Fiscal Year	2007	2008	2009	2010	2011	2012
Semtech	$100	$94	$87	$113	$164	$219
NASDAQ Composite	$100	$96	$61	$ 88	$110	$116
PHLX SEMICONDUCTOR SECTOR	$100	$77	$45	$ 68	$ 95	$ 89

The information contained in this Item 5 under the heading "Performance Graph" (i) is being furnished and shall not be deemed "filed" for the purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section, and (ii) shall not be incorporated by reference into any registration statement or other document pursuant to the Exchange Act, or the Securities Act, except as shall be expressly set forth by specific reference in such filing to this Item 5 Performance Graph information.

Item 6. Selected Financial Data

The consolidated statement of income data set forth below for fiscal years 2012, 2011 and 2010 and the consolidated balance sheet data as of the end of fiscal years 2012 and 2011 are derived from, and qualified by reference to, the audited consolidated financial statements included in Item 8 of this report. The consolidated statement of income data for fiscal years 2009 and 2008 and the consolidated balance sheet data as of the end of fiscal years 2010, 2009 and 2008 are derived from the audited financial statements previously filed with the SEC on Form 10-K.

This information should be read in conjunction with Management's Discussion and Analysis contained in Item 7 of this report, the audited financial statements and accompanying notes included in Item 8 of this report, and the corresponding items included in our Form 10-K for fiscal years 2011, 2010 and 2009.

The fiscal year ended January 31, 2010 consisted of fifty-three weeks with the extra week falling in the fourth quarter. All other fiscal years presented consisted of fifty-two weeks. Our past results are not necessarily indicative of our future performance.

Income Statement Data

(in thousands, except per share amounts)	Fiscal Year Ended				
	January 29, 2012	January 30, 2011	January 31, 2010	January 25, 2009	January 27, 2008
Net Sales	$480,601	$454,502	$286,560	$294,820	$284,790
Cost of Sales	194,956	186,196	130,514	135,233	128,513
Gross Profit	285,645	268,306	156,046	159,587	156,277
Operating costs and expenses:					
Selling, general and administrative	100,629	110,404	77,934	75,200	68,924
Product development and engineering	80,577	69,624	44,847	41,405	43,064
Intangible amortization	10,853	9,520	2,348	1,091	1,102
Total operating costs and expenses	192,059	189,548	125,129	117,696	113,090
Operating income	93,586	78,758	30,917	41,891	43,187
Interest and other income, net	593	574	3,054	4,287	15,120
Income before taxes	94,179	79,332	33,971	46,178	58,307
Provision for taxes	5,092	6,760	33,014	8,657	10,524
Net income	$ 89,087	$ 72,572	$ 957	$ 37,521	$ 47,783
Earnings per share:					
Basic	$ 1.37	$ 1.16	$ 0.02	$ 0.61	$ 0.72
Diluted	$ 1.32	$ 1.12	$ 0.02	$ 0.61	$ 0.71
Weighted average number of shares used in computing earnings per share:					
Basic	65,099	62,339	60,779	61,249	66,424
Diluted	67,350	64,523	61,676	61,999	67,709
Anti-dilutive shares not included in the EPS calculations	625	1,700	8,900	10,600	10,300

Balance Sheet Data

(in thousands)	January 29 2012	January 30 2011	January 31 2010	January 25 2009	January 27 2008
Cash, cash equivalents and investments	$327,665	$258,342	$162,223	$258,815	$213,397
Working capital	360,330	259,873	146,086	279,887	255,562
Total assets	726,321	659,943	514,294	420,795	395,412
Other long-term liabilities	29,151	37,503	35,173	8,960	10,680
Total stockholders' equity	630,188	528,615	405,741	378,020	348,710

Note 1: The Company acquired SMI on December 9, 2009 and Leadis Technology Inc. on February 6, 2009. Both of these acquisitions occurred during our fiscal year 2010 with SMI being the more significant of the two. As a result, fiscal year 2011 reflects a full year on these acquisitions in our consolidated statements of income. Refer to Note 7 to the audited consolidated financial statements included in Item 8 of this report.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with Item 6 "Selected Consolidated Financial Data" and our audited consolidated financial statements and related notes included elsewhere in this Form 10-K.

As discussed in "Special Note Regarding Forward-Looking and Cautionary Statements" earlier in this report, this Form 10-K contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward looking statements, including as a result of the risks described in the cautionary statements in Item 1A "Risk Factors" and elsewhere in this Form 10-K, in our other filings with the SEC, and in material incorporated herein and therein by reference. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Overview

We are a leading supplier of analog and mixed-signal semiconductor products and were incorporated in Delaware in 1960. We design, produce and market a broad range of products that are sold principally into applications within the high-end consumer, industrial, computing and communications end-markets. The high-end consumer market includes handheld products, tablet computers, set-top boxes, digital televisions, digital video recorders and other consumer equipment. Applications for the industrial market include automated meter reading, military and aerospace, medical, security systems, automotive, industrial and home automation, and other industrial equipment. Computing product markets include desktops, notebooks, servers, graphic boards, monitors, printers, and other computer peripherals. Communications market applications include base stations, optical networks, switches and routers, wireless LAN, and other communication infrastructure equipment. Our end-customers are primarily original equipment manufacturers and their suppliers, including Alcatel-Lucent, Apple, Inc., Cisco Systems, Inc., Ericsson, Finisar Corporation, Fujitsu, Hamilton Sundstrand, Huawei Technologies Co., Ltd., JDS Uniphase, LG Electronics, Motorola, Nokia Siemens Networks, Oclaro, Opnext, Inc., Phonak International, Research In Motion Limited, Samsung Electronics Co., Ltd., and ZTE Corporation.

