expenses	--	--	--	--	--
Cash payments		(16)	(1,121)	(69)	(1,206)
Restructuring balance, December 31, 2003	$ --	$ 21	$ 188	$ 100	$ 309

In addition, the Company assumed approximately $7.8 million of restructuring reserves from Alpha in connection with the Merger. During first quarter of fiscal 2004 and the fiscal years ended September 30, 2003 and 2002 payments related to the restructuring reserves assumed from Alpha were $0.1 million, $4.7 million and $1.1 million, respectively. As of December 31, 2003 this balance was $1.9 million and primarily relates to payments on a lease that expires in 2008.

NOTE 6. SEGMENT INFORMATION

The Company follows SFAS No. 131, Disclosures About Segments of an Enterprise and Related Information. SFAS No. 131 establishes standards for the way public business enterprises report information about operating segments in annual financial statements and in interim reports to shareholders. The method for determining what information to report is based on the way that management organizes the segments within the Company for making operating decisions and assessing financial performance. In evaluating financial performance, management uses sales and operating profit as the measure of the segments profit or loss. Based on the guidance in SFAS No. 131, the Company has one operating segment for financial reporting purposes.

The Company operates in one business segment, which designs, develops, manufactures and markets proprietary semiconductor products and system solutions for manufacturers of wireless communication products.

NOTE 7. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted income (loss) per share (in thousands, except per share amounts):

	Three Months Ended December 31, 2003	2002
Net income (loss)	$ 4,172	$ (396,348)
Weighted average shares outstanding - basic	148,784	137,896
Effect of dilutive stock options	2,213	--
Weighted average shares outstanding - diluted	150,997	137,896
Net income (loss) per share - basic	$ 0.03	$ (2.87)
Net income (loss) per share - diluted	$ 0.03	$ (2.87)

Debt securities convertible into approximately 31.1 million shares, stock options exercisable into approximately 17.1 million shares and a warrant to purchase approximately 1.0 million shares were outstanding but not included in the computation of earnings per share for the three months ended December 31, 2003 because their effect would have been anti-dilutive. Debt securities convertible into approximately 31.1 million shares, stock options exercisable into approximately 35.7 million shares and a warrant to purchase approximately 1.0 million shares were outstanding but not included in the computation of earnings per share for the three months ended December 31, 2002 as the net loss for this period would have made their effect anti-dilutive.

The Company has elected to follow Accounting Principles Board Opinion (APB) No. 25, Accounting for Stock Issued to Employees, and related interpretations, in accounting for employee stock options rather than the alternative fair value accounting allowed by SFAS No. 123, Accounting for Stock-Based Compensation. APB No. 25 provides that compensation expense relative to the Company s employee stock options is measured based on the intrinsic value of stock options granted and the Company recognizes compensation expense in its statement of operations using the straight-line method over the vesting period for fixed awards. Under SFAS No. 123, the fair value of stock options at the date of grant is recognized in earnings over the vesting period of the options. In December 2002, the Financial Accounting Standards Board issued SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure. SFAS No. 148 amends SFAS No. 123 to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method on reported results. SFAS No. 148 is effective for financial statements for fiscal years and interim periods ending after December 15, 2002. The Company adopted the disclosure provisions of SFAS No. 148 on December 27, 2002 and continues to follow APB No. 25 in accounting for employee stock options.

No stock-based employee compensation cost is reflected in net income (loss), as all options granted under the Company s stock-based employee compensation plans had an exercise price equal to the market value of the underlying common stock on the date of grant. Prior to the Merger with Alpha Industries, Inc., Conexant s wireless business had no separate capitalization. Therefore, the Company had no stock-based compensation prior to June 25, 2002.

Had compensation cost for the Company s stock option and stock purchase plans been determined based upon the fair value at the grant date for awards under these plans consistent with the methodology prescribed under SFAS No. 123, the Company s net income (loss) would have been as follows (in thousands, except per share amounts):

	Three Months Ended December 31,	
	2003	**2002**
Reported net income (loss)	$ 4,172	$ (396,348)
Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(1,292)	(1,036)
Adjusted net income (loss)	$ 2,880	$ (397,384)
Per share information:		
Basic and diluted:		
Reported net income (loss)	$ 0.03	$ (2.87)
Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(0.01)	(0.01)
Adjusted net income (loss)	$ 0.02	$ (2.88)

For purposes of pro forma disclosures under SFAS No. 123, the estimated fair value of the options is assumed to be amortized to expense over the options vesting period. The fair value of the options granted has been estimated at the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	Three Months Ended December 31, 2003	Three Months Ended December 31, 2002
Expected volatility	91%	95%
Risk free interest rate	1.9%	2.5%
Dividend yield	--	--
Expected option life (years)	5.0	4.5
Weighted average fair value of options granted	$ 4.50	$ 2.41

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require input of highly subjective assumptions, including the expected stock price volatility. Because options held by employees and directors have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in the opinion of management, the existing models do not necessarily provide a reasonable measure of the fair value of these options.

NOTE 8. COMMITMENTS

The Company has various operating leases primarily for buildings and computer equipment. Purchase options may be exercised at various times for some of these leases. Future minimum payments under these non-cancelable leases are as follows (in thousands):

Fiscal Year	
2004	$ 5,450
2005	6,051
2006	4,906
2007	4,465
2008	4,348
Thereafter	7,034
	$ 32,254

Under supply agreements entered into with Conexant and subsequently with Jazz Semiconductor, Inc. (Jazz Semiconductor), the Company receives wafer fabrication, wafer probe and certain other services from Jazz Semiconductor s Newport Beach, California foundry.

Pursuant to the terms of these agreements, the Company is committed to obtaining certain minimum wafer volumes from Jazz Semiconductor. The Company s expected minimum purchase obligations under these supply agreements will be approximately $26 million and $13 million for the remaining nine months of fiscal 2004 and the full fiscal year in 2005, respectively. The Company originally estimated its obligation under this agreement would result in excess costs of approximately $12.9 million when recorded as a liability and charged to cost of sales in the third quarter of fiscal 2002. During the fourth quarter of fiscal 2002, the Company reevaluated this obligation and reduced its liability and cost of sales by approximately $8.1 million in the quarter. During the first quarter of fiscal 2003, the Company reevaluated the remaining $4.8 million obligation related to Jazz Semiconductor and reduced its liability and cost of sales by approximately $4.8 million in the quarter. The Company currently anticipates meeting each of the annual minimum purchase obligations under these supply agreements.

NOTE 9. CONTINGENCIES

From time to time various lawsuits, claims and proceedings have been, and may in the future be, instituted or asserted against Skyworks, including those pertaining to patent infringement, intellectual property, environmental, product liability, safety and health, employment and contractual matters. In addition, in connection with the Merger, Skyworks has assumed responsibility for all then current and future litigation (including environmental and intellectual property proceedings) against Conexant or its subsidiaries in respect of the operations of Conexant s wireless business. The outcome of litigation cannot be predicted with certainty and some lawsuits, claims or proceedings may be disposed of unfavorably to Skyworks. Intellectual property disputes often have a risk of injunctive relief which, if imposed against Skyworks, could materially and adversely affect the financial condition or results of operations of Skyworks.

Additionally, the semiconductor industry is characterized by vigorous protection and pursuit of intellectual property rights. From time to time, third parties have asserted and may in the future assert patent, copyright, trademark and other intellectual property rights to technologies that are important to our business and have demanded and may in the future demand that we license their technology. At the present time, the Company is in discussions with Qualcomm Incorporated (Qualcomm) regarding claims that both the Company and Qualcomm filed and first served against each other on December 4, 2003 asserting violations of certain of each company s respective intellectual property rights. The purpose of these discussions is to arrive at a business resolution that avoids protracted litigation for both parties. The Company believes Qualcomm s claims are without merit and if the Company is not successful resolving this matter outside of litigation, it is prepared to vigorously defend against Qualcomm s claims and fully prosecute its claims against them.

NOTE 10. GUARANTEES

The Company has made guarantees and indemnities, under which it may be required to make payments to a guaranteed or indemnified party, in relation to certain transactions. In connection with the Merger, the Company assumed responsibility for all contingent liabilities and then-current and future litigation (including environmental and intellectual property proceedings) against Conexant or its subsidiaries to the extent related to the operations or assets of the wireless business of Conexant. The Company may also be responsible for certain federal income tax liabilities that relate to Washington/Mexicali s spin-off from Conexant under the Tax Allocation Agreement, dated as of June 25, 2002, between the Company and Conexant, which provides that the Company will be responsible for certain taxes imposed on Conexant or its shareholders. The Company s obligations under the tax allocation agreement have been limited by a letter dated November 6, 2002 entered into in connection with the debt refinancing with Conexant.

In connection with the sales of its products, the Company provides certain intellectual property indemnities to its customers. In connection with certain facility leases, the Company has indemnified its lessors for certain claims arising from the facility or the lease. The Company indemnifies its directors and officers to the maximum extent permitted under the laws of the state of Delaware. The duration of the guarantees and indemnities varies, and in many cases is indefinite. The guarantees and indemnities to customers in connection with product sales generally are subject to limits based upon the amount of the related product sales and in many cases are subject to geographic and other restrictions. In certain instances, the Company s guarantees and indemnities do not provide for any limitation of the maximum potential future payments the Company could be obligated to make. The Company has not recorded any liability for these guarantees and indemnities in the accompanying consolidated balance sheets.

