

SEMTECH CORP  
Form 10-Q  
September 09, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the quarterly period ended July 31, 2011

or

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-6395

**SEMTECH CORPORATION**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**95-2119684**  
(I.R.S. Employer  
Identification No.)

**200 Flynn Road, Camarillo, California, 93012-8790**

(Address of principal executive offices, Zip Code)

**Registrant's telephone number, including area code: (805) 498-2111**

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

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

Number of shares of Common Stock, \$0.01 par value per share, outstanding at September 1, 2011: 66,284,462

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## SEMTECH CORPORATION AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	July 31, 2011	August 1, 2010	July 31, 2011	August 1, 2010
<b>Net sales</b>	<b>\$ 130,254</b>	\$ 113,227	<b>\$ 252,625</b>	\$ 215,107
Cost of sales	<b>51,534</b>	45,795	<b>100,051</b>	90,628
<b>Gross profit</b>	<b>78,720</b>	67,432	<b>152,574</b>	124,479
<b>Operating costs and expenses:</b>				
Selling, general and administrative	<b>22,481</b>	24,915	<b>49,186</b>	51,266
Product development and engineering	<b>22,228</b>	17,404	<b>40,753</b>	32,707
Intangible amortization	<b>2,103</b>	2,405	<b>4,205</b>	4,810
Total operating costs and expenses	<b>46,812</b>	44,724	<b>94,144</b>	88,783
<b>Operating income</b>	<b>31,908</b>	22,708	<b>58,430</b>	35,696
Interest and other (expense) income, net	(117)	308	(557)	505
Income before taxes	<b>31,791</b>	23,016	<b>57,873</b>	36,201
Provision for taxes	<b>4,653</b>	3,354	<b>8,153</b>	5,737
<b>Net Income</b>	<b>\$ 27,138</b>	\$ 19,662	<b>\$ 49,720</b>	\$ 30,464
<b>Earnings per share:</b>				
Basic	<b>\$ 0.41</b>	\$ 0.32	<b>\$ 0.76</b>	\$ 0.49
Diluted	<b>\$ 0.40</b>	\$ 0.31	<b>\$ 0.74</b>	\$ 0.48
<b>Weighted average number of shares used in computing earnings per share:</b>				
Basic	<b>65,547</b>	61,933	<b>65,050</b>	61,679
Diluted	<b>68,186</b>	63,552	<b>67,638</b>	63,264

See accompanying notes. The accompanying notes are an integral part of these statements.

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SEMTECH CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED CONDENSED BALANCE SHEETS

(in thousands, except share data)

	July 31, 2011 (unaudited)	January 30, 2011
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 140,589	\$ 119,019
Temporary investments	141,937	112,237
Accounts receivables, less allowances of \$4,780 at July 31, 2011 and \$4,597 at January 30, 2011	51,303	50,610
Inventories	49,203	47,719
Deferred tax assets	13,369	13,369
Other current assets	10,527	10,744
<b>Total current assets</b>	<b>406,928</b>	<b>353,698</b>
Non-current assets:		
Property, plant and equipment, net of accumulated depreciation of \$81,748 at July 31, 2011 and \$77,243 at January 30, 2011	68,096	56,778
Investments, maturities in excess of 1 year	31,082	27,086
Goodwill	129,651	129,651
Other intangibles, net	70,618	74,823
Other assets	23,514	17,907
<b>TOTAL ASSETS</b>	<b>\$ 729,889</b>	<b>\$ 659,943</b>
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accounts payable	\$ 34,088	\$ 29,629
Accrued liabilities	27,303	55,842
Deferred revenue	5,702	5,020
Deferred tax liabilities	3,334	3,334
<b>Total current liabilities</b>	<b>70,427</b>	<b>93,825</b>
Non-current liabilities:		
Deferred tax liabilities	15,262	11,120
Other long-term liabilities	26,069	26,383
Stockholders equity:		
Common stock, \$0.01 par value, 250,000,000 shares authorized, 78,136,144 issued and 65,882,908 outstanding on July 31, 2011 and 78,136,144 issued and 63,927,740 outstanding on January 30, 2011	785	785
Treasury stock, at cost, 12,253,236 shares as of July 31, 2011 and 14,208,404 shares as of January 30, 2011	(198,763)	(232,267)
Additional paid-in capital	358,471	352,078
Retained earnings	456,996	407,276
Accumulated other comprehensive income	642	743
<b>Total stockholders equity</b>	<b>618,131</b>	<b>528,615</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 729,889</b>	<b>\$ 659,943</b>

*See accompanying notes. The accompanying notes are an integral part of these statements.*



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## SEMTECH CORPORATION AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(in thousands)

	Six Months Ended	
	July 31, 2011	August 1, 2010
<b>Cash flows from operating activities:</b>		
Net income	\$ 49,720	\$ 30,464
<i>Adjustments to reconcile net income to net cash provided by operations:</i>		
Depreciation and amortization	8,811	7,855
Deferred income taxes	6,239	1,572
Stock-based compensation	12,108	15,506
Excess tax benefits on stock based compensation	(1,719)	(233)
Loss on disposition of property, plant and equipment	7	63
<i>Changes in assets and liabilities:</i>		
Receivables, net	(693)	(17,846)
Inventories	(1,526)	(3,079)
Prepaid expenses and other assets	(7,409)	(8,762)
Accounts payable	4,459	9,303
Accrued liabilities	(30,869)	(283)
Deferred revenue	682	660
Income taxes payable and prepaid taxes	341	(844)
Other liabilities	435	652
<b>Net cash provided by operations</b>	<b>40,586</b>	<b>35,028</b>
<b>Cash flows from investing activities:</b>		
Purchase of available-for-sale investments	(83,830)	(81,895)
Proceeds from sales and maturities of available-for-sale investments	50,004	48,268
Proceeds from sale of property, plant and equipment	5	51
Purchases of property, plant and equipment	(15,259)	(10,342)
<b>Net cash used in investing activities</b>	<b>(49,080)</b>	<b>(43,918)</b>
<b>Cash flows from financing activities:</b>		
Excess tax benefits on stock based compensation	1,719	233
Proceeds from issuance of common stock	28,896	7,379
Repurchase of outstanding common stock	(551)	(1,402)
<b>Net cash provided by financing activities</b>	<b>30,064</b>	<b>6,210</b>
Net increase (decrease) in cash and cash equivalents	21,570	(2,680)
Cash and cash equivalents at beginning of period	119,019	80,598
<b>Cash and cash equivalents at end of period</b>	<b>\$ 140,589</b>	<b>\$ 77,918</b>

See accompanying notes. The accompanying notes are an integral part of these statements.

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### SEMTECH CORPORATION AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

#### ***Note 1: Organization and Basis of Presentation***

Semtech Corporation (together with its subsidiaries, the Company) is a global supplier of analog and mixed-signal semiconductor products. The end-customers for the Company's products are primarily original equipment manufacturers (OEMs) that produce and sell electronics.

The Company designs, develops and markets a wide range of products for commercial applications, the majority of which are sold into the computing, communications, high-end consumer and industrial end-markets.

Computing: desktops, notebooks, servers, graphic boards, printers, and other computer peripherals

Communications: base stations, optical networks, switches and routers, wireless LAN, and other communication infrastructure equipment

High-end consumer: handheld products, tablet computers, set-top boxes, digital televisions, digital video recorders and other consumer equipment

Industrial: automated meter reading, military and aerospace, medical, security systems, automotive, industrial and home automation, and other industrial equipment

#### Principles of Consolidation

The accompanying interim consolidated condensed financial statements of Semtech Corporation and its subsidiaries (the Company) have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). In the opinion of the Company, these unaudited statements contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly, in all material respects, the financial position of Semtech Corporation and its subsidiaries for the interim periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the included disclosures are adequate to make the information presented not misleading.

These consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's latest annual report on Form 10-K. The results reported in these consolidated condensed financial statements should not be regarded as necessarily indicative of results that may be expected for any subsequent period or for the entire year.

#### Fiscal Year

The Company reports on the basis of 52 and 53 week periods and ends its fiscal year on the last Sunday in January. The other quarters generally end on the last Sunday of April, July and October. All quarters consist of 13 weeks except for one 14-week period in 53-week years. The second quarter of fiscal years 2012 and 2011 each consisted of 13 weeks.

#### Segment Information

The Company operates and accounts for its results in one reportable segment. The Company designs, develops, manufactures and markets high performance analog and mixed signal integrated circuits. The Chief Executive Officer has been identified as the Chief Operating Decision Maker as defined by guidance regarding segment disclosures.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the



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date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Table of Contents****Reclassification**

Certain amounts disclosed in the notes to the consolidated financial statements for the six months ended August 1, 2010, were reclassified to conform to the presentation used for the six months ended July 31, 2011.

Subsequent to the issuance of its October 31, 2010 unaudited consolidated financial statements, the Company determined that certain time deposits with original maturities ranging from six, nine, and twelve months should have been classified as Temporary Investments instead of Cash and Cash Equivalents on the Company's Balance Sheets. As of August 1, 2010, the reclassification between these two current balance sheet captions totaled \$28 million.

