What does it take to be a communications IC company?
Vision
Focus

At IDT, we are strategically focused on achieving success in providing integrated circuits (ICs) to the communications world. Why? It’s where the revolution is happening. It’s the highest-growth market. It’s where we add value. It’s where we are strong. IDT is changing the way the world communicates—at work and at home—with silicon solutions aimed at leading-edge sectors of the communications world. On the following pages, you’ll read more about our communications IC strategy—our ability to understand market dynamics and deliver the infrastructure that supports this converging global network, our ability to add value, our depth and breadth of products, our partnering with industry leaders and our solid financial performance.

Expertise

[And the ability to execute like there’s no tomorrow.]
Understanding Market Growth of Internet Users, 1995-2000
Phone Lines Today: 700M/2015: 1,400M

Dynamics

The world is getting connected—with wires and without them. Anytime, anywhere, anyway access to information is fast becoming a reality in this Internet age. As data traffic skyrockets, today's networks are struggling to keep up. Fifty million new users log onto the Internet each year. By 2002, e-commerce is expected to top $1 trillion—and grow 10-fold in the coming years.

While the Internet is one of the phenomena of the millennium, there's no slowdown in sight for the voice revolution either. Phone lines worldwide are predicted to double in 15 years, while the number of cellular subscribers is expected to grow five-fold.

To accommodate this global growth, the physical infrastructure must keep up. By 2002, a single fiber will handle up to three terabits of data, and the infrastructure that drives this network will handle 2,000 times the traffic it did just a few years ago. And that means very fast growth in our customers' markets—all driven by performance, bandwidth and time-to-market considerations. IDT supports this growth with silicon solutions designed to enhance bandwidth for voice, data and wireless networks.
Adding Unique Value
By adding functions, features and ease-of-design capabilities, we meet more of our customers' needs and enable them to concentrate on differentiating the products they bring to market. An example of IDT’s value-added communications products is our new family of SuperSync™ II FIFOs. These products are important components for delivering higher bandwidth in today’s leading-edge switching and routing applications.

The constant need to increase bandwidth is what drives the designers of network systems. In meeting the requirements of these customers, IDT delivers unique value through its core competence: the increasing integration of complex logic and high-speed memory to create application-specific, high-performance products.

To better focus on this core competence and on creating whole product solutions for the communications market, we created the Internetworking Products Division (IPD) in March 2000. IPD’s goal is to accelerate the development of communications-specific products for the exploding global network.
Partnering With Leaders
Among IDT’s top 20 customers are many of the world’s leading communications suppliers. We also work with emerging companies as they push the envelope to create next-generation products, many of which include IDT’s leading-edge solutions.

Why are we winning customers? Because we understand their needs and design products that anticipate those needs. We have built long-term relationships with our customers. This results in technology exchanges where IDT engineers gain insight into the customer’s future requirements, enabling IDT to fine-tune our product definitions. This collaboration ensures that IDT builds the right solutions to meet our customers’ needs now and into the future.

To create these innovative solutions, we also team with industry-leading players. Earlier this year, we worked with Micron Technology and Cypress Semiconductor to jointly define the Quad Data Rate™ (QDR) SRAM architecture that targets the next generation of switches and routers requiring data rates above 200 MHz. And we collaborated with Wind River Systems and Sitera to provide complete processor solutions.
IDT Markets Served

- Communications
- Personal Computing
- Storage Area Networks (SANs)/Peripherals
- Miscellaneous

Fiscal 1996: 36%
Fiscal 2000: 70%
IDT has a broad product portfolio that supports the communications market—enabling us to address our customers’ unique design challenges. Whether that means helping them enhance overall system performance with communications memories such as our SuperSync II FIFOs and x36 dual-ports, or finding just the right capacity and feature sets for Voice-over-Internet Protocol (VoIP) applications with our new TSI switch family, we have the right solutions for a range of communications needs. Our product offering consists of communications memories, communications ASSPs, high-speed SRAMs, high-performance logic and clock management products.