We operate our business in one enterprise-wide reportable segment. 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. Sales made directly to customers during fiscal year 2012 were 56% of net sales. The remaining 44% of net sales were made through independent distributors.

Our business relies 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, the United States, Israel, Europe, and Canada. For the fiscal year ended January 29, 2012, approximately 59% of our silicon, in terms of cost of wafers purchased, was manufactured in China. Foreign sales for fiscal year 2012 constituted approximately 80% of our net sales. Approximately 75% of foreign sales in 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.

Recent Developments

On March 20, 2012, we announced that we have successfully completed the acquisition of Gennum, a leading supplier of high speed analog and mixed-signal semiconductors for the optical communications and video broadcast markets. In accordance with the terms of the acquisition agreement, the Company acquired all outstanding common shares of Gennum for approximately $510 million. The transaction was financed through cash on hand and $350 million of five-year secured term loans.

On March 20, 2012, we entered into a Credit Agreement with the lenders referred to therein (the "Lenders") and Jefferies Finance LLC, as administrative agent (the "Credit Agreement"). Pursuant to the Credit Agreement, the Lenders provided us with senior secured first lien credit facilities in an aggregate principal amount of $350 million (the "Facilities"), consisting of Term A loans in an aggregate principal amount of $100 million (the "Term A Loans") and Term B loans in an aggregate principal amount of $250 million (the "Term B Loans").

Gennum's data communications and video platforms broaden our existing portfolio of high-speed communications platforms. Combining Gennum's 1Gbps to 25 Gbps signal integrity solutions with our 40 Gbps to 100 Gbps SerDes solutions creates one of the industry's most complete and robust analog and mixed signal portfolios targeted at the communications and enterprise computing segments. This will enable us to help customers reduce bottlenecks in the access, metro and core networks, as demand for bandwidth continues to escalate. Moreover, Gennum's strong position in video broadcast and the emerging HD video surveillance market further diversifies our portfolio of high-performance analog semiconductors.

Results of Operations

Fiscal Year 2012 Compared With Fiscal Year 2011

Presented below is our estimate of net sales by end-market.

(fiscal years, in thousands)	January 29, 2012		January 30, 2011		
	Net Sales	% total	Net Sales	% total	Change
Computing	$ 41,716	9%	$ 42,728	9%	-2%
Communications	186,479	39%	166,419	37%	12%
High-End Consumer	168,520	35%	151,945	33%	11%
Industrial/Other	83,886	17%	93,410	21%	-10%
Net sales	$480,601	100%	$454,502	100%	6%

Net Sales. Net sales for fiscal year 2012 were $480.6 million, an increase of 6% from $454.5 million for fiscal year 2011. Fiscal year 2012 revenues increased driven by strengthening demand in the communications and consumer end markets. Fiscal year 2012 was also impacted by softening global economic conditions that resulted in a reduction in orders of our component products during the fiscal year.

Higher revenue in the communications end market was attributed to the impact of strengthening demand for our 40G and 100G communications infrastructure products in our Advanced Communications product line. Higher revenues in the high-end consumer end market were driven by strengthening demand for Protection products in consumer applications including LCD TVs, smartphones and tablet computers. Computing revenues were roughly flat. Within the industrial category, lower revenue was attributed to softer demand from the military segment in our Power Management and High-Reliability and Advanced Communications product lines.

Gross Profit. Gross profit was $285.6 million and $268.3 million for fiscal years 2012 and 2011, respectively. Our gross margin was 59.4% for fiscal year 2012, up from 59.0% in fiscal year 2011. Gross profit margins for fiscal year 2012 were positively impacted by higher revenues, increased manufacturing volumes and the impact of reduced equity compensation expenses attributed to staffing reductions associated with a reduction in workforce. These factors offset the impact of a higher mix of consumer and computing revenues relative to communications and industrial revenues.

Operating Costs and Expenses.

(fiscal years, in thousands)	January 29, 2012		January 30, 2011		
	Costs/Exp.	% sales	Costs/Exp.	% sales	Change
Selling, general and administrative	$100,629	21%	$110,404	25%	(9)%
Product development and engineering	80,577	17%	69,624	15%	16%
Intangible amortization and impairments	10,853	2%	9,520	2%	14%
Total operating costs and expenses	$192,059	40%	$189,548	42%	1%

Selling, General & Administrative Expenses

Selling, general and administrative expenses for fiscal year 2012 decreased by $9.8 million or 9% driven by the reduction in class action lawsuit expenses as the Company settled the litigation in August 2011, and lower equity compensation expenses partially offset by the impact of transaction expenses, reorganization charges and the impact of higher staffing and information technology infrastructure upgrade spending. Approximately $2.9 million of transaction expenses attributed to the acquisition of Gennum and the evaluation of other acquisition candidates were recorded in fiscal year 2012.

