FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1999-09-10** | Period of Report: **1999-07-31**
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FILER

UNITRODE CORP
CIK:**101911**| IRS No.: **042271186** | State of Incorp.:**MD** | Fiscal Year End: **0131**
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SIC: **3674** Semiconductors & related devices

Mailing Address
7 CONTINENTAL BLVD
MERRIMACK NH 03054

Business Address
7 CONTINENTAL BLVD
MERRIMACK NH 03054
6034242410

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 10-Q

(Mark One)
/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended JULY 31, 1999

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______ to ________

Commission file number 1-5609

UNITRODE CORPORATION
(Exact name of registrant as specified in its charter)

MARYLAND	04-2271186
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

7 CONTINENTAL BOULEVARD, MERRIMACK, NEW HAMPSHIRE	03054
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (603) 424-2410

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

There were 32,510,443 shares of common stock outstanding as of July 31, 1999.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Unitrode Corporation and Consolidated Subsidiaries
Balance Sheets
(in thousands)

Assets	July 31, 1999 (Unaudited)	January 31, 1999
Current assets:		
Cash and cash equivalents	$102,856	$ 91,551
Accounts receivable, net of allowances of $1,947 in July, 1999 and $2,206 in January, 1999	30,477	23,541
Notes receivable	464	631
Inventories:		
Raw materials	1,542	1,659
Work in process	14,365	13,766
Finished goods	7,933	6,931

Total inventories	23,840	22,356
Deferred income taxes	5,926	5,232
Royalty receivable	1,156	6,215
Deposits	1,178	1,448
Prepaid expenses and other current assets	5,925	2,320
Total current assets	171,822	153,294
Property, plant and equipment, at cost	164,623	156,020
Less accumulated depreciation	83,267	78,674
Property, plant and equipment, net	81,356	77,346
Deposits	2,800	2,800
Notes and other receivables, net of discount	957	1,323
Restricted cash and investments	400	1,035
Excess of cost over net assets acquired, net of accumulated amortization of $2,820 in July, 1999 and $2,678 in January, 1999	1,270	1,412
Other assets and deferred charges	1,695	2,754
Total assets	$260,300	$239,964

The accompanying notes are an integral part of the financial statements.

Unitrode Corporation and Consolidated Subsidiaries
Balance Sheets
(in thousands except share data)

Liabilities and Stockholders' Equity	July 31, 1999 (Unaudited)	January 31, 1999
Current liabilities:		
Accounts payable	$ 18,160	$ 12,623
Income taxes payable	1,223	3,836
Accrued employee compensation and benefits	5,220	2,025
Accrued distributor liability	3,558	4,007
Capital lease obligations	-	701
Other current liabilities	3,773	4,059
Total current liabilities	31,934	27,251
Deferred income taxes	4,224	2,540
Other long-term liabilities	670	943
Total liabilities	36,828	30,734
Stockholders' equity:		
Common stock,$.01 par value:		
Authorized - 60,000,000 shares		
Issued - 32,510,443 in July, 1999 and 32,018,766 in January, 1999	325	320
Additional paid-in capital	85,480	77,748
Retained earnings	138,221	131,861
	224,026	209,929

Less: Deferred compensation	(554)	(699)
Total stockholders' equity	223,472	209,230
Total liabilities and stockholders' equity	$260,300	$239,964

The accompanying notes are an integral part of the financial statements.

Unitrode Corporation and Consolidated Subsidiaries
Statements of Operations
(Unaudited)
(in thousands except share data)

For the Three Months Ended	July 31, 1999	August 1, 1998
Net revenues	$50,431	$38,901
Cost of revenues	25,727	20,655
Gross profit	24,704	18,246
Operating expenses:		
Research and development expenses	6,162	4,421
Selling, general and administrative expenses	8,700	7,467
New fab pre-operating expenses	-	966
Merger costs	3,665	968
Restructuring and other costs	3,752	-
Total operating expenses	22,279	13,822
Income from operations	2,425	4,424
Other income (expense):		
Royalty income	1,978	442
Non-operating income (expense), net	(21)	355
Interest income, net	853	815
Total other income (expense)	2,810	1,612
Income before income tax provision	5,235	6,036
Income tax provision	3,204	2,575
Net income	$ 2,031	$ 3,461
Earnings per common share:		
Basic	$ .06	$ .11
Diluted	$ .06	$ .11
Shares used to compute earnings per common share:		
Basic	32,295	31,584

Diluted	34,323	32,342

The accompanying notes are an integral part of the financial statements.

Unitrode Corporation and Consolidated Subsidiaries
Statements of Operations
(Unaudited)
(in thousands except share data)

For the Six Months Ended	July 31, 1999	August 1, 1998
Net revenues	$94,739	$75,829
Cost of revenues	48,760	42,929
Gross profit	45,979	32,900
Operating expenses:		
Research and development expenses	11,405	9,221
Selling, general and administrative expenses	16,894	15,698
New fab pre-operating expenses	-	2,075
Merger costs	3,665	2,318
Restructuring and other costs	3,752	1,267
Total operating expenses	35,716	30,579
Income from operations	10,263	2,321
Other income (expense):		
Royalty income	2,898	1,000
Non-operating income (expense), net	609	(2,278)
Interest income, net	1,701	1,799
Total other income (expense)	5,208	521
Income before income tax provision	15,471	2,842
Income tax provision	6,991	1,880
Net income	$ 8,480	$ 962
Earnings per common share:		
Basic	$ .26	$ .03
Diluted	$ .25	$ .03
Shares used to compute earnings per common share:		
Basic	32,182	31,517
Diluted	33,613	32,524

The accompanying notes are an integral part of the financial statements.