To address the needs of emerging global networks, our communications products are targeted at systems for corporate networks, the Internet and emerging broadband technology to the home such as xDSL. In the wireless world, we provide increasingly comprehensive solutions for next-generation base stations.
Increasing value to stockholders through improved financial performance was our primary goal during fiscal 2000. After taking necessary steps to increase sales, reduce costs and increase operating efficiencies and asset utilization, we are pleased to report we delivered on that goal. We grew revenue sharply, improved gross profit margins and increased the company’s profitability during the year.

With an improved balance sheet, strong new product flow and strategic business focus, we feel confident that we can achieve the goals we’ve set for IDT. First and foremost, we will continue to work hard to meet or exceed the high-performance needs of leading-edge communications customers. More specifically, our goal is to be a top player in all of our key markets. Our financial goals for fiscal 2001 include growing revenue through new products and continuing to improve our levels of profitability. We’ve turned the corner, our communications strategy is working, and we’ve got momentum building on all fronts.
Performance

Operating Earnings Per Diluted Share, Q1FY00-Q4FY00
(Excluding special items)
### Financial Highlights — Five-Year Summary

<table>
<thead>
<tr>
<th>Dollars in thousands, April 2, except per share and employee data</th>
<th>Fiscal year ended</th>
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<tbody>
<tr>
<td>$ 701,722</td>
<td>$ 601,017</td>
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<tr>
<td>Restructuring, asset impairment and other</td>
<td>(4,726)</td>
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<td>Research and development expenses</td>
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<td>Income (loss) before extraordinary item</td>
<td>130,611</td>
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<tr>
<td>Net income (loss)</td>
<td>130,611</td>
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<tr>
<td>Basic earnings per share:</td>
<td>1.44</td>
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<tr>
<td>Income (loss) before extraordinary item</td>
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<tr>
<td>Net income (loss)</td>
<td>1.44</td>
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<tr>
<td>Diluted earnings per share:</td>
<td>1.32</td>
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<tr>
<td>Income (loss) before extraordinary item</td>
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<td>Net income (loss)</td>
<td>1.32</td>
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<td>Shares used in computing net income (loss) per share:</td>
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<tr>
<td>Basic</td>
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<tr>
<td>Diluted</td>
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<td>Total assets</td>
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<td>Convertible subordinated notes, net of issuance costs</td>
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<td>Other long-term obligations</td>
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<td>Stockholders' equity</td>
<td>681,151</td>
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<td>Number of employees</td>
<td>4,780</td>
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Certain amounts for fiscal 1996-1999 have been restated as a result of a pooling-of-interests merger (see Notes to Consolidated Financial Statements).
Letter to Stockholders  Fiscal 2000 was a year of progress for IDT. We reported strong revenue, solid earnings, and record bookings in both our third and fourth fiscal quarters. During the year, we achieved a record number of new design wins in state-of-the-art communications applications. While we reported a loss for fiscal 1999, we regained earnings momentum in fiscal 2000, growing stronger quarter by quarter. And while the semiconductor industry upswing clearly accelerated our turnaround, it was not the primary reason for our improved results. We had already made dramatic progress in restructuring our business and transitioning our focus to fast-growing, high-margin communications products. That strategy paid off. Our gross profit margins increased in fiscal 2000, and we now have a strong financial base and solid business focus. We can’t think of a better time to have achieved this performance: This calendar year marks our 20th anniversary.

Founded in 1980, IDT has two decades of experience designing chips for fast-evolving, high-performance technology markets. In last year’s annual report, we said our goal was to return value to IDT stockholders in 2000. How? By spurring revenue growth with value-added products for the communications market and by improving our cost structure, operating efficiencies and asset utilization.

We made significant progress during the year on each of those goals. Perhaps most significant, our strategies—from marketing to product development, manufacturing and operations—enabled IDT to achieve solid profitability.

Strong Return to Profitability—Financial Highlights  For the year ended on April 2, 2000, we posted net income of $1.32 per diluted share on revenue of $701.7 million. Excluding discontinued x86 microprocessors from both periods, revenue grew approximately 36 percent from fiscal 1999, as originally reported, to fiscal 2000. On an operating basis, excluding special benefits, we delivered earnings of $0.97 per diluted share on revenue of $693.3 million for fiscal 2000.