Warranties are offered on the sale of certain products and an accrual is recorded for estimated claims. The changes in the warranty reserve are as follows:

Warranty balance, September 30, 2003	$ 6,131
Additions	825
Cash payments and reductions	(1,375)
Warranty balance, December 31, 2003	$ 5,581

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

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

OVERVIEW

Skyworks Solutions, Inc. (Skyworks or the Company) is a leading wireless semiconductor company focused exclusively on radio frequency (RF) and complete cellular system solutions for mobile communications applications. We offer front-end modules, RF subsystems and cellular systems to leading wireless handset and infrastructure customers.

On June 25, 2002, pursuant to an Agreement and Plan of Reorganization, dated as of December 16, 2001, as amended as of April 12, 2002, by and among Alpha Industries, Inc. (Alpha), Conexant Systems, Inc. (Conexant) and Washington Sub, Inc. (Washington), a wholly owned subsidiary of Conexant to which Conexant spun off its wireless communications business, including its gallium arsenide wafer fabrication facility located in Newbury Park, California, but excluding certain assets and liabilities, Washington merged with and into Alpha with Alpha as the surviving entity (the Merger). Following the Merger, Alpha changed its corporate name to Skyworks Solutions, Inc.

Immediately following completion of the Merger, the Company purchased Conexant s semiconductor assembly, module manufacturing and test facility located in Mexicali, Mexico, and certain related operations (Mexicali Operations) for $150 million. For financial accounting purposes, the sale of the Mexicali Operations by Conexant to Skyworks Solutions was treated as if Conexant had contributed the Mexicali Operations to Washington as part of the spin-off, and the $150 million purchase price was treated as a return of capital to Conexant. For purposes of these financial statements, the Washington business and the Mexicali Operations are collectively referred to as Washington/Mexicali. References to the Company refer to Washington/Mexicali for all periods prior to June 26, 2002, and to the combined company following the Merger.

The Merger was accounted for as a reverse acquisition whereby Washington was treated as the acquirer and Alpha as the acquiree, primarily because Conexant shareholders owned a majority, approximately 67 percent, of the Company upon completion of the Merger. Under a reverse acquisition, the purchase price of Alpha was based upon the fair market value of Alpha common stock for a reasonable period of time before and after the announcement date of the Merger and the fair value of Alpha stock options. The purchase price of Alpha was allocated to the assets acquired and liabilities assumed by Washington, as the acquiring company for accounting purposes, based upon their estimated fair market value at the acquisition date. Because the historical financial statements of the Company after the Merger do not include the historical financial results of Alpha for periods prior to June 25, 2002, the financial statements may not be indicative of future results of operations and are not indicative of the historical results that would have resulted if the Merger had occurred at the beginning of a historical financial period.

Our fiscal year ends on the Friday closest to September 30. For convenience, the consolidated condensed unaudited financial statements contained herein have been shown as ending on the last day of the calendar month. Fiscal year 2003 ended on October 3, 2003 and the first quarters of fiscal 2004 and fiscal 2003 ended on January 2, 2004 and December 27, 2002, respectively.

We entered into agreements with Conexant providing for the supply to us of transition services by Conexant and for the supply of gallium arsenide wafer fabrication and assembly and test services to Conexant, initially at substantially the same volumes as historically obtained by Conexant from Washington/Mexicali. We also entered into agreements with Conexant and Jazz Semiconductor, Inc. (Jazz Semiconductor), providing for the supply to us of silicon-based wafer fabrication, wafer probe and certain other services by Jazz Semiconductor. Historically, Washington/Mexicali obtained a portion of its silicon-based semiconductors from the Newport Beach wafer fabrication facility that is now Jazz Semiconductor. We also provide semiconductor assembly and test services to Conexant at our Mexicali facility.

The wireless communications semiconductor industry is highly cyclical and is characterized by constant and rapid technological change, rapid product obsolescence and price erosion, evolving standards, short product life cycles and wide fluctuations in product supply and demand. Our operating results have been, and our operating results may continue to be, negatively affected by substantial quarterly and annual fluctuations and market downturns due to a number of factors, such as changes in demand for end-user equipment, the timing of the receipt, reduction or cancellation of significant customer orders, the gain or loss of significant customers, market acceptance of our products and our customers products, our ability to develop, introduce and market new products and technologies on a timely basis, availability and cost of products from suppliers, new product and technology introductions by competitors, changes in the mix of products produced and sold, intellectual property disputes, the timing and extent of product development costs and general economic conditions. In the past, average selling prices of established products have generally declined over time and this trend is expected to continue in the future.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We regularly evaluate our estimates and assumptions based upon historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. To the extent actual results differ from those estimates, our future results of operations may be affected. We believe the following critical accounting policies affect the more significant judgments and estimates used in the preparation of our consolidated financial statements.

Allowance for doubtful accounts We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, our actual losses may exceed our estimates, and additional allowances would be required.

Inventories We assess the recoverability of inventories through an on-going review of inventory levels relative to sales backlog and forecasts, product marketing plans and product life cycles. When the inventory on hand exceeds the foreseeable demand (generally in excess of six to twelve months), we write down the value of those excess inventories. We sell our products to communications equipment original equipment manufacturers (OEMs) that have designed our 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. In the event of the loss of business from existing OEM customers, we may be unable to secure new customers for our 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 our products have been designed, we generally will be unable to sell our 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. Demand for our 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.

Valuation of long-lived assets, goodwill and intangible assets Carrying values for long-lived assets and definitive-lived intangible assets, excluding goodwill, are reviewed for possible impairment as circumstances warrant in connection with Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, which was adopted on October 1, 2002. Impairment reviews are conducted at the judgment of management whenever events or changes in circumstances indicate that the carrying amount of any such asset may not be recoverable. The determination of recoverability is based on an estimate of undiscounted cash flows expected to result from the use of an asset and its eventual disposition. The estimate of cash flows is based upon, among other things, certain assumptions about expected future operating performance. Our estimates of undiscounted cash flows may differ from actual cash flows due to, among other things, technological changes, economic conditions, changes to our business model or changes in our operating performance. If the sum of the undiscounted cash flows (excluding interest) is less than the carrying value, we recognize an impairment loss, measured as the amount by which the carrying value exceeds the fair value of the asset. Fair value is determined using discounted cash flows.

Carrying values of goodwill and other intangible assets with indefinite lives are reviewed annually for possible impairment in accordance with SFAS No. 142, Goodwill and Other Intangible Assets, which we adopted on October 1, 2002. The goodwill impairment test is a two-step process. The first step of the impairment analysis compares our fair value to our net book value. In determining fair value, SFAS No. 142 allows for the use of several valuation methodologies, although it states quoted market prices are the best evidence of fair value. Step two of the analysis compares the implied fair value of goodwill to its carrying amount in a manner similar to purchase price allocation. If the carrying amount of goodwill exceeds its implied fair value, an impairment loss is recognized equal to that excess. We test our goodwill for impairment annually as of the first day of our fourth fiscal quarter and in interim periods if certain events occur indicating that the carrying value of goodwill may be impaired.

Deferred income taxes We have provided a valuation allowance related to our substantial United States deferred tax assets. If sufficient evidence of our ability to generate sufficient future taxable income in certain tax jurisdictions becomes apparent, we may be required to reduce our valuation allowance, which may result in income tax benefits in our statement of operations. The future realization of certain pre-Merger deferred tax assets will be applied to reduce the carrying value of goodwill. The portion of the valuation allowance for these pre-Merger deferred tax assets for which subsequently recognized tax benefits may be applied to reduce goodwill is approximately $43.5 million. We evaluate the realizability of the deferred tax assets and assess the need for a valuation allowance quarterly. In fiscal 2002, we recorded a tax benefit of approximately $23 million related to the impairment of our Mexicali assets. A valuation allowance has not been established because we believe that the related deferred tax asset will be recovered during the carryforward period.

Revenue recognition Revenues from product sales are recognized upon shipment and transfer of title, in accordance with the shipping terms specified in the arrangement with the customer. Revenue recognition is deferred in all instances where the earnings process is incomplete. Certain product sales are made to electronic component distributors under agreements allowing for price protection and/or a right of return on unsold products. We reduce revenue to the extent of our estimate for distributor claims of price protection and/or right of return on unsold product. A reserve for sales returns and allowances for customers is recorded based on historical experience or specific identification of an event necessitating a reserve.

RESULTS OF OPERATIONS

THREE MONTHS ENDED DECEMBER 31, 2003 AND 2002

The following table sets forth the results of our operations expressed as a percentage of net revenues for the three months ended December 31, 2003 and 2002:

	Three Months Ended December 31,	
	2003	2002
Net revenues	100.0%	100.0%
Cost of goods sold	61.9	59.3
Gross margin	38.1	40.7
Operating expenses:		
Research and development	21.0	23.3
Selling, general and administrative	10.8	12.6
Amortization of intangible assets	0.4	0.7
Total operating expenses	32.2	36.6
Operating income	5.9	4.0
Interest expense	(3.1)	(3.6)
Other income (expense), net	0.3	0.5
Income before income taxes and cumulative effect of change in accounting principle	3.1	1.0
Provision for income taxes before cumulative effect of change in accounting principle	0.7	0.5
Cumulative effect of change in accounting principle, net of tax	--	(247.9)
Net income (loss)	2.4%	(247.4)%

GENERAL

Net revenues increased $14.9 million, or 9.3%, in the first quarter of fiscal 2004 when compared to the corresponding period in the previous year primarily as the result of increasing demand for our wireless product portfolio. Gross margin for the quarter ended December 31, 2002 was favorably affected by $4.8 million when we reevaluated our obligation under wafer fabrication supply agreements with Conexant and Jazz Semiconductor and reduced our liability and cost of sales. Excluding the effect of this item, gross margin improved for the first quarter of fiscal 2004 to 38.1% from 37.7% for the corresponding period in the previous year reflecting increased revenues and improved utilization of our manufacturing facilities for the first quarter of fiscal 2004. In addition, operating results improved through reduced selling, general and administrative costs and research and development costs in the first quarter of fiscal 2004 when compared to the corresponding period in the previous year, reflecting lower headcount and personnel-related costs resulting from the expense reduction and restructuring actions implemented in fiscal 2003.