Selling, general and administrative expenses for fiscal years 2012 and 2011 include approximately $0.2 million and $13.6 million (net of insurance recoveries of $10 million), respectively, for legal and other professional services incurred in connection with matters related to our historical stock option practices, including the government inquiries, the related litigation, and other associated matters. Fiscal year 2012 includes $2.0 million for expenses attributed to a reorganization plan initiated during the third quarter of fiscal year 2012 which resulted in consolidation of research and development activities and reduction in workforce.

Stock-based compensation expense was $15.8 million and $19.3 million in fiscal years 2012 and 2011, respectively. The year over year decrease in equity compensation was principally driven by staffing reductions associated with our reorganization actions.

Product Development and Engineering Expenses

Product development and engineering expenses for fiscal years 2012 and 2011 were $80.6 million and $69.6 million, respectively or an increase of 16%. The increase in fiscal year 2012 is principally driven by the impact of increased new product and process development expenditures primarily in the Advanced Communications and Protection product lines. In addition, fiscal year 2012 includes a $0.9 million expense associated with the impairment of a new process development initiative.

Intangible Amortization and Impairments

Intangible Amortization, which reflects amortization costs associated with acquired intangibles, increased by $1.3 million in fiscal year 2012 compared to fiscal year 2011, as a result of the impact of impairment charges attributed to assets acquired from Leadis Technology Inc. During the third quarter of fiscal year 2012, we abandoned certain development efforts related to acquired intangible assets and recorded an impairment charge of $2.5 million.

Interest and Other Income, Net. Interest and other income, net was $593,000 for fiscal year 2012, up from $574,000 in fiscal year 2011. For fiscal years 2012 and 2011, the primary source of income was interest from investments offset by loss from foreign currency transactions.

Provision for Taxes. The provision for income taxes was $5.1 million for fiscal year 2012 compared to $6.8 million for fiscal year 2011. The effective tax rates for fiscal year 2012 and fiscal year 2011 were 5.4% and 8.5%, respectively. The rate for fiscal year 2012 reflects the impact of favorable trends in our regional mix of income. We expect our regional income trends to remain favorable. However, certain items which occurred in fiscal year 2012 are not expected to recur in fiscal year 2013. One such item includes a one-time benefit of $3.9 million related to a release of previously recorded reserves for uncertain tax positions, as a result of statutes of limitations for the taxing authority to challenge the positions expiring.

In fiscal year 2012, our tax provision was adversely effected by a net increase to our valuation allowance of $2.1 million. This net increase was primarily the result of utilization concerns related to our California net operating losses due to a projected lower California apportionment in future years.

In fiscal year 2010, we concluded that $120 million of foreign subsidiary earnings were no longer considered to be permanently reinvested offshore. In connection with the acquisition of Gennum in March 2012, we reviewed this prior assertion and concluded that only $50 million of foreign subsidiary earnings were no longer permanently reinvested offshore resulting in $70 million of foreign subsidiary earnings deemed to be permanently reinvested. This change in assertion will result in recording a discrete adjustment to its tax provision in the first quarter of fiscal year 2013. The impact of this change in assertion is expected to result in the recognition of a $23 million tax benefit in the first quarter of fiscal year 2013.

Fiscal Year 2011 Compared With Fiscal Year 2010

Presented below is our estimate of sales by end-market.

(fiscal years, in thousands)	January 30, 2011		January 31, 2010		
	Net Sales	% total	Net Sales	% total	Change
Computing	$ 42,728	9%	$ 40,875	14%	5%
Communications	166,419	37%	66,038	23%	152%
High-End Consumer	151,945	33%	113,240	40%	34%
Industrial/Other	93,410	21%	66,407	23%	41%
Net sales	$454,502	100%	$286,560	100%	59%

Net Sales. Net sales for fiscal year 2011 were $454.5 million, an increase of 59% from $286.6 million for fiscal year 2010. While fiscal year 2011 revenue increased significantly on strengthening demand across the majority of our product lines, revenues also benefited from the impact of the addition of the full-year of SMI acquisition related revenues; whereas fiscal year 2010 only reflected SMI acquisition related revenues for the period of December 10, 2009 through January 31, 2010. The acquisition of SMI provided us with products that shared similar business processes, markets and intellectual property. Post-acquisition, we quickly took actions to fully integrate SMI into our operations. Fiscal year 2010 was also impacted by deteriorating global economic conditions that resulted in a significant reduction in orders of our component products during the first half of the fiscal year. Demand and orders increased during the second half of fiscal year 2010 as business conditions began to improve. Revenues in the fourth quarter of fiscal year 2010 also benefited from an extra week in the fiscal quarter.

