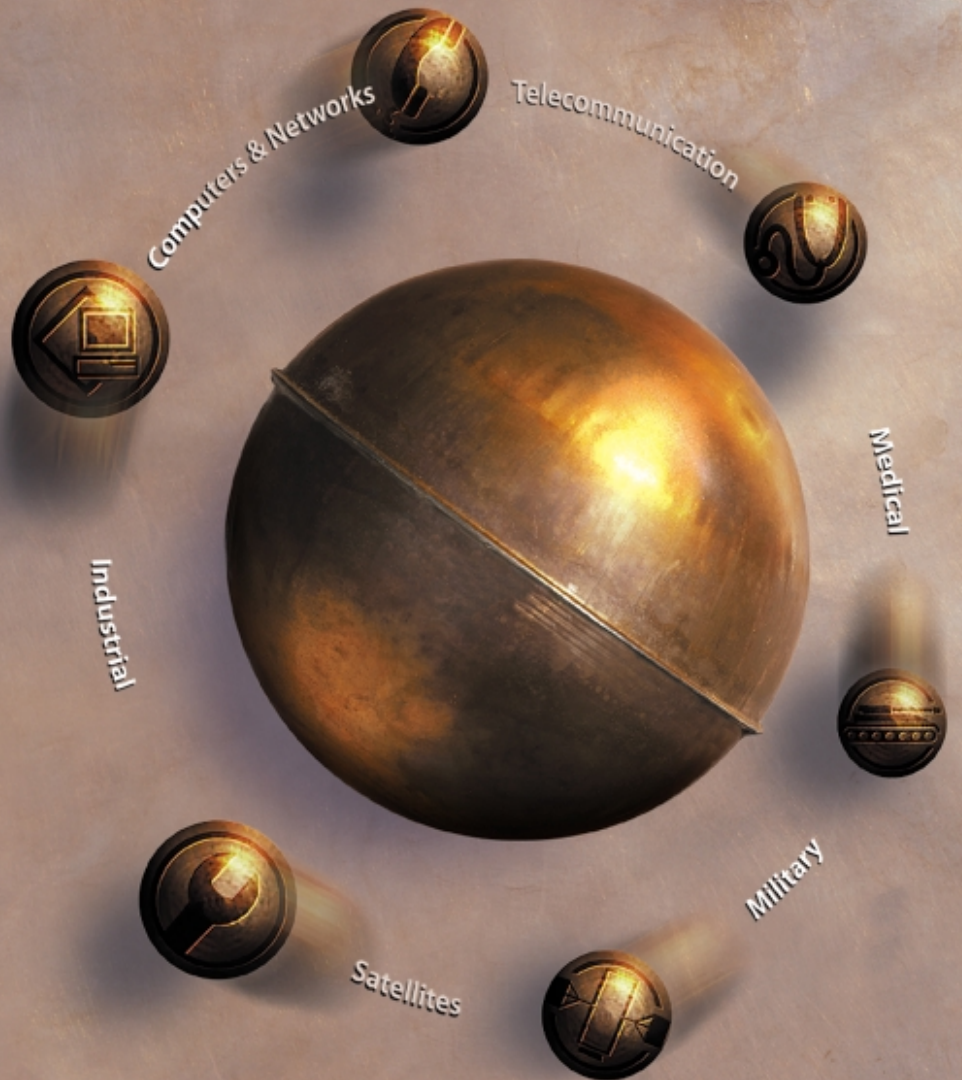


1997 Annual Report



Diverse Stability...

Microsemi



PRESIDENT'S LETTER

Microsemi continues to forge ahead into more dynamic high growth markets. We sustained our successful track record of growing the company in both revenues and earnings for the third year in a row. Revenues for fiscal 1997 increased four percent to \$163.2 million, compared with \$157.4 million reported in fiscal 1996. Net income for fiscal 1997 was \$11.1 million compared with \$8.1 million reported in fiscal 1996, a 36 percent increase. Fully diluted earnings per share for fiscal 1997 increased to \$1.03 from \$0.80 per share in 1996.

The revenues reflected strong growth in a market sector we label "Communication and Information Systems". The wireless world is making heavy forays into areas where we believe Microsemi can achieve substantial growth. From portable products to the wired and satellite infrastructures that support the global market for communication applications, Microsemi has developed products and application expertise that has moved us into the top five U.S. based commercial discrete semiconductor companies.

Microsemi's newfound success in Communication and Information Systems is an outgrowth of our role as the world's largest military/aerospace discrete semiconductor manufacturer. This profitable and demanding business has launched us to become a major source for high performance products for applications in wireless communication devices, wired infrastructure, and satellite communication systems.