NET REVENUES

	Three Months Ended December 31,		
	2003	Change	2002
(in thousands)			
Net revenues	$175,108	9.3%	$160,194

We market and sell our semiconductor products and system solutions to leading OEMs of communication electronics products, third-party original design manufacturers (ODMs) and contract manufacturers and indirectly through electronic components distributors.

Net revenues increased for the quarter ended December 31, 2003 when compared to the corresponding period in the previous year primarily as the result of increased demand for our wireless product portfolio. More specifically, RF subsystems and complete cellular systems exhibited strong year-over-year growth. Additionally, we have launched a number of more highly integrated product offerings, added to our customer base and expanded our geographical market presence. These increases in net revenues in the first quarter of fiscal 2004 when compared to the corresponding period in the previous year were tempered by a decrease in average selling prices of our front-end module products and a decline in demand for our semiconductor assembly and test services.

GROSS MARGIN

	Three Months Ended December 31,		
	2003	Change	2002
(in thousands)			
Gross margin	$ 66,740	2.5%	$65,120
% of net revenues	38.1%		40.7%

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 and sustaining engineering expenses pertaining to products sold.

Gross margin for the quarter ended December 31, 2002 was favorably affected by $4.8 million when we reevaluated our obligation under wafer fabrication supply agreements with Conexant and Jazz Semiconductor and reduced our liability and cost of sales. As of December 31, 2003, we expect to meet all of our purchase obligations under these agreements. Pursuant to the terms of these agreements, we are committed to obtaining certain minimum wafer volumes from Jazz Semiconductor. Excluding the effect of this item, gross margin improved for the first quarter of fiscal 2004 to 38.1% from 37.7% for the corresponding period in the previous year. This reflects increased revenues and improved utilization of our manufacturing facilities for the first quarter of fiscal 2004.

RESEARCH AND DEVELOPMENT

	Three Months Ended December 31,		
	2003	Change	2002
(in thousands)			
Research and development	$ 36,694	(1.6)%	$ 37,301
% of net revenues	21.0%		23.3%

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.

Our research and development expenses in both the first quarters of fiscal 2004 and fiscal 2003 represent our commitment to design new products and processes and address new opportunities to meet our customers demands. Since the Merger, we have expanded customer support engagements as well as development efforts targeting semiconductor 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. Research and development expenses were slightly lower for the first quarter of fiscal 2004 when compared to the corresponding period in the previous year because of lower headcount and personnel-related costs resulting from the expense reduction and restructuring actions implemented in fiscal 2003.

SELLING, GENERAL AND ADMINISTRATIVE

	Three Months Ended December 31,		
	2003	Change	2002
(in thousands)			
Selling, general and administrative	$ 18,904	(6.7)%	$ 20,252
% of net revenues	10.8%		12.6%

Selling, general and administrative expenses include personnel costs (legal, accounting, treasury, human resources, information systems, customer service, etc.), sales representative commissions, advertising and other marketing costs.

The decrease in selling, general and administrative expenses for the quarter ended December 31, 2003 when compared to the corresponding period in the previous year is primarily the result of lower headcount and personnel-related costs resulting from the expense reduction and restructuring actions implemented in fiscal 2003.

AMORTIZATION OF INTANGIBLE ASSETS

	Three Months Ended December 31,		
	2003	Change	2002
(in thousands)			
Amortization of intangible assets	$ 769	(31.8)%	$ 1,127
% of net revenues	0.4%		0.7%

In 2002, we recorded $36.4 million of intangible assets related to the Merger consisting of developed technology, customer relationships and a trademark. These assets are principally being amortized on a straight-line basis over a 10-year period. Amortization expense for the first quarter of both fiscal 2004 and fiscal 2003 primarily represents the amortization of these intangible assets. During the fourth quarter of fiscal 2003 we wrote down certain intangible assets related to our infrastructure business based on a recoverability analysis prepared by management based on a decline in demand for, and a decision to discontinue, certain infrastructure products. This write-down established a new cost basis for these assets and resulted in a decrease in amortization expense for the first quarter of fiscal 2004 when compared to the same period in fiscal 2003.

INTEREST EXPENSE

	Three Months Ended December 31,		
	2003	**Change**	**2002**
(in thousands)			
Interest expense	$ 5,374	(6.3)%	$ 5,734
% of net revenues	3.1%		3.6%

The decrease in interest expense for the first quarter of fiscal 2004 when compared to the corresponding period in the previous year is primarily related to the restructuring of certain of our Merger-related debt obligations to Conexant on November 13, 2002. We repaid our $150 million note with Conexant for the Mexicali facility purchase and approximately $65 million of borrowings under our revolving credit facility with Conexant with the proceeds from the $230 million private placement of convertible junior subordinated notes and the $45 million issuance to Conexant of convertible senior subordinated notes described below. This debt restructuring reduced our overall interest expense and provided funds for working capital needs.

Our long-term debt includes $230 million of convertible subordinated junior notes at a fixed interest rate of 4.75 percent due 2007. These junior notes can be converted into 110.4911 shares of common stock per $1,000 principal balance, which is the equivalent of a conversion price of approximately $9.05 per share. We may redeem the junior notes at any time after November 20, 2005. The redemption price of the junior notes during the period between November 20, 2005 through November 14, 2006 will be $1,011.875 per $1,000 principal amount of notes to be redeemed, plus accrued and unpaid interest, if any, to the redemption date, and the redemption price of the notes beginning on November 15, 2006 and thereafter will be $1,000 per $1,000 principal amount of notes to be redeemed, plus accrued and unpaid interest, if any, to the redemption date. Holders may require that we repurchase the junior notes upon a change in control of the Company. We pay interest in cash semi-annually in arrears on May 15 and November 15 of each year.

In addition, our long-term debt includes $45 million of convertible senior subordinated notes at a fixed rate of 15 percent due June 30, 2005, which were issued as part of our debt refinancing with Conexant. These senior notes can be converted into our common stock at a conversion rate based on the applicable conversion price, which is subject to adjustment based on, among other things, the market price of our common stock. Based on this adjustable conversion price, we expect that the maximum number of shares that could be issued under the senior notes is approximately 7.1 million shares, subject to adjustment for stock splits and other similar dilutive occurrences. If the holder(s) of these senior notes converted the notes at a price that is less than the original conversion price ($7.87) as the result of a decrease in the market price of our stock, we would be required to record a charge to interest expense in the period of conversion. At maturity (including upon certain acceleration events), we will pay the principal amount of the senior notes by issuing a number of shares of common stock equal to the principal amount of the senior notes then due and payable divided by the applicable conversion price in effect on such date, together with cash in lieu of any fractional shares. The senior notes are redeemable for cash at any time after May 12, 2004 at $1,030 per $1,000 principal amount of senior notes to be redeemed, plus accrued and unpaid interest, unless converted into common stock by the holder prior to the redemption date. The holder(s) may require that we repurchase the senior notes upon a change in control of the Company. We pay interest in cash on the senior notes on the last business day of each March, June, September and December of each year. Interest on the senior notes is not deductible for tax purposes because of the conversion feature.

We entered into a receivables purchase agreement under which we have agreed to sell from time to time certain of our accounts receivable to Skyworks USA, Inc. (Skyworks USA), a wholly-owned, special purpose entity that is fully consolidated for accounting purposes. Concurrently, Skyworks USA entered into an agreement with Wachovia Bank, National Association providing for a $50 million credit facility (Facility Agreement) secured by the purchased accounts receivable. Our short-term debt consists of funds borrowed under the Facility Agreement. As a part of the consolidation, any interest incurred by Skyworks USA related to monies it borrows under the Facility Agreement is recorded as interest expense in our results of operations. Interest related to the Facility Agreement is LIBOR plus 0.4% and was approximately 1.5% at September 30, 2003. We perform collections and administrative functions on behalf of Skyworks USA. As of December 31, 2003, Skyworks

USA had borrowings of $39.0 million outstanding under this agreement.

OTHER INCOME, NET

	Three Months Ended December 31,		
	2003	Change	2002
(in thousands)			
Other income, net	$ 453	(45.0)%	$ 823
% of net revenues	0.3%		0.5%

Other income, net is comprised primarily of interest income on invested cash balances, foreign exchange gains/losses and other non-operating income and expense items.

PROVISION FOR INCOME TAXES

	Three Months Ended December 31,		
	2003	Change	2002
(in thousands)			
Provision for income taxes	$ 1,280	73.4%	$ 738
% of net revenues	0.7%		0.5%

As a result of our history of operating losses and the expectation of future operating results, we determined that it is more likely than not that historic income tax benefits will not be realized except for certain future deductions associated with our foreign operations. Consequently, as of December 31, 2003, we have established a valuation allowance against all of our net U.S. deferred tax assets. Deferred tax assets have been recognized for foreign operations when management believes they will be recovered during the carry forward period.

