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FORM 10-Q

(Mark one)

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

For the quarterly period ended December 26, 1999

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 No. 0-12695

INTEGRATED DEVICE TECHNOLOGY, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	94-2669985
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2975 STENDER WAY, SANTA CLARA, CALIFORNIA 95054
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (408) 727-6116

NONE

Former name, former address and former fiscal year,
if changed since last report)

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 (X) No ( )

The number of outstanding shares of the registrant's Common Stock, $.001 par value, as of January 21, 2000, was approximately 93,534,200.

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PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

INTEGRATED DEVICE TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED; IN THOUSANDS, EXCEPT PER SHARE DATA)

	Three months ended		Nine months ended	
	Dec. 26, 1999	Dec. 27, 1998	Dec. 26, 1999	Dec. 27, 1998
Revenues	$ 176,698	$ 149,705	$ 504,223	$ 449,457
Cost of revenues	91,488	95,198	266,346	302,975
Restructuring charges, asset impairment and other	(3,783)	--	(3,783)	207,244
Gross profit	88,993	54,507	241,660	(60,762)

Operating expenses:				
Research and development	26,397	31,990	81,879	113,291
Selling, general and administrative	28,702	29,015	87,964	88,751
Merger expenses	--	--	4,840	--
Total operating expenses	55,099	61,005	174,683	202,042
Operating income (loss)	33,894	(6,498)	66,977	(262,804)
Interest expense	(3,424)	(3,893)	(10,567)	(11,282)
Interest income and other, net	2,405	561	27,986	3,571
Income (loss) before income taxes	32,875	(9,830)	84,396	(270,515)
Provision for income taxes	1,644	155	4,220	29,777
Net income (loss)	$ 31,231	$ (9,985)	$ 80,176	$(300,292)
Basic net income (loss) per share	$ 0.34	$ (0.11)	$ 0.89	$ (3.44)
Diluted net income (loss) per share	$ 0.31	$ (0.11)	$ 0.83	$ (3.44)
Weighted average shares:				
Basic	91,571	87,468	89,809	87,239
Diluted	99,630	87,468	97,100	87,239

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

INTEGRATED DEVICE TECHNOLOGY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED; IN THOUSANDS)

	Dec. 26, 1999	Mar. 28, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 153,668	$ 144,598
Short-term investments	193,051	56,516
Accounts receivable, net	86,763	58,899
Inventories, net	68,259	60,787
Prepayments and other current assets	15,961	42,015
Total current assets	517,702	362,815
Property, plant and equipment, net	266,256	299,235
Other assets	55,614	59,155
TOTAL ASSETS	$ 839,572	$ 721,205
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 45,027	$ 37,076
Accrued compensation and related expenses	22,742	16,736
Deferred income on shipments to distributors	59,450	41,759
Other accrued liabilities	47,010	63,100

Total current liabilities	174,229	158,671
Convertible subordinated notes, net	180,367	184,354
Other liabilities	99,372	78,854
Total liabilities	453,968	421,879
Stockholders' equity:		
Preferred stock	--	--
Common stock and additional paid-in capital	400,245	372,988
Treasury stock	--	(1,638)
Accumulated deficit	(10,787)	(68,315)
Accumulated other comprehensive loss	(3,854)	(3,709)
Total stockholders' equity	385,604	299,326
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 839,572	$ 721,205

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

INTEGRATED DEVICE TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED; IN THOUSANDS)

	Nine Months Ended	
	Dec. 26, 1999	Dec. 27, 1998
OPERATING ACTIVITIES:		
Net income (loss)	$ 80,176	$(300,292)
Adjustments:		
Depreciation and amortization	66,610	90,633
(Gain) loss on sale of property, plant and equipment	(11,815)	835
Deferred tax assets	--	28,813
Restructuring, asset impairment and other	--	179,428
Changes in assets and liabilities:		
Accounts receivable	(28,667)	18,477
Inventories	(10,611)	12,030
Prepayments and other assets	10,751	14,941
Accounts payable	8,675	(27,336)
Accrued compensation and related expenses	6,246	(2,503)
Deferred income on shipments to distributors	17,690	(17,966)
Deferred revenue	32,033	--
Other accrued liabilities	(13,232)	28,479
NET CASH PROVIDED BY OPERATING ACTIVITIES	157,856	25,539
INVESTING ACTIVITIES:		
QSI net cash used during the period from October 1, 1998 to March 31, 1999	(1,146)	--
Purchases of property, plant and equipment	(65,117)	(98,123)
Proceeds from sales of property, plant and equipment	43,869	1,558
Purchases of short-term investments	(159,614)	(86,453)
Proceeds from sales of short-term investments	19,849	70,211
NET CASH USED FOR INVESTING ACTIVITIES	(162,159)	(112,807)
FINANCING ACTIVITIES:		
Issuance of common stock, net	28,689	6,651
Repurchase of common stock	--	(4,786)
Proceeds from secured equipment financing	--	31,993
Payments on capital leases and other debt	(15,316)	(14,115)

NET CASH PROVIDED BY FINANCING ACTIVITIES	13,373	19,743
Net increase (decrease) in cash and cash equivalents	9,070	(67,525)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	144,598	155,517
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 153,668	$ 87,992
Supplemental schedule of non-cash investing and financing activities:		
Capital lease obligations	--	$ 5,022

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

INTEGRATED DEVICE TECHNOLOGY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1 - Basis of Presentation

In the opinion of Integrated Device Technology, Inc. ("IDT" or the "Company"), the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the financial information included therein.

These financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended March 28, 1999. The results of operations for the nine-month period ended December 26, 1999 are not necessarily indicative of the results to be expected for the full year.

Certain reclassifications have been made to prior-period balances, none of which affected the Company's financial position or results of operations, to present the financial statements on a consistent basis.

Note 2 - QSI Merger

In May 1999, IDT completed the acquisition of Quality Semiconductor, Inc. (QSI). QSI had been engaged in the design, development and marketing of high-performance logic and networking semiconductor products.

To consummate the merger, IDT issued approximately 5,214,000 shares of its common stock in exchange for all of the outstanding common stock of QSI and granted options to purchase approximately 1,509,000 shares of IDT common stock in exchange for all of the outstanding options to purchase QSI stock. The merger was accounted for as a pooling of interests, and the condensed consolidated financial statements give effect to the merger for all periods presented.

