SEMTECH CORP
Form 10-Q
September 04, 2008
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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 July 27, 2008

or

¨ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from __________ to __________

Commission file number 1-6395

SEMTECH CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**95-2119684**

(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

200 Flynn Road, Camarillo, California, 93012-8790

(Address of principal executive offices, Zip Code)

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

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

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

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

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

Number of shares of Common Stock, $0.01 par value per share, outstanding at August 28, 2008: 61,751,080

Table of Contents

SEMTECH CORPORATION

INDEX TO FORM 10-Q

FOR THE QUARTER ENDED JULY 27, 2008

Table of Contents

PART I FINANCIAL INFORMATION

ITEM 1. Financial Statements

SEMTECH CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	July 27, 2008	July 29, 2007	July 27, 2008	July 29, 2007
Net sales	**$ 77,960**	**$ 67,048**	**$ 152,404**	**$ 127,614**
Cost of sales	35,165	30,058	68,818	57,371
Gross profit	**42,795**	**36,990**	**83,586**	**70,243**
Operating costs and expenses:				
Selling, general and administrative	18,787	17,943	37,408	36,124
Product development and engineering	10,434	10,581	21,506	20,586
Acquisition related items	273	275	545	551
Insurance related legal expenses		324		499
Restructuring charges	140		2,310	
Total operating costs and expenses	29,634	29,123	61,769	57,760
Operating income	**13,161**	**7,867**	**21,817**	**12,483**
Interest and other income, net	1,241	3,542	2,980	9,257
Income before taxes	**14,402**	**11,409**	**24,797**	**21,740**
Provision for taxes	2,738	2,387	5,056	4,787
Net income	**$ 11,664**	**$ 9,022**	**$ 19,741**	**$ 16,953**
Earnings per share:				
Basic	$ 0.19	$ 0.13	$ 0.32	$ 0.24
Diluted	$ 0.19	$ 0.13	$ 0.32	$ 0.24
Weighted-average number of shares:				
Basic	61,839	66,984	61,278	69,687
Diluted	62,584	68,844	62,135	71,212

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

Table of Contents

SEMTECH CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS

(in thousands, except share data)

	July 27, 2008 (Unaudited)	January 27, 2008
Assets		
Current assets:		
Cash and cash equivalents	$ 201,137	$ 172,889
Temporary investments	34,609	36,142
Receivables, less allowances of $ 413 at July 27, 2008 and $369 at January 27, 2008	38,226	33,609
Inventories	35,258	28,902
Deferred income taxes	4,078	4,350
Other current assets	9,800	16,326
Total current assets	323,108	292,218
Non-current assets:		
Property, plant and equipment, net of accumulated depreciation of $67,602 as of July 27, 2008 and $63,009 as of January 27, 2008	31,814	30,569
Investments, maturities in excess of 1 year	4,027	4,366
Deferred income taxes	25,277	26,307
Goodwill	32,418	32,418
Other intangibles, net	2,636	3,182
Other assets	6,780	6,986
Total non-current assets	102,952	103,828
Total Assets	**$ 426,060**	**$ 396,046**
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	$ 21,391	$ 13,922
Accrued liabilities	17,076	19,477
Income taxes payable	268	290
Deferred revenue	2,013	1,466
Deferred income taxes	1,501	1,501
Total current liabilities	42,249	36,656
Non-current liabilities:		
Deferred income taxes	111	111
Accrued taxes	3,488	3,400
Other long-term liabilities	7,141	7,169
Commitments and contingencies		
Stockholders equity:		
Common stock, $0.01 par value, 250,000,000 shares authorized, 78,092,394 issued and 61,672,866 outstanding on July 27, 2008 and 78,079,894 issued and 61,190,587 outstanding on January 27, 2008	784	784
Treasury stock, at cost, 16,419,528 shares as of July 27, 2008 and 16,889,307 shares as of January 27, 2008	(279,806)	(291,605)
Additional paid-in capital	335,710	342,736
Retained earnings	315,966	296,226
Accumulated other comprehensive income	417	569

Total stockholders equity		373,071		348,710
Total Liabilities and Stockholders Equity	**$**	**426,060**	**$**	**396,046**

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

Table of Contents

SEMTECH CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(in thousands)

	Six Months Ended July 27, 2008	Six Months Ended July 29, 2007
Cash flows from operating activities:		
Net income	$ 19,741	$ 16,953
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,157	5,491
Deferred income taxes	(359)	483
Stock-based compensation	9,231	6,576
Tax benefit on stock based compensation	3,021	2,935
Excess tax benefits	(1,467)	(2,883)
(Gain) Loss on disposition of property, plant and equipment	1,175	(1,501)
Changes in assets and liabilities:		
Receivables, net	(4,617)	(3,582)
Inventories	(6,356)	(1,248)
Other assets	5,718	1,312
Accounts payable	7,467	2,693
Accrued liabilities	(2,401)	(2,235)
Deferred revenue	547	312
Income taxes payable	(22)	658
Other liabilities	(508)	155
Net cash provided by operations	35,327	26,119
Cash flows from investing activities:		
Purchase of available-for-sale investments	(25,958)	(90,300)
Proceeds from sales and maturities of available-for-sale investments	27,601	211,808
Proceeds from sale of property, plant and equipment		9,950
Purchases of property, plant and equipment	(5,016)	(1,310)
Net cash provided by (used in) investing activities	(3,373)	130,148
Cash flows from financing activities:		
Excess tax benefit received on stock options	1,467	2,883
Exercise of stock options	5,984	7,950
Repurchase of outstanding common stock	(11,161)	(150,038)
Net cash used in financing activities	(3,710)	(139,205)
Effect of exchange rate changes on cash and cash equivalents	4	
Net increase in cash and cash equivalents	28,248	17,062
Cash and cash equivalents at beginning of period	172,889	162,674
Cash and cash equivalents at end of period	$ 201,137	$ 179,736

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

Table of Contents

SEMTECH CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

Note 1: Basis of Presentation

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

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

Certain amounts for prior periods have been reclassified to conform to the current presentation. These reclassifications had no effect on previously reported consolidated operating income, net income, net earnings or shareholder s equity.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The accounting estimates requiring management s most significant and subjective judgments include:

- The recognition and measurement of current and deferred income tax assets and liabilities;
- The valuation of inventory; and
- The valuation and recognition of share-based compensation

Note 2: Fiscal Year

The Company reports on the basis of 52 and 53 week periods and ends its fiscal year on the last Sunday in January. The other quarters generally end on the last Sunday of April, July, and October. All quarters consist of 13 weeks except for one 14-week quarter in 53-week years. The second quarters and first six months of fiscal years 2009 and 2008 each consisted of 13 weeks and 26 weeks, respectively.

Note 3: Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (SFAS No. 141(R)). Under SFAS No. 141(R), an entity is required to recognize the assets acquired, liabilities assumed, contractual contingencies, and contingent consideration at their fair value on the acquisition date. It further requires that acquisition-related costs be recognized separately from the acquisition and expensed as incurred; that restructuring costs generally be expensed in periods subsequent to the acquisition date; and that changes in accounting for deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period be recognized as a component of provision for taxes. In addition, acquired in-process research and development (IPR&D) is capitalized as an intangible asset and amortized once the asset has been developed, over its estimated useful life. The adoption of SFAS No. 141(R) will change our accounting treatment for business combinations on a prospective basis beginning in the first quarter of fiscal year 2010.

6

Table of Contents

Note 4: Adoption of New Accounting Pronouncement

In the first quarter of fiscal year 2009, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements (SFAS No. 157) as amended by FASB Statement of Position (FSP) FAS 157-1 and FSP FAS 157-2. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and enhances fair value measurement disclosure. FSP FAS 157-2 delays, until the first quarter of fiscal year 2010, the effective date for SFAS 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The adoption of SFAS No. 157 did not have a material impact on the Company s financial position or operations. Refer to Note 10 for further discussion regarding fair value.

Note 5: Stock Repurchase Program; Treasury Shares

In the first quarter of fiscal year 2009, the Company announced that the Board of Directors authorized the repurchase of up to $50 million of the Company s common stock from time to time through negotiated or open market transactions (the 2008 Program). The 2008 Program does not have an expiration date. No shares were repurchased under this program in the first quarter of fiscal year 2009. In the second quarter of fiscal year 2009, the Company repurchased approximately 685,000 shares under this program for $9.9 million. The Company typically reissues treasury shares as a result of stock option exercises.