The provision for income taxes for the first quarter of fiscal 2004 consists of approximately $0.8 million of foreign income taxes incurred by foreign operations and approximately $0.5 million of U.S. income taxes recorded as a charge reducing the carrying value of goodwill. As noted in our annual report on Form 10-k, no benefit has been recognized for certain pre-Merger deferred tax assets. The benefit from the recognition of these deferred items reduces the carrying value of goodwill instead of a reduction of income tax expense. We will evaluate the realization of the pre-Merger deferred tax assets on a quarterly basis and adjust the provision for income taxes accordingly. As a result, the effective tax rate may vary in subsequent quarters.

The provision for income taxes for the first quarter of fiscal 2003 consists of foreign income taxes incurred by foreign operations.

CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

We adopted SFAS No. 142, Goodwill and Other Intangible Assets, October 1, 2002 and performed a transitional impairment test for goodwill. The goodwill impairment test is a two-step process. The first step of the impairment analysis compares our fair value to our net book value. In determining fair value, SFAS No. 142 allows for the use of several valuation methodologies, although it states quoted market prices are the best evidence of fair value. As part of the first step, we determined that we have one reporting unit for purposes of performing the fair-value based test of goodwill. This reporting unit is consistent with our single operating segment, which management determined is appropriate under the provisions of SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information. We completed step one and determined that our goodwill and unamortized intangible assets were impaired. Step two of the analysis compares the implied fair value of goodwill to its carrying amount in a manner similar to purchase price allocation. If the carrying amount of goodwill exceeds its implied fair value, an impairment loss is recognized equal to that excess. We completed step two and determined that the carrying amount of our goodwill was $397.1 million greater than its implied fair value. This transitional impairment charge was recorded as a cumulative effect of a change in accounting principle and is reflected in our results of operations as of the beginning of fiscal 2003.

LIQUIDITY AND CAPITAL RESOURCES

	Three Months Ended December 31,	
(in thousands)	**2003**	**2002**
Cash and cash equivalents at beginning of period	$ 161,506	$ 53,358
Net cash provided by (used in) operating activities	26,125	(31,053)
Net cash provided by (used in) investing activities	(9,862)	(13,932)
Net cash provided by (used in) financing activities	(1,518)	85,890
Cash and cash equivalents at end of period	$ 176,251	$ 94,263

Cash provided by operating activities was $26.1 million for the first quarter of fiscal 2004, reflecting net income of $4.2 million, in addition to non-cash charges, primarily depreciation, amortization, and contribution of common shares to Savings and Retirement Plans of $10.7 million and a net decrease in the components of working capital of approximately $11.2 million. Operating results for the first quarter of fiscal 2004 improved when compared to the same period in fiscal 2003, primarily as the result of increased revenues and improved utilization of our manufacturing facilities. Cash used in operating activities was $31.0 million for the first quarter of fiscal 2003, reflecting a net loss of $396.3 million, offset by non-cash charges, primarily our goodwill transitional impairment charge, depreciation, amortization, and contribution of common shares to Savings and Retirement Plans, of $409.5 million and a net decrease in the components of working capital of approximately $44.2 million, including $35.6 million of nonrecurring merger related expense payments.

Cash used in investing activities for both the first quarter of fiscal 2004 and fiscal 2003 consisted of capital expenditures of $13.9 million. These capital expenditures represent our continued investment in production and test facilities in addition to our commitment to invest in the capital needed to design new products and processes and address new opportunities to meet our customers demands. We believe a focused program of capital expenditures will be required to sustain our current manufacturing capabilities. We may also consider acquisition opportunities to extend our technology portfolio and design expertise and to expand our product offerings. In the first quarter of fiscal 2004, these capital expenditures were partially offset by approximately $4.0 million of cash provided by the maturity of short-term investments.

Cash used in financing activities for the first quarter of fiscal 2004 principally consisted of approximately $2.7 million of net payments to Wachovia Bank, National Association under our Facility Agreement. As of December 31, 2003, Skyworks USA had borrowings of $39.0 million outstanding under our $50 million Facility Agreement secured by the purchased accounts receivable. These financing activity cash outflows were partially offset by approximately $1.2 million of cash provided by stock option exercises during the first quarter of fiscal 2004. Cash provided by financing activities for the first quarter of fiscal 2003 principally consisted of the net impact of the Company s private placement of $230 million of 4.75 percent convertible subordinated notes due 2007 and related debt refinancing with Conexant on November 13, 2002. The net proceeds from the note offering were principally used to prepay $105 million of the $150 million note to Conexant relating to the purchase of the Mexicali Operations and prepay the $65 million principal amount outstanding as of November 13, 2002 under a separate loan facility with Conexant. In connection with the prepayment by the Company of $105 million of the $150 million note owed to Conexant relating to the purchase of the Mexicali Operations, the remaining $45 million principal balance on the note was exchanged for new 15 percent convertible debt securities with a maturity date of June 30, 2005. In addition to the retirement of $170 million in principal amount of indebtedness owing to Conexant, we also retained approximately $53 million of net proceeds of the private placement to support our working capital needs.

Based on our results of operations for the first quarter of fiscal 2004 and current trends, and after giving effect to the net proceeds of our $102 million offering of our common stock on September 12, 2003, our $230 million private placement of 4.75 percent convertible subordinated notes due 2007, our $45 million debt refinancing with Conexant and our Facility Agreement, we expect our existing sources of liquidity, together with cash expected to be generated from operations, will be sufficient to fund our research and development, capital expenditures, debt obligations, purchase obligations, working capital and other cash requirements for at least the next twelve months. However, we cannot assure you that the capital required to fund these expenses will be available in the future. In addition, any strategic investments and acquisitions that we may make to help us grow our business may require additional capital resources. If we are unable to obtain enough capital to meet our capital needs on a timely basis or at all, our business and operations would be materially adversely affected.

COMMITMENTS

Following is a summary of our contractual payment obligations for consolidated debt, purchase obligations and lease obligations at December 31, 2003 (in thousands):

Obligation	Total	Less than 1 year	1-3 years	4-5 Years	Thereafter
Long-term debt	$275,000	$ --	$ 45,000	$230,000	$ --
Short-term debt	39,005	39,005	--	--	--
Unconditional purchase obligations	38,630	25,753	12,877	--	--
Capital leases	--	--	--	--	--
Operating leases	32,254	5,450	10,958	8,812	7,034
	$384,889	$70,208	$ 68,835	$238,812	$7,034

OFF-BALANCE SHEET ARRANGEMENTS

Our off-balance sheet arrangements consist of operating leases and unconditional purchase obligations. We lease certain facilities and equipment under non-cancelable operating leases. The leases expire at various dates through 2010 and contain various provisions for rental adjustments. The leases generally contain renewal provisions for varying periods of time. Our unconditional purchase obligations relate to supply agreements entered into with Conexant and Jazz Semiconductor. Pursuant to these supply agreements we receive wafer fabrication, wafer probe and certain other services from Jazz Semiconductor and are committed to obtaining certain minimum wafer volumes from Jazz Semiconductor.

CERTAIN BUSINESS RISKS

We operate in the highly cyclical wireless communications semiconductor industry, which is subject to significant downturns.

From time to time changes in general economic conditions, together with other factors, cause significant upturns and downturns in the industry. Periods of industry downturn, as we experienced beginning in calendar year 2001, have been characterized by diminished product demand, production overcapacity, high inventory levels and accelerated erosion of average selling prices. These characteristics, and in particular their impact on the level of demand for digital cellular handsets, may cause substantial fluctuations in our revenues and results of operations.

During the late 1990 s and extending into 2000, the wireless communications semiconductor industry enjoyed unprecedented growth, benefiting from the rapid expansion of wireless communication services worldwide and increased demand for digital cellular handsets. However, beginning in calendar year 2001, we were adversely impacted by a global economic slowdown and an abrupt decline in demand for many of the end-user products that incorporate our products and system solutions, particularly cellular handsets. The impact of weakened end-customer demand was compounded by higher than normal levels of inventories among our original equipment manufacturer, or OEM, subcontractor and distributor customers. Although we may be emerging from this period of reduced end-customer demand, should it recur it could result in underutilization of our manufacturing capacity, reduced revenues and other impacts that would materially and adversely affect our operating results.

Because of the cyclical nature of the wireless communications semiconductor industry, we cannot assure you of the timing, duration or magnitude of any recovery in our industry or that a sustainable recovery will occur. We cannot assure you that the wireless communications semiconductor industry will not experience future, and possibly more severe and prolonged, downturns, or that our operating results or financial condition will not be adversely affected by them. We have experienced these cyclical fluctuations in our business and may experience cyclical fluctuations in the future.

We have recently incurred substantial operating losses and may experience future losses.

Our operating results have been adversely affected by a global economic slowdown, concerns about inflation, decreased consumer confidence, reduced capital spending, adverse business conditions, and liquidity concerns in the telecommunications and related industries. These factors have lead to an to a slowdown in customer orders, an increase in the number of cancellations and reschedulings of backlog, higher overhead costs as a percentage of our reduced net revenue, and an abrupt decline in demand for many of the end-user products that incorporate wireless communications semiconductor products and system solutions. As a result, we continued to incur operating losses during fiscal 2003 and may experience operating losses in the future. Should the reduced end-customer demand continue for any reason, this could result in underutilization of our manufacturing capacity, reduced revenues or changes in our revenue mix, and other factors that could continue to materially and adversely affect our operating results in the near term. Due to these economic factors, we cannot assure you as to whether or when we will become profitable or whether we will be able to sustain such profitability, if achieved.