Unitrode Corporation and Consolidated Subsidiaries
Statements of Cash Flows
(Unaudited)
(in thousands)

For the Six Months Ended	July 31, 1999	August 1, 1998
Cash flows from operating activities:		
Net income	$ 8,480	$ 962
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	8,321	6,891
Deferred and other compensation	3,167	254
Writedown of assets	--	5,615
Deferred income taxes	990	2,921
Other, net	(583)	(124)
(Increase) decrease in assets:		
Accounts receivable	(6,936)	7,070
Inventories	(1,484)	(3,768)
Other current and long-term assets	2,729	(336)
Increase (decrease) in liabilities:		
Accounts payable	5,537	(5,865)
Income taxes payable	(2,613)	(2,573)
Accrued employee compensation and benefits	3,195	(9,081)
Accrued distributor liability	(449)	287
Other current and long-term liabilities	(559)	(3,120)
Total adjustments	11,315	(1,829)
Net cash provided (used) by operating activities	19,795	(867)
Cash flows from investing activities:		
Property, plant and equipment and deposits	(12,225)	(4,016)
Proceeds on sale of assets	2,010	87
Repayment of notes receivable	545	391
Restricted cash and investments	635	72
Maturities of short-term investments	--	14,063
Purchases of short-term investments	--	(8,058)
Net cash provided (used) by investing activities	(9,035)	2,539
Cash flows from financing activities:		
Proceeds from exercise of stock options and warrants	4,591	1,738
Purchase of common stock	(3,345)	--
Principal payments under capital lease obligations	(701)	(657)
Net cash provided by financing activities	545	1,081
Addition of Benchmarq's net cash activity for January 1998	--	402
Net increase in cash and cash equivalents	11,305	3,155
Cash and cash equivalents at beginning of period	91,551	67,956
Cash and cash equivalents at end of period	$102,856	$71,111

The accompanying notes are an integral part of the financial statements.

Unitrode Corporation and Consolidated Subsidiaries
Notes to Consolidated Financial Statements
July 31, 1999
(Unaudited)

(in thousands except share data)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of Unitrode Corporation and its wholly owned subsidiaries, and have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes included in the annual report on Form 10-K of Unitrode Corporation (the "Company") for the year ended January 31, 1999.

In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the six-month period ended July 31, 1999 are not necessarily indicative of the results that may be expected for the year ending January 31, 2000. Certain amounts for fiscal year 1999 have been reclassified to conform with presentation of similar amounts in fiscal year 2000.

NOTE 2 - NEW ACCOUNTING STANDARDS

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This new standard requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value. Gains and losses resulting from changes in the values of those derivatives should be reported in the statements of operations or as a deferred item, depending on the use of the derivatives and whether they qualify for hedge accounting. This standard is effective for the Company's fiscal year ending January 31, 2002, and the Company has not yet determined the effect, if any, of adopting the new standard.

NOTE 3 - EARNINGS PER SHARE

The following tables sets forth the computation of basic and diluted earnings per share.
<TABLE>
<CAPTION>

	Three Months Ended		Six Months Ended	
	July 31, 1999	August 1, 1998	July 31, 1999	August 1, 1998
<S>	<C>	<C>	<C>	<C>
Net income	$ 2,031	$ 3,461	$ 8,480	$ 962
Basic weighted average shares outstanding	32,295,453	31,583,580	32,182,358	31,516,617
Effect of dilutive securities-stock options	2,027,178	758,199	1,430,282	1,007,854
Diluted weighted average shares outstanding	34,322,631	32,341,779	33,612,640	32,524,471
Basic earnings per share	$ .06	$ .11	$ .26	$ .03
Diluted earnings per share	$ .06	$ .11	$ .25	$ .03

</TABLE>

The following stock options were outstanding as of July 31, 1999 and August 1, 1998 but not included in the computation of diluted earnings per share because their exercise prices were greater than the average market price of the common shares for the three-and six-month periods ended and were, therefore, anti-dilutive under the Treasury stock method.

<TABLE>
<CAPTION>

	Three Months Ended		Six Months Ended	
	Options	Range of Exercise Prices	Options	Range of Exercise Prices
<S>	<C>	<C>	<C>	<C>
July 31, 1999	1,072,177	$26.44-$40.36	2,006,287	$23.28-$40.36
August 1, 1998	2,187,804	$13.50-$40.36	1,167,070	$15.75-$40.36

</TABLE>

NOTE 4 - NON-OPERATING INCOME (EXPENSE)

<TABLE>
<CAPTION>

	Three Months Ended		Six Months Ended	
	July 31, 1999	August 1, 1998	July 31, 1999	August 1, 1998
<S>	<C>	<C>	<C>	<C>
Foreign exchange gains (losses)	$(20)	$236	$(10)	$ (8)
Gains (losses)on sale of assets	(2)	(3)	577	(13)
Net rental income	1	122	44	244
Writedown of assets	--	--	--	(2,500)
Other	--	--	(2)	(1)
Total	$(21)	$355	$609	$(2,278)