As reported in the Company's Form 10-K for the year ended January 30, 2011, the Company did not include the cash flows from the purchase and maturities of these time deposits under the "cash flows from investing activities" section of the statement of cash flows. Reporting purchases and maturities on a gross basis, after reclassification, the Company's purchases of available-for-sale investments increased from \$54 million to \$82 million for the six-months ended August 1, 2010. There were no maturities during this interim period. Overall, the reclassification caused net cash used in investing activities to increase from \$16 million to \$44 million for the six-month period ended August 1, 2010.

The reclassification did not have any impact on the Company's income for the interim periods within fiscal year 2011 or the trend of earnings. Cash flows from operating activities and cash flows used by financing activities for the six-months ended August 1, 2010 are unaffected by the reclassification. Also, the reclassification has no effect on balance sheet subtotals such as current assets and total assets at August 1, 2010. Taking into consideration both quantitative and qualitative factors, the Company determined that the reclassification is not material to the Company's balance sheet and statement of cash flows for the respective prior interim periods and therefore the Company has not restated previously issued interim financial statements.

***Note 2: Comprehensive Income***

The components of comprehensive income, net of tax, were as follows:

(in thousands)	Three Months Ended		Six Months Ended	
	July 31, 2011	August 1, 2010	July 31, 2011	August 1, 2010
Net income	\$ 27,138	\$ 19,662	\$ 49,720	\$ 30,464
Change in net unrealized holding (loss) gain on available-for-sale investments	(64)	94	(101)	26
<b>Total comprehensive income</b>	<b>\$ 27,074</b>	<b>\$ 19,756</b>	<b>\$ 49,619</b>	<b>\$ 30,490</b>
Gain (loss) realized upon reclassification from Comprehensive Income	\$	\$	\$	\$

**Table of Contents****Note 3: Earnings per Share**

The computation of basic and diluted earnings per common share was as follows:

(in thousands, except per share amounts)	Three Months Ended		Six Months Ended	
	July 31, 2011	August 1, 2010	July 31, 2011	August 1, 2010
Net income	\$ 27,138	\$ 19,662	\$ 49,720	\$ 30,464
Weighted average shares outstanding - basic	65,547	61,933	65,050	61,679
Dilutive effect of employee equity incentive plans	2,639	1,619	2,588	1,585
Weighted average shares outstanding - diluted	68,186	63,552	67,638	63,264
Basic earnings per common share	\$ 0.41	\$ 0.32	\$ 0.76	\$ 0.49
Diluted earnings per common share	\$ 0.40	\$ 0.31	\$ 0.74	\$ 0.48
Anti-dilutive shares not included in the above calculations	492	3,529	666	3,745

Basic earnings per common share is computed using the weighted-average number of common shares outstanding during the reporting period. Diluted earnings per common share incorporates the incremental shares issuable, calculated using the treasury stock method, upon the assumed exercise of stock options and the vesting of restricted stock.

**Note 4: Revenue Recognition**

The Company recognizes product revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is probable. Recovery of costs associated with product design and engineering services are recognized during the period in which services are performed when a substantive milestone is achieved. The product design and engineering recovery, when recognized, will be reported as a reduction to product development and engineering expense. Historically, these recoveries have not exceeded the cost of the related development efforts.

The Company defers revenue recognition on shipment of products to certain customers, principally distributors, under agreements which provide for limited pricing credits or return privileges, until these products are sold through to end-users or the return privileges lapse. For sales subject to certain pricing credits or return privileges, the amount of future pricing credits or inventory returns cannot be reasonably estimated given the relatively long period in which a particular product may be held by the customer. Therefore, the Company has concluded that sales to customers under these agreements are not fixed and determinable at the date of the sale and revenue recognition has been deferred.

The estimated deferred gross margins on these sales, where there are no outstanding receivables, are recorded on the consolidated condensed balance sheets under the heading of Deferred revenue. The Company records a provision for estimated sales returns in the same period as the related revenues are recorded. The Company bases these estimates on historical sales returns and other known factors. Actual returns could be different from Company estimates and current provisions for sales returns and allowances, resulting in future charges to earnings.

**Note 5: Stock-Based Compensation**

Financial Statement Effects and Presentation. The following table shows total pre-tax, stock-based compensation expense included in the consolidated condensed statements of operations for the three and six month periods ended July 31, 2011 and August 1, 2010, respectively.

**Table of Contents**Allocation of Stock-based Compensation

(in thousands)	Three Months Ended		Six Months Ended	
	July 31, 2011	August 1, 2010	July 31, 2011	August 1, 2010
Cost of sales	\$ 195	\$ 646	\$ 474	\$ 1,172
Selling, general and administrative	2,666	4,702	8,284	10,306
Product development and engineering	1,760	1,858	3,350	4,028
Stock-based compensation, pre-tax	\$ 4,621	\$ 7,206	\$ 12,108	\$ 15,506
Net change in stock-based compensation capitalized into inventory	\$ 42	\$ 61	\$ (42)	\$ (89)

**Share-based Payment Arrangements.** The Company has various equity award plans (the Plans) that provide for granting stock-based awards to employees and non-employee directors of the Company. The Plans provide for the granting of several forms of stock-based compensation. As of July 31, 2011, the Company has granted stock options (Options) and restricted stock under the Plans and has also issued stock-based compensation outside of the Plans, including Options and restricted stock issued as inducements to join the Company.

**Grant Date Fair Values and Underlying Assumptions: Contractual Terms.** The Company uses the Black-Scholes pricing model to value Options. For awards classified as equity, stock-based compensation cost is measured at grant date, based on the fair value of the award, and is recognized as an expense over the employee's or director's requisite service period. For awards classified as liabilities, stock-based compensation cost is measured at fair value at each reporting date until the date of settlement, and is recognized as an expense over the employee's or director's requisite service period. Expected volatilities are based on historical volatility using daily and monthly stock price observations.

	Three Months Ended		Six Months Ended	
	July 31, 2011	August 1, 2010	July 31, 2011	August 1, 2010
Expected lives, in years	4.4 - 4.7	5.0	4.4 - 4.7	5.0
Estimated volatility	41%	40%	40% - 41%	40%
Dividend yield				
Risk-free interest rate	1.6% - 1.65%	1.8% - 2.1%	1.6% - 1.8%	1.8% - 2.3%
Weighted average fair value on grant date	\$10.09	\$6.46	\$8.54	\$6.39

The estimated fair value of restricted stock was calculated based on the market price of the Company's common stock on the date of grant. Some of the restricted stock awarded in fiscal year 2012 and prior years are classified as liabilities rather than equity. For awards classified as liabilities, the value of these awards was re-measured on July 31, 2011.

**Stock Option Awards.** The Company has historically granted stock option awards to both employees and non-employee directors. The grant date for these awards is equal to the measurement date. These awards were valued as of the measurement date and are amortized over the requisite vesting period (typically 3-4 years). A summary of the activity for stock option awards during the first six months of fiscal year 2012 is presented below:

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Information regarding outstanding stock option awards

(in thousands, except per share amounts)	Shares	Weighted average exercise price (per share)	Weighted average grant date fair value (per share)	Aggregate intrinsic value	Aggregate unrecognized compensation	Number of shares exercisable	Weighted average contractual term (years)
Outstanding as of January 30, 2011	6,622	\$ 16.84		\$ 35,492	\$ 7,067	5,160	
Granted	257	24.12	\$ 8.54				
Exercised	(1,744)	17.14					
Cancelled/forfeited	(86)	24.04					
Outstanding as of July 31, 2011	5,049	\$ 16.99		\$ 33,367	\$ 6,865	3,721	

Exercisable as of July 31, 2011 3,721 \$ 16.93 \$ 25,023 2.54

**Restricted Stock.** The Company has not granted any restricted stock to employees since fiscal year 2009. The grant date for these awards is equal to the measurement date. These awards are valued as of the measurement date and recognized as compensation expense over the requisite vesting period (typically 3-4 years). A summary of the activity for restricted stock awards for the first six months of fiscal year 2012 is presented below:

(in thousands, except for per share amounts)	Number of Shares	Weighted Average Grant Date Fair Value (per share)	Aggregate Intrinsic Value (1)	Aggregate Unrecognized Compensation	Weighted Average Period Over Which Expected to be Recognized (in years)
January 30, 2011	135	\$ 14.44		\$ 984	0.8
Granted					
Vested	(71)	13.82	\$ 1,725		
Forfeited	(6)	15.78			
July 31, 2011	58	\$ 15.06		\$ 431	0.5

(1) Represents the value of Semtech stock on the date that the restricted stock vested.