Additionally, the conflict in Iraq as well as other contemporary international conflicts, acts of terrorism and civil and military unrest have augmented the economic slowdown. These continuing and potentially escalating conflicts can be expected to place further pressure on economic conditions in the United States and worldwide. These conditions make it extremely difficult for our customers, our vendors and for us to accurately forecast and plan future business activities. If such conditions continue or worsen, our business, financial condition and results of operations will likely be materially and adversely affected.

The wireless semiconductor markets are characterized by intense competition.

The wireless communications semiconductor industry in general and the markets in which we compete in particular are intensely competitive. We compete with U.S. and international semiconductor manufacturers of all sizes in terms of resources and market share. We currently face significant competition in our markets and expect that intense price and product competition will continue. This competition has resulted in, and is expected to continue to result in, declining average selling prices for our products and increased challenges in maintaining or increasing market share. Furthermore, additional competitors may enter our markets as a result of growth opportunities in communications electronics, the trend toward global expansion by foreign and domestic competitors and technological and public policy changes. We believe that the principal competitive factors for semiconductor suppliers in our markets include, among others:

- time-to-market;
- timely new product innovation;
- product quality, reliability and performance;
- product price;
- features available in products;
- compliance with industry standards;
- strategic relationships with customers; and
- access to and protection of intellectual property.

We cannot assure you that we will be able to successfully address these factors. Many of our competitors enjoy the benefit of:

- long presence in key markets;
- name recognition;
- high levels of customer satisfaction;
- ownership or control of key technology or intellectual property; and
- strong financial, sales and marketing, manufacturing, distribution, technical or other resources.

As a result, certain competitors may be able to adapt more quickly than we can to new or emerging technologies and changes in customer requirements or may be able to devote greater resources to the development, promotion and sale of their products than we can.

Current and potential competitors have established or may in the future establish financial or strategic relationships among themselves or with customers, resellers or other third parties. These relationships may affect customers purchasing decisions. Accordingly, it is possible that new competitors or alliances among competitors could emerge and rapidly acquire significant market share. We cannot assure you that we will be able to compete successfully against current and potential competitors. Increased competition could result in pricing pressures, decreased gross margins and loss of market share and may materially and adversely affect our business, financial condition and results of operations.

Our success depends upon our ability to develop new products and reduce costs in a timely manner.

The wireless communications semiconductor industry is highly cyclical and characterized by constant and rapid technological change, rapid product evolution, price erosion, evolving technical standards, short product life cycles, increasing demand for higher levels of integration and increased miniaturization, and wide fluctuations in product supply and demand. In particular, the markets into which we sell demand cutting-edge technologies and new and innovative products. Our operating results depend largely on our ability to continue to introduce new and enhanced products on a timely basis. The development and commercialization of semiconductor devices, modules and system solutions is highly complex. Successful product development and introduction depends on numerous factors, including:

- the ability to anticipate customer and market requirements and changes in technology and industry standards;
- the ability to obtain capacity sufficient to meet customer demand;
- the ability to define new products that meet customer and market requirements;
- the ability to complete development of new products and bring products to market on a timely basis;
- the ability to differentiate our products from offerings of our competitors;
- overall market acceptance of our products; and
- the ability to obtain adequate intellectual property protection for our new products.

We cannot assure you that we will have sufficient resources to make the substantial investment in research and development needed to develop and bring to market new and enhanced products in a timely manner. We will be required to continually evaluate expenditures for planned product development and to choose among alternative technologies based on our expectations of future market growth. We cannot assure you that we will be able to develop and introduce new or enhanced wireless communications semiconductor products in a timely and cost-effective manner, that our products will satisfy customer requirements or achieve market acceptance or that we will be able to anticipate new industry standards and technological changes. We also cannot assure you that we will be able to respond successfully to new product announcements and introductions by competitors or to changes in the design or specifications of complementary products of third parties to which our products interface.

In addition, prices of products may decline, sometimes significantly, over time. We believe that to remain competitive we must continue to reduce the cost of producing and delivering existing products at the same time that we develop and introduce new or enhanced products. We cannot assure you that we will be able to continue to reduce the cost of our products to remain competitive.

The markets into which we sell our products are characterized by rapid technological change.

The demand for our products can change quickly and in ways we may not anticipate. Our markets generally exhibit the following characteristics:

- rapid technological developments and product evolution;
- rapid changes in customer requirements;
- frequent new product introductions and enhancements;
- demand for higher levels of integration, decreased size and decreased power consumption;
- short product life cycles with declining prices over the life cycle of the product; and
- evolving industry standards.

These changes in our markets may contribute to the obsolescence of our products. Our products could become obsolete or less competitive sooner than anticipated because of a faster than anticipated change in one or more of the above-noted factors.

The ability to attract and retain qualified personnel to contribute to the design, development, manufacture and sale of our products is critical to our success.

As the source of our technological and product innovations, our key technical personnel represent a significant asset. Our success depends on our ability to continue to attract, retain and motivate qualified personnel, including executive officers and other key management and technical personnel. The competition for management and technical personnel is intense in the semiconductor industry, and we therefore cannot assure you that we will be able to attract and retain qualified management and other personnel necessary for the design, development, manufacture and sale of our products. We may have particular difficulty attracting and retaining key personnel during periods of poor operating performance, given, among other things, the use of equity-based compensation by us and our competitors. The loss of the services of one or more of our key employees or our inability to attract, retain and motivate qualified personnel, could have a material adverse effect on our ability to operate our business.

If OEMs and ODMs of communications electronics products do not design our products into their equipment, we will have difficulty selling those products. Moreover, a design win from a customer does not guarantee future sales to that customer

Our products will not be sold directly to the end-user but will be components or subsystems of other products. As a result, we will rely on OEMs and ODMs of wireless communications electronics products to select our products from among alternative offerings to be designed into their equipment. Without these design wins, we would have difficulty selling our products. If a manufacturer designs another supplier s product into one of its product platforms, it is more difficult for us to achieve future design wins with that platform because changing suppliers involves significant cost, time, effort and risk on the part of that manufacturer. Also, achieving a design win with a customer does not ensure that we will receive significant revenues from that customer. Even after a design win, the customer is not obligated to purchase our products and can choose at any time to reduce or cease use of our products, for example, if its own products are not commercially successful, or for any other reason. We cannot assure you that we will continue to achieve design wins or to convert design wins into actual sales.

Lengthy product development and sales cycles associated with many of our products may result in significant expenditures before generating any revenues related to those products.

After our product is has been developed, tested, and manufactured, our customers may need three to six months or longer to integrate, test and evaluate our products and an additional three to six months or more to begin volume production of equipment incorporates the products. This lengthy cycle time increases the possibility that a customer may decide to cancel or change product plans, which could reduce or eliminate our sales to that customer. As a result of this lengthy sales cycle, we may incur significant research and development expenses, and selling, general and administrative expenses, before we generate the related revenues for these products. Furthermore, we may never generate the anticipated revenues from a product after incurring such expenses if our customer cancels or changes its product plans.

Uncertainties involving the ordering and shipment of our products could adversely affect our business.

Our sales will typically be made pursuant to individual purchase orders and not under long-term supply arrangements with our customers. Our customers may cancel orders before shipment. Additionally, we will sell a portion of our products through distributors, some of whom will have rights to return unsold products. We may purchase and manufacture inventory based on estimates of customer demand for our products, which is difficult to predict. This difficulty may be compounded when we sell to OEMs indirectly through distributors or contract manufacturers, or both, as our forecasts of demand will then be based on estimates provided by multiple parties. In addition, our customers may change their inventory practices on short notice for any reason. The cancellation or deferral of product orders, the return of previously sold products, or overproduction due to a change in anticipated order volumes, could result in us holding excess or obsolete inventory, which could result in inventory write-downs and, in turn, could have a material adverse effect on our financial condition.

Our reliance on a small number of customers for a large portion of our sales could have a material adverse effect on the results of our operations.

A significant portion of our sales are concentrated among a limited number of customers. If we lost one or more of these major customers, or if one or more major customers significantly decreased its orders of our products, our business would be materially and adversely affected. Sales to Samsung Electronics Co. and to Motorola, Inc. represented approximately 15% and 11%, respectively, of net revenues for fiscal 2003. Our future operating results will depend on the success of these customers and other customers and our success in selling products to them.

Average product life cycles in the semiconductor industry tend to be very short.

In the semiconductor industry, product life cycles tend to be short relative to the sales and development cycles. Therefore, the resources devoted to product sales and marketing may not result in material revenue, and from time to time we may need to write off excess or obsolete inventory. If we were to incur significant marketing expenses and investments in inventory that we are not able to recover, and we are not able to compensate for those expenses, our operating results would be materially and adversely affected. In addition, if we sell our products at reduced prices in anticipation of cost reductions but still hold higher cost products in inventory, our operating results would be harmed.

Our leverage and our debt service obligations may adversely affect our cash flow.

On December 31, 2003, after giving effect to unused availability under our receivable financing credit facility with Wachovia Bank, National Association, we would have had total indebtedness of approximately $325 million, which would have represented approximately 34% of our total capitalization.

