Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 25, 2004

☐ **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 0-17795

CIRRUS LOGIC, INC.

(Exact name of registrant as specified in its charter)

DELAWARE **(State or other jurisdiction of incorporation or organization)**	**77-0024818** **(I.R.S. Employer Identification No.)**

2901 Via Fortuna Austin, Texas 78746
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code:
(512) 851-4000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the 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 ☑ NO ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). YES ☑ NO ☐

The number of shares of the registrant's common stock, $0.001 par value, outstanding as of January 20, 2005 was 85,090,471.

CIRRUS LOGIC, INC.

FORM 10-Q QUARTERLY REPORT

QUARTERLY PERIOD ENDED DECEMBER 25, 2004

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

Item 1.	Financial Statements	
	Consolidated Condensed Balance Sheet – December 25, 2004 (unaudited) and March 27, 2004	3
	Consolidated Condensed Statement of Operations (unaudited) – Three and Nine Months Ended December 25, 2004 and December 27, 2003	4
	Consolidated Condensed Statement of Cash Flows (unaudited) – Nine Months Ended December 25, 2004 and December 27, 2003	5
	Notes to the Consolidated Condensed Financial Statements (unaudited)	6
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	17
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	32
Item 4.	Controls and Procedures	32

PART II – OTHER INFORMATION

Item 1.	Legal Proceedings	33
Item 6.	Exhibits and Reports on Form 8-K	36
	Signatures	36

Certificate of the CEO Pursuant to Section 302
Certificate of the CFO Pursuant to Section 302
Certificate of the CEO Pursuant to Section 906
Certificate of the CFO Pursuant to Section 906

PART I

ITEM 1. FINANCIAL STATEMENTS

CIRRUS LOGIC, INC.
CONSOLIDATED CONDENSED BALANCE SHEET
(in thousands)

	December 25, 2004 (unaudited)	March 27, 2004
Assets		
Current assets:		
Cash and cash equivalents	$ 93,432	$ 157,893
Restricted investments	7,784	8,159
Marketable securities	61,893	27,093
Accounts receivable, net	21,050	19,804
Inventories	32,330	29,632
Other current assets	7,249	10,547
Total current assets	223,738	253,128
Long-term marketable securities	15,319	6,996
Property and equipment, net	19,934	22,663
Intangibles, net	14,807	28,638
Other assets	2,907	3,247
Total assets	$ 276,705	$ 314,672
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 14,914	$ 19,317
Accrued salaries and benefits	8,974	9,459
Other accrued liabilities	15,809	20,447
Deferred income on shipments to distributors	7,877	3,506
Income taxes payable	15,075	30,107
Total current liabilities	62,649	82,836
Long-term restructuring accrual	3,411	7,114
Other long-term obligations	9,848	10,623
Stockholders' equity:		
Capital stock	875,216	871,679
Accumulated deficit	(673,335)	(657,409)
Accumulated other comprehensive loss	(1,084)	(171)
Total stockholders' equity	200,797	214,099
Total liabilities and stockholders' equity	$ 276,705	$ 314,672

The accompanying notes are an integral part of these consolidated condensed financial statements.

CIRRUS LOGIC, INC.
CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS

(in thousands, except per share amounts; unaudited)

	Three Months Ended		Nine Months Ended	
	December 25, 2004	December 27, 2003	December 25, 2004	December 27, 2003
Net sales	$ 44,036	$ 55,270	$ 154,485	$ 146,124
Cost of sales	26,834	26,552	82,682	71,673
Gross Margin	17,202	28,718	71,803	74,451
Operating expenses:				
Research and development	15,480	18,224	51,980	59,297
Selling, general and administrative	9,611	12,163	35,267	36,883
Amortization of acquired intangibles	3,419	3,419	10,257	10,975
Restructuring and other costs	3,107	896	8,978	8,931
Litigation settlement	—	(45,000)	—	(45,000)
Patent agreement and settlements, net	(593)	—	(593)	(14,402)
Total operating expenses	31,024	(10,298)	105,889	56,684
Income (loss) from operations	(13,822)	39,016	(34,086)	17,767
Realized gain on marketable securities	—	—	669	10,080
Interest income (expense), net	946	450	2,246	1,320
Other income (expense), net	272	58	201	(7)
Income (loss) before income taxes	(12,604)	39,524	(30,970)	29,160
Provision (benefit) for income taxes	(15,134)	75	(15,044)	(7,026)
Net income (loss)	$ 2,530	$ 39,449	$ (15,926)	$ 36,186
Basic income (loss) per share:	$ 0.03	$ 0.47	$ (0.19)	$ 0.43
Diluted income (loss) per share:	$ 0.03	$ 0.46	$ (0.19)	$ 0.42
Basic weighted average common shares outstanding:	84,773	84,015	84,621	83,908
Diluted weighted average common shares outstanding:	86,159	86,440	84,621	85,258

The accompanying notes are an integral part of these consolidated condensed financial statements.

CIRRUS LOGIC, INC.
CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS
(in thousands; unaudited)

	Nine Months Ended	
	December 25, 2004	December 27, 2003
Cash flows from operating activities:		
Net income (loss)	$ (15,926)	$ 36,186
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	18,384	21,002
Gain on marketable securities	(669)	(10,080)
Gain on real estate buyout	(457)	—
Impairment of assets	5,098	—
Income tax benefit	(15,247)	—
Other non-cash charges (benefits)	(212)	3,925
Net change in operating assets and liabilities	(4,756)	792
Net cash provided by (used in) operating activities	(13,785)	51,825
Cash flows from investing activities:		
Real estate buyout	(4,343)	—
Additions to property, equipment and software	(3,409)	(1,555)
Investments in technology	(3,072)	(8,243)
Proceeds from sale of assets	—	3,500
Purchase of marketable securities	(85,118)	—
Proceeds from sale of marketable securities	41,671	10,080
Decrease in restricted cash	375	4,093
Decrease (increase) in deposits and other assets	135	(50)
Net cash provided by (used in) investing activities	(53,761)	7,825
Cash flows from financing activities:		
Issuance of common stock, net of issuance costs	3,085	1,654
Net cash provided by financing activities	3,085	1,654
Net increase (decrease) in cash and cash equivalents	(64,461)	61,304
Cash and cash equivalents at beginning of period	157,893	110,964
Cash and cash equivalents at end of period	$ 93,432	$ 172,268

The accompanying notes are an integral part of these consolidated condensed financial statements.

CIRRUS LOGIC, INC.
NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation

The consolidated condensed financial statements have been prepared by Cirrus Logic, Inc. ("we," "us," "our," or the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The accompanying unaudited consolidated condensed financial statements do not include complete notes and financial presentations. As a result, these financial statements should be read along with our audited consolidated financial statements and notes thereto for the year ended March 27, 2004, included in our 2004 Annual Report on Form 10-K. In our opinion, the financial statements reflect all adjustments, including normal recurring adjustments, necessary for a fair presentation of the financial position, operating results and cash flows, for those periods presented. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported assets, liabilities, revenues and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates and assumptions. Moreover, the results of operations for the interim periods presented are not necessarily indicative of the results that may be expected for the entire year. We maintain a web site at *www.cirrus.com*, which makes available free of charge our recent annual report and other filings with the SEC.

Certain reclassifications have been made to the fiscal year 2004 financial statements to conform to the fiscal year 2005 presentation. These reclassifications had no effect on the results of operations or stockholders' equity.

2. New Accounting Pronouncements

In November 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 151 *"Inventory Costs, an amendment of ARB No. 43, Chapter 4"* which is effective for fiscal years beginning after June 15, 2005. The pronouncement requires that excessive spoilage, double freight and re-handling costs be recognized as current period charges and that fixed production overhead charges included in the cost of inventory conversion be based upon normal production capacities. This is our current policy and therefore will not affect either our financial condition or the results of operations.

In December 2004, the FASB issued SFAS No. 123R " *Share-Based Payment"* which supersedes Accounting Principle Board Opinion ("APB") Opinion No. 25, *"Accounting for Stock Issued to Employees"* , SFAS No. 123, *"Accounting for Stock-Based Compensation"* , and related implementation guidance. The pronouncement is effective for interim and annual periods beginning after June 15, 2005 . Under this pronouncement, stock-based compensation to employees is required to be recognized as a charge to the statement of operations and such charge is to be measured according to the fair value of the stock options. In the absence of an observable market price for the stock awards, the fair value of the stock options would be based upon a valuation methodology that takes into consideration various factors, including the exercise price of the option, the expected term of the option, the current price of the underlying shares, the expected volatility of the underlying share price, the expected dividends on the underlying shares and the risk-free interest rate. We will adopt the delayed provisions of SFAS 123R during the second quarter of our fiscal year 2006. Our current policy is to not expense share-based compensation; however, we do disclose the affect of this item as currently required by SFAS 123, see Note 15, *"Stock-Based Compensation."*

3. Inventories

Inventories are comprised of the following (in thousands):

	December 25, 2004	March 27, 2004
Work in process	$ 22,706	$ 17,178
Finished goods	9,624	12,454
	$ 32,330	$ 29,632

4. Assets Held for Sale

On June 26, 2003, we agreed to sell certain of our test operation assets for $3.5 million, to ChipPAC, Inc. ("ChipPAC"), a provider of semiconductor packaging design, assembly, test and distribution services. The assets sold consisted primarily of analog and mixed-signal testers, handlers and wafer probes. The transaction closed and we received the cash on June 30, 2003. As a result of the planned transfer of these assets to ChipPAC, we recorded an impairment charge of $0.7 million in cost of sales during the first quarter of fiscal year 2004 and reclassified the related assets to assets held for sale, a component of other current assets. We completed the transfer of assets during December 2004, and therefore, we no longer reflect the value of these assets on the balance sheet. On August 4, 2004, ChipPAC merged with ST Assembly Test Services, Ltd and renamed the new combined entity STATS ChipPAC Ltd. ChipPAC continues to operate as a wholly-owned subsidiary of the new entity. In addition to the transfer of assets, we have entered into a long-term outsourcing agreement pursuant to which ChipPAC will provide package development, wafer probe, assembly, final test and distribution services to us.

5. Marketable Securities

Our investments that have original maturities greater than ninety days have been classified as available-for-sale securities in accordance with Statement of Financial Accounting Standards No. 115 ("SFAS 115"), *"Accounting for Certain Investments in Debt and Equity Securities."* Marketable securities are categorized on the Balance Sheet as Restricted Investments, Marketable Securities and Long-term Marketable Securities, as appropriate.

The following table is a summary of available-for-sale securities as of December 25, 2004 (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value (Net Carrying Amount)
Corporate securities – U.S.	$ 49,949	$ —	$ (232)	49,717
U.S. Government securities	35,361	—	(82)	35,279
Total debt securities	85,310	—	(314)	84,996
Marketable equity securities	—	—	—	—
	$ 85,310	$ —	$ (314)	$ 84,996

The following table is a summary of available-for-sale securities as of March 27, 2004 (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value (Net Carrying Amount)
Corporate securities – U.S.	$ 19,556	$ 13	$ —	$ 19,569
Corporate securities – non — U.S.	957	4	—	961
U.S. Government securities	9,571	9	—	9,580
Agency discount notes	6,991	1	—	6,992
Commercial paper	3,994	1	—	3,995
Total debt securities	41,069	28	—	41,097
Marketable equity securities	580	571	—	1,151
	$ 41,649	$ 599	$ —	$ 42,248

The cost and estimated fair value of available-for-sale investments by contractual maturity were as follows:

	December 25, 2004		March 27, 2004	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Within 1 year	$ 69,897	$ 69,677	$ 34,090	$ 34,101
After 1 year through 2 years	15,413	15,319	6,979	6,996
After 2 years	—	—	—	—
Total debt securities	85,310	84,996	41,069	41,097
Marketable equity securities	—	—	580	1,151
	$ 85,310	$ 84,996	$ 41,649	$ 42,248

During the first quarter of fiscal year 2005, we realized a gain of $0.7 million related to the sale of our investment in Silicon Laboratories, Inc., which resulted from their acquisition of Cygnal Integrated Products, Inc. in which we had an investment. We received $1.2 million, net of commissions for this sale of securities. Further, in the second quarter of fiscal year 2004, we realized a gain of $10.1 million related to our investment in SigmaTel, Inc. (“SigmaTel”). In November 2000, we entered into a litigation settlement with SigmaTel in which we received shares of common stock, guaranteed to be valued at $10.5 million should SigmaTel complete an initial public offering (“IPO”) in the future. On September 16, 2003, SigmaTel completed their IPO. We sold all of our shares and received $5.6 million, net of selling commissions. We also received a payment of $4.5 million from SigmaTel, which was the difference between the guaranteed $10.5 million value and the gross IPO value of our shares.