Higher revenue in the communications end market was driven by higher unit volumes of Advanced Communications products, including the benefits from the unit volumes attributable to the acquired SMI business, and Power Management products. Higher revenues in the high-end consumer end market were driven by strengthening demand for Protection products. The reduction in computing revenues was attributed to the overall softness in the macro-economy and the strategy to exit lower margin areas of the computing end market. Within the industrial category, lower revenue was attributed to the overall softness in the macro-economy and the impact of a slowdown in military funding which impacted the Power Management and High-Reliability product group.

Gross Profit. Gross profit was $268.3 million and $156 million for fiscal years 2011 and 2010, respectively. Our gross margin was 59.0% for fiscal year 2011, up from 54.5% in fiscal year 2010. Gross profit margins for fiscal year 2011 were positively impacted by product revenue mix attributed to the higher mix of communications and industrial revenues and a lower mix of high-end consumer and computing revenues relative to fiscal year 2010. The contribution of new Power Management product revenue from our Power Management and High-Reliability product line also helped fiscal year 2011 gross margins.

Operating Costs and Expenses.

Operating Costs & Expenses

(fiscal years, in thousands)	January 30, 2011		January 31, 2010		
	Costs/Exp.	% sales	Costs/Exp.	% sales	Change
Selling, general and administrative	$110,404	25%	$ 77,934	27%	42%
Product development and engineering	69,624	15%	44,847	16%	55%
Intangible Amortization	9,520	2%	2,348	1%	305%
Total operating costs and expenses	$189,548	42%	$125,129	44%	51%

Selling, General and Administrative Expenses

Selling, general and administrative expenses for fiscal year 2011 increased by $32.5 million or 42%. Stock-based compensation expense was $19.3 million and $13.6 million in fiscal years 2011 and 2010, respectively. The year over year increase in equity compensation was principally driven by the impact of inducement and replacement awards issued to employees that joined the Company as a result of the SMI acquisition. This was partially offset by a reduction in stock-based compensation in fiscal year 2009 which benefited from the reversal of $1.7 million of expense attributable to performance grants that are not expected to vest. Selling, general and administrative expenses for fiscal year 2011 includes approximately $4 million of transaction and integration expenses attributed to the acquisition of SMI. Selling, general administrative expenses were partially offset by an insurance recovery in the amount of approximately $1.4 million related to the fire at our Reynosa, Mexico manufacturing facility in fiscal year 2009. These expenses were partially offset by reduced selling and marketing expenses.

Selling, general and administrative expenses for fiscal years 2011 and 2010 include approximately $13.6 million (net of insurance recoveries of $10 million) and $3.3 million, respectively, for legal, accounting, tax and other professional services in connection with matters related to our historical stock option practices, including the government inquiries, the related litigation, and other associated matters. Included in the fiscal year 2010 expense is a $10 million charge related to a settlement offer that was extended to the plaintiffs in the class action lawsuit. These expenses also include claims for advancement of legal expenses to current and former directors, officers and employees.

Product Development and Engineering Expenses

Product development and engineering expenses for fiscal years 2011 and 2010 were $69.6 million and $44.8 million, respectively or an increase of 55%. The increase in fiscal year 2011 is principally driven by the impact of the additional product development and engineering expenses resulting from the acquisition of SMI and a $2.7 million increase in stock-based compensation expense (which includes the impact of inducement and replacement awards issued to employees that joined the company as a result of the SMI acquisition).

Intangible Amortization

Intangible Amortization, which reflects amortization costs associated with acquired intangibles, increased by $7.2 million in fiscal year 2011 compared to fiscal year 2010 as a result of the amortization of intangibles associated with our acquisition of SMI in the fourth quarter of fiscal year 2010.

Interest and Other Income, Net. Interest and other income, net was $0.6 million for fiscal year 2011, down from $3.1 million in fiscal year 2010. For fiscal years 2011 and 2010, the primary source of income was interest from investments and secondarily, gain (loss) from foreign currency transactions, gain/ (loss) on sale of assets, and insurance proceeds recorded as other income.

Interest income decreased in fiscal year 2011 as a result of the continued environment of low interest rates and the focus on protecting principal by limiting the investment of new and maturing funds to the higher quality yet lower yielding investments.

The year over year decrease in interest income was partially mitigated by net gains related to foreign currency transactions and sale of assets and the receipt of insurance property claims recorded as other income.

Provision for Taxes. The provision for income taxes was $6.8 million for fiscal year 2011 compared to $33 million for fiscal year 2010. The effective tax rates for fiscal year 2011 and fiscal year 2010 were 8.5% and 97.2%, respectively. The rate for fiscal year 2011 reflects the impact of favorable trends in our regional mix of income. In addition to favorable trends in regional revenue distribution, other key drivers in fiscal year 2011 were high levels of expense related to the class action lawsuit, including the additional $10.0 million of expense that was recorded in the fourth quarter of fiscal year 2011 (to reflect the agreement in principle to settle the class action lawsuit).