As long as our 4.75 percent convertible subordinated notes remain outstanding, we will have debt service obligations on such notes of approximately $10,925,000 per year in interest payments. In addition, we will have debt service obligations on our 15 percent convertible senior subordinated notes due June 30, 2005, originally issued to Conexant, of approximately $6,750,000 per year. If we issue other debt securities in the future, our debt service obligations will increase. If we are unable to generate sufficient cash to meet these obligations and must instead use our existing cash or investments, we may have to reduce or curtail other activities of our business.

We intend to fulfill our debt service obligations from cash generated by our operations, if any, and from our existing cash and investments. If necessary, among other alternatives, we may add lease lines of credit to finance capital expenditures and we may obtain other long-term debt, lines of credit and other financing.

Our indebtedness could have significant negative consequences, including:

- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our ability to obtain additional financing;
- requiring the dedication of a substantial portion of any cash flow from operations to service our indebtedness, thereby reducing the amount of cash flow available for other purposes, including capital expenditures;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we compete; and
- placing us at a possible competitive disadvantage to less leveraged competitors and competitors that have better access to capital resources.

Despite our current debt levels, we are able to incur substantially more debt, which would increase the risks described above.

We face a risk that capital needed for our business will not be available when we need it.

We may need to obtain sources of financing in the future. After giving effect to the net proceeds of our $102 million offering of shares of our common stock on September 12, 2003, our $230 million private placement of 4.75 percent convertible subordinated notes due 2007, our $45 million debt refinancing with Conexant and our receivables financing credit facility with Wachovia Bank, National Association, we believe that our existing sources of liquidity, together with cash expected to be generated from operations, will be sufficient to fund our research and development, capital expenditure, working capital and other financing requirements for at least the next twelve months.

However, we cannot assure you that the capital required to fund these expenses will be available in the future. Conditions existing in the U.S. capital markets when we seek financing as well as the then current condition of the Company will affect our ability to raise capital, as well as the terms of any financing. We may not be able to raise enough capital to meet our capital needs on a timely basis or at all. Failure to obtain capital when required would have a material adverse effect on the Company.

In addition, any strategic investments and acquisitions that we may make to help us grow our business may require additional capital resources. We cannot assure you that the capital required to fund these investments and acquisitions will be available in the future.

Our manufacturing processes are extremely complex and specialized.

Our manufacturing operations are complex and subject to disruption, including for causes beyond our control. The fabrication of integrated circuits is an extremely complex and precise process consisting of hundreds of separate steps. It requires production in a highly controlled, clean environment. Minor impurities, contamination of the clean room environment, errors in any step of the fabrication process, defects in the masks used to print circuits on a wafer, defects in equipment or materials, human error, or a number of other factors can cause a substantial percentage of wafers to be rejected or numerous die on each wafer to malfunction. Because our operating results are highly dependent upon our ability to produce integrated circuits at acceptable manufacturing yields, these factors present could have a material adverse affect on our business. In addition, we may discover from time to time defects in our products after they have been shipped, which may require us to replace such products.

Additionally, our operations may be affected by lengthy or recurring disruptions of operations at any of our production facilities or those of our subcontractors. These disruptions may include electrical power outages, fire, earthquake, flooding, war, acts of terrorism, or other natural or man-made disasters. Disruptions of our manufacturing operations could cause significant delays in shipments until we are able to shift the products from an affected facility or subcontractor to another facility or subcontractor. In the event of such delays, we cannot assure you that the required alternative capacity, particularly wafer production capacity, would be available on a timely basis or at all. Even if alternative wafer production or assembly and test capacity is available, we may not be able to obtain it on favorable terms, which could result in higher costs and/or a loss of customers. We may be unable to obtain sufficient manufacturing capacity to meet demand, either at our own facilities or through external manufacturing or similar arrangements with others.

Due to the highly specialized nature of the gallium arsenide integrated circuit manufacturing process, in the event of a disruption at the Newbury Park, California or Woburn, Massachusetts semiconductor wafer fabrication facilities, alternative gallium arsenide production capacity would not be immediately available from third-party sources. These disruptions could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to maintain and improve manufacturing yields that contribute positively to our gross margin and profitability.

Minor deviations or perturbations in the manufacturing process can cause substantial manufacturing yield loss, and in some cases, cause production to be suspended. Manufacturing yields for new products initially tend to be lower as we complete product development and commence volume manufacturing, and typically increase as we bring the product to full production. Our forward product pricing includes this assumption of improving manufacturing yields and, as a result, material variances between projected and actual manufacturing yields will have a direct effect on our gross margin and profitability. The difficulty of accurately forecasting manufacturing yields and maintaining cost competitiveness through improving manufacturing yields will continue to be magnified by the increasing process complexity of manufacturing semiconductor products. Our manufacturing operations will also face pressures arising from the compression of product life cycles, which will require us to manufacture new products faster and for shorter periods while maintaining acceptable manufacturing yields and quality without, in many cases, reaching the longer-term, high-volume manufacturing conducive to higher manufacturing yields and declining costs.

We are dependent upon third parties for the manufacture, assembly and test of our products.

We rely upon independent wafer fabrication facilities, called foundries, to provide silicon-based products and to supplement our gallium arsenide wafer manufacturing capacity. We also utilize subcontractors to package, assemble and test our products. There are significant risks associated with reliance on third-party foundries, including:

- the lack of ensured wafer supply, potential wafer shortages and higher wafer prices;
- limited control over delivery schedules, manufacturing yields, production costs and quality assurance; and
- the inaccessibility of, or delays in obtaining access to, key process technologies.

Although we have long-term supply arrangements to obtain additional external manufacturing capacity, the third-party foundries we use may allocate their limited capacity to the production requirements of other customers. If we choose to use a new foundry, it will typically take an extended period of time to complete the qualification process before we can begin shipping products from the new foundry. The foundries may experience financial difficulties, be unable to deliver products to us in a timely manner or suffer damage or destruction to their facilities, particularly since some of them are located in earthquake zones. If any disruption of manufacturing capacity occurs, we may not have alternative manufacturing sources immediately available. We may therefore experience difficulties or delays in securing an adequate supply of our products, which could impair our ability to meet our customers needs and have a material adverse effect on our operating results.

We are dependent upon third parties for the supply of raw materials and components.

Our manufacturing operations depend on obtaining adequate supplies of raw materials and the components used in our manufacturing processes. We believe we have adequate sources for the supply of raw materials and components for our manufacturing needs with suppliers located around the world. While we do not typically rely on a single source of supply for our raw materials, we are currently dependent on a sole-source supplier for epitaxial wafers used in the gallium arsenide semiconductor manufacturing processes at our manufacturing facilities. We cannot assure you that we will not lose a significant or sole supplier or that a supplier will be able to meet performance and quality specifications or delivery schedules. If we lost a supplier or a supplier were unable to meet performance or quality specifications or delivery schedules, our ability to satisfy customer obligations could be materially and adversely affected. In addition, we review our relationships with suppliers of raw materials and components for our manufacturing needs on an ongoing basis. In connection with our ongoing review, we may modify or terminate our relationship with one or more suppliers. We may also enter into other sole supplier arrangements to meet certain of our raw material or component needs. If we were to enter into an additional sole supplier arrangement for any of our raw materials or components, the risks associated with our supply arrangements would be exacerbated.

Under supply agreements entered into with Conexant and Jazz Semiconductor we receive wafer fabrication, wafer probe and certain other services from Jazz Semiconductor. Pursuant to these supply agreements, we are committed to obtaining certain minimum wafer volumes from Jazz Semiconductor. Our expected minimum purchase obligations under these supply agreements are anticipated to be approximately $26 million for the remaining nine months of fiscal 2004 and $13 million for fiscal 2005. Based on our current business outlook, we anticipate purchasing approximately $70 million in wafers from Jazz Semiconductor during the remaining nine months of fiscal 2004.

Remaining competitive in the semiconductor industry requires transitioning to smaller geometry process technologies and achieving higher levels of design integration.

In order to remain competitive, we expect to continue to transition our semiconductor products to increasingly smaller line width geometries. This transition requires us to modify the manufacturing processes for our products, design new products to more stringent standards, and to redesign some existing products. In the past, we have experienced some difficulties migrating to smaller geometry process technologies or new manufacturing processes, which resulted in sub-optimal manufacturing yields, delays in product deliveries and increased expenses. We may face similar difficulties, delays and expenses as we continue to transition our products to smaller geometry processes in the future. In some instances, we depend on our relationships with our foundries to transition to smaller geometry processes successfully. We cannot assure you that our foundries will be able to effectively manage the transition or that we will be able to maintain our foundry relationships. If our foundries or we experience significant delays in this transition or fail to efficiently implement this transition, our business, financial condition and results of operations could be materially and adversely affected. As smaller geometry processes become more prevalent, we expect to continue to integrate greater levels of functionality, as well as customer and third party intellectual property, into our products. However, we may not be able to achieve higher levels of design integration or deliver new integrated products on a timely basis, or at all.

We are subject to the risks of doing business internationally.

Historically, a substantial majority of the Company s net revenues from customers other than Conexant were derived from customers located outside the United States, primarily countries located in the Asia-Pacific region and Europe. In addition, we have design centers and suppliers located outside the United States, and third-party packaging, assembly and test facilities and foundries located in the Asia-Pacific region. Finally, we have our own packaging, assembly and test facility in Mexicali, Mexico. Our international sales and operations are subject to a number of risks inherent in selling and operating abroad. These include, but are not limited to, risks regarding:

- currency exchange rate fluctuations;
- local economic and political conditions, including social, economic and political instability;
- disruptions of capital and trading markets;
- restrictive governmental actions (such as restrictions on transfer of funds and trade protection measures, including export duties, quotas, customs duties, import or export controls and tariffs);
- changes in legal or regulatory requirements;
- natural disasters, acts of terrorism, widespread illness and war;
- limitations on the repatriation of funds;
- difficulty in obtaining distribution and support;
- cultural differences in the conduct of business;
- the laws and policies of the United States and other countries affecting trade, foreign investment and loans, and import or export
- licensing requirements;
- tax laws;
- the possibility of being exposed to legal proceedings in a foreign jurisdiction; and
- limitations on our ability under local laws to protect or enforce our intellectual property rights in a particular foreign jurisdiction.

