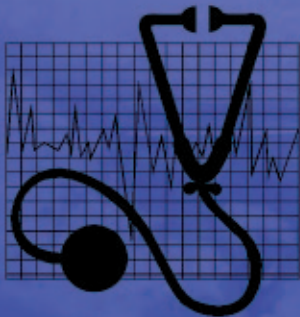


1995 Annual Report



Microsemi

Progress Powered by Technology



Corporate Profile

Microsemi Corporation is a multinational supplier of high reliability power semiconductors, surface mount and custom diode assemblies for the electronics, computer, telecommunications, defense/aerospace and medical markets. The company's semiconductor products include diodes, transistors and silicon controlled rectifiers (SCR's) which can be used in virtually all electrical and electronic circuits. Typical functions include solid state switching, signal processing, voltage and power regulation, circuit protection and absorption of electrical surges and transient voltage spikes. Technologies for these devices range from the very mature mesa rectifier diodes still used in all power supply applications to the newly designed micro-miniature transient absorbers which are mounted within the cables used to connect computer and telecommunications equipment.

The semiconductor products are used in all segments of the market for electrical and electronic components with particular emphasis on technologically superior high reliability devices. Microsemi parts are found in commercial and military aircraft, human implantable medical devices, cellular phones, missile systems such as Trident and Patriot and all U.S. and European launch vehicles and spacecraft. Commercial and industrial applications include locomotives, electric welders, computers, automobiles, telecommunication systems, outboard motors, toys, etc. - virtually any place electricity is used.

The Company maintains engineering and manufacturing facilities in California, Arizona, Colorado, and Massachusetts, with additional manufacturing support capacity in California, North Carolina, Texas, Ireland, Hong Kong and Bombay, India.

Financial Highlights

	Fiscal Year 1995	Fiscal Year 1994	Percent Change
Net Sales	\$ 133,881,000	\$ 119,230,000	12%
Operating Income	\$ 15,516,000	\$ 1,859,000	735%
Provision (Benefit) for Income Taxes	\$ 4,207,000	\$ (1,387,000)	
Net Earnings (Loss)	\$ 6,053,000	\$ (2,130,000)	
Primary Common and Common Equivalent Shares Outstanding	8,213,000	7,573,000	
Fully Diluted Common and Common Equivalent Shares Outstanding	11,861,000	7,573,000	
Primary Earnings (Loss) Per Share	\$0.74	\$(0.28)	
Fully Diluted Earnings (Loss) Per Share	\$0.62	\$(0.28)	
Backlog of Unfilled Orders	\$ 62,700,000	\$ 47,600,000	32%
Working Capital	\$ 45,714,000	\$ 35,128,000	30%
Current Ratio	2.4	2.1	14%
Long-term Debt to Equity	2.3	3.4	-32%
Stockholders' Equity	\$ 21,110,000	\$ 14,788,000	43%
Equity Per Share	2.71	1.95	39%

Market Prices of Common Stock

The following table shows the closing price range for the Company's Common Stock for the quarterly periods indicated as reported by NASDAQ.

	High	Low		High	Low
Fiscal 1995:			Fiscal 1994:		
First Quarter	5 ^{3/8}	4 ^{1/8}	First Quarter	6 ^{3/8}	3 ^{7/8}
Second Quarter	5 ^{5/8}	4 ^{5/8}	Second Quarter	5	4
Third Quarter	9 ^{1/8}	5 ^{1/8}	Third Quarter	6 ^{1/16}	4 ^{1/8}
Fourth Quarter	14	9 ^{1/8}	Fourth Quarter	6	4 ^{1/8}



On the Cover

The cover represents the various market segments where Microsemi products are used. Reading clockwise (from the top left) the markets served include: Industrial/Commercial, Commercial Space, Military/Aerospace, Transportation, Telecommunications and Medical.

The color coded chart (below) outlines the approximate distribution of Microsemi products in these market segments.



Letter to Stockholders

1995 results were excellent - we beat our own aggressive sales plan by over 10%. In 1995 we demonstrated our successful transition from concentration in the Military business to the broader markets we've been pursuing in recent years. Revenues for the 1995 fiscal year were \$133,881,000, an increase of 12% from the \$119,230,000 for the year earlier. Net earnings for the year were \$6,053,000, or \$.74 per share, compared with the net loss of \$2,130,000, or \$.28 per share, in the 1994 fiscal year. The fiscal 1994 net loss included a writedown related to military inventory and certain other assets of \$9,973,000 or \$6,040,000 after taxes. Excluding the writedown, net earnings in the prior year would have been \$3,910,000, or \$.52 per share. With less than 40% of our business in the low-growth military sector, the real expansion of our other business is in excess of 20%.

