



## IDT Announces Results for Third Quarter of Fiscal 2003

SANTA CLARA, Calif.--(BUSINESS WIRE)--Jan. 23, 2003--IDT™ (Integrated Device Technology, Inc.)(Nasdaq:IDTI), a leading communications IC company, today announced results for the quarter ended December 29, 2002, its third quarter of fiscal 2003. Revenues for the third quarter were \$79.0 million, a decrease of 14 percent compared to the second quarter of fiscal 2003 and a decrease of 1 percent compared to the quarter ended December 30, 2001. On a pro-forma basis, the net loss for the third fiscal quarter was \$20.6 million (\$0.20 loss per share), compared to net income of \$1.0 million (\$0.01 per diluted share) in the second quarter of fiscal 2003 and a net loss of \$11.9 million (\$0.11 loss per share) for the quarter one year ago.

Including certain costs, charges and gains in accordance with GAAP, the Company lost \$26.3 million in the third quarter of fiscal 2003 (\$0.25 loss per share) compared to a loss of \$4.9 million in the second quarter of fiscal 2003 (\$0.05 loss per share). One year ago, on a GAAP basis, the Company earned \$214,000 (\$0.00 per diluted share) for the third quarter of fiscal 2002. Further information, including a detailed reconciliation of pro-forma and GAAP results, is provided in the financial tables of this release.

"We experienced a difficult third fiscal quarter with declining revenue and a substantial reduction in inventories," said Greg Lang, IDT president and CEO. "While the business climate remains challenging, we believe that working down our inventory levels will put us in better financial shape as we enter fiscal 2004. Additionally, our strong balance sheet enables us to continue to invest in technology and product development, which has resulted in new design-win momentum."

### Q3FY03 Highlights:

"We introduced new offerings in most of our product segments, including a new integrated communications processor that enhances overall system bandwidth in Enterprise and access markets, and new software development tools to accompany our growing line of classification and content inspection processors," said Thomas Brenner, vice president of worldwide marketing for IDT. "We continue to make strides in developing innovative products that address our customers' need for more complete intelligent packet-processing solutions."

### Additional Highlights:

- The IDT 128Kx72 (256Kx36) full-ternary network search engine was named one of the EDN Top 100 Products for 2002 and has won several designs at key communications customers. In its special report published in the December 12, 2002 issue, EDN praised the IDT device for "performing as many as 100 million database look-ups/sec" and supporting "searches as wide as 576 bits."
- The Company is shipping the latest version of its complete classification processing software development kit (SDK) for the PAX.port family of classification and content inspection processors. PAX.works 3.4 is used to prototype, test, and debug complex classification, content inspection and regular expression matching that enables intelligent application management in next-generation networking equipment. PAX.works software can be used to program the IDT family of PAX.port classification processors, thereby reducing time to market development cycles for new equipment designs. IDT is also now demonstrating OC-48 classification on its PAX.ware 2500 evaluation system for its PAX.port 2500 classification and content inspection processor. The evaluation system allows next-generation system designers to evaluate full, wire-speed classification processing in network processing architectures featuring the PAX.port 2500 classification processor.
- In November, IDT expanded its family of newly branded Interprise™ processors with the introduction of the RC32438 integrated communications processor. Building on the company's position as the leading provider of integrated processors for managed Layer-2 Ethernet switches, the new device delivers up to 250 MHz in performance and incorporates a DDR memory controller, a 32-bit version
- 2.2 PCI controller and two on-chip Ethernet interfaces to address the bandwidth-demanding requirements of communications applications within the Enterprise and access market segments, including managed Layer-2 and Layer-3 switches, gateways, wireless access points and VPN equipment.
- IDT strengthened its position as a leading integrated processor supplier for the growing Asia Pacific communications infrastructure market with key design wins in China and Taiwan. Lite-On has selected the IDT RC32332 and RC32334



Revenues	\$ 79,010	\$ 92,252	\$ 80,171	\$263,074	\$293,196
Cost of revenues	59,826	49,246	53,555	165,800	185,678
Restructuring charges, asset impairment and other	1,010	--	18,571	1,285	20,872
Gross profit	18,174	43,006	8,045	95,989	86,646
Operating expenses:					
Research and development	30,126	29,384	31,542	89,751	97,184
Selling, general and administrative	21,827	19,862	20,176	62,115	65,280
Acquired in-process research and development	2,670	--	--	2,670	16,000
Amortization of intangibles	161	156	1,681	473	5,043
Total operating expenses	54,784	49,402	53,399	155,009	183,507
Operating loss	(36,610)	(6,396)	(45,354)	(59,020)	(96,861)
Interest expense	(143)	(129)	(153)	(403)	(1,035)
Loss on equity investments	--	(6,557)	36,160	(6,557)	36,160
Interest income and other, net	4,006	5,231	7,136	15,160	32,285
Loss before income taxes	(32,747)	(7,851)	(2,211)	(50,820)	(29,451)
Benefit for income taxes	(6,424)	(2,969)	(2,425)	(12,025)	(3,239)
Net income (loss)	\$ (26,323)	\$ (4,882)	\$ 214	\$ (38,795)	\$ (26,212)
Net income (loss) per share:					
Basic	\$ (0.25)	\$ (0.05)	\$ 0.00	\$ (0.37)	\$ (0.25)
Diluted	\$ (0.25)	\$ (0.05)	\$ 0.00	\$ (0.37)	\$ (0.25)
Weighted average shares:					
Basic	103,271	103,091	104,111	103,531	104,630
Diluted	103,271	103,091	107,680	103,531	104,630

INTEGRATED DEVICE TECHNOLOGY, INC.  
PRO FORMA ADJUSTMENTS  
(Unaudited)