In addition to the above repurchase activity, approximately 66,000 and 68,000 shares were withheld from vested restricted stock in the second quarter and the first six months of fiscal year 2009, respectively, to cover required payroll and income tax withholding obligations. These shares are being held as treasury shares.

Note 6: Comprehensive Income

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

(in thousands)	Three Months Ended July 27, 2008	Three Months Ended July 29, 2007	Six Months Ended July 27, 2008	Six Months Ended July 29, 2007
Net income	$ 11,664	$ 9,022	$ 19,741	$ 16,953
Change in net unrealized holding gain (loss) on available-for-sale investments	(47)	(127)	(157)	(361)
Gain (loss) for translation adjustment	(2)	2	5	
Total comprehensive income	$ 11,615	$ 8,897	$ 19,589	$ 16,592

Note 7: Earnings Per Share

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

(In thousands, Except Per Share Amounts)	Three Months Ended July 27, 2008	Three Months Ended July 29, 2007	Six Months Ended July 27, 2008	Six Months Ended July 29, 2007
Net income	$ 11,664	$ 9,022	$ 19,741	$ 16,953
Weighted average common shares outstanding basic	61,839	66,984	61,278	69,687
Dilutive effect of employee equity incentive plans	745	1,120	857	1,157
Dilutive effect of accerated stock buyback		740		368
Weighted average common shares outstanding diluted	62,584	68,844	62,135	71,212
Basic earnings per common share	$ 0.19	$ 0.13	$ 0.32	$ 0.24
Diluted earnings per common share	$ 0.19	$ 0.13	$ 0.32	$ 0.24

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

Table of Contents

Options to purchase approximately 7.6 million shares and 7.1 million shares for the second quarter of fiscal years 2009 and 2008, respectively, were not included in the computation of diluted net income per share because the options were considered anti-dilutive. Options to purchase approximately 8.6 million shares and 7.7 million shares for the first six months of fiscal years 2009 and 2008, respectively, were not included in the computation of diluted net income per share because the options were considered anti-dilutive.

Note 8: Stock Based Compensation

Share-based Payment Arrangements. The Company has various equity award plans (Plans) that provide for granting stock based awards to employees and non-employee directors of the Company. The Plans provide for the granting of several available forms of stock compensation. As of July 27, 2008, the Company has granted stock option awards (Options), restricted stock awards (RSA), and restricted stock unit awards (RSU) under the Plans and has also issued some stock-based compensation outside of any plan, including options and restricted stock awards issued as inducements to join the Company.

Grant Date Fair Values and Underlying Assumptions; Contractual Terms. For awards classified as equity, stock-based compensation cost is measured at grant date, based on the fair value of the award, and is recognized as an expense over the employee s or director s requisite service period. For awards classified as liabilities, stock based compensation cost is measured at fair value at each reporting date until the date of settlement, and is recognized as an expense over the employee or director s requisite service period.

The Company uses the Black-Scholes pricing model to value Options. Expected volatilities are based on historical volatility using daily and monthly stock price observations. For option grants made after January 30, 2006, the Company uses an expected life equal to the midpoint between the vesting date and the date of contractual expiration of the options, as permitted by the Securities and Exchange Commission s (SEC) Staff Accounting Bulletin 107. For option grants issued before January 30, 2006, the Company had used a consistent 5-year expected life assumption. The Company has not historically paid a cash dividend and the Board of Directors has not indicated an intent to declare a cash dividend in the foreseeable future. Accordingly, a dividend yield of zero has been assumed for purposes of estimating the fair value of Options. The risk-free interest rate is based on the U.S. Treasury yield curve at the time of grant. The estimated fair value of the Options is amortized to expense using the straight-line method over the vesting period.

Assumptions in Determining Fair Value of Options

	Three Months Ended		Six Months Ended	
	July 27, 2008	**July 29, 2007**	**July 27, 2008**	**July 29, 2007**
Expected lives, in years	5.00	4.09 - 4.85	3.84 - 5.01	4.09 - 4.85
Estimated volatility	39%	56% - 59%	39% - 65%	56% - 59%
Dividend yield				
Risk-free interest rate	3.1%	4.7% - 4.9%	2.7% - 4.6%	4.7% - 4.9%
Weighted-average fair value on grant date of options granted	$ 6.46	$ 7.77	$ 5.50	$ 7.77

The estimated fair value of restricted stock (RSA and RSU) awards was calculated based on the market price of the Company s common stock on the date of grant. Some RSU awards are classified as liabilities rather than equity, due to the cash settlement feature of the awards. The value of awards classified as liabilities was re-measured on July 27, 2008.

Table of Contents

Financial Statement Effects and Presentation. The following table shows total pre-tax, stock-based compensation expense included in the Consolidated Condensed Statements of Income for the second quarters and first six months of fiscal years 2009 and 2008, respectively.

Allocation of Stock-based Compensation

(in thousands)

	Three Months Ended		Six Months Ended	
	July 27, 2008	July 29, 2007	July 27, 2008	July 29, 2007
Cost of sales	$ 382	$ 187	$ 786	$ 497
Selling, general and administrative	3,010	2,662	6,383	4,092
Product development and engineering	1,039	1,101	2,084	1,835
Stock-based compensation, pre-tax	$ 4,431	$ 3,950	$ 9,253	$ 6,424
Net change in stock-based compensation captitalized into inventory		192	(22)	152
Total stock-based compensation	$ 4,431	$ 4,142	$ 9,231	$ 6,576

Impact of Stock-based Compensation

(in thousands)

	Three Months Ended		Six Months Ended	
	July 27, 2008	July 29, 2007	July 27, 2008	July 29, 2007
Stock-based compensation	$ 4,431	$ 3,950	$ 9,253	$ 6,424
Associated tax effect	(1,350)	(1,158)	(2,461)	(1,863)
Net effect on net income	$ 3,081	$ 2,792	$ 6,792	$ 4,561
Net effect on earnings per share -				
Basic	$ 0.05	$ 0.04	$ 0.11	$ 0.07
Diluted	$ 0.05	$ 0.04	$ 0.11	$ 0.06
Weighted average number of shares -				
Basic	61,839	66,984	61,278	69,687
Diluted	62,584	68,844	62,135	71,212

For the second quarters of fiscal years 2009 and 2008, the tax benefit realized from option exercises was $1.6 million and $1.9 million, respectively. For the first six months of fiscal years 2009 and 2008, the tax benefit realized from option exercises was $3.0 million and $2.9 million respectively.

Note 9: Investments

Temporary and long-term investments consist of government, bank and corporate obligations. Temporary investments have original maturities in excess of three months, but mature within twelve months of the balance sheet date. Long-term investments have maturities in excess of one year from the balance sheet date. Certain short-term, highly liquid investments, are accounted for as cash and cash equivalents.

The Company classifies its investments as available for sale because it expects to possibly sell some securities prior to maturity. The Company s investments are subject to market risk, primarily interest rate and credit risk. The Company s investments are managed by a limited number of outside professional managers within investment guidelines set by the Company. Such guidelines include security type, credit quality and duration and are intended to limit market risk by restricting the Company s investments to high quality debt instruments with relatively short-term maturities.

Table of Contents

The following table summarizes the Company s investments as of July 27, 2008 and January 27, 2008:

Investment catagory (in thousands)

	July 27, 2008				January 27, 2008			
	Market Value	Cost Basis	Unrealized Gain/ (Loss)		Market Value	Cost Basis	Unrealized Gain/ (Loss)	
U.S. government issues	$ 16,627	$ 16,688	$	(61)	$ 11,203	$ 11,200	$	3
Corporate issues	22,009	22,011	$	(2)	29,305	29,118		187
Investments	$ 38,636	$ 38,699	$	(63)	$ 40,508	$ 40,318	$	190

The following table summarizes the maturities of the Company s investments at July 27, 2008 and January 27, 2008:

Investment maturities (in thousands)

	July 27, 2008		January 27, 2008	
	Market Value	Cost Basis	Market Value	Cost Basis
Within 1 year	$ 34,609	$ 34,667	$ 36,142	$ 36,042
After 1 year through 5 years	4,027	4,032	4,366	4,276
	$ 38,636	$ 38,699	$ 40,508	$ 40,318

The Company did not hold any auction rate securities or structured investment vehicles as of July 27, 2008 or January 27, 2008.