As an outcome of the end of the cold war and changes in Washington politics (specifically de-emphasis of mil spec parts), over the past several years, we developed strategies and plans to expand our business in high growth and emerging

Non-military business of near \$25 million in 1990 has grown 26% a year to \$80 million in 1995

markets in telecommunications, medical, commercial space and other industrial-commercial applications. Our expertise in high reliability high performance military-space products has been the key to gaining entry and growth in these areas where customer applications required the higher levels of reliability and performance for which we are known.

Further evidence of the success of this transition is the 32% increase in our year end backlog which increased from \$47,600,000 to \$62,700,000 this year. At the start of the 90's, military business represented 65% to 70% of our \$65 million in semiconductor sales. Since then

semiconductor sales have just about doubled. In 1995 military sales were less than 40% of our reported \$125 million of semiconductor revenues. This means that non-military business of near \$25 million in 1990 has grown to about \$80 million in 1995; a compounded annual growth rate of 26%.

Microsemi has enjoyed an excellent business in high performance commercial products, however it was always overshadowed by our dominance and strength in the military/aerospace field. Starting in 1992-1993 we expanded our efforts and strengthened our drive into a number of new non-military markets. Additionally, the Unitrode acquisition in 1992 brought about a significant increase in foreign sales, especially in the European and Asian theaters. Much of this increase is commercial business new to Microsemi.

While some may think the non-government business segment is less demanding in quality and reliability than the Military market, this is far from true. In many ways the commercial market is less forgiving, especially in the area of "on time" delivery and product reliability. At Microsemi we have a long history of providing a broad array of high volume and high reliability products. With this background we're in the best position to make a major move into new high growth market areas.

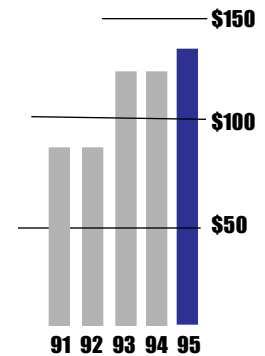
To further expand revenues, we have developed a comprehensive strategy to expand product offerings and attract new customers in each of our major markets.

The following pages detail the breakdown of our revenues and highlight certain selected products from each group that have contributed to our growth.

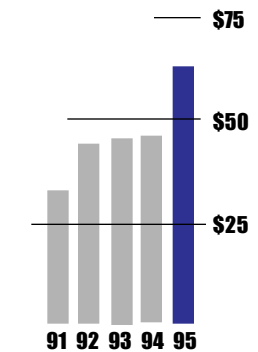
As we look forward to the opportunities and challenges of 1996, we extend thanks to our shareholders, customers, suppliers and employees for their contributions and support in 1995.



Philip Frey, Jr.
Chairman, CEO and President



Annual Sales



Order Backlog

Microsemi
Progress Powered by Technology

Market Diversity

Microsemi Corporation's semiconductor products are used in all segments of the market for electrical and electronic components with particular emphasis on technologically superior high reliability devices. Microsemi parts are found in commercial and military aircraft, human implantable medical devices, cellular phones, missile systems, launch vehicles and spacecraft. Commercial and industrial applications include locomotives, electric welders, computers, automobiles, telecommunication systems, outboard motors, toys, etc. - virtually any place electricity is used. The following highlights certain selected products from each of our market sectors that have contributed to our growth.

Industrial/Commercial

Microsemi products either block signals, protect circuitry, amplify, multiply or switch electrical signals.

Microsemi's extensive line of rectifier products primarily convert alternating current from the power lines to direct current used to power electronic systems. The most common industrial/commercial application for these products is in power supplies. Applications for these products range from high power computer systems to power supplies used in electrical motor control circuits.

Another function our products provide is protection against electro static discharge (ESD). Static electricity, produced when two dissimilar materials are rubbed together, like soles of your shoes and the floor, can generate voltage peaks as high as 12,000 volts. Our line of products, called Transient Voltage Suppressors, are designed to protect intricate electrical circuitry by suppressing these spikes. These products are used extensively in computer power supplies and peripherals wherein they protect low voltage (3.3-5 Volt) signal lines, MOS Integrated Circuits, and MOS power devices. Microsemi Scottsdale has experienced growth by developing surface mount versions of these products which are used in laptop computers, cellular phones, and computer peripherals. Both Santa Ana and Scottsdale have developed higher power versions of these products which serve in lightning protection circuits used in data/phone transmission lines and ground based radar systems.