**Performance Unit Awards.** The Company grants performance vested RSUs to select employees. These awards have a performance condition in addition to a service condition. The performance condition generally relates to the Company's revenue and operating income measured against internal goals. Under the terms of these awards, assuming the highest level of performance with no cancellations due to forfeitures, the maximum number of shares that can be earned in the aggregate is 960,400. In this scenario, the maximum number of shares that could be issued thereunder would be 527,700 and the Company would have a liability accrued in the Consolidated Balance Sheet equal to the value of 432,700 shares on the settlement date, which would be settled in cash. At July 31, 2011, the performance metrics associated with the awards issued in fiscal years 2012, 2011 and 2010 are expected to be met at a level which would result in a grant at 100%, 200%, and 200% of target, respectively. The following table summarizes performance unit award activity during the first six months of fiscal year 2012:

(in thousands, except for per share amount)	Total Units	Subject to Share Settlement Units	Subject to Cash Settlement Recorded Liability	Weighted Average Grant Date Fair Value (per share)	Aggregate Unrecognized Compensation	Weighted Average Period Over Which Expected
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							to be Recognized (in years)	
January 30, 2011	556	326	230	\$ 3,924.9	\$	14.26	\$ 7,971	1.0
Granted	117	59	58			23.33		
Vested	(123)	(62)	(61)			13.15		
Cancelled/forfeited	(22)	(11)	(11)			13.15		
Change in liability				310.3				
July 31, 2011	528	312	216	\$ 4,235.2	\$	16.57	\$ 8,191	1.3

**Stock Unit Awards, Employees.** The Company issues stock unit awards to employees which are expected to be settled with stock. The grant date for these awards is equal to the measurement date. These awards are valued as of the measurement date and amortized over the requisite vesting period (typically 4 years). The following table summarizes stock unit award activity for the first six months of fiscal year 2012:

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(in thousands, except per share price)	Number of Units	Weighted Average Grant Date Fair Value (per unit)	Aggregate Intrinsic Value (1)	Aggregate Unrecognized Compensation	Weighted Average Period Over Which Expected to be Recognized (in years)
January 30, 2011	2,058	\$ 16.70		\$ 29,763	2.7
Granted	324	24.45			
Vested	(205)	15.66	\$ 5,099		
Forfeited	(43)	17.39			
July 31, 2011	2,134	\$ 17.96		\$ 31,281	2.4

(1) Reflects the value of Semtech stock on the date that the stock unit vested.

**Stock Unit Awards, Non-Employee Directors.** The Company grants stock unit awards to non-employee directors. These RSUs are accounted for as liabilities and accrued in the consolidated balance sheets because they are cash settled. The value of these awards is re-measured at each reporting period until settlement, which typically occurs upon the director's separation from service. Vested awards and the pro-rata vested portion of unvested awards are recognized as a liability. These awards vest after one year of service. The following table summarizes stock unit award activity for the first six months of fiscal year 2012:

(in thousands, except per share price)	Number of Units	Recorded Liability	Weighted Average Grant Date Fair Value (per unit)	Aggregate Unrecognized Compensation	Period Over Which Expected to be Recognized (in years)
January 30, 2011	30	\$ 3,324.4	\$ 16.43	\$ 140	0.2
Granted	18		\$ 27.60		
Vested	(30)		\$ 16.43		
Forfeited					
Change in Liability		(320.8)			
July 31, 2011	18	\$ 3,003.6	\$ 27.60	\$ 379	0.9

**Note 6: Investments**

Certain investments that have original maturities of three months or less are accounted for as cash equivalents. This includes money market funds, time deposits and U.S. government obligations. Temporary and long-term investments consist of government, bank and corporate obligations, and bank time deposits with original maturity dates in excess of 90 days. Temporary investments have original maturities in excess of three months, but mature within twelve months of the balance sheet date. Long-term investments mature in excess of one year from the balance sheet date. The Company determines the cost of securities sold based on the specific identification method. Realized gains or losses are reported in Interest and other income, net on the consolidated condensed statements of operations.

The Company classifies its investments as available for sale because it may sell some securities prior to maturity. The Company's investments are subject to market risk, primarily interest rate and credit risks. The Company's investments are managed by a limited number of outside professional managers that operate within investment guidelines set by the Company. These guidelines include specified permissible investments, minimum credit quality ratings and maximum average duration restrictions and are intended to limit market risk by restricting the Company's investments to high quality debt instruments with relatively short-term maturities.

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The following table summarizes the Company's investments as of July 31, 2011 and January 30, 2011:

(in thousands)	July 31, 2011			January 30, 2011		
	Market Value	Adjusted Cost Basis	Unrealized Gain	Market Value	Adjusted Cost Basis	Unrealized Gain
Agency securities	\$ 53,363	\$ 53,302	\$ 61	\$ 54,747	\$ 54,658	\$ 89
Corporate issues	13,656	13,536	120	16,576	16,354	222
Bank time deposits	106,000	106,000		68,000	68,000	
<b>Total investments</b>	<b>\$ 173,019</b>	<b>\$ 172,838</b>	<b>\$ 181</b>	<b>\$ 139,323</b>	<b>\$ 139,012</b>	<b>\$ 311</b>

Agency securities are specific securities that are issued by United States government agencies such as Ginnie Mae, Fannie Mae, Freddie Mac or the Federal Home Loan Banks. Due to the expectation of federal backing, these securities usually hold the highest credit rating possible.

The following table summarizes the maturities of the Company's investments at July 31, 2011 and January 30, 2011:

(in thousands)	July 31, 2011		January 30, 2011	
	Market Value	Adjusted Cost Basis	Market Value	Adjusted Cost Basis
Within 1 year	\$ 141,937	\$ 141,760	\$ 112,237	\$ 112,077
After 1 year through 5 years	31,082	31,078	27,086	26,935
<b>Total investments</b>	<b>\$ 173,019</b>	<b>\$ 172,838</b>	<b>\$ 139,323</b>	<b>\$ 139,012</b>

Unrealized gains (losses) are the result of fluctuations in the market value of the Company's investments and are included in Accumulated other comprehensive income on the consolidated condensed balance sheets. The following table summarizes unrealized gains (losses) in addition to the tax associated with these comprehensive income items:

(in thousands)	Three months ended		Six months ended	
	July 31, 2011	August 1, 2010	July 31, 2011	August 1, 2010
Unrealized (loss) gain, net of tax	\$ (64)	\$ 94	\$ (101)	\$ 26
Increase (decrease) to deferred tax liability	(19)	20	(29)	(5)

The following table summarizes interest income generated from investments and cash and cash equivalents:

(in thousands)	Three months ended		Six months ended	
	July 31, 2011	August 1, 2010	July 31, 2011	August 1, 2010
Interest income	\$ 277	\$ 279	\$ 581	\$ 503

**Note 7: Fair Value**

When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance. The Company uses a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Three levels of inputs are used to measure fair value:



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*Level 1 - Quoted prices in active markets for identical assets or liabilities.*

*Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.*

*Level 3 - Unobservable inputs to the valuation methodology that is significant to the measurement of fair value of assets or liabilities.*

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Available-for-sale securities included in Level 1 are valued using closing price for identical instruments that are traded on active exchanges. Available-for-sale securities included in Level 2 are valued utilizing inputs obtained from an independent service (the Service), which uses quoted market prices for identical or comparable instruments rather than direct observations of quoted prices in active markets. The Service gathers observable inputs for all of our fixed income securities from a variety of industry data providers, for example, large custodial institutions and other third-party sources. Once the observable inputs are gathered by the Service, all data points are considered and an average price is determined. The Service's providers utilize a variety of inputs to determine their quoted prices. Substantially all of our available-for-sale investments are valued utilizing inputs obtained from the Service and accordingly are categorized as Level 2. We do not adjust the prices obtained from the Service.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement is disclosed is determined based on the lowest level input that is significant to the fair value measurement.

All items recorded or measured at fair value on a recurring basis in the accompanying consolidated condensed financial statements were based on the use of Level 2 inputs and consisted of the following:

(in thousands)	Fair Value as of July 31, 2011			Fair Value as of January 30, 2011		
	Total	Quoted Prices in Active Markets for Identical (Level 1)	Observable Inputs Other than Level 1 (Level 2)	Total	Quoted Prices in Active Markets for Identical (Level 1)	Observable Inputs Other than Level 1 (Level 2)
Agency securities	\$ 53,363		\$ 53,363	\$ 54,747		\$ 54,747
Corporate issues	13,656		13,656	16,576		16,576
Bank time deposits	106,000		106,000	68,000		68,000
	\$ 173,019	\$	\$ 173,019	\$ 139,323	\$	\$ 139,323

The investment in bank time deposits and corporate commercial papers during the second quarter of fiscal year 2012 resulted in \$173 million in financial assets measured at fair value on a recurring basis using Level 2 inputs.

The Company's fixed income available-for-sale security portfolio generally consists of high quality, investment grade securities from diverse issuers with a minimum credit rating of A/A2. The Company previously classified these investments as Level 1 because it did not make adjustments to the prices obtained from the Service. Since the Company values these securities based on pricing from the Service, whose sources may use quoted prices in active markets for identical assets (Level 1 inputs) or inputs other than quoted prices that are observable either directly or indirectly (Level 2 inputs) in determining fair value, the Company began classifying all of its fixed income available-for-sale securities as Level 2 in the second quarter of fiscal year 2012. See Note 6 for more information regarding the Company's available-for-sale investments.

**Note 8: Inventories**

Inventories, consisting of material, labor and manufacturing overhead, are stated at the lower of cost (first-in, first-out) or market and consisted of the following:

**Inventories:**

(in thousands)	July 31, 2011	January 30, 2011
Raw materials	\$ 5,757	\$ 5,070
Work in process	28,024	27,763
Finished goods	15,422	14,886

\$ 49,203      \$ 47,719

***Note 9: Intangible Assets***

**Goodwill** - Goodwill is not amortized, but is tested for impairment using a two-step method on an annual basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverability of goodwill is measured at the reporting unit level by comparing the reporting unit's carrying amount, including goodwill, to the fair market value of the reporting unit.

The fair value of goodwill is tested for impairment on a non-recurring basis in the accompanying consolidated financial statements using Level 3 inputs. The Company concluded that there were no indicators of impairment as of July 31, 2011.