Our diversity in both the markets we serve and applications we pursue has allowed Microsemi to build a stable and solid, profitable business. But that is not enough for me, and it's not enough for you, our shareholders.

The following pages outline our aggressive vision for growth in the thrust markets and products which have significantly contributed to, and which we expect will continue to sustain growth.

As we look forward to the global opportunities and challenges of the new fiscal year, we extend our thanks to our shareholders, customers, suppliers, and employees for their contributions and support in fiscal 1997.

Forging Ahead



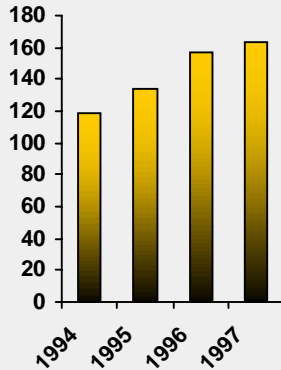
Philip Frey, Jr.
Chairman, CEO and President

FINANCIAL HIGHLIGHTS

1997 Overview

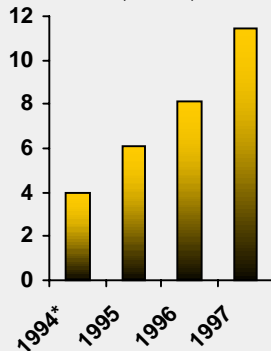
Revenues

(\$ Millions)



Net Income

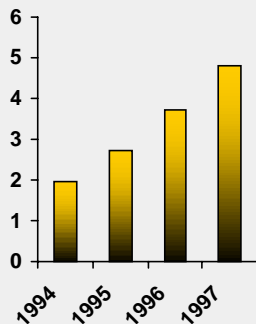
(\$ Millions)



*Before writedown of military related assets.

Equity Per Share

(\$)



Financial Highlights	Fiscal Year 1997	Fiscal Year 1996	Percent Change
Net Sales	\$163,234,000	\$157,435,000	4%
Operating Income	\$22,519,000	\$18,951,000	19%
Provision for Income Taxes	\$7,455,000	\$5,866,000	27%
Net Income	\$11,051,000	\$8,100,000	36%
Primary Common and Common Equivalent Shares Outstanding	8,935,000	8,288,000	
Fully Diluted Common and Common Equivalent Shares Outstanding	11,970,000	11,805,000	
Primary Earnings Per share	\$1.24	\$0.98	27%
Fully Diluted Earnings Per share	\$1.03	\$0.80	29%
Backlog of Unfilled Orders	\$77,100,000	\$68,000,000	13%
Working Capital	\$55,813,000	\$49,556,000	13%
Current Ratio	2.4	2.5	
Long-term Debt to Equity	1.1	1.6	-28%
Stockholders' Equity	\$41,909,000	\$29,408,000	43%
Equity per Share	4.80	3.72	32%

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.

Fiscal 1997:	High	Low	Fiscal 1996:	High	Low
First Quarter	14 ¹ / ₈	9 ⁵ / ₈	First Quarter	11 ³ / ₄	8 ⁵ / ₈
Second Quarter	15 ¹ / ₂	11 ¹ / ₄	Second Quarter	10 ¹ / ₂	7 ¹ / ₂
Third Quarter	14	11 ¹¹ / ₁₆	Third Quarter	10 ¹¹ / ₁₆	8 ³ / ₈
Fourth Quarter	17 ¹ / ₂	12 ⁵ / ₈	Fourth Quarter	11	8 ¹ / ₄

Strength in Diversity

Microsemi Corporation is a global supplier of high reliability power semiconductors, surface mount devices, and custom assemblies for commercial satellites, telecommunications, computer/peripheral, military/aerospace, industrial/commercial, and medical.

Our products—a broad array of diodes, transistors, and silicon controlled rectifiers—range from mature mesa rectifier diodes, still used in all power supply applications, to newly designed micro-miniature transient absorbers used to protect components from electrical surges. They have countless and diverse applications and are found in virtually all electrical and electronic circuits. They appear in such familiar objects as cellular phones and other portable communication devices, computers and computer telephony, electric vehicles, locomotives, automobiles, welders, household appliances, and electronic instrumentation. Functions include solid state switching, signal processing, voltage and power regulation, and circuit protection.

We remain the number one supplier of high reliability discrete semiconductor devices to the military/aerospace and medical markets. Our high reliability components—on which we have built our reputation as a leader in the design, manufacture, and testing of discrete semiconductors—are found as well in non-military aircraft and commercial satellites and implanted medical devices such as heart pacers and defibrillators.

