

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains statements of a forward-looking nature. These statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by terminology such as "may," "will," "expects," "should," "could," "plans," "intends," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms and other comparable terminology.

These forward-looking statements include, without limitation, statements regarding our ability to rapidly gain international acceptance in the Communications market; our ability to continue our leadership; our ability to expand our focus into more growth markets; our ability to sustain growth opportunities; our ability to expand all primary areas of our production capability; our ability to expand our own test production facilities; our ability to ramp capacity of our wholly owned testing facility; our ability to focus on growth and profitability from products that contribute high value to customers and have high barriers to entry for competition; our ability to recoup legal expense through court awards, royalties and ongoing growth; our ability to maintain a leadership position and ongoing growth; our ability to provide customers with leading edge solutions; our commitment to grow research and development; our anticipation that the consumer market will continue to rapidly expand; our anticipation of continued demand for our products and continued growth and success; our intention to bring some of the more critical semiconductor testing activities in-house; our ability to develop new products that have improved features and can achieve broad commercial acceptance; our intention to continue to leverage our analog and mixed-signal design expertise to develop products with longer life cycles; our intention to continue to strengthen our design capabilities; our expectation to continue to develop innovative technologies; our expectation that overall gross margin and gross profit as a percentage of net sales will likely fluctuate in the future; our expectation that new products typically have higher gross margins and that gross margins typically decline over the life of the products; our expectation that research and development expenses as a percentage of net sales will fluctuate; our expectation to continue development of innovative technologies and processes for new products; our expectation to continue to invest significant resources in research and development; our expectation that selling, general and administrative expenses and patent litigation expenses will continue to increase and fluctuate; our expectation that we will experience highest sales volume in the consumer electronics and computer markets in the third and fourth quarter of each year; our belief that cash balances will be sufficient to meet our capital requirements for at least the next 12 months; our anticipation that we will not pay dividends in the foreseeable future; our intention not to have significant share ownership in, or active participation in the management of, companies in which we have made strategic investments; our expectation that our results of operations or cash flows will not be affected to any significant degree by sudden short-term change in market interest rates; our ability to develop products in a timely manner to meet customer demands, our ability to take advantage of cost-efficiencies associated with the "fabless" semiconductor business model, our future gross profits, our ability and efforts to reduce costs and expenses, our expectations regarding outcome of litigation matters, and our statements regarding the effect of adoption of certain accounting policies.

These forward-looking statements are based on our current assumptions and beliefs in light of the information currently available to us. Actual results, levels of activity, performance or achievements may differ materially from those expressed or implied in these forward-looking statements for a variety of reasons, including: changes in demand for devices that use our products; market conditions in the semiconductor industry and the economy as a whole; the stages of our products in their life cycles, variations, expansions or reductions in the mix of our product offerings, the timing of our product introductions, specific product manufacturing costs, increased competition, introduction of new competing technologies and the increase of unexpected expenses, and such other factors discussed elsewhere in this annual report. We assume no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise. You are cautioned not to place undue reliance on these forward-looking statements which apply only as of the date of this annual report.