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There were no changes to goodwill during the first six months of fiscal year 2012.

**Purchased Intangibles** Purchased intangibles are amortized on a straight-line basis over their estimated useful lives. In-process research and development is recorded at fair value as an indefinite-lived intangible asset until the completion or abandonment of the associated research and development efforts. Upon completion of development, acquired in-process research and development assets are transferred to finite-lived assets and amortized over their useful lives.

Intangible assets consisted of the following:

(in thousands)	Estimated Useful Life	Gross Carrying Amount		Accumulated Amortization		Net Book Value	
		July 31, 2011	January 30, 2011	July 31, 2011	January 30, 2011	July 31, 2011	January 30, 2011
Core technologies	2-10 years	\$ 65,900	\$ 65,900	\$ (17,532)	\$ (14,006)	\$ 48,368	\$ 51,894
In-process research and development	Indefinite	12,370	12,370			12,370	12,370
Customer relationships	8-10 years	12,130	12,130	(2,250)	(1,571)	9,880	10,559
Total other intangibles		\$ 90,400	\$ 90,400	\$ (19,782)	\$ (15,577)	\$ 70,618	\$ 74,823

Core technologies include \$59.9 million of definite lived intangible assets from the December 9, 2009 acquisition of Sierra Monolithics, Inc. ( SMI ). These developed technology intangibles include current optical products, wireless products and microwave products. The Company concluded that the intangibles classified as core technologies were identifiable intangible assets, separate from goodwill, since they were capable of being separated from SMI and sold, transferred or licensed, regardless of whether the Company intended to do so. The fair value of these core technologies was determined using the multi-period excess earnings method. Each product technology was valued separately since each was determined to have a different remaining useful life.

Amortization expense related to intangible assets is reported as Intangible amortization in the consolidated condensed statements of operations.

For the three month periods ended July 31, 2011 and August 1, 2010, amortization expense related to intangible assets was \$2.1 million and \$2.4 million, respectively. Amortization expense related to intangible assets for the six-month periods ended July 31, 2011 and August 1, 2010 was \$4.2 million and \$4.8 million, respectively.

**Note 10: Taxes**

The Company's effective tax rate differs from the statutory federal income tax rate of 35% due primarily to certain undistributed foreign earnings for which no U.S. taxes are provided because such earnings are intended to be indefinitely reinvested outside of the U.S.

The gross unrecognized tax benefits (before federal impact of state items) were \$17.0 million at July 31, 2011 and January 30, 2011. Included in the balances of unrecognized tax benefits at July 31, 2011 and January 30, 2011, are \$14.7 million of net tax benefits (after federal impact of state items) that, if recognized, would impact the effective tax rate. The liability for uncertain tax positions is reflected on the consolidated condensed balance sheets as follows:

(in thousands)	July 31, 2011	January 30, 2011
Accrued liabilities	\$ 4,191	\$ 4,191
Other long-term liabilities	10,548	10,548
Total accrued taxes	\$ 14,739	\$ 14,739

The Company's policy is to include net interest and penalties related to unrecognized tax benefits within the provision for taxes. The Company had approximately \$293,000 of net interest and penalties accrued at July 31, 2011 and January 30, 2011.



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As of July 31, 2011, it was reasonably possible that the total amounts of unrecognized tax benefits would decrease by up to \$4.5 million within twelve months as a result of statutes of limitations for the taxing authority to challenge the position expiring. If recognized, this decrease will impact the effective tax rate.

In the first quarter of fiscal year 2012, the Internal Revenue Service initiated an examination of the Company's 2009 Federal tax return (fiscal year 2010) which is currently ongoing. Tax years prior to 2007 (fiscal year 2008) are generally not subject to examination by the Internal Revenue Service except for items with tax attributes that could impact open tax years. For state returns, the Company is generally not subject to income tax examinations for years prior to 2006 (fiscal year 2007).

The Company's significant foreign tax presence is in Switzerland. The Company's material Swiss tax filings have been examined through fiscal year 2009. The Company is also subject to routine examinations by various foreign tax jurisdictions in which it operates.

As a global organization, the Company may be subject to a variety of transfer pricing or permanent establishment challenges by taxing authorities in various jurisdictions. In the second quarter of fiscal year 2011, Korean tax authorities completed an audit of the Company's branch activities in Korea for tax years 2006 through 2010. The impact of this audit did not have a significant impact of the Company's tax provision.

### ***Note 11: Commitments and Contingencies***

#### **Legal Matters**

From time to time in the ordinary course of its business, the Company is involved in various claims, litigation, and other legal actions that are normal to the nature of its business, including with respect to intellectual property, contract, product liability, employment, and environmental matters.

The Company records any amounts recovered in these matters when collection is certain. Liabilities for claims against the Company are accrued when it is probable that a liability has been incurred and the amount can reasonably be estimated. Any amounts recorded are based on periodic reviews by outside counsel, in-house counsel and management and are adjusted as additional information becomes available or assessments change.

While some insurance coverage is maintained for such matters, there can be no assurance that the Company has a sufficient amount of insurance coverage, that asserted claims will be within the scope of coverage of the insurance, or that the Company will have sufficient resources to satisfy any amount due not covered by insurance.

The Company's management is of the opinion that the ultimate resolution of such matters now pending will not, individually or in the aggregate have a material adverse effect on the Company's consolidated results of operations, financial position or cash flows. However, the outcome of legal proceedings cannot be predicted with any degree of certainty.

Refer to the discussion in Note 12 to the consolidated financial statements in Item 8 of the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 2011 filed with the SEC on March 31, 2011. Except as discussed below, all proceedings discussed in the Form 10-K remains outstanding.

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***Class Action Lawsuit.*** In Re: Semtech Corporation Securities Litigation, United States District Court, Central District of California, Case No. 2:07-CV-07114-CAS, two separate purported class action lawsuits were filed against the Company and certain current and former officers in August and October 2007, on behalf of persons who purchased or acquired Company securities from dates in 2002 to July 2006. The cases alleged violations of Federal securities laws in connection with the Company's past stock option practices. In February 2008, the Mississippi Public Employees Retirement System (MPERS) filed a motion in the United States District Court for the Central District of California for consolidation of the cases described above, appointment of MPERS as lead plaintiff, and approval of selection of counsel. The MPERS motion was granted in late March 2008, and a Consolidated Amended Class Action Complaint was filed in May 2008, initiating the consolidated action with MPERS as the lead plaintiff. In August, 2010, the Court issued its class certification order, certifying the plaintiff class as persons who acquired common stock of the Company between August 27, 2002 and July 19, 2006 (inclusive).

At a mediation meeting held on December 5, 2010, an agreement in principle to settle the class action litigation was reached. The Company agreed to pay \$20 million to settle all claims in the litigation. As a result of this agreement, the Company recorded an additional charge of \$10 million in fiscal year 2011 to increase its total accrued liability for this matter to \$20 million. Payment in full of the \$20 million settlement amount was made on April 14, 2011 into the applicable escrow account associated with the proposed settlement and preliminary Court approval of same was issued on April 11, 2011.

Final approval of the proposed settlement was issued by the Court on June 27, 2011, per the Court's Final Judgment and Order of Dismissal (the Final Judgment). No class member opted out of or otherwise presented any objection to the proposed settlement prior to entry of the Final Judgment. The Final Judgment fully resolves all claims against the Company, all current officers and directors of the Company named in the lawsuit, and certain former officers and directors of the Company named in the lawsuit. No parties admit any wrongdoing in connection with the entry of the Final Judgment. All claims asserted against the Company and the named defendants in connection with the subject litigation have been released and dismissed with prejudice as part of the Final Judgment. All related civil legal proceedings, including separate appellate proceedings (that had been stayed pending settlement discussions) involving certain matters relating to prospective evidentiary matters impacting trial proceedings, have also now been dismissed with prejudice.

**Indemnification**

The Company has entered into agreements with its current executive officers and directors indemnifying them against certain liabilities incurred in connection with the performance of their duties. The Company's Certificate of Incorporation and Bylaws contain comparable indemnification obligations with respect to the Company's current directors and employees. Additionally, comparable indemnification agreements and obligations under the Certificate of Incorporation and Bylaws remain in effect for certain former executive officers and directors of the Company, rights under which are being claimed by certain former executives and former directors in relation to the Government Inquiries discussed in our Annual Report on Form 10-K for the fiscal year ended January 30, 2011 and the Class Action Lawsuit discussed above. As a result of the settlement of the Class Action Lawsuit, and dismissal of the lawsuit per the Final Judgment and Order of Dismissal issued by the Court on June 27, 2011, the Company's indemnification obligations and expenses in relation to the Class Action Lawsuit are now ended. Obligations in relation to the Government Inquiries will remain pending.

**Table of Contents**Product Warranties

The Company's general warranty policy provides for repair or replacement of defective parts. In some cases, a refund of the purchase price is offered. In certain instances the Company has agreed to other warranty terms, including some indemnification provisions. As a result of lower than anticipated field failures and a revised estimate of anticipated warranty claims, the Company reduced its warranty accrual with a corresponding offset to cost of sales. The table below summarizes changes in product warranty allowances included in accrued liabilities.