All told, we have the largest diode product offering of any discrete manufacturer, and we provide the strongest support of any discrete supplier for mature product technologies. With manufacturing and engineering facilities in California, Arizona, Colorado, Florida, Pennsylvania, and Massachusetts, in addition to manufacturing capacity overseas, we are well positioned to achieve a fourth consecutive year of growth.



David R. Sonksen
Vice President Finance, Chief Financial Officer

Commercial Satellites

Microsemi is capitalizing on its strong presence in the military space market by successfully addressing the demanding needs of the commercial space sector as this market has accelerated in recent years.

Microsemi products have been used in virtually every TV, Weather, Cellular Phone Service, and Research Satellite or Surveyor ever launched and are expected to be used on the upcoming Internet in the sky satellites. Our products are utilized in each segment of the satellite communication transmission: Solar Panels, Batteries, Power Distribution, and Payload.

With the acquisition of PPC Products of Riviera Beach, Florida in September 1997, Microsemi increased its market presence in the space transistor marketplace. PPC has been a recognized leader in supplying

space qualified power transistors for the amplifier and switching power sections of satellites. Microsemi's Application Specific Power Module group rounds out our space product offerings by providing custom system solutions that provide weight, thermal adaptability, and overall cost savings to

satellite manufacturers. Microsemi is prepared to meet the needs of this demanding market segment

which is growing at a rate several times faster than the remainder of the discrete semiconductor market.



products that make it happen...

Military/Aerospace

Microsemi is the World's largest Military/Aerospace discrete manufacturer. This thrust market has been the cornerstone of Microsemi's success. We continue to dominate this market through product enhancements and acquisitions. Our business in this market continues to grow as other manufacturers exit the market place.

Microsemi alone secured what we believe was over 50% of the discrete semiconductors contracted for over the next two years by the largest military systems manufacturer in the U.S.



Medical

Microsemi is the number one supplier of discrete semiconductors for implantable medical applications. Our position as the leading quality manufacturer of high reliability devices has enabled us to be the industry leader in supplying discrete semiconductors for this ultra critical and growing market.

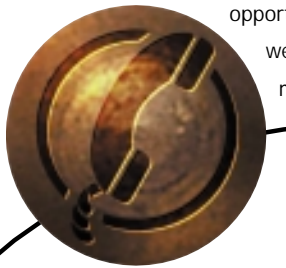
Focus on Growth

Telecommunications

Users of cellular telephones and other portable wireless communication products are demanding smaller devices with more power, greater efficiency, and better power protection. In fact, it is estimated that fully half of all new telephone subscribers now utilize wireless phones, and the figure is expected to grow. Microsemi is positioned to benefit from this trend with the introduction of the Powermite[®], a low-profile, high-power surface mount device found in the battery packs of cellular phones like Motorola's StarTAC[™]. Our opportunities in this area are further enhanced by the fact that our line of Schottky products is particularly well-suited for use in the battery chargers of cellular phones. For many years the Company has been a major supplier of transient voltage suppressors for a wide variety of applications. Wireless

telecommunications products are among those that require the integration of devices that eliminate destructive transient voltages, particularly electro-static discharge, and—with our reputation for innovative solutions—we believe we are well positioned to grow at a rate faster than the overall market. Microsemi is also a major supplier to the wired infrastructure systems that support the wireless market, and our ability to supply a broad range of products for use in base stations and satellite transmission systems was significantly enhanced with the acquisition, in October 1996, of SGS Thomson's RF transistor line.

products that make it happen...



Industrial/ Commercial

Lighting ballasts, welders, power steering systems, heavy equipment generators, are just a few of the demanding industrial and commercial applications utilizing Microsemi's products. With an impressive track record for quality, Microsemi's products are used in applications where reliability is paramount.

Computers/Peripherals



Microsemi's products play a crucial role in supplying regulated power to the key products "inside" a computer. Microsemi's Schottky, Transient Voltage Suppressor, and PIN diodes find their way into Computer Power Supplies, Monitors, Modems, and printers. As new standards like the Universal Serial Bus come online, Microsemi intends to continue to find niche opportunities where our products can out perform the competition.



Powermite®

Powermite is a low profile, high power, surface mount component package design. It outperforms current packages now being used for most low-power multi-lead applications. The recently patented Powermite accommodates new designs which require more power density in smaller circuit board areas. It maximizes performance capabilities to deal with power dissipation, high current surges and high frequency losses.

Microsemi continues to find opportunities in portable wireless applications, including cellular phones, pagers, palmtops, and Personal Communication Systems (PCS) where size and weight are the driving force in the use of the Powermite.