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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 January 29, 2012, our total shareholders' equity was $630.2 million. At that date we also had approximately $310.1 million in cash and short-term investments, as well as $17.5 million in long-term investments. We have no outstanding debt as of January 29, 2012.

On March 20, 2012, we entered into a Credit Agreement with the Lenders and Jefferies Finance LLC, as administrative agent. Pursuant to the Credit Agreement, the Lenders provided us with senior secured first lien credit facilities in an aggregate principal amount of $350 million, consisting of Term A loans in an aggregate principal amount of $100 million and Term B loans in an aggregate principal amount of $250 million. The Facilities mature on March 20, 2017. A portion of the proceeds of the Facilities were used to finance the acquisition of Gennum.

Interest on the Term A Loan accrues, at our option, at a rate per annum equal to the Base Rate (as defined below) plus a margin ranging from 1.50% to 1.75% depending upon our consolidated leverage ratio or LIBOR for an interest period to be selected by us plus a margin ranging from 2.50% to 2.75% depending upon our consolidated leverage ratio. Interest on the Term B Loan accrues, at our option, at a rate per annum equal to the Base Rate (subject to a floor of 2.00%) plus a margin of 2.25% or LIBOR for an interest period to be selected by us (subject to a floor of 1.00%) plus a margin of 3.25%. The "Base Rate" is equal to a fluctuating rate equal to the highest of (a) the prime rate, (b) 1/2 of 1% above the federal funds effective rate and (c) one-month LIBOR plus 1%.

Subject to certain customary exceptions, all obligations under the Facilities are unconditionally guaranteed by each of our existing and subsequently acquired or organized direct and indirect domestic subsidiaries (the "Guarantors"). The obligations and the Guarantors in respect of the Facilities are secured by a first priority security interest in substantially all of the assets of Semtech and the Guarantors, subject to certain customary exceptions.

Our primary sources and uses of cash during the comparative fiscal years are presented below:

	Fiscal Years Ended		
(in millions)	January 29, 2012	January 30, 2011	January 31, 2010
Sources of Cash			
Operating activities, including working capital changes	$ 99.8	$ 93.8	$ 83.3
Proceeds from exercise of compensatory stock plans, including tax benefits	45.0	30.7	11.7
Proceeds (purchases) from sale of investments, net	38.4	(57.8)	29.9
Total sources of cash	**$ 183.2**	**$ 66.7**	**$ 124.9**
Uses of Cash			
Capital expenditures, net of sale proceeds (excluding land sale)	$ (21.5)	$ (25.5)	$ (8.6)
Repurchase of common stock	(50.7)	(2.8)	(2.9)
Purchase of software licenses	(3.0)	—	—
Acquisition, net of cash acquired	—	—	(178.1)
Repayment of long-term debt	—	—	(2.4)
Total uses of cash	**$ (75.2)**	**$ (28.3)**	**$ (192.0)**
Net increase (decrease) in cash and cash equivalents	**$ 108.0**	**$ 38.4**	**$ (67.1)**

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 will require continued, and perhaps additional, investment in 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 January 29, 2012, our foreign subsidiaries held approximately $271.4 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, such as that which occurred in fiscal year 2010 to partially fund the acquisition of SMI, could result in increased tax liabilities.

One of our primary goals is to constantly improve the cash flows from our existing business activities. Our cash, cash equivalents and investments noted above, give us the flexibility to leverage our free cash flow to return value to shareholders (in the form of stock repurchases) while also pursuing business improvement opportunities.

Additionally, we will continue to seek to maintain and improve our existing business performance with necessary capital expenditures and, potentially, acquisitions that may further improve our base business with prospects of a proper return. 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 by 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, net proceeds from disposals, were $21.5 million for fiscal year 2012 compared to 25.5 million for fiscal year 2011.

Financing Activities

Cash provided by financing activities is primarily attributable to the proceeds from stock option exercises offset by the repurchase of common stock under our stock repurchase program and the payment of statutory tax withholding obligations related to the vesting of restricted stock, and stock repurchases.

For fiscal year 2012, cash from the exercise of stock options were $42.7 million compared with $29.8 million in fiscal year 2011.

We do not directly control the timing of the exercise of stock options. Such exercises are decisions made by those grantees and are influenced most directly by the level of our 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. In fiscal year 2012, we repurchased 2.3 million shares under this program for $50 million. In fiscal year 2011, we repurchased 75,000 shares under this program for $1.3 million. 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 files with the SEC on August 24, 2011 for the complete announcement. On November 30, 2011 we announced an additional $50 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 November 30, 2011 for the complete announcement.

In addition to the stock repurchase program, shares valued at $0.7 million and $1.6 million were withheld in connection with the vesting of restricted stock to cover statutory tax withholding obligations in 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 current or future 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.

Noted below under “Contractual Obligations” are various commitments we have associated with our business, such as lease commitments and open purchase obligations, which are not recorded as liabilities on our balance sheet because we have not yet received the related goods or services as of January 29, 2012.

Contractual Obligations

Presented below is a summary of our contractual obligations as of January 29, 2012.