(in thousands)	
Balance at January 30, 2011	\$ 607
Current accruals	65
Accrual reversals	(444)
Settlements made (in cash or in kind) during period	
 Balance at July 31, 2011	 \$ 228

**Note 12: Geographic Information and Concentration of Risk**

The Company operates exclusively in the semiconductor industry and primarily within the analog and mixed-signal sector.

Net sales activity by geographic region is as follows:

Sales by Region

(percentage of net sales)	Three Months Ended		Six Months Ended	
	July 31, 2011	August 1, 2010	July 31, 2011	August 1, 2010
North America	25%	24%	26%	25%
Asia-Pacific	62%	60%	61%	59%
Europe	13%	16%	13%	16%
	100%	100%	100%	100%

The Company generally attributes sales to a country based on the ship-to address. The table below summarizes sales activity to countries that represented greater than 10% of total sales:

(percentage of total sales)	Three Months Ended		Six Months Ended	
	July 31, 2011	August 1, 2010	July 31, 2011	August 1, 2010
United States	22%	22%	23%	23%
China (including Hong Kong)	39%	32%	37%	31%
South Korea		12%		12%

Sales to South Korea did not exceed 10% in either interim period of fiscal year 2012.

Income (loss) from continuing operations before income taxes is as follows:

Three Months Ended	Six Months Ended
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(in thousands)	July 31 2011	August 1, 2010	July 31 2011	August 1, 2010
Domestic	\$ 5,426	\$ 3,557	\$ 10,975	\$ (334)
Foreign	26,365	19,459	46,898	36,535
<b>Total</b>	<b>\$ 31,791</b>	<b>\$ 23,016</b>	<b>\$ 57,873</b>	<b>\$ 36,201</b>

Domestic income (loss) from continuing operations include amortization of acquired intangible assets, litigation expenses and higher levels of stock-based compensation compared to foreign operations.

Sales to the Company's customers are generally made on open account, subject to credit limits the Company may impose, and the receivables are subject to the risk of being uncollectible.

**Table of Contents****Concentration of Net Sales - Significant Customers**

(percentage of net sales)	Three Months Ended		Six Months Ended	
	July 31, 2011	August 1, 2010	July 31, 2011	August 1, 2010
Samsung Electronics (and affiliates)	12%	12%	12%	13%
Frontek Technology Corp	11%	12%	11%	12%

**Concentration of Accounts Receivable - Significant Customers**

(percentage of accounts receivable)	Balance as of	
	July 31, 2011	January 30 2011
Samsung Electronics (and affiliates)	11%	12%
Frontek Technology Corp	13%	12%

**Outside Subcontractors and Suppliers**

The Company relies on a limited number of outside subcontractors and suppliers for the production of silicon wafers, packaging and certain other tasks. Disruption or termination of supply sources or subcontractors, due to natural disasters such as the recent earthquake and Tsunami in Japan or other causes, could delay shipments and could have a material adverse effect on the Company. Although there are generally alternate sources for these materials and services, qualification of the alternate sources could cause delays sufficient to have a material adverse effect on the Company. Several of the Company's outside subcontractors and suppliers, including third-party foundries that supply silicon wafers, are located in foreign countries, including China, Taiwan, Singapore, Thailand, Malaysia, the Philippines, Germany, Japan, Israel and Canada. The Company's largest source of silicon wafers is an outside foundry located in China and a significant amount of the Company's assembly and test operations are conducted by third-party contractors in China, Malaysia, Thailand and the Philippines.

***Note 13: Matters Related to Historical Stock Option Practices***

Since May 2006, the Company has incurred substantial expenses for legal, accounting, tax and other professional services in connection with matters associated with or stemming from its historical stock option practices. These expenses include claims for advancement of legal expenses to current and former directors, officers and executives under pre-existing indemnification agreements and to other current and former employees under the California Labor Code and a resolution of the Board of Directors authorizing such advances. See Note 11 for additional information regarding indemnification.

In the second quarter of fiscal years 2012 and 2011, respectively, approximately \$55,000 and \$1.1 million of legal expenses and liability accruals were recorded in relation to these matters.

For the first six months of fiscal years 2012 and 2011, respectively, approximately \$186,000 and \$2.7 million of legal expenses and liability accruals were recorded in relation to these matters.

All activity related to these matters is charged to Selling, general and administrative on the consolidated condensed statements of operations.

***Note 14: Stock Repurchase Program; Treasury Shares***

In the first quarter of fiscal year 2009, the Company announced that its Board of Directors authorized the repurchase of up to \$50 million of the Company's common stock from time to time through negotiated or open market transactions (the 2008 Program). The 2008 Program does not have an expiration date. On August 24, 2011 the Company announced a \$36 million expansion of the 2008 Program. Refer to Exhibit 99.1 of our current report on Form 8-K filed with the SEC on August 24, 2011 for the complete announcement.

In addition to repurchase activity under the 2008 Program, the Company withholds shares from vested restricted stock to pay employee payroll and income tax withholding liabilities.



**Table of Contents****Summary of Repurchase and Withholding Activity**

(in thousands, except share data)	Three Months Ended				Six Months Ended			
	July 31, 2011		August 1, 2010		July 31, 2011		August 1, 2010	
	Shares	Value \$	Shares	Value \$	Shares	Value \$	Shares	Value \$
Repurchases under the 2008 Program								
Shares withheld from vested restricted shares	3,583	101	58,709	1,026	22,513	551	82,087	1,402
<b>Total activity</b>	<b>3,583</b>	<b>\$ 101</b>	<b>58,709</b>	<b>\$ 1,026</b>	<b>22,513</b>	<b>\$ 551</b>	<b>82,087</b>	<b>\$ 1,402</b>

The Company currently intends to hold the repurchased and withheld shares as treasury stock. The Company typically reissues treasury shares to settle stock option exercises and restricted share grants.

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

*You should read the following discussion of our financial condition and results of operations together with the consolidated condensed financial statements and the notes to the consolidated condensed financial statements included elsewhere in this Quarterly Report on Form 10-Q (this Quarterly Report).*

**Forward Looking Statements**

*This Quarterly Report contains forward-looking statements. Forward-looking statements are statements other than historical information or statements of current condition and relate to matters such as our future financial performance, future operational performance and our plans, objectives and expectations. Some forward-looking statements may be identified by use of terms such as expects, anticipates, intends, estimates, believes, projects, should, will, plans and similar words. In light of the risks and uncertainties inherent in all such projected matters, forward-looking statements should not be regarded as a representation by us or any other person that our objectives or plans will be achieved or that any of our operating expectations or financial forecasts will be realized. Results could differ materially from those projected in forward-looking statements, due to factors including, but not limited to, those set forth in the Risk Factors and Quantitative and Qualitative Disclosures About Market Risk sections of this Quarterly Report and the Risk Factors section of our Annual Report on Form 10-K for the fiscal year ended January 30, 2011 filed with the Securities and Exchange Commission (the SEC) on March 31, 2011. We undertake no duty to update any forward-looking statements, whether as a result of new information, future events or otherwise.*

*In addition to regarding forward-looking statements with caution, you should consider that the preparation of financial statements requires us to draw conclusions and make interpretations, judgments, assumptions and estimates with respect to factual, legal, and accounting matters. Different conclusions, interpretations, judgments, assumptions, or estimates could result in materially different results. See Note 1 to the consolidated condensed financial statements included in Part I, Item 1 of this Quarterly Report.*

**Overview**

We design, develop, manufacture and market high-performance analog and mixed signal semiconductor products. We operate and report our results in one reportable segment. Our product lines include:

**Protection Products.** We design, develop and market high performance protection devices, which are often referred to as transient voltage suppressors (TVS). TVS devices provide protection for electronic systems where voltage spikes (called transients), such as electrostatic discharge generated by the human body, can permanently damage voltage-sensitive components. Our portfolio includes filter and termination devices that can be sold as a complement to TVS devices. Our protection products feature low capacitance, providing robust protection while preserving signal integrity in high-speed voice and video interfaces and are low leakage, thus increasing battery life in electronic devices. Our protection products can be found in a broad range of applications including high-end consumer, computer, data-communications, telecommunications and industrial applications.



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**Advanced Communication and Sensing Products.** We design, develop and market a portfolio of proprietary advanced wired communication, wireless communication, sensing integrated circuits ( ICs ) and ultra-high speed Serializer/Deserializer ( SerDes ) products for transport communication. These ICs perform specialized timing and synchronization functions used in high-speed networks, specialized radio frequency ( RF ) functions used in a wide variety of industrial, medical and networking applications, and specialized sensing functions used in industrial and consumer applications and 40Gbps and 100Gbps chips and transceivers for short reach, metro and long haul applications and high performance transceivers for datacenter applications. Our advanced communications products feature a leading integrated timing solution for packet based communications networks. Our wireless and sensing products feature industry leading and longest range industrial, scientific and medical ( ISM ) radio, enabling low cost of ownership and increased reliability in all environments. Our unique sensing interface platforms can interface to any sensor and output digital data in any form. Our advanced communications and sensing products can be found in a broad range of applications including communications, industrial, medical and consumer applications.

**Power Management Products.** Power management products control, alter, regulate and condition the power supplies within electronic systems. The highest volume product types within the power management product line are switching voltage regulators, combination switching and linear regulators, smart regulators and charge pumps. Our power management products feature highly integrated devices for the telecom industry and low-power, small form factor and high-efficiency products for mobile phones, notebook computers, computer peripherals and other portable devices. The primary application for these products is power regulation for computer, communications, high-end consumer and industrial systems.