6. Intangibles, net

The following information details the gross carrying amount and accumulated amortization of our intangible assets (in thousands):

	As of December 25, 2004		As of March 27, 2004	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Core Technology	$ 8,290	$ (6,052)	$ 8,290	$ (4,642)
License Agreements	1,940	(1,398)	1,940	(1,080)
Existing Technology	43,430	(35,900)	43,430	(27,431)
Trademarks	320	(293)	320	(233)
Technology Licenses	13,245	(8,775)	17,166	(9,122)
	$ 67,225	$ (52,418)	$ 71,146	$ (42,508)

Amortization expense for all intangible assets during the third quarter of fiscal years 2005 and 2004 was $4.2 million and $4.5 million, respectively. Amortization expense for the first nine months of fiscal years 2005 and 2004 was $13.0 million and $13.9 million, respectively.

The following table details the estimated aggregate amortization expense for all of our intangibles as of December 25, 2004 for the remainder of fiscal year 2005 and for each of the five succeeding fiscal years (in thousands):

For the remainder of the year ended March 26, 2005	$ 4,024
For the year ended March 25, 2006	7,793
For the year ended March 31, 2007	1,433
For the year ended March 9, 2008	1,026
For the year ended March 8, 2009	278
For the year ended March 7, 2010	236

7. Income Taxes

We realized a net income tax benefit of $15.1 million during the third quarter and for the first nine months of fiscal year 2005. This net benefit is comprised of an income tax benefit of $15.2 million resulting from the expiration in December 2004 of the statute of limitations for the years in which we had previously recorded certain potential U.S. federal tax liabilities. The income tax benefit is partially offset by $0.1 million of foreign income tax expense. We realized an income tax benefit of $7.1 million for the first nine months of fiscal year 2004, primarily as a result of a benefit of $7.2 million resulting from the expiration of the statute of limitations for the years in which we had previously recorded certain potential state tax liabilities. The income tax benefit was partially offset by $0.1 million of income tax expense that consisted primarily of foreign withholding and foreign income taxes.

Our income tax liability balance is comprised primarily of tax contingencies that are recorded to address potential exposures involving tax positions we have taken that could be challenged by taxing authorities. These exposures result from the varying application of statutes, rules, regulations and interpretations. Our tax contingencies are established based on past experiences and judgments about potential actions by taxing jurisdictions, and relate primarily to transfer pricing positions we have taken in a variety of countries in which we operate. The ultimate resolution of these matters may be materially greater or less than the amount that we have accrued.

Statement of Financial Accounting Standard No. 109 (“SFAS 109”), “ *Accounting for Income Taxes* ,” provides for the recognition of deferred tax assets if realization of such assets is more likely than not. We have provided a valuation allowance equal to our net deferred tax assets due to uncertainties regarding their realization. We evaluate the realizability of our deferred tax assets on a quarterly basis.

8. Restructuring and Other Costs

During the third quarter of fiscal year 2005, we recorded a charge of $0.9 million for severance related items associated with our December 16, 2004 workforce reductions, which affected 41 individuals in the U.S. In connection with this reduction, we also recorded an impairment charge of $1.9 million for the abandonment of certain computer aided design (“CAD”) and other software tools that will no longer be utilized. In addition, we recorded a $0.3 million charge as a result of changes to severance expense estimates made in connection with our August 25, 2004 workforce reduction. During the fourth quarter of fiscal year 2005, we will complete the restructuring activity announced on December 16, 2004, and anticipate an additional charge for severance related expenses of up to $2.0 million.

During the second quarter of fiscal year 2005, we recorded a charge of $1.5 million in operating expenses for severance and facility related items associated with our August 25, 2004 workforce reductions, which affected approximately 55 individuals worldwide. In connection with this reduction, we recorded an impairment charge of $3.2 million for the abandonment of certain computer aided design (“CAD”) software tools that will no longer be utilized. These charges were partially offset by the release of a $0.5 million gain resulting from a lease buyout that we completed in the second quarter of fiscal year 2005. The cost for this leased facility had been partially accrued when a portion of the space was vacated during our fiscal year 2002 workforce reductions. During the first quarter of fiscal 2005, the remaining cost was accrued when the leased space was completely vacated. The total buyout amount of $4.3 million was less than the recorded liability and hence, we recognized the benefit of $0.5 million from this transaction against the restructuring expenses incurred during the second quarter of fiscal year 2005.

In addition to the transactions recorded during the second quarter of fiscal 2005, as mentioned above, during the first quarter of fiscal year 2005, we recorded a charge of $1.6 million for the remainder of the facility consolidation activities related to our workforce reduction that began in the fourth quarter of fiscal year 2004. Additionally, we recorded an impairment charge of $0.1 million for property and equipment associated with our Pune, India facility closure.

During the third quarter of fiscal year 2004, we recorded a charge of $0.9 million in operating expenses primarily related to severance for headcount reductions. We eliminated 60 positions from various job classes and functions during the third quarter of fiscal year 2004 in Austin, Texas, primarily in selling, general and administrative functions, and in Broomfield, Colorado, primarily in engineering. Additionally, we eliminated test operation positions during the third quarter as part of our previously announced plan to reduce headcount associated with our outsourcing agreement with ChipPAC. During the first nine months of fiscal year 2004, we recorded a restructuring charge of $5.9 million in operating expenses for facility consolidations primarily in California and Texas, an impairment charge of $1.5 million for property and equipment associated with our Austin, Texas facility consolidation, and a net charge of $1.5 million related to workforce reductions.

As of December 25, 2004, we had a remaining accrual from all of our past restructurings of $6.7 million, primarily related to net lease amounts that will be paid over their respective lease terms through fiscal year 2013, along with other anticipated lease termination costs. We have classified $3.4 million of this restructuring accrual as long term.

The following table details the changes in all of our restructuring accruals during the nine months ended December 25, 2004:

Description	March 27, 2004	Charges to P&L	Cash Payments	December 25, 2004
Severance - fiscal year 2005	$ —	$ 2,634	$ (1,326)	$ 1,308
Severance - fiscal year 2004	174	—	(174)	—
Facilities abandonment - fiscal year 2005	—	1,254	(1,177)	77
Facilities abandonment - fiscal year 2004	5,297	18	(747)	4,568
Facilities abandonment - fiscal year 2003	267	(25)	(42)	200
Facilities abandonment - fiscal year 2002	3,665	—	(3,560)	105
Facilities abandonment - fiscal year 1999	397	—	—	397
	$ 9,800	$ 3,881	$ (7,026)	$ 6,655

9. Earnings Per Share

Basic net income (loss) per share is based on the weighted effect of common shares issued and outstanding and is calculated by dividing net income (loss) by the basic weighted average shares outstanding during the period. Diluted net income (loss) per share is calculated by dividing net income (loss) by the basic weighted average number of common shares used in the basic net income (loss) per share calculation plus the number of common shares that would be issued assuming exercise or conversion of all potentially dilutive common shares outstanding.

The shares used in the computation of basic and diluted earnings per share are as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	December 25, 2004	December 27, 2003	December 25, 2004	December 27, 2003
Basic weighted-average common shares outstanding	84,773	84,015	84,621	83,908
Dilutive effect of employee stock options	1,386	2,425	—	1,350
Diluted weighted-average common shares outstanding	86,159	86,440	84,621	85,258

Incremental weighted average common shares attributable to the assumed exercise of outstanding options of 1.6 million as of December 25, 2004 were excluded from the computation of diluted net loss per share because the effect would be anti-dilutive due to our net loss during the first nine months of fiscal years 2005.

The weighted outstanding options excluded from our diluted calculation for the three months ended December 25, 2004 and December 27, 2003 were 7.6 million and 5.3 million respectively, as the exercise price exceeded the average market price during the respective three-month periods. The weighted outstanding options excluded from our diluted calculation for the nine months ended December 25, 2004 and December 27, 2003 were 7.4 million and 6.8 million respectively, as the exercise price exceeded the average market price during the respective nine month periods.

10. Deferred Income on Shipments to Distributors

Sales made to domestic distributors and certain international distributors are deferred until the final sale to the end customer has occurred. In general, these distributor agreements allow for certain rights of return, price adjustments, and price protection. Included in the $7.9 million of deferred income at December 25, 2004 is $2.2 million in product shipped by a distributor to their customer during the third quarter of fiscal 2005 that had not met all the criteria for revenue recognition. Consequently, the sales associated with these shipments have been deferred until such time as all revenue recognition criteria has been satisfied.

11. Contingencies

Fujitsu

On October 19, 2001, we filed a lawsuit against Fujitsu, Ltd. (“Fujitsu”) in the United States District Court for the Northern District of California. We are asserting claims for breach of contract and anticipatory breach of contract and we are seeking damages in excess of $46 million. The basis for our complaint is Fujitsu’s refusal to pay for hard disk drive-related chips delivered to and accepted by it in fiscal year 2002. On December 17, 2001, Fujitsu filed an answer and a counterclaim. Fujitsu alleges claims for breach of contract, breach of warranty, quantum meruit/equitable indemnity and declaratory relief. The basis for Fujitsu’s counterclaim is the allegation that certain chips that we sold to Fujitsu were defective and allegedly caused Fujitsu’s hard disk drives to fail. The counterclaim does not specify the damages Fujitsu seeks, other than to allege it has sustained “tens of millions” of dollars in damages. To facilitate the resolution of all claims in one lawsuit, including our claims against potentially responsible third parties, we agreed with Fujitsu to realign our claims so that Fujitsu is the plaintiff and we are the defendant and counterclaimant. This realignment allowed Fujitsu and us to file in the same lawsuit third-party claims alleging breach of contract and warranty against Amkor Technology, Inc., (“Amkor”) the company that recommended and sold to us the packaging materials that caused the alleged defects in our chips. Amkor filed an answer to our third-party claim and a third-party complaint for implied contractual indemnity and breach of warranties against Sumitomo Bakelite Co., Ltd., (“Sumitomo”) the company that sold the allegedly defective molding compound used in these packaging materials.

On December 5, 2003, for reasons related to the potential lack of jurisdiction for certain claims in federal district court, Fujitsu filed a complaint in California state court alleging claims substantially similar to those filed against us in district court and, in addition, alleging fraud and other related claims against Amkor and Sumitomo. On December 23, 2003, we filed a cross-complaint in California state court alleging the same claims against Fujitsu as we alleged in federal district court and further alleging fraud and other related claims against Amkor and Sumitomo based on their alleged knowledge that the molding compound used in the packaging materials sold to us was defective. On May 10, 2004, the state court issued an order finding the facts supporting the new fraud and negligent misrepresentation causes of action against Amkor and Sumitomo set forth in our cross-complaint insufficient. On June 18, 2004, we filed an amended cross complaint asserting the same fraud and negligent misrepresentation claims against Amkor and Sumitomo in more detail. On August 24, 2004, the court again found the fraud and negligent misrepresentation claims in our cross-complaint were insufficient and granted 30 days for us to file another amended cross-complaint. We filed a second amended cross complaint on October 4, 2004, in which we alleged additional factual detail in support of these claims. On November 23, 2004, the court found that we had alleged sufficient facts to support our fraud and negligent misrepresentation claims against Amkor and Sumitomo.