In the second quarter of fiscal years 2009 and 2008, the Company incurred $48,000 and $127,000 of unrealized loss, respectively (net of tax), on investments. In the first six months of fiscal years 2009 and 2008, the Company incurred $157,000 and $361,000 of unrealized loss, respectively (net of tax), on investments. These unrealized gains and losses are the result of fluctuations in the market value of our investments and are included in the accumulated other comprehensive income portion of the Consolidated Condensed Balance Sheets. The tax associated with these comprehensive income items for the second quarter of fiscal years 2009 and 2008 was a reduction to the deferred tax liability of $30,000 and an increase to the deferred tax liability of $88,000, respectively. The tax associated with these comprehensive income items for the first six months of fiscal years 2009 and 2008 was a reduction to the deferred tax liability of $102,000 and an increase to the deferred tax liability of $246,000, respectively.

Investments and cash and cash equivalents generated interest income of $1.4 million and $3.3 million in the second quarter of fiscal years 2009 and 2008, respectively. Investments and cash and cash equivalents generated interest income of $3.2 million and $7.6 million in the first six months of fiscal years 2009 and 2008, respectively.

Note 10: Fair Value

SFAS No. 157 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance. SFAS No. 157 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. SFAS No. 157 establishes three levels of inputs that may be used to measure fair value:

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

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

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

Table of Contents

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

All items recorded or measured at fair value on a recurring basis in the accompanying condensed financial statements were based on the use of Level 1 inputs and consisted of the following items as of July 27, 2008:

(in thousands)	Total	Quoted Prices in Active Markets for Identical Instruments (Level 1)
Assets		
Temporary investments	$ 34,609	$ 34,609
Investments, maturitites in excess of 1 year	4,027	4,027
Other investments-deferred compensation	6,072	6,072
	$ 44,708	$ 44,708
Liabilities		
Deferred compensation	$ (6,402)	$ (6,402)
	$ (6,402)	$ (6,402)

Note 11: Inventories

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

Inventories (in thousands):

	July 27, 2008	January 27, 2008
Raw materials	$ 2,135	$ 1,681
Work in process	19,928	17,565
Finished goods	13,195	9,656
	$ 35,258	$ 28,902

Note 12: Intangible Assets

Goodwill is deemed to have an indefinite life and is not amortized, but it is subject to an annual impairment test.

(in thousands)	Balance as of January 27, 2008	Adjustments	Balance as of July 27, 2008
Goodwill	$ 32,418	$	$ 32,418

Intangible assets consist of the following at July 27, 2008:

(in thousands)

	Gross Carrying Amount		Accumulated Amortization		Net	
	July 27, 2008	January 27, 2008	July 27, 2008	January 27, 2008	July 27, 2008	January 27, 2008
Core technologies	$ 6,000	$ 6,000	$ (3,364)	$ (2,818)	$ 2,636	$ 3,182

Intangibles are amortized on a straight-line basis over their estimated useful lives. Amortization expense related to intangible assets was approximately $273,000 and $275,000, respectively, for the second quarter of fiscal years 2009 and 2008. Amortization expense related to intangible assets was approximately $545,000 and $551,000, respectively, for the first six months of fiscal years 2009 and 2008. No significant residual value is expected. There are no tax-related benefits from these acquisition related costs.

Table of Contents

Note 13: Commitments and Contingencies

Retirement Plans

The Company contributed approximately $178,000 and $192,000, respectively, in the second quarter of fiscal years 2009 and 2008 to the 401(k) retirement plan maintained for its U.S. employees. In addition, the Company contributed approximately $180,000 and $147,000, in the second quarter of fiscal years 2009 and 2008, respectively, to a defined contribution plan for Swiss employees.

The Company contributed approximately $440,000 and $418,000, respectively, in the first six months of fiscal years 2009 and 2008 to the 401(k) retirement plan maintained for its U.S. employees. In addition, the Company contributed approximately $365,000 and $300,000, in the first six months of fiscal years 2009 and 2008, respectively, to a defined contribution plan for Swiss employees.

Legal Matters

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

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

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

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

The following discussion is limited to certain recent developments concerning our legal matters. This update should be read in conjunction with the discussion in Note 13 to the financial statements in Item 8 of the Company s Form 10-K for the year ended January 27, 2008 and, unless otherwise indicated, all proceedings discussed in the Form 10-K remain outstanding.

Class Action Lawsuit. In August 2007, a purported class action lawsuit was filed against the Company and certain current and former officers on behalf of persons who purchased or acquired Semtech securities from September 11, 2002 until July 19, 2006. The case alleges violations of Federal securities laws in connection with the Company s past stock option practices. A very similar lawsuit, filed in October 2007 by another plaintiff, has not been served. In February 2008, the Mississippi Public Employees Retirement System (MPERS) filed a motion in the US District Court for the Central District of California for consolidation of the cases described above, appointment of MPERS as lead plaintiff, and approval of selection of counsel. The MPERS motion was granted in late March 2008. The Company is unable to predict the outcome of this litigation.

Environmental Matters. In 2001, the Company was notified by the California Department of Toxic Substances Control (State) that it may have liability associated with the clean-up of the one-third acre Davis Chemical Company site in Los Angeles, California. The Company has been included in the clean-up program because it was one of the companies that used the Davis Chemical Company site for waste recycling and/or disposal between 1949 and 1990. The Company joined with other potentially responsible parties and entered into a Consent Order with the State that required the group to perform a soils investigation at the site and submit a remediation plan. The State has approved the remediation plan, which completes the group s obligations under the Consent Order. Although the Consent Order does not require the group to remediate the site and the State has indicated it intends to look to other parties for remediation, the State has not yet issued no further action letters to the group members. To date, the Company s share of the group s expenses has not been material and has been expensed.

Table of Contents

Stockholder Protection Agreement

Effective June 11, 1998, the Company s board of directors approved a Stockholder Protection Agreement to issue a Right for each share of common stock outstanding on July 31, 1998 and each share issued thereafter (subject to certain limitations). The Rights expired on July 30, 2008. No new Agreement has been entered into.

Indemnification

In the normal course of its business, the Company indemnifies other parties, including customers, distributors, and lessors, with respect to certain matters. These obligations typically arise under contracts under which the Company customarily agrees to hold the other party harmless against losses arising from a breach of representations and covenants related to certain matters, such as acts or omissions of Company employees, infringement of third-party intellectual property rights, and certain environmental matters. Over at least the last decade, the Company has not incurred any significant expense as a result of agreements of this type. The Company cannot estimate the amount of potential future payments, if any, that it might be required to make as a result of these agreements. Accordingly, the Company has not accrued any amounts for such indemnification obligations in the first six months of fiscal year 2009.

The Company has also entered into agreements with its current and former directors and some current and former Company executives indemnifying them against certain liabilities incurred in connection with their duties. The Company s Certificate of Incorporation and Bylaws contain similar indemnification obligations with respect to the Company s current and former directors and employees, as does the California Labor Code. In some cases there are limits on, and exceptions to, the Company s potential indemnification liability. In the second quarters of fiscal years 2009 and 2008, the Company incurred expense of $110,000 and $314,000, respectively, and in the first six months of fiscal years 2009 and 2008, the Company incurred expense of $126,000 and $636,000, respectively, by advancing legal expenses to current and former directors, officers and executives under pre-existing indemnification agreements and to other current and former employees under the California Labor Code and a resolution of the Board authorizing such advances. These advances are associated with Government inquiries, derivative and class action litigation, and other matters related to or stemming from the Company s historical stock option practices. All such advances are subject to an undertaking to repay the funds to the Company in certain circumstances. The Company expects to continue to incur significant expense in connection with such advances associated with matters related to historical stock option practices. The Company cannot estimate the amount of potential future payments, if any, that it might be required to make as a result of these agreements with respect to other matters.

Note 14: Taxes

The effective tax rate differs from the 35 percent statutory federal corporate income tax rate. The difference is primarily attributable to undistributed earnings of the Company s foreign operations that are subject to lower foreign tax rates. U.S. federal and state income taxes have not been provided for the undistributed earnings of the Company s foreign operations. The Company s policy is to leave the income permanently reinvested offshore. The amount of earnings designated as indefinitely reinvested offshore is based upon the actual deployment of such earnings in the Company s offshore assets and expectations of the future cash needs of the Company s U.S. and foreign entities. Income tax considerations are also a factor in determining the amount of foreign earnings to be repatriated.

As of July 27, 2008, the gross liability for uncertain tax positions was $11.1 million, unchanged from January 27, 2008. Included in this amount is $9.7 million of net tax benefits that, if recognized, would impact the effective tax rate. The $9.7 million includes $6.2 million and $6.3 million as of July 27, 2008 and January 27, 2008, respectively, which has not yet reduced income tax payments and, therefore, has been netted against non-current deferred tax assets. The remaining $3.5 million and $3.4 million liability as of July 27, 2008 and January 27, 2008, respectively, is included in non-current Accrued Taxes.