Because the fiscal year ends of IDT and QSI differed, the statements of operations and balance sheet data for QSI have been recast as shown below:

IDT	QSI
Fiscal year ended March 28, 1999	Fiscal year ended September 30, 1998
Fiscal year ended March 29, 1998	Fiscal year ended September 30, 1997
Fiscal year ended March 30, 1997	Fiscal year ended September 30, 1996

QSI's net loss of $22.6 million for the period October 1, 1998 through March 31, 1999 has been recorded as a decrease to stockholders' equity for the quarter ended June 27, 1999.

For fiscal 1999, the results of operations of IDT for the three- and nine-month periods ended December 27, 1998 have been combined with the results of operations of QSI for the three- and nine-month periods ended June 30, 1998, respectively. The results of operations previously reported by the separate companies and the combined amounts presented in the accompanying condensed consolidated financial statements are presented below.

Three months ended December 27, 1998
(In thousands)

	IDT	QSI	Total
Total revenue	$ 135,690	$ 14,015	$ 149,705
Net loss	$ (4,578)	$ (5,407)	$ (9,985)

Nine months ended December 27, 1998
(In thousands)

	IDT	QSI	Total
Total revenue	$ 400,812	$ 48,645	$ 449,457
Net loss	$(291,619)	$ (8,673)	$(300,292)

Through December 26, 1999, IDT incurred $5.8 million in merger-related costs, including $1.0 million in fiscal 1999 and $4.8 million in fiscal 2000. Of this amount, $4.6 million related to payments for severance, retention and change-of-control agreements. The remainder consisted primarily of accounting and legal fees and printing costs.

Note 3 - Restructuring Charges, Asset Impairment and Other

During the first six months of fiscal 1999, the Company recorded $207.2 million of charges in cost of revenues relating primarily to asset impairment, restructuring associated with closure of a manufacturing facility and costs associated with certain technology licensing matters. In the fourth quarter of fiscal 1999, the Company reversed $3 million of the costs associated with technology licensing matters upon settlement of certain of those matters. In the third quarter of fiscal 2000, the Company reversed an additional $3.8 million in charges, due to the settlement of certain technology licensing and other matters.

Included in these charges were $28.9 million in asset impairment and other charges which were recorded in the first quarter of fiscal 1999. These charges consisted primarily of $15.1 million for excess SRAM manufacturing equipment and $10 million in costs associated with technology licensing matters. The excess SRAM manufacturing equipment charge represented the writedown to estimated fair market value based primarily on appraisals and estimates obtained from third parties. The charge resulted from prevailing economic conditions in the SRAM market, which had experienced declines in both demand and price.

Separately in the first quarter of fiscal 1999, the Company also recorded $5.5 million in research and development expenses and $0.2 million in selling, general and administrative expenses for costs associated with discontinuance of certain development efforts, including a graphics chip and a specialized logic chip. These charges were comprised primarily of severance costs and technology license payments associated with the discontinued efforts.

During the second quarter of fiscal 1999, the Company incurred restructuring charges which aggregated $46.4 million and related primarily to a provision for exit and closure costs associated with the San Jose, Calif. wafer fabrication facility, which the Company closed in the third quarter of fiscal 1999. The Company completed the sale of the San Jose facility in the first quarter of fiscal 2000.

The following table sets forth the Company's restructuring activities through December 26, 1999:

Balance Balance

	Mar. 28, 1999	Utilized	Adjustments	Dec. 26, 1999
Write-down of fixed assets	$ --	$ --	$ --	$ --
Severance and other employee related charges	300	(212)	(88)	--
Closure costs for manufacturing facility	5,232	(3,096)	(2,136)	--
	$ 5,532	$ (3,308)	$ (2,224)	$ --

The Company has completed its exit plan for the San Jose facility. Adjustments include a $0.8 million reversal related to the settlement of a dispute, which is included in pretax income for the period ended December 26, 1999. The Company has also reclassified a portion of the closure-costs reserve to cover long-term environmental indemnification for the San Jose plant.

Also in the second quarter of fiscal 1999, the Company recorded a $131.9 million asset impairment and other charge which related primarily to an asset impairment reserve recorded against the manufacturing assets of IDT's eight-inch wafer fabrication facility in Hillsboro, Oregon. The Company determined that due to excess industry capacity and low prices for semiconductor products manufactured in the Hillsboro facility, future undiscounted cash flows related to its wafer fabrication assets were insufficient to recover the carrying value of the assets. As a result, the Company wrote down these assets to estimated fair market value based primarily on appraisals and estimates from independent parties. Of the $131.9 million, $5.0 million was to settle certain patent claims against the Company.

Note 4 - Earnings Per Share

Basic and diluted net income (loss) per share are computed using weighted-average common shares outstanding in accordance with Statements of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share." Diluted net income per share also considers the effect of stock options and convertible debt. The following table sets forth the computation of basic and diluted net income (loss) per share:

(in thousands except per share amounts)	Three months ended Dec. 26, 1999	Three months ended Dec. 27, 1998	Nine months ended Dec. 26, 1999	Nine months ended Dec. 27, 1998
Basic:				
Net income (loss)(numerator)	$ 31,231	$ (9,985)	$ 80,176	$(300,292)
Weighted average shares outstanding (denominator)	91,571	87,468	89,809	87,239
Net income (loss) per share	$ 0.34	$ (0.11)	$ 0.89	$ (3.44)
Diluted:				
Net income (loss)(numerator)	$ 31,231	$ (9,985)	$ 80,176	$(300,292)
Weighted average shares outstanding	91,571	87,468	89,809	87,239
Net effect of dilutive stock options	8,059	--	7,291	--
Total shares (denominator)	99,630	87,468	97,100	87,239
Net income (loss) per share	$ 0.31	$ (0.11)	$ 0.83	$ (3.44)

Total stock options outstanding, including antidilutive options, were 17.5 million and 18.8 million at December 26, 1999 and December 27, 1998, respectively. The Company's convertible debt was not dilutive in any of the periods presented.