To address the claims of all parties and for reasons of judicial economy, the parties jointly moved to stay the federal district court action pending resolution of the state court action. The trial in state court was originally set for January 31, 2005, but was rescheduled by the court on September 21, 2004 for May 2, 2005.

Since filing its original counterclaim, Fujitsu has indicated that it intends to seek hundreds of millions of dollars in damages, although, as of this date, Fujitsu has not indicated how it will substantiate this amount of damages and we are unable to reasonably estimate the amount of damages. We intend to defend and prosecute our lawsuit vigorously. Further, we believe that we have valid claims against Amkor and Sumitomo in the event we are found to be liable to Fujitsu and that insurance may cover defense costs and some or all of any liability to Fujitsu. However, we cannot predict the ultimate outcome of this litigation and we are unable to estimate any potential liability we may incur. An adverse outcome in this litigation could materially harm our financial condition or results of operations.

St. Paul Fire and Marine Insurance Company

On June 9, 2004, we filed a complaint for declaratory relief against St. Paul Fire and Marine Insurance Co. ("St. Paul") in the United States District Court, Northern District of California. Specifically, the complaint seeks a judicial determination and declaration that the Technology Commercial General Liability Protection ("CGL") coverage under an insurance policy issued to us by St. Paul provides Cirrus with insurance coverage for Cirrus's defense of claims brought by Fujitsu in the previously referenced matter. Pursuant to our CGL policy, the costs and expenses associated with defending our lawsuit against Fujitsu would be covered, but would not reduce the policy coverage limits. On August 23, 2004, St. Paul answered the complaint, denying that it was obligated to defend us under the CGL policy.

In the event that the Court determines that St. Paul is not obligated to defend us under the CGL coverage, St. Paul is currently providing coverage under the Technology Errors and Omissions Liability Protection ("E&O") portion of the insurance policy issued to us by St. Paul. Although we believe that our E&O coverage covers defense costs and any potential liability to Fujitsu, our costs associated with defending the lawsuit would apply to and reduce the limits of our insurance coverage.

Despite filing this lawsuit, we continue to believe that we have valid claims in the Fujitsu litigation against Amkor and Sumitomo. In addition, as previously indicated, we cannot predict the ultimate outcome of the Fujitsu litigation and we are unable to estimate any potential liability we may incur.

Wolfson Microelectronics

On October 9, 2003, we filed a lawsuit against Wolfson Microelectronics, plc, a United Kingdom company and Wolfson Microelectronics Ltd., a Delaware corporation, (collectively "Wolfson") in the U.S. District Court for the Southern District of California. We are alleging that several Wolfson products that incorporate digital-to-analog converters ("DACs") infringe on our U.S. Patent Nos. 6,492,928 and 6,011,501. We are seeking damages and requesting a permanent injunction against Wolfson from making, using, offering to sell or selling in the U.S. or importing into the U.S. any infringing products. On December 2, 2003, in response to our complaint, Wolfson filed an answer and a counterclaim against us alleging, among other things, unfair competition, tortious interference with prospective economic advantage and tortious interference with contractual relationships. Wolfson's claims were based primarily on our alleged bad faith in filing suit against Wolfson with the alleged knowledge that one of the two asserted patents was invalid. On April 2, 2004, the district court dismissed Wolfson's counterclaims for failure to state a claim, although the district court granted leave to amend their complaint. On April 30, 2004, Wolfson amended its counterclaims to include additional allegations concerning alleged communications by Cirrus Logic with Bose Corporation and Argus Electronics relating to Wolfson's ability to continue to provide Wolfson audio DACs to these customers in the future. Based on the information available to us at this time, we believe that we will ultimately succeed in defending against these allegations.

In addition, on October 14, 2003, we filed a complaint requesting that the U.S. International Trade Commission (the "ITC") initiate an investigation of Wolfson Microelectronics, plc, for violation of Section 337 of the Tariff Act of 1930, in the importation, sale for importation and sale in the U.S. after importation of certain digital-to-analog converters and other products containing these converters. In our complaint, we asked the ITC to investigate whether certain Wolfson products infringe on one or more of the claims of U.S. Patent No. 6,492,928. On November 10, 2003, the ITC instituted an investigation into Wolfson's actions based on our allegations. On December 9, 2003, we also requested the ITC to further investigate whether certain Wolfson products infringed on one or more of the claims of U.S. Patent No. 6,011,501. On December 29, 2003, the ITC included our allegations of infringement with respect to U.S. Patent No. 6,011,501 into its investigation. With respect to both patents, we are seeking a permanent exclusion order banning the importation into the U.S. of the allegedly infringing products and a cease-and-desist order halting the sale of these infringing products, as well as other relief the ITC deems appropriate. A hearing on the matter before the ITC was held between August 3-11, 2004.

On November 16, 2004, an administrative law judge determined that both patents asserted against Wolfson were valid and infringed. However, with respect to U.S. Patent No. 6,492,928, the administrative law judge also determined that the patent was not enforceable due to our failure to provide certain information to the Patent and Trademark Office as part of our efforts to obtain the patent. The ITC has further determined that it will not review that decision. We expect a final determination as to the remedy that we are entitled to with respect to U.S. Patent No. 6,011,501 in early February, 2005.

Silvaco Data Systems

On December 8, 2004, Silvaco Data Systems ("Silvaco") filed suit against us, and others, alleging misappropriation of trade secrets, conversion, unfair business practices, and civil conspiracy. Silvaco's complaint stems from a trade secret dispute between Silvaco and a software vendor, Circuit Semantics, Inc., who supplies us with certain software design tools. Silvaco alleges that our use of Circuit Semantic's design tools infringes upon Silvaco's trade secrets and that we are liable for compensatory damages in the sum of $10 million. Silvaco has not indicated how it will substantiate this amount of damages and we are unable to reasonably estimate the amount of damages, if any.

We intend to defend the lawsuit vigorously. In addition, Circuit Semantics is obligated to defend and indemnify us pursuant to our license agreement with them for the software. However, we cannot predict the ultimate outcome of this litigation and we are unable to estimate any potential liability we may incur.

Facilities Under Operating Lease Agreements

We lease our facilities under operating lease agreements. Our principal facility, located in Austin, Texas, is 197,000 square feet and houses our headquarters and engineering facility. The lease agreement for this facility includes a potential obligation to enter into another lease agreement for a period of 10 years for an additional 64,000 square feet in a new building to be built on property next to our current facility. This obligation was contingent upon construction beginning on the new facility before November 10, 2004. On September 14, 2004, our landlord provided us notice that it had elected to construct the new building. However, as of February 1, 2005, actual construction on the new building had not commenced. On November 12, 2004, we filed suit against our landlord in the state district court of Travis County, Texas seeking declaratory relief as to our obligations under the current operating lease agreement. Specifically, we seek a declaration that we have no obligation to lease an additional two floors of space because the landlord did not commence construction of the new facility before November 10, 2004.

In the event that the court determines that the owner of the property has strictly complied with all notices and conditions precedent to entering a new lease, we believe that construction on the new facility will be completed in July 2006 and that the yearly minimum future lease payments could be as much as $1.7 million. In addition, we may be required to provide a cash deposit of $200,000 and segregate and restrict an additional $3 million of our available cash balance in the form of a letter of credit.

Other Claims

On June 3, 2003, the Inland Revenue Authority of Singapore ("IRAS") notified us that it disagreed with our classification of sales to certain disk drive customers from May 1997 through March 1998, resulting in additional goods and services taxes ("GST") owed by us. After a thorough review of these matters by both the Company and representatives from IRAS, we reached an agreement in the third quarter of 2005 on this and all other audit issues covering years 1997 through 2000. As a result, instead of incurring a liability, the Company is due $2.3 million for reclaimed GST collected by vendors during the years 1997 through 2000. This amount has been accrued as of December 25, 2005, and is included in Other current assets.

From time to time, other various claims, charges and litigation are asserted or commenced against us arising from, or related to, contractual matters, intellectual property, employment disputes, as well as other issues. Frequent claims and litigation involving these types of issues are not uncommon in the integrated circuit ("IC") industry. As to any of these claims or litigation, we cannot predict the ultimate outcome with certainty.

12. Litigation Settlement

Western Digital

On August 22, 2003, we signed an agreement to settle prior litigation with Western Digital Corporation and its Malaysian subsidiary, Western Digital (M) SDN.BHD, ("WD"). Under the terms of the agreement, WD made a one-time payment to us of $45 million on October 16, 2003. We recorded the settlement as a credit to operating expense during the third quarter of fiscal year 2004 when the payment was received. Part of the $45 million received from WD represented a recovery of bad debt expense recorded in a prior year of approximately $26.5 million.

13. Patent agreement and settlements, net

During the third quarter of fiscal 2005, we released $0.6 million in accrued legal fees originally accrued during the second quarter fiscal 2004, in connection with the sale of certain patents.

On August 11, 2003, we entered into a Patent Sale, Assignment and Cross-License Agreement with NVIDIA and NVIDIA International, Inc. to settle certain pending litigation. As a result of this agreement, NVIDIA paid us $9 million on August 11, 2003. On September 23, 2003, we entered into a Patent Sale, Assignment and Cross-License Agreement with ATI and ATI International SRL to settle certain additional pending litigation. As a result of this agreement, ATI paid us $9 million on October 2, 2003. Under the terms of a contingency fee arrangement, we were obligated to pay outside counsel a percentage of these settlements. Both the settlements and the contingent legal fees, which totaled $14.4 million, were recorded in the second quarter of fiscal year 2004 as a separate line item in operating expenses under the heading "Patent agreement and settlements, net."

14. Comprehensive Income

The components of comprehensive income, net of tax, are as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	December 25, 2004	December 27, 2003	December 25, 2004	December 27, 2003
Net income (loss)	$ 2,530	$ 39,449	$ (15,926)	$ 36,186
Adjustments to arrive at comprehensive income (loss):				
Change in unrealized gain (loss) on marketable securities	(205)	232	(245)	1,344
Realized gain on marketable equity securities	—	—	(669)	—
Change in unrealized loss on foreign currency translation adjustments	—	152	1	49
Comprehensive income (loss)	$ 2,325	$ 39,833	$ (16,839)	$ 37,579

15. Stock-Based Compensation

The FASB issued SFAS No. 123R " *Share-Based Payment*" which supersedes APB Opinion No. 25, *"Accounting for Stock Issued to Employees,"* SFAS No. 123, *"Accounting for Stock-Based Compensation"* and related implementation guidance. The pronouncement is effective for interim and annual periods beginning after June 15, 2005, and we will implement it at that time. Refer to Note 2, *"New Accounting Pronouncements,"* for a more detailed discussion of the specific requirements.

The following table illustrates the effect on net income (loss) and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, *"Accounting for Stock-Based Compensation"* (in thousands, except per share data):

	Three Months Ended		Nine Months Ended	
	December 25, 2004	December 27, 2003	December 25, 2004	December 27, 2003
Net income (loss) as reported	$ 2,530	$ 39,449	$ (15,926)	$ 36,186
Add: Stock-based employee compensation expense included in reported net income (loss), net of related tax effects	145	304	452	1,084
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards, net of tax related effects	(2,663)	(3,752)	(9,145)	(10,790)
Proforma net income (loss)	$ 12	$ 36,001	$ (24,619)	$ 26,480
Basic net income (loss) per share as reported	$ 0.03	$ 0.47	$ (0.19)	$ 0.43
Proforma basic net income (loss) per share	$ —	$ 0.43	$ (0.29)	$ 0.32
Diluted net income (loss) per share as reported	$ 0.03	$ 0.46	$ (0.19)	$ 0.42
Proforma diluted net income (loss) per share	$ —	$ 0.42	$ (0.29)	$ 0.31

16. Segment Information

Factors used in determining the reportable business segments include the nature of operating activities, existence of separate senior management teams, and the type of information presented to the company's chief operating decision maker to evaluate the results of operations and allocated resources.