**Microwave and High-Reliability Products.** We design, develop and market transceivers for wireless communications infrastructure, including 2G/3G/4G cellular repeaters, WiMAX CPE and base stations and defense and aerospace products, including satellite communication, ground to air beacons and unmanned air vehicles ( UAV ). This product segment also includes our line of high-reliability discrete semiconductor products comprised of rectifiers, assemblies (packaged discrete rectifiers) and other products. These products are typically used to convert alternating currents ( AC ) into direct currents ( DC ) and to protect circuits against very high voltage spikes or high current surges. Our microwave and high-reliability products can be found in a broad range of applications including industrial, military, medical and communications systems.

Most of our sales to customers are made on the basis of individual customer purchase orders. Many customers include liberal cancellation provisions in their purchase orders. Trends within the industry toward shorter lead-times and just-in-time deliveries have resulted in our reduced ability to predict future shipments. As a result, we rely on orders received and shipped within the same quarter for a significant portion of our sales. Orders received and shipped in the second quarter of fiscal years 2012 and 2011 represented 31% and 40% of net sales, respectively. Sales made directly to customers during the second quarter of fiscal years 2012 and 2011 were 53% and 53% of net sales, respectively. The remaining sales were made through independent distributors.

Our business involves reliance on foreign-based entities. Most of our outside subcontractors and suppliers, including third-party foundries that supply silicon wafers, are located in foreign countries, including China, Taiwan, United Kingdom, Hong Kong, Malaysia, Germany, Israel and Canada. For the second quarter of fiscal year 2012, approximately 58% of our silicon, in terms of cost of wafers purchased, was manufactured in China.

Foreign sales during the second quarter of fiscal year 2012 constituted approximately 78% of our net sales. Approximately 62% of sales during the second quarter of fiscal year 2012 were to customers located in the Asia-Pacific region. The remaining foreign sales were primarily to customers in Europe, Canada, and Mexico.

### ***Critical Accounting Policies and Estimates***

In addition to the discussion below, you should refer to the disclosures regarding our critical accounting policies in Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 of our Annual Report on Form 10-K for the fiscal year ended January 30, 2011 filed with the SEC on March 31, 2011.

**Table of Contents***Revenue and Cost of Sales*

We recognize product revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is probable. We record a provision for estimated sales returns in the same period as the related revenues are recorded. We base these estimates on historical sales returns and other known factors. Actual returns could be different from our estimates and current provisions for sales returns and allowances, resulting in future charges to earnings.

Recovery of costs associated with product design and engineering services are recognized during the period in which services are performed when a substantive milestone is achieved. The product design and engineering recovery, when recognized, will be reported as a reduction to product development and engineering expense. Historically, these recoveries have not exceeded the cost of the related development efforts.

We defer revenue recognition on shipment of products to certain customers, principally distributors, under agreements which provide for limited pricing credits or product return privileges, until these products are sold through to end-users or the return privileges lapse. For sales subject to certain pricing credits or return privileges, the amount of future pricing credits or - returns cannot be reasonably estimated given the relatively long period in which a particular product may be held by the customer. Therefore, we have concluded that sales to customers under these agreements are not fixed and determinable at the date of the sale and revenue recognition has been deferred. We estimate the deferred gross margin on these sales by applying an average gross profit margin to the actual gross sales. The average gross profit margin is calculated for each category of products using current standard costs. The deferred gross margin does not include any adjustments for sales returns. The estimated deferred gross margin on these sales, where there are no outstanding receivables, is recorded on the balance sheet under the heading of Deferred revenue. There were no significant impairments of deferred cost of sales in fiscal year 2011 or the first six months of fiscal year 2012.

The following table summarizes the deferred net revenue balance:

<u>Deferred net revenue</u>	July 31,	January 30,
(in thousands)	2011	2011
Deferred revenues	\$ 5,784	\$ 6,369
Less: Deferred cost of revenues	(1,467)	(1,560)
<b>Deferred revenues, net</b>	<b>\$ 4,317</b>	<b>\$ 4,809</b>
Deferred product design and engineering recoveries	1,385	211
<b>Total deferred revenue</b>	<b>\$ 5,702</b>	<b>\$ 5,020</b>

*Gross Profit*

Gross profit is equal to our net sales less our cost of sales. Our cost of sales includes materials, depreciation on fixed assets used in the manufacturing process, shipping costs, direct labor and overhead. We determine the cost of inventory by the first-in, first-out method.

*Operating Costs*

Our operating costs and expenses generally consist of selling, general and administrative, product development and engineering costs, costs associated with acquisitions, and other operating related charges.

**Table of Contents****Results of Operations**

The following table sets forth, for the periods indicated, our statements of operations data expressed as a percentage of revenues.

	Three Months Ended		Six Months Ended	
	July 31, 2011	August 1, 2010	July 31, 2011	August 1, 2010
Net Sales	100.0%	100.0%	100.0%	100.0%
Cost of Sales	39.6%	40.4%	39.6%	42.1%
Gross Profit	60.4%	59.6%	60.4%	57.9%
Operating costs and expenses:				
Selling, general & administrative	17.3%	22.0%	19.5%	23.8%
Product development & engineering	17.1%	15.4%	16.1%	15.2%
Intangible amortization	1.6%	2.1%	1.7%	2.2%
Total operating costs and expenses	35.9%	39.5%	37.3%	41.3%
Operating income	24.5%	20.1%	23.1%	16.6%
Interest and other income, net	(0.1%)	0.3%	(0.2%)	0.2%
Income before taxes	24.4%	20.3%	22.9%	16.8%
Provision for taxes	3.6%	3.0%	3.2%	2.7%
Net income	20.8%	17.4%	19.7%	14.2%

Percentages may not add precisely due to rounding.

Our regional mix of income (loss) from continuing operations before income taxes is as follows:

	Three Months Ended		Six Months Ended	
(in thousands)	July 31, 2011	August 1, 2010	July 31, 2011	August 1, 2010
Domestic	\$ 5,426	\$ 3,557	\$ 10,975	\$ (334)
Foreign	26,365	19,459	46,898	36,535
Total	\$ 31,791	\$ 23,016	\$ 57,873	\$ 36,201

Domestic income (loss) from continuing operations include amortization of acquired intangible assets, litigation expenses and higher levels of stock-based compensation compared to foreign operations.

**Comparison of the Three Months Ended July 31, 2011 and August 1, 2010**

We report on the basis of 52 and 53 week periods and end our fiscal year on the last Sunday in January. All quarters consist of 13 weeks, except for one 14-week quarter in 53-week years. The second quarter of fiscal years 2012 and 2011 were both 13-week periods.

Our estimates of sales by major end-market are detailed below:



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(dollars in thousands; % of net sales)	Three Months Ended			
	July 31, 2011		August 1, 2010	
<b>Computing</b>	\$ 11,094	8%	\$ 11,086	10%
Communications	50,769	39%	40,941	36%
High-end Consumer (1)	45,287	35%	38,020	34%
Industrial	23,104	18%	23,180	20%
<b>Total</b>	<b>\$ 130,254</b>	<b>100%</b>	<b>\$ 113,227</b>	<b>100%</b>

- (1) Approximately \$5.0 million and \$4.9 million of our total sales to Samsung Electronics (and affiliates), one of our significant customers, in the second quarter of fiscal years 2012 and 2011, respectively, were for products that target the handheld market (which includes mobile phones). This activity is included in the high-end consumer end-market category.

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**Net Sales.** Net sales for the second quarter of fiscal year 2012 were \$130.3 million, an increase of 15% compared to \$113.2 million for the second quarter of fiscal year 2011. The higher revenue in the current quarter resulted primarily from higher demand for products in the communications and high-end consumer end-markets.

**Gross Profit.** During the second quarter of fiscal year 2012, gross profit increased to \$78.7 million from \$67.4 million in the second quarter of fiscal year 2011. Gross profit margins increased to 60.4% in the second quarter of fiscal year 2012 from 59.6% in the second quarter of fiscal year 2011. This increase in gross profit reflects the impact of substantially higher sales and the benefit of higher manufacturing volumes. Also contributing to the higher margins was the impact of the transition away from lower margin computing products within our Power Management business and the impact of lower stock-based compensation expense.

**Operating Costs and Expenses.**

(dollars in thousands)	Three Months Ended				Change
	July 31, 2011		August 1, 2010		
Selling, general and administrative	\$ 22,481	48%	\$ 24,915	56%	-10%
Product development and engineering	22,228	47%	17,404	39%	28%
Intangible amortization	2,103	5%	2,405	5%	-13%
Total operating costs and expenses	\$ 46,812	100%	\$ 44,724	100%	5%

**Selling, General and Administrative Expenses.**

Selling, general and administrative ( SG&A ) expenses in the second quarter of fiscal year 2012 were lower than the second quarter of fiscal year 2011 driven primarily by lower stock-based compensation expense.

SG&A expenses for the second quarter of fiscal years 2012 and 2011 include approximately \$55,000 and \$1.1 million, respectively, for legal and other professional services incurred in connection with matters related to our historical stock option practices, including the related litigation, and other associated matters. These expenses also include claims for advancement of legal expenses to current and former directors, officers and employees. See Note 13 to our consolidated condensed financial statements included in Item 1 of this Quarterly Report for additional information regarding expenses related to the class action lawsuit and historical stock option matters.