(In thousands)

	Three Months Ended			Nine Months Ended	
	Dec. 29, 2002	Sep. 29, 2002	Dec. 30, 2001	Dec. 29, 2002	Dec. 30, 2001
Net income (loss)	\$ (26,323)	\$ (4,882)	\$ 214	\$ (38,795)	\$ (26,212)
Special items:					
Cost of goods sold:					

Restructuring charges (1)	1,010	--	1,138	1,285	3,439
Asset impairment (1)	--	--	17,433	--	17,433
Other (3)	339	619	--	4,320	--
Amortization of acquisition-related charges (2)	909	786	786	2,481	2,358
Operating expenses:					
Acquired IPR&D (2)	2,670	--	--	2,670	16,000
Other (3)	8	108	--	376	--
Restructuring charges (1)	868	--	902	1,086	1,117
Amortization of goodwill (2)	--	--	1,500	--	4,500
Other acquisition-related costs (2)	1,248	976	1,490	3,200	4,087
Losses (gains) on equity investments (4)	--	6,557	(35,860)	6,557	(35,860)
Other income (5)	--	--	--	--	(5,085)
Tax effects	(1,285)	(3,208)	539	(6,256)	1,053
Total special items	5,767	5,838	(12,072)	15,719	9,042
Pro forma net income (loss)	\$ (20,556)	\$ 956	\$ (11,858)	\$ (23,076)	\$ (17,170)

- (1) Consists of costs, primarily severance, of restructuring actions taken in Q1 2002, Q3 2002, Q1 2003 and Q3 2003. We also recorded an asset impairment charge related to our Salinas, Calif. wafer fabrication plant in Q3 2002.
- (2) Costs relate to our acquisitions of Newave and Solidum in April 2001 and October 2002, respectively. Newave-related costs include an IPR&D charge and amortization of contingent compensation, stock-based compensation and intangible assets. Solidum-related costs include an IPR&D charge and amortization of intangible assets.
- (3) Consists of costs related to the June 2002 closure of our Salinas plant, including \$3.0 million in retention bonuses for Q1 2003.
- (4) The item for Q2 2003 consists of an other-than-temporary impairment charge related to our equity investment in PMC-Sierra Inc. (PMC). We sold all of our holdings in Monolithic Systems Technology (MoSys) in Q3 2002 and recorded a pretax gain of \$35.7 million. We also sold a portion of our holdings in PMC in Q3 2002 and recorded a pretax gain of \$0.5 million.
- (5) In Q2 2002, we exercised an option to purchase land. The land was immediately sold at a pretax gain of \$5.1 million.

INTEGRATED DEVICE TECHNOLOGY, INC.  
PRO FORMA STATEMENTS OF OPERATIONS  
(Unaudited)

(In thousands,  
except per share  
data)

Three Months Ended			Nine Months Ended		
Dec. 29, 2002	Sep. 29, 2002	Dec. 30, 2001	Dec. 29, 2002	Dec. 30, 2001	

Revenues	\$ 79,010	\$ 92,252	\$ 80,171	\$263,074	\$293,196
Cost of revenues	58,578	47,841	52,769	158,999	183,320
Gross profit	20,432	44,411	27,402	104,075	109,876
Operating expenses:					
Research and development	28,839	28,456	29,842	86,456	93,305
Selling, general and administrative	21,151	19,862	19,665	61,221	64,498
Total operating expenses	49,990	48,318	49,507	147,677	157,803
Operating loss	(29,558)	(3,907)	(22,105)	(43,602)	(47,927)
Interest expense	(143)	(129)	(153)	(403)	(1,035)
Interest income and other, net	4,006	5,231	7,436	15,160	27,500
Income (loss) before income taxes	(25,695)	1,195	(14,822)	(28,845)	(21,462)
Provision (benefit) for income taxes	(5,139)	239	(2,964)	(5,769)	(4,292)
Net income (loss)	\$(20,556)	\$ 956	\$(11,858)	\$(23,076)	\$(17,170)
Net income (loss) per share:					
Diluted	\$ (0.20)	\$ 0.01	\$ (0.11)	\$ (0.22)	\$ (0.16)
Weighted average shares:					
Diluted	103,271	104,508	104,111	103,531	104,630

Our pro forma results exclude acquisition-related charges and unusual or infrequent expenses and benefits that are not directly related to our ongoing operations. We believe that these pro forma results provide useful information; however, our presentation of pro forma results is not in accordance with GAAP and may not be comparable to pro forma information provided by other companies. Pro forma information should be considered a supplement to, and not a substitute for, financial statements prepared in accordance with GAAP.

INTEGRATED DEVICE TECHNOLOGY, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Unaudited)

(In thousands)	Dec. 29, 2002	Mar. 31, 2002
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 169,299	\$ 256,172
Short-term investments	401,880	418,228
Accounts receivable, net	38,786	40,067
Inventories	56,641	78,247
Deferred tax assets	72,492	74,874
Prepayments and other current assets	32,801	19,787

Total current assets	771,899	887,375
Property, plant and equipment, net	239,426	221,499
Goodwill and other intangibles	61,836	57,281
Other assets	39,431	59,664
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TOTAL ASSETS	\$1,112,592	\$1,225,819
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LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 17,334	\$ 18,342
Accrued compensation and related expenses	14,214	14,068
Deferred income on shipments to distributors	20,096	36,443
Income taxes payable	10,390	21,863
Other accrued liabilities	21,143	29,173
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Total current liabilities	83,177	119,889
Other liabilities	36,136	51,221
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Total liabilities	119,313	171,110
Stockholders' equity	993,279	1,054,709
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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,112,592	\$1,225,819
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