Note 5 - Comprehensive Income (Loss)

The components of comprehensive income (loss) were as follows:

(in thousands)	Three months ended		Nine months ended	
	Dec. 26, 1999	Dec. 27, 1998	Dec. 26, 1999	Dec. 27, 1998
Net income (loss)	$ 31,231	$ (9,985)	$ 80,176	$(300,292)
Currency translation adjustments	12	(1,297)	1,185	(1,707)
Unrealized gain (loss) on available-for-sale investments	(788)	(806)	(1,330)	88
Comprehensive income (loss)	$ 30,455	$ (12,088)	$ 80,031	$(301,911)

The components of accumulated other comprehensive loss (not tax affected) were as follows:

(in thousands)	Dec. 26, 1999	Mar. 28, 1999
Cumulative translation adjustments	$ (2,472)	$ (3,657)
Unrealized loss on available-for-sale investments	(1,382)	(52)
	$ (3,854)	$ (3,709)

Note 6 - New Accounting Pronouncements

In July 1999, the Financial Accounting Standards Board (FASB) issued SFAS No. 137, "Deferral of the Effective Date of SFAS No. 133" which defers the effective date of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". The Company plans to adopt SFAS No. 133 as of the beginning of fiscal 2002. SFAS No. 133 requires that all derivatives be recognized in the balance sheet as assets or liabilities and measured at fair value. SFAS No. 133 also requires current recognition in earnings of changes in these fair values, depending on the intended use and designation of the derivative. The Company is evaluating the impact of SFAS No. 133 but currently does not expect any material effects on its financial position or results of operations.

Note 7 - Inventories, Net

Inventories, net, consisted of the following:

(in thousands)	Dec. 26, 1999	Mar. 28, 1999
Raw materials	$ 5,311	$ 5,986
Work-in-process	38,312	36,995
Finished goods	24,636	17,806
	$ 68,259	$ 60,787

Note 8 - Industry Segments

The Company has three reportable segments: Communications and High-Performance Logic, SRAMs and Other, and x86 Microprocessors. The Communications and High-Performance Logic segment includes communications memories, networking devices, embedded RISC microprocessors and high-performance logic and clock management devices. The SRAMs and Other segment consists mainly of high-speed SRAMs. The tables below provide information about these segments for the three- and nine-month periods ended December 26, 1999 and December 27, 1998:

Revenues by Segment
(in thousands)

	Three months ended		Nine months ended	
	Dec. 26, 1999	Dec. 27, 1998	Dec. 26, 1999	Dec. 27, 1998
Communications and High-Performance Logic	$123,855	$106,339	$356,978	$ 334,178
SRAMs and Other	49,524	31,534	137,905	91,563
x86 Microprocessors	3,319	11,832	9,340	23,716
Total consolidated revenues	$176,698	$149,705	$504,223	$ 449,457

Profit (loss) by Segment
(in thousands)

	Three months ended		Nine months ended	
	Dec. 26, 1999	Dec. 27, 1998	Dec. 26, 1999	Dec. 27, 1998
Communications and High-Performance Logic	$ 32,872	$ 19,753	$ 83,695	$ 67,228
SRAMs and Other	(2,322)	(23,422)	(10,406)	(84,156)
x86 Microprocessors	(439)	1,784	(10,095)	(18,950)
Restructuring charges, asset impairment and other	3,783	--	3,783	(207,244)
Other nonrecurring costs	--	(4,613)	--	(19,682)
Interest income and other	2,405	561	27,986	3,571
Interest expense	(3,424)	(3,893)	(10,567)	(11,282)
Income (loss) before income taxes	$ 32,875	$ (9,830)	$ 84,396	$(270,515)

The Company expects future sales of x86 Microprocessor products to be insignificant.

Note 9 - Licensing Agreements and Sales of Assets

In September 1999, the Company completed the sale of x86 intellectual property and its Centaur x86 microprocessor design subsidiary, located in Austin, Texas, to VIA Technologies Inc. ("VIA"), a Taiwanese company, and its partners for an aggregate amount of $31 million. The design subsidiary consisted mainly of x86 related employees and property, plant and equipment. IDT and VIA also entered into a patent cross license agreement relating to certain non-x86 IDT patents under which IDT received $20 million.

The Company recorded a pretax gain of $19.6 million, net of transaction costs, upon closure of the sale transaction. The Company also deferred $20.0 million in future revenue related to the cross license agreement, which is being recognized ratably over the remaining average life of the patents, which approximates seven years.

In August 1999, the Company also entered into an intellectual property cross license agreement with Intel Corporation for $20.5 million, $8.5 million of which was recognized as revenue during the quarter ended September 26, 1999. The remaining cross license fee is being recognized ratably over the average remaining life of the patents, which approximates seven years.

Note 10 - Related Party Transactions

During fiscal 1998, a director of the Company acted as an uncompensated agent on behalf of a subsidiary of the Company in acquiring parcels of land for future corporate development. At March 28, 1999, the Company owed the director $11.5 million, representing the purchase price of the land. In September 1999, that subsidiary of the Company sold the land at its acquisition price to Acquisition Technology, Inc., of which the director is president.

Note 11 - Litigation

In November 1998, the Company, along with 25 other companies, was sued in the U.S. District Court for the District of Arizona by the Lemelson Foundation ("Lemelson") for alleged patent infringement. Lemelson made similar allegations against the Company's subsidiary, Quality Semiconductor, Inc., and 87 other defendants in a lawsuit filed in February 1999. In November 1999, the Company entered into an agreement with Lemelson that settled all outstanding claims and granted the Company a license to use the Lemelson patents asserted against the Company and its subsidiary. In Q3 2000, the Company reversed the excess portion of reserves previously provided for this matter.

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

All references are to the Company's fiscal quarters ended December 26, 1999 ("Q3 2000") September 26, 1999 ("Q2 2000"), and December 27, 1998 ("Q3 1999"), unless otherwise indicated. Quarterly financial results may not be indicative of the financial results of future periods. All non-historical information contained in this discussion and analysis constitutes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

These statements are not guarantees of future performance and involve a number of risks and uncertainties, including but not limited to: operating results; new product introductions and sales; competitive conditions; capital expenditures and capital resources; manufacturing capacity utilization, and the Company's efforts to consolidate and streamline production; customer demand and inventory levels; protection of intellectual property in the semiconductor industry; and the risk factors set forth in the section "Factors Affecting Future Results." Future results may differ materially from such forward-looking statements as a result of such risks. The Company undertakes no obligation to publicly release the results of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof.

HISTORICAL INFORMATION RELATING TO FISCAL 1999 RESTRUCTURING AND ASSET IMPAIRMENT AND OTHER CHARGES AND ACTIONS TAKEN

During the first six months of fiscal 1999, IDT recorded $207.2 million in charges related to asset impairment and restructuring, which were specifically identified in the Condensed Consolidated Statements of Operations, and an additional $9.0 million of charges which were recorded as operating expenses. These charges related principally to closure of one of three wafer fabrication facilities located in the United States, recording an asset impairment charge to reduce the carrying value of one of the remaining facilities, discontinuing research initiatives and costs associated with intellectual property matters. These charges are discussed below under the captions "Gross Profit," "Research and Development" and "Selling, General and Administrative."