Perhaps most noteworthy, on an operating basis, our gross profit margin grew dramatically, improving for seven consecutive quarters and surpassing the 50 percent mark during the last quarter of fiscal 2000. Given the acceptance of our non-commodity products and the incremental leverage available in our business model, we believe that our margins can expand even further.
Increasing Focus on Communications  We have strengthened our focus on the communications market, where we believe we can deliver the greatest value to customers and the most attractive returns to our stockholders. During the second fiscal quarter, we sold our Centaur x86 design subsidiary based in Austin, Texas, to VIA Technologies and its partners in Taipei, Taiwan. Under terms of the agreements, we received $51 million for intellectual property related to the x86 microprocessor technology, IDT’s x86 microprocessor design subsidiary and a patent cross-license.

During the first quarter, we completed our acquisition of Quality Semiconductor, Inc. (QSI), which significantly expanded IDT’s logic portfolio with the addition of several families of logic and clock management devices. We now ship the industry’s most comprehensive range of bus switch logic products.

And just before the year closed, we strengthened our focus once again in the communications markets by creating the Internetworking Products Division (IPD). IPD combines and redirects the efforts of our embedded microprocessor division, switching products group and networking products division to focus exclusively on developing application-specific solutions to fuel the exploding voice, data and wireless networks marketplace.

With more than 70 percent of our revenue now generated by products sold to communications customers, we are relentlessly pursuing those strategies that enable us to further capitalize on our strengths in this area. With IPD, we have strengthened our focus on the development of products based on an integrated, customer-driven strategy.

This new division will focus on accelerating the development of communications application-specific standard products (ASSPs), such as ATM switches, high-speed PHYs and integrated communications processors, that will supply markets such as xDSL and Voice-over-Internet Protocol (VoIP) and applications such as wireless base stations and small office/home office (SOHO) routers. Many of these markets are growing in excess of 100 percent a year. We believe our experience and expertise, and our focus on customer solutions gives IPD a strong foundation for growing IDT as fast as the communications markets we serve.

Expanding the Breadth and Depth of Our Product Portfolio  It was another exceptional year for new product offerings from IDT. We have clearly made progress shifting from commodity products to value-added products for the communications market.

We are generating record revenue from communications memories, including our FIFOs and multi-ports. In fact, we are the market leader in both product categories.
Communications memories are a particular strength for IDT. IDT’s communications memories combine memory and high-performance logic to deliver unique products that meet the need for increasing bandwidth and performance. Our networking products—heavily focused on the hot xDSL market—grew more than 100 percent from last year. As with all of our communications products, our focus is on providing silicon innovations that enhance the bandwidth for voice, data and wireless networks.

Key IDT product highlights during the year included:
- We expanded our SuperSync™ II family in the third quarter with the addition of x72 FIFOs that support the increased bandwidth requirements of gigabit and terabit routers.
- We broadened our communications IC presence with the announcement of our time slot interchange (TSI) digital switch family. Our TSI switch family is a key component in enabling and accelerating the convergence of voice and data networks.
- Our family of x36 dual-ports, introduced in early 1999, ramped faster than any other dual-port products in IDT’s history.
- We achieved substantial growth in ATM PHYs and SARs used in DSL applications and other access network applications.

Global Adoption of IDT Products Our powerful, value-added new products are being adopted by industry-leading customers in more than 40 countries worldwide. During the year, we generated more than $250 million in revenue from sales to our international customers. Specifically, we saw the Asia Pacific and Japan markets rebound, and continued to experience strong growth in Europe as well as in our North American markets.

To continually enhance our advantages in global markets and to support the growth of projected worldwide business, we have expanded our fab output and aggressively scaled to next-generation technology. We began production on 0.18-micron process technology during the year.

Looking Ahead This is the beginning of a new era for IDT. We now have the right products, the right business model aimed at the right market and the right team to support our goals. Thanks to our dedicated employees, partners and customers, we have the vision, the focus and the expertise to be a successful communications IC company.

Jerry G. Taylor, President and Chief Executive Officer