**Product Development and Engineering Expenses**

The increase in product development and engineering expenses was principally driven by the timing of recoveries from non-recurring engineering services, investments in new product and process development expenses and higher salary costs associated with an overall increase in personnel.

The levels of product development and engineering expenses reported in a fiscal period can be significantly impacted, and therefore experience period over period volatility, by the number of new product tape-outs and by the timing of recoveries from non-recurring engineering services which are typically milestone based and recorded as a reduction product development and engineering expense.

**Intangible Amortization**

Intangible amortization reflects amortization costs associated with acquired intangibles, was \$2.1 million and \$2.4 million in the second quarter of fiscal years 2012 and 2011, respectively. The decrease reflects the impact of certain intangibles that have been fully amortized.

**Interest and Other, Net**

Interest and other netted to an expense of \$117,000 in the second quarter of fiscal year 2012 compared to income of \$308,000 in the second quarter of fiscal year 2011. The decrease resulted from higher losses related to foreign currency transactions due to the weakening of the U.S. dollars in the second quarter of fiscal year 2012.



**Table of Contents****Provision for Taxes**

Provision for income taxes was \$4.7 million for the second quarter of fiscal year 2012, compared to \$3.4 million in the second quarter of fiscal year 2011. The effective tax rates for the second quarter of fiscal years 2012 and 2011 were 15%. Our effective tax rates for these periods differ from the statutory federal income tax rate of 35% due primarily to certain undistributed foreign earnings for which no U.S. taxes are provided because such earnings are intended to be indefinitely reinvested outside of the U.S.

As a global organization, we are subject to audit by taxing authorities in various jurisdictions. To the extent that an audit, or the closure of a statute of limitations, results in our adjusting our reserves for uncertain tax positions, our effective tax rate could experience extreme volatility since any adjustment would be recorded as a discrete item in the period of adjustment.

In the second quarter of fiscal year 2012, a discrete item was recorded to reflect additional income tax liability resulting from a foreign audit which was initiated and closed this quarter. This amount did not materially impact the provision for income taxes.

**Comparison of the Six Months Ended July 31, 2011 and August 1, 2010**

We report on the basis of 52 and 53 week periods and end our fiscal year on the last Sunday in January. All quarters consist of 13 weeks, except for one 14-week quarter in 53-week years. The first six months of fiscal years 2012 and 2011 were both 26-week periods.

Our estimates of sales by major end-market are detailed below:

(dollars in thousands; % of net sales)	Six Months Ended			
	July 31, 2011		August 1, 2010	
Computing	\$ 21,366	8%	\$ 22,319	10%
Communications	100,661	40%	75,437	35%
High-end Consumer (1)	85,669	34%	72,600	34%
Industrial	44,929	18%	44,751	21%
<b>Total</b>	<b>\$ 252,625</b>	<b>100%</b>	<b>\$ 215,107</b>	<b>100%</b>

- (2) Approximately \$8.4 million and \$9.9 million of our total sales to Samsung Electronics (and affiliates), one of our significant customers, in the first six months of fiscal years 2012 and 2011, respectively, were for products that target the handheld market (which includes mobile phones). This activity is included in the high-end consumer end-market category.

**Net Sales.** Net sales for the first six months of fiscal year 2012 were \$252.6 million, an increase of 17% compared to \$215.1 million for the first six months of fiscal year 2011. The higher revenue in the current quarter resulted primarily from higher demand for products in the communications and high-end consumer end-markets.

**Gross Profit.** During the first six months of fiscal year 2012, gross profit increased to \$152.6 million from \$124.5 million in the first six months of fiscal year 2011. Gross profit margins increased to 60.4% in the first six months of fiscal year 2012 from 57.9% in the first six months of fiscal year 2011. This increase in gross profit reflects the impact of substantially higher sales, and specifically a more favorable end-market product mix, and the benefit of higher manufacturing volumes. Also contributing to the higher margins was the impact of the transition away from lower margin computing products within our Power Management business and the impact of lower stock-based compensation expense.

**Table of Contents****Operating Costs and Expenses.**

(dollars in thousands)	Six Months Ended				Change
	July 31, 2011		August 1, 2010		
Selling, general and administrative	\$ 49,186	52%	\$ 51,266	58%	-4%
Product development and engineering	40,753	43%	32,707	37%	25%
Intangible amortization	4,205	5%	4,810	5%	-13%
Total operating costs and expenses	\$ 94,144	100%	\$ 88,783	100%	6%

**Selling, General and Administrative Expenses.**

Selling, general and administrative ( SG&A ) expenses in the first six months of fiscal year 2012 were lower than the first six months of fiscal year 2011 driven primarily by lower stock-based compensation expense.

SG&A expenses for the first six months of fiscal years 2012 and 2011 include approximately \$186,000 and \$2.7 million, respectively, for legal and other professional services incurred in connection with matters related to our historical stock option practices, including the related litigation, and other associated matters. These expenses also include claims for advancement of legal expenses to current and former directors, officers and employees. See Note 13 to our consolidated condensed financial statements included in Item 1 of this Quarterly Report for additional information regarding expenses related to the class action lawsuit and historical stock option matters.

**Product Development and Engineering Expenses**

The increase in product development and engineering expenses was principally driven by the timing of recoveries from non-recurring engineering services, investments in new product and process development expenses and higher salary costs associated with an overall increase in personnel.

The levels of product development and engineering expenses reported in a fiscal period can be significantly impacted, and therefore experience period over period volatility, by the number of new product tape-outs and by the timing of recoveries from non-recurring engineering services which are typically milestone based and recorded as a reduction to product development and engineering expense.

**Intangible Amortization**

Intangible amortization reflects amortization costs associated with acquired intangibles, was \$4.2 million and \$4.8 million in the first six months of fiscal years 2012 and 2011, respectively. The decrease reflects the impact of certain intangibles that have been fully amortized.

**Interest and Other, Net**

Interest and other netted to an expense of \$557,000 in the first six months of fiscal year 2012 compared to income of \$505,000 in the first six months of fiscal year 2011. This decrease is attributable to a \$1.1 million foreign currency loss in the first six months of fiscal year 2012, compared to a nominal gain in the first six months of fiscal year 2011.

**Provision for Taxes**

Provision for income taxes was \$8.2 million for the first six months of fiscal year 2012, compared to \$5.7 million for the first six months of fiscal year 2011. The effective tax rates for the first six months of fiscal years 2012 and 2011 were 14% and 16%, respectively. Our effective tax rates for these periods differ from the statutory federal income tax rate of 35% due primarily to certain undistributed foreign earnings for which no U.S. taxes are provided because such earnings are intended to be indefinitely reinvested outside of the U.S.

As a global organization, we are subject to audit by taxing authorities in various jurisdictions. To the extent that an audit, or the closure of a statute of limitations, results in our adjusting our reserves for uncertain tax positions, our effective tax rate could experience extreme volatility since any adjustment would be recorded as a discrete item in the period of adjustment.



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In the second quarter of fiscal year 2012, a discrete item was recorded to reflect additional income tax liability resulting from a foreign audit which was initiated and closed this quarter. This amount did not materially impact the provision for income taxes.

**Business Outlook**

On August 24, 2011, we announced our outlook for the third quarter of fiscal year 2012. At that time, we expected sequential revenue to be down approximately 2% to 8% from the second quarter and we expected earnings per diluted share of approximately \$0.34 to \$0.38. Refer to Exhibit 99.1 of our Current Report on Form 8-K filed with the SEC on August 24, 2011 for the complete announcement.

**Liquidity and Capital Resources**

Our capital requirements depend on a variety of factors, including but not limited to, the rate of increase or decrease in our existing business base; the success, timing and amount of investment required to bring new products to market; revenue growth or decline; and potential acquisitions. We believe that we have the financial resources necessary to meet business requirements for the next 12 months, including funds needed for working capital requirements.

As of July 31, 2011, our total shareholders' equity was \$618.1 million. At that date we also had approximately \$282.5 million in cash and short-term investments, as well as \$31.1 million in long-term investments. We have no outstanding debt.

Our primary sources and uses of cash during the prior fiscal year are presented below:

(in millions)	Six Months Ended	
	July 31, 2011	August 1, 2010
<b>Sources of Cash</b>		
Operating activities	\$ 40.6	\$ 35.0
Proceeds from exercise of stock options including tax benefits	30.6	7.6
	<b>\$ 71.2</b>	<b>\$ 42.6</b>
<b>Uses of Cash</b>		
Capital expenditures, net of sale proceeds	\$ (15.3)	\$ (10.3)
Net increase in investments	(33.8)	(33.6)
Repurchase of common stock	(0.5)	(1.4)
	<b>\$ (49.6)</b>	<b>\$ (45.3)</b>
<b>Net increase in cash and cash equivalents</b>	<b>\$ 21.6</b>	<b>\$ (2.7)</b>

We incur significant expenditures in order to fund the development, design, and manufacture of new products. We intend to continue to focus on those areas that have shown potential for viable and profitable market opportunities, which may require additional investment in equipment and the hiring of additional design and application engineers aimed at developing new products. Certain of these expenditures, particularly the addition of design engineers, do not generate significant payback in the short-term. We plan to finance these expenditures with cash generated by our operations and our existing cash balances.