We design, develop and sell high-performance analog or mixed-signal and digital processing integrated circuits ("ICs") for various electronics applications. The nature of our products and operating activities, as well as selling methods, is consistent among all of our products. Our product groups have similar characteristic and customers. We have one senior management team and the information is presented to the company's chief operating decision maker to evaluate all results and allocated resources as one operating segment.

We operate in one operating segment, and prior to the third quarter 2005, we tracked our revenue under two product lines: Analog and Video. On December 16, 2004, we announced that we would be implementing a product-line structure focusing on four product lines; Mixed-signal audio products, Embedded products, Industrial products, and Video products, rather than the two product lines previously reported. The primary change from our previously reported product lines has been to further divide the Analog product line into Mixed-signal audio products, Embedded products, and Industrial products. Additionally, in previous periods, sales of certain video ICs used in DVD receiver applications had been reported as Video products. As these parts also contain characteristics of audio applications, sales of these ICs are now reported within the embedded products lines.

In accordance with SFAS 131, below is a summary of our product line information and all historical information has been restated to reflect the new product line classifications (in thousands):

	Three Months Ended		Nine Months Ended	
	December 25, 2004	December 27, 2003	December 25, 2004	December 27, 2003
Mixed-signal audio products	$ 21,956	$ 28,238	$ 75,161	$ 71,832
Embedded products	11,068	11,132	36,497	36,804
Industrial products	7,918	6,277	28,424	17,938
Video products	3,094	9,623	14,403	19,550
	$ 44,036	$ 55,270	$ 154,485	$ 146,124

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read along with the unaudited consolidated condensed financial statements and notes thereto included in Item 1 of this Quarterly Report, as well as the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended March 27, 2004, contained in our 2004 Annual Report on Form 10-K. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements regarding future events and our future results that are based on current expectations, estimates, forecasts and projections and the beliefs and assumptions of our management including, without limitation, our expectations regarding fourth quarter sales, gross margins, combined research and development and selling, general and administrative expenses, restructuring activities and charges, and amortization of acquired intangibles. Words such as "expect," "anticipate," "target," "project," "believe," "goals," "estimates," "intend" and variations of these types of words and similar expressions are intended to identify these forward-looking statements. Readers are cautioned that these forward-looking statements are predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ significantly and adversely from those expressed in any forward-looking statements.

Among the important factors that could cause actual results to differ substantially from those indicated by our forward-looking statements are those discussed below under the subheading "Factors That May Affect Future Operating Results" and elsewhere in this report. We undertake no obligation to revise or update publicly any forward-looking statement for any reason. Readers should carefully review the risk factors described in "Factors That May Affect Future Operating Results" below, as well as in the documents filed by us with the Securities and Exchange Commission, specifically the most recent reports on Forms 10-K, 10-Q and 8-K, each as it may be amended from time to time.

Company Overview

Cirrus Logic, Inc. ("we," "us," "our," or the "Company") is a leader in digital audio, video and high-performance analog and mixed-signal integrated circuits ("ICs") for consumer entertainment, automotive entertainment and industrial applications. We develop and market ICs and system and embedded software used by original design manufacturers ("ODMs") and original equipment manufacturers ("OEMs"). We also provide complete system reference designs based on our technology that facilitate our customers' ability to bring products to market in a timely and cost-effective manner.

We operate in one operating segment, and prior to the third quarter 2005, we tracked our revenue under two product lines: Analog and Video. On December 16, 2004, we announced that we would be implementing a product-line structure focusing on four product lines; Mixed-signal audio products, Embedded products, Industrial products, and Video products, rather than the two product lines previously reported. The primary change from our previously reported product lines has been to further divide the

Analog product line into Mixed-signal audio products, Embedded products, and Industrial products. Additionally, in previous periods sales of certain video ICs used in DVD receiver applications had been reported as Video products. As these parts also contain characteristics of audio applications, sales of these ICs are now reported within the embedded products lines. All historical information has been restated to reflect the new product line classifications.

Our Mixed-signal audio products is our largest line and includes home audio, home video, pro-audio, automotive, portable, and console/PC applications. The second largest line is the Embedded products line. This includes multi-channel audio, networked audio, audio consulting, general purpose ARM, and communications applications. Our Industrial product line targets industrial process controls, analytical instruments, power meters, seismic, and consumer utility applications. The remaining line is the Video product line which supports DVD recording products.

We maintain sales, design and technical support personnel in the U.S. and other locations near our customers. To better support our customer base, most of which maintain design and/or manufacturing sites in Asia, we have increased our Pacific Rim workforce from 155, or 20% of our work force, at the end of fiscal year 2004, to 174, or 26% of our workforce, at the end of the third fiscal quarter of fiscal year 2005. In addition to direct sales, we also utilize third party distributor channels.

We contract with third party manufacturers, located close to our Asian-based customers, for substantially all of our wafer fabrication and assembly. In addition, during the third quarter of fiscal 2005, we completed the transition of a substantial portion of our test operations to third parties located in Asia. Our manufacturing organization qualifies each product, participates in defining processes and packages for our ICs, defines and controls the manufacturing process at our suppliers, develops test programs and performs production testing of our products in accordance with our ISO-certified quality management system. This fabless manufacturing strategy allows us to concentrate on our design strengths, minimize fixed costs and capital requirements, access advanced manufacturing facilities, and provide flexibility on sourcing through multiple qualified vendors.

Critical Accounting Policies

Our discussion and analysis of the financial condition and results of operations are based upon the consolidated condensed financial statements included in this report, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts. We evaluate the estimates on an on-going basis. We base these estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different circumstances. We also have policies that we consider to be key accounting policies, such as our policies for revenue recognition, including the deferral of revenues and gross profit on sales to certain of our distributors; however, these policies do not meet the definition of critical accounting estimates because they do not generally require us to make estimates or judgments that are difficult or subjective.

We believe the following critical accounting policies are affected by our more significant judgments and estimates used in the preparation of the consolidated financial statements:

- We maintain allowances for doubtful accounts for estimated losses resulting from the inability or failure of our customers to make required payments. We regularly evaluate our allowance for doubtful accounts based upon the age of the receivable, our ongoing customer relations, as well as any disputes with the customer. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required, which could have a material effect on our operating results and financial position. Additionally, we may maintain an allowance for doubtful accounts for estimated losses on receivables from customers with whom we are involved in litigation.

- Inventories are recorded at the lower of cost or market, with cost being determined on a first-in, first-out basis. We write down inventories to net realizable value based on forecasted demand and the age of the inventory. Actual demand and market conditions may be different from those projected by management, which could have a material effect on our operating results and financial position.

- We evaluate the recoverability of property and equipment and intangible assets in accordance with Statement of Financial Accounting Standard No. 144 ("SFAS 144"), *"Accounting for the Impairment or Disposal of Long-Lived Assets."* This standard requires recognition of impairment of long-lived assets in the event the carrying value of these assets exceeds the fair value of the applicable assets. Impairment evaluations involve management estimates of asset useful lives and future cash flows. Actual useful lives and cash flows could be different from those estimated by management, which could have a material effect on our operating results and financial position.

- Restructuring charges for workforce reductions and facilities consolidation reflected in the accompanying financial statements were estimated based upon specific plans established by management, in accordance with Emerging Issues Task Force No. 94-3 ("EITF 94-3"), *"Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)"* or SFAS 146, " *Accounting for Costs Associated with Exit or Disposal Activities* " depending upon the time of the restructuring activity. We use an estimated borrowing rate as the discount rate for all of our restructuring accruals made under SFAS 146. Our facilities consolidation accruals were based upon our estimates as to the length of time a facility would be vacant, as well as the amount of sublease income we would receive once we sublet the facility, after considering current and projected conditions for the applicable rental market. Changes in these estimates could result in an adjustment to our restructuring accruals in a future quarter, which could have a material effect on our operating results and financial position.

- Our tax liability is comprised primarily of tax contingencies that are recorded to address potential exposures involving tax positions we have taken that could be challenged by taxing authorities. These exposures result from the varying application of statutes, rules, regulations and interpretations. Our tax contingencies are established based on past experiences and judgments about potential actions by taxing jurisdictions, and relate primarily to transfer pricing positions we have taken in a variety of countries in which we operate. The ultimate resolution of these matters may be materially greater or less than the amount that we have accrued.

- We are subject to the possibility of loss contingencies for various legal matters. We regularly evaluate current information available to us to determine whether any accruals should be made based on the status of the case, the results of the discovery process and other factors. If we ultimately determine that an accrual should be made for a legal matter, this accrual could have a material effect on our operating results and financial position and the ultimate outcome may be materially different from our estimate.

Results of Operations

The following table summarizes the results of our operations for the third quarter and first nine months of fiscal years 2005 and 2004, as a percentage of net sales. Historical amounts have been restated to reflect the current product lines and all percentage amounts were calculated using the underlying data in thousands:

	Three Months Ended		Nine Months Ended	
	December 25, 2004	December 27, 2003	December 25, 2004	December 27, 2003
Mixed-signal audio products	50%	51%	49%	49%
Embedded products	25%	20%	24%	25%
Industrial products	18%	11%	18%	12%
Video products	7%	17%	9%	13%
Net sales	100%	100%	100%	100%
Cost of sales	61%	48%	53%	49%
Gross Margin	39%	52%	47%	51%
Research and development	35%	33%	33%	41%
Selling, general and administrative	21%	22%	23%	25%
Amortization of acquired intangibles	8%	6%	7%	8%
Restructuring and other costs	7%	2%	6%	6%
Litigation settlement	0%	(81%)	0%	(31%)
Patent agreement and settlement, net	(1%)	0%	0%	(10%)
Total operating expenses	70%	(18%)	69%	39%
Income (loss) from operations	(31%)	70%	(22%)	12%
Realized gain on marketable securities	0%	0%	0%	7%
Interest income (expense), net	2%	1%	2%	1%
Other income (expense), net	1%	0%	0%	0%
Income (loss) before income taxes	(28%)	71%	(20%)	20%
Provision (benefit) for income taxes	(34%)	0%	(10%)	(5%)
Net income (loss)	6%	71%	(10%)	25%

Net Sales

During the third quarter of fiscal year 2005, net sales were $44.0 million, down 20% from net sales of $55.3 million during the third quarter of fiscal year 2004. The $11.3 million decrease was due to lower than expected consumer demand for DVD players and recorders during the holiday season. This significantly reduced our customers' need for both audio converters and video ICs used in these products. Net sales from our mixed-signal products were down $6.3 million, or 22% in the third quarter of fiscal year 2005, compared with the third quarter of fiscal year 2004. This reduction was due to lower demand for our 2-channel digital-to-analog converters sold to Chinese DVD player manufacturers. Net sales from our embedded products remained relatively flat. Net sales from our industrial products were up $1.6 million, or 26%, due in large part to increased demand for energy exploration applications. Net sales from the video line were down $6.5 million, or 68% from the third quarter of fiscal 2004 due to excess inventory in the channel, as our customers' supply on hand was adequate to meet the needs of their retail customers.

Year-to-date net sales were $154.5 million, up $8.4 million, or 6% from net sales of $146.1 million during the first nine months of fiscal year 2004. Net sales from our mixed-signal products increased $3.3 million, or 5% during the first nine months of fiscal year 2005, as compared with the first nine months of fiscal year 2004. The year-over-year increase in net sales of our mixed signal products was primarily due to an increase in shipments of audio converters during the first two quarters of 2005. Net sales of our embedded products line remained relatively flat year over year and net sales of our industrial product line increased $10.5 million, or 58% as we continue to target industrial process control, analytical instruments, power meter, seismic, and consumer utility applications. Net sales from our video products were down $5.1 million, or 26% for the first nine months of fiscal year 2005, as compared to the first nine months of fiscal year 2004. The year-to-date decrease in net sales of our video products was due to lower than anticipated demand during the third quarter of 2005, as our customers' supply on hand was adequate to meet the needs of their retail customers.

For the fourth quarter of fiscal year 2005, our demand forecast remains cautious. Our outlook for the seasonally slow March quarter includes an expectation of lower demand that typically follows the December holiday quarter. We expect our total sales in the fourth quarter of fiscal year 2005 to be between $40 million and $42 million.

Export sales, principally to Asia, including sales to U.S.-based customers with manufacturing plants overseas, were 65% and 72% of net sales during the third quarter of fiscal years 2005 and 2004, respectively. Export sales were 66% and 71% of total sales in the first nine months of fiscal years 2005 and 2004, respectively. Our sales are denominated in U.S. dollars. As a result, we have not entered into foreign currency forward exchange or option contracts.

We had no direct customers that accounted for more than 10% of our sales during the third quarter of fiscal 2005. Sales to our distributors represented 58% and 63% of our net sales during the third quarter of fiscal year 2005 and 2004, respectively, and 62% and 65% of our net sales during the first nine months of fiscal year 2005 and 2004, respectively. The following table summarizes sales to distributors that represent more than 10% of our consolidated net sales.

	Three Months Ended		**Nine Months Ended**	
	December 25, 2004	**December 27, 2003**	**December 25, 2004**	**December 27, 2003**
Memec Group Holdings Ltd.	26%	17%	27%	19%
Honestar Technologies	5%	11%	7%	8%
Ryoyo Electro Corporation	8%	6%	6%	9%
Sunamper Electronics Co. Ltd.	2%	9%	3%	8%

Gross Margin

Gross margin was 39.1% in the third quarter of fiscal year 2005, compared with 52.0% in the third quarter of fiscal year 2004. During the third quarter of fiscal year 2005, we recorded a net charge to cost of sales of $5.0 million, which had a 10.8% negative affect on gross margin. This net charge was comprised of a $7.0 million write-down to our inventory for excess and slow moving product, offset by a benefit from the sale of $2.0 million in product whose value had been written down to zero in prior periods.

Gross margin was 46.5% and 51.0% during the first nine months of fiscal years 2005 and 2004, respectively. On a year-to-date basis, we recorded a net charge of $8.9 million, which had a 5.7% negative affect on gross margin. This net charge was comprised of a $12.4 million write-down to our inventory for excess and slow moving product, offset by a benefit from the sale of $3.5 million in product whose value had been written down to zero in prior periods.

We expect our margins to return to the targeted 51% to 53% range for the fourth quarter of fiscal year 2005.

Research and Development Expense

Research and development expense ("R&D") decreased $2.7 million, or 15.1% in the third quarter of fiscal year 2005 to $15.5 million, compared with $18.2 million in the third quarter of fiscal year 2004. Research and development expense for the first nine months of fiscal year 2005 totaled $52.0 million, a decrease of $7.3 million, or 12.3%, from $59.3 million during the comparable period in fiscal year 2004.

The R&D workforce decreased by 32 individuals on a year-over-year basis as we continue to better align our resources with our current expectations and requirements.

Selling, General and Administrative Expense

Selling, general and administrative expense ("SG&A") decreased $2.6 million, or 21% in the third quarter of fiscal year 2005 to $9.6 million, compared with $12.2 million in the third quarter of fiscal year 2004. The decrease primarily resulted from a one-time benefit of $2.3 million attributable to a favorable ruling on reclaimed goods and services tax ("GST"). SG&A for the first nine months of fiscal year 2005 decreased $1.6 million, or 4.4% to $35.3 million, from $36.9 million during the comparable period in fiscal year 2004. On a year-to-date basis, the GST benefit was offset by an increase in legal fees, primarily associated with our Wolfson and Fujitsu litigations.

We expect our combined R&D and SG&A to be between $25 million and $26 million for the fourth quarter of fiscal 2005.

Restructuring and Other Costs

During the third quarter of fiscal year 2005, we recorded total restructuring and other charges of $3.1 million for severance expenses related to a workforce reduction plan initiated in December 2004 and for abandoned software and computer aided design ("CAD") software tools that will not be used due to our workforce reductions.

For the first nine months of fiscal 2005, total restructuring and other costs was $9.0 million. In addition to the amounts recorded during the third quarter of 2005, during the second quarter of fiscal year 2005, we recorded total restructuring and other charges of $4.6 million for severance activity related to a workforce reduction plan initiated in August 2004, and for an abandonment of computer aided design ("CAD") software tools that will not be used due to the workforce reductions. This restructuring charge was partially offset by a $0.5 million favorable outcome related to a long-term lease buyout. Additionally, during the first quarter of fiscal 2005, we recorded restructuring charges of $1.6 million for facility consolidations, and an impairment charge of $0.1 million related to property and equipment associated with our Pune, India facility closure.

During the third quarter of fiscal year 2004, we recorded a restructuring charge of $0.9 million, primarily related to severance for workforce reductions. During the first nine months of fiscal year 2004, we also recorded a restructuring charge of $5.9 million for facility consolidations primarily in California and Texas, an impairment charge of $1.5 million for property and equipment associated with our Austin, Texas facility consolidation, and a net restructuring charge of $1.5 million related to workforce reductions.

We continue to review our operations and processes to better align our operating expenses with our anticipated sales. We expect that additional opportunities to create efficiencies and streamline our cost structures will be identified and may result in an additional restructuring charge. During the fourth quarter of fiscal year 2005, we will complete the restructuring activity announced on December 16, 2004, and anticipate an additional charge for severance related expenses of up to $2 million.

Amortization of Acquired Intangibles

We recorded a $3.4 million charge in the third quarter during each of the fiscal years 2005 and 2004, for amortization of acquired intangibles related to acquisitions completed in fiscal years 2002 and 2000. For the first nine months of fiscal years 2005 and 2004, our amortization expense was $10.3 million and $11.0 million, respectively. This decrease was attributable to the completion of the amortization of the acquired intangibles from our AudioLogic, Inc. acquisition. We expect the amortization charge for the fourth quarter of 2005 to remain at $3.4 million.

Litigation Settlement

On August 22, 2003, we signed an agreement to settle prior litigation with Western Digital Corporation and its Malaysian subsidiary, Western Digital (M) SDN.BHD, ("WD"). Under the terms of the agreement, WD made a one-time payment to us of $45 million on October 16, 2003. We recorded the settlement as a credit to operating expense during the third quarter of fiscal year 2004 when the payment was received. Part of the $45 million received from WD represented a recovery of bad debt expense recorded in a prior year of approximately $26.5 million.

Patent Agreement and Settlements, Net

During the third quarter of fiscal 2005, we released $0.6 million in accrued legal fees originally accrued during the second quarter fiscal 2004, in connection with the sale of certain patents.

On August 11, 2003, we entered into a Patent Sale, Assignment and Cross-License Agreement with NVIDIA and NVIDIA International, Inc. to settle certain pending litigation. As a result of this agreement, NVIDIA paid us $9 million on August 11, 2003. On September 23, 2003, we entered into a Patent Sale, Assignment and Cross-License Agreement with ATI and ATI International SRL to settle certain additional pending litigation. As a result of this agreement, ATI paid us $9 million on October 2, 2003. Under the terms of a contingency fee arrangement, we were obligated to pay outside counsel a percentage of these settlements. Both the settlements and the contingent legal fees, which totaled $14.4 million, were recorded in the second quarter of fiscal year 2004 as a separate line item in operating expenses under the heading “Patent agreement and settlements, net.”

Realized Gain on Marketable Equity Securities

During the first quarter of fiscal year 2005, we realized a gain of $0.7 million related to the sale of our investment in Silicon Laboratories, Inc., which resulted from their acquisition of Cygnal Integrated Products, Inc. in which we had an investment. We received $1.2 million, net of commissions for this sale of securities. Further, in the second quarter of fiscal year 2004, we realized a gain of $10.1 million related to our investment in SigmaTel, Inc. (“SigmaTel”). In November 2000, we entered into a litigation settlement with SigmaTel in which we received shares of common stock, guaranteed to be valued at $10.5 million should SigmaTel complete an initial public offering (“IPO”) in the future. On September 16, 2003, SigmaTel completed their IPO. We sold all of our shares and received $5.6 million, net of selling commissions. We also received a payment of $4.5 million from SigmaTel, which was the difference between the guaranteed $10.5 million value and the gross IPO value of our shares.

Interest Income (Expense), Net

Interest income, net of interest expense more than doubled for the third fiscal quarter of 2005, to $0.9 million, from $0.5 million for the third quarter of fiscal year 2004. For the first nine months of fiscal year 2005, net interest income increased $0.9 million to $2.2 million from $1.3 million in the first nine months of fiscal year 2004. These increases were due primarily to higher yields on our investments.

Income Taxes

We realized a net income tax benefit of $15.1 million during the third quarter of fiscal year 2005 and for the first nine months of fiscal year 2005. This net benefit was comprised of an income tax benefit of $15.2 million resulting from the expiration in December 2004, of the statute of limitations for the years in which we had previously recorded certain potential U.S. federal tax liabilities. The income tax benefit was partially offset by $0.1 million of foreign income tax expense. We realized an income tax benefit of $7.1 million for first nine months of fiscal year 2004, primarily as a result of a benefit of $7.2 million resulting from the expiration of the statute of limitations for the years in which we had previously recorded certain potential state tax liabilities. The income tax benefit was partially offset by $0.1 million of income tax expense that consisted primarily of foreign withholding and foreign income taxes.

SFAS 109, “ *Accounting for Income Taxes* ,” provides for the recognition of deferred tax assets if realization of such assets is more likely than not. We have provided a valuation allowance equal to our net deferred tax assets due to uncertainties regarding their realization. We evaluate the realizability of our deferred tax assets on a quarterly basis.

Liquidity and Capital Resources

We used $13.8 million of cash and cash equivalents in our operating activities during the first nine months of fiscal year 2005, primarily due to the cash elements of our net loss, coupled with a decrease in operating liabilities. In the comparable period of fiscal year 2004, we generated $51.8 million of cash and cash equivalents, primarily due to the cash received, net of expenses, for the successful outcome of three litigation settlements totaling $59.4 million. This source of cash was partially offset by an increase in our inventory balances during the first nine months of fiscal 2004.

We used $53.8 million of cash in investing activities during the first nine months of fiscal year 2005. This includes net purchases of $43.4 million in fixed-income marketable securities and $6.5 million in equipment, primarily used for testing, and software licenses. Further, during the second quarter of fiscal year 2005, we completed a $4.3 million buyout of a multi-year lease for one of our domestic facilities. In the first nine months of fiscal year 2004, we generated $7.8 million of cash from investing activities, primarily from the sale of marketable equity securities, a decrease in the level of restricted cash we must maintain, and the sale of assets related to our manufacturing test operations. These cash sources were partially offset by the purchase of technology licenses, including multi-year computer-aided design tool licenses, and property and equipment.

We generated $3.0 million and $1.7 million in cash from financing activities during the first nine months of fiscal year 2005 and fiscal year 2004, respectively, related to the issuance of common stock in connection with option exercises and our employee stock purchase plan.

As of December 25, 2004, we had restricted investments of $7.8 million, which primarily secures certain obligations under our lease agreement for our principal facility located in Austin, Texas. This facility is 197,000 square feet and houses our headquarters and engineering operations. The operating lease agreement for this facility, includes a potential obligation to enter into another lease agreement for a period of 10 years for an additional 64,000 square feet in a new building to be built on property next to our current facility. This obligation is contingent upon construction beginning on the new facility before November 10, 2004. On September 14, 2004, our landlord provided us notice that it had elected to construct the new building. On November 12, 2004, we filed suit against our landlord in the state district court of Travis County, Texas seeking declaratory relief as to our obligations under the current operating lease agreement. Specifically, we seek a declaration that we have no obligation to lease an additional two floors of space because the landlord did not commence construction of the new facility before November 10, 2004. In the event that the court determines that the owner of the property has strictly complied with all notices and conditions precedent to entering a new lease, we believe that construction will be completed in July 2006 and that our landlord may require that we provide a cash deposit of $200,000 and segregate and restrict an additional $3 million of our available cash balance in the form a letter of credit.

We have not paid cash dividends on our common stock and currently intend to continue our policy of retaining any earnings for reinvestment in our business. Although we cannot assure that we will be able to generate cash in the future, we anticipate that our existing capital resources and cash flow generated from future operations will enable us to maintain our current level of operations for at least the next 12 months.

Factors That May Affect Future Operating Results

Our business faces significant risks. The risk factors set forth below may not be the only risks that we face. Additional risks that we are not aware of yet or that currently are not significant may adversely affect our business operations. You should read the following cautionary statements in conjunction with the factors discussed elsewhere in this and other of Cirrus Logic's filings with the Securities and Exchange Commission ("SEC"). These cautionary statements are intended to highlight certain factors that may affect the financial condition and results of operations of Cirrus Logic and are not meant to be an exhaustive discussion of risks that apply to companies such as ours.

The highly cyclical and volatile nature of our industry may affect our operating results.

We are subject to business cycles and it is difficult to predict the timing, length, or volatility of these cycles. During downturns, customers usually reduce purchases, delay delivery of products, shorten lead times on orders and/or cancel orders. During upturns, our third party suppliers and contract manufacturers may have capacity or supply constraints that result in higher costs, longer lead times, and/or an inability to meet customer demand. These business cycles may create pressure on our net sales, gross margins and operating income.

We cannot assure you that any future downturn or upturn will not have a material adverse effect on our business and results of operations. We cannot assure you that we will not experience substantial period-to-period fluctuations in revenue due to general semiconductor industry conditions or other factors.

A decline in consumer spending in the consumer digital entertainment electronics market could have an adverse affect on our business.

The major focus of our business is the consumer digital entertainment electronics market. Our ICs are used in AVRs, compressed personal audio players, DVD players and recorders, digital automotive audio applications and set-top boxes. We expect the consumer digital market to expand over time. A decline in consumer confidence and consumer spending relating to economic conditions, terrorist attacks, armed conflicts, global health conditions and/or the political stability of countries in which we operate or sell into, however, could have a material adverse effect on our business.

Our results may be affected by the fluctuation in sales in the consumer entertainment market.

As our sales to the consumer entertainment market increase, we are more likely to be affected by seasonality in the sales of our products. In particular, a significant portion of consumer electronics products are sold worldwide during the back-to-school and fourth calendar quarter holiday seasons. As a result, we expect stronger sales of ICs into the consumer entertainment market to occur in our second and third fiscal quarters in anticipation of these seasons.

Our products are complex and could contain defects, which could result in material costs to us.

Product development in the markets we serve is becoming more focused on the integration of multiple functions on individual devices. There is a general trend towards increasingly complex products. The greater integration of functions and complexity of operations of our products increases the risk that our customers or end users could discover latent defects or subtle faults after volumes of product have been shipped. This could result in:

- a material recall and replacement costs for product warranty and support,
- payments to our customer related to such recall claims as a result of various industry or business practices, or in order to maintain good customer relationships,
- an adverse impact to our customer relationships by the occurrence of significant defects,
- a delay in recognition or loss of revenues, loss of market share, or failure to achieve market acceptance, and
- a diversion of the attention of our engineering personnel from our product development efforts.

In addition, any defects or other problems with our products could result in financial or other damages to our customers who could seek damages from us for their losses. A product liability claim brought against us, even if unsuccessful, would likely be time consuming and costly to defend. In particular, the sale of systems and components into certain applications for the automotive industry involves a high degree of risk that such claims may be made.

While we believe that we are reasonably insured against these risks and contractually limit our financial exposure, we cannot assure you that we will be able to obtain insurance in amounts or of sufficient scope to provide us with adequate coverage against all potential liability. See Part II *"Item 1 – Legal Proceedings"* for further information regarding outstanding litigation.

Our failure to develop and introduce new products on a timely basis could harm our operating results.

Our success depends upon our ability to develop new products for new and existing markets, to introduce these products in a timely and cost-effective manner and to have these products gain market acceptance. The development of new products is highly complex and from time to time, we have experienced delays in developing and introducing these new products. Successful product development and introduction depend on a number of factors, including:

- proper new product definition,
- timely completion of design and testing of new products,
- assisting our customers with integration of our components into their new products, including providing support from the concept stage through design, launch and production ramp,
- successfully developing and implementing the software necessary to integrate our products into our customers' products,
- achievement of acceptable manufacturing yields,
- availability of wafer, assembly and test capacity,
- market acceptance of our products and the products of our customers, and
- obtaining and retaining industry certification requirements.

Although we seek to design products that have the potential to become industry standard products, we cannot assure you that the market leaders will adopt any products introduced by us, or that any products initially accepted by our customers that are market leaders will become industry standard products. Both revenues and margins may be materially affected if new product introductions are delayed, or if our products are not designed into successive generations of our customers' products. We cannot assure you that we will be able to meet these challenges, or adjust to changing market conditions as quickly and cost-effectively as necessary to compete successfully. Our failure to develop and introduce new products successfully could harm our business and operating results.

Successful product design and development is dependent on our ability to attract, retain and motivate qualified design engineers, of which there is a limited number. Due to the complexity and variety of analog and high-precision analog and mixed-signal circuits, the limited number of qualified integrated circuit designers and the limited effectiveness of computer-aided design systems in the design of analog and mixed-signal ICs, we cannot assure you that we will be able to successfully develop and introduce new products on a timely basis.

We have historically experienced fluctuations in our operating results and expect these fluctuations to continue in future periods.

Our quarterly and annual operating results are affected by a wide variety of factors that could materially and adversely affect our net sales, gross margins and operating income. These factors include:

- the volume and timing of orders received,
- changes in the mix of our products sold,
- market acceptance of our products and the products of our customers,

- competitive pricing pressures,
- our ability to introduce new products on a timely basis,
- the timing and extent of our research and development expenses,
- the failure to anticipate changing customer product requirements,
- disruption in the supply of wafers, assembly or test services,
- certain production and other risks associated with using independent manufacturers, assembly houses and testers, and
- product obsolescence, price erosion, competitive developments and other competitive factors.

Shifts in industry-wide capacity and our practice of purchasing our products based on sales forecasts may result in significant fluctuations in our quarterly and annual operating results.

Shifts in industry-wide capacity from shortages to oversupply, or from oversupply to shortages, may result in significant fluctuations in our quarterly and annual operating results. We may order wafers and build inventory in advance of receiving purchase orders. Because our industry is highly cyclical and is subject to significant downturns resulting from excess capacity, overproduction, reduced demand, order cancellations, or technological obsolescence, there is a risk that we will forecast inaccurately and produce excess inventories of particular products.

In addition, we generally order our products through non-cancelable orders from third-party foundries based on our sales forecasts and our customers can generally cancel or reschedule orders they place with us without significant penalties. If we do not receive orders as anticipated by our forecasts, or customers cancel orders that are placed, we may experience increased inventory levels.

Due to the product manufacturing cycle characteristic of IC manufacturing and the inherent imprecision by our customers to accurately forecast their demand, product inventories may not always correspond to product demand, leading to shortages or surpluses of certain products. As a result of such inventory imbalances, future inventory write-downs and charges to gross margin may occur due to lower of cost or market accounting, excess inventory, and inventory obsolescence.

Strong competition in the semiconductor market may harm our business.

The IC industry is intensely competitive and is frequently characterized by rapid technological change, price erosion and design, technological obsolescence, and a push towards IC component integration. Because of shortened product life cycles and even shorter design-in cycles in a number of the markets that we serve, particularly consumer entertainment, our competitors have increasingly frequent opportunities to achieve design wins in next-generation systems. In the event that competitors succeed in supplanting our products, our market share may not be sustainable and our net sales, gross margins and results of operations would be adversely affected. Additionally, further component integration could eliminate the need for our products.

We compete in a number of fragmented markets. Our principal competitors in these markets include AKM Semiconductors, ALi Semiconductor, AMD, ATMEL, Analog Devices, Broadcom, Conexant, ESS Technologies, Freescale Semiconductor, Fujitsu DSP, Intel, Linear Technology, LSI Logic, Maxim, MediaTek, Micronas, Philips, Samsung Semiconductor, Sharp Semiconductor, SigmaTel, ST Microelectronics, Sunplus, Texas Instruments, Tripath, Wolfson and Zoran, many of whom have substantially greater financial, engineering, manufacturing, marketing, technical, distribution and other resources, broader product lines, greater intellectual property rights and longer relationships with customers than we have. We also expect intensified competition from emerging companies and from customers who develop their own IC products. In addition, some of our current and future competitors maintain their own fabrication facilities, which could benefit them in connection with cost, capacity and technical issues.

Increased competition could adversely affect our business. We cannot assure you that we will be able to compete successfully in the future or that competitive pressures will not adversely affect our financial condition and results of operations. Competitive pressures could reduce market acceptance of our products and result in price reductions and increases in expenses that could adversely affect our business and our financial condition.

Our products may be subject to average selling prices that decline over short time periods. If we are unable to increase our volumes, introduce new or enhanced products with higher selling prices or reduce our costs, our business and operating results could be harmed.

Historically in the semiconductor industry, average selling prices of products have decreased over time. If the average selling price of any of our products declines and we are unable to increase our unit volumes, introduce new or enhanced products with higher margins and/or reduce manufacturing costs to offset anticipated decreases in the prices of our existing products, our operating results may be adversely affected. In addition, because of procurement lead times, we are limited in our ability to reduce total costs quickly in response to any revenue shortfalls. Because of these factors, we may experience material adverse fluctuations in our future operating results on a quarterly or annual basis.

We have significant international sales, and risks associated with these sales could harm our operating results.

Export sales, principally to Asia, include sales to U.S-based customers with manufacturing plants overseas and accounted for 65% and 72% of our net sales in the third quarter of fiscal years 2005 and 2004, respectively. We expect export sales to continue to represent a significant portion of product sales. This reliance on sales internationally subjects us to the risks of conducting business internationally, including political and economic stability and global health conditions, especially in Asia. For example, the financial instability in a given region, such as Asia, may have an adverse impact on the financial position of end users in the region, which could affect future orders and harm our results of operations. Our international sales operations involve a number of other risks, including:

- unexpected changes in government regulatory requirements,
- changes to countries' banking and credit requirements
- changes in diplomatic and trade relationships,
- delays resulting from difficulty in obtaining export licenses for technology,
- tariffs and other barriers and restrictions,
- competition with foreign companies or other domestic companies entering the foreign markets in which we operate,
- longer sales and payment cycles,
- problems in collecting accounts receivable,
- political instability, and
- the burdens of complying with a variety of foreign laws.

In addition, we may buy hedging instruments to reduce our exposure to currency exchange rate fluctuations and our competitive position can be affected by the exchange rate of the U.S. dollar against other currencies. Consequently, increases in the value of the dollar would increase the price in local currencies of our products in foreign markets and make our products relatively more expensive. Alternatively, decreases in the value of the dollar will increase the relative cost of our and our vendors' operations that are based overseas. We cannot assure you that regulatory, political and other factors will not adversely affect our operations in the future or require us to modify our current business practices.

The expansion of our international operations subjects our business to additional political and economic risks that could have an adverse impact on our business.

In addition to export sales constituting a majority of our net sales, we are expanding our international operations. Specifically, we have recently focused our efforts on expanding in the People's Republic of China by employing design, sales and technical support personnel. In addition, we are using contract manufacturers in the region for foundry, assembly and test operations. Expansion into this region has required and will continue to require significant management attention and resources. We may not succeed in expanding our presence into this market or other international markets. Failure to do so could harm our business. In addition, there are risks inherent in expanding our presence into foreign regions, including, but not limited to:

- difficulties in staffing and managing foreign operations,
- failure of foreign laws to adequately protect our U.S. intellectual property, patent, trademarks, copyrights, know-how and other proprietary rights,
- additional vulnerability from terrorist groups targeting American interests abroad, and
- legal uncertainty regarding liability and compliance with foreign laws and regulatory requirements.

If we fail to attract, hire and retain qualified personnel, we may not be able to develop, market, or sell our products or successfully manage our business.

Competition for personnel in our industry is intense. The number of technology companies in the geographic areas in which we operate is greater than it has been historically and we expect competition for qualified personnel to intensify. There are only a limited number of people in the job market with the requisite skills. Our human resources organization focuses significant efforts on attracting and retaining individuals in key technology positions. For example, start-up companies generally offer larger equity grants to attract individuals from more established companies. The loss of the services of key personnel or our inability to hire new personnel with the requisite skills could restrict our ability to develop new products or enhance existing products in a timely manner, sell products to our customers, or manage our business effectively.

We rely on independent foundries to manufacture our products, which subjects us to increased risks.

We rely on independent foundries to manufacture all of our wafers. Our reliance on these foundries involves risks and uncertainties, including:

- the possibility of an interruption or loss of manufacturing capacity,
- the lack of control over delivery schedules, quality assurance, manufacturing yields and costs,
- the inability to secure necessary capacity to meet customer demand,
- the possible misappropriation of our intellectual property, and
- the inability to reduce our costs as quickly as competitors who manufacture their own products and are not bound by set prices.

Market conditions could result in wafers being in short supply and prevent us from having adequate supply to meet our customer requirements. In addition, any prolonged inability to utilize third-party foundries because of fire, natural disaster, or otherwise, would have a material adverse effect on our financial condition and results of operations. If we are not able to obtain additional foundry capacity as required, our relationships with our customers would be harmed and, consequently, our sales would likely be reduced and we may be forced to purchase wafers from higher-cost suppliers or to pay expediting charges to obtain additional supply, if we are able to acquire wafers at all.

In order to secure additional foundry capacity, we may enter into contracts that commit us to purchase specified quantities of wafers over extended periods. In the future, we may not be able to secure sufficient capacity with foundries in a timely fashion (or at all) and such arrangements, if any, may not be on terms favorable to us. Moreover, if we are able to secure foundry capacity, we may be obligated to utilize all of that capacity or incur penalties. These penalties may be expensive and could harm our financial results.

Because we are dependent on our subcontractors in Asia to perform key manufacturing functions for us, we are subject to political and economic risks that could disrupt the assembly, packaging, or testing of our product..

We depend on third-party subcontractors in Asia for the assembly, packaging and testing of our products. International operations and sales may be subject to political and economic risks, including changes in current tax laws, political instability, global health conditions, currency controls, exchange rate fluctuations and changes in import/export regulations, tariff and freight rates, as well as the risks of natural disaster. Although we seek to reduce our dependence on our limited number of subcontractors, this concentration of subcontractors and manufacturing operations in Asia subjects us to the risks of conducting business internationally, including political and economic conditions in Asia. Disruption or termination of the assembly, packaging or testing of our products could occur and such disruptions could harm our business and operating results.

Failure to manage our distribution channel relationships could adversely affect our business.

In the third quarter of fiscal years 2005 and 2004, sales to our distributors accounted for 58% and 63%, respectively, of our total net sales. The future of our business, as well as the future growth of our business, will depend in part on our ability to manage our relationships with current and future distributors and external sales representatives and to develop additional channels for the distribution and sale of our products. The inability to successfully manage these relationships could adversely affect our business.

We may need to acquire other companies or technologies and successfully integrate them into our business to compete in our industry.

We continue to consider future acquisitions of other companies, or their technologies or products, to improve our market position, broaden our technological capabilities and expand our product offerings. However, we may not be able to acquire, or successfully identify, the companies, products or technologies that would enhance our business.

In addition, if we are able to acquire companies, products or technologies, we could experience difficulties in integrating them. Integrating acquired businesses involves a number of risks, including, but not limited to:

- the potential disruption of our ongoing business,
- unexpected costs or incurring unknown liabilities,
- the diversion of management resources from other business concerns while involved in identifying, completing, and integrating acquisitions,
- the inability to retain the employees of the acquired businesses,
- difficulties relating to integrating the operations and personnel of the acquired businesses,
- adverse effects on the existing customer relationships of acquired companies,
- the potential incompatibility of business cultures,
- adverse effects associated with entering into markets and acquiring technologies in areas in which we have little experience, and
- acquired intangible assets becoming impaired as a result of technological advancements, or worse-than-expected performance of the acquired company.

If we are unable to successfully address any of these risks, our business could be harmed.

We may be unable to protect our intellectual property rights from third-party claims and litigation .

Our success depends on our ability to obtain patents and licenses and to preserve our other intellectual property rights covering our manufacturing processes, products and development and testing tools. We seek patent protection for those inventions and technologies for which we believe such protection is suitable and is likely to provide a competitive advantage to us. We also rely substantially on trade secrets, proprietary technology, non-disclosure and other contractual agreements, and technical measures to protect our technology and manufacturing knowledge. We work actively to foster continuing technological innovation to maintain and protect our competitive position. We cannot assure you that steps taken by us to protect our intellectual property will be adequate, that our competitors will not independently develop or patent substantially equivalent or superior technologies or be able to design around our patents, or that our intellectual property will not be misappropriated. In addition, the laws of some foreign countries may not protect our intellectual property as well as the laws of the United States. See Part II, Item 1. “Legal Proceedings – Wolfson Microelectronics.”

Potential intellectual property claims and litigation could subject us to significant liability for damages and could invalidate our proprietary rights.

The IC industry is characterized by frequent litigation regarding patent and other intellectual property rights. We may find it necessary to initiate a lawsuit to assert our patent or other intellectual property rights. These legal proceedings could be expensive, take significant time and divert management's attention from other business concerns. We cannot assure you that we will ultimately be successful in any lawsuit, nor can we assure you that any patent owned by us will not be invalidated, circumvented, or challenged. We cannot assure you that rights granted under the patent will provide competitive advantages to us, or that any of our pending or future patent applications will be issued with the scope of the claims sought by us, if at all.

As is typical in the IC industry, we and our customers have from time to time received and may in the future receive, communications from third parties asserting patents, mask work rights, or copyrights. In the event third parties were to make a valid intellectual property claim and a license was not available on commercially reasonable terms, our operating results could be harmed. Litigation, which could result in substantial cost to us and diversion of our management, technical and financial resources, may also be necessary to defend us against claimed infringement of the rights of others. An unfavorable outcome in any such suit could have an adverse effect on our future operations and/or liquidity.

If our products do not conform to or support certain industry standards, then our products may not be accepted by the market and our business may be harmed.

Generally, our products comprise only a part of our customers' product. All components of such devices must comply with industry standards in order to operate efficiently together. We depend on companies that provide other components of the devices to support prevailing industry standards. Many of these companies are significantly larger and more influential in affecting industry standards than we are. Some industry standards may not be widely adopted or implemented uniformly and competing standards may emerge that may be preferred by our customers or end users. If larger companies do not support the same industry standards that we do, or if competing standards emerge, market acceptance of our products could be adversely affected and our business would be harmed.

The emergence of new industry standards could render our products incompatible with products developed by other suppliers. As a result, we could be required to invest significant time and effort and to incur significant expense to redesign our products to ensure compliance with relevant standards. If our products are not in compliance with prevailing industry standards for a significant period of time, we could miss opportunities to achieve crucial design wins. We may not be successful in developing or using new technologies or in developing new products or product enhancements that achieve market acceptance. Our pursuit of necessary technological advances may require substantial time and expense.

If we are unable to make continued substantial investments in research and development, we may not be able to develop and sell new products, which would likely harm our future operating results.

We make significant investments in research and development activities to develop new and enhanced products and solutions. If we fail to make sufficient investments in research and development programs, new technologies could render our current and planned products obsolete, and our business could be harmed.

Our stock price may be volatile.

The market price of our common stock fluctuates significantly. This fluctuation is the result of numerous factors, including:

- actual or anticipated fluctuations in our operating results,
- announcements concerning our business or those of our competitors, customers or suppliers,
- changes in financial estimates by securities analysts or our failure to perform as anticipated by the analysts,
- announcements regarding technological innovations or new products by us or our competitors,

- announcements by us of significant acquisitions, strategic partnerships, joint ventures, or capital commitment,
- announcements by us of significant divestitures or sale of certain assets or intellectual property,
- litigation arising out of a wide variety of matters, including, among others, employment matters and intellectual property matters,
- departure of key personnel,
- single significant shareholders selling for reasons unrelated to the business
- general assumptions made by securities analysts,
- general conditions in the IC industry, and
- general market conditions and interest rates.

We have provisions in our charter, and are subject to certain provisions of Delaware law, which could prevent, delay or impede a change of control of our company. These provisions could affect the market price of our stock.

Certain provisions of our Certificate of Incorporation and By-Laws, and Delaware law could make it more difficult for a third party to acquire us, even if our stockholders support the acquisition. These provisions include:

- our Stockholder Rights Plan, which the Board of Directors adopted in May 1998 as an anti-takeover measure. The provisions of this plan can be triggered only in certain limited circumstances following the tenth day after a person or group announces acquisitions of or tender offers for 15% or more of our common stock. The Rights Plan will expire in fiscal year 2009;
- elimination of the right of stockholders to call a special meeting of stockholders;
- a prohibition on stockholder action by written consent; and
- a requirement that stockholders provide advance notice of any stockholder nominations of directors or any proposal of new business to be considered at any meeting of stockholders.

We are also subject to the anti-takeover laws of Delaware that may prevent, delay or impede a third party from acquiring or merging with us, which may adversely affect the market price of our common stock.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks associated with interest rates on our investments in debt securities and currency movements on non-U.S. dollar denominated assets and liabilities. We assess these risks on a regular basis and have established policies to protect against significant adverse effects of these and other potential exposures. There have been no significant changes in our interest or foreign exchange risk since we filed our latest Annual report on Form 10-K on June 9, 2004.

ITEM 4. CONTROLS AND PROCEDURES

- We maintain disclosure controls and procedures that are intended to ensure that the information required to be disclosed in our Securities Exchange Act of 1934 (the “Exchange Act”) filings is properly and timely recorded and reported. We have formed a Disclosure Review Committee comprised of key individuals from several disciplines in the Company who are involved in the disclosure and reporting process. This committee contains key financial personnel that meet periodically to ensure the timeliness, accuracy and completeness of the information required to be disclosed in our filings.

- As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 of the Exchange Act. Based upon that evaluation, the CEO and the CFO concluded that our disclosure controls and procedures as of December 25, 2004 were effective in timely alerting them to material information required to be included in this report.

- There has been no change in our internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

- In designing and evaluating our disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives due to numerous factors, ranging from errors to conscious acts of an individual, or individuals acting together. Because of inherent limitations in a cost-effective control system, misstatements due to error and/or fraud may occur and not be detected. Our disclosure control procedures are designed to provide reasonable assurance that such controls and procedures will meet their objectives and the CEO and CFO have concluded that the controls and procedures do in fact provide reasonable assurance of achieving the desired control objectives.

PART II

ITEM 1. LEGAL PROCEEDINGS

Fujitsu

On October 19, 2001, we filed a lawsuit against Fujitsu, Ltd. ("Fujitsu") in the United States District Court for the Northern District of California. We are asserting claims for breach of contract and anticipatory breach of contract and we are seeking damages in excess of $46 million. The basis for our complaint is Fujitsu's refusal to pay for hard disk drive-related chips delivered to and accepted by it in fiscal year 2002. On December 17, 2001, Fujitsu filed an answer and a counterclaim. Fujitsu alleges claims for breach of contract, breach of warranty, quantum meruit/equitable indemnity and declaratory relief. The basis for Fujitsu's counterclaim is the allegation that certain chips that we sold to Fujitsu were defective and, allegedly caused Fujitsu's hard disk drives to fail. The counterclaim does not specify the damages Fujitsu seeks, other than to allege it has sustained "tens of millions" of dollars in damages. To facilitate the resolution of all claims in one lawsuit, including our claims against potentially responsible third parties, we agreed with Fujitsu to realign our claims so that Fujitsu is the plaintiff and we are the defendant and counterclaimant. This realignment allowed Fujitsu and us to file in the same lawsuit third-party claims alleging breach of contract and warranty against Amkor Technology, Inc., ("Amkor") the company that recommended and sold to us the packaging materials that caused the alleged defects in our chips. Amkor filed an answer to our third-party claim and a third-party complaint for implied contractual indemnity and breach of warranties against Sumitomo Bakelite Co., Ltd., ("Sumitomo") the company that sold the allegedly defective molding compound used in these packaging materials.

On December 5, 2003, for reasons related to the potential lack of jurisdiction for certain claims in federal district court, Fujitsu filed a complaint in California state court alleging claims substantially similar to those filed against us in district court and, in addition, alleging fraud and other related claims against Amkor and Sumitomo. On December 23, 2003, we filed a cross-complaint in California state court alleging the same claims against Fujitsu as we alleged in federal district court and further alleging fraud and other related claims against Amkor and Sumitomo based on their alleged knowledge that the molding compound used in the packaging materials sold to us was defective. On May 10, 2004, the state court issued an order finding the facts supporting the fraud and negligent misrepresentation causes of action against Amkor and Sumitomo set forth in our cross-complaint insufficient. The breach of contract and warranty claims asserted by us against Fujitsu and Amkor have always been sufficiently pleaded. On June 18, 2004, we filed an amended cross complaint asserting the same fraud and negligent misrepresentation claims against Amkor and Sumitomo in more detail. On August 24, 2004, the court again found the fraud and negligent misrepresentation claims in our cross-complaint were insufficient and granted 30 days for us to file another amended cross-complaint. We filed a second amended cross complaint on October 4, 2004, in which we alleged additional factual detail in support of these claims. On November 23, 2004, the court found that we had alleged sufficient facts to support our fraud and negligent misrepresentation claims against Amkor and Sumitomo.

To address the claims of all parties and for reasons of judicial economy, the parties jointly moved to stay the federal district court action pending resolution of the state court action. The trial in state court was originally set for January 31, 2005, but was rescheduled by the court on September 21, 2004 for May 2, 2005.

Since filing its original counterclaim, Fujitsu has indicated that it intends to seek hundreds of millions of dollars in damages, although, as of this date, Fujitsu has not indicated how it will substantiate this amount of damages and we are unable to reasonably estimate the amount of damages. We intend to defend and prosecute our lawsuit vigorously. Further, we believe that we have valid claims against Amkor and Sumitomo in the event we are found to be liable to Fujitsu and that insurance may cover defense costs and some or all of any liability to Fujitsu. However, we cannot predict the ultimate outcome of this litigation and we are unable to estimate any potential liability we may incur. An adverse outcome in this litigation could materially harm our financial condition or results of operations.

St. Paul Fire and Marine Insurance Company

On June 9, 2004, we filed a complaint for declaratory relief against St. Paul Fire and Marine Insurance Co. (“St. Paul”) in the United States District Court, Northern District of California. Specifically, the complaint seeks a judicial determination and declaration that the Technology Commercial General Liability Protection (“CGL”) coverage under an insurance policy issued to us by St. Paul provides Cirrus with insurance coverage for Cirrus’s defense of claims brought by Fujitsu in the previously referenced matter. Pursuant to our CGL policy, the costs and expenses associated with defending our lawsuit against Fujitsu would be covered, but would not reduce the policy coverage limits. On August 23, 2004, St. Paul answered the complaint, denying that it was obligated to defend us under the CGL policy.

In the event that the Court determines that St. Paul is not obligated to defend us under the CGL coverage, St. Paul is currently providing coverage under the Technology Errors and Omissions Liability Protection (“E&O”) portion of the insurance policy issued to us by St. Paul. Although we believe that our E&O coverage covers defense costs and any potential liability to Fujitsu, our costs associated with defending the lawsuit would apply to and reduce the limits of our insurance coverage.

Despite filing this lawsuit, we continue to believe that we have valid claims in the Fujitsu litigation against Amkor and Sumitomo. In addition, as previously indicated, we cannot predict the ultimate outcome of the Fujitsu litigation and we are unable to estimate any potential liability we may incur.

Wolfson Microelectronics

On October 9, 2003, we filed a lawsuit against Wolfson Microelectronics, plc, a United Kingdom company and Wolfson Microelectronics Ltd., a Delaware corporation, (collectively “Wolfson”) in the U.S. District Court for the Southern District of California. We are alleging that several Wolfson products that incorporate digital-to-analog converters (“DACs”) infringe on our U.S. Patent Nos. 6,492,928 and 6,011,501. We are seeking damages and requesting a permanent injunction against Wolfson from making, using, offering to sell or selling in the U.S. or importing into the U.S. any infringing products. On December 2, 2003, in response to our complaint, Wolfson filed an answer and a counterclaim against us alleging, among other things, unfair competition, tortious interference with prospective economic advantage and tortious interference with contractual relationships. Wolfson’s claims were based primarily on our alleged bad faith in filing suit against Wolfson with the alleged knowledge that one of the two asserted patents was invalid. On April 2, 2004, the district court dismissed Wolfson’s counterclaims for failure to state a claim, although the district court granted leave to amend their complaint. On April 30, 2004, Wolfson amended its counterclaims to include additional allegations concerning alleged communications by Cirrus Logic with Bose Corporation and Argus Electronics relating to Wolfson’s ability to continue to provide Wolfson audio DACs to these customers in the future. Based on the information available to us at this time, we believe that we will ultimately succeed in defending against these allegations.

In addition, on October 14, 2003, we filed a complaint requesting that the U.S. International Trade Commission (the "ITC") initiate an investigation of Wolfson Microelectronics, plc, for violation of Section 337 of the Tariff Act of 1930, in the importation, sale for importation and sale in the U.S. after importation of certain digital-to-analog converters and other products containing these converters. In our complaint, we asked the ITC to investigate whether certain Wolfson products infringe on one or more of the claims of U.S. Patent No. 6,492,928. On November 10, 2003, the ITC instituted an investigation into Wolfson's actions based on our allegations. On December 9, 2003, we also requested the ITC to further investigate whether certain Wolfson products infringed on one or more of the claims of U.S. Patent No. 6,011,501. On December 29, 2003, the ITC included our allegations of infringement with respect to U.S. Patent No. 6,011,501 into its investigation. With respect to both patents, we are seeking a permanent exclusion order banning the importation into the U.S. of the allegedly infringing products and a cease-and-desist order halting the sale of these infringing products, as well as other relief the ITC deems appropriate. A hearing on the matter before the ITC was held between August 3-11, 2004.

On November 16, 2004, an administrative law judge determined that both patents asserted against Wolfson were valid and infringed. However, with respect to the U.S. Patent No. 6,492,928 patent, the administrative law judge also determined that the patent was not enforceable due to our failure to provide certain information to the Patent and Trademark Office as part of our efforts to obtain the patent. The ITC has further determined that it will not review that decision. We expect a final determination as to the remedy that we are entitled to with respect to the U.S. Patent No. 6,001,501 patent in early February, 2005.

Silvaco Data Systems

On December 8, 2004, Silvaco Data Systems ("Silvaco") filed suit against us alleging misappropriation of trade secrets, conversion, unfair business practices, and civil conspiracy. Silvaco's complaint stems from a trade secret dispute between Silvaco and a software vendor, Circuit Semantics, Inc., who supplies us with certain software design tools. Silvaco alleges that our use of Circuit Semantic's design tools infringes upon Silvaco's trade secrets and that we are liable for compensatory damages in the sum of $10 million. Silvaco has not indicated how it will substantiate this amount of damages and we are unable to reasonably estimate the amount of damages, if any.

We intend to defend the lawsuit vigorously. In addition, Circuit Semantics is obligated to defend and indemnify us pursuant to our license agreement with them for the software. However, we cannot predict the ultimate outcome of this litigation and we are unable to estimate any potential liability we may incur.

Facilities Under Operating Lease Agreements

We lease our facilities under operating lease agreements. Our principal facility, located in Austin, Texas, is 197,000 square feet and houses our headquarters and engineering facility. The operating lease agreement for this facility includes a potential obligation to enter into another lease agreement for a period of 10 years for an additional 64,000 square feet in a new building to be built on property next to our current facility. This obligation was contingent upon construction beginning on the new facility before November 10, 2004. On November 12, 2004, we filed suit against our landlord in the state district court of Travis County, Texas seeking declaratory relief as to our obligations under the current operating lease agreement. Specifically, we seek a declaration that we have no obligation to lease an additional two floors of space because the landlord did not commence construction of the new facility before November 10, 2004.

In the event that the court determines that the owner of the property has strictly complied with all notices and conditions precedent to entering a new lease, we believe that construction on the new facility will be completed in July 2006 and that the yearly minimum future lease payments could be as much as $1.7 million. In addition, we may be required to provide a cash deposit of $200,000 and segregate and restrict an additional $3 million of our available cash balance in the form of a letter of credit.

Other Claims

From time to time, other various claims, charges and litigation are asserted or commenced against us arising from, or related to, contractual matters, intellectual property, employment disputes, as well as other issues. Frequent claims and litigation involving these types of issues are not uncommon in the IC industry. As to any of these claims or litigation, we cannot predict the ultimate outcome with certainty.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

31.1	Certificate of the Chief Executive Officer pursuant to 18 U.S.C. §1350 (Section 302 of the Sarbanes-Oxley Act of 2002).
31.2	Certificate of the Chief Financial Officer pursuant to 18 U.S.C. §1350 (Section 302 of the Sarbanes-Oxley Act of 2002).
32.1	Certificate of the Chief Executive Officer pursuant to 18 U.S.C. §1350 (Section 906 of the Sarbanes-Oxley Act of 2002).
32.2	Certificate of the Chief Financial Officer pursuant to 18 U.S.C. §1350 (Section 906 of the Sarbanes-Oxley Act of 2002).

(b) Reports on Form 8-K:

On October 20, 2004, we filed a Form 8-K regarding our second quarter earnings release for fiscal year 2005.

On October 21, 2004, we filed a Form 8-K/A amending our second quarter earnings release for fiscal 2005.

On December 17, 2004, we filed a Form 8-K relating to expense reduction actions and furnishing information updating the third quarter outlook for fiscal year 2005.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) 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.

*

CIRRUS LOGIC, INC.

By: /s/ JOHN T. KURTZWEIL

John T. Kurtzweil
Chief Financial Officer
Date: February 1, 2005

Exhibit 31.1

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350,

as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David D. French, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cirrus Logic, Inc;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) reserved;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the