Additionally, we are subject to risks in certain global markets in which wireless operators provide subsidies on handset sales to their customers. Increases in handset prices that negatively impact handset sales can result from changes in regulatory policies or other factors, which could impact the demand for our products. Limitations or changes in policy on phone subsidies in South Korea, Japan, China and other countries may have additional negative impacts on our revenues.

Our operating results may be adversely affected by substantial quarterly and annual fluctuations and market downturns.

Our revenues, earnings and other operating results have fluctuated in the past and our revenues, earnings and other operating results may fluctuate in the future. These fluctuations are due to a number of factors, many of which are beyond our control.

These factors include, among others:

- changes in end-user demand for the products (principally digital cellular handsets) manufactured and sold by our customers;
- the effects of competitive pricing pressures, including decreases in average selling prices of our products;
- production capacity levels and fluctuations in manufacturing yields;
- availability and cost of products from our suppliers;
- the gain or loss of significant customers;
- our ability to develop, introduce and market new products and technologies on a timely basis;
- new product and technology introductions by competitors;

changes in the mix of products produced and sold;
market acceptance of our products and our customers;
intellectual property disputes;

The foregoing factors are difficult to forecast, and these, as well as other factors, could materially and adversely affect our quarterly or annual operating results. If our operating results fail to meet the expectations of analysts or investors, it could materially and adversely affect the price of our common stock.

Global economic conditions that impact the wireless communications industry could negatively affect our revenues and operating results.

Global economic weakness can have wide-ranging effects on markets that we serve, particularly wireless communications equipment manufacturers and network operators. The wireless communications industry appears to be recovering from an industry-wide recession. We cannot predict whether a recovery will continue, the rate of any such recovery, or what effects negative events, such as war, may have on the economy or the wireless communications industry. The continued threat of terrorism and heightened security and military action in response to this threat, or any future acts of terrorism, may cause further disruptions to the global economy and to the wireless communications industry and create further uncertainties. Further, an economic recovery may not benefit us in the near term. If it does not, our ability to increase or maintain our revenues and operating results may be impaired.

Our gallium arsenide semiconductors may cease to be competitive with silicon alternatives.

Among our product portfolio, we manufacture and sell gallium arsenide semiconductor devices and components, principally power amplifiers and switches. The production of gallium arsenide integrated circuits is more costly than the production of silicon circuits. The cost differential is due to higher costs of raw materials for gallium arsenide and higher unit costs associated with smaller sized wafers and lower production volumes. Therefore, to remain competitive we must offer gallium arsenide products that provide superior performance over their silicon-based counterparts. If we do not continue to offer products that provide sufficiently superior performance to justify the cost differential, our operating results may be materially and adversely affected. We expect the costs of producing gallium arsenide devices will continue to exceed the costs of producing their silicon counterparts. Silicon semiconductor technologies are widely-used process technologies for certain integrated circuits and these technologies continue to improve in performance. We cannot assure you that we will continue to identify products and markets that require performance attributes of gallium arsenide solutions.

We may be subject to claims of infringement of third-party intellectual property rights, or demands that we license third-party technology, which could result in significant expense and prevent us from using our technology.

The semiconductor industry is characterized by vigorous protection and pursuit of intellectual property rights. From time to time, third parties have asserted and may in the future assert patent, copyright, trademark and other intellectual property rights to technologies that are important to our business and have demanded and may in the future demand that we license their technology or refrain from using it. At the present time, we are in discussions with Qualcomm Incorporated regarding claims each of us have filed and served against the other asserting violations of certain of our respective intellectual property rights. The purpose of these discussions is to arrive at a business resolution that avoids protracted litigation for both parties. We believe their claims are without merit and if we are not successful resolving this matter outside of litigation, we are prepared to vigorously defend against their claims and fully prosecute our claims against them.

Any litigation to determine the validity of claims that our products infringe or may infringe intellectual property rights of another, including claims arising from our contractual indemnification of our customers, regardless of their merit or resolution, could be costly and divert the efforts and attention of our management and technical personnel. Regardless of the merits of any specific claim, we cannot assure you that we would prevail in litigation because of the complex technical issues and inherent uncertainties in intellectual property litigation. If litigation were to result in an adverse ruling, we could be required to:

pay substantial damages;
cease the manufacture, import, use, sale or offer for sale of infringing products or processes;
discontinue the use of infringing technology;
expend significant resources to develop non-infringing technology; and
license technology from the third party claiming infringement, which license may not be available on commercially reasonable terms.

We cannot assure you that our operating results or financial condition will not be adversely affected if we were required to do any one or more of the foregoing items.

Many of our products incorporate technology licensed or acquired from third parties.

We sell products in markets that are characterized by rapid technological changes, evolving industry standards, frequent new product introductions, short product life cycles and increasing levels of integration. Our ability to keep pace with this market depends on our ability to obtain technology from third parties on commercially reasonable terms to allow our products to remain in a competitive posture. If licenses to such technology are not available on commercially reasonable terms and conditions, and we cannot otherwise integrate such technology, our products or our customers products could become unmarketable or obsolete, and we could lose market share. In such instances, we could also incur substantial unanticipated costs or scheduling delays to develop substitute technology to deliver competitive products.

If we are not successful in protecting our intellectual property rights, it may harm our ability to compete.

We rely on patent, copyright, trademark, trade secret and other intellectual property laws, as well as nondisclosure and confidentiality agreements and other methods, to protect our proprietary technologies, information, data, devices, algorithms and processes. In addition, we often incorporate the intellectual property of our customers, suppliers or other third parties into our designs, and we have obligations with respect to the non-use and non-disclosure of such third-party intellectual property. In the future, it may be necessary to engage in litigation or like activities to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of proprietary rights of others, including our customers. This could require us to expend significant resources and to divert the efforts and attention of our management and technical personnel from our business operations. We cannot assure you that:

- the steps we take to prevent misappropriation, infringement, dilution or other violation of our intellectual property or the intellectual property of our customers, suppliers or other third parties will be successful;
- any existing or future patents, copyrights, trademarks, trade secrets or other intellectual property rights or ours will not be challenged, invalidated or circumvented; or
- any of the measures described above would provide meaningful protection.

Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use our technology without authorization, develop similar technology independently or design around our patents. If any of our intellectual property protection mechanisms fails to protect our technology, it would make it easier for our competitors to offer similar products, potentially resulting in loss of market share and price erosion. In addition, effective patent, copyright, trademark and trade secret protection may be unavailable or limited for certain technologies and in certain foreign countries.

Our success depends, in part, on our ability to effect suitable investments, alliances and acquisitions, and to integrate companies we acquire, and on our continued success integrating the wireless business of Conexant with the Company.

Although we intend to invest significant resources in internal research and development activities, the complexity and rapidity of technological changes and the significant expense of internal research and development make it impractical for us to pursue development of all technological solutions on our own. On an ongoing basis, we intend to review investment, alliance and acquisition prospects that would complement our product offerings, augment our market coverage or enhance our technological capabilities. However, we cannot assure you that we will be able to identify and consummate suitable investment, alliance or acquisition transactions in the future. Moreover, if we consummate such transactions, they could result in:

- issuances of equity securities dilutive to our stockholders;
- large one-time write-offs;
- the incurrence of substantial debt and assumption of unknown liabilities;
- the potential loss of key employees from the acquired company;
- amortization expenses related to intangible assets; and
- the diversion of management s attention from other business concerns.

Moreover, integrating acquired organizations and their products and services may be difficult, expensive, time-consuming and a strain on our resources and our relationship with employees and customers and ultimately may not be successful. Additionally, in periods following an acquisition, we will be required to evaluate goodwill and acquisition-related intangible assets for impairment. When such assets are found to be impaired, they will be written down to estimated fair value, with a charge against earnings. For instance, we recorded a cumulative effect of a change in accounting principle in fiscal 2003 in the amount of $397.1 million as a result of the goodwill obtained in connection with the Merger.

We may be responsible for payment of a substantial amount of U.S. federal income and other taxes upon certain events.

In connection with Conexant s spin-off of its wireless business prior to the Merger, Conexant sought and received a ruling from the Internal Revenue Service to the effect that certain transactions related to and including the spin-off qualified as a reorganization and as tax-free for U.S. federal income tax purposes. While the tax ruling generally is binding on the Internal Revenue Service, the continuing validity of the ruling is subject to certain factual representations and assumptions. In connection with the Merger we entered into a tax allocation agreement with Conexant that generally provides, among other things, that we will be responsible for certain taxes imposed on various persons (including Conexant) as a result of either:

- the failure of certain spin-off transactions to qualify as a reorganization for U.S. federal income tax purposes, or
- the failure of certain spin-off transactions to qualify as tax-free to Conexant for certain U.S. federal income tax purposes,

if such failure is attributable to certain actions or transactions by or in respect of Skyworks (including our subsidiaries) or our stockholders, such as the acquisition of stock of Skyworks by a third party at a time and in a manner that would cause such failure. In addition, the tax allocation agreement provides that we will be responsible for various other tax obligations and for compliance with various representations, statements, and conditions made in the course of obtaining the tax ruling referenced above and in connection with the tax allocation agreement. Our obligations under the tax allocation agreement have been limited by a letter agreement dated November 6, 2002 entered into in connection with our debt refinancing with Conexant. Nevertheless, if we do not carefully monitor our compliance with the requirements imposed as a result of the spin-off and related transactions and our responsibilities under the tax allocation agreement, we might inadvertently trigger an obligation to indemnify certain persons (including Conexant) pursuant to the tax allocation agreement or other obligations under such agreement. In addition, our indemnity obligations could discourage or prevent a third party from making a proposal to acquire Skyworks.