Table of Contents

The Company s policy is to include interest and penalties related to income tax matters within the provision for taxes on the Consolidated Statements of Income. As of July 27, 2008 and January 27, 2008 the Company had $30,000 and $26,000, respectively, accrued for interest and penalties.

Tax years prior to 2004 (fiscal year 2005) are generally not subject to examination by the Internal Revenue Service (IRS) except for items with tax attributes that could impact open tax years. At the end of the fourth quarter of fiscal year 2008, the IRS commenced an examination of tax years 2004 (fiscal year 2005) through 2006 (fiscal year 2007). For state returns, the Company is generally not subject to income tax examinations for years prior to 2003 (fiscal year 2004). Our significant foreign tax presence is in Switzerland. Our material Swiss tax filings have been examined through fiscal year 2007. The Company is also subject to routine examinations by various foreign tax jurisdictions in which it operates. The Company is not aware of any tax positions for which it was reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within twelve months.

Note 15: Restructuring Costs

During the first quarter of fiscal year 2009, the Company initiated a restructuring plan within the Standard Semiconductor Products segment to reorganize certain Company operations, consolidate research and development activities and reduce its workforce. The reorganization and consolidation were completed in the second quarter of fiscal year 2009. During the second quarter of fiscal year 2009, the Company recorded costs of $140,000 for employee severance and facility consolidation costs. During the first six months of fiscal year 2009, the Company recorded costs of $2.3 million for employee severance and facility consolidation costs. Restructuring charges are presented separately in operating costs and expenses on the Consolidated Condensed Statements of Income.

The following table summarizes the restructuring charge and liability balance included in accrued liabilities and other long-term liabilities on the Consolidated Condensed Balance Sheet as of July 27, 2008.

(in thousands)	Restructuring Charge	Asset Writedown	Cash Payments	Balance at July 27, 2008
Severance and benefits	$ 876.3	$	$ (876.3)	$
Lease termination costs	641.5		(82.4)	559.1
Open commitments	294.1	(191.9)		102.2
Asset impairment	486.6	(486.6)		
Other costs	11.7		(11.7)	
	$ 2,310.2	$ (678.5)	$ (970.4)	$ 661.3

The outstanding liability for restructuring costs is classified on the Company s Consolidated Condensed Balance Sheet as of July 27, 2008 as follows:

(in thousands)	
Accrued liabilities	$ 277.3
Other long-term liabilities	384.0
	$ 661.3

Note 16: Business Segment and Concentration of Risk

The Company operates in two reportable segments: Standard Semiconductor Products and Rectifier, Assembly and Other Products.

The Standard Semiconductor Products segment makes up the vast majority of overall sales and includes the power management, protection, advanced communication and sensing product lines. The Rectifier, Assembly and Other Products segment includes the Company s line of assembly and rectifier devices, which are the remaining products from its original founding as a supplier into the military, aerospace and industrial equipment markets.

Table of Contents

The accounting policies of the segments are the same as those described above and in the Company s Form 10-K for the year ended January 27, 2008 in the summary of significant accounting policies. The Company evaluates segment performance based on the net sales and operating income of each segment. Management does not track segment data or evaluate segment performance on additional financial information. As such, there are no separately identifiable segment assets nor are there any separately identifiable statements of income data below operating income.

The Company does not track or assign assets to individual reportable segments. Accordingly, depreciation expense and capital additions are not tracked by reportable segments.

Net Sales (in thousands)

	Three Months Ended		Six Months Ended	
	July 27, 2008	**July 29, 2007**	**July 27, 2008**	**July 29, 2007**
Standard Semiconductor Products	$ 69,731	$ 60,861	$ 136,003	$ 116,359
Rectifier, Assembly and Other Products	8,229	6,187	16,401	11,255
Net Sales	$ 77,960	$ 67,048	$ 152,404	$ 127,614

Operating Income (in thousands)

	Three Months Ended		Six Months Ended	
	July 27, 2008	**July 29, 2007**	**July 27, 2008**	**July 29, 2007**
Standard Semiconductor Products	$ 9,500	$ 5,370	$ 14,203	$ 8,574
Rectifier, Assembly and Other Products	3,661	2,497	7,614	3,909
Total Operating Income	$ 13,161	$ 7,867	$ 21,817	$ 12,483

Certain corporate level expenses not directly attributable to a reportable segment are allocated to the segments based on percentage of sales. These include expenses associated with matters related to the Company s historical stock option practices, including the now-completed restatement of past financial statements and the on-going government inquiries, derivative litigation and class action litigation. Included in operating income in the second quarters of fiscal years 2009 and 2008 for the Standard Semiconductor Products segment is approximately $141,000 and $349,000 of expense, respectively, associated with matters related to the Company s historical stock option practices. Included in operating income in the first six months of fiscal years 2009 and 2008 for the Standard Semiconductor Products segment is approximately $12,000 (net of a $250,000 insurance recovery received in the first quarter of fiscal year 2009 for certain investigative costs) and $2.3 million of expense, respectively, associated with matters related to the Company s historical stock option practices.

Included in operating income for the Standard Semiconductor Products segment for the first six months of fiscal years 2009 and 2008 are legal fees incurred by the Company in suing insurance companies to recover amounts associated with the resolution of a past customer dispute. All matters related to this dispute are now considered resolved and the Company does not expect to incur any further costs associated with this matter.

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

A summary of net external sales by region follows. The Company does not track customer sales by region for each individual reporting segment.

Table of Contents

Sales by Region

(percentage of net sales)

	Three Months Ended		Six Months Ended	
	July 27, 2008	July 29, 2007	July 27, 2008	July 29, 2007
Domestic	27%	19%	26%	20%
Asia-Pacific	59%	66%	60%	65%
Europe	14%	15%	14%	15%
Total	100%	100%	100%	100%

Concentration of Net Sales Key Customers

(percentage of net sales)

	Three Months Ended	
	July 27, 2008	July 29, 2007
Samsung Electronics (and affiliates)	15%	13%
Frontek Technology Corp	14%	16%

Concentration of Accounts Receivable Key Customers

(percentage of net accounts receivable)

	Three Months Ended	
	July 27, 2008	July 29, 2007
Samsung Electronics (and affiliates)	13%	13%
Frontek Technology Corp	11%	12%

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

Note 17: Matters Related to Historical Stock Option Practices

Since May 2006, the Company has incurred substantial expenses for legal, accounting, tax and other professional services in connection with matters associated with or stemming from its historical stock option practices, including the now-completed internal review, Special Committee investigation, and restatement of past financial statements, and the on-going government inquiries, derivative litigation and class action litigation.

In the second quarter of fiscal year 2009 and 2008, respectively, approximately $435,000 and $875,000 of these expenses were charged to Selling, General and Administrative. In the first six months of fiscal year 2009 and 2008, respectively, approximately $490,000 and $3.0 million of these expenses were charged to Selling, General and Administrative. The Company expects to continue to incur significant expense in connection with the on-going matters. These expenses include claims for advancement of legal expenses to current and former directors, officers and executives under pre-existing indemnification agreements and to other current and former employees under the California Labor Code and a resolution of the Board authorizing such advances. See Note 13 for additional information regarding indemnification.

Table of Contents

Note 18: Subsequent Event

Fire at Manufacturing Facility in Reynosa, Mexico

On July 31, 2008, a fire occurred at the Company s Reynosa, Mexico fabrication facility. The Reynosa facility services the Company s Power Discrete business unit. There were no reported injuries from the fire; however, there was partial damage to the facility along with some loss of equipment. The fire was contained to the fabrication segment of the facility allowing back-end processing to proceed.

During the retooling and retrofit of the damaged segment of the building, new starting material into the fabrication segment of the facility will be delayed which may impact revenues and overhead absorption for the remainder of fiscal year 2009. While we anticipate that insurance claims will cover most of the recovery costs, any insurance recovery may trail the quarter in which the expenses are incurred.