Microsemi products that amplify or multiply electrical signals are used in circuits which require a step-up in power or voltage. These applications have ranged from an electric guitar amplifier to satellite data transmission systems.

The largest potential for Microsemi products is in switching circuits where our products cover the gamut from low voltage, high efficiency to extremely high voltage, fast switching. The fastest processors, the highest resolution monitors and the new generation of electronic lighting ballasts

require these high performance products.



Each Microsemi Division has effectively made the transition to serving this predominant market. For example, Microsemi Santa Ana has developed a line of high voltage commercial Rectifiers that are used in high resolution monitors; Microsemi's Chatsworth division has effectively positioned itself to serve the lower cost industrial/commercial market using offshore manufacturing; Microsemi Watertown has developed new lines of medium power commercial Schottkys (used in low voltage power supplies); Microsemi Colorado has experienced strong growth in high power Schottky Modules (used in high power/rugged applications); and Microsemi Scottsdale has developed several new products for the next generation of highly efficient computer peripherals.

At Microsemi we have a long history of providing a broad array of high volume and high reliability products. This heritage places us in a position to make the major move into new industrial/commercial applications.



Telecommunications

Microsemi has entered the telecommunications market without taking a back seat to its competitors. The Company's tradition of identifying voids in the marketplace and developing products to support those needs has witnessed the introduction of an innovative new packaging technology. Microsemi Watertown has introduced the PowerMite® package, a unique new patented surface mount package with greatly improved thermal ratings and current surge capabilities at 50% of the size of packages



currently available. PowerMite® can be used to house rectifiers, Schottkys, transient voltage suppressors, zeners and PIN microwave diodes. The PowerMite® accommodates new surface mount designs that require more power density in smaller circuit board areas, and maximizes performance capabilities to deal with high current surges and high frequency losses. The PowerMite® has found its way into Cellular Phones and their battery chargers as well as having potential for notebook computers and PCMCIA cards.

Microsemi believes that with proper distribution and the completion of second source agreements that the PowerMite® could well become the industry standard high performance surface mount power semiconductor package design. This further evidences that we have become a leader in new product development in our industry segment.

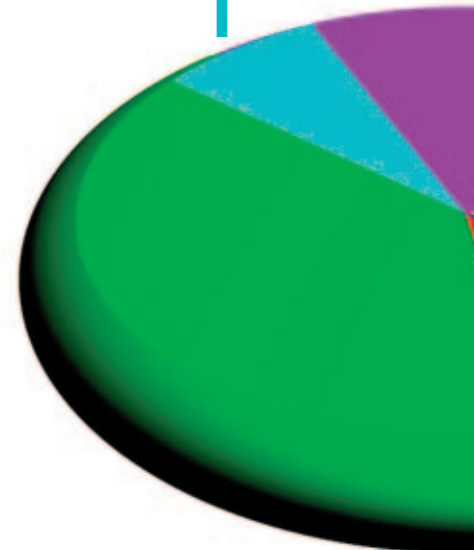


Transportation



Microsemi's products have found their way into the rapidly advancing Electric Vehicle market.

Historically a research and development field, the Electric Vehicle market is now an emerging market for our power module products. Microsemi Colorado's broad line of low cost power modules are used extensively in electric vehicle designs. Our success can be attributed to identifying market needs and developing products to meet specific applications.



Military/Aerospace

Microsemi's current success in the commercial arena is the result of our experience in the Military/Aerospace market. The Company has always been a leader in this constantly changing market. Microsemi's success in the "downsized" Military marketplace can be attributed to three areas:

As the industry has moved toward reducing product costs, Microsemi has played a pivotal role in adopting "best commercial practices". We have worked with our customers to identify and eliminate areas that increase product costs but add no value to the product. Microsemi has effectively adopted these changes to reduce prices without sacrificing the reliability and quality of products.



Microsemi has also increased its market share in the Military/Aerospace market by converting entire product lines to newer surface mount technologies. We anticipate that by the end of the century all new designs will utilize surface mount technology, some of which will have been developed by Microsemi's "hands-on" engineering staff.