A meaningful portion of our capital resources, and the liquidity they represent, are held by our foreign subsidiaries. As of July 31, 2011, our foreign subsidiaries held approximately \$211.1 million of cash, cash equivalents, and short-term investments compared to \$165.7 million at January 30, 2011. If we needed these funds for investment in domestic operations, any repatriation could result in increased tax liabilities.

One of our primary goals is to improve the cash flows from our existing business activities. Our cash, cash equivalents and investments, when combined with the lack of any outstanding debt obligations, give us the flexibility to use our free cash flow to return value to shareholders (in the form of stock repurchases) and also pursue business improvement opportunities.





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Additionally, we will continue to seek to maintain and improve our existing business performance with capital expenditures and, potentially, acquisitions that meet our rate of return requirements. Acquisitions might be made for either cash or stock consideration, or a combination of both.

### **Operating Activities**

Net cash provided by operating activities is primarily due to net income adjusted for non-cash items plus fluctuations in operating assets and liabilities.

### **Investing Activities**

Cash used for investing activities is primarily attributable to capital expenditures, purchases of investments, offset by proceeds from the sales/maturities of investments. Our marketable securities investment portfolio is invested primarily in highly rated securities, generally with a minimum rating of A/A2 or equivalent.

Capital expenditures were \$15.3 million for the first six months of fiscal year 2012 compared to \$10.3 million for the first six months of fiscal year 2011. The increase in capital expenditures was primarily to maintain and expand our test capacity, support engineering and manufacturing functions, and improve our various facilities.

### **Financing Activities**

Cash provided by financing activities is primarily attributable to the following: proceeds from the exercise of stock options offset by the repurchase of common stock under the Company's stock repurchase program and the payment of statutory tax withholding obligations resulting from the vesting of restricted stock settled by withholding shares.

For the first six months of fiscal year 2012, cash proceeds from the exercise of stock options were \$28.9 million compared to \$7.4 million in fiscal year 2011.

We do not directly control the timing of the exercise of stock options. Such exercises are independent decisions made by grantees and are influenced most directly by the stock price and the expiration dates of stock awards. Such proceeds are difficult to forecast, resulting from several factors which are outside our control. We believe that such proceeds will remain an important secondary source of cash after cash flow from operating activities.

We currently have in effect a stock repurchase program. This program represents one of our principal efforts to return value to our shareholders. No shares were repurchased in the first six months of fiscal year 2012 or 2011. On August 24, 2011 we announced a \$36 million expansion of our existing stock repurchase program. Refer to Exhibit 99.1 of our current report on Form 8-K filed with the SEC on August 24, 2011 for the complete announcement.

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In addition to the stock repurchase program, shares valued at \$551,000 and \$1.4 million were withheld in connection with the vesting of restricted stock to cover statutory tax withholding obligations in the first six months of fiscal years 2012 and 2011, respectively.

### ***Off-Balance Sheet Arrangements***

We do not have any off-balance sheet arrangements, as those arrangements are defined by the SEC, that are reasonably likely to have a material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

We do not have any unconsolidated subsidiaries or affiliated entities. We have no special purpose or limited purpose entities that provide off-balance sheet financing, liquidity or market or credit risk support. We do not engage in leasing, hedging, research and development services, or other relationships that expose us to liability that is not reflected on the face of the financial statements.

Certain contractual obligations, representing various commitments we have associated with our business, such as lease commitments and open purchase obligations, are not recorded as liabilities on our balance sheet because we have not yet received the related goods or services as of July 31, 2011.

### ***Contractual Obligations***

There were no material changes in our contractual obligations during the first six months of fiscal year 2012 from those disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 of our Annual Report on Form 10-K for the fiscal year ended January 30, 2011 filed with the SEC on March 31, 2011.

### ***Inflation***

Inflationary factors have not had a significant effect on our performance over the past several years. A significant increase in inflation would affect our future performance.

### ***Available Information***

General information about us can be found on our website at [www.semtech.com](http://www.semtech.com). The information on our website is for informational purposes only and should not be relied on for investment purposes. The information on our website is not incorporated by reference into this Quarterly Report and should not be considered part of this or any other report filed with the SEC.

We make available free of charge, either by direct access on our website or by a link to the SEC website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the SEC. Our reports filed with, or furnished to, the SEC are also available directly at the SEC's website at [www.sec.gov](http://www.sec.gov).

### ***ITEM 3. Quantitative and Qualitative Disclosures About Market Risk***

We are subject to a variety of market risks, including commodity risk and the risks related to foreign currency, interest rates and market performance that are discussed in Item 7A of our Annual Report on Form 10-K for fiscal year 2011 that ended on January 30, 2011 filed with the SEC on March 31, 2011. Many of the factors that can have an impact on our market risk are external to us, and so we are unable to fully predict them.

### ***ITEM 4. Controls and Procedures*** ***Disclosure Controls***

We carried out, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Quarterly Report. Based on this evaluation, the Chief

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Executive Officer and Chief Financial Officer have concluded that such disclosure controls and procedures were effective.

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***Changes in Internal Controls***

There was no change in our internal control over financial reporting during the fiscal quarter ended July 31, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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**PART II OTHER INFORMATION**

**ITEM 1. Legal Proceedings**

Information about legal proceedings is set forth in Note 11 to the consolidated condensed financial statements included in Part I, Item 1 of this Quarterly Report.

**ITEM 1A. Risk Factors**

*You should carefully consider and evaluate all of the information in this Quarterly Report and the risk factors set forth in our Annual Report on Form 10-K for the fiscal year ended January 30, 2011 filed with the SEC on March 31, 2011. The risks set forth in our Annual Report on Form 10-K are not the only ones we face. Additional risks not now known to us or that we currently deem immaterial may also impair our business operations. If any of these risks actually occur, our business could be materially harmed. If our business is harmed, the trading price of our common stock could decline.*

*Other than the addition of the risk factor below, the risk factors associated with our business have not materially changed, as compared to the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended January 30, 2011 filed with the SEC on March 31, 2011. Also see Management's Discussion and Analysis of Financial Condition and Results of Operations in this Quarterly Report for a discussion of certain factors that may affect our future performance.*

**We may be subject to taxation in other jurisdictions which could negatively affect our operations**

As a global organization, we may be subject to a variety of transfer pricing or permanent establishment challenges by taxing authorities in various jurisdictions. If certain of our non-U.S. activities were treated as carrying on business as a permanent establishment and therefore subject to income tax in such jurisdiction, our results of operations could be materially adversely affected.

**Table of Contents****ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds**  
**Recent Sales of Unregistered Securities**

We did not make any sales of unregistered securities during the second quarter of fiscal year 2012.

**Issuer Purchase of Equity Securities**

This table provides information with respect to purchases by us of shares of our common stock during the second quarter of fiscal year 2012.

Fiscal Month/Year	Total Number of Shares Purchased (2)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares That May Yet Be Purchased Under The Program (1)
May 2011 (05/02/11-05/29/11)		\$		\$ 13.7 million
June 2011 (05/30/11-06/26/11)		\$		\$ 13.7 million
July 2011 (06/27/11-07/31/11)		\$		\$ 13.7 million

Total activity

- (1) On March 4, 2008, we announced that our Board of Directors authorized the repurchase of up to \$50 million of our common stock from time to time through negotiated or open market transactions ( 2008 Program ). This stock repurchase program does not have an expiration date. On August 24, 2011 we announced a \$36 million expansion of the 2008 Program. Refer to Exhibit 99.1 of our current report on Form 8-K filed with the SEC on August 24, 2011 for the complete announcement.
- (2) The table does not include shares surrendered to us or withheld in connection with the cashless exercise of stock options by employees and directors or shares surrendered to us or withheld to cover tax liabilities upon vesting of restricted stock.

**ITEM 3. Defaults Upon Senior Securities**  
None.**ITEM 4. (Removed and Reserved)****ITEM 5. Other Information**  
None.

**Table of Contents****ITEM 6. Exhibits**

Documents that are not physically filed with this report are incorporated herein by reference to the location indicated.

Exhibit No.	Description	Location
3.1	Restated Certificate of Incorporation of Semtech Corporation	Exhibit 3.1 to our Quarterly Report on Form 10-Q for the quarterly period ended October 26, 2003
3.2	Bylaws of Semtech Corporation	Exhibit 3.2 to our Annual Report on Form 10-K for the year ended January 27, 2008
10.1	Semtech Nonqualified Executive Compensation Plan Adoption Agreement and Plan Document, as amended and restated effective October 12, 2007	Filed herewith
31.1	Certification of the Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended	Filed herewith
31.2	Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended	Filed herewith
32.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. §1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Exhibit 32.1 is being furnished and shall not be deemed filed )	Filed herewith
32.2	Certification of the Chief Financial Officer Pursuant 18 U.S.C. §1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Exhibit 32.2 is being furnished and shall not be deemed filed )	Filed herewith

XBRL Interactive Data File will be filed by amendment to this Form 10-Q within 30 days of the filing date of this Form 10-Q, as permitted by Rule 405(a)(2)(ii) of Regulation S-T.

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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.

**SEMTECH CORPORATION**

Registrant

Date: September 9, 2011

/s/ Mohan R. Maheswaran  
Mohan R. Maheswaran

Chief Executive Officer

Date: September 9, 2011

/s/ Emeka N. Chukwu  
Emeka N. Chukwu

Vice President Finance,  
Chief Financial Officer