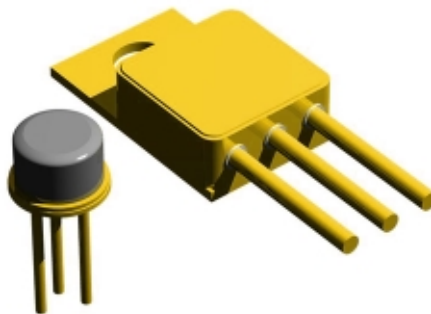
In one application, Microsemi expects to ship over 70 million units this year for use in a battery protection circuit for a subminiature cellular phone. In 1997 Microsemi invested three million dollars in equipment to double our existing Powermite production. Coupled with Microsemi's licensing agreement with Motorola on this device, we have seen and anticipate continued growth in this product line.



products that make it happen...

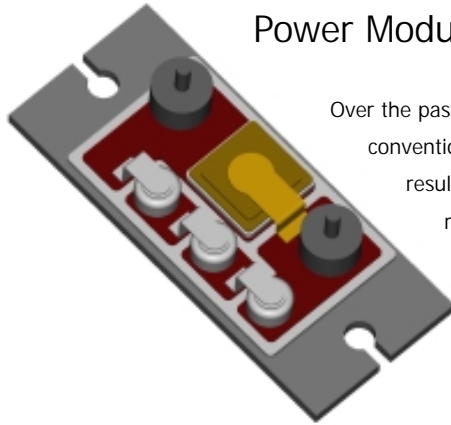
Transistors

Microsemi had traditionally been a diode manufacturer. In 1996 Microsemi acquired the Raytheon transistor line and entered the transistor market. In fiscal 1997 Microsemi expanded and enhanced its transistor product offering by acquiring SGS Thomson's RF Transistor plant in Montgomeryville, Pennsylvania in October 1996 and PPC Products of Riviera Beach, Florida in September 1997. Microsemi now has a complete line of small signal and power bipolar transistors. Once again, Microsemi has focused on supplying both standard and highly custom transistor solutions for military, space, and commercial applications.



Niche Applications

Power Modules



Over the past twelve years circuit board manufacturing has transitioned from the conventional "thru hole" methods to the surface mounted technique. This has resulted in significant cost, weight and space reductions. However, until only recently, this was limited to low power commercial applications. Microsemi has developed a line of power module design concepts and components that extend this technology to high power, high reliability applications. Several proprietary innovations in package designs are the X body, ThinKey and CoolPack.

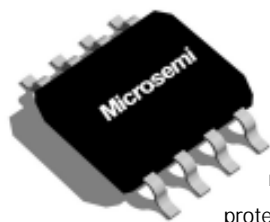
Result... a compact package with high power capacity, lower costs, lighter weight, thermally matched design, and improved performance; A first in the industry.

Microsemi's Power Modules are important for today's satellite systems where these durable power modules can enhance and extend the life of the satellite.

products that make it happen...

Universal Serial Bus TVS Products

Periodically the computer industry goes through a major overhaul of system architectures. One emerging example is the Universal Serial Bus (USB) standard. Developed out of a requirement for streamlined and faster communications with computer peripherals, USB has unique product demands. Using our expertise in both small signal diodes and transient protection devices, Microsemi has developed a new TVS device that minimizes line noise by reducing capacitance thus increasing data throughput. Introduced in



1997, Microsemi's USB devices gained design wins in printer, monitor, and mouse applications. The USB devices exemplify Microsemi's expertise in protecting sensitive ICs.



Microsemi is strategically positioning itself for growth by streamlining its internal processes, enhancing relationships with partners and expanding its sales force.

Sales/Marketing



To receive your copy of MicroCurrents, contact our Investor Relations Department at (714)979-8220 or visit our Website at <http://www.microsemi.com>

Microsemi is transitioning to a customer-centric enterprise and is building bridges of convenience to its key customers which will be paved with programs to deliver world class service and responsiveness.

Sound relationships are paramount to success, and Microsemi is expanding its use of advanced communication mediums and integrating, through new systems, all areas of the business that touch the customer. In 1997, Microsemi began to expand its sales and service network in order to provide global coverage to strategic accounts, create one-on-one customized relationships, and facilitate penetration of key market segments.

Marketing programs are also being re-structured to convey a single Company image by the way we look and the way we go to market. The Company is integrating multi-divisional activities to focus on the specific markets which are achieving Microsemi's growth goals.