From fiscal 1994 through fiscal 1996, IDT's sales volume more than doubled, growing from $330 million to $679 million. The growth was principally based upon strong demand for SRAM products, especially cache memory products for use in personal computers. At the peak of demand for IDT's SRAM products, sales of SRAM and related products accounted for approximately 45% of IDT's revenues.

As business conditions in the semiconductor industry improved through the mid-1990s, the Company took steps to significantly expand its manufacturing capacity. Most notably, the Company constructed the Hillsboro, Oregon fabrication facility and the assembly and test facility located in Manila, the Philippines. During the period fiscal 1995 through fiscal 1998, IDT expended more than $700 million for acquisitions of property, plant and equipment.

In addition to providing incremental manufacturing capacity, the Hillsboro facility provides the Company with advanced wafer fabrication technology and capability. However, the costs of such advanced wafer manufacturing technology and capability are significant. To recover such costs, semiconductor manufacturers must be able to amortize device design, equipment and facility acquisition costs over a significant volume of products with a selling price that reasonably reflects the advanced level of technology employed in their design and manufacture.

As IDT's additions to manufacturing capacity became available for use in fiscal 1997, business conditions in the memory sector of the semiconductor industry changed dramatically. Selling prices of industry-standard SRAM components fell as much as 80% over an approximate 12-month period. The price decreases were the result of a significant increase in market supply of industry standard SRAM parts from principally foreign competitors, such as Samsung, Winbond, UMC and other Taiwanese and Korean companies, which allocated increased capacity to SRAM products. Also, U.S.-based companies with Taiwan- and Korean-sourced SRAM wafers from

foundries such as TSMC provided additional product supply. These competitors reduced prices at a time when market demand slowed as customers reduced the levels of inventories carried.

As a result of the difficult operating conditions that had existed in the semiconductor industry for the past few years, and which intensified in the middle of calendar 1998, including excess product supply and low prices, IDT consolidated and streamlined its manufacturing operations. This operational decision, which included closure of the Company's wafer fabrication facility located in San Jose, California in late calendar 1998, primarily reflected industry oversupply conditions.

The Company is moving away from dependence on industry-standard products, is expanding the range of its products manufactured at Hillsboro, and has increased the level of manufacturing facility utilization. In fiscal 1999, the Company performed an asset impairment review for the Hillsboro facility based upon IDT's operating conditions, and concluded that, despite the closure of its San Jose facility, IDT was still in a position of overcapacity. The impairment review revealed that then projected production volumes and related cash flows from the Hillsboro facility would not be sufficient to recover the carrying value of that manufacturing facility. Therefore, in accordance with current accounting literature, IDT concluded that the carrying value of the Hillsboro manufacturing assets was impaired and wrote down the carrying values of these assets to fair market value, as estimated by third parties with significant experience in marketing and selling used semiconductor equipment.

As discussed below, the semiconductor industry is cyclical in nature, and while demand and price levels for the products manufactured at the Hillsboro facility have improved from fiscal 1999 levels, in fiscal 1999, the timing and degree of any such recovery was uncertain.

Throughout a difficult operating period, IDT remained focused on producing value-added products for its communications customers. These products include communications memories, embedded RISC microprocessors, high-speed, static random access memories (SRAMs) and high-performance logic products. IDT has successfully offered many of these and similar products to its customers for more than 10 years. IDT intends to continue its efforts to align its business practices to focus on serving its markets in an efficient manner and providing value to stockholders.

RESULTS OF OPERATIONS

REVENUES

Pooling of interests accounting has been used to account for the merger of Quality Semiconductor, Inc. (QSI) with IDT. Under pooling of interests accounting, IDT's past results are restated to include the results of QSI (see Note 2 of Notes to Condensed Consolidated Financial Statements).

Revenues for Q3 2000 were $176.7 million, an increase of $3.2 million compared to the $173.5 million recorded in Q2 2000, and an increase of $27.0 million over revenues of $149.7 recorded for Q3 1999. Revenues for the nine months of fiscal 2000 were $504.2 million, an increase of $54.8 million over the comparable period in fiscal 1999. As described below, Q2 2000 revenues included $8.5 million associated with a cross license with Intel Corporation ("Intel"). Revenue associated with the ongoing operations of the Company in Q2 2000 was $165.1 million.

The increase in quarterly and nine- month revenues to $176.7 million and $504.2 million, respectively, is primarily the result of increased sales of IDT's Communications and High Performance Logic and SRAM and Other products, partially offset by a decline in sales of x86 Microprocessor products. Revenues from products in IDT's Communications and High Performance Logic and SRAM and Other segments increased in the quarter and nine-month periods ended Q3 2000, primarily because of increased volumes of products sold. Sales of x86 microprocessor products for the quarter and nine months ended Q3 2000 declined to $3.3 million and $9.3 million, respectively, and were $11.8 million and $23.7 million in the comparable periods of fiscal 1999. IDT does not expect future x86 sales volumes, if any, to be significant. The

Company believes revenues and costs associated with existing and new products in the Communications and High-Performance Logic and SRAMs and Other segments will increase in future quarters as the Company continues to execute new product introduction strategies and assuming that overall levels of industry demand continue to improve. Excluding any potential risks and costs to complete the combination of QSI manufacturing operations with IDT's manufacturing operations, the merger of QSI into the Company was essentially completed in calendar 1999.

In Q2 2000, IDT entered into a cross license with Intel and received as consideration $20.5 million. As described above, $8.5 million in revenues associated with the intellectual property cross license with Intel was recognized in Q2 2000. The remaining revenue associated with the cross license with Intel is being recognized over seven years, the estimated useful life of the relevant intellectual property.

Information on risks associated with the expansion of IDT's product families is included in "Factors Affecting Future Results." The semiconductor industry is highly cyclical and subject to significant downturns. Such downturns are characterized by diminished product demand, production over-capacity and accelerated average selling price erosion. The price the Company receives for its industry-standard SRAM and other products is therefore dependent upon industry-wide demand and capacity, and such prices have been historically subject to rapid change. Low SRAM prices have adversely affected, and may continue to adversely affect, the Company's operating results.

GROSS PROFIT

Gross profit for Q3 2000 was $89.0 million, compared to gross profit of $84.3 million and $54.5 million in Q2 2000 and Q3 1999, respectively. Gross profit for the first nine months of fiscal 2000 increased by $302.4 million compared to the same period in the previous fiscal year.