If we were required to pay any of the taxes described above, the payment could be very substantial and have a material adverse effect on our business, financial condition, results of operations and cash flow.

In addition, it is expected that the interest payments we are required to make on our $45 million principal amount of 15% convertible subordinated notes due June 30, 2005 originally issued to Conexant will not be deductible for tax purposes. Our inability to offset our interest expense from these notes against other income may increase our tax liability currently and in future years.

Further, the terms of these senior subordinated notes require us to pay the principal due at the maturity date or upon certain acceleration events in a number of shares of our common stock equal to the principal due at such time divided by the applicable conversion price on such date. If the fair market value of our common stock on such date is less than the applicable conversion price, we may recognize cancellation of indebtedness income for tax purposes equal to the excess of the principal amount of these notes due at such time over the fair market value of the common stock issued by us to satisfy our obligations under these notes.

Certain provisions in our organizational documents and Delaware law may make it difficult for someone to acquire control of us.

We have certain anti-takeover measures that may affect our common stock. Our certificate of incorporation, our by-laws and the Delaware General Corporation Law contain several provisions that would make more difficult an acquisition of control of us in a transaction not approved by our board of directors. Our certificate of incorporation and by-laws include provisions such as:

- the division of our board of directors into three classes to be elected on a staggered basis, one class each year;
- the ability of our board of directors to issue shares of preferred stock in one or more series without further authorization of stockholders;
- a prohibition on stockholder action by written consent;
- elimination of the right of stockholders to call a special meeting of stockholders;
- a requirement that stockholders provide advance notice of any stockholder nominations of directors or any proposal of new business to be considered at any meeting of stockholders;
- a requirement that the affirmative vote of at least 66 2/3 percent of our shares be obtained to amend or repeal any provision of our by-laws or the provision of our certificate of incorporation relating to amendments to our by-laws;
- a requirement that the affirmative vote of at least 80 percent of our shares be obtained to amend or repeal the provisions of our certificate of incorporation relating to the election and removal of directors, the classified board or the right to act by written consent;
- a requirement that the affirmative vote of at least 80 percent of our shares be obtained for business combinations unless approved by a majority of the members of the board of directors and, in the event that the other party to the business combination is the beneficial owner of 5 percent or more of our shares, a majority of the members of board of directors in office prior to the time such other party became the

beneficial owner of 5 percent or more of our shares;

- a fair price provision; and
- a requirement that the affirmative vote of at least 90 percent of our shares be obtained to amend or repeal the fair price provision.

In addition to the provisions in our certificate of incorporation and by-laws, Section 203 of the Delaware General Corporation Law generally provides that a corporation shall not engage in any business combination with any interested stockholder during the three-year period following the time that such stockholder becomes an interested stockholder, unless a majority of the directors then in office approves either the business combination or the transaction that results in the stockholder becoming an interested stockholder or specified stockholder approval requirements are met.

We may be liable for penalties under environmental laws, rules and regulations, which could adversely impact our business.

We have used, and will continue to use, a variety of chemicals and compounds in manufacturing operations and have been and will continue to be subject to a wide range of environmental protection regulations in the United States. While we have not experienced any material adverse effect on our operations as a result of such regulations, we cannot assure you that current or future regulations would not have a material adverse effect on our business, financial condition and results of operations. Environmental regulations often require parties to fund remedial action regardless of fault. Consequently, it is often difficult to estimate the future impact of environmental matters, including potential liabilities. We cannot assure you that the amount of expense and capital expenditures that might be required to satisfy environmental liabilities, to complete remedial actions and to continue to comply with applicable environmental laws will not have a material adverse effect on our business, financial condition and results of operations.

Our stock price has been volatile and may fluctuate in the future. Accordingly, you might not be able to sell your shares of common stock at or above the price you paid for them.

The trading price of our common stock has and may continue to fluctuate significantly. Such fluctuations may be influenced by many factors, including:

- our performance and prospects;
- the performance and prospects of our major customers;
- the depth and liquidity of the market for our common stock;
- investor perception of us and the industry in which we operate;
- changes in earnings estimates or buy/sell recommendations by analysts;
- general financial and other market conditions; and
- domestic and international economic conditions.

Public stock markets have experienced, and are currently experiencing, extreme price and trading volume volatility, particularly in the technology sectors of the market. This volatility has significantly affected the market prices of securities of many technology companies for reasons frequently unrelated to or disproportionately impacted by the operating performance of these companies. These broad market fluctuations may materially and adversely affect the market price of our common stock.

In addition, fluctuations in our stock price and our price-to-earnings multiple may have made our stock attractive to momentum, hedge or day-trading investors who often shift funds into and out of stocks rapidly, exacerbating price fluctuations in either direction, particularly when viewed on a quarterly basis.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to market risks, such as changes in currency and interest rates, that arise from normal business operation. Our financial instruments include cash and cash equivalents, short-term debt and long-term debt. Our main investment objective is the preservation of investment capital. Consequently, we invest with only high-credit-quality issuers and we limit the amount of our credit exposure to any one issuer. We do not use derivative instruments for speculative or investment purposes.

Our cash and cash equivalents are not subject to significant interest rate risk due to the short maturities of these instruments. As of December 31, 2003, the carrying value of our cash and cash equivalents approximates fair value. Our short-term debt primarily consists of borrowings under our credit facility with Wachovia Bank, N.A. As of December 31, 2003, we had borrowings of $39.0 million outstanding under this credit facility. Interest related to our short-term debt is at a fixed rate. Consequently, we do not have significant cash flow exposure on our short-term debt.

We issued fixed-rate debt, which is convertible into our common stock at a predetermined or market related conversion price. Convertible debt has characteristics that give rise to both interest-rate risk and market risk because the fair value of the convertible security is affected by both the current interest-rate environment and the price of the underlying common stock. For the quarter ended December 31, 2003 our convertible debt, on an if-converted basis, was not dilutive and, as a result, had no impact on our net income per share (assuming dilution). In future periods, the debt may be converted, or the if-converted method may be dilutive and net income per share (assuming dilution) would be reduced. Our long-term debt consists of $230 million of 4.75 percent unsecured convertible subordinated notes due November 2007 and $45 million of 15 percent unsecured convertible senior subordinated notes due June 2005. We do not believe that we have significant cash flow exposure on our long-term debt.

Based on our overall evaluation of our market risk exposures from all of our financial instruments at December 31, 2003, a near-term change in market rates would not materially affect our consolidated financial position, results of operations or cash flows.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our President and Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report (the Evaluation Date). Based upon that evaluation, the President and Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective in timely alerting them to the material information relating to us (or our consolidated subsidiaries) required to be included in our periodic SEC filings. In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

There were no significant changes made in our internal control over financial reporting during the fiscal quarter ended December 31, 2003 that has materially affected, or is reasonably likely to affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

No.	Description
10.a	Severance and Change in Control Agreement between the Company and Kevin D. Barber **
	Severance and Change in Control Agreement between the Company and Liam K. Griffin **
10.b	Severance and Change in Control Agreement between the Company and George M. LeVan **
	Change in Control Agreement between the Company and Allan M. Kline **

No.	Description
10.c	Certification of CEO - Rule 13A-14(A) or 15D-14(A) **
10.d	Certification of CFO - Rule 13A-14(A) or 15D-14(A) **
31.a	Certification pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 **
31.b	
32	

* * Filed Herewith.

(b) Reports on Form 8-K

The Company filed, on October 30, 2003, a current report on Form 8-K furnishing one exhibit: a Press Release announcing the Company s financial results for the three and twelve month periods ended October 3, 2003.

The Company filed, on January 12, 2004, a current report on Form 8-K furnishing one exhibit: a Press Release announcing that it had named Allan M. Kline as Chief Financial Officer, effective January 5, 2004.

SIGNATURES

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

Date: February 16, 2004

SKYWORKS SOLUTIONS, INC.

Registrant

By: /s/ DAVID J. ALDRICH
David J. Aldrich
Chief Executive Officer
President
Director

By: /s/ ALLAN M. KLINE
Allan M. Kline

Chief Financial
Officer

By: /s/ PAUL E.
VINCENT
Paul E. Vincent
Chief Accounting
Officer

EXHIBIT INDEX

No.	Description
10.a	Severance and Change in Control Agreement between the Company and Kevin D. Barber
10.b	Severance and Change in Control Agreement between the Company and Liam K. Griffin
10.c	Severance and Change in Control Agreement between the Company and George M. LeVan
	Change in Control Agreement between the Company and Allan M. Kline
10.d	Certification of CEO - Rule 13A-14(A) or 15D-14(A)
31.a	Certification of CFO - Rule 13A-14(A) or 15D-14(A)
31.b	Certification pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of
32	the Sarbanes-Oxley Act of 2002