	Payments due by period (1)				
(in thousands)	Less than 1 year	1-3 years	4-5 years	After 5 years	Total
Operating leases	$ 5,198	$ 5,929	$ 1,368	$ 261	$12,756
Open capital purchase commitments	1,288	—	—	—	1,288
Other open purchase commitments	23,831	—	—	—	23,831
Other vendor commitments	—	—	—	—	—
Deferred compensation	901	983	594	8,645	11,123
Other long-term liabilities	—	6,770	—	—	6,770
Total contractual cash obligations	$ 31,218	$13,682	$ 1,962	$ 8,906	$55,768

(1) The table above excludes the $350 million term loan entered into on March 20, 2012 to finance the Gennum acquisition.

Capital purchase commitments, other open purchase commitments and other vendor commitments are for the purchase of plant, equipment, raw material, supplies and services. They are not recorded as liabilities on our balance sheet as of January 29, 2012, as we have not yet received the related goods or taken title to the property.

We maintain a deferred compensation plan for certain officers and key executives that allow participants to defer a portion of their compensation for future distribution at various times permitted by the plan. Our liability for deferred compensation under this plan was $11.1 million as of January 29, 2012 and $10.2 million as of January 30, 2011, and is included in accrued liabilities and other long-term liabilities on the balance sheet and in the table above. The plan provides for a discretionary Company match up to a defined portion of the employee's deferral, with any match subject to a vesting period.

We have purchased whole life insurance on the lives of some of our current and former deferred compensation plan participants. This Company-owned life insurance is held in a grantor trust and is intended to cover a majority of our costs of the deferred compensation plan. The cash surrender value of our Company-owned life insurance was $10.2 million as of January 29, 2012 and $6.1 million as of January 30, 2011, and is included in other assets.

We have $13.8 million of accrued taxes for uncertain tax positions. We believe that it is reasonably possible that the amount of unrecognized tax benefits will decrease by approximately $0.5 million within twelve months as a result of expiring statutes.

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.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). In connection with the preparation of our financial statements, we are required to make assumptions and estimates about future events, and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that management believes to be relevant at the time our consolidated financial statements are prepared. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

Our significant accounting policies are discussed in Note 2 to our consolidated financial statements, included in Item 8, of this report on Form 10-K. We believe that the following accounting estimates are the most critical to aid in fully understanding and evaluating our reported financial results, and they require our most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain. We have reviewed these critical accounting estimates and related disclosures with the Audit Committee of our Board of Directors.

Accounting for Temporary and Long-Term Investments

Our temporary and long-term investments consist of government, corporate obligations and bank time deposits. Temporary investments mature within twelve months of the balance sheet date. Long-term investments have maturities in excess of one year from the date of the balance sheet. We classify our investments as "available for sale" because we expect to possibly sell some securities prior to maturity. We include any unrealized gain or loss, net of tax, in the comprehensive income portion of our Consolidated Statements of Stockholders' Equity.

After determining the fair value of our available-for-sale investments, unrealized gains or losses on these investments are recorded to other comprehensive income, until either the investment is sold or we determine that a decline in value is other-than-temporary. Determining whether a decline in fair value is other-than-temporary requires management judgment based on the specific facts and circumstances of each investment. For investments in debt instruments, these judgments primarily consider: the financial condition and liquidity of the issuer, the issuer's credit rating, and any specific events that may cause us to believe that the debt instrument will not mature and be paid in full; and our ability and intent to hold the investment to maturity. If management decides not to hold an investment until maturity, it may result in the recognition of other-than-temporary impairment.

Allowance for Doubtful Accounts

We evaluate the collectability of our accounts receivable based on a combination of factors. If we are aware of a customer's inability to meet its financial obligations to us, we record an allowance to reduce the net receivable to the amount we reasonably believe we will be able to collect from the customer. For all other customers, we recognize allowances for doubtful accounts based on the length of time the receivables are past due, the current business environment, the size and number of certain large accounts and our historical experience. If the financial condition of our customers were to deteriorate or if economic conditions worsen, additional allowances may be required in the future.

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. Product design and engineering revenue is recognized during the period in which services are performed. 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.

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 inventory 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 material 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 2012 or fiscal year 2011.

The following table summarizes the deferred net revenue balance:

Deferred revenue (in thousands)	January 29, 2012	January 30, 2011
Deferred revenue	$ 4,964	$ 6,369
Deferred cost of revenue	1,243	1,560
Deferred revenue, net	$ 3,721	$ 4,809
Deferred product design and engineering recoveries	132	211
Total deferred revenue	$ 3,853	$ 5,020

Inventory Valuation

Our inventories are stated at lower of cost or market and consist of materials, labor and overhead. We determine the cost of inventory by the first-in, first-out method. At each balance sheet date, we evaluate our ending inventories for excess quantities and obsolescence. This evaluation includes analyses of sales levels by product and projections of future demand. In order to state our inventory at lower of cost or market, we maintain specific reserves against our inventory which serve to write-down our inventories to a new cost basis. If future demand or market conditions are less favorable than our projections, a write-down of inventory may be required, and would be reflected in cost of goods sold in the period the revision is made.