Publications like MicroCurrents™ magazine are focused on corporate wide product solutions to specific applications in our chosen markets. Comprehensive catalogues, CD-ROMs, and a dynamic Website are all in place facilitating access to over 25,000 Microsemi products.

E-Commerce

Today, technology is changing rapidly and if companies don't plan and execute these changes, they can easily find themselves non-competitive. Microsemi is not only addressing these concerns, but is already meeting them head-on by changing and upgrading its software and hardware. Microsemi has installed a Wide Area Network for voice and data connecting all Microsemi operations and plans to convert all operations to the same enterprise software for Sales/Marketing, Accounting and Manufacturing. The software package chosen addresses Year 2000 Compliance issues. The combination of the Wide Area Network and standardized software allows for consistency in data collection and data consolidation. To make effective use of this data consolidation, Microsemi plans to install a DataWarehouse. This DataWarehouse will be the core of company information and will be linked to Microsemi's Web page to provide Internet access to selected data and be the backbone for the company's EDI System. Microsemi already has a plan in place for addressing the need for consolidated EDI and E-Commerce and plans to have this system running by the last quarter of fiscal 1998.

Microsemi...A strategic partner with a progressive nature focused on growth.





Directors and Corporate Officers

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

Independent Accountants

Price Waterhouse LLP
Costa Mesa, California

General Counsel

Stradling Yocca Carlson & Rauth
Newport Beach, California

Registrar and Transfer Agent

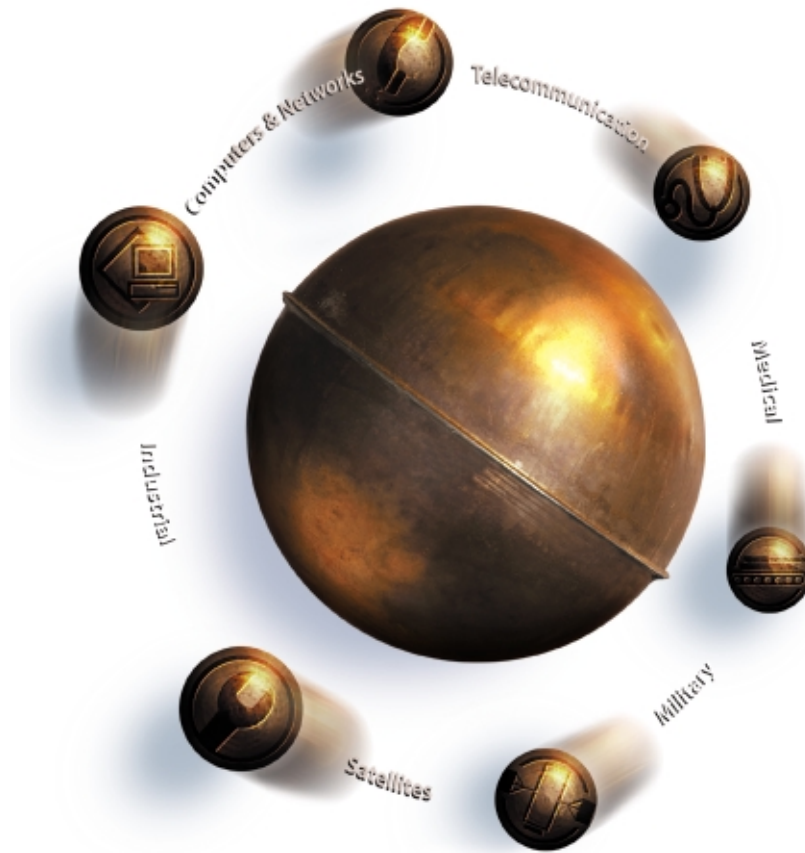
Chase-Mellon Shareholder Services
400 S. Hope Street
Los Angeles, California 90071

Subsidiaries

Microsemi Corp. - Scottsdale Scottsdale, Arizona	Microsemi Corp. -Colorado Broomfield, Colorado	Micro UPSD Inc. Watertown, Massachusetts
Sertech Laboratories, Inc. /SSI Watertown, Massachusetts	Microsemi RF Products, Inc. Montgomeryville, Pennsylvania	Microsemi PPC Inc. Riviera Beach, Florida
Microsemi (H.K.) Ltd. Hong Kong	RPM/Microsemi Corp. Escondido, California	Micro Bermuda Ennis, Ireland
Semcon Electronics Pvt., Ltd. Bombay, India		

Annual Meeting

The annual shareholders' meeting will be held at the Corporate Headquarters, 2830 South Fairview Street, Santa Ana, California, on Tuesday, February 24, 1998 at 10:00 a.m.



Microsemi Corporation

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