Excluding the benefit in Q3 2000 associated with restructuring charges, asset impairment and other costs, IDT's gross profit as a percentage of revenues was essentially flat in Q3 2000 compared to Q2 2000. Gross margin in Q2 2000 benefited from the $8.5 million in Intel licensing revenue, as discussed above, that carried little related costs. On an operating basis, excluding the Q3 2000 benefit referred to above and revenue recognized in Q2 2000 associated with the Intel cross license, IDT's gross profit percentage improved to 48.4% in Q3 2000, compared with 46.3% in Q2 2000.

On an operating basis, gross profit has shown sequential quarterly improvement throughout fiscal 2000 and was 48.4% in Q3 2000, 46.3% in Q2 2000, 44.4% in Q1 2000 and 46.5% for the nine-month period ended Q3 2000. In fiscal 1999, the comparable percentages were 36.4% for Q3 1999 and 32.6% for the nine-month period ended Q3 1999.

IDT's gross margin has improved in fiscal 2000 over comparable periods in fiscal

1999 because of higher revenues, increased unit sales, and the consolidation of fabrication production volumes in fiscal 1999, including the closure of one fabrication facility. Consolidation of production volumes has allowed IDT to improve utilization of its remaining fabrication facilities, resulting in a lower overall cost per unit produced. IDT's gross margin has also improved in fiscal 2000 over fiscal 1999 because of a reduction in depreciation expense resulting from lower carrying values of impaired manufacturing assets.

In Q1 1999, the Company recorded a charge of $28.9 million which was specifically identified in the Company's Condensed Consolidated Statements of Operations as a reduction in gross profit. The $28.9 million charge related primarily to excess SRAM manufacturing equipment ($18.9 million) and certain technology licensing matters ($10.0 million, of which $3 million was reversed in Q4 1999 upon favorable settlement of certain of these matters). The net carrying value of equipment before writedown was $17.4 million, and after writedown was $2.3 million. The portion of the charge which pertains to excess SRAM related equipment was associated with equipment

which was no longer used in the Company's normal operations because of changes in demand in the semiconductor marketplace or changes in the Company's product strategy. The equipment related portion of the charge was computed as the difference between the net book value of the equipment and estimates of fair market value, as estimated by third parties with significant experience in marketing and selling used semiconductor equipment. As a result of the charge related to excess manufacturing equipment, the reduction in annual depreciation expense was approximately $4 million.

Additionally, in Q1 1999, the Company recorded a charge of $5.7 million relating primarily to discontinuing certain technology development initiatives, which have been classified as research and development expenses in the Company's Condensed Statements of Operations.

In Q2 1999, the Company recorded a $131.9 million asset impairment and other charge which related primarily to an asset impairment reserve recorded against the manufacturing assets of IDT's eight-inch wafer fabrication facility in Hillsboro. The Company determined that due to excess industry capacity and low prices for semiconductor products manufactured in the Hillsboro facility, future undiscounted cash flows related to its wafer fabrication assets were insufficient to recover the carrying value of the assets. As a result, the Company wrote down these assets to estimated fair market value based primarily on appraisals and estimates from independent parties. Of the $131.9 million, $5.0 million was to settle certain patent claims against the Company.

The Company realized annual cost savings of approximately $45 million as a result of manufacturing restructuring actions taken in Q2 1999 (see Note 3 of Notes to Condensed Consolidated Financial Statements). The cost savings associated with the manufacturing restructuring were partially realized in Q4 1999 and fully realized beginning in Q1 2000. As a result of asset impairment charges in fiscal 1999, which reduced the carrying value of manufacturing equipment, IDT's annual depreciation expense was reduced by approximately $25 million.

Historically, SRAM and x86 microprocessor products have been produced at the Hillsboro facility and the Company is unable to predict whether demand for industry-standard SRAM products, or IDT's share of the available markets, will improve. Should IDT's production volumes, especially at its fabrication facilities, decline and should the Company be unable to otherwise increase revenue or decrease costs per unit sold, the Company's gross profit would be adversely impacted. Further, if prices on new or existing industry-standard SRAM products do not improve or the Company is not able to manufacture and sell other products at comparable or better margins, and if a greater percentage of the Hillsboro facility's operating costs are allocated to cost of goods sold based on activities performed, then gross margin may not improve, or may decrease.

RESEARCH AND DEVELOPMENT

For Q3 2000, research and development ("R&D") expenses decreased by $2.0 million and $5.6 million from Q2 2000 and Q3 1999, respectively. R&D expenses decreased by $31.4 million for the first nine months of fiscal 2000 compared to the same period in fiscal 1999. R&D expenses for Q1 1999 included $5.5 million in charges, primarily associated with discontinuing certain development efforts, severance and termination costs associated with development personnel and related payments under technology license agreements associated with such development efforts. Development efforts discontinued included a graphics chip and a specialized logic chip. Cost savings associated with discontinuing these development efforts are approximately $1 million per quarter. Also, expenses to develop x86 microprocessor products have decreased in Q3 2000, as the Company completed the sale of its Austin x86 microprocessor design center during Q2 2000.

R&D expenses in the nine month period ended Q3 2000 were lower than the comparable period in fiscal 1999 for two primary reasons. First, expenses related to developing process technology have been reduced in the fiscal 2000 period because of the closure of IDT's San Jose, California wafer fabrication facility, which was closed during the consolidation of IDT's manufacturing facilities as discussed above. The allocation of manufacturing costs associated with process R&D has decreased in fiscal 2000 as a result of fewer fabrication facilities and continued improved manufacturing facility utilization at the remaining facilities. Second, as noted above, the Company sold its x86 products design center in Q2 2000.

Management expects that in the coming quarters, R&D expense will increase from the Q3 2000 level as the company invests in new products and attempts to support growing revenues into its target networking and telecommunications customer markets. As a percentage of revenue, management expects R&D expense to remain relatively constant, assuming that business conditions and overall industry demand continue to improve. Current R&D activities include enhancing IDT's family of specialty memory products for the communications and networking markets, conducting research into applications of high-speed DRAM technology for the communications market, developing RISController(TM) microprocessors primarily for communications and embedded control applications; developing an advanced SRAM architecture that significantly improves performance of communications applications requiring frequent switches between data reads and writes; and implementing advanced process technologies, including 0.18 micron semiconductor fabrication techniques, designed to produce performance and/or cost advantages for IDT's communications products.

(TM) RISController is a trademark of Integrated Device Technology, Inc. All other brand names and products names are trademarks, registered trademarks or trade names of their respective holders.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative ("SG&A") expenses increased by $0.7 million for Q3 2000 compared to Q2 2000, but were essentially flat as a percentage of revenue. Comparing the third quarter and first nine months of fiscal 2000 against the same periods in fiscal 1999, SG&A expenses decreased by $0.3 million and $0.8 million, respectively. The Company expects that in the coming quarters recurring SG&A expenses will remain relatively constant with Q2 2000 levels, except for costs such as sales commissions and sales bonuses which will vary in relation to sales volumes.

