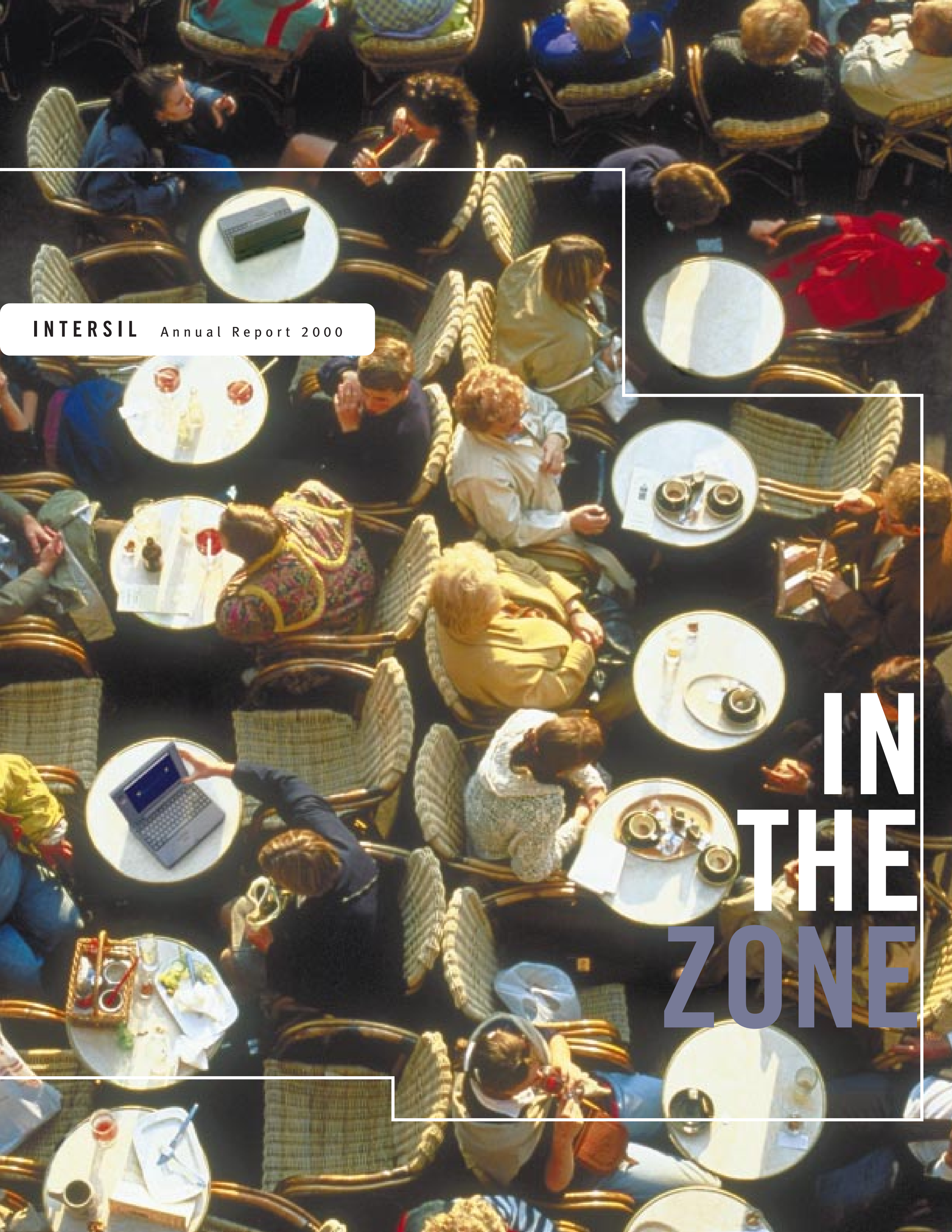
**INTERSIL** Annual Report 2000

# IN THE ZONE



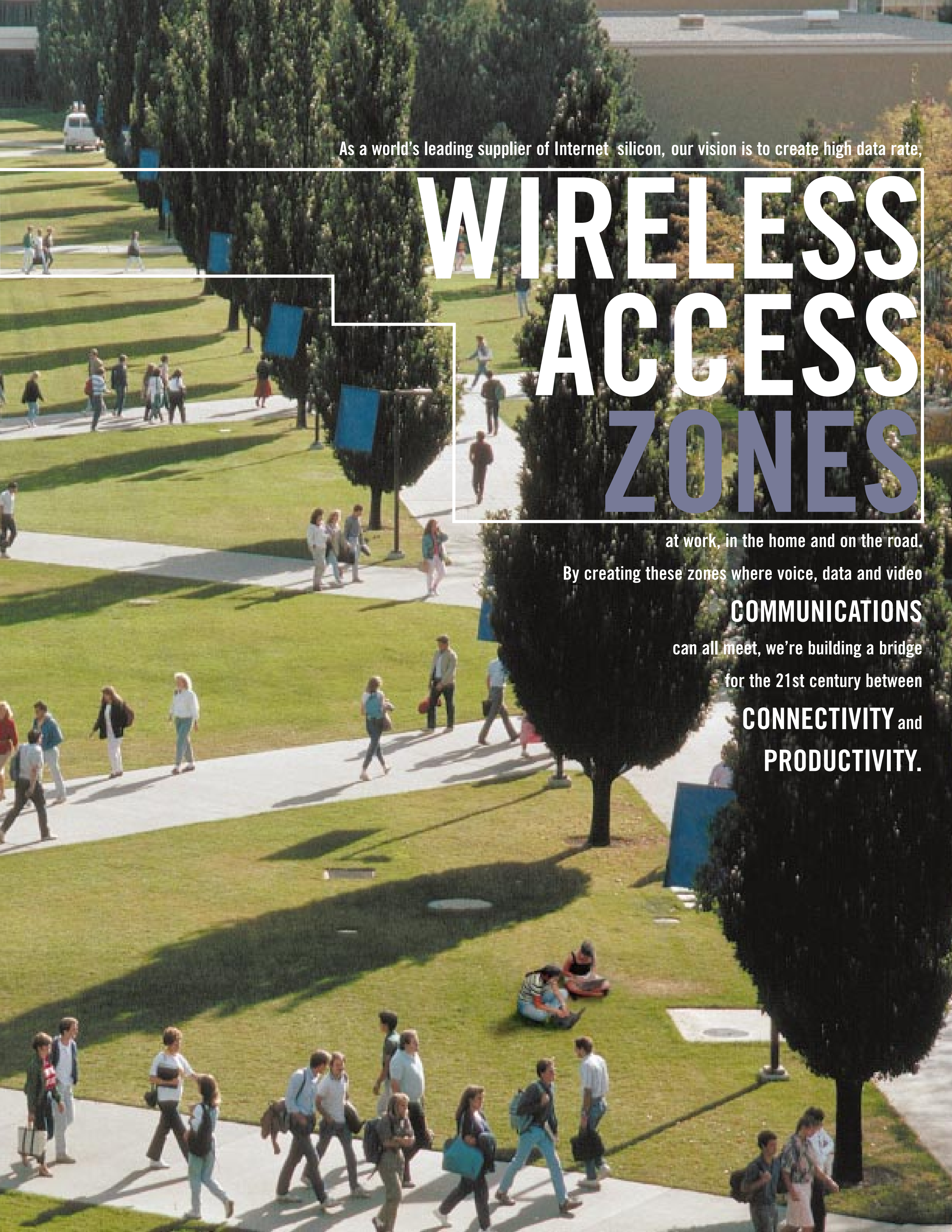
## INTERSIL

Intersil designs and develops silicon-based solutions for high growth communications markets. The company is a leading supplier of semiconductors, reference designs and software that address specific applications within communications — including wireless connectivity to broadband media; data conversion and telecommunications within wide area networks (WANs); and power management for desktop/laptop PCs, network servers and portable information appliances. Intersil's vision is to create high data rate wireless zones in homes, enterprises and public places. The company has successfully marketed digital radios used in wired to wireless Ethernet, DSL to wireless, cable modem to wireless and wireless Voice over Internet Protocol — all based upon a single, global standard — IEEE's 802.11. Intersil co-authored this standard which allows information appliances to communicate and inter-operate at work, at home and on the go.

Intersil is the world's leading provider of silicon technology for the Wireless Local Area Network (WLAN) market, and it's award-winning PRISM® technology is the solution of choice for the world's leading network, computing and telecom companies. Intersil is working with these industry leaders to create new zones of productivity by wirelessly connecting people to broadband services.

The company offers specialized expertise in analog and mixed-signal technology for the emerging Voice over Internet Protocol (VoIP) and cellular markets as well as advanced power management solutions to ensure reliability in network servers, computers and information appliances. Intersil utilizes long-lasting, mutually beneficial relationships with industry-leading customers to drive development efforts — from initial concept to product completion. These partnerships help to ensure that Intersil remains at the forefront of technology.

Irvine, California-based Intersil became a public company in February 2000, and employs 2,900 worldwide. The company trades on the NASDAQ under the ticker symbol ISIL.



As a world's leading supplier of Internet silicon, our vision is to create high data rate,

# WIRELESS ACCESS ZONES

at work, in the home and on the road.

By creating these zones where voice, data and video

**COMMUNICATIONS**

can all meet, we're building a bridge

for the 21st century between

**CONNECTIVITY** and

**PRODUCTIVITY.**

Intersil's communications solutions enable wireless networks, computers and information appliances to operate flawlessly, efficiently and dependably wherever you may be.

Intersil's power management solution keeps nearly half of the world's new desktop PC's humming, including **Dan**'s 850mhz.

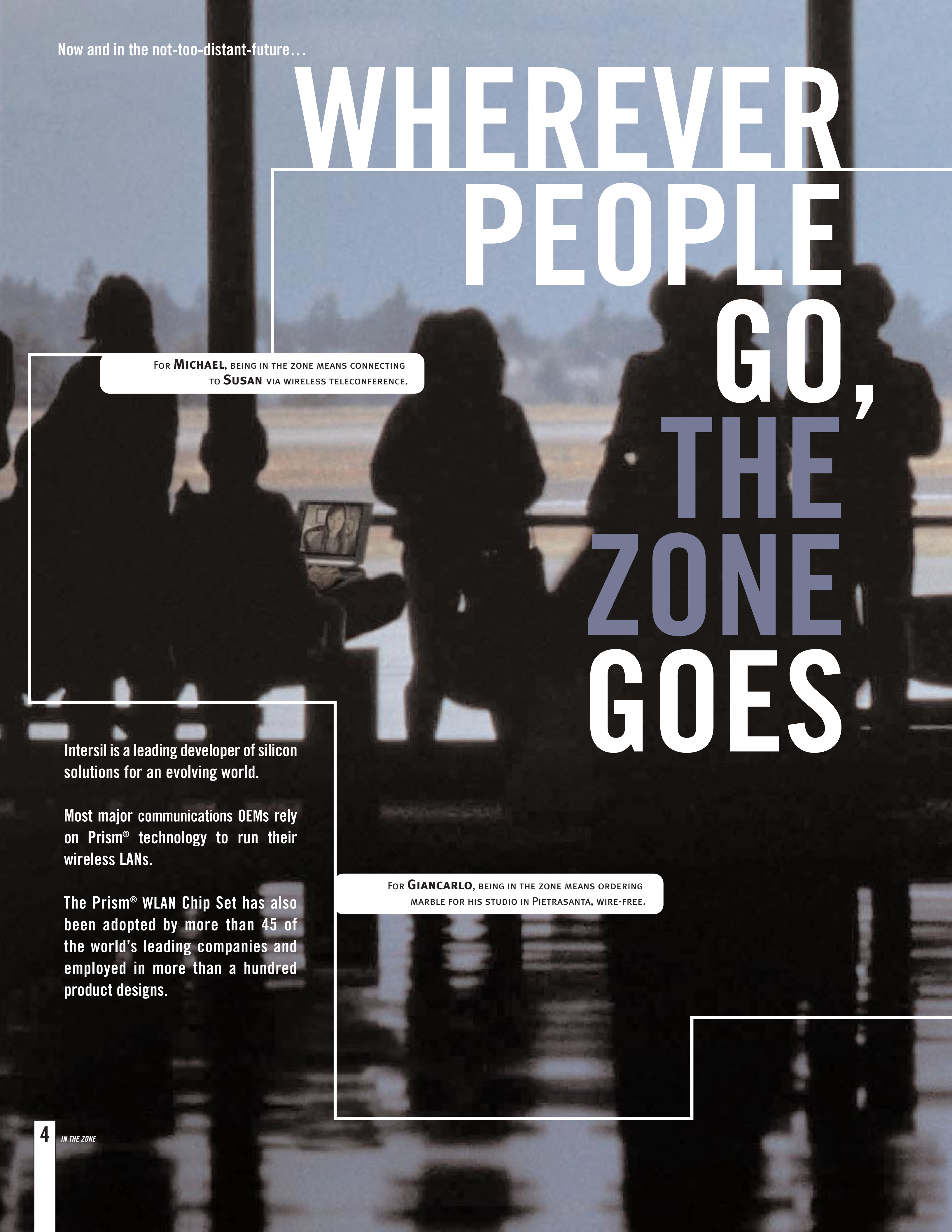
Intersil's Commlink family of products gives **Diane** a clear, wireless connection to her assistant.

# EVERYONE WORKS BETTER IN THE ZONE

INTERSIL'S PRISM® CHIP SET ALLOWS **ERIC** TO WIRELESSLY DOWNLOAD A HUGE PRESENTATION FILE IN SECONDS.

We are at the heart of the mobile communications revolution, helping establish fast access zones of connectivity for employees and associates.

*FROM CONNECTIVITY COMES PRODUCTIVITY.*



Now and in the not-too-distant-future…

# WHEREVER PEOPLE GO, THE ZONE GOES

For **Michael**, being in the zone means connecting to **Susan** via wireless teleconference.

Intersil is a leading developer of silicon solutions for an evolving world.

Most major communications OEMs rely on Prism® technology to run their wireless LANs.

The Prism® WLAN Chip Set has also been adopted by more than 45 of the world's leading companies and employed in more than a hundred product designs.

For **Giancarlo**, being in the zone means ordering marble for his studio in Pietrasanta, wire-free.

For **Will**, being in the zone means a wireless email connection to let his parents in London know he's on his way.

Intersil's Commlink family provides flexible broadband access in cellular infrastructure.

And our personalization of technology enables mobile access to the formerly "wired" world.

***BETTER COMMUNICATION MEANS BETTER COMMUNITY.***

Intersil's portable power products enable advanced notebook computer designs. Intersil's power management technology increases battery life in the newest and most compact wireless and mobile devices.

We leverage our expertise in semiconductor solutions to continue to create a company that can offer a diverse and integrated communications portfolio.

We are ubiquitous, with products that are impacting the culture by helping transform the communications landscape.

**Timmy** has the freedom to watch TV in the living room while downloading a song on the MP3 player in his bedroom.

# ZONE SWEET ZONE

**Chris** is free to log on to his favorite chef's web site for recipes.

**Debra**'s internet protocol (or VoIP) phone frees her from high charges on calls to her friend in Australia.

# THE ZONE — AN ENVELOPE OF CONNECTEDNESS…

…that enables maximum performance and peak experience.

Welcome to Intersil Corporation's first annual report. Our company is a profitable and growing semiconductor solutions provider, delivering unsurpassed technology to the world's leading communications companies. We are demonstrating a track record of growth that is linked directly to our customers' success — companies like Cisco, Compaq, Dell, Nokia, Nortel, Siemens and Sony.

Intersil's growth comes from a clear and simple focus on core competencies — technology solutions that are designed into our customers' new products. The company's roots can be traced to one of the first analog semiconductor companies — the original Intersil in Santa Clara, California. The original Intersil was acquired by General Electric in 1983, then GE Solid State Semiconductor was acquired by Harris Corporation in 1988. In August of 1999 the new Intersil was born through a purchase of the company by the management team and Citicorp Venture Capital. Our company continued to move with a new, independent spirit and energy, and we launched Intersil as a public company through a successful IPO in February 2000 — the largest IPO ever for a U.S. semiconductor company. The leadership team led a debt-leveraged company to a debt-free (on a net cash-basis) corporation in six short months.

Our operations are growing at a rapid rate and we continue to improve margins. In 1998, our new leadership team started a major renewal effort — now complete and gaining momentum. The company has simplified its business model and reduced its portfolio from 19,000 different products to 4,500. While reducing operating costs and improving efficiency, we have also aimed our talented employees with rare RF and analog expertise at high growth communications end markets.

Today's Intersil is a leading supplier of Internet Silicon — with communications semiconductors and solutions targeted at some of the fastest growing markets within the entire chip sector. Our wireless, analog & mixed signal and power technologies are used by more than 28,000 customers worldwide. Intersil has established leading semiconductor architectures — not only semiconductor components, but software, end-system reference designs, and global applications support and service that are integral to wireless and power management systems for companies on the leading edge of the communications growth wave.

Intersil's PRISM® wireless has become the wireless local area network architecture of choice for the world. Since its launch in October 1999, Intersil has now shipped over a million 11 Megabit per second (Mbps) PRISM II radio chip sets. Only Intersil supplies the entire solution; digital, radio frequency (RF) and power semiconductors; the firmware and software. As a result of our

# TO OUR SHAREHOLDERS

acquisition of No Wires Needed of The Netherlands, Intersil's wireless solution suite includes broadband home gateway designs, wireless encryption software and a digital chip ready for the next generation of wireless local area networks, operating at 54Mbps.

Our vision is to create high data rate wireless zones in homes, enterprises and public places. The company has successfully marketed digital radios used in wired to wireless Ethernet, DSL to wireless, cable modem to wireless and wireless Voice over Internet Protocol — all based upon a single, global standard — IEEE's 802.11. Intersil co-authored this standard which allows information appliances to communicate and inter-operate at work, at home and on the go.

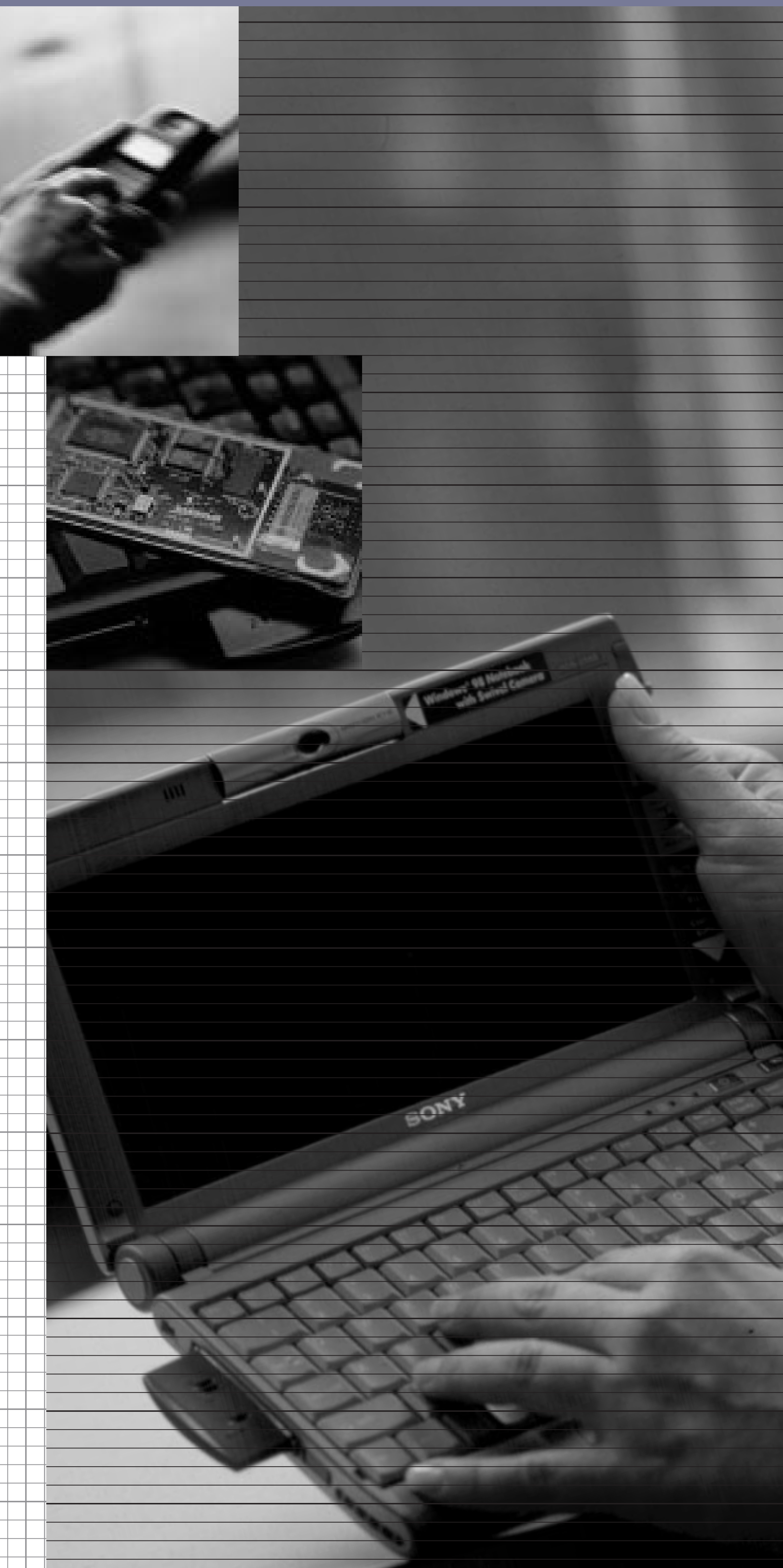
Intersil's other businesses — analog & mixed signal and discrete power — continue to grow and improve profitability. Intersil is one of the top 10 analog companies in the U.S. and a leading supplier of semiconductors that manage power. We "turn on" about one-third of the world's Intel Pentium®-class processors. Our new multi-phase power management solution will turn on over half of AMD's Athlon™ processors, which are expected to start shipping during the second quarter of calendar year 2000. Intersil also delivers communications semiconductors used in wireless and wired infrastructures and power discrete semiconductors used in computers, servers and portable information appliances.

We expect our rapid growth to continue. The semiconductor industry forecasts growth of 31% in 2000, followed by roughly 20% in 2001. While growing organically and through acquisitions aimed at our target markets, we expect margins to continue to improve as our revenue mix shifts towards communications products. Intersil will maintain its focus and stay ahead of competition by launching generations of solutions for all of our worldwide customers.

Finally, I want to thank our employees for their hard work and accomplishments during the past year. They have been united through our emergence as a new company and are focused on winning new designs that create "next generation" solutions for leading customers. They are motivated by our profitable growth and are helping to deliver a new era in integrated voice, data and video communications.

Intersil is truly "unleashing the power of connectivity" and we anticipate an exciting and prosperous future.

**Gregory Williams** President & Chief Executive Officer




## PRISM® Wireless Products

This product line designs and develops silicon technology solutions for Wireless Local Area Networks (WLANs). Today, Intersil's PRISM® WLAN chip set is the world's leading silicon solution for wireless networking systems. It has been adopted into the product designs of more than 45 major networking, computer and telecom companies including Alcatel, Cisco, Compaq, Dell, Nokia, Nortel, Samsung, Siemens, Sony and 3Com. Intersil's product roadmap for PRISM® is focused on continuous innovation.

The first-generation PRISM® WLAN chip set was an eight-chip solution capable of data rates of two million bits-per-second (Mbps). Today, the number of integrated circuits (ICs) in the set has been consolidated from eight to four and is capable of speeds up to 11 Mbps (equivalent to wired Ethernet speeds). We have a roadmap to get to three chips within the next year. Next generation systems will have power consumption reduced by 50 percent and will be capable of speeds up to 54 Mbps. Intersil's latest chip set, PRISM 2.5, enables wireless connectivity in information appliances such as laptops, palmtops, PDAs and digital cameras, to name just a few.

# INTERSIL OPERATIONS

## AMS (Analog and Mixed-Signal Integrated Circuits)

This product line designs and develops integrated circuits for broadband access to wireless and wired Wide Area Networks (WANs). In addition, it develops power management products for use in network servers, storage systems, PCs and information appliances.

Intersil's communications portfolio includes mixed-signal and digital signal processing (DSP) ICs, data converters and digital radio chips optimized for high-speed communication applications.

Intersil's Power Management ICs are tailored for the power demands of computer microprocessors and high-reliability network servers. Today, Intersil's DC-DC converter chips power nearly one-third of the world's Pentium-, Pentium II- and Pentium III-class microprocessors and will power more than half of the next generation AMD Athlon™ microprocessors.

Intersil is also a leading supplier of Subscriber Line Interface Circuits (SLICs) used to interface individual phone and modem subscribers with a central phone exchange. The company's new family of SLICs is tailored for the emerging Voice over Internet Protocol (VoIP) market.

Intersil's "Hot Plug" IC family allows maintenance and upgrade of file servers and Redundant Array of Independent Disks (RAIDs) without interruption to system power, enabling enhanced reliability in server networks.

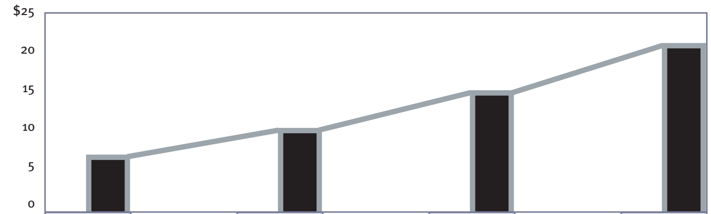
## Discrete Power

When combined with the company's power integrated circuits, Intersil's discrete power products provide a unique solution for next generation PCs, and for network servers and disk drives. Through this product line, Intersil is also developing new and more power-efficient devices for use in cellular phones and portable information appliances.

Key technologies and products in this business include insulated gate bipolar transistors (IGBT) and metal oxide semiconductor field effect transistors (MOSFETs). Intersil's pioneering IGBT solutions enable customers to develop high efficiency power supplies for telecommunications and Internet infrastructure. Intersil's dense trench MOSFET are tailored for the demanding power requirements of today's desktop/laptop PC and portable information appliances. In addition, Intersil develops specialized MOSFETs used in power solutions for communications satellites.

# Intersil serves high growth markets that provide high margin opportunities.

## Prism® Wireless (trailing four quarters)




| | Q3 CY 1999 | Q4 CY 1999 | Q1 CY 2000 | Q2 CY 2000 |
|---|---|---|---|---|
| **Sales** (Millions) | $6.3 | $9.3 | $14.3 | $21.6 |
| Quarterly Change | | +48% | +54% | +51% |
| **Gross Margin** | 35% | 39% | 45% | 50% |

## Customers and Applications

We seek to capitalize on our core competencies by focusing on the integrated communications market. Within the integrated communications market, our products include PRISM® wireless LAN chip sets, communications integrated circuits and power management semiconductors.

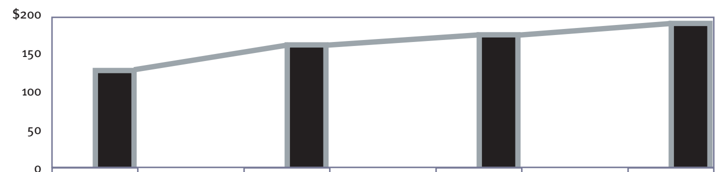
| | End Markets | Applications | Key Customers |
|---|---|---|---|
| **Wireless** | Wireless data connectivity, business, public and home area networks | Wireless LAN, home gateways, information appliances | Alcatel, Cisco, Compaq, Nokia, Nortel, Siemens, Sony, 3Com |
| **Communications** | Wireless and wired infrastructure, communications, telecommunications | Cellular basestations, home gateways, central switches, satellites | Alcatel, Cisco, Ericsson, IBM, Lucent, Motorola, Nokia, Nortel, Siemens |
| **Power Management** | Networking and computing | File servers, personal computers, printers, workstations | Asustek, Cisco, Compaq, Dell, Hewlett Packard, IBM, Trigem |

# GROWTH STRATEGY

## Intersil is focused on high growth integrated communications markets.

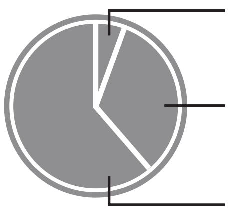
*Our strategic focus is producing strong results and steady growth.*

### Intersil Corporation (trailing four quarters)



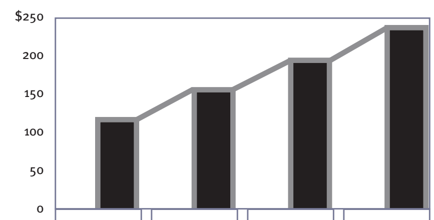

| | Q3 CY 1999 | Q4 CY 1999 | Q1 CY 2000 | Q2 CY 2000 |
|---|---|---|---|---|
| **Revenues** (Millions) | $134.0 | $158.1 | $170.9 | $191.2 |
| Quarterly Change | | +18% | +8% | +12% |
| **Gross Margin** | 36% | 39% | 41% | 43% |
| **Adjusted Operating Income*** (Millions) | $8.0 | $17.0 | $20.7 | $29.0 |

### Intersil Revenues by Product Line (Fiscal Year 2000)



| | |
|---|---|
| **PRISM® Wireless** | 8% |
| **Discrete Power** | 31% |
| **Analog & Mixed Signal** | 61% |

### Quarterly Order Levels




| | Sep 1999 | Dec 1999 | Mar 2000 | Jun 2000 |
|---|---|---|---|---|
| **Orders** (Dollars in Millions) | $144.0 | $169.0 | $195.0 | $234.0 |

*excludes amortization of intangibles and one-time charges

# COMPANY MILESTONES

**1998**

Intersil begins to refine its focus on high growth communications solutions like wireless networking, power management and communications infrastructure.

**August 1999**

Intersil becomes an independent company.

**February 2000**

Intersil successfully launches the largest US-based semiconductor IPO in history.

**May 2000**

Cahners' In-Stat Group names Intersil "the dominant force in the WLAN chip set marketplace with their PRISM® I and PRISM® II WLAN chip sets holding the majority of market share."

**June 2000**

Intersil acquires No Wires Needed. This Netherlands-based business gives Intersil additional operations in Europe and complements its technology offerings with wireless infrastructure products and additional engineering staff.

**July 2000**

Intersil's financial performance gives evidence that its strategic focus on the integrated communications market is working. Compared to the same period in the prior year, orders were up 71% and sales grew 27% to $191.2 million.

**July 2000**

Intersil reaches a major market milestone with the shipment of its millionth PRISM® II WLAN chip set and the company is on its way to reaching the next million by September.

# INTEGRATED COMMUNICATIONS

## Intersil products are transforming the communications landscape.

### Making the connection

Intersil's wireless-to-broadband technologies connect people to the Internet where they can access data, watch video, listen to music and even make phone calls (using Voice over Internet Protocol). Intersil pioneered the creation of high data rate wireless connectivity and is making it a commercial reality. Today's transmission technology makes it possible for people to have wireless access to the Internet at speeds comparable to the wired Ethernet, which translates to fast and convenient access to information.

### Managing the power

Intersil manages the power for the processors in servers, PCs and disk drives that are increasingly being used to access the wireless Internet. Today, Intersil chips are used by 9 of the top 10 PC motherboard manufacturers. The company is also developing power management solutions for the emerging portable internet appliance market.

### Enabling the infrastructure

Intersil's infrastructure products enable the backbone for the wireless communications revolution. Intersil creates digital radio solutions for wireless base stations. Among the components are digital tuners and data converters. Intersil's new programmable digital converters support all of the major telecommunications standards (CDMA, TDMA, GSM, and AMPS), which allow for wireless carriers to offer seamless transitions from one caller to the next. Major infrastructure manufacturers are designing Intersil's digital tuner products into the next-generation of base stations.

# FINANCIAL STATEMENTS

## FINANCIALS CONTENTS

# Selected Historical Financial Data and Other Data



The following table sets forth selected historical financial data and supplemental data for Intersil Holding and its predecessor. The historical financial data as of and for the fiscal years 1998 and 1999 and the six weeks ended August 13, 1999 are derived from our predecessor's audited Consolidated Financial Statements included elsewhere in this report, except for revenue categorized by product line, which is derived from our predecessor's books and records. The historical financial data as of and for the fiscal years 1996 and 1997, which are not included elsewhere in this report, are derived from our predecessor's unaudited and audited Consolidated Financial Statements, respectively. The historical financial data as of and for the 46 weeks ended June 30, 2000 are derived from our audited Consolidated Financial Statements included elsewhere in this report. This information should be read in conjunction with the Consolidated Financial Statements included elsewhere in this report and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

| (Dollars in millions, except per share amounts) | Predecessor Fiscal Years 1996 | 1997 | 1998 | 1999 | Predecessor Six Weeks Ended August 13, 1999 | Successor 46 Weeks Ended June 30, 2000 |
|---|---|---|---|---|---|---|
| **STATEMENT OF OPERATIONS DATA:** | | | | | | |
| Revenue: | | | | | | |
| Analog & Mixed-Signal | $393.6 | $384.4 | $390.4 | $352.8 | $ 36.3 | $360.5 |
| Discrete Power | 176.6 | 154.5 | 176.4 | 161.6 | 18.0 | 187.9 |
| Wireless | — | 6.4 | 10.0 | 18.3 | 3.1 | 48.4 |
| TOTAL REVENUE | $570.2 | $545.3 | $576.8 | $532.7 | $ 57.4 | $596.8 |
| Gross margin | $227.1 | $199.3 | $207.5 | $182.9 | $ 17.7 | $244.3 |
| Research and development | 69.4 | 75.2 | 75.1 | 67.0 | 8.5 | 69.5 |
| Selling, general and administrative | 103.6 | 99.3 | 98.2 | 84.0 | 10.9 | 97.2 |
| Harris corporate expense allocation | 10.3 | 10.0 | 10.0 | 9.3 | 1.2 | — |
| Intangible amortization | 2.3 | 2.3 | 2.3 | 2.4 | 0.3 | 10.7 |
| In-process research and development | — | — | — | — | — | 20.2 |
| Other | — | — | — | — | — | 1.2 |
| Operating income (loss) | 41.5 | 12.5 | 21.9 | 20.2 | (3.2) | 45.5 |
| Loss on sale of Malaysian operation | — | — | — | — | — | 24.8 |
| Interest, net | (1.0) | (0.6) | (0.9) | (1.2) | (0.1) | 38.2 |
| Income (loss) before income taxes and extraordinary item | 42.5 | 13.1 | 22.8 | 21.4 | (3.1) | (17.5) |
| Income taxes (benefit) | 2.6 | 1.9 | 9.9 | (6.0) | (0.1) | (0.3) |
| Income (loss) before extraordinary item | 39.9 | 11.2 | 12.9 | 27.4 | (3.0) | (17.2) |
| Extraordinary item — loss on extinguishment of debt, net of tax effect | — | — | — | — | — | (25.5) |
| Net income (loss) | 39.9 | 11.2 | 12.9 | 27.4 | (3.0) | (42.7) |
| Preferred dividends | — | — | — | — | — | 5.4 |
| NET INCOME (LOSS) TO COMMON SHAREHOLDERS | $ 39.9 | $ 11.2 | $ 12.9 | $ 27.4 | $ (3.0) | $ (48.1) |
| **BASIC AND DILUTED LOSS PER SHARE:** | | | | | | |
| Loss before extraordinary item | | | | | | $ (0.30) |
| Extraordinary item | | | | | | (0.33) |
| NET LOSS | | | | | | $ (0.63) |
| **WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:** | | | | | | |
| Basic and diluted | | | | | | 76.7 |
| **BALANCE SHEET DATA (END OF PERIOD):** | | | | | | |
| Cash and cash equivalents | $ — | $ — | $ — | $ — | $ 1.4 | $211.9 |
| Total assets | 647.0 | 773.3 | 810.3 | 761.2 | 736.1 | 933.9 |
| Long-term debt, including current portion | — | 1.4 | 4.1 | 4.6 | 4.5 | 116.6 |
| Total shareholders' equity/business equity | 520.9 | 646.2 | 699.1 | 658.9 | 657.3 | 679.0 |

The following discussion should be read in conjunction with, and is qualified in its entirety by reference to the Consolidated Financial Statements, including the notes thereto appearing elsewhere in this report. Except for historical information, the discussions in this section of the report contain forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those discussed below.

## OVERVIEW

We are a systems oriented designer and manufacturer of analog and digital integrated circuits and discrete semiconductors for the communications and power management end-user markets. We provide systems level solutions for the growing integrated communications semiconductor market. Integrated communications semiconductors enable the convergence of voice, data and video. Within integrated communications, we are focused on several key markets including high data rate wireless connectivity, power management and wireless and wired communications infrastructure. We use our expertise in digital and analog semiconductors and radio and software design to deliver chip sets, components, software and licensable application designs for communications equipment customers. We sell over 4,500 products to more than 28,000 customers worldwide.

## BASIS OF PRESENTATION

We were formed on August 13, 1999, through a series of transactions, in which we and our wholly-owned subsidiary, Intersil, acquired the Semiconductor Business of Harris. Intersil and its wholly-owned domestic and foreign subsidiaries include the operations of the predecessor. Our fiscal year 2000 began on July 3, 1999 and ended on June 30, 2000.

The total purchase price of the semiconductor business acquisition was $614.3 million, which included transaction costs of approximately $7.8 million and deferred financing costs of $12.2 million. The consideration paid by Intersil Holding was $504.3 million in cash, of which $420.0 million was financed through borrowings from the senior credit facilities, the 13.25% Senior Subordinated Notes due 2009, the 13.50% Subordinated Holding "Pay-In-Kind" (PIK) Note and the issuance of a $90.0 million 11.13% PIK Note to Harris.

The acquisition was accounted for using the purchase method of accounting and, accordingly, the operating results of the Semiconductor Business have been included in Intersil's Consolidated Financial Statements since the date of acquisition. The total purchase price was allocated to the assets and liabilities of the Semiconductor Business based upon their approximate fair value. The fair value of the net assets acquired exceeded the purchase price resulting in negative goodwill of $200.0 million. This negative goodwill was allocated to the identified intangibles and property and equipment based on their relative fair values. The most significant effects were to decrease property, plant and equipment and to increase certain intangibles and liabilities. Accordingly, certain financial information for the periods prior to August 13, 1999, is not comparable to periods subsequent to August 13, 1999. All statement of operations information for fiscal year 2000 represents the combined results of the Semiconductor Business from July 3, 1999 through August 13, 1999 and Intersil Holding from August 14, 1999 through June 30, 2000.

On February 25, 2000, we issued 22,000,000 shares of our Class A Common Stock in a registered underwritten initial public offering at a price of $25.0 per share. See "Liquidity and Capital Resources."

## QUARTERLY RESULTS

The following table sets forth the unaudited historical quarterly revenue and gross margin of our three product groups:

| | Fiscal Year Ended July 3, 1998 | | | |
|---|---|---|---|---|
| (Dollars in millions) | Q1 | Q2 | Q3 | Q4 |
| ***Revenue*** | | | | |
| Analog & Mixed-Signal | $ 96.3 | $ 93.9 | $ 95.2 | $105.0 |
| Discrete Power | 44.7 | 45.2 | 45.7 | 40.8 |
| Wireless | 2.9 | 2.2 | 2.6 | 2.3 |
| TOTAL | $143.9 | $141.3 | $143.5 | $148.1 |
| ***Gross Margin Percentage*** | | | | |
| Analog & Mixed-Signal | 36% | 42% | 42% | 44% |
| Discrete Power | 24 | 27 | 23 | 25 |
| Wireless | 31 | 5 | 42 | 57 |
| Total | 32 | 37 | 36 | 39 |

| | Fiscal Year Ended July 2, 1999 | | | |
|---|---|---|---|---|
| (Dollars in millions) | Q1 | Q2 | Q3 | Q4 |
| ***Revenue*** | | | | |
| Analog & Mixed-Signal | $ 79.8 | $ 86.2 | $ 88.5 | $ 98.3 |
| Discrete Power | 38.5 | 34.8 | 42.3 | 46.0 |
| Wireless | 4.2 | 3.1 | 4.6 | 6.4 |
| TOTAL | $122.5 | $124.1 | $135.4 | $150.7 |
| ***Gross Margin Percentage*** | | | | |
| Analog & Mixed-Signal | 41% | 39% | 43% | 43% |
| Discrete Power | 21 | 14 | 17 | 21 |
| Wireless | 21 | 26 | 35 | 50 |
| Total | 34 | 31 | 35 | 36 |

| (Dollars in millions) | Combined Fiscal Year Ended June 30, 2000 Q1 | Q2 | Q3 | Q4 |
|---|---|---|---|---|
| ***Revenue*** | | | | |
| Analog & Mixed-Signal | $ 82.8 | $ 94.0 | $103.4 | $116.6 |
| Discrete Power | 44.9 | 54.8 | 53.2 | 53.0 |
| Wireless | 6.3 | 9.3 | 14.3 | 21.6 |
| **TOTAL** | $134.0 | $158.1 | $170.9 | $191.2 |
| ***Gross Margin Percentage*** | | | | |
| Analog & Mixed-Signal | 42% | 45% | 44% | 46% |
| Discrete Power | 24 | 28 | 32 | 34 |
| Wireless | 35 | 39 | 45 | 50 |
| Total | 36 | 39 | 41 | 43 |

Historically, our first fiscal quarter has been the weakest due to model year changeovers in the automotive industry and summer holiday seasons, primarily in Europe. Our increasing focus on integrated communications products has resulted in a higher percentage of our sales coming from the communications markets in the second half of our fiscal year. Revenues from integrated communications products accounted for 53.1% of our total fourth quarter fiscal year 2000 sales versus 39.1% of our total fourth quarter fiscal year 1999 sales. Sales made into the communications market generally experience less seasonality than sales of our historical mix of products.

The semiconductor industry has historically experienced declining selling prices over the past 15 years, and we expect that trend to continue in the future. We expect to realize productivity gains which will offset the decline in average selling prices and therefore we do not anticipate a significant adverse effect on our financial condition.

Industry demand weakened significantly in the first half of fiscal 1999 due to widespread inventory adjustments which led to excess manufacturing capacity and steep declines in product prices. This trend affected all three of our product groups. Our results, and those of the industry as a whole, began to strengthen in the third fiscal quarter of 1999, with an increase in sales of 9.1% from the second quarter to the third quarter and 11.3% from the third quarter to the fourth quarter. We experienced sales growth of over 25% in each of the last three quarters of fiscal year 2000 as compared to the same periods in fiscal year 1999 due to increased demand for our communication products and an overall improvement in market conditions. Additionally, the introduction of our new PRISM II wireless product has accelerated growth in the Wireless product group.

## RESULTS OF OPERATIONS

The following table sets forth our statement of operations data for the periods indicated as a percentage of revenue:

| | Fiscal Years Ended July 3, 1998 | July 2, 1999 | Combined June 30, 2000 |
|---|---|---|---|
| Revenue: | | | |
| Analog & Mixed-Signal | 67.7% | 66.2% | 60.7% |
| Discrete Power | 30.6 | 30.4 | 31.4 |
| Wireless | 1.7 | 3.4 | 7.9 |
| Total | 100.0 | 100.0 | 100.0 |
| Cost and Expenses: | | | |
| Cost of goods sold | 64.0 | 65.6 | 59.9 |
| Research and development | 13.0 | 12.6 | 11.9 |
| Selling, general and administrative | 18.8 | 17.5 | 16.7 |
| Intangible amortization | 0.4 | 0.5 | 1.7 |
| In-process research and development | — | — | 3.1 |
| Other | — | — | 0.2 |
| Operating income | 3.8 | 3.8 | 6.5 |
| Loss on sale of Malaysian operation | — | — | 3.8 |
| Interest, net | (0.2) | (0.2) | 5.9 |
| Income (loss) before income taxes and extraordinary item | 4.0 | 4.0 | (3.2) |
| Income taxes (benefit) | 1.8 | (1.1) | (0.1) |
| Income (loss) before extraordinary item | 2.2 | 5.1 | (3.1) |
| Extraordinary item — loss on extinguishment of debt, net of tax effect | — | — | (3.9) |
| **NET INCOME (LOSS)** | 2.2% | 5.1% | (7.0)% |

## FISCAL YEAR 2000 COMPARED WITH FISCAL YEAR 1999

### *Revenue*

Revenue for fiscal year 2000 increased 22.8% to $654.2 million from $532.7 million in fiscal year 1999. This growth is the result of increased demand for communications products and overall improved market conditions. Wireless sales growth of 181% was driven by increased market acceptance of our PRISM® products.

Geographically, 49.2%, 22.0% and 28.8% of product sales were derived in North America, Europe and Asia/Pacific, respectively, during fiscal year 2000, compared to 53.5%, 24.6% and 21.9%, respectively, in fiscal year 1999. This change in mix is the result of increased demand from Asian-based customers and from other customers moving manufacturing facilities to Asia.

*Gross Margin*

Cost of goods sold consists primarily of purchased materials, labor and overhead (including depreciation) associated with product manufacturing, plus royalty, warranty and sustaining engineering expenses pertaining to products sold. Gross margin on product sales increased 43.2% to $262.0 million in fiscal year 2000 from $182.9 million in fiscal year 1999. As a percentage of sales, gross margin was 40.0% in fiscal year 2000 as compared to 34.3% in fiscal year 1999. This increase was primarily due to increased capacity utilization in all three fabrication facilities, improved product costs from yield enhancements and manufacturing cost improvement projects. Additionally, wireless products, which generally carry higher margins, increased as a percentage of our total sales. Headcount reductions and a decrease in depreciation expense resulting from a revaluation of our property and equipment due to purchase accounting also contributed to the margin improvement.

*Research and Development ("R&D")*

R&D expenses consist primarily of salaries and selected costs of employees engaged in product/process research, design and development activities, as well as related subcontracting activities, prototype development, cost of design tools and technology license agreement expenses. R&D expenses increased 16.4% to $78.0 million in fiscal year 2000 from $67.0 million in fiscal year 1999. The increase was the result of our continued investment in PRISM chip sets and in power management integrated circuits, focusing in the categories of communications and computing products. As a percentage of sales, R&D expenses declined slightly to 11.9% in fiscal year 2000 from 12.6% in fiscal year 1999.

*In-Process R&D Charge*

In connection with the acquisition of the Semiconductor Business of Harris, we allocated $20.2 million of the purchase price to in-process R&D projects. These projects were in various stages of completion ranging from 35-90% complete. The present value of $29.0 million of in-process R&D was primarily determined by discounting 10 year after tax cash flow projections of the individual projects using a discount rate of 20%. This value was then reduced by negative goodwill resulting from the acquisition.

At the date of acquisition, the development of these projects had not yet reached technological feasibility and the in-process R&D had no alternative future uses. Accordingly, these costs were expensed as a one-time charge to earnings in the combined fiscal year ended June 30, 2000.

There is risk associated with the completion of the projects and there can be no assurance that any will meet with either technological or commercial success.

*Selling, General and Administrative ("SG&A")*

SG&A costs, which include marketing, selling, general and administrative expenses, increased 17.1% to $109.3 million in fiscal year 2000 from $93.3 million in fiscal year 1999. The increase was due to additional selling costs resulting from higher sales in fiscal year 2000 and additional marketing costs associated with our new company branding initiative. Operating expenses include charges allocated by Harris to us for legal, financial and other administrative expenses of $1.2 million for the six weeks ended August 13, 1999, and $9.3 million for the 12 months ended July 2, 1999. As a percentage of sales, SG&A costs decreased to 16.7% in fiscal year 2000 from 17.5% in fiscal year 1999.

*Intangible Assets*

Certain intangible assets were recorded on the opening balance sheet of Intersil as part of purchase accounting. We also recorded goodwill in June 2000 as a result of the acquisition of No Wires Needed B.V. These assets are being amortized over their useful lives ranging from five to 11 years.

*Loss on Sale of Malaysian Operation*

On June 30, 2000, we completed the sale of our Kuala Lumpur, Malaysia-based semiconductor assembly and test operations to ChipPAC, Inc. As consideration for the sale we received approximately $52.5 million in cash and $15.8 million in ChipPAC preferred convertible stock and we recognized a non-recurring, non-cash charge of $24.8 million for loss on sale.

*Interest Expense*

In connection with the acquisition of the Semiconductor Business, we entered into new credit facilities. See "Liquidity and Capital Resources." Interest expense related to this debt for Intersil Holding during the fiscal year 2000 was $41.9 million, excluding interest income of $3.8 million.

*Extraordinary Item*

On February 25, 2000, we issued 22,000,000 shares of our Class A Common Stock in a registered underwritten initial public offering. From the proceeds of the offering, we repaid approximately $419.0 million of debt incurred through the acquisition of the Semiconductor Business, which included certain pre-payment penalties and accrued interest. In connection with the early extinguishment of debt, we recorded extraordinary charges (net of tax effect) of $25.5 million. The extraordinary charges consisted of the write-off of deferred financing fees and prepayment penalties.

*Tax Expense*

The tax benefit for the combined 12 months ended June 30, 2000 is not comparable to the 12 months ended July 2, 1999, due to the differences in our tax structure as compared to that of the Semiconductor Business of Harris.

*Backlog*

We had backlog at June 30, 2000 of $259.5 million compared to $174.0 million at July 2, 1999. The increase was due to increased demand for our integrated communications products and improved market conditions.

### FISCAL YEAR 1999 COMPARED WITH FISCAL YEAR 1998

*Revenue*

Revenue for fiscal year 1999 decreased 7.6% to $532.7 million from $576.8 million in fiscal year 1998. This decrease was the result of continued soft market conditions and resulting adverse effects on semiconductor demand. This trend continued through the second quarter of fiscal 1999. We believe that the principal causes for the decline were initially high inventory levels of our products at our distributors, which decreased 17% from fiscal year 1998 to fiscal year 1999, as well as high levels of inventory at customers. This was followed by an overall drop in global semiconductor demand of 8.5% in calendar year 1998. Particularly hard hit were our Discrete Power products where prices of power metal oxide semiconductor field effect transistors, or MOSFETs, declined by nearly 15%. Additionally, distributors and major original equipment manufacturers reduced the amount of pipeline inventory in the channel, taking advantage of the shorter lead-times and lower prices. During the third fiscal quarter of 1999, we began to experience an increase in new orders, which resulted in a 9.1% increase in sales in the third quarter versus the preceding quarter. The positive trend continued into the fourth quarter with an increase in sales of 11.3% from the third quarter.

Geographically, 53.5%, 24.6% and 21.9% of product sales were derived in North America, Europe and Asia/Pacific, respectively, during fiscal year 1999, compared to 53.8%, 28.0% and 18.2% in fiscal year 1998.

*Gross Margin*

Gross margin on product sales declined 11.9% to $182.9 million in fiscal year 1999 from $207.5 million in fiscal year 1998. As a percent of sales, gross margin was 34.3% in fiscal year 1999 and 36.0% in fiscal year 1998. This decrease was substantially due to price pressure worldwide for our Discrete Power products and a $13.2 million increase in our depreciation expense resulting from the additional capital expenditures that went into our 8-inch wafer fab in Mountaintop, Pennsylvania. Our gross margin decline was partially offset by a series of cost reduction initiatives which resulted in lower operating costs and improved pricing and terms with our suppliers of raw materials.

*R&D*

R&D expenses decreased 10.8% to $67.0 million in fiscal year 1999 from $75.1 million in fiscal year 1998. During fiscal year 1999, we focused our resources on targeted applications and reduced programs that did not support our emphasis. Major investment continued on the PRISM chip set which addresses the wireless local area network market. R&D for products designed for the power management market was principally focused on computing and communications which led our growth of new product revenue during fiscal year 1999.

*SG&A*

SG&A costs decreased 13.8% to $93.3 million in fiscal year 1999 from $108.2 million in fiscal year 1998. The decrease in SG&A was primarily due to increased efficiencies resulting from a reorganization of the internal sales force and external sales representative firms and reduction of administrative expenses including headcount reductions. Operating expenses include allocated charges by Harris to us for legal, financial and other administrative expenses of $9.3 million for fiscal year 1999 and $10.0 million for fiscal year 1998. As a percentage of sales, SG&A costs decreased to 17.5% in fiscal year 1999 from 18.8% in fiscal year 1998.

*Tax Expenses*

The tax benefit of $6.0 million in fiscal year 1999 was primarily driven by changes in the Malaysian tax system, resulting in fiscal year 1999 income not being subject to tax.

*Backlog*

We had backlog at July 2, 1999 of $174.0 million compared to backlog of about $188.5 million at July 3, 1998. The decrease in backlog was primarily due to shorter industry lead-times.

### *Liquidity and Capital Resources*

On February 25, 2000, we issued 22,000,000 shares of Class A Common Stock at a price of $25.00 per share. We received net proceeds from this offering, after deducting underwriting discounts and commissions and other fees, of approximately $513.1 million, of which $435.2 million was subsequently used to repay debt incurred as a result of our acquisition of the Semiconductor Business of Harris.

In connection with the acquisition of the Semiconductor Business, we entered into new credit facilities, which provided for a Revolving Credit Facility in an aggregate amount up to $70.0 million. We may request, subject to the agreement of our lenders, that the amount of the Revolving Credit Facilities be increased to as much as $150 million. The Revolving Credit Facility will mature in 2005 unless terminated earlier and was undrawn as of June 30, 2000.

Our principal capital requirements are to fund working capital needs, to meet required debt payments and to complete planned maintenance and expansion. We anticipate that our operating cash flow and our cash on hand, together with available borrowings under the Revolving Credit Facility, will be sufficient to meet our working capital, capital expenditure and interest requirements on our debt obligations for the foreseeable future. As of June 30, 2000, our total debt and shareholders' equity was $116.6 million and $679.0 million, respectively.

Because our business was operated as a subsidiary of Harris during fiscal year 1998 to August 13, 1999, we do not believe our prior years' cash flows are indicative of our business on a stand-alone basis. Net cash generated by operating activities for the fiscal year ended June 30, 2000 was $111.1 million. Net cash provided by investing activities for the fiscal year ended June 30, 2000 was $13.7 million. Net cash used to repay debt for the 12 months ended June 30, 2000 was $435.2 million. Our cash and cash equivalents balance at June 30, 2000 was $211.9 million.

Our Revolving Credit Facility and the indenture governing the Notes contain financial covenants and restrictions including restrictions on our ability to pay cash dividends or to effect mergers or acquisitions, incur certain indebtedness or to make certain investments without prior approval. We are currently in compliance with such financial covenants and restrictions.

### *Receivables and Inventories*

Trade accounts receivable less the allowance for collection losses totaled $111.7 million at June 30, 2000 compared to $100.7 million at July 2, 1999. This increase was due to higher product shipments from increased demand. Inventories declined 17.8% from $153.8 million at July 2, 1999 to $126.5 million at June 30, 2000. The inventory decrease was a result of the sale of our Malaysian operation and a management initiative to reduce our inventory through portfolio management and process improvements.

Distributor reserves have fluctuated from year to year based on the level of inventory at distributors. The reserve increased 13.8% from $6.5 million at July 2, 1999 to $7.4 million at June 30, 2000 resulting from increasing inventory levels at distributors in response to higher demand and overall market improvement.

### *Capital Expenditures*

Capital expenditures for the fiscal year ended June 30, 2000 were $40.7 million compared to $38.6 million in fiscal year 1999. We do not anticipate substantial capital expenditures in the foreseeable future.

### *Recent Accounting Pronouncements*

In June 1999, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. (SFAS) 137, "Accounting for Derivative Instruments and Hedging Activities — Deferral of the Effective Date of SFAS 133." SFAS 137 amends Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," to defer its effective date to all fiscal quarters of all fiscal years beginning after June 15, 2000. SFAS 133 establishes accounting and reporting standards for derivative instruments including standalone instruments, as forward currency exchange contracts and interest rate swaps or embedded derivatives and requires that these instruments be marked-to-market on an ongoing basis. These market value adjustments are to be included either in the income statement or shareholders' equity, depending on the nature of the transaction. We are required to adopt SFAS 133 in the first quarter of our fiscal year 2001. We believe that SFAS 133 will not have a material adverse effect on our financial position or results of operations.

In December 1999, the Securities and Exchange Commission issued SAB No. 101, "Revenue Recognition in Financial Statements," which provides guidance on the recognition, presentation, and disclosure of revenue in financial statements filed with the SEC. SAB No. 101 outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosure related to revenue recognition policies. We believe that SAB No. 101 will not have a material effect on our financial position or results of operations.

In April 2000, the Financial Accounting Standards Board issued FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation, an Interpretation of APB Opinion No. 25." Among other issues, this interpretation clarifies the definition of employees for purposes of applying Opinion No. 25, the criteria for determining whether a plan qualifies as a non-compensatory plan, the accounting consequence of various modifications to the terms of a previously fixed stock option or award and the accounting for an exchange of stock compensation awards in a business combination. This interpretation is effective July 1, 2000, but certain conclusions in the interpretations cover specific events that occur after either December 15, 1998 or January 12, 2000. To the extent that this interpretation covers events occurring during the period after December 15, 1998, or January 12, 2000, but before the effective date of July 1, 2000, the effect of applying this interpretation is recognized on a prospective basis from July 1, 2000. We are currently reviewing our stock grants to determine the impact, if any, that may arise from implementation of this interpretation, although we do not expect the impact, if any, to be material to our financial statements.

***Market Risk Management***

In the normal course of doing business, we are exposed to the risks associated with foreign currency exchange rates and changes in interest rates. We employ established policies and procedures governing the use of financial instruments to manage our exposure to these risks.

In August 1999, we began to use foreign exchange contracts to hedge anticipated foreign cash flow commitments of up to six months. Hedges on anticipated foreign cash flow commitments do not qualify for deferral and, therefore, gains and losses on changes in the fair market value of the foreign exchange contracts are recognized in income.

Prior to August 1999, we used foreign exchange contracts and options to hedge both balance sheet and off-balance sheet foreign currency commitments. Specifically, these foreign exchange contracts offset foreign currency denominated inventory and purchase commitments from suppliers, accounts receivable from, and future committed sales to, customers and intercompany loans. Foreign currency financial instruments were used to reduce the risks that arise from doing business in international markets.

At June 30, 2000, we had open foreign exchange contracts with a notional amount of $30.9 million, all of which were to hedge anticipated foreign cash flow commitments. At July 2, 1999, we had open foreign exchange contracts with a notional amount of $22.0 million, all of which were to hedge off-balance-sheet commitments. Additionally, during fiscal year 2000, we purchased and sold $87.4 million of foreign exchange forward and option contracts, compared to $120.7 million for the prior year. See Note O "Financial Instruments" in the Notes to Consolidated Financial Statements for further information with respect to commitments to buy or sell foreign currencies. Our hedging activities provide only limited protection against currency exchange risks. Factors that could impact the effectiveness of our hedging programs include accuracy of sales estimates, volatility of currency markets and the cost and availability of hedging instruments. A 10% adverse change in currency exchange rates for our foreign currency derivatives held at June 30, 2000, would have an impact of approximately $3.8 million on the fair value of these instruments. This qualification of exposure to the market risk associated with foreign exchange financial instruments does not take into account the offsetting impact of changes in the fair value of our foreign denominated assets, liabilities and firm commitments.

As of June 30, 2000, we also had fixed rate debt of approximately $116.6 million consisting primarily of the 13.25% Senior Subordinated Notes due 2009. For fixed rate debt, changes in interest rates generally affect the fair market value, but not earnings or cash flows.

# Consolidated Statements of Operations

*Intersil Holding Corporation*

| (In thousands, except per share amounts) | Predecessor Fiscal Year Ended July 3, 1998 | Predecessor Fiscal Year Ended July 2, 1999 | Predecessor Six Weeks Ended August 13, 1999 | Successor 46 Weeks Ended June 30, 2000 |
|---|---|---|---|---|
| **REVENUE** | | | | |
| Product sales | $576,836 | $532,718 | $57,336 | $596,849 |
| **COSTS AND EXPENSES** | | | | |
| Cost of product sales | 369,332 | 349,776 | 39,681 | 352,513 |
| Research and development | 75,125 | 67,079 | 8,499 | 69,456 |
| Selling, general and administrative | 98,184 | 83,998 | 10,908 | 97,227 |
| Harris corporate expense allocation | 9,962 | 9,303 | 1,164 | — |
| Intangible amortization | 2,292 | 2,414 | 326 | 10,686 |
| In-process research and development | — | — | — | 20,239 |
| Other | — | — | — | 1,178 |
| Operating income (loss) | 21,941 | 20,148 | (3,242) | 45,550 |
| Loss on sale of Malaysian operation | — | — | — | 24,825 |
| Interest expense | 43 | 129 | — | 41,924 |
| Interest income | (957) | (1,360) | (111) | (3,720) |
| Income (loss) before income taxes and extraordinary item | 22,855 | 21,379 | (3,131) | (17,479) |
| Income taxes (benefit) | 9,944 | (6,027) | (102) | (289) |
| Net income (loss) before extraordinary item | 12,911 | 27,406 | (3,029) | (17,190) |
| Extraordinary item—loss on extinguishment of debt, net of tax effect | — | — | — | (25,518) |
| **NET INCOME (LOSS)** | 12,911 | 27,406 | (3,029) | (42,708) |
| Preferred dividends | — | — | — | 5,391 |
| **NET INCOME (LOSS) TO COMMON SHAREHOLDERS** | $ 12,911 | $ 27,406 | $ (3,029) | $ (48,099) |
| **BASIC AND DILUTED LOSS PER SHARE:** | | | | |
| Loss before extraordinary item | | | | $ (0.30) |
| Extraordinary item | | | | (0.33) |
| **NET LOSS** | | | | $ (0.63) |
| **WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (IN MILLIONS):** | | | | |
| **BASIC AND DILUTED** | | | | 76.7 |

# Consolidated Statements of Comprehensive Income

*Intersil Holding Corporation*

| (In thousands) | Predecessor Fiscal Year Ended July 3, 1998 | Predecessor Fiscal Year Ended July 2, 1999 | Predecessor Six Weeks Ended August 13, 1999 | Successor 46 Weeks Ended June 30, 2000 |
|---|---|---|---|---|
| Net income (loss) | $12,911 | $27,406 | $(3,029) | $(42,708) |
| Other comprehensive income (loss): | | | | |
| Currency translation adjustments | (1,851) | (574) | 2,475 | 1,636 |
| **COMPREHENSIVE INCOME (LOSS)** | $11,060 | $26,832 | $ (554) | $(41,072) |

See Notes to Consolidated Financial Statements.

*Intersil Holding Corporation*

| (In thousands) | Predecessor July 2, 1999 | Successor June 30, 2000 |
|---|---|---|
| **ASSETS** | | |
| ***Current Assets*** | | |
| Cash and cash equivalents | $ — | $211,940 |
| Trade receivables, less allowances for collection loss ($582 as of July 2, 1999 and $1,341 as of June 30, 2000) | 100,674 | 111,695 |
| Inventories | 153,822 | 126,481 |
| Prepaid expenses | 3,725 | 10,645 |
| Income tax receivable | 1,527 | 1,254 |
| Deferred income taxes | 3,476 | 25,768 |
| Total Current Assets | 263,224 | 487,783 |
| ***Other Assets*** | | |
| Property, plant and equipment, less allowance for depreciation ($582,616 as of July 2, 1999 and $36,699 as of June 30, 2000) | 410,530 | 225,484 |
| Intangibles, less accumulated amortization ($19,929 as of July 2, 1999 and $10,686 as of June 30, 2000) | 45,368 | 190,150 |
| Other | 42,057 | 30,521 |
| Total Other Assets | 497,955 | 446,155 |
| **TOTAL ASSETS** | $761,179 | $933,938 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY/BUSINESS EQUITY** | | |
| ***Current Liabilities*** | | |
| Trade payables | $ 31,068 | $ 36,991 |
| Retirement plan accruals | 13,640 | 6,228 |
| Accrued compensation | 19,283 | 32,398 |
| Accrued interest and sundry taxes | 3,193 | 10,512 |
| Other accrued items | 16,418 | 22,734 |
| Distributor reserves | 6,542 | 7,366 |
| Unearned service income | 567 | 129 |
| Long-term debt — current portion | 360 | 404 |
| Total Current Liabilities | 91,071 | 116,762 |
| ***Other Liabilities*** | | |
| Deferred income taxes | 7,022 | 21,992 |
| Long-term debt | 4,207 | 116,188 |
| ***Shareholders' Equity/Business Equity*** | | |
| Preferred Stock, $1,000 par value, 100,000 shares authorized, no shares issued or outstanding at June 30, 2000 | — | — |
| Class A Common Stock, $.01 par value, voting; 300,000,000 shares authorized, 44,773,152 shares issued and outstanding at June 30, 2000 | — | 448 |
| Class B Common Stock, $.01 par value, non-voting; 300,000,000 shares authorized, 49,746,482 shares issued and outstanding at June 30, 2000 | — | 497 |
| Additional paid-in capital | — | 719,123 |
| Business equity | 661,388 | — |
| Retained deficit | — | (42,708) |
| Accumulated other comprehensive (loss) income | (2,509) | 1,636 |
| Total Shareholders' Equity/Business Equity | 658,879 | 678,996 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY/BUSINESS EQUITY** | $761,179 | $933,938 |

See Notes to Consolidated Financial Statements.

# Consolidated Statements of Cash Flows

*Intersil Holding Corporation*

| (In thousands) | Predecessor Fiscal Year Ended July 3, 1998 | Predecessor Fiscal Year Ended July 2, 1999 | Predecessor Six Weeks Ended August 13, 1999 | Successor 46 Weeks Ended June 30, 2000 |
|---|---|---|---|---|
| **OPERATING ACTIVITIES:** | | | | |
| Net income (loss) | $ 12,911 | $ 27,406 | $ (3,029) | $ (42,708) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities | | | | |
| Depreciation | 65,036 | 78,217 | 8,747 | 50,602 |
| Amortization | 2,295 | 2,414 | 326 | 10,686 |
| Provisions for inventory obsolescence | 7,317 | 3,894 | 1,919 | 23,906 |
| Write-off of in-process research and development | — | — | — | 20,239 |
| Write-off of unearned compensation | — | — | — | 878 |
| Loss on sale of Malaysian operation | — | — | — | 24,825 |
| Non-current deferred income taxes | (461) | 1,896 | (4,756) | (4,680) |
| Changes in assets and liabilities: | | | | |
| Trade receivables | 1,270 | 10,001 | 14,532 | (24,991) |
| Inventories | (17,176) | 22,516 | (3,568) | (5,668) |
| Prepaid expenses | 506 | 933 | 674 | (7,737) |
| Trade payables and accrued liabilities | (14,399) | (13,950) | (18,705) | 43,036 |
| Unearned service income | (32) | 319 | — | (437) |
| Income taxes | (3,866) | (4,486) | 4,430 | 2,290 |
| Other | (5,070) | (17,911) | 2,812 | 20,898 |
| Net cash provided by operating activities | 48,331 | 111,249 | 3,382 | 111,139 |
| **INVESTING ACTIVITIES:** | | | | |
| Proceeds from sale of Malaysian operation | — | — | — | 52,500 |
| Cash paid for acquired business | — | (1,335) | — | — |
| Property, plant and equipment | (90,184) | (38,563) | (1,887) | (38,813) |
| Net cash provided by (used in) investing activities | (90,184) | (39,898) | (1,887) | 13,687 |
| **FINANCING ACTIVITIES:** | | | | |
| Proceeds from offering | — | — | — | 513,114 |
| Proceeds from exercise of stock options | — | — | — | 1,985 |
| Proceeds from borrowings | 2,750 | 800 | — | — |
| Payments of borrowings | (83) | (302) | (32) | (435,204) |
| Net cash transfer and billings from (to) parent | 41,844 | (67,030) | (1,198) | — |
| Net cash provided by (used in) financing activities | 44,511 | (66,532) | (1,230) | 79,895 |
| Effect of exchange rates on cash and cash equivalents | (2,658) | (4,819) | 1,177 | (158) |
| Net increase in cash and cash equivalents | — | — | 1,442 | 204,563 |
| Cash and cash equivalents at the beginning of the period | — | — | — | 7,377 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | $ — | $ — | $ 1,442 | $ 211,940 |

## SUPPLEMENTAL DISCLOSURES — NON-CASH ACTIVITIES:

| | |
|---|---|
| EXCHANGE OF PREFERRED STOCK FOR COMMON STOCK | $ 89,400 |
| COMMON STOCK ISSUED IN ACQUISITION OF NO WIRES NEEDED B.V. | $ 111,348 |
| ADDITIONAL PAID-IN CAPITAL FROM TAX BENEFIT ON EXERCISE OF NON-QUALIFIED STOCK OPTIONS | $ 2,132 |

See Notes to Consolidated Financial Statements.

# Consolidated Statement of Shareholders' Equity

*Intersil Holding Corporation*

| (In thousands) | Common Stock Class A | Common Stock Class B | Additional Paid-in Capital | Retained Deficit | Accumulated Other Comprehensive Income | Total |
|---|---|---|---|---|---|---|
| Initial capitalization at August 14, 1999 | $158 | $509 | $ 5,935 | $ — | $ — | $ 6,602 |
| Net (loss) | — | — | — | (42,708) | — | (42,708) |
| Shares issued in initial public offering | 220 | — | 512,894 | — | — | 513,114 |
| Shares issued under Stock Option Plan | 2 | — | 4,115 | — | — | 4,117 |
| Shares sold to certain executives and foreign employees | — | — | 878 | — | (878) | — |
| Write-off of unearned compensation | — | — | — | — | 878 | 878 |
| Shares issued for acquisition of No Wires Needed B.V | 30 | — | 111,318 | — | — | 111,348 |
| Exchange of preferred stock | 26 | — | 89,374 | — | — | 89,400 |
| Exchange of common stock | 12 | (12) | — | — | — | — |
| Preferred dividends | — | — | (5,391) | — | — | (5,391) |
| Foreign currency translation | — | — | — | — | 1,636 | 1,636 |
| **BALANCE AT JUNE 30, 2000** | $448 | $497 | $719,123 | $(42,708) | $1,636 | $678,996 |

See Notes to Consolidated Financial Statements.

## NOTE A — ORGANIZATION AND BASIS OF PRESENTATION

### *Organization*

Intersil Holding Corporation (Intersil Holding or Successor) was formed on August 13, 1999 through a series of transactions in which Intersil Holding and its wholly-owned subsidiary, Intersil Corporation (Intersil), acquired the Semiconductor Business (Semiconductor Business or Predecessor) of Harris Corporation (Harris) (the acquisition). Intersil Holding currently has no operations but holds common stock related to its investment in Intersil. Intersil and its wholly-owned domestic and foreign subsidiaries include the operations of the Predecessor.

### *Basis of Presentation*

The accompanying Successor consolidated financial statements subsequent to August 13, 1999 include the accounts of Intersil Holding and Intersil (collectively, the Company). All material intercompany transactions have been eliminated in consolidation. The consolidated balance sheet as of July 2, 1999 and the consolidated statements of operations, comprehensive income and cash flows for the fiscal years ended July 3, 1998 and July 2, 1999 and the six weeks ended August 13, 1999 include the accounts of the Semiconductor Business, the Predecessor company.

Accordingly, the consolidated financial statements include the power, communications, space and defense product lines of Harris' Semiconductor Business that were purchased in the transaction. The transaction did not include Harris' semiconductor suppression business or photomask operations or certain patents in the memory field that were retained by Harris. The Semiconductor Business, which was wholly-owned by Harris, designs, manufactures and sells discrete semiconductors and standard and custom integrated circuits to the semiconductor markets. The Semiconductor Business' manufacturing facilities perform manufacturing operations related to other Harris Semiconductor Product Lines. The Semiconductor Business was not a separate legal entity and the assets and liabilities associated with the Semiconductor Business were components of a larger business.

The Predecessor's consolidated statements of operations include all revenues and costs attributable to the Semiconductor Business. For cost of sales, material costs are directly attributable to a product line and are charged accordingly. Indirect costs are assigned using activity based costing. Operating expenses (engineering, marketing, and administration & general) have been allocated to the product lines based on sales or labor, as appropriate. Harris corporate expense allocations were based on a percentage of the Semiconductor Business' net sales. Interest expense was provided on direct borrowings of the Semiconductor Business. Interest expense of Harris has not been allocated to the Semiconductor Business.

All of the allocations and estimates in the Predecessor's combined statements of operations are based on assumptions that management believes are reasonable under the circumstances. However, these allocations and estimates are not necessarily indicative of the costs that would have resulted if the Semiconductor Business had been operated on a stand alone basis.

The Semiconductor Business sells products to other affiliated operations of Harris. Sales to these operations are not material.

### *Acquisition of Harris' Semiconductor Business*

The total purchase price of the Semiconductor Business acquisition was $614.3 million, which included transaction costs of approximately $7.8 million and deferred financing costs of $12.2 million (Note H). The consideration paid by Intersil Holding was $504.3 million in cash of which $420.0 million was financed through borrowings from the senior credit facilities, the 13.25% Senior Subordinated Notes and 13.5% Subordinated Holding "Pay-In-Kind" (PIK) Note and the issuance of a $90.0 million PIK Note to Harris.

The acquisition was accounted for using the purchase method of accounting and, accordingly, the operating results of the Semiconductor Business have been included in Intersil's consolidated financial statements since the date of acquisition. The total purchase price was allocated to the assets and liabilities of the Semiconductor Business based upon their approximate fair values. The fair values of the net assets acquired exceeded the purchase price resulting in negative goodwill. This negative goodwill was allocated to the identified intangibles and property and equipment based on their relative fair values as follows (in millions).

| | |
|---|---|
| Purchase price: | |
| Cash paid to Harris | $504.3 |
| 13.5% Subordinated PIK Note | 90.0 |
| Transaction costs and fees | 20.0 |
| TOTAL PURCHASE PRICE | $614.3 |

| | Fair Value of Acquired Assets | Allocation of Excess Fair Value | Adjusted Fair Value |
|---|---|---|---|
| Net current assets | $160.6 | $ — | $160.6 |
| Other | 17.2 | — | 17.2 |
| Property and equipment | 481.0 | (153.2) | 327.8 |
| Developed Technology | 80.0 | (23.9) | 56.1 |
| Customer base | 33.0 | (10.0) | 23.0 |
| In-process research and development | 29.0 | (8.8) | 20.2 |
| Assembled workforce | 13.5 | (4.1) | 9.4 |
| | $814.3 | $(200.0) | $614.3 |

| | |
|---|---|
| Excess fair value of net assets acquired over purchase price | $200.0 |

The appraisal of the acquired Semiconductor Business included $20.2 million of purchased in-process research and development, which was related to various products under development. This valuation represents the 10 year after-tax cash flow of this in-process technology using a discount rate of 20%. The acquired technology had not yet reached technological feasibility and had no future alternative uses. Accordingly, it was written off at the time of the acquisition. The remaining identified intangibles (developed technology, customer base and assembled workforce) are being amortized over five to 11 years.

In connection with the acquisition of the Semiconductor Business, Intersil formulated a restructuring plan that included the termination of the employment of 372 employees of the Semiconductor Business. At August 13, 1999, Intersil recorded $11.0 million in severance benefits and this is included in the allocation of the acquisition cost. The severance includes the following:

| Location | No. of Employees | Amounts (in millions) |
|---|---|---|
| Europe | 17 | $ 5.6 |
| Malaysia | 262 | 1.9 |
| North America | 93 | 3.5 |
| | 372 | $11.0 |

For the 46 weeks ended June 30, 2000, approximately $10.1 million of these restructuring costs had been paid out. As of June 30, 2000, the restructuring liability was $0.9 million. Intersil Holding will complete the restructuring plan by the end of August 2000.

## NOTE B — SIGNIFICANT ACCOUNTING POLICIES

### *Fiscal Year*

The 1998 fiscal year includes the 53 weeks ended July 3, 1998; fiscal year 1999 includes the 52 weeks ended July 2, 1999; and fiscal year 2000 includes the six weeks ended August 13, 1999 and the 46 weeks ended June 30, 2000.

### *Cash and Cash Equivalents*

Intersil Holding considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

### *Inventories*

Inventories are carried at the lower of standard cost, which approximates actual cost, determined by the First-In-First-Out (FIFO) method, or market.

### *Property, Plant and Equipment*

Machinery and equipment are carried on the basis of cost. The estimated useful lives of buildings range between five and 50 years. The estimated useful lives of machinery and equipment range between three and 10 years. Depreciation is computed by the straight-line method using the estimated useful life of the asset.

### *Revenue Recognition*

Revenue is recognized from sales to all customers, including distributors, when a product is shipped. Sales to distributors are made under agreements which provide the distributors rights of return and price protection on unsold merchandise they hold. Accordingly, sales are reduced for estimated returns from distributors and estimated future price reductions of unsold merchandise held by distributors. Product sales to two distributors for the fiscal years ended July 3, 1998 and July 2, 1999, and the six weeks ended August 13, 1999 and 46 weeks ended June 30, 2000 amounted to 19.0%, 16.6%, 29.3% and 15.7%, respectively, of total product sales.

### *Research and Development*

Research and development costs, consisting of the cost of designing, developing, and testing new or significantly enhanced products, are expensed as incurred.

### *Retirement Benefits*

Intersil Holding provides retirement benefits to substantially all employees primarily through a retirement plan having profit-sharing and savings elements. Contributions by Intersil Holding to the retirement plan are based on profits and employees' savings with no other funding requirements. Intersil Holding may make additional contributions to the fund at its discretion. The savings element of the retirement plan is a defined contribution plan, which is qualified under Internal Revenue Service Code Section 401(k). All employees of the Company may elect to participate in the 401(k) retirement plan (the "401(k) plan").

Under the 401(k) plan, participating employees may defer a portion of their pretax earnings up to certain limits prescribed by the Internal Revenue Service. The Company provides matching contributions under the provisions of the plan. Employees fully vest in the Company's matching contributions upon the completion of seven years of service.

Retirement benefits also include an unfunded limited healthcare plan for U.S.-based retirees and employees on long-term disability. Intersil Holding accrues the estimated cost of these medical benefits, which are not material, during an employee's active service life.

Retirement plans expense was $15.6 million in 1998, $14.8 million in 1999, $1.4 million for the six weeks ended August 13, 1999 and $10.4 million for the 46 weeks ended June 30, 2000.

***Income Taxes***

For the Predecessor financial statements, the Semiconductor Business was included with its parent, Harris, in a consolidated federal income tax return. Harris required each of its businesses to provide for taxes on financial statement pretax income or loss at applicable statutory tax rates. United States local amounts receivable or payable for current and prior years' income taxes were treated as intercompany transactions and were recorded in the Semiconductor Business equity. Intersil Holding follows the liability method of accounting for income taxes. International current income taxes payable and deferred income taxes resulting from temporary differences between the financial statements and the tax basis of assets and liabilities of Intersil Holding's international subsidiaries are separately classified on the balance sheet.

***Asset Impairment***

Intersil Holding accounts for long-lived asset impairment under Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The Company recognizes impairment losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. The impairment loss is measured by comparing the fair value of the asset to its carrying amount. Fair value is estimated based on discounted future cash flows. Long-lived assets to be disposed of are recorded at the lower of their carrying amount or estimated fair value less cost to sell.

***Intangibles***

Intangibles resulting from acquisitions are being amortized by the straight-line method over five to 11 years. Recoverability of intangibles is assessed using estimated undiscounted cash flows of related operations. Intangibles that are not expected to be recovered through future undiscounted cash flows are charged to expense when identified. Amounts charged to expense are amounts in excess of the fair value of the intangible asset. Fair value is determined by calculating the present value of estimated expected future cash flows using a discount rate commensurate with the risks involved.

***Futures and Forward Contracts***

When Intersil Holding sells products outside the United States or enters into purchase commitments, the transactions are frequently denominated in currencies other than U.S. dollars. To minimize the impact on revenue and cost from currency fluctuations, Intersil Holding enters into currency exchange agreements that qualify for hedge accounting treatment. It is Intersil Holding's policy not to speculate in foreign currencies. Currency exchange agreements are designated as, and are effective as, hedges of foreign currency commitments. In addition, these agreements are consistent with the designated currency of the underlying transaction and mature on or before the underlying transaction. Gains and losses on currency exchange agreements that qualify as hedges are deferred and recognized as an adjustment of the carrying amount of the hedged asset, liability or commitment. Gains and losses on currency exchange agreements that do not qualify as hedges are recognized in operations based on changes in the fair market value of the currency exchange agreement.

***Foreign Currency Translation***

The functional currency for the Malaysian subsidiary was the U.S. dollar, and for other international subsidiaries it is the local currency. Assets and liabilities are translated at current rates of exchange, and income and expense items are translated at the weighted average exchange rate for the year. The resulting translation adjustments are recorded as a separate component of shareholders' equity (Business Equity in the Predecessor's financial statements). Cumulative translation gains (losses) were $(0.6) million and $1.6 million at July 2, 1999 and June 30, 2000, respectively.

*Loss Per Share*

Loss per share is computed and presented in accordance with SFAS No. 128, "Earnings per Share" and the Securities and Exchange Commission Staff Accounting Bulletin No. 98. Net loss per common share is presented for the 46 weeks ended June 30, 2000 only because it is not meaningful for earlier periods since the Company did not have common stock outstanding for any of the earlier periods.

*Use of Estimates*

These statements have been prepared in conformity with accounting principles generally accepted in the United States and require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

*Reclassifications*

Certain prior year amounts have been reclassified to conform with current year classifications.

## NOTE C — ACCOUNTING PRONOUNCEMENTS

In June 1999, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. (SFAS) 137, "Accounting for Derivative Instruments and Hedging Activities — Deferral of the Effective Date of FASB Statement No. 133." SFAS 137 amends SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," to defer its effective date to all fiscal quarters of all fiscal years beginning after June 15, 2000. SFAS 133 establishes accounting and reporting standards for derivative instruments including standalone instruments, such as forward currency exchange contracts and interest rate swaps or embedded derivatives and requires that these instruments be marked-to-market on an ongoing basis. These market value adjustments are to be included either in the income statement or shareholders' equity, depending on the nature of the transaction. The Company is required to adopt SFAS 133 in the first quarter of its fiscal year 2001. We believe that SFAS 133 will not have a material adverse effect on the Company's financial position or results of operations.

In December 1999, the Securities and Exchange Commission issued SAB No. 101. "Revenue Recognition in Financial Statements," which provides guidance on the recognition, presentation, and disclosures of revenue in financial statements filed with the SEC. SAB No. 101 outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosures related to revenue recognition policies. We believe that SAB No. 101 will not have a material adverse effect on the Company's financial position or results of operations.

In April 2000, the Financial Accounting Standards Board issued FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation, an Interpretation of APB Opinion No. 25." Among other issues, that interpretation clarifies the definition of employees for purposes of applying Opinion No. 25, the criteria for determining whether a plan qualifies as a noncompensatory plan, the accounting consequence of various modifications to the terms of a previously fixed stock option or award and the accounting for an exchange of stock compensation awards in a business combination. This interpretation is effective July 1, 2000, but certain conclusions in the interpretation cover specific events that occur after either December 15, 1998 or January 12, 2000. To the extent that this interpretation covers events occurring during the period after December 15, 1998, or January 12, 2000, but before the effective date of July 1, 2000, the effect of applying this interpretation is recognized on a prospective basis from July 1, 2000. We are currently reviewing stock grants to determine the impact, if any, that may arise from implementation of this interpretation, although we do not expect the impact, if any, to be material to our financial statements.

## NOTE D — INVENTORIES

Inventories are summarized below (in thousands):

| | Predecessor | Successor |
|---|---|---|
| | July 2, 1999 | June 30, 2000 |
| Finished products | $ 58,041 | $ 45,064 |
| Work in process | 102,457 | 96,278 |
| Raw materials and supplies | 11,441 | 7,072 |
| | 171,939 | 148,414 |
| Less inventory reserves | 18,117 | 21,933 |
| | $153,822 | $126,481 |

At July 2, 1999 and June 30, 2000 Intersil Holding was committed to purchase $22.5 million and $24.9 million, respectively of inventory from suppliers. Management believes the cost of this inventory approximates current market value.

## NOTE E — PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarized below (in thousands):

| | Predecessor July 2, 1999 | Successor June 30, 2000 |
|---|---|---|
| Land | $ 3,966 | $ 3,860 |
| Buildings | 266,364 | 78,940 |
| Machinery and equipment | 722,816 | 179,383 |
| | 993,146 | 262,183 |
| Less allowances for depreciation | 582,616 | 36,699 |
| | $410,530 | $225,484 |

## NOTE F — INTANGIBLES

Intangibles are summarized below (in thousands):

| | Period of Amortization | Predecessor July 2, 1999 | Successor June 30, 2000 |
|---|---|---|---|
| Developed technology | 11 years | $ — | $ 56,925 |
| Customer base | 7 years | — | 23,482 |
| Assembled workforce | 5 years | — | 9,606 |
| Goodwill | 5-7 years | 65,297 | 110,823 |
| | | 65,297 | 200,836 |
| Less accumulated amortization | | 19,929 | 10,686 |
| | | $45,368 | $190,150 |

## NOTE G — LOSS PER SHARE

The following table sets forth the computation of basic and diluted loss per share (in thousands, except per share amounts):

| | Successor June 30, 2000 |
|---|---|
| Numerator: | |
| NET LOSS AVAILABLE TO COMMON SHAREHOLDERS (NUMERATOR FOR BASIC AND DILUTED EARNINGS PER SHARE) | $(48,099) |
| Denominator: | |
| Denominator for basic earnings per share — weighted average common shares | 76,745 |
| Effect of dilutive securities: | |
| Stock options | — |
| Warrants | — |
| Denominator for diluted earnings per share — adjusted weighted average shares | 76,745 |
| Basic and diluted loss per share | $ (0.63) |

The effect of dilutive securities is not included in the computation for the 46 weeks ended June 30, 2000 because to do so would be antidilutive.

## NOTE H — LONG-TERM DEBT

***Long-Term Debt***

Long-term debt consists of the following (in thousands):

| | Predecessor July 2, 1999 | Successor June 30, 2000 |
|---|---|---|
| 13.25% Senior Subordinated Notes | $ — | $112,384 |
| Other | 4,567 | 4,208 |
| | 4,567 | 116,592 |
| Less current portion | 360 | 404 |
| | $4,207 | $116,188 |

Scheduled future principal payments under Intersil Holding's and Intersil's indebtedness are as follows (in thousands):

| | |
|---|---|
| 2001 | $ 404 |
| 2002 | 416 |
| 2003 | 429 |
| 2004 | 388 |
| 2005 | 373 |
| Thereafter | 114,582 |
| | $116,592 |

***13.25% Senior Subordinated Notes and Warrants***

On August 13, 1999, in connection with the acquisition of the Semiconductor Business, Intersil completed an offering of 200,000 units consisting of $200 million of its 13.25% Senior Subordinated Notes due 2009 and warrants to purchase 3,703,707 shares of Class A Common Stock of Intersil Holding. Each unit consisted of $1,000 principal amount of 13.25% Senior Subordinated Notes of Intersil and one warrant to purchase 18.5185 shares of Class A Common Stock of Intersil Holding. The total gross proceeds from the sale of the 13.25% Senior Subordinated Notes were $194.0 million, net of $6.0 million of deferred financing fees. The $6.0 million deferred financing fees were treated as additional interest related to the 13.25% Senior Subordinated Notes and amortized over the life of the 13.25% Senior Subordinated Notes on an effective yield method.

The 13.25% Senior Subordinated Notes are unsecured and are fully and unconditionally guaranteed by Intersil Holding and all of Intersil's current and future domestic subsidiaries. The 13.25% Senior Subordinated Notes are not guaranteed by Intersil's foreign subsidiaries. The 13.25% Senior Subordinated Notes require semi-annual interest payments beginning on February 15, 2000 through maturity on August 15, 2009. The 13.25% Senior Subordinated Notes may be redeemed at the option of Intersil Holding after August 15, 2004 upon the payment of certain redemption premiums, although up to 35% of the 13.25% Senior Subordinated Notes can be redeemed prior to August 15, 2002 with the proceeds of certain equity offerings and upon the payment of certain redemption premiums. The 13.25% Senior Subordinated Notes contain various restrictive covenants, including limitations on the incurrence of additional indebtedness, restrictions and limitations on payment of dividends, making investments, engaging in transactions with affiliates, consolidating, merging or transferring assets and restrictions and limitations on the sales of certain assets, among others. The 13.25% Senior Subordinated Notes also require the maintenance of certain ratios.

Each warrant entitles the holder to purchase 18.5185 shares of Intersil Holding Class A Common Stock at a price of $.001 per share. The warrants are exercisable beginning on the first anniversary of their issue date (August 13, 1999) and expire on August 15, 2009. Warrant holders have no voting rights. The warrants were preliminarily valued at $0.3 million and will be treated as additional interest related to the 13.25% Senior Subordinated Notes and amortized over the life of the 13.25% Senior Subordinated Notes on an effective yield method.

***Extinguishment of Debt***

On August 13, 1999, in connection with the acquisition of the Semiconductor Business, Intersil entered into senior credit facilities with a syndicate of financial institutions. The senior credit facilities include a $205.0 million funded term loan facility (the "Tranche B Senior Term Facility") and a revolving line of credit (the "Revolving Credit Facility"). The Revolving Credit Facility provides for up to $70.0 million of which no amounts were outstanding as of June 30, 2000.

The Revolving Credit Facility bears interest ranging from LIBOR + 2.00% to LIBOR + 3.25%, depending on the results of applicable ratios. The Revolving Credit Facility matures in 2005.

The senior credit facilities are unconditionally guaranteed, jointly and severally, by Intersil Holding, Intersil and existing and subsequently acquired or organized domestic subsidiaries. The Company's obligations and those of the guarantors under the Senior Credit Facilities are secured by a pledge of all of Intersil's capital stock and by substantially all of the assets of Intersil Holding, Intersil and each of Intersil's existing and subsequently acquired or organized domestic (and, to the extent no adverse consequences will result, foreign) subsidiaries. The senior credit facilities contain various restrictive covenants, including, incurrence of indebtedness, payment of dividends, making certain investments and acquisitions, disposing of assets, among others. The senior credit facilities also require the maintenance of certain ratios.

Also on August 13, 1999, in connection with the acquisition of the Semiconductor Business, Intersil Holding issued to Harris a $90.0 million 11.13% Seller Holding PIK Note and issued to Citicorp Mezzanine Partners, L.P. a $30.0 million 13.5% Subordinated Holding PIK Note.

On February 25, 2000, the Company issued 22,000,000 shares of common stock at a price of $25.00 per share. From the proceeds of the initial public offering, the Company paid off approximately $419.0 million of debt incurred through the acquisition of the Semiconductor Business, including all amounts then outstanding under the Tranche B Senior Term Facility, the 11.13% Seller Holding PIK Note and the 13.5% Subordinated PIK Note. In connection with the early extinguishment of debt, the Company recorded extraordinary charges (net of tax) of $25.5 million.

***Other***

The other debt consists of five loans made by agencies of the Commonwealth of Pennsylvania with maturity dates ranging from 2003 to 2017 and are secured by Intersil's manufacturing facility in Mountaintop, Pennsylvania, which has a net carrying value of $4.6 million at July 2, 1999 and $4.2 million at June 30, 2000, respectively. The weighted average interest rate for this debt was 3.0% at July 2, 1999 and June 30, 2000.

## NOTE I — PREFERRED STOCK

Intersil Holding has 100,000 shares of preferred stock authorized, stated value of $1,000 per share. The rights of holders of preferred stock will be stipulated at the time of issuance as determined by the board of directors pursuant to the adoption of a shareholder rights plan. On August 13, 1999, Intersil Holding sold 83,434 shares of its 12% Series A Cumulative Compounding Preferred Stock to certain buyers, including Sterling Holding Company, LLC, Harris and certain members of management. The $83.4 million received from the sale was used as a cash equity contribution from Intersil Holding to Intersil for the acquisition of the Semiconductor Business.

On August 13, 1999, Intersil Holding granted to certain members of management options to purchase 766.67 shares of Series A Preferred Stock at an option price of $250 per share, and a sign-on bonus in the aggregate amount of $575,025, representing the difference between the stated par value and the option price. The preferred stock options vest immediately. Intersil Holding recorded compensation expense for the $575,025 as of the grant date.

Concurrent with the initial public offering, Intersil Holding exchanged all outstanding shares of its 12% Series A Cumulative Compounding Preferred Stock plus accrued and unpaid dividends for approximately 2.6 million shares of its Class A Common Stock. Also, the outstanding options to purchase 766.67 shares of Series A Preferred Stock were exchanged for options to purchase 40,881 shares of Class A Common Stock.

### NOTE J — LEASE COMMITMENTS

Total rental expense amounted to $6.3 million in fiscal year 1998, $6.3 million in fiscal year 1999, $0.6 million for the six weeks ended August 13, 1999 and $5.0 million for the 46 weeks ended June 30, 2000. Future minimum rental commitments under non-cancelable operating leases, primarily used for land and office buildings amounted to approximately $11.8 million at June 30, 2000. These commitments for the years following 2000 (which exclude the estimated rental expense for annually renewable contracts) are: 2001 — $2.4 million, 2002 — $1.6 million, 2003 — $1.0 million, 2004 — $0.6 million, 2005 — $0.5 million and $5.7 million thereafter.

### NOTE K — BUSINESS EQUITY

Changes in the business equity of the Predecessor's financial statements are summarized as follows (in thousands):

| | Fiscal Year Ended | | Six Weeks Ended |
|---|---|---|---|
| | July 3, 1998 | July 2, 1999 | August 13, 1999 |
| Balance at beginning of period | $646,173 | $699,077 | $ 658,879 |
| Net income (loss) | 12,911 | 27,406 | (3,029) |
| Foreign currency translation adjustments | (1,851) | (574) | 2,475 |
| Net cash transfers and billings from (to) Harris Corporation | 41,844 | (67,030) | (1,198) |
| Purchase price elimination | — | — | (657,127) |
| **BALANCE AT END OF PERIOD** | $699,077 | $658,879 | $ — |

### NOTE L — COMMON STOCK

On February 25, 2000, Intersil Holding completed the filing of a registration statement with the Securities and Exchange Commission for a public offering of shares of its Class A Common Stock. Intersil Holding issued 22,000,000 shares of its Class A Common Stock at a price of $25.00 per share. The net proceeds of this offering, after deducting underwriting discounts and commissions, were approximately $513.1 million. In connection with the public offering, Intersil Holding effected a 1-for-1.5 reverse stock split of its Class A and Class B Common Stock as of February 23, 2000. All references to common shares in the accompanying financial statements reflect Intersil Holding's reverse stock split, retroactively applied to all periods presented.

Intersil Holding is authorized to issue 600.0 million shares of Intersil Holding common stock, par value $0.01 per share, divided into two classes consisting of 300.0 million shares of Intersil Holding Class A Common Stock and 300.0 million shares of Intersil Holding Class B Common Stock. Holders of Class A Common Stock are entitled to one vote for each share held and holders of Class B Common Stock have no voting rights. A holder of either class of Intersil Holding common stock may convert any or all shares into an equal number of shares of the other class of Intersil Holding common stock.

On August 13, 1999, Intersil Holding sold 15.76 million shares of Class A Common Stock and 50.91 million shares of Class B Common Stock for approximately $5.0 million. The $5.0 million proceeds, along with the $83.4 million proceeds from the sale of Series A Preferred Stock were used as a cash equity contribution from Intersil Holding to Intersil for the acquisition of the Semiconductor Business.

On August 13, 1999, in connection with the issuance of the 13.5% Subordinated Holding PIK Note, Intersil Holding issued to Citicorp Mezzanine Partners, L.P. warrants to purchase 3,703,707 shares of its Class A Common Stock at an exercise price of $.001 per share, subject to certain anti-dilution adjustments. These warrants may be exercised at any time after August 13, 2000 and expire on August 15, 2009. As Intersil Holding has prepaid in full the 13.5% Subordinated Holding PIK Note within 24 months after issuance, the warrants have become exercisable for 2,222,224 shares of Intersil Holding Class A Common Stock. The warrants were valued at $0.3 million and were treated as additional interest related to the 13.5% Subordinated Holding PIK Note.

On May 29, 2000, Intersil Holding acquired 100% of the outstanding capital stock of Bilthoven, The Netherlands-based No Wires Needed B.V. (“NWN”). Consideration for the acquisition of NWN was 3.35 million shares of Intersil Holding Class A Common Stock valued at $111.3 million at the date of closing (Note Q).

During the 46 weeks ended June 30, 2000, Intersil Holding recorded $0.9 million of unearned compensation for the excess of the fair value of the Class A Common Stock over the grant price for stock sold to certain executives by the majority shareholder of Intersil Holding. Upon the Company’s initial public offering, the stock sold became fully vested and the unearned compensation was written off.

Intersil Holding had an option to purchase 1,161,905 shares from a majority shareholder at $0.075 per share pursuant to an agreement executed at the initial capitalization. Intersil Holding repurchased the 1,161,905 shares in January 2000.

In the third quarter of fiscal year 2000, approximately 1.2 million shares of Class B Common Stock were exchanged for an equivalent number of Class A Common Stock. The exchanged Class B Common Stock is included in the authorized and unissued shares.

## NOTE M — INCOME TAXES

The provisions for income taxes are summarized below (pro forma for predecessor financial statements) (in thousands):

| | Successor |
|---|---|
| | 46 Weeks Ended June 30, 2000 |
| Current taxes: | |
| Federal | $ — |
| State | — |
| Foreign | 4,391 |
| | 4,391 |
| Deferred taxes: | |
| Federal | (4,198) |
| State | (482) |
| Foreign | — |
| | (4,680) |
| **INCOME TAX BENEFIT** | $ (289) |

| | Predecessor | | |
|---|---|---|---|
| | Fiscal Year Ended | | Six Weeks Ended |
| | July 3, 1998 | July 2, 1999 | August 13, 1999 |
| United States (benefit) | $4,221 | $(6,626) | $(399) |
| International | 4,910 | 1,605 | 352 |
| State and local (benefit) | 813 | (1,006) | (55) |
| | $9,944 | $(6,027) | $(102) |

The benefit related to tax deductions for the Company’s stock option plans is recorded as an increase to additional paid in capital when realized. For the 46 weeks ended June 30, 2000, the Company realized tax benefits of approximately $2.1 million related to its stock option plans.

In the year 2000, the Malaysian taxing authority converted its income tax system to a self-assessment system. The new self-assessment system requires Malaysian corporate taxpayers to begin making estimated tax payments in year 2000 based on year 2000 estimated taxable income. Previously, Malaysian corporate taxpayers submitted tax payments following the year of assessment. In fiscal year 1999, the Semiconductor Business made Malaysian taxing payments based on fiscal year 1998’s taxable income. As a result of the change in the Malaysian taxing system, the Semiconductor Business was not required to make tax payments on its fiscal year 1999 Malaysian taxable income, and therefore has not provided a tax provision for Malaysian taxes for the fiscal year ended July 2, 1999, which would have amounted to approximately $15.1 million. The Malaysian tax holiday is effective for Intersil’s fiscal year ended July 2, 1999 only, and does not impact the six weeks ended August 13, 1999 or the 46 weeks ended June 30, 2000.

The components of deferred income tax assets (liabilities) are as follows (in thousands):

| | Predecessor | | Successor | |
|---|---|---|---|---|
| | July 2, 1999 | | June 30, 2000 | |
| | Current | Non-Current | Current | Non-Current |
| Receivables | $ — | $ — | $ 239 | $ — |
| Inventory | — | — | 8,664 | — |
| Fixed Assets | — | — | — | (21,590) |
| Intangibles | — | — | — | (14,363) |
| Accrued Expenses | — | — | 18,582 | — |
| NOL Carryforward | — | — | — | 13,961 |
| Depreciation | — | (7,022) | — | — |
| All other — net | 3,476 | — | (1,717) | — |
| | $3,476 | $(7,022) | $25,768 | $(21,992) |

A reconciliation of the statutory United States income tax rate to the Company's effective income tax rate follows:

| | Predecessor Fiscal Year Ended July 3, 1998 | Predecessor Fiscal Year Ended July 2, 1999 | Predecessor Six Weeks Ended August 13, 1999 | Successor 46 Weeks Ended June 30, 2000 |
|---|---|---|---|---|
| Statutory U.S. income tax rate | 35.0% | 35.0% | 35.0% | 35.0% |
| State taxes | 2.3 | (3.1) | 1.1 | 1.1 |
| International income | 5.2 | (61.9) | (29.7) | 7.6 |
| Research credits | (2.9) | (2.7) | 2.2 | 0.8 |
| In-process research and development | — | — | — | (16.5) |
| Subpart F | — | — | — | (7.6) |
| Goodwill amortization | 3.5 | 4.0 | (4.9) | (1.2) |
| Effect of sale of Malaysian operations | — | — | — | (18.0) |
| Other items | 0.4 | 0.5 | (0.5) | (0.5) |
| **EFFECTIVE INCOME TAX RATE** | 43.5% | (28.2)% | 3.2% | 0.7% |

United States income taxes have not been provided on undistributed earnings of international subsidiaries because of Intersil Holding's intention to reinvest these earnings. The determination of unrecognized deferred U.S. tax liability for the undistributed earnings of international subsidiaries is not practicable.

Pretax income (loss) of international subsidiaries was $10.2 million in fiscal year 1998, $41.9 million in fiscal year 1999, $(1.6) million for the six weeks ended August 13, 1999 and $21.6 million for the 46 weeks ended June 30, 2000.

Income taxes paid were $14.8 million in fiscal year 1998, $3.4 million in fiscal year 1999, $0.2 million for the six weeks ended August 13, 1999 and $0.6 million for the 46 weeks ended June 30, 2000.

The Company has a tax year-end of December 31 for federal and state income tax purposes and has estimated that as of December 31, 1999, it had a cumulative federal and state operating loss carryforward of $17.0 million. The federal net operating loss carryforwards will expire in 2020. The state net operating loss carryforwards will expire in varying amounts beginning in 2005. Calculated as of June 30, 2000, the Company recorded a deferred tax asset associated with federal and state net operating loss carryforwards of $14.0 million.

The federal and state net operating loss and tax credit carryforwards could be subject to limitation if, within any three year period prior to the expiration of the applicable carryforward period, there is a greater than 50% change in ownership of the Company.

No valuation allowance has been provided in connection with the net deferred tax asset as the Company expects to be able to utilize its deferred tax assets against future taxable income. Based on the Company's projected taxable income and estimates of future profitability, management has concluded that operating income will more likely than not be sufficient to give rise to income tax expense to cover all deferred tax assets.

## NOTE N — GEOGRAPHIC INFORMATION

Intersil Holding operates exclusively in the semiconductor industry. Substantially all revenues result from the sale of semiconductor products. All intercompany revenues and balances have been eliminated.

A summary of the operations by geographic area is summarized below (in thousands):

| | Predecessor Fiscal Year Ended July 3, 1998 | Predecessor Fiscal Year Ended July 2, 1999 | Predecessor Six Weeks Ended August 13, 1999 | Successor 46 Weeks Ended June 30, 2000 |
|---|---|---|---|---|
| United States operations | | | | |
| Net sales | $563,180 | $519,555 | $ 54,664 | $574,867 |
| Long-lived assets | 386,333 | 371,448 | 366,386 | 333,668 |
| International | | | | |
| Net sales | 13,656 | 13,163 | 2,672 | 21,982 |
| Long-lived assets | 122,397 | 121,330 | 118,277 | 112,487 |

Export sales included in U.S. operations were, $258.4 million in fiscal year 1998, $254.8 million in fiscal year 1999, $30.4 million for the six weeks ended August 13, 1999 and $340.3 million for the 46 weeks ended June 30, 2000.

## NOTE O — FINANCIAL INSTRUMENTS

The carrying values of accounts receivable, accounts payable and short-term debt approximates fair value due to the short-term maturities of these assets and liabilities. The fair value of long-term debt is based on quoted market prices or pricing models using prevailing financial market information at the date of measurement.

Letters of credit are issued by Intersil during the ordinary course of business through major financial institutions as required by certain vendor contracts. As of June 30, 2000, Intersil had outstanding letters of credit totaling $2.7 million.

Intersil Holding markets its products for sale to customers, including distributors, primarily in the United States, Europe and Asia/Pacific. Credit is extended based on an evaluation of the customer's financial condition and collateral is generally not required. Intersil Holding maintains an allowance for losses based upon the expected collectibility of all accounts receivable. Intersil Holding believes it is adequately reserved with regard to receivables from its domestic and international customers.

In August 1999, Intersil Holding began to use foreign exchange contracts to hedge anticipated foreign cash flow commitments up to six months. Hedges on anticipated foreign cash flow commitments do not qualify for deferral and therefore, gains and losses on changes in the fair market value of the foreign exchange contracts are recognized in income. Total net gains on foreign exchange contracts for the 46 weeks ended June 30, 2000 were $3.2 million. At June 30, 2000, open foreign exchange contracts were $30.9 million, all of which were to hedge anticipated foreign cash flow commitments. For the year ended June 30, 2000, Intersil Holding purchased and sold $87.4 million of foreign exchange forward contracts.

Prior to August 1999, Intersil Holding used foreign exchange contracts and options to hedge intercompany accounts and off-balance-sheet foreign currency commitments. Specifically, these foreign exchange contracts offset foreign currency denominated inventory and purchase commitments from suppliers, accounts receivable from and future committed sales to customers and firm committed operating expenses. Foreign currency financial instruments were used to reduce the risks that arise from doing business in international markets. Such contracts generally had a term of one year or less. At July 2, 1999, open foreign exchange contracts were $22.0 million, all of which were to hedge off-balance-sheet commitments. Additionally, for the year ended July 2, 1999, the Semiconductor Business purchased and sold $120.7 million of foreign exchange forward contracts.

Deferred gains and losses are included on a net basis in the Consolidated Balance Sheets as other assets and are recorded in operations as part of the underlying transaction when recognized. At July 2, 1999, Intersil Holding had deferred foreign exchange contract losses on future commitments of approximately $28.6 million.

Total open foreign exchange contracts and options at July 2, 1999 and June 30, 2000, are described in the table below:

**JULY 2, 1999**

***Commitments to Buy Foreign Currencies***

| (In thousands) | Contract Amount | | Deferred | Maturities |
|---|---|---|---|---|
| Currency | Foreign Currency | U.S. | Gains | (in months) |
| Malaysian Ringgit | 80,589 | $19,000 | $2,208 | 1-2 |

***Commitments to Sell Foreign Currencies***

| (In thousands) | Contract Amount | | Deferred | Maturities |
|---|---|---|---|---|
| Currency | Foreign Currency | U.S. | Gains | (in months) |
| French Franc | 10,900 | $1,857 | $138 | 1-2 |
| British Pound | 691 | 1,094 | 2 | 1 |

**JUNE 30, 2000**

***Options to Sell Foreign Currencies***

| (In thousands) | Contract Amount | | Maturities |
|---|---|---|---|
| Currency | Foreign Currency | U.S. | (in months) |
| Euro | 3,000 | $2,883 | 5-6 |

***Commitments to Sell Foreign Currencies***

| (In thousands) | Contract Amount | | Maturities |
|---|---|---|---|
| Currency | Foreign Currency | U.S. | (in months) |
| Euro | 16,500 | $15,697 | 1-6 |
| British Pound | 2,300 | 3,572 | 1-6 |
| Japanese Yen | 1,190,000 | 11,655 | 1-7 |

## NOTE P — EMPLOYEE BENEFIT PLANS

### *Equity Compensation Plan*

On November 5, 1999, Intersil Holding adopted the 1999 Equity Compensation Plan (the "Plan") which became effective on August 13, 1999 for salaried officers and key employees. The Plan authorizes the grant of options for up to 7.5 million shares of Intersil Holding Class A Common Stock and can include (i) options intended to constitute incentive stock options under the Internal Revenue Code, (ii) non-qualified stock options, (iii) restricted stock, (iv) stock appreciation rights, and (v) phantom share awards. The exercise price of each option granted under the Plan shall be determined by a committee of the Board of Directors (the "Board"). The maximum term of any option shall be 10 years from the date of grant for incentive stock options and 10 years and one day from the date of grant for non-qualified stock options. Options granted under the Plan are exercisable at the determination of the Board, currently vesting ratably over approximately five years. Employees receiving options under the Plan may not receive in any one year period options to purchase more than 666,667 shares of common stock. During the 46 weeks ended June 30, 2000, Intersil Holding granted 1,596,793 options to acquire Intersil Holding Class A Common Stock at a price of $2.25 per share, 1,239,291 options at a price of $25.00 per share, and 118,100 options at an average price of $45.65 per share. The Company accounts for its Equity Compensation Plan in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." As such, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. During the 46 weeks ended June 30, 2000, the Company recorded no deferred compensation. Had compensation cost for the Company's stock option plan been determined consistent with SFAS Statement No. 123, the Company would have reported a net loss of $43.7 million for the 46 weeks ended June 30, 2000.

The Company estimates the fair value of each option as of the date of grant using a Black-Scholes pricing model with the following weighted average assumptions.

| | June 30, 2000 |
|---|---|
| Expected volatility | 0.5 |
| Dividend yield | — |
| Risk-free interest rate | 6.25% |
| Expected life, in years | 7 |

A summary of the status of the Company's stock option plan as of June 30, 2000, and changes during the 46 weeks then ended are presented in the table below.

| | June 30, 2000 | |
|---|---|---|
| | Shares (in thousands) | Weighted-Average Exercise Price |
| Outstanding at beginning of period | — | $ — |
| Granted | 3,177 | 15.41 |
| Exercised | (194) | 10.21 |
| Canceled | (28) | 15.20 |
| **OUTSTANDING AT END OF PERIOD** | 2,955 | $15.76 |
| **EXERCISABLE AT END OF PERIOD** | 191 | $ 2.25 |
| **WEIGHTED AVERAGE FAIR VALUE OF OPTIONS GRANTED** | | $ 5.07 |

Information with respect to stock options outstanding and stock options exercisable at June 30, 2000, is as follows:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| Exercise Price | Number Outstanding (in thousands) | Weighted-Average Remaining Contractual Life | Weighted-Average Exercise Price | Number Exercisable (in thousands) | Weighted-Average Exercise Price |
| $ 2.25 | 1,458 | 9.19 | $ 2.25 | 191 | $2.25 |
| $25.00 | 1,156 | 9.65 | $25.00 | — | — |
| $28.50 – $42.13 | 208 | 9.89 | $36.62 | — | — |
| $42.94 – $58.50 | 133 | 9.89 | $47.40 | — | — |

***Employee Stock Purchase Plan***

In February 2000, Intersil Holding adopted the Employee Stock Purchase Plan ("the ESPP") whereby eligible employees can purchase shares of Intersil Holding's common stock. Intersil has reserved 1,333,334 shares of common stock for issuance under the Plan. The ESPP permits employees to purchase common stock through payroll deductions, which may not exceed 10% of an employee's compensation, at a price not less than 85% of the market value of the stock on specified dates. In no event, may any participant purchase more than $25,000 worth of shares in any calendar year and no more than 16,667 shares may be purchased by an employee on any purchase date. Unless sooner terminated by the Board, the ESPP shall terminate upon the earliest of (1) February 28, 2010, (2) the date on which all shares available for issuance under the ESPP shall have been sold pursuant to purchase rights exercised under the ESPP, or (3) the date on which all purchase rights are exercised in connection with a Corporate Transaction (as defined in the ESPP). As of June 30, 2000, no shares have been issued under the ESPP.

## NOTE Q — ACQUISITION OF NO WIRES NEEDED B.V.

On May 29, 2000, Intersil Holding acquired 100% of the outstanding capital stock of Bilthoven, The Netherlands-based No Wires Needed B.V. ("NWN"). Consideration for the acquisition of NWN was 3.35 million shares of Intersil Holding Class A Common Stock valued at $111.3 million at the date of closing. The NWN acquisition has been accounted for by the purchase method of accounting and, accordingly, the results of operations of NWN have been included in the accompanying Consolidated Financial Statements since the acquisition date. The preliminary purchase price exceeded the fair value of the net tangible assets acquired by approximately $109.0 million. NWN had completed all in-process research and development programs prior to its acquisition. Therefore, none of the preliminary purchase price in excess of the fair value of the net tangible assets was allocated to purchase in-process research and development. The preliminary purchase price in excess of fair value of net tangible assets was allocated to goodwill, which will be amortized on a straight-line basis over seven years.

The following unaudited pro forma consolidated results of operations are presented as if the NWN acquisition occurred on August 14, 1999 (in millions, except per share data):

| | 46 Weeks Ended June 30, 2000 |
|---|---|
| Product sales | $603.2 |
| Net loss before extraordinary item | (31.7) |
| Net loss | (57.3) |
| Net loss to common shareholders | (62.7) |
| Net loss per basic and diluted share: | (0.79) |

The pro forma results of operations include adjustments to give affect to additional depreciation and amortization related to the increased value of acquired assets and identifiable intangibles. The unaudited pro forma information is not necessarily indicative of the results of operations that would have occurred had the acquisition actually been made at the beginning of the period presented or the future results of the combined operations.

## NOTE R — SALE OF INTERSIL'S KUALA LUMPUR, MALAYSIA-BASED SEMICONDUCTOR ASSEMBLY AND TEST OPERATIONS

On June 30, 2000, Intersil Holding completed the sale of its Kuala Lumpur, Malaysia-based semiconductor assembly and test operations to ChipPAC, Inc. ("ChipPAC") which, under a multi-year supply agreement, will supply integrated circuit (IC) assembly and test services to Intersil Holding. Under the terms of the transaction, ChipPAC acquired all of Intersil's Kuala Lumpur assets, including a 524,000 square foot semiconductor assembly and test facility, wireless and analog/mixed-signal capabilities, product distribution center as well as the operation's management team and approximately 2,900 employees. As consideration for the sale, Intersil received approximately $52.5 million in cash and $15.8 million in ChipPAC preferred convertible stock. Intersil Holding recognized a non-recurring charge of $24.8 million for the loss on sale in connection with the transaction.

## NOTE S — FINANCIAL INFORMATION FOR GUARANTOR AND NON-GUARANTOR SUBSIDIARIES

Intersil Holding is a holding company for Intersil. All of the operations are conducted through Intersil and its wholly-owned domestic and foreign subsidiaries. On August 13, 1999, in connection with the acquisition, Intersil issued the Notes and entered into the Senior Credit Facilities (Note H), which are fully and unconditionally guaranteed on a joint and several basis by Intersil Holding (Parent), Intersil and all of Intersil's wholly-owned current and future domestic subsidiaries (the "Guarantor Subsidiaries"). Intersil's wholly-owned foreign subsidiaries are not guarantors (the "Non-Guarantor Subsidiaries"). In management's opinion, separate financial statements of the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries are not material to investors.

The condensed consolidating financial information presented below includes the Predecessor consolidated balance sheet as of July 2, 1999 and the Predecessor consolidated statements of operations and cash flows for the fiscal years ended July 3, 1998, and July 2, 1999, and the six weeks ended August 13, 1999 for the Predecessor Guarantor and Non-Guarantor Subsidiaries. The condensed consolidated balance sheet as of June 30, 2000 and the condensed consolidated statements of income operations and cash flows for the 46 weeks ended June 30, 2000 reflect the Parent, Guarantor Subsidiaries and Non-Guarantor Subsidiaries.

## SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

*Year Ended July 3, 1998*

| | Predecessor | | | |
|---|---|---|---|---|
| (In thousands) | Guarantor Subsidiaries | Foreign Non-Guarantor Subsidiaries | Eliminating Entries | Consolidated |
| **REVENUE** | | | | |
| Product sales | $609,136 | $418,721 | $(451,021) | $576,836 |
| **COSTS AND EXPENSES** | | | | |
| Cost of product sales | 402,892 | 388,729 | (422,289) | 369,332 |
| Research and development | 74,466 | 659 | — | 75,125 |
| Selling, general and administrative | 79,547 | 18,637 | — | 98,184 |
| Harris corporate expense allocations | 10,941 | (979) | — | 9,962 |
| Goodwill amortization | 2,292 | — | — | 2,292 |
| Operating income (loss) | 38,998 | 11,675 | (28,732) | 21,941 |
| Interest net | 40,793 | (5,325) | (36,382) | (914) |
| Income (loss) before income taxes | (1,795) | 17,000 | 7,650 | 22,855 |
| Income taxes (benefit) | (887) | (1,418) | 12,249 | 9,944 |
| **NET INCOME (LOSS)** | $ (908) | $ 18,418 | $ (4,599) | $ 12,911 |

*Year Ended July 2, 1999*

| | Predecessor | | | |
|---|---|---|---|---|
| (In thousands) | Guarantor Subsidiaries | Foreign Non-Guarantor Subsidiaries | Eliminating Entries | Consolidated |
| **REVENUE** | | | | |
| Product sales | $524,142 | $480,981 | $(472,405) | $532,718 |
| **COSTS AND EXPENSES** | | | | |
| Cost of product sales | 379,282 | 337,287 | (366,793) | 349,776 |
| Research and development | 67,316 | (237) | — | 67,079 |
| Selling, general and administrative | 65,866 | 18,132 | — | 83,998 |
| Harris corporate expense allocations | 10,115 | (812) | — | 9,303 |
| Goodwill amortization | 2,414 | — | — | 2,414 |
| Operating income (loss) | (851) | 126,611 | (105,612) | 20,148 |
| Interest, net | 33,894 | (4,975) | (30,150) | (1,231) |
| Income (loss) before income taxes | (34,745) | 131,586 | (75,462) | 21,379 |
| Income taxes (benefit) | (39,176) | 10,313 | 22,836 | (6,027) |
| **NET INCOME (LOSS)** | $ 4,431 | $121,273 | $ (98,298) | $ 27,406 |

## SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

*Six Weeks Ended August 13, 1999*

| | Predecessor | | | |
|---|---|---|---|---|
| (In thousands) | Guarantor Subsidiaries | Foreign Non-Guarantor Subsidiaries | Eliminating Entries | Consolidated |
| **REVENUE** | | | | |
| Product sales | $ 39,470 | $129,546 | $(111,680) | $57,336 |
| **COSTS AND EXPENSES** | | | | |
| Cost of product sales | 37,484 | 139,292 | (137,095) | 39,681 |
| Research and development | 8,511 | (12) | — | 8,499 |
| Selling, general and administrative | 8,986 | 1,778 | 144 | 10,908 |
| Harris corporate expense allocations | 1,393 | (85) | (144) | 1,164 |
| Intangible amortization | 326 | — | — | 326 |
| Operating income (loss) | (17,230) | (11,427) | 25,415 | (3,242) |
| Interest, net | (161) | 50 | — | (111) |
| Income (loss) before income taxes | (17,069) | (11,477) | 25,415 | (3,131) |
| Income taxes (benefit) | (4,943) | (15) | 4,856 | (102) |
| **NET INCOME (LOSS)** | $(12,126) | $ (11,462) | $ 20,559 | $ (3,029) |

*46 Weeks Ended June 30, 2000*

| | Successor | | | | |
|---|---|---|---|---|---|
| (In thousands) | Parent | Guarantor Subsidiaries | Foreign Non-Guarantor Subsidiaries | Eliminating Entries | Consolidated |
| **REVENUE** | | | | | |
| Product sales | $ — | $568,091 | $527,695 | $(498,937) | $596,849 |
| **COSTS AND EXPENSES** | | | | | |
| Cost of product sales | — | 362,807 | 499,438 | (509,732) | 352,513 |
| Research and development | — | 69,341 | 115 | — | 69,456 |
| Selling, general and administrative | 123 | 75,609 | 21,495 | — | 97,227 |
| Harris corporate expense allocation | — | — | — | — | — |
| Intangible amortization | — | 9,124 | 1,562 | — | 10,686 |
| In-process research and development | — | 20,239 | — | — | 20,239 |
| Other | 300 | 878 | — | — | 1,178 |
| Operating income (loss) | (423) | 30,093 | 5,085 | 10,795 | 45,550 |
| Loss on sale of Malaysian operation | — | 24,825 | — | — | 24,825 |
| Interest, net | 7,855 | 30,404 | (91) | 36 | 38,204 |
| Equity in subsidiary (loss) | (19,960) | — | — | 19,960 | — |
| Income (loss) before income taxes and extraordinary item | 11,682 | (25,136) | 5,176 | (9,201) | (17,479) |
| Income taxes (benefit) | — | 193 | (482) | — | (289) |
| Income (loss) before extraordinary item | 11,682 | (25,329) | 5,658 | (9,201) | (17,190) |
| Extraordinary item — loss on extinguishment of debt, net of tax effect | (568) | (24,950) | — | — | (25,518) |
| Net income (loss) | 11,114 | (50,279) | 5,658 | (9,201) | (42,708) |
| Preferred dividends | 5,391 | 5,391 | — | (5,391) | 5,391 |
| **NET INCOME (LOSS) TO COMMON SHAREHOLDERS** | $ 5,723 | $ (55,670) | $ 5,658 | $ (3,810) | $ (48,099) |

## SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEETS

*July 2, 1999*

| | Predecessor | | | |
|---|---|---|---|---|
| (In thousands) | Guarantor Subsidiaries | Foreign Non-Guarantor Subsidiaries | Eliminating Entries | Consolidated |
| **ASSETS** | | | | |
| Trade receivables, net | $ 97,043 | $ 3,631 | $ — | $100,674 |
| Intercompany balances | (139,993) | 19,554 | 120,439 | — |
| Inventories | 86,986 | 86,049 | (19,213) | 153,822 |
| Other current assets | 7,782 | 946 | — | 8,728 |
| Property, plant and equipment, net | 291,645 | 118,885 | — | 410,530 |
| Intangibles, net | 45,368 | — | — | 45,368 |
| Investment in subsidiaries | 10,907 | 72,195 | (83,102) | — |
| Other non-current assets | 39,721 | 2,336 | — | 42,057 |
| TOTAL ASSETS | $439,459 | $303,596 | $ 18,124 | $761,179 |
| **LIABILITIES AND BUSINESS EQUITY** | | | | |
| Trade payables | $ 21,503 | $ 9,565 | $ — | $ 31,068 |
| Compensation and benefits | 26,120 | 6,803 | — | 32,923 |
| Other current liabilities | 42,778 | (8,254) | (7,444) | 27,080 |
| Other non-current liabilities | 11,229 | — | — | 11,229 |
| Business Equity | 337,829 | 295,482 | 25,568 | 658,879 |
| TOTAL LIABILITIES AND BUSINESS EQUITY | $ 439,459 | $303,596 | $ 18,124 | $761,179 |

*June 30, 2000*

| | Successor | | | | |
|---|---|---|---|---|---|
| (In thousands) | Parent | Guarantor Subsidiaries | Foreign Non-Guarantor Subsidiaries | Eliminating Entries | Consolidated |
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ — | $ 200,237 | $ 11,703 | $ — | $211,940 |
| Trade receivables, net | — | 104,769 | 6,926 | — | 111,695 |
| Intercompany balances | — | (3,009) | 3,009 | — | — |
| Inventories | — | 126,313 | 168 | — | 126,481 |
| Other current assets | — | 37,295 | 372 | — | 37,667 |
| Property, plant and equipment, net | — | 223,852 | 1,632 | — | 225,484 |
| Intangibles, net | — | 80,888 | 109,262 | — | 190,150 |
| Investment in subsidiaries | 719,768 | 323,526 | 1,370 | (1,044,664) | — |
| Other non-current assets | — | 28,927 | 1,594 | — | 30,521 |
| TOTAL ASSETS | $719,768 | $1,122,798 | $136,036 | $(1,044,664) | $933,938 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | |
| Trade payables | $ — | $ 32,953 | $ 4,038 | $ — | $ 36,991 |
| Compensation and benefits | — | 35,254 | 3,372 | — | 38,626 |
| Other current liabilities | — | 35,823 | 5,322 | — | 41,145 |
| Long-term debt | — | 116,188 | — | — | 116,188 |
| Other non-current liabilities | — | 21,992 | — | — | 21,992 |
| Common stock | 945 | — | — | — | 945 |
| Additional paid-in capital | 718,823 | 300 | — | — | 719,123 |
| Retained deficit | — | 880,288 | 121,668 | (1,044,664) | (42,708) |
| Accumulated other comprehensive income | — | — | 1,636 | — | 1,636 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | $719,768 | $1,122,798 | $136,036 | $(1,044,664) | $933,938 |

## SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

*Year Ended July 3, 1998*

| (In thousands) | Predecessor Guarantor Subsidiaries | Predecessor Foreign Non-Guarantor Subsidiaries | Predecessor Eliminating Entries | Predecessor Consolidated |
|---|---|---|---|---|
| **OPERATING ACTIVITIES:** | | | | |
| Net income (loss) | $ (908) | $ 18,418 | $ (4,599) | $ 12,911 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities | | | | |
| Depreciation and amortization | 51,295 | 16,036 | — | 67,331 |
| Provision for inventory obsolescence | 7,317 | — | — | 7,317 |
| Changes in working capital | (162,132) | 12,669 | 110,235 | (39,228) |
| Net cash provided by (used in) operating activities | (104,428) | 47,123 | 105,636 | 48,331 |
| **INVESTING ACTIVITIES:** | | | | |
| Property, plant and equipment | (49,762) | (40,422) | — | (90,184) |
| Net cash used in investing activities | (49,762) | (40,422) | — | (90,184) |
| **FINANCING ACTIVITIES:** | | | | |
| Proceeds from borrowings | 2,750 | — | — | 2,750 |
| Payments of borrowings | (83) | — | — | (83) |
| Net cash transfer and billings from (to) parent | 151,523 | (4,043) | (105,636) | 41,844 |
| Net cash provided by (used in) financing activities | 154,190 | (4,043) | (105,636) | 44,511 |
| Effect of exchange rates on cash | — | (2,658) | — | (2,658) |
| Net increase in cash | — | — | — | — |
| Cash at the beginning of the period | — | — | — | — |
| **CASH AT THE END OF THE PERIOD** | $ — | $ — | $ — | $ — |

*Year Ended July 2, 1999*

| (In thousands) | Predecessor Guarantor Subsidiaries | Predecessor Foreign Non-Guarantor Subsidiaries | Predecessor Eliminating Entries | Predecessor Consolidated |
|---|---|---|---|---|
| **OPERATING ACTIVITIES:** | | | | |
| Net income (loss) | $ 4,431 | $ 121,273 | $ (98,298) | $ 27,406 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities | | | | |
| Depreciation and amortization | 59,615 | 21,016 | — | 80,631 |
| Provision for inventory obsolescence | 3,894 | — | — | 3,894 |
| Changes in working capital | 144,087 | 19,084 | (163,853) | (682) |
| Net cash provided by (used in) operating activities | 212,027 | 161,373 | (262,151) | 111,249 |
| **INVESTING ACTIVITIES:** | | | | |
| Cash paid for acquired business | (1,335) | — | — | (1,335) |
| Property, plant and equipment | (21,648) | (16,915) | — | (38,563) |
| Net cash used in investing activities | (22,983) | (16,915) | — | (39,898) |
| **FINANCING ACTIVITIES:** | | | | |
| Proceeds from borrowings | 800 | — | — | 800 |
| Payments of borrowings | (302) | — | — | (302) |
| Net cash transfer and billings from (to) parent | (189,542) | (139,639) | 262,151 | (67,030) |
| Net cash provided by (used in) financing activities | (189,044) | (139,639) | 262,151 | (66,532) |
| Effect of exchange rates on cash | — | (4,819) | — | (4,819) |
| Net increase in cash | — | — | — | — |
| Cash at the beginning of the period | — | — | — | — |
| **CASH AT THE END OF THE PERIOD** | $ — | $ — | $ — | $ — |

## SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

*Six Weeks Ended August 13, 1999*

| (In thousands) | Predecessor Guarantor Subsidiaries | Foreign Non-Guarantor Subsidiaries | Eliminating Entries | Consolidated |
|---|---|---|---|---|
| **OPERATING ACTIVITIES:** | | | | |
| Net income (loss) | $ (11,462) | $ (12,126) | $ 20,559 | $(3,029) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities | | | | |
| Depreciation and amortization | 2,380 | 6,693 | — | 9,073 |
| Provision for inventory obsolescence | 1,919 | — | — | 1,919 |
| Non-current deferred income taxes | — | 4,815 | (9,571) | (4,756) |
| Changes in working capital | 208,945 | 128,451 | (337,221) | 175 |
| Net cash provided by (used in) operating activities | 201,782 | 127,833 | (326,233) | 3,382 |
| **INVESTING ACTIVITIES:** | | | | |
| Property, plant and equipment | (1,020) | (867) | — | (1,887) |
| Net cash used in investing activities | (1,020) | (867) | — | (1,887) |
| **FINANCING ACTIVITIES:** | | | | |
| Payments of borrowings | — | 4,535 | (4,567) | (32) |
| Net cash transfer and billings from (to) parent | (200,497) | (131,501) | 330,800 | (1,198) |
| Net cash provided by (used in) financing activities | (200,497) | (126,966) | 326,233 | (1,230) |
| Effect of exchange rates on cash | 1,177 | — | — | 1,177 |
| Net increase in cash | 1,442 | — | — | 1,442 |
| Cash at the beginning of the period | — | — | — | — |
| **CASH AT THE END OF THE PERIOD** | $ 1,442 | $ — | $ — | $ 1,442 |

*46 Weeks Ended June 30, 2000*

| (In thousands) | Successor Parent | Guarantor Subsidiaries | Foreign Non-Guarantor Subsidiaries | Eliminating Entries | Consolidated |
|---|---|---|---|---|---|
| **OPERATING ACTIVITIES:** | | | | | |
| Net income (loss) | $ 11,114 | $ (50,279) | $ 5,658 | $(9,201) | $ (42,708) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities | | | | | |
| Depreciation and amortization | — | 52,500 | 8,788 | — | 61,288 |
| Provision for inventory obsolescence | — | 23,906 | — | — | 23,906 |
| Write-off of in-process research and development | — | 20,239 | — | — | 20,239 |
| Write-off of unearned compensation | 878 | — | — | — | 878 |
| Loss on sale of Malaysian operations | — | — | 24,825 | — | 24,825 |
| Non-current deferred income taxes | — | (4,680) | — | — | (4,680) |
| Changes in working capital | (527,091) | 622,854 | (77,573) | 9,201 | 27,391 |
| Net cash provided by (used in) operating activities | (515,099) | 664,540 | (38,302) | — | 111,139 |
| **INVESTING ACTIVITIES:** | | | | | |
| Sale of Malaysian operation | — | — | 52,500 | — | 52,500 |
| Property, plant and equipment | — | (35,031) | (3,782) | — | (38,813) |
| Net cash provided by (used in) investing activities | — | (35,031) | 48,718 | — | 13,687 |
| **FINANCING ACTIVITIES:** | | | | | |
| Proceeds from offering | 513,114 | — | — | — | 513,114 |
| Proceeds from exercise of stock options | 1,985 | — | — | — | 1,985 |
| Payments of borrowings | — | (435,204) | — | — | (435,204) |
| Net cash provided by (used in) financing activities | 515,099 | (435,204) | — | — | 79,895 |
| Effect of exchange rates on cash and cash equivalents | — | — | (158) | — | (158) |
| Net increase in cash and cash equivalents | — | 194,305 | 10,258 | — | 204,563 |
| Cash at the beginning of the period | — | 5,932 | 1,445 | — | 7,377 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | $ — | $ 200,237 | $ 11,703 | $ — | $ 211,940 |

## NOTE T — QUARTERLY FINANCIAL DATA (UNAUDITED)

| | Quarters Ended | | | |
|---|---|---|---|---|
| (In millions, except per share data) | October 1, 1999 | December 31, 1999 | March 31, 2000 | June 30, 2000 |
| Net sales | $134.0 | $158.1 | $170.9 | $191.2 |
| Gross margin | 48.3 | 61.7 | 69.4 | 82.6 |
| Income (loss) before extraordinary item | (23.1) | (1.7) | 2.8 | 1.8 |
| Extraordinary item | — | — | (25.5) | — |
| **NET INCOME (LOSS)** | $ (23.1) | $ (1.7) | $ (22.7) | $ 1.8 |
| Net income (loss) to common shareholders | $ (24.5) | $ (4.2) | $ (24.2) | $ 1.8 |
| Per Share (Basic): | | | | |
| Income (loss) before extraordinary item | $ (0.37) | $ (0.06) | $ 0.02 | $ 0.02 |
| Extraordinary item | — | — | (0.34) | — |
| **NET INCOME (LOSS)** | $ (0.37) | $ (0.06) | $ (0.32) | $ 0.02 |
| Per Share (Diluted): | | | | |
| Income (loss) before extraordinary item | $ (0.37) | $ (0.06) | $ 0.02 | $ 0.02 |
| Extraordinary item | — | — | (0.34) | — |
| **NET INCOME (LOSS)** | $ (0.37) | $ (0.06) | $ (0.32) | $ 0.02 |

### *Forward Looking Information*

Certain statements in this Annual Report, other than statements of historical fact, are forward-looking information that involves various risks and uncertainties. These can include, without limitation, statements based on current expectations involving a number of risks and uncertainties related to all aspects of the wireless data communications industry. These risks and uncertainties include, but are not restricted to, continued increased demand for the Company's products, the Company's ability to maintain its technological leadership in the field of high speed data communications, the Company's ability to attract and maintain key employees, the enforceability of the Company's patents, and the availability of key components.

These uncertainties may cause actual results to differ from information contained herein. There can be no assurance that such statements will prove to be accurate. Actual results and future events could differ materially from those anticipated in such statements. These and all subsequent written and oral forward-looking statements are based on the estimates and opinions of management on the dates they are made and expressly qualified in their entirety by this notice. The Company assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change.

# Independent Certified Public Accountants' Report

**THE BOARD OF DIRECTORS**
**INTERSIL HOLDING CORPORATION**

We have audited the accompanying consolidated balance sheet of Harris Semiconductor Business (Semiconductor Business) (Predecessor), which was wholly owned by Harris Corporation, as of July 2, 1999 and the related statement of operations, comprehensive income and cash flows for each of the two fiscal years in the period ended July 2, 1999 and the six weeks ended August 13, 1999, respectively. We have also audited the accompanying consolidated balance sheet of Intersil Holding Corporation (Successor) as of June 30, 2000 and the related statements of operations, comprehensive income, shareholders' equity, and cash flows for the 46 weeks ended June 30, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements are free of material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying Predecessor consolidated financial statements were prepared on the basis of presentation as described in Note A. The results of operations are not necessarily indicative of the results of operations that would be recorded by Semiconductor Business on a stand-alone basis.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Intersil Holding Corporation as the Successor and Predecessor companies at June 30, 2000 and July 2, 1999 and the consolidated results of their operations and their cash flows for each of the two years in the period ended July 2, 1999 and for the six weeks and 46 weeks ended August 13, 1999 and June 30, 2000, respectively, on the basis described in Note A, in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

Ernst & Young LLP
Jacksonville, Florida
July 21, 2000

# CORPORATE INFORMATION

## Board of Directors

**Gregory Williams**
President & Chief Executive Officer of Intersil

**James Urry**
Director
Mr. Urry is a Vice President of Citicorp Venture Capital Ltd.

**Gary Gist**
Director
Mr. Gist is the President and Chief Executive Officer of Palomar Technological Companies.

**Robert Conn, PhD**
Director
Mr. Conn is the dean of the Jacobs School of Engineering at the University of California, San Diego.

**Jan Peeters**
Director
Mr. Peeters is chairman, president and CEO of Olameter, Inc.

**Robert Pokelwaldt**
Director
Mr. Pokelwaldt is the retired chairman and CEO of YORK International Corporation.

## Intersil Officers and Key Contacts

**Lawrence Ciaccia**
Vice President, General Manager, PRISM® Wireless

**Julie Forbes**
Vice President, Human Resources

**Rick Furtney**
Vice President, General Manager, Power Management IC Business

**Daniel Heneghan**
Vice President, Chief Financial Officer

**Karl McCalley**
Vice President, Information Technology

**Stephen Moran**
Vice President, General Counsel and Secretary

**Russell Morcom**
Vice President, General Manager, Discrete Power Business

**Larry Sims**
Vice President, Worldwide Sales and Marketing

**Meghan Dalton**
Corporate Controller

**David Zinsner**
Corporate Treasurer

**Investor Relations**
You can contact Intersil's Investor's Relations department anytime in order to ask any investment related questions or to receive additional copies of this report, our annual report on form 10-K or other financial information free of charge. Call us at 1-949-341-7062. In addition, you can write to us at:
Investor Relations
Intersil Corporation
7585 Irvine Center Drive
Irvine, California 92618
or send an e-mail to:
investor@intersil.com

**Independent Auditors**
Ernst & Young LLP

**Shareholder Information**
Our transfer agent can assist you in affecting a change of address or replacing lost stock certificates as well as a variety of other services:
Equiserve Trust Company, NA
150 Royall Street
Canton, MA 02021
Phone: 1-781-575-3400
Email: shareholder@equiserve.com

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