Contingencies and Litigation

We record accruals for contingencies when it is probable that a liability has been incurred and the amount can be reasonably estimated. These accruals are adjusted periodically as assessments change or additional information becomes available. Individually significant contingent losses are accrued when probable and reasonably estimable.

Legal defense costs expected to be incurred in connection with a loss contingency are accrued when probable and reasonably estimable. The amount we accrue is based on reviews by outside counsel, in-house counsel and management and some of the significant factors considered in the review of these reserves are as follows: the actual costs incurred by the Company; the development of the Company's legal defense strategy and structure in light of the scope of its litigation; the number of cases being brought against the Company; the costs and outcomes of completed trials and the most current information regarding anticipated timing, progression, and related costs of pre-trial activities and trials in the associated litigation. The amount of accrued reserves would represent our best estimate of the minimum amount of defense costs to be incurred in connection with its outstanding litigation; however, events such as additional trials and other events that could arise in the course of its litigation could affect the ultimate amount of legal defense costs to be incurred by the Company. We will continue to monitor our legal defense costs and review the adequacy of the associated reserves and may determine to increase the reserves at any time in the future if, based upon the factors set forth, it believes it would be appropriate to do so.

At January 29, 2012, our accrued liabilities in connection with an environmental matter include approximately $58,000 of fees payable in connection with pending testing and monitoring activities at the site. While it is reasonably possible that losses exceeding the amounts already accrued may be incurred, because of the uncertainties associated with environmental assessment and the remediation activities, we have concluded that we are unable to reasonably estimate a range of potential expenses, if any, of future site clean-up costs that may be directed by the regulatory agency following the current site assessments and surveys. However, any such potential expenses are not expected to be material to our financial statements, as a whole. See Note 12 "Commitments and Contingencies."

Stock-Based Compensation

We measure compensation cost for all share-based payments (including stock options) at fair value using a valuation model, which considers, among other things, estimates and assumptions on the rate of forfeiture, expected life of options and stock price volatility. If any of the assumptions used in the valuation model change significantly, stock-based compensation expense may differ materially in the future from that recorded in the current period and actual results may differ from estimates.

Impairment of Goodwill, Other Intangibles and Long-Lived Assets

We test goodwill and other indefinite-lived intangible assets for impairment in the fourth quarter of each fiscal year or more frequently if we believe indicators of impairment exist. The value of our intangible assets, including goodwill, could be impacted by future adverse changes such as: (i) any future declines in our operating results, (ii) a decline in the valuation of technology company stocks, including the valuation of our common stock, (iii) a significant slowdown in the worldwide economy and the semiconductor industry or (iv) any failure to meet the performance projections included in our forecasts of future operating results. For our annual impairment review, we primarily use a multi-period excess earnings approach methodology of valuation that includes the discounted cash flow method as well as other generally accepted valuation methodologies to determine the fair value of the assets. Our assumptions incorporate judgments as to the price received to sell a reporting unit as a whole in an orderly transaction between market participants at the measurement date. Considering the integration of our operations, we have assumed that the highest and best use of a reporting unit follows an "in-use" valuation premise. Significant management judgment is required in the forecasts of future operating results that are used in the discounted cash flow method of valuation. The estimates we have used are consistent with the plans and estimates that we use to manage our business. It is possible, however, that the plans and estimates used may be incorrect. If our actual results, or the plans and estimates used in future impairment analysis, are lower than the original estimates used to assess the recoverability of these assets, we could incur impairment charges in a future period.

In fiscal years 2012 and 2011, we reorganized our reporting structure in a manner that changed the composition of our reporting units. As a result of the change in fiscal year 2011, the goodwill associated with Xemics SA and Sierra Monolithics Inc. acquisitions have been aggregated. As of January 30, 2011 all of the goodwill reported was associated with the Advanced Communications and Sensing reporting unit.

In fiscal year 2012, the components of the Advanced Communications and Sensing reporting unit were split into two reporting units consisting of the Advanced Communications and the Wireless and Sensing reporting units. As a result of the change, in fiscal year 2012, goodwill was reassigned to the reporting units affected using a relative fair value allocation approach. Subsequent to the reorganization in the fourth quarter of fiscal year 2012, the goodwill associated with the Advanced Communications and Sensing reporting unit was reassigned such that 10% of goodwill is allocated to the Wireless and Sensing reporting unit and 90% of the goodwill is allocated to the Advanced Communications reporting unit. The measurement date used to reassign goodwill was November 30, 2011. In connection with the reorganizations in fiscal year 2012 and 2011, the Company assessed whether an indicator of impairment existed prior to the reorganizations and concluded that no such indicators were present in fiscal year 2012 and 2011.

Goodwill was tested for impairment as of November 30, 2011, the date of the Company's annual impairment review. The Company concluded that the fair value of this reporting unit exceeded the carrying value and no impairment existed. Our analysis included sensitivity analysis of key assumptions such as a 10% increase in the weighted-average cost of capital, a 10% increase in the effective tax rate or a 5% decline in our compound annual growth rate noting the fair value of the goodwill associated with the Advanced communications and Sensing reporting unit exceeded the carrying value and no impairment existed.