MERGER EXPENSES

The Company incurred $4.8 million in expenses related to the QSI merger in Q1 2000, including $4.6 million in severance and employee retention costs. The Company incurred no merger-related expenses in either Q2 2000 or Q3 2000.

INTEREST EXPENSE

Interest expense is primarily associated with the 5.5% Convertible Subordinated Notes, due in 2002, and secured equipment financing agreements which amortize over the term of the financing agreements. Interest expense of $3.4 million for Q3 2000 represented a slight decrease compared to Q2 2000. Excluding historical amounts related to QSI, interest expense for the three- and nine-month periods ended December 26, 1999 was essentially unchanged compared to the same periods in fiscal 1999.

INTEREST INCOME AND OTHER, NET

Interest income and other, net, was $2.4 million in Q3 2000, a decrease of $15.9 million compared to Q2 2000. The decrease is primarily the result of net gains of approximately $19.6 million in Q2 2000 primarily related to the sale of IDT's Centaur design subsidiary and x86 processor intellectual property. Interest and other income, net for the nine-month period ended December 26, 1999 increased by $24.4 million compared to the same period in fiscal 1999, mainly due to the Q2 2000 Centaur-related gains and to a gain of $4.6 million on IDT'S sale of its closed San Jose facility in Q1 2000. Interest income also increased in fiscal 2000 as a result of higher cash and investment balances. Interest income and other for Q3 2000 includes an approximate $3 million loss associated with the operating results of an investee company. IDT expects that in its fourth fiscal quarter ending March 2000, its investment in this company will become fully amortized and that beyond fiscal 2000, IDT will not record any further losses associated with this investee.

TAXES

The Company's effective tax rate for Q3 2000, Q2 2000 and the first nine months of fiscal 2000 was 5%. Tax expense for the first nine months of fiscal 1999 included a $35 million reserve taken against the value of the Company's net deferred tax assets. The Company realized no federal tax benefit in fiscal 1999 as a whole because of IDT's inability to carry back losses. IDT expects that its effective tax rate in future fiscal years will be higher than the rate for fiscal 2000. The tax rate in future years will be dependent on IDT's level of profitability and the ability of the Company to recognize deferred tax assets.

LIQUIDITY AND CAPITAL RESOURCES

Total cash and cash equivalents and short-term investments increased by $145.6 million from March 28, 1999 to December 26, 1999. At December 26, 1999, cash and cash equivalents were $153.7 million, an increase of $9.1 million from $144.6 million at March 28, 1999. Additionally the Company had short-term investments of $193.1 million and $56.5 million at December 26, 1999 and March 28, 1999, respectively.

The Company generated $157.9 million in cash from operating activities during the first three quarters of fiscal 2000, up from $25.5 million for the same period in fiscal 1999. In Q2 2000, the Company received $20.5 million from Intel in connection with a cross license agreement. Of this amount, $8.5 million was recorded as revenue in Q2 2000 and the remainder as deferred revenue. The Company also received $20 million from VIA Technologies in Q2 2000 under another license agreement (see Note 9 of Notes to Condensed Consolidated Financial Statements) which was recorded as deferred revenue.

During Q2 2000, IDT loaned $10 million to an investee company. The loan will provide the investee with the ability to continue its development activities while seeking other sources of long term funding.

During the first three quarters of fiscal 2000, the Company's net cash used for investing activities was $162.2 million, including $139.8 million, net, related to purchases and sales of short-term investments and $65.1 million for capital expenditures. The Company received $43.9 million in proceeds from sales of property, plant and equipment, consisting primarily of the sale of the San Jose fabrication facility, which had been closed during fiscal 1999 in connection with the Company's restructuring efforts, and assets associated with the Company's x86 design subsidiary.

Financing activities provided $13.4 million during the first nine months of fiscal 2000. Financing activities in the first nine months of fiscal 2000 included the repurchase and retirement of 5.5% Convertible Subordinated Notes for $3.5 million. The notes had a face value of $4.5 million. The Company may retire additional portions of the notes from time to time, as authorized by the Board of Directors.

IDT anticipates capital expenditures of approximately $25 million during the fourth quarter of fiscal 2000. The Company plans to finance these expenditures primarily through cash generated from operations and existing cash and investments. The Company may also investigate other financing alternatives, depending on whether available terms are favorable to the Company.

The Company believes that existing cash and cash equivalents, cash flow from operations and credit facilities available to the Company will be sufficient to meet its working capital, mandatory debt repayment and anticipated capital expenditure requirements through the remainder of fiscal 2000 and 2001. While the Company is reviewing all operations with respect to cost-savings opportunities, there can be no assurance that the Company will not be required to seek other financing sooner or that such financing, if required, will be available on terms satisfactory to the Company. If the Company is required to seek other financing sooner, the unavailability of financing on terms satisfactory to IDT could have a material adverse effect on the Company.

FACTORS AFFECTING FUTURE RESULTS

The preceding discussion contains forward-looking statements, which are based on management's current expectations. These include, in particular, the statements related to revenues and gross profit, R&D and SG&A expenses and activities, interest expense, interest income and other, taxes, capital spending and financing transactions, as well as statements regarding successful development and market acceptance of new products, industry conditions and demand, effects of consolidation of production, capacity utilization and the acquisition of QSI. Actual results may differ materially. The Company's results of operations and financial condition are subject to the following risk factors:

IDT's Operating Results can Fluctuate Dramatically

IDT's operating results can fluctuate dramatically. For example, the Company had a net loss of $283.6 million for fiscal 1999 compared to net income of $8.2 million for fiscal 1998. The net loss for fiscal 1999 exceeded IDT's cumulative net income for all of fiscal 1994, 1995, 1996 and 1998, which totaled $246.8 million. In addition, IDT had a net loss of $42.3 million for fiscal 1997. Fluctuations in operating results can result from a wide variety of factors, including:

- timing of new product and process technology announcements and introductions from IDT or its competitors;
- competitive pricing pressures, particularly in the SRAM market;
- fluctuations in manufacturing yields;
- changes in the mix of products sold;
- availability and costs of raw materials;
- the cyclical nature of the semiconductor industry and industry-wide wafer processing capacity;
- economic conditions in various geographic areas; and
- costs associated with other events, such as underutilization or expansion of production capacity, intellectual property disputes, or other litigation.