Table of Contents

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

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

Forward Looking Statements

This discussion contains forward-looking statements. Forward-looking statements are statements other than historical information or statements of current condition and relate to matters such as our future financial performance, future operational performance and our plans, objectives and expectations. Some forward-looking statements may be identified by use of terms such as expects, anticipates, intends, estimates, believes, projects, should, will, plans and similar words. In light of the risks and uncertainties inherent in all such projected matters, forward-looking statements should not be regarded as a representation by the Company or any other person that our objectives or plans will be achieved or that any of our operating expectations or financial forecasts will be realized. Results could differ materially from those projected in forward-looking statements, due to factors including, but not limited to, those set forth in the Risk Factors and Quantitative and Qualitative Disclosure About Market Risk sections of this Form 10-Q and the Risk Factors section of our annual report on Form 10-K for the year ended January 27, 2008. We undertake no duty to update any forward-looking statements, whether as a result of new information, future events or otherwise.

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

Overview

We design, produce and market a broad range of products that are sold principally to customers in the consumer, industrial, computing and communications end-markets. The consumer market includes handheld products, set-top boxes, digital televisions, digital video recorders, Bluetooth headsets and other consumer equipment. Included in the industrial customer base is automated meter reading, military and aerospace, medical, automated test equipment, security, automotive, home automation, and other industrial equipment. The computing market includes desktops, servers, notebooks, graphics, printers, and other computer peripherals. The communications market includes 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, Apple, Cisco, Compal Electronics, Dell, Hewlett Packard, Intel, LG Electronics, Motorola, Nokia Siemens Networks, Phonak, Quanta Computer, Research In Motion, Samsung, Sanyo, Siemens, and Sony.

We recognize product revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectibility is probable. Product design and engineering revenue is recognized during the period in which services are performed. We defer revenue recognition on shipment of certain products to distributors where return privileges exist until the products are sold through to end-users. Gross profit is equal to our net sales less our cost of sales. Our cost of sales includes materials, depreciation on fixed assets used in the manufacturing process, shipping costs, direct labor and overhead. We determine the cost of inventory by the first-in, first-out method. Our operating costs and expenses generally consist of selling, general and administrative (SG&A), product development and engineering costs (R&D), costs associated with acquisitions, and other operating related charges.

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 original equipment manufacturers during the second quarter of fiscal year 2009 were 43% of net sales. The remaining 57% of net sales were made through independent distributors.

Table of Contents

We divide and operate our business based on two reportable segments: Standard Semiconductor Products and Rectifier, Assembly and Other Products. We evaluate segment performance based on the net sales and operating income of each segment. We do not track segment data or evaluate segment performance on additional financial information. We do not track balance sheet items by individual reportable segments. As such, there are no separately identifiable segment assets nor are there any separately identifiable statements of income data (below operating income). The Standard Semiconductor Products segment makes up the vast majority of overall sales and includes our Power Management, Protection, Advanced Communication and Sensing product lines. The Rectifier, Assembly and Other Products segment includes our line of assembly and rectifier devices, which are the remaining products from our founding as a supplier into the military and aerospace market.

Our business involves reliance on foreign-based entities. Most of our outside subcontractors and suppliers, including third-party foundries that supply silicon wafers, are located in foreign countries, including China, Taiwan, Singapore, Thailand, Malaysia, the Philippines, Germany, Israel and Canada. During the second quarter of fiscal year 2009, approximately 40% of our silicon, in terms of cost of wafers purchased, was manufactured in China. Foreign sales for the second quarter of fiscal year 2009 constituted approximately 73% of our net sales compared to 80% in the second quarter of fiscal year 2008. Approximately 86% of foreign sales in the second quarter of fiscal year 2009 were to customers located in the Asia-Pacific region. The remaining foreign sales were primarily to customers in Europe, Canada, and Mexico.

Sales into the Computing and Consumer markets have historically been seasonal and generally experience weaker demand in the first and second fiscal quarters of each year followed by stronger demand in the third and fourth fiscal quarters.

Critical Accounting Policies and Estimates

With the exception of the adoption of Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements (SFAS No. 157) in the first quarter of fiscal year 2009, there have been no significant changes to the our critical accounting policies during the six month period ended July 27, 2008. Refer to the disclosures regarding other critical accounting policies in Management s Discussion and Analysis of Financial Condition and Results of Operations included in the our Annual Report on Form 10-K for the fiscal year ended January 27, 2008.

Table of Contents

RESULTS OF OPERATIONS

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

	Three Months Ended		Six Months Ended	
	July 27, 2008	July 29, 2007	July 27, 2008	July 29, 2007
Net sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Cost of sales	45.1%	44.8%	45.2%	45.0%
Gross profit	**54.9%**	**55.2%**	**54.8%**	**55.0%**
Operating costs and expenses:				
Selling, general and administrative	24.1%	26.8%	24.5%	28.3%
Product development and engineering	13.4%	15.8%	14.1%	16.1%
Acquisition related items	0.4%	0.4%	0.4%	0.4%
Insurance related legal expenses	0.0%	0.5%	0.0%	0.4%
Restructuring charges	0.1%	0.0%	1.5%	0.0%
Total operating costs and expenses	38.0%	43.4%	40.5%	45.3%
Operating income	**16.9%**	**11.7%**	**14.3%**	**9.8%**
Interest and other income, net	1.6%	5.3%	2.0%	7.3%
Income before taxes	**18.5%**	**17.0%**	**16.3%**	**17.0%**
Provision for taxes	3.5%	3.6%	3.3%	3.8%
Net income	**15.0%**	**13.5%**	**13.0%**	**13.3%**

Comparison Of The Three Months Ended July 27, 2008 and July 29, 2007

We report on the basis of 52 and 53 week periods and end our fiscal year on the last Sunday in January. All quarters consist of 13 weeks, except for one 14-week quarter in 53-week years. The second quarters of fiscal years 2009 and 2008 were both 13 week periods.

Net Sales. Net sales for the second quarter of fiscal year 2009 were $78.0 million, an increase of 16% compared to $67.0 million for the second quarter of fiscal year 2008. The increase was driven by strength in sales of our Protection and Power Discrete products.

Sales in the second quarter of fiscal year 2009 compared to the second quarter of fiscal year 2008 were favorably impacted by stronger demand for protection products for handheld, high end consumer and networking applications. Net sales were also favorably impacted by demand for our industrial and military applications coming from our power discrete and wireless and sensing products. Demand for our power discrete products was up 61% from the second quarter of fiscal year 2008. Offsetting these strengths, was continued weakness in orders for products supporting the automated test equipment market.

Table of Contents

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

End-Market

(% of net sales)

	Three Months Ended July 27, 2008	Three Months Ended July 29, 2007
Computer	17%	22%
Communications	17%	15%
Consumer	39%	21%
Industrial	27%	42%
Total	100%	100%

Net sales summarized by reportable segment are detailed below:

Net Sales by Reportable Segment

(in thousands)

	Three Months Ended July 27, 2008		July 29, 2007		Change
Standard Semiconductor Products	$ 69,731	89%	$ 60,861	91%	15%
Rectifier, Assembly and Other Products	8,229	11%	6,187	9%	33%
Net sales	$ 77,960	100%	$ 67,048	100%	16%

The 15% increase in sales of Standard Semiconductor Products in the second quarter of fiscal year 2009 reflected an increase in Protection product sales largely sold into cellular phone, computing and other high end consumer applications. Additionally, increased demand for wireless and sensing products, largely sold into industrial and medical applications, helped to offset continued weakness in demand for automated test equipment products due to overall weakness in the test and measurement market.

Sales of our Rectifier, Assembly and Other Products, which are primarily sold into military and industrial applications, increased 33% in the second quarter of fiscal year 2009 compared to the second quarter of fiscal year 2008 as a result of continued strength in demand from specific industrial and military customers and increased internal production capacity. These products rely on older technology and historically have supported a very limited customer base.

Cost of Sales and Gross Profit. Cost of sales consists primarily of purchased materials and services, labor and overhead associated with product manufacturing. We have experienced long-term price reductions in our manufacturing costs, in part due to our outsourcing of most manufacturing functions. However, declines in the average selling prices of our parts, a trend which is typical in the semiconductor industry, tends to offset much of the manufacturing cost savings. Our gross margin is most impacted by the mix of products used in our customer s particular end-applications. During the second quarter of fiscal year 2009, gross profit increased to $42.8 million from $37.0 million in the second quarter of fiscal year 2008. This 16% increase in gross profit reflects the benefit of higher sales. Gross profit margins were essentially unchanged.