</TABLE>

NOTE 5 - SPECIAL CHARGES

Special Charges Rollforward:

<TABLE>
<CAPTION>

		Balance Sheet						
		Valuation Allowances			Other Current Liabilities			
	Special Charges Provision	Inventory	Fixed Assets	Other Assets & Deferr.charges	Employee Costs	Legal Costs	Other	Paid-in Capital
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Q1 FY99 Charge	$ 6,363	$2,596	$ --	$3,165	$ 520	$ --	$ 82	$ --
Q3 FY99 Charge	12,078	--	550	627	2,411	6,841	1,001	648
FY99 Payments/Disposals	--	(2,596)	--	(633)	(1,382)	(6,841)	(583)	--
1/31/99 Balance	$18,441	--	550	3,159	1,549	--	500	648
Q2 FY00 Charge	$ 3,752	--	--	--	730	--	--	3,022
FY00 Payments/Disposals	--	--	(270)	(15)	(1,069)	--	(175)	--
7/31/99 Balance	$ 3,752	$ --	$280	$3,144	$1,210	$ --	$ 325	$3,670

</TABLE>

FISCAL YEAR 2000 SPECIAL CHARGES

SECOND QUARTER

During the second quarter of fiscal year 2000, the Company recorded pre-tax special charges totaling $3.7 million which was charged to operating expenses as "restructuring and other costs". These costs were primarily to account for non-cash compensation on stock options associated with severance agreements with former Unitrode executives.

FISCAL YEAR 1999 SPECIAL CHARGES

FIRST QUARTER

During the first quarter of fiscal year 1999, the Company recorded pre-tax special charges totaling $6.4 million of which $2.6 million was charged to cost of sales, $1.3 million was charged to operating expenses as "restructuring and other costs", and $2.5 million was charged to other income (expense).

The charge of $2.6 million to cost of sales was to account for inventory write-offs and consisted primarily of a custom product which was manufactured in the first quarter of fiscal year 1999 for a specific customer. The product did not meet the customer's specifications and has been scrapped.

A charge to operating expenses of $1.3 million was for actions intended to align the business with reduced customer demand in fiscal year 1999. These restructuring charges consisted of $0.8 million used to writedown equipment associated with the production of 4" bipolar wafers to net realizable value and $0.5 million for severance costs associated with a reduction in the workforce of about 5% or 34 employees. The annualized reduction in cost resulting from the restructuring was anticipated to be approximately $1.8 million.

The $2.5 million charge to other income (expense) was to establish a valuation allowance on the Company's equity investment in an outside foundry. The significant reduction in the Company's business during the first quarter of fiscal year 1999 and the subsequent ramp-up of the Company's 6" fab have substantially reduced expected future demand for wafers produced at this foundry and negatively impacted this foundry's financial condition and cash flows. The Company continues to be the primary customer of this foundry.

THIRD QUARTER

During the third quarter of fiscal year 1999, the Company recorded pre-tax special charges totaling $12.1 million of which $5.2 million was charged to operating expenses as "restructuring and other costs", and $6.9 million was charged to other income (expense).

The $5.2 million charged to operating expenses was primarily for costs related to the integration of Benchmarq Microelectronics, Inc. ("Benchmarq"). These costs principally consisted of $1.2 million for equipment writedowns intended to consolidate back-end operations, $3.0 million in severance costs to reduce redundant activities, and $1.0 million in other integration costs which includes costs associated with relocating the Dallas probe and test operations to the Company's Singapore facility.

The $6.9 million charge to other income (expense) consisted of costs incurred to settle a patent infringement lawsuit between Dallas Semiconductor Corporation and Benchmarq, as well as a patent infringement lawsuit initiated by the Lemelson Medical Education & Research Foundation, Limited Partnership against the Company.

NOTE 6 - BENCHMARQ ACQUISITION

On August 3, 1998, the Company completed its acquisition of Benchmarq, a Dallas, Texas provider of integrated circuits and electronics modules for portable and power-sensitive electronics systems. In connection with the transaction, the Company issued approximately 7.2 million shares of its common stock. The merger was accounted for on a pooling-of-interests basis. Accordingly, the Company's consolidated financial statements have been restated to include the accounts and operations of Benchmarq for all periods presented.

The following table represents a reconciliation of net revenues and net income previously reported by the combining companies to those presented in the accompanying consolidated financial statements:

Net Revenues	Three months ended August 1, 1998	Six months ends August 1, 1998
Unitrode	$29,705	$57,724
Benchmarq	9,196	18,105
Combined	$38,901	$75,829

Net Income		
Unitrode	$ 2,962	$ 613
Benchmarq	499	349
Combined	$ 3,461	$ 962

NOTE 7 - COMMITMENTS AND CONTINGENT LIABILITIES

LEGAL PROCEEDINGS

In June 1997, Linear Technology Corporation ("LTC") filed a complaint in the U.S. District Court for the Northern District of California (San Jose Division) alleging that certain products of the Company and products of four other defendants infringe an LTC patent. The complaint seeks damages and an injunction against infringement of the patent. The Company has denied any infringement and has filed a counterclaim seeking that the patent be declared invalid. The Company believes that the resolution of this action will not have a materially adverse effect on the Company's financial condition or results of operations.