In addition, many of these factors also impact the recoverability of the cost of manufacturing, taxes and other assets. As business conditions change, future writedowns or abandonment of these assets may occur. Also, the Company ships a substantial portion of its products in the last month of a quarter. If anticipated shipments in any quarter do not occur, IDT's operating results for that quarter could be harmed. Further, IDT may be unable to compete successfully in the future against existing or potential competitors, and IDT's operating results could be harmed by increased competition. The recent economic downturn and continued uncertainties in some Asian economies, including Korea, have reduced demand for IDT's products. Should economic conditions in Asia deteriorate, especially in Japan, the Company's sales and business results would be harmed.

The Cyclicality of the Semiconductor Industry Exacerbates the Volatility of

IDT's Operating Results

The semiconductor industry is highly cyclical. Market conditions characterized by excess supply relative to demand and resultant pricing declines have occurred in the past and may occur in the future. Such pricing declines adversely affect IDT's operating results and force IDT and its competitors to modify their capacity expansion programs. As an example, in prior years a significant increase in manufacturing capacity of commodity SRAMs caused significant downward

trends in pricing, which adversely affected IDT's gross margins and operating results. IDT is unable to accurately estimate the amount of worldwide production capacity dedicated to industry-standard commodity products, such as SRAM, that it produces. IDT's operating results can be adversely affected by such cyclical factors in the semiconductor industry as: a material increase in industry-wide production capacity; a shift in industry capacity toward products competitive with IDT's products; and reduced demand or other factors that may result in material declines in product pricing and could affect the portion of IDT's operating results derived from the sale of industry-standard products. Although IDT seeks to manage costs, these efforts may not be sufficient to offset the adverse effect of these factors.

Demand for IDT's Products Depends on Demand in the Computer and Communications Markets

The Company's customers incorporate a substantial percentage of IDT's products, including SRAMs, into computer and computer-related products, which have historically been characterized by rapid technological change and significant fluctuations in demand. Demand for certain other IDT products depends upon growth in the communications market. Any slowdown in the computer or communications markets could materially adversely affect IDT's operating results.

IDT's Product Manufacturing Operations are Complex and Subject to Interruption

From time to time, IDT has experienced production difficulties, including reduced manufacturing yields or products that do not meet IDT's specifications, that have caused delivery delays and quality problems. While production deliveries and delays have been infrequent and generally short in duration, IDT could experience manufacturing problems and product delivery delays in the future as a result of, among other things, complexity of manufacturing processes, changes to its process technologies, and ramping production and installing new equipment at its facilities.

IDT has wafer fabrication facilities located in Hillsboro, Oregon; Salinas, California; and, as a result of the QSI merger, in eastern Australia. Substantially all of IDT's revenues are derived from products manufactured at facilities which are exposed to the risk of natural disasters, including earthquakes. If IDT were unable to use these facilities, as a result of a natural disaster, or otherwise, IDT's operations would be materially adversely affected until the Company was able to obtain other production capability. IDT does not carry earthquake insurance on its facilities, as adequate protection is not offered at economically justifiable rates.

Historically, IDT has utilized subcontractors for the majority of its incremental assembly requirements, typically at higher costs than its own Malaysian and Philippines assembly and test operations. IDT expects to continue utilizing subcontractors extensively to supplement its own production volume capacity. Due to production lead times, any failure by IDT to adequately forecast the mix of product demand could adversely affect IDT's sales and operating results.

IDT's Operating Results can be Substantially Impacted by Facility Expansion, Utilization and Consolidation

Facility and capacity additions have resulted in a significant increase in fixed and variable operating expenses that in the past have not been fully offset when revenues declined. IDT records as R&D expense the operating costs associated with bringing a new fabrication facility to commercial production status in the period such expenses are incurred. However, as commercial production at a new fabrication facility commences, the operating costs are classified as cost of revenues, and IDT begins to recognize depreciation expense relating to the facility. As a result of IDT's closure of the San Jose facility in fiscal 1999, IDT incurs additional operating costs in Hillsboro as commercial production continues. Accordingly, if current revenue levels are not maintained and cost savings from closing the San Jose plant do not offset these additional expense levels, or if

IDT is unable to achieve gross margins from products produced at the Hillsboro facility that are comparable to IDT's other products, IDT's future results of operations could be adversely impacted.

In recent years, the Company has implemented plans to improve its operating results through consolidation of certain manufacturing and other activities, together with headcount reductions and other actions. For example, in fiscal 1999, IDT closed its San Jose facility, resulting in a $46.4 million restructuring charge, and revalued certain assets at its Hillsboro facility, resulting in a $131.9 million asset impairment and other charge. The expected cost savings from these actions might not be sufficient to maintain IDT's profitability during cyclical downturns in the semiconductor industry.

IDT's Results are Dependent on the Success of New Products

New products and process technology costs associated with the Hillsboro wafer fabrication facility will continue to require significant R&D expenditures.

However, the Company may not be able to develop and introduce new products in a timely manner, its new products may not gain market acceptance, and it may not be successful in implementing new process technologies. If IDT is unable to develop new products in a timely manner, and to sell them at gross margins comparable to or better than IDT's current products, its future results of operations could be adversely impacted.

IDT is Dependent on a Limited Number of Suppliers

IDT's manufacturing operations depend upon obtaining adequate raw materials on a timely basis. The number of vendors of certain raw materials, such as silicon wafers, ultra-pure metals and certain chemicals and gases, is very limited. In addition, certain packages used by IDT require long lead times and are available from only a few suppliers. From time to time, vendors have extended lead times or limited supply to IDT due to capacity constraints. IDT's results of operations would be adversely affected if it were unable to obtain adequate supplies of raw materials in a timely manner or if there were significant increases in the costs of raw materials.

From time to time, IDT contracts with third party semiconductor designers. As with all new products, there is risk that IDT or its contractors will not be successful in their efforts to design new products.

IDT May Require Additional Capital on Satisfactory Terms to Remain Competitive

The semiconductor industry is extremely capital intensive. To remain competitive, IDT must continue to invest in advanced manufacturing and test equipment. IDT could be required to seek financing to satisfy its cash and capital needs, and such financing might not be available on terms satisfactory to IDT. If such financing is required and if such financing is not available on terms satisfactory to IDT, its operations could be adversely affected.