We record impairment losses on long-lived assets used in operations when indicators of impairment, such as reductions in demand or significant economic slowdowns in the semiconductor industry, are present. Reviews are performed to determine whether the carrying value of an asset is impaired, based on comparisons to undiscounted expected future cash flows. If this comparison indicates that there is impairment, the impaired asset is written down to fair value, which is typically calculated using: (i) quoted market prices and/or (ii) discounted expected future cash flows utilizing a discount rate. Impairment is based on the excess of the carrying amount over the fair value of those assets.

Accounting for Income Taxes

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating our actual current tax liability together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet.

We must assess the likelihood that our deferred tax assets will be recovered from future taxable income and to the extent we believe that recovery is not likely, we must establish a valuation allowance. Generally, to the extent we change a valuation allowance; the change is recorded through the tax provision in the statement of operations. Management periodically evaluates our deferred tax assets to assess whether it is likely that the deferred tax assets will be realized. In determining whether a valuation allowance is required, we consider projected taxable income. The most significant assumptions used in preparing projections of taxable income include forecasting the levels of income by region and the amount of deductible stock based compensation.

We are subject to income taxes in both the United States and numerous foreign jurisdictions. Significant management estimates are required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax impact is uncertain. The calculation of tax liabilities involves dealing with uncertainties in the application of complex tax laws. We recognize liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as this requires us to determine the probability of various possible outcomes. We reevaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit, and new audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision in the period of change. Although we believe the estimates are reasonable, no assurance can be given that the final outcome of these matters will not be different than what is reflected in the historical income tax provisions and accruals. Should additional taxes be assessed as a result of an audit or litigation, a material effect on our income tax provision and net income in the period or periods for which that determination is made could result.

The income tax effects of share-based payments are recognized for financial reporting purposes only if such awards are expected to result in a tax deduction. We do not recognize a deferred tax asset for an excess tax benefit (that is, a tax benefit that exceeds the amount of compensation cost recognized for the award for financial reporting purposes) that has not been realized. In determining when an excess tax benefit is realized, we have elected to follow the ordering provision of the tax law.

In addition to the risks to the effective tax rate discussed above, the effective tax rate reflected in forward-looking statements is based on current enacted tax law. Significant changes in enacted tax law could materially affect these estimates.

In general, the amount of taxes we pay will differ from our reported tax provision as a result of differences between accounting for income under U.S. GAAP and accounting for taxable income. Typical book-tax differences include expense related to equity compensation, deemed dividends, depreciation, litigation expense and amortization of intangible assets. As a result of these book-tax differences, our tax payments are expected to exceed our tax provision during the next three years.

For intra-entity differences between the tax basis of an asset in the buyer's tax jurisdiction and their cost as reported in the consolidated financial statements, we do not recognize a deferred tax asset. Income taxes paid on intra-entity profits on assets remaining within the group are accounted for as prepaid taxes.

In fiscal year 2010, we concluded that $120 million of foreign subsidiary earnings were no longer considered to be permanently reinvested offshore. In connection with the acquisition of Gennum, we reviewed this prior assertion and concluded that only $50 million of foreign subsidiary earnings were no longer permanently reinvested offshore. This change in assertion will result in recording a discrete adjustment to its tax provision in the first quarter of fiscal year 2013. The impact of this change in assertion is expected to result in the recognition of a $23 million tax benefit in the first quarter of fiscal year 2013.

New Accounting Standards

In September 2011, the Financial Accounting Standards Board ("FASB") issued updated guidance that simplifies goodwill impairment testing by allowing a qualitative review to assess whether a quantitative impairment analysis is necessary as a first step to the testing. Under this guidance, a company will not be required to calculate the fair value of a reporting unit that contains recorded goodwill unless it concludes, based on the qualitative assessment, that it is more likely than not that the fair value of that reporting unit is less than its book value. If a decline in fair value is deemed more likely than not to have occurred, then the quantitative goodwill impairment test that is provided under U.S. GAAP must be completed; otherwise, goodwill is deemed not to be impaired and no further testing is required until the next annual test date (or sooner if conditions or events before that date raise concerns of potential impairment in the reporting unit). The amended goodwill impairment guidance does not affect the manner in which a company estimates fair value. The new standard is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The Company does not expect the adoption of this guidance to have a material impact on its financial condition, results of operations, cash flows, or disclosures.

In June 2011, the FASB issued a final standard requiring presentation of net income and other comprehensive income in either a single continuous statement or in two, consecutive statements of net income and other comprehensive income. Under both alternatives, an entity is required to present each component of net income and other comprehensive income, their respective totals, and totals for comprehensive income. This standard eliminates the option to present the components of other comprehensive income as part of the statement of changes in shareholders' equity. The amendment is effective for interim and annual periods beginning after December 15, 2011. The Company does not expect the adoption of this guidance to have a material impact on its financial condition, results of operations, cash flows, or disclosures.