NOTE 8 - INDUSTRY SEGMENT

The Company and its subsidiaries operate within a single industry segment, the manufacture and sale of semiconductors, and have various product categories within that one segment that share common technologies, markets, and applications.

Data on the Company's net revenues by product category is presented below:

	Three Months Ended			
	July 31, 1999		August 1, 1998	
Product Categories:	Revenues	%	Revenues	%
Power management	$20,300	40.3%	$15,900	40.9%
Data transmission/interface	17,300	34.3%	12,900	33.1%
Portable power management	9,800	19.4%	6,800	17.5%
Non-volatile and other	3,031	6.0%	3,301	8.5%
Total	$50,431	100.0%	$38,901	100.0%

	Six Months Ended			
	July 31, 1999		August 1, 1998	
Product Categories:	Revenues	%	Revenues	%
Power management	$38,900	41.1%	$30,500	40.2%
Data transmission/interface	32,400	34.2%	24,500	32.3%
Portable power management	18,100	19.1%	13,700	18.1%
Non-volatile and other	5,339	5.6%	7,129	9.4%
Total	$94,739	100.0%	$75,829	100.0%

NOTE 9 - PROPOSED MERGER

On July 26, 1999, the Company announced that it had entered into a definitive agreement to be acquired by Texas Instruments, Incorporated ("TI"). Under the terms of the proposed transaction, each share of Unitrode common stock outstanding will be exchanged for the number of shares of TI common stock equal to $38.60 ("assumed exchange price") divided by an average of TI trading prices over a 20-day trading period ending the second trading day prior to the merger, but in no event less than .5023 or more than .5774 of a share of TI common stock. Based on the assumed exchange price and 32.5 million Unitrode shares outstanding as of July 31, 1999, the transaction is valued at approximately $1.25 billion. The transaction is intended to be accounted for as a "Pooling of Interests" and is subject to approval by Unitrode stockholders and other customary conditions. On August 18, 1999, the Federal Trade Commission notified the Company that it has granted early termination of the waiting period required by the Hart-Scott-Rodino Antitrust Improvements Act.

In the second quarter ended July 31, 1999, the Company recorded merger-related transaction costs of $3.7 million primarily for professional services, such as investment banking, legal and accounting fees. The transaction is expected to close in the third quarter of fiscal year 2000.

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

RESULTS OF OPERATIONS

The following tables set forth the percentage of net revenues and the yearly percentage change in certain financial data for the periods indicated:

<TABLE>
<CAPTION>

	Items as a percentage of net revenues				Percent changes year to year	
Three months ended	July 31, 1999	July 31, 1999*	Aug.1, 1998	Aug.1, 1998*	July 31, 1999/ August 1, 1998	July 31, 1999*/ August 1, 1998*
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net revenues	100.0%	100.0%	100.0%	100.0%	29.6%	29.6%
Cost of revenues	51.0	51.0	53.1	53.1	24.6	24.6
Gross profit	49.0	49.0	46.9	46.9	35.4	35.4
Operating expenses:						
Research & development expenses	12.2	12.2	11.3	11.3	39.4	39.4
Selling, general and administrative expenses	17.3	17.3	19.2	19.2	16.5	16.5
New fab pre-operating expenses	--	--	2.5	2.5	NMF	NMF
Merger costs	7.3	--	2.5	--	278.6	--
Restructuring and other costs	7.4	--	--	--	NMF	--
Total operating expenses	44.2	29.5	35.5	33.0	61.2	15.6
Income from operations	4.8	19.5	11.4	13.9	(45.2)	82.5
Other income (expense)	5.6	5.6	4.1	4.1	74.3	74.3
Income before income tax provision	10.4	25.1	15.5	18.0	(13.3)	80.6
Income tax provision	6.4	9.0	6.6	6.6	24.4	76.9
Net income	4.0	16.1	8.9	11.4	(41.3)	82.8

	Items as a percentage of net revenues				Percent changes year to year	
Six months ended	July 31, 1999	July 31, 1999*	Aug.1, 1998	Aug.1, 1998*	July 31, 1999/ August 1, 1998	July 31, 1999*/ August 1, 1998*
Net revenues	100.0%	100.0%	100.0%	100.0%	24.9%	24.9%
Cost of revenues	51.5	51.5	56.6	53.2	13.6	20.9
Gross profit	48.5	48.5	43.4	46.8	39.8	29.5
Operating expenses:						
Research & development expenses	12.0	12.0	12.2	12.2	23.7	23.7
Selling, general and administrative expenses	17.8	17.8	20.7	20.7	7.6	7.6
New fab pre-operating expenses	--	--	2.7	2.7	NMF	NMF
Merger costs	3.9	--	3.0	--	58.1	--
Restructuring and other costs	4.0	--	1.7	--	196.1	--

Total operating expenses	37.7	29.8	40.3	35.6	16.8	4.8
Income from operations	10.8	18.7	3.1	11.2	342.2	107.9
Other income (expense)	5.5	5.5	0.7	4.0	899.6	72.4
Income before income tax provision	16.3	24.2	3.8	15.2	444.4	98.6
Income tax provision	7.3	8.8	2.5	5.6	271.9	95.0
Net income	9.0	15.4	1.3	9.6	781.5	100.8

</TABLE>

*Pro forma results exclude special charges and merger-related costs.
NMF: Not meaningful

THREE MONTHS ENDED JULY 31, 1999 VERSUS THREE MONTHS ENDED AUGUST 1, 1998

Net revenues in the second quarter ended July 31, 1999 were $50.4 million, an increase of $11.5 million, or 30%, compared with $38.9 million in the previous year's second quarter. The increase was primarily due to strength in demand for products from all three of the Company's major business lines, power management, portable power, and interface. Approximately 58% of sales in the second quarter were international compared with 62% in the prior year.

Broad-based strength in the industrial, EDP, and communications markets is driving the increased demand for the Company's products. The level of the Company's turns business (orders booked and shipped within the quarter) was about 33%, approximately the same rate as the first quarter.

Gross profit as a percentage of net sales was 49.0% in the second quarter of fiscal year 2000, up from 46.9% in the second quarter of the previous fiscal year. The increase in the gross profit percentage resulted from the benefits associated with increased factory utilization, reduced costs from wafers supplied by an outside foundry, and lower assembly and test costs. These benefits were somewhat offset by increased depreciation expense associated with the new BiCMOS wafer fabrication facility ("BiCMOS fab") and pricing pressures on selected products.

Research and development expenses were approximately 12.2% of net sales, or $6.2 million, compared to 11.3%, or $4.4 million, in last year's second quarter. The $1.8 million increase was due to higher employee compensation costs primarily for accruals for bonus and profit sharing awards. Selling, general and administrative expenses were 17.3% of net sales, or $8.7 million, compared with 19.2%, or $7.5 million, in the previous year's second quarter. The decrease in the percentage of net sales was due to the increased sales volume, partially offset by accruals for bonus and profit sharing awards.

In the second quarter of fiscal year 1999, the Company incurred $1.0 million in pre-operating expenses associated with the BiCMOS fab. The new facility became operational in July 1998. No further pre-operating expenses were recorded with respect to this facility.

The Company recorded special charges of $7.4 million in this year's second quarter, all of which was charged to operating expenses. On July 26, 1999, the Company announced that it had entered into a definitive agreement to be acquired by Texas Instruments Incorporated. As a result, the Company recorded merger-related transaction costs of $3.7 million primarily for professional services. The remaining charge of $3.7 million was primarily to account for non-cash compensation on stock options associated with severance agreements with former Unitrode executives. During the second quarter of fiscal year 1999, the Company recorded merger costs of $1.0 million, primarily for professional fees associated with the acquisition of Benchmarq Microelectronics, Inc. See Notes 5 and 9 in the Company's consolidated financial statements for further information.

Royalty income in the second quarter increased by $1.5 million compared to the prior year primarily due to a lump sum royalty payment from International Rectifier ("IRC"), the result of a license agreement between IRC and a third party covering certain IRC patents relating to power MOSFET technology.

The consolidated effective tax rate for the quarter ended July 31, 1999 was 61.2% compared with 42.7% in last year's second quarter. Excluding non-deductible merger costs, the effective tax rate was 36.0% and 36.8% in the second quarter of fiscal year 2000 and fiscal year 1999, respectively.

THREE MONTHS ENDED JULY 31, 1999 VERSUS THREE MONTHS ENDED AUGUST 1, 1998 (continued)

Net income in the second quarter of fiscal year 2000 was $2.0 million, or $.06 per diluted share, compared with $3.5 million, or $.11 per diluted share in last year's second quarter. Excluding the effect of merger-related transaction costs and special charges, net income in this year's second quarter was $8.1 million, or $.24 per diluted share, compared to $4.4 million, or $.14 per diluted share in the year-ago quarter.

SIX MONTHS ENDED JULY 31, 1999 VERSUS SIX MONTHS ENDED AUGUST 1, 1998

Net revenues for the six months ended July 31, 1999 were $94.7 million, compared with $75.8 million in the previous year's six-month period, an increase of $18.9 million, or 25%. The increase was principally due to strength in demand for products from all three of the Company's major business lines, power management, portable power, and interface. Approximately 57% of sales in the first six months were international compared with 62% in the prior year.

Gross profit as a percentage of net sales was 48.5% of net sales in the first six months compared to 43.4% in first six months of the prior year. Excluding the special charge of $2.6 million recorded in last year's first quarter to account for inventory writeoffs, gross profit as a percentage of net sales in the first six months of last year was 46.8%. The increase in the gross profit percentage resulted from the benefits associated with increased factory utilization, reduced costs from wafers supplied by an outside foundry, and lower assembly and test costs. These benefits were somewhat offset by increased depreciation expense associated with the BiCMOS fab and pricing pressures on selected products.

Research and development expenses were approximately 12.0% of net sales, or $11.4 million, compared with 12.2%, or $9.2 million, in the first six months of the prior year. The $2.2 million increase was due to higher employee compensation costs primarily for accruals for bonus and profit sharing awards. Selling, general and administrative expenses were $16.9 million, or 17.8% of net sales, compared to $15.7 million, or 20.7% of net sales in the first six months of last year. The decrease in the percentage of net sales was due to the increased sales volume, partially offset by accruals for bonus and profit sharing awards.

The Company incurred $2.1 million in pre-operating expenses associated with the BiCMOS fab in the first six months of fiscal year 1999. The new facility became operational in July 1998. No further pre-operating expenses were recorded with respect to this facility.

During the first half of fiscal year 2000, the Company recorded special charges of $7.4 million, all of which were charged to operating expenses. On July 26, 1999, the Company announced that it had entered into a definitive agreement to be acquired by Texas Instruments Incorporated. As a result, the Company recorded merger-related transaction costs of $3.7 million primarily for professional services. The remaining charge of $3.7 million was primarily to account for non-cash compensation on stock options associated with severance agreements with former Unitrode executives. During first six months of fiscal year 1999, the Company recorded merger costs and special charges totaling $8.7 million of which $2.6 million was charged to cost of sales, $3.6 million was charged to operating expenses and $2.5 million was charged to other income (expense). See Notes 5 and 9 in the Company's consolidated financial statements for further information.

Royalty income in the first six months increased by $1.9 million compared to the prior year primarily due to a lump sum royalty payment from International Rectifier ("IRC"), the result of a license agreement between IRC and a third party covering certain patents relating to MOSFET technology.

SIX MONTHS ENDED JULY 31, 1999 VERSUS SIX MONTHS ENDED AUGUST 1, 1998 (continued)

The consolidated effective tax rate for the six months ended July 31, 1999 was 45.2% including non-deductible merger costs and 36.5% without the charges. The consolidated effective tax rate for the first six months of the prior year was 66.2% including last year's non-deductible merger costs, and 36.4% excluding the charges.

Net income for the first six months of fiscal year 2000 was $8.5 million, or $.25 per diluted share, compared with $1.0 million, or $.03 per diluted share in the first six months of last year. Excluding the effect of merger-related transaction costs and special charges, net income in the first six months of this year was $14.6 million, or $.43 per diluted share, compared to $7.2 million, or $.22 per diluted share in first six months of the prior year.

FINANCIAL CONDITION

Cash and cash equivalents at July 31, 1999 increased by $11.3 million to $102.9 million since the beginning of fiscal year 2000. The principal sources of cash were $19.8 million from operating activities and $4.6 million from exercises of employee stock options under the Company's stock option plans; these were offset by $12.2 million in capital expenditures and $3.3 million in repurchases of Company stock.

In March 1999, the Company entered into a new three-year multi-bank revolving credit agreement that provides for borrowings up to $50 million. Borrowings under the credit agreement bear interest at variable spreads over LIBOR. There were no borrowings in the first six months of the fiscal year.

Capital spending to support ongoing operations totaled approximately $12.2 million in the first six months of the fiscal year. The Company plans to spend approximately $17 to $20 million for capital assets in fiscal year 2000. It is anticipated that the Company's operating cash requirements for fiscal year 2000, including planned capital expenditures, will be met by internally generated funds and available cash.

The ratio of current assets to current liabilities was 5.38:1 at July 31, 1999 compared with 5.63:1 at January 31, 1999. Working capital of $139.9 million at July 31, 1999 increased by $13.8 million from the beginning of the fiscal year. Accounts payable at July 31, 1999 increased by $5.5 million from year-end due to the timing of payments for merger-related transaction costs and capital equipment. Accrued employee compensation and benefits were $3.2 million higher than at year-end due to accruals for incentive compensation relative to the Company's expected performance for fiscal year 2000.

Accounts receivable at July 31, 1999 increased by $6.9 million from the beginning of the fiscal year primarily due to the higher sales volume. Receivable days outstanding were 51 days compared with 52 days at January 31, 1999 and 45 days in the previous year's second quarter.

On March 15, 1999, the Board of Directors of the Company authorized the repurchase of up to one million shares of its common stock. During the first six months of the year, the Company repurchased 172,400 shares at an average price of $19.40 per share for a total of $3.3 million. The repurchase program was rescinded on July 25, 1999.

NEW ACCOUNTING STANDARDS

See Note 2 in the Company's consolidated financial statements for a discussion of recently issued accounting standards.

IMPACT OF THE YEAR 2000 ISSUE

The Company's Year 2000 project was substantially completed in July 1999. Year 2000 project expenditures, excluding capitalized costs associated with the ERP system, were immaterial. The Company, including the Benchmarq operations, has completed an assessment of all computer-based software and hardware to ensure Year 2000 compliance. Certain non-Year 2000 compliant systems and equipment were modified, scrapped, or replaced. In addition, the Company has replaced certain business systems with a Year 2000 compliant enterprise resource planning ("ERP") system in order to improve reporting and productivity. Formal communications have been established with all significant vendors to determine the extent to which the Company could be impacted by third-parties' failure to remediate their own Year 2000 issues. The Company is currently unaware of any Year 2000 issues at the Company or a third party that will not be compliant in a timely manner and could result in a material effect on the Company's business, results of operations, or financial condition.

PROPOSED MERGER

On July 26, 1999, the Company announced that it had entered into a definitive agreement to be acquired by Texas Instruments, Incorporate ("TI"). Under the terms of the proposed transaction, each share of Unitrode common stock outstanding will be exchanged for the number of shares of TI common stock equal to $38.60 ("assumed exchange price") divided by an average of TI trading prices over a 20-day trading period ending the second trading day prior to the merger, but in no event less than .5023 or more than .5774 of a share of TI common stock. Based on the assumed exchange price and 32.5 million Unitrode shares outstanding as of July 31, 1999, the transaction is valued at approximately $1.25 billion. The transaction is intended to be accounted for as a "Pooling of Interests" and is subject to approval by Unitrode stockholders and other customary conditions. On August 18, 1999, the Federal Trade Commission notified the Company that it has granted early termination of the waiting period required by the Hart-Scott-Rodino Antitrust Improvements Act.

In the second quarter ended July 31, 1999, the Company recorded merger-related transaction costs of $3.7 million primarily for professional services, such as investment banking, legal and accounting fees. The transaction is expected to close in the third quarter of fiscal year 2000.

FACTORS AFFECTING FUTURE RESULTS

The Company's future operating results are difficult to predict and may be affected by a number of factors including the timely ability to develop and market new products, competitive pricing pressures, fluctuations in manufacturing yields, adequate availability of processed silicon wafers from foundry sources, insufficient or excess manufacturing and testing capacity, the amount of product booked and shipped within a quarter, changes in product mix, and fluctuating economic conditions in the United States, Asia and other international markets.

Sales to one customer, Compaq Computer Corporation, represented approximately 12% and 8% of sales in the second quarter of fiscal years 2000 and 1999, respectively, and 11% and 8% of sales in the first six months of fiscal years 2000 and 1999, respectively. The loss or a substantial reduction in sales from this customer would have a material adverse effect upon the Company's business.

The semiconductor market historically has been cyclical and subject to significant fluctuations. As a result, orders and backlog may fluctuate widely from time to time. Weakness in the EDP, communications or industrial markets may affect the Company's bookings and the scheduling of existing backlog. Because of this and other factors, there can be no assurance that the Company will not experience material fluctuations in future operating results on a quarterly or annual basis as a result of its inability to adjust its manufacturing capacity or its cost structure to increased or reduced customer demand.

FACTORS AFFECTING FUTURE RESULTS (continued)

The Company is dependent upon a combination of its own wafer fabrication facility in Merrimack, New Hampshire, and outside foundries for manufacturing capacity. There can be no assurance that its internal capacity will match demand or that the Company will provide sufficient orders to meet its contractual obligations to its outside suppliers.

The Company's new 6" BiCMOS wafer fabrication facility became operational in July 1998. Full qualification of manufacturing processes and products is continuing. There can be no assurance that certain processes and products will be qualified on time, that the added capacity will match demand for its products, or that the ramp-up of production will result in acceptable manufacturing yields. The Company's additional capacity has resulted in a significant increase in operating expenses, such as depreciation, and if revenues do not continue to offset these additional expenses, the Company's future gross profit as a percentage of sales would be adversely affected. Meanwhile, other semiconductor manufacturers are also expanding or planning to expand their production capacity over the next several years. There can be no assurance that the expansion by the Company and its competitors will not lead to over-capacity in the industry, which could lead to price erosion that could adversely affect the Company's operating results.

The semiconductor industry is characterized by frequent litigation regarding patent and other intellectual property rights. There can be no assurance that future claims or assertions will not materially adversely affect the Company's business, financial condition, results of operations, or cash flows.

The proposed acquisition of the Company by Texas Instruments requires the dedication of management resources that may temporarily divert attention from the day-to-day business of the Company and this distraction could have an adverse effect on near-term revenues and operating results.

FORWARD-LOOKING INFORMATION

The Private Securities Litigation Reform Act of 1995 ("the Act") provides a new "safe harbor" for forward-looking statements so long as those statements are identified as forward-looking and are accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those discussed in the statement. The Company desires to take advantage of the new "safe harbor" provisions of the Act. Certain information contained herein, particularly the information appearing under the headings "Results of Operations," "Financial Condition," "Impact of the Year 2000 Issue," and "Factors Affecting Future Results" is forward-looking.

Information regarding certain important factors that could cause actual results of operations or outcomes of other events to differ materially from any such forward-looking statement appears together with such statement, and/or elsewhere herein. This information should be read in conjunction with the Company's annual report on Form 10-K for the year ended January 31, 1999.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's primary exposures to market risk are the effect of fluctuations in interest rates earned on its cash equivalents and short-term investments, and the effect of volatility in currencies on its foreign-denominated trade receivables and cash.

At July 31, 1999, the Company held $90.4 million in cash equivalents consisting of taxable and tax-exempt municipal securities. Cash equivalents are classified as held to maturity and valued at amortized cost which approximates fair market value. A hypothetical 10 percent increase in interest rates would not have a material impact on the fair market value of these instruments due to their short maturity.

The Company enters into forward foreign exchange contracts as a hedge against trade receivables and cash denominated in foreign currencies. Realized and unrealized

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK (continued)

gains and losses on these contracts are included in net income and offset the foreign exchange gains or losses on the hedged trade receivables and cash. At July 31, 1999, the Company had one-month forward contracts to sell foreign currencies of 2.2 million German marks, and 0.5 million British pounds totaling approximately $1.9 million. The Company recorded total foreign currency losses of $58,000 in fiscal year 1999. A hypothetical 10 percent change in foreign currency rates would not have a material impact on the Company's results of operations.

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN THE RIGHTS OF THE COMPANY'S SECURITY HOLDERS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Reference is hereby made to Item 4 in the Company's Form 10Q for the quarter ended May 1, 1999 for information regarding the Company's annual meeting of stockholders held on June 7, 1999.

ITEM 5. OTHER INFORMATION
None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit 10.1 - Short Term Incentive Plan

Exhibit 27 - Financial Data Schedules

(b) Reports on Form 8-K:

On June 29, 1999, the Registrant filed a report on Form 8-K announcing that, effective June 28, 1999, Alan R. Schuele had resigned as President and Chief Operating Officer and that Robert J. Richardson, Chairman and Chief Executive Officer, would reassume those duties.

On July 27, 1999, the Registrant filed a report on Form 8-K announcing the proposed merger of the Company with Texas Instruments.

SIGNATURES

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

UNITRODE CORPORATION

September 10, 1999	/s/ Robert J. Richardson
Date	Robert J. Richardson Chairman, President and Chief Executive Officer
September 10, 1999	/s/ John L. Kokulis
Date	John L. Kokulis Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

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UNITRODE CORPORATION Exhibit 10.1

SHORT TERM INCENTIVE PLAN

A. Establishment and Effective Date

1. Unitrode Corporation (the "Company") has established a Short Term Incentive Plan (the "Plan") for selected U.S. employees (the "Participants") of the Company.

2. This Plan is effective beginning February 1, 1999. The Plan shall be in effect until otherwise determined by the Plan Administrator.

B. Objectives

1. The principal objectives of the Plan are to:

   a. Recognize the volatility in the semiconductor market.

   b. Share in the company success.

   c. Underscore the importance of corporate, team and individual goals.

C. Responsibility for Administration and Interpretation

1. The Plan Administrator shall be responsible for administration and interpretation of this plan. Unitrode's Chief Executive Officer and Vice President, Human Resources shall serve in the capacity of "Plan Administrator".

2. The Plan Administrator shall have the authority to adopt, amend, and repeal the administrative rules, guidelines, and practices relating to the Plan as deemed advisable, including dissolution of the Plan without advance notice. The Plan Administrator shall also have full responsibility to interpret provisions of the Plan. The Plan Administrator will not be liable for any action or determination relating to the Plan made in good faith. All decisions made by the Plan Administrator will be final and binding on all persons having or claiming any interest in the Plan or in any award from the Plan.

3. The Plan Administrator shall have the right to set the maximum amount of the sum of such awards and the maximum employee participation.

4. The Plan Administrator shall monitor the use of the Plan to assure that its use remains consistent with its objectives.

D. Eligibility

1. Eligibility for awards under the Plan shall be open to all U.S. employees who are active, regular Company employees on the date of the award distribution except for those employees who are participants in any sales incentive plan.

2. Eligibility in any one year shall guarantee neither a right to an incentive award, nor a right to eligibility in any subsequent year.

E. Participation

1. Awards under the Plan shall be limited to individuals employed by the Company on the date of payment, except in the case of retirement, disability, or death, in which case the Plan Administrator may approve the payment of a full or pro-rated award to the former employee or his/her estate or beneficiary of record.

2. Participation shall be based on actual results relative to assessment criteria during the assessment period.

F. Target Awards

1. The Plan Administrators will approve target Incentive Awards for each classification of eligible employees.

2. Refer to appendix for target award details by employee classification.

3. The establishment of a target award does not guarantee payment at that level; actual awards are based on results relative to performance criteria.

G. Performance Criteria and Assessment

1. Performance criteria shall be predetermined by the Plan Administrator for each employee classification, and shall be based upon specific company goals and individual performance results. (The performance criteria weighting can be found in the appendix of this plan document.)

2. Each performance criteria will be assessed as follows:

   a. Earnings Per Share (EPS). Payout begins at 100% of fiscal year target, with no cap. (The EPS schedule can be found in the appendix of this plan document.)

   b. Management By Objectives (MBOs). Individual performance versus goals will be assessed to determine achievement of MBOs.

3. Awards payments are subject to attainment of the annual EPS target and MBO achievement. At the beginning of each fiscal year, the criteria for bonus payments (i.e. minimum attainment of EPS figures) will be announced.

H. Award Form

1. EPS achievement will be determined at the close of the fiscal year.

2. MBO attainment will be measured quarterly and paid annually.

3. Awards to Participants shall be payable as soon as practical following award determination at the close of the fiscal year.

4. Awards shall be calculated as a percent of base salary, and shall be subject to all required taxes, deductions, and withholdings.

I. Relationship to Other Plans

1. Eligibility for or Participation in this Plan does not automatically preclude eligibility for any other plans that may be established by

the Company.

J. No Contract of Employment

1. Neither the Plan, nor an employee's eligibility or award will be deemed a contract of employment.

K. No Legal Right

1. Neither the establishment of the Plan, nor any amendment or change to the Plan, nor the payment of any award under the Plan will be construed as giving a participant or other person any legal or equitable right against the Company or any affiliated organization(s).

2. Rights to awards shall terminate upon the termination of the Plan and any previously calculated awards shall be payable pursuant to Section H of this Plan.

L. Right to Amend the Plan

1. The Plan Administrator reserves the right to amend or terminate the Plan to any extent, in any manner, and at any time in the sole discretion and in the final judgment of the Plan Administrator, without further obligation.

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