Microsemi prides itself on being at the forefront of emerging technologies yet maintains one simple principle—do not prematurely obsolete product lines. Military/Aerospace systems can have life spans of up to 30 years, and in some cases longer, as governments try to minimize costs by upgrading older systems to increase their life cycles. Microsemi's support of these "sunset technologies" has often opened the door to new product development opportunities.



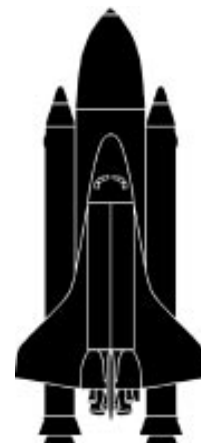
Commercial Space

The Commercial Space industry has often been confused with the Military-Aerospace market. The Commercial Space market is the largest emerging market for Microsemi Santa Ana, whose product development thrusts have concentrated on developing state-of-the-art application specific products.

From solar panels on a satellite and the motors that control their movement, to the systems that distribute and change electrical power, Microsemi has developed products that meet and often times exceed customer requirements. Microsemi's products are the backbone of satellites that provide the commercial market with cellular phone service, satellite television and navigation systems and weather mapping radar systems.

Microsemi's long standing success in this unique and expanding market is a result of obtaining and holding prestigious JANS (Space level qualified) facility and product certifications for over 10 years.

Microsemi has positioned itself to dominate this market by developing a strategy to build products that range from ultra thin die for solar panel protection to large, complicated sub-system power modules which integrate multiple product types from all Microsemi Divisions into one functional module. These technological advancements being developed make Microsemi the premier power product supplier to the commercial space market.



Medical

Prior to our recent transition to the commercial market, the medical market was our largest non-military market segment. This is an example of a market that itself grew out of and side by side with the military market. The medical market, in some cases, imposes more stringent requirements than the space market. Microsemi has identified the key circuits wherein our products are utilized and has expanded our medical market share by identifying the manufacturers of these products. Microsemi now serves companies worldwide that manufacture pacemakers, defibrillators and other implantable devices. Over the years Microsemi's Santa Ana and Scottsdale Divisions have worked with these

companies as they transitioned from utilizing larger packaged devices to stand alone die products. As is the case in most electronic systems, the goal is to make end products that are smaller, more efficient and less expensive. Several of these manufacturers have changed product designs to hybrid packages wherein the quality of Microsemi's die products are extremely critical. This transition to unpackaged devices has been possible due to the team working environment that Microsemi establishes with the manufacturer. Microsemi goes a step beyond simply supplying a product by immersing itself in its customer's applications to ensure that the products will meet and exceed the circuit requirements.



Microsemi is the leader in supplying products to this demanding market.

Marketing Strategies

We have set 1996 as the benchmark for establishing Microsemi as a household name to our customers. With a multi-faceted marketing plan, our intent is to expand the industry wide awareness of the entire corporation by giving unity to the several divisions. We will present ourselves as one company serving multiple markets. Three key areas of our marketing plan are: Promotion, Key Accounts, and Market Penetration.

In the area of promotion, we have embraced technology and developed new means of communicating product and company information. Use of the Internet and creation of our World Wide Web page is designed to meet anticipated customer demands to communicate via the rapidly growing Internet. In 1996 Microsemi will introduce a quarterly technical newsletter called MicroCurrents. Distributed free to existing and potential customers, MicroCurrents offers insight into product developments, industry trends, technical application assistance, and new product announcements. This quarterly publication is an example of several promotion projects being designed and developed "in-house" at lower cost while substantially increasing corporate and product promotions.

Microsemi has identified key accounts as the greatest area for long term stable growth. Each Microsemi division has appointed account champions to serve the needs of these major accounts. Microsemi is working side by side with these important customers to develop new technologies which require our products in their latest designs.

In a similar fashion to entering and dominating the Military and Commercial Space business with over 50% market share, we entered the medical market with a specialized product for heart pacers. Microsemi then pursued all heart pacer manufacturers and began to substantially increase its medical market share. The next market that Microsemi has targeted to use this comparative sell technique is the growing power supply industry.

Microsemi's marketing thrust will expand opportunities with existing customers and act as a catalyst for entering into new markets.

Looking Ahead

Microsemi Corporation has the right doors opening to facilitate expansion and growth in several key areas.