Operating Costs and Expenses. Operating costs and expenses were $29.6 million, or 38% of net sales in the second quarter of fiscal year 2009. Operating costs and expenses for the second quarter of fiscal year 2008 were $29.1 million, or 43% of net sales. Operating costs and expenses in the second quarters of fiscal year 2009 and fiscal year 2008 were impacted by $4.0 million and $3.8 million, respectively, of stock-based compensation. During the first quarter of fiscal year 2009, we initiated a restructuring plan to reorganize certain Company operations, consolidate research and development activities and reduce our workforce. The reorganization and consolidation was completed in the second quarter of fiscal year 2009. During the second quarter of fiscal year 2009, the Company recorded costs of $140,000 for employee severance and facility consolidation costs.

Table of Contents

Operating Costs and Expenses

(in thousands)

	Three Months Ended				
	July 27, 2008		July 29, 2007		Change
Selling, general and administrative	$ 18,787	63%	$ 17,943	62%	5%
Product development and engineering	10,434	35%	10,581	36%	-1%
Acquisition related items	273	1%	275	1%	-1%
Insurance related legal expenses		0%	324	1%	-100%
Restructuring charges	140	0%		0%	100%
Total operating costs and expenses	$ 29,634	100%	$ 29,123	100%	2%

Operating Income. Operating income was $13.2 million in the second quarter of fiscal year 2009, up from $7.9 million in the second quarter of fiscal year 2008. Operating income was favorably impacted by a 16% increase in net sales and unfavorably impacted by a 2% increase in operating expenses.

We evaluate segment performance based on net sales and operating income of each segment. Detailed below is operating income by reportable segment.

Operating Income by Reportable Segment

(in thousands)

	Three Months Ended				
	July 27, 2008		July 29, 2007		Change
Standard Semiconductor Products	$ 9,500	72%	$ 5,370	68%	77%
Rectifier, Assembly and Other Products	3,661	28%	2,497	32%	47%
Total operating income	$ 13,161	100%	$ 7,867	100%	67%

Operating income in the second quarter of fiscal year 2009 for the Standard Semiconductor Products segment increased as a result of higher net sales. The benefit of higher sales was partially offset by higher levels of stock based compensation expense.

Operating income in the second quarter of fiscal year 2009 for the Rectifier, Assembly and Other Products segment increased as a result of higher net sales. Product demand for this segment was strong, with product supply constraining revenue opportunities.

Interest and Other Income, Net. Interest and other income includes interest income from investments and other items. Net interest and other income was $1.2 million in the second quarter of fiscal year 2009 compared to $3.5 million in the second quarter of fiscal year 2008. In the second quarter of fiscal year 2009 we repurchased $9.9 million of our common stock. Lower cash balances, resulting from this repurchase activity, and lower market rates of interest resulted in a 65% reduction of interest income ($1.4 million in the second quarter of fiscal year 2009 compared with $3.5 million in the second quarter of fiscal year 2008).

Provision for Taxes. Provision for income taxes was $2.7 million for the second quarter of fiscal year 2009, compared to $2.4 million in the second quarter of fiscal year 2008. The effective tax rate for the second quarter of fiscal years 2009 and 2008 were 19% and 21%, respectively. The favorable mix of regional income resulted in a lower tax expense in the second quarter of fiscal year 2009. Other factors that can influence this rate include variations in income, the source of that income, exchange rates, and changes in estimates of projected benefits from deferred tax assets.

Table of Contents

Comparison Of The Six Months Ended July 27, 2008 and July 29, 2007

We report on the basis of 52 and 53 week periods and end our fiscal year on the last Sunday in January. All quarters consist of 13 weeks, except for one 14-week quarter in 53-week years. The first six months of fiscal years 2009 and 2008 were both 26 week periods.

Net Sales. Net sales for the first six months of fiscal year 2009 were $152.4 million, an increase of 19% compared to $127.6 million for the first six months of fiscal year 2008. The increase was driven by strength in sales of our protection, power discrete and power management products.

End-application demand for our products in the first six months of fiscal year 2009 compared to the first six months of fiscal year 2008 was impacted by stronger demand for Protection product sales largely sold into cellular phone, computing and other high end consumer applications. Additionally, increased demand for wireless and sensing products, largely sold into industrial and medical applications, helped to offset continued weakness in demand for automated test equipment products due to overall weakness in the test and measurement market.

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

End-Market

(% of net sales)

	Six Months Ended	
	July 27, 2008	July 29, 2007
Computer	18%	21%
Communications	18%	18%
Consumer	37%	21%
Industrial	27%	40%
Total	100%	100%

Net sales summarized by reportable segment are detailed below:

Net Sales by Reportable Segment

(in thousands)

	Six Months Ended				
	July 27, 2008		July 29, 2007		Change
Standard Semiconductor Products	$ 136,003	89%	$ 116,359	91%	17%
Rectifier, Assembly and Other Products	16,401	11%	11,255	9%	46%
Net sales	$ 152,404	100%	$ 127,614	100%	19%

The 17% increase in sales of Standard Semiconductor Products in the first six months of fiscal year 2009 reflected an increase in Protection product sales largely sold into cellular phone, computing and other high end consumer applications. Additionally, increased demand for our wireless and sensing products, largely sold into Industrial and Medical applications, helped to offset continued weakness in demand for automated test equipment products due to overall weakness in the test and measurement market.

Sales of our Rectifier, Assembly and Other Products, which are primarily sold into military and industrial applications, increased 46% in the first six months of fiscal year 2009 compared to the first six months of fiscal year 2008 as a result of continued strength in demand from specific industrial and military customers and increased internal production capacity. These products rely on older technology and historically have supported a very limited customer base.

Cost of Sales and Gross Profit. Cost of sales consists primarily of purchased materials and services, labor and overhead associated with product manufacturing. We have experienced long-term price reductions in our manufacturing costs, in part due to our outsourcing of most manufacturing functions. However, declines in the average selling prices of our parts, a trend which is typical in the semiconductor industry, tends to offset much of the manufacturing cost savings. Our gross margin is most impacted by the mix of products used in our customer s particular end-applications. During the first six months of fiscal year 2009, gross profit increased to $83.6 million from $70.2 million in the first six months of fiscal year 2008. This 19% increase in gross profit reflects the benefit of higher sales. Gross profit margins were essentially unchanged.

Table of Contents

Operating Costs and Expenses. Operating costs and expenses were $61.8 million, or 41% of net sales in the first six months of fiscal year 2009. Operating costs and expenses for the first six months of fiscal year 2008 were $57.8 million, or 45% of net sales. Operating costs and expenses in the first six months of fiscal year 2009 and fiscal year 2008 were impacted by $8.5 million and $5.9 million, respectively, of stock-based compensation. During the first quarter of fiscal year 2009, we initiated a restructuring plan to reorganize certain Company operations, consolidate research and development activities and reduce our workforce. The reorganization and consolidation has been completed in the second quarter of fiscal year 2009. During the first six months of fiscal year 2009, the Company recorded costs of $2.3 million for employee severance and other facility consolidation costs.

Operating Costs and Expenses

(in thousands)

	Six Months Ended				
	July 27, 2008		July 29, 2007		Change
Selling, general and administrative	$ 37,408	60%	$ 36,124	62%	4%
Product development and engineering	21,506	35%	20,586	36%	4%
Acquisition related items	545	1%	551	1%	-1%
Insurance related legal expenses		0%	499	1%	-100%
Restructuring charges	2,310	4%		0%	100%
Total operating costs and expenses	$ 61,769	100%	$ 57,760	100%	7%

Operating Income. Operating income was $21.8 million in the first six months of fiscal year 2009, up from $12.5 million in the first six months of fiscal year 2008. Operating income was favorably impacted by a 19% increase in net sales and unfavorably impacted by a 7% increase in operating expenses.

We evaluate segment performance based on net sales and operating income of each segment. Detailed below is operating income by reportable segment.

Operating Income by Reportable Segment

(in thousands)

	Six Months Ended				
	July 27, 2008		July 29, 2007		Change
Standard Semiconductor Products	$ 14,203	65%	$ 8,574	69%	66%
Rectifier, Assembly and Other Products	7,614	35%	3,909	31%	95%
Total operating income	$ 21,817	100%	$ 12,483	100%	75%

Operating income in the first six months of fiscal year 2009 for the Standard Semiconductor Products segment increased as a result of higher net sales and lower costs related to certain legal expenses. The benefit of higher sales was partially offset by higher levels of stock based compensation expense and restructuring charges.

Operating income in the first six months of fiscal year 2009 for the Rectifier, Assembly and Other Products segment increased as a result of higher net sales. Product demand for this segment was strong, with product supply constraining revenue opportunities.

Interest and Other Income, Net. Interest and other income includes interest income from investments and other items. Net interest and other income was $3.0 million in the first six months of fiscal year 2009 compared to $9.3 million in the first six months of fiscal year 2008. In the second quarter of fiscal year 2009 we repurchased $9.9 million of our common stock. Lower cash balances, resulting from this repurchase activity, and lower market rates of interest resulted in a 68% reduction of interest income ($3.2 million in the first six months of fiscal year 2009 compared with $9.3 million in the first six months of fiscal year 2008). Additionally, a gain of approximately $1.3 million on the disposal of property was recorded in the first quarter of fiscal year 2008.

Table of Contents

Provision for Taxes. Provision for income taxes was $5.1 million for the first six months of fiscal year 2009, compared to $4.8 million in the first six months of fiscal year 2008. The effective tax rate for the first six months of fiscal years 2009 and 2008 were 20% and 22%, respectively. The favorable mix of regional income resulted in a lower tax expense in the first six months of fiscal year 2009. Other factors that can influence this rate include variations in income, the source of that income, exchange rates, and changes in estimates of projected benefits from deferred tax assets.

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, our stock repurchase program and potential future acquisitions or strategic investments. As of July 27, 2008, our total shareholders equity was $373.1 million. At that date we also had approximately $235.7 million in cash and short-term investments, as well as $4.0 million in long-term investments. We have no outstanding debt.

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

(in millions)	Three Months Ended July 27, 2008	Three Months Ended July 29, 2007	Six Months Ended July 27, 2008	Six Months Ended July 29, 2007
Sources of Cash				
Operating activities, including working capital changes	$ 21.2	$ 15.4	$ 35.3	$ 26.1
Proceeds from exercise of compensatory stock plans, including tax benefits	3.5	7.3	7.5	10.8
Proceeds from disposal of land				9.5
	$ 24.7	**$ 22.7**	**$ 42.8**	**$ 46.4**
Uses of Cash				
Business improvement investments				
Capital expenditures, net of sale proceeds (excluding land sale)	$ (2.9)	$ (0.2)	$ (5.0)	$ (0.8)
Returned to shareholders				
Stock repurchases	$ (11.1)	$ (149.9)	$ (11.2)	$ (150.0)
Cash/Investment Management Activities				
Decrease in investments and foreign exchange effects	$ 0.5	$ 99.5	$ 1.6	$ 121.5
Net increase (decrease) in cash and cash equivalents	**$ 11.2**	**$ (27.9)**	**$ 28.2**	**$ 17.1**

In the quarter ended July 27, 2008, our sources of cash as summarized above, increased cash $24.8 million compared to $22.7 million in the quarter ended July 29, 2007, an increase of $2.1 million. This increase is attributable to higher net income of $2.6 million and an increase in accounts payable of $4.7 million. These increases are offset by an increase in accounts receivable of $2.9 and $3.8 million of lower benefits from equity compensation. For the quarter ended July 27, 2008, we had capital expenditures of approximately $2.9 million. The level of stock repurchases was $11.2 million in the second quarter of fiscal year 2009 compared to $149.9 million in the second quarter of fiscal year 2008. The netting of the purchases of available-for-sale investments and the proceeds from the sale and maturities of available-for-sale investments reflect net cash provided of $567,000 and $99.5 million for the second quarters of fiscal years 2009 and 2008, respectively.

In the six months ended July 27, 2008, our sources of cash as summarized above, increased cash $42.9 million compared to $46.4 million in the six months ended July 29, 2007. This $3.6 million decrease is attributable to proceeds of $9.5 million from the sale of an unused parcel of land received in the first quarter of fiscal year 2008. For the six months ended July 27, 2008, we made capital expenditures of approximately $5.0 million. The level of stock repurchases was $11.2 million in the first six months of fiscal year 2009 compared to $150.0 million in the first six months of fiscal year 2008. The netting of the purchases of available-for-sale investments and the proceeds from the sale and maturities of available-for-sale investments reflect net cash provided of $1.6 million and $121.5 million for the first six months of fiscal years 2009 and 2008, respectively.

During the quarter ended April 27, 2008, we initiated a restructuring plan within the Standard Semiconductor Products segment to reorganize certain operations, consolidate research and development activities and reduce our workforce. The reorganization and consolidation were completed in the second quarter of fiscal year 2009. During the second quarter of fiscal year 2009, we recorded costs of $140,000 for employee severance and other facility consolidation costs, including $17,000 of asset writedowns and $113,000 of severance payments. During the first six months of fiscal year 2009, we recorded costs of $2.3 million for employee severance and other facility consolidation costs, including $679,000 of asset writedowns and $970,000 of cash payments. Restructuring charges are presented separately in operating costs and expenses on the Consolidated Condensed Statements of Income.

In order to develop, design and manufacture new products, we have incurred significant expenditures during the past five years. 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 July 27, 2008, approximately $163.9 million of cash, cash equivalents, and short-term investments were held in Switzerland, compared to $131.0 million as of July 29, 2007. If we needed these funds for investment in domestic operations, any repatriation could result in increased tax liabilities.

One of the primary goals of the Company is to constantly improve the cash flows from our existing business activities. As discussed above, we have historically used, and intend to continue to use, cash flow to fund the buyback of our common stock. 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, should we undertake them to improve our business, might be made for either cash or stock consideration, or a combination of both.

Our cash, cash equivalents and investments noted above, when combined with lack of any outstanding debt obligations, give us the flexibility to continue to leverage our free cash flow to return value to shareholders (in the form of stock repurchases) while also pursuing business improvement opportunities.

Table of Contents

Non-cash Working Capital

Trade accounts receivable, less valuation allowances, increased by $4.6 million to $38.2 million at July 27, 2008 from $33.6 million at January 27, 2008. Inventories increased by $6.4 million to $35.3 million at July 27, 2008 from $28.9 million at January 27, 2008. We believe non-cash working capital ratios relative to our revenue and cost of revenue, will remain at levels approximately the same as they currently are.

Capital Expenditures

Capital expenditures were $2.9 million for the quarter ended July 27, 2008 and $242,000 for the quarter ended July 29, 2007. Capital expenditures were $5.0 million for the six months ended July 27, 2008, and $860,000 for the six months ended July 29, 2007. The increases in capital expenditures were made to expand our test capacity and support engineering functions.

We expect to incur substantial costs in the third quarter of fiscal year 2009 to retool and retrofit the damaged Reynosa, Mexico fabrication facility. While we expect insurance recoveries to cover most of the costs, any insurance recovery may lag the quarter in which the expenses are incurred.

Proceeds from exercises of Stock Options

For the second quarter of fiscal year 2009, cash collected directly from grantee exercises of stock options was $3.2 million as compared with $5.5 million in the second quarter of 2008. For the first six months of 2009, cash collected directly from grantee exercises of stock options was $6.0 million as compared with $8.0 million in the first six months of 2008. We do not directly control the timing of the exercise of vested stock options by our grantees. Such exercises are decisions made by those grantees and are influenced most directly by the level of our stock price and, indirectly, by other considerations of those grantees. Such proceeds are difficult to forecast. While the level of such cash inflow to us is subject to these factors which we don t control, we believe that such proceeds will remain an important secondary source of cash after cash flow from operations.

Stock Repurchases

We currently have in effect an active stock repurchase program. This program represents one of our major efforts to return value to our shareholders.

In the first quarter of fiscal year 2009, we announced that the Board of Directors authorized the repurchase of up to $50 million of the Company s common stock. In the second quarter of fiscal year 2009, we repurchased 684,892 shares under this program for $9.9 million. In the second quarter of fiscal year 2008, we entered into an accelerated stock repurchase agreement whereby we paid approximately $150 million dollars to Goldman Sachs in exchange for approximately 9.8 million shares of our common stock.

Off-Balance Sheet Arrangements

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

We do not have any unconsolidated subsidiaries or affiliated entities. We have no special purpose or limited purpose entities that provide off-balance sheet financing, liquidity or market or credit risk support, 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.

Contractual Obligations

There were no material changes in our contractual obligations during the second quarter of fiscal year 2009. Refer to the disclosures regarding other contractual obligations in Management s Discussion and Analysis of Financial Condition and Results of Operations included in the our Annual Report on Form 10-K for the fiscal year ended January 27, 2008.

Inflation

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

Available Information

General information about us can be found on our website at www.semtech.com. The information on our website is for informational purposes only and should not be relied on for investment purposes. The information on our website is not incorporated by reference into this Form 10-Q and should not be considered part of this or any other report filed with the Securities and Exchange Commission (SEC).

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

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to a variety of market risks, including commodity risk as discussed below and the risks related to foreign currency, interest rates and market performance that are discussed in item 7A of the Company s Form 10K for fiscal year 2008 that ended on January 27, 2008. Many of the factors that can have an impact on our market risk are external to the Company, and so we are unable to fully predict them.

Commodity Risk

We are subject to risk from fluctuating market prices of certain commodity raw materials, particularly gold, that are incorporated into our end products or used by our suppliers to process our end products. Increased commodity prices are passed on to us in the form of higher prices from our suppliers, either in the form of general price increases or a commodity surcharge. Although we generally deal with our suppliers on a purchase order basis rather than on a long-term contract basis, we generally attempt to obtain firm pricing for volumes consistent with planned production. Our gross margins may decline if we are not able to increase selling prices of our products or obtain manufacturing efficiencies to offset the increased cost. We do not enter into formal hedging arrangements to mitigate against commodity risk.

ITEM 4. Controls and Procedures

Disclosure Controls

We carried out, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that such disclosure controls and procedures were effective to ensure (a) that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and (b) that information required to be disclosed is accumulated and communicated to management to allow timely decisions regarding disclosure.

Table of Contents

Changes in Internal Controls

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act) occurred during the fiscal quarter ended July 27, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

Information about legal proceedings is set forth in Note 13 to the Consolidated Financial Statements included in this quarterly report.

ITEM 1A. Risk Factors

You should carefully consider and evaluate all of the information in this Form 10-Q and *the risk factors set forth in our Form 10-K for the fiscal year ended January 27, 2008. The risks in the Form 10-K are not the only ones facing our* Company. *Additional risks not now known to us or that we currently deem immaterial may also impair our business operations. If any of these risks actually occur, our business could be materially harmed. If our business is harmed, the trading price of our common stock could decline.*

During the period covered by this quarterly report, the risk factors associated with our business have not significantly changed, other than as set forth below in this Item 1A, as compared to the risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended January 27, 2008. Also see Management s Discussion and Analysis of Financial Condition and Results of Operations in this report for a discussion of certain factors that may affect our future performance.

We could experience delays in restarting our manufacturing activities at our Reynosa, Mexico fabrication facility

On July 31, 2008, a fire occurred at the Company s Reynosa, Mexico fabrication facility. The Reynosa facility services the company s Power Discrete business unit. There were no reported injuries from the fire; however, there was partial damage to the facility along with some loss of equipment. The fire was contained to the fabrication segment of the facility allowing back-end processing to proceed. If we are unable to obtain, setup and test replacement equipment in a timely manner, we could face delays in restarting our manufacturing activities.

29

Table of Contents

The loss of any of our key personnel or the failure to attract or retain specialized technical and management personnel could impair our ability to grow our business

Our future success depends upon our ability to attract and retain highly qualified technical, marketing and managerial personnel. We are dependent on a relatively small group of key technical personnel with analog and mixed-signal expertise. Personnel with highly skilled managerial capabilities, and analog and mixed-signal design expertise, are scarce and competition for personnel with these skills is intense. There can be no assurance that we will be able to retain key employees or that we will be successful in attracting, integrating or retaining other highly qualified personnel in the future. If we are unable to retain the services of key employees or are unsuccessful in attracting new highly qualified employees, our business could be harmed.

If our stock price declines below the exercise price of stock options held by employees, which is now the case for many options held by many employees, the retention incentive aspect of the stock options is lost and there is a greater likelihood we will be unable to retain key talent.

Earthquakes or other natural disasters may cause us significant losses

Our corporate headquarters, a portion of our assembly and research and development activities and certain other critical business operations are located near major earthquake fault lines. We do not maintain earthquake insurance and could be harmed in the event of a major earthquake. We generally do not maintain flood coverage, including in our Asian locations where we have certain operations support and sales offices. Such flood coverage has become very expensive; as a result the Company has elected not to purchase this coverage.

Our business could be harmed if natural disasters interfere with production of wafers by our suppliers, assembly and testing of products by our subcontractors, or our distribution network. We maintain some business interruption insurance to help reduce the effect of such business interruptions, but we are not fully insured against such risks. Likewise, our business could be adversely impacted if a natural disaster were to shut down or significantly curtail production at one or more of our end customers. Any such loss of revenue due to a slowdown or cessation of end customer demand is uninsured.

On May 12, 2008, a large earthquake occurred in China. The Company does not expect this event to result in a significant disruption to operations.

This Form 10-Q also contains forward-looking statements that involve risks and uncertainties. Forward-looking statements are statements other than historical information or statements of current condition and relate to matters such as our future financial performance, future operational performance, and our plans, objectives and expectations. Some forward-looking statements may be identified by use of terms such as expects, anticipates, intends, estimates, believes, projects, should, , will, plans and similar words. In light of the risks and uncertainties inherent in all such projected matters, forward-looking statements should not be regarded as a representation by the Company or any other person that our objectives or plans will be achieved or that any of our operating expectations or financial forecasts will be realized. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described in our most recently filed 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.

Table of Contents

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

The Company did not make any sales of unregistered securities during the second quarter of fiscal year 2009.

Issuer Purchase of Equity Securities

This table provides information with respect to purchases by the Company of shares of common stock during the second quarter of fiscal year 2009.

Fiscal Month/Year	Total Number of Shares Purchased (2)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares That May Yet Be Purchased Under The Program (1)
May 2008 (04/28/08 05/25/08)				$50.0 million
June 2008 (05/26/08 06/22/08)	173,960	$15.6111	173,960	$47.3 million
July 2008 (06/23/08 07/27/08)	510,932	$14.1370	510,932	$40.1 million
Total second quarter	684,892		684,892	

(1) In the first quarter of fiscal year 2009, the Company announced that the Board of Directors authorized the repurchase of up to $50 million of the Company s common stock from time to time through negotiated or open market transactions (the 2008 Program). The 2008 Program does not have an expiration date. In the second quarter of fiscal year 2009, 684,892 shares were repurchased under this program for $9,939,000.

(2) The table does not include shares surrendered to the Company in connection with the cashless exercise of stock options by employees and directors or shares surrendered to the Company to cover tax withholding upon vesting of restricted stock.

ITEM 3. Defaults Upon Senior Securities
Not applicable.

ITEM 4. Submission of Matters to a Vote of Security Holders
Not applicable.

ITEM 5. Other Information
Not applicable.

Table of Contents

ITEM 6. Exhibits

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

Exhibit No.	Description	Location
10.1	Semtech Corporation Chief Executive Officer Bonus Plan	Item 5.2 of the Company s Current Report on Form 8-K filed June 26, 2008.
10.2	Fiscal Year 2009 Appendix to Semtech Corporation Chief Executive Officer Bonus Plan	Item 5.2 of the Company s Current Report on Form 8-K filed June 26, 2008.
10.3	Form of Non-Employee Director Option Award Certificate	Item 5.2 of the Company s Current Report on Form 8-K filed June 26, 2008.
10.4	Form of Non-Employee Director Stock Unit Award Certificate	Item 5.2 of the Company s Current Report on Form 8-K filed June 26, 2008.
10.5	Form of Employee Restricted Stock Award Certificate	Item 5.2 of the Company s Current Report on Form 8-K filed June 26, 2008.
10.6	Form of Employee Option ward Certificate	Item 5.2 of the Company s Current Report on Form 8-K filed June 26, 2008.
10.7	Semtech Corporation Director Stock Ownership Guidelines	Item 5.2 of the Company s Current Report on Form 8-K filed June 26, 2008.
10.8	Policy Regarding Director Compensation	Item 5.2 of the Company s Current Report on Form 8-K filed June 26, 2008.
10.9	Semtech Corporation 2008 Long-Term Equity Incentive Plan Restricted Stock Unit Award Certificate	
31.1	Certification of the Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934 as amended.	
31.2	Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934 as amended.	
32.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (As set forth in Exhibit 32.1 hereof, Exhibit 32.1 is being furnished and shall not be deemed filed .)	
32.2	Certification of the Chief Financial Officer Pursuant 18 U.S.C. 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (As set forth in Exhibit 32.2 hereof, Exhibit 32.2 is being furnished and shall not be deemed filed .)	

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	SEMTECH CORPORATION Registrant
Date: September 4, 2008	/s/ Mohan R. Maheswaran Mohan R. Maheswaran Chief Executive Officer
Date: September 4, 2008	/s/ Emeka N. Chukwu Emeka N. Chukwu Vice President Finance, Chief Financial Officer