Intellectual Property Claims Could Adversely Affect IDT's Business and Operations

The semiconductor industry is characterized by vigorous protection and pursuit of intellectual property rights, which have resulted in significant and often protracted and expensive litigation. In recent years, there has been a growing trend by companies to resort to litigation to protect their semiconductor technology from unauthorized use by others. IDT has been involved in patent litigation in the past, which adversely affected its operating results. Although IDT has obtained patent licenses from certain semiconductor manufacturers, IDT does not have licenses from a number of semiconductor manufacturers that have a broad portfolio of patents. IDT has been notified that it may be infringing on patents issued to certain third parties and is currently involved in several license negotiations. Additional claims alleging infringement of intellectual property rights could be asserted in the future. The intellectual

property claims that have been made or that may be asserted against IDT could require that IDT discontinue the use of certain processes or cease the manufacture, use and sale of infringing products, to incur significant litigation costs and damages and to develop non-infringing technology. The Company might not be able to obtain such licenses on acceptable terms or to develop non-infringing technology. Further, the failure to renew or renegotiate existing licenses on favorable terms, or the inability to obtain a key license, could adversely affect IDT.

International Operations Add Increased Volatility to IDT's Operating Results

A substantial percentage of IDT's revenues are derived from non-U.S. sales. During the first nine months of fiscal 2000, fiscal 1999, fiscal 1998 and fiscal 1997, non-U.S. sales accounted for 37%, 37%, 39% and 38% of IDT's revenues, respectively. During these periods, Asia-Pacific sales accounted for 10%, 8%, 10% and 8% of IDT's revenues, respectively. In addition, IDT's offshore assembly and test operations incur payroll, facilities and other expenses in local currencies. Accordingly, movements in foreign currency exchange rates, such as those seen recently in the Far East, can impact both pricing and demand for IDT's products as well as its cost of goods sold. IDT's offshore operations and export sales are also subject to risks associated with foreign operations, including:

o political instability;

o currency controls and fluctuations;

o changes in local economic conditions and import and export controls; and

o changes in tax laws, tariffs and freight rates.

Contract pricing for raw materials used in the fabrication and assembly processes, as well as for subcontract assembly services, can also be impacted by currency exchange rate fluctuations.

IDT is Subject to Risks Associated with Using Hazardous Materials in its Manufacturing

IDT is subject to a variety of environmental and other regulations related to hazardous materials used in its manufacturing process. Any failure by IDT to control the use of, or to restrict adequately the discharge of, hazardous materials under present or future regulations could subject it to substantial liability or could cause its manufacturing operations to be suspended.

IDT's Common Stock is Subject to Price Volatility

IDT's common stock has experienced substantial price volatility. Such volatility may occur in the future, particularly as a result of quarter-to-quarter variations in the actual or anticipated financial results of IDT, the companies in the semiconductor industry or companies in the markets served by IDT. Announcements by IDT or its competitors regarding new product introductions may also lead to volatility. In addition, IDT's stock price can fluctuate due to price and volume fluctuations in the stock market, especially those that have affected technology stocks.

Impact of Year 2000 on IDT's Operations

As of the end of January 2000, the Company has completed the transition from calendar year 1999 to 2000 and conducted internal tests for year 2000 issues. No significant impact to the Company's operations or its business and manufacturing systems has been reported. The Company will continue to evaluate year 2000 related exposures at its suppliers, vendors, customers and other third parties over the next several weeks. The Company will also continue to monitor its systems, facilities and products over the next few months to ensure that latent defects do not manifest themselves. Such follow-up will be encompassed into the normal monitoring of Company systems and operations.

Amounts paid to manufacturing equipment vendors to obtain software upgrades to remediate Year 2000 issues will approximate $400,000. IDT has also paid Keane, Inc., a software services firm, approximately $165,000 in consulting. Residual year 2000 and monitoring costs after January 1, 2000 are not expected to be significant.

Requirements Associated with the Introduction of the Euro

IDT is continuing to monitor and evaluate the impact of the introduction of the Single European Currency (Euro). During the transition period ending December 31, 2001, public and private parties may pay for goods and services using either the Euro common currency or the legacy currency of the participating country. Beginning January 1, 2002, Euro denominated bills and coins will be issued, with the legacy currencies being completely withdrawn from circulation on June 30, 2002.

Based on its ongoing evaluation, IDT does not currently expect the cost of any Euro-related system modifications to be material and does not expect that the Euro will have a material adverse impact on IDT's business activities, financial condition or overall trends in results of operations.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

A lawsuit filed by Lemelson Medical Education & Research Foundation, Limited Partnership ("plaintiff") against the Company and twenty-five other corporate defendants was served upon the Company in November 1998. The lawsuit, which alleged that the defendants' manufacturing equipment infringes upon 16 patents issued to the plaintiff, was filed in the United States District Court for the District of Arizona, case number 98-1413. The plaintiff has also made similar allegations against the Company's wholly owned subsidiary, Quality Semiconductor, Inc., and eighty-seven other corporate defendants in a lawsuit filed in the U.S. District Court for the District of Arizona, case number 99-CV-377, in February 1999. The lawsuits were settled in November 1999.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On December 14, 1999, the Company held its 1999 Annual Meeting of Stockholders. On the record date of October 22, 1999, 91,057,296 shares of the Company's Common Stock were issued, outstanding and entitled to vote. Tabulated proxies at the meeting represented 81,040,417, or 89.0%, of the total eligible shares. Voting results of the proposals presented were as follows:

(1) Proposal I - To elect one Class II director for a term to expire at the 2002 Annual Meeting of Stockholders:

Name	Votes For	Authority Withheld
Carl Berg	79,031,424	2,008,993

(2) Proposal II - To approve an amendment to the Company's 1984 Employee Stock Purchase Plan to increase the number of shares reserved for issuance thereunder from 7,000,000 to 8,500,000:

Votes For	Votes Against	Votes Abstained
78,306,584	2,497,785	236,048

(3) Proposal III - To ratify the appointment of PricewaterhouseCoopers LLP as independent accountants of the Company for fiscal 2000:

Votes For	Votes Against	Votes Abstained
80,790,509	106,020	143,888

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) The following exhibit is filed herewith:

Exhibit No.	Description
27	Financial Data Schedule

(b) Reports on Form 8-K:

No reports have been filed on Form 8-K during this quarter.

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.

INTEGRATED DEVICE TECHNOLOGY, INC.

Date: February 8, 2000 /s/ JERRY G. TAYLOR

Jerry G. Taylor
President and Chief Executive Officer
(duly authorized officer)

Date: February 8, 2000 /s/ ALAN F. KROCK

Alan F. Krock
Vice President, Chief Financial Officer
(principal accounting officer)

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF INTEGRATED DEVICE TECHNOLOGY,
INC. AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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