Our line of PowerMite® packaged products should serve as an important growth area in the upcoming year. We believe there will be demand for the PowerMite as a major product innovation. Our recent successes with the PowerMite technology is evidence of the potential of the product.

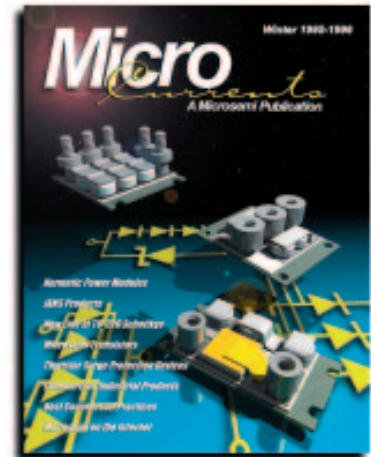
The establishment of production capabilities in our China joint venture will provide a gateway into the automotive and other price sensitive markets. Our plan to develop Glass Passivated Wafers in China should be welcomed by manufacturers who are eager to find new reliable sources of low cost power devices. Low cost production and quick delivery coupled with our experience and heritage for developing high quality products should prove to be successful for this venture.

Microsemi anticipates that 1996 will bring continued high growth to our Transient Voltage Suppressor products in a variety of rapidly expanding markets, including automotive, computer, telecommunications, and implanted medical devices. Microsemi's new business development team is exploring many new opportunities for these unique products. For example, Microsemi is developing a device for protection across signal lines on computers using the new Universal Serial Bus Version 1.0 communication protocol, the new standard for fast data rate communications. Another example is the development of a line of Thyristor surge protection devices, which like the PowerMite®, is a product designed to serve new emerging markets.

Our new Power Module Group will take our existing discrete products to the sub-system level. The goal in this market is to increase our market share by offering a line of standard and custom sub-system modules. These modules are designed to meet a customer's unique circuit requirements for less cost than it would cost to incorporate the same circuit at the board level.



Microsemi's World Wide Web Page
<http://www.microsemi.com>



Microsemi's MicroCurrents
Quarterly Technical Newsletter



From left: Microsemi Director Robert B. Phinizy, Barbara Phinizy, and CEO/President Philip Frey, Jr. are given an aerial tour of Hong Kong by Arthur Ting, Principal Consultant of the Hong Kong Government Industry Department, on a recent visit to explore joint project opportunities with the new Hong Kong University of Science and Technology.



From left: Microsemi CEO/President Philip Frey, discusses Microsemi's joint venture with Mr. Jiang Yi Ren, Vice Mayor of Shanghai and Mr. Xia Yu Zhuo, President of Shanghai Mechanical and Electrical Holding Company.

Directors and Corporate Officers

Philip Frey, Jr.	Chairman of the Board, President and Chief Executive Officer
Martin H. Jurick	Director
Jiri Sandera	Director and Vice President, Engineering
Joseph M. Scheer	Director, Private Investor; Consultant
Brad Davidson	Director, President of Partnership Valuations, Inc.
Robert B. Phinizy	Director, Private Investor; Consultant
David R. Sonksen	Vice President Finance, Chief Financial Officer, Treasurer and Secretary
Andy T. S. Yuen	Vice President International Operations
James M. Thomas	Vice President Human Resources

Independent Accountants

Price Waterhouse LLP
Costa Mesa, California

General Counsel

Stradling, Yocca, Carlson & Rauth
Newport Beach, California

Registrar and Transfer Agent

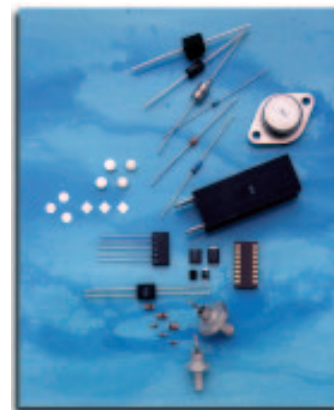
First Interstate Bank
707 Wilshire Blvd.
Dept: W11-2
Los Angeles, California 90017

Subsidiaries

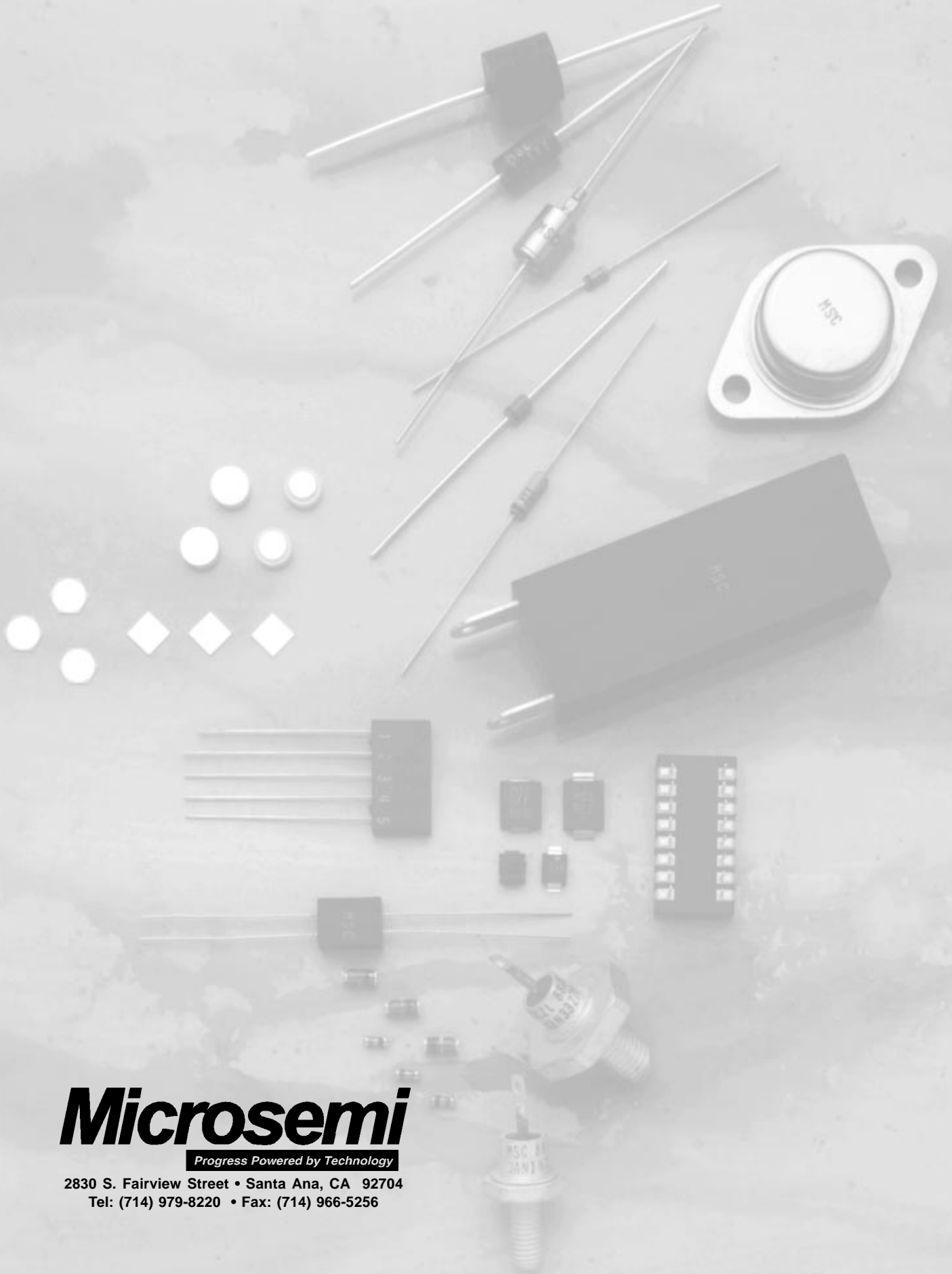
Microsemi (H.K.) Ltd. Hong Kong	Microsemi Corp. - Colorado Broomfield, Colorado
Microsemi Corp. Scottsdale Scottsdale, Arizona	General Microcircuits, Inc. Mooresville, North Carolina
Semcon Electronics Pvt., Ltd Bombay, India	RPM/Micro Escondido, California
Micro USPD Inc. Watertown, Massachusetts	Micro Bermuda Ennis, Ireland
Sertech Laboratories, Inc./SSI Watertown, Massachusetts	

Annual Meeting

The annual shareholders' meeting will be held at the Corporate Headquarters, 2830 South Fairview Street, Santa Ana, California, on Tuesday, February 27, 1996 at 10:00 a.m.



Microsemi's semiconductor products include diodes, transistors and silicon controlled rectifiers (SCR's) which can be used in virtually all electrical and electronic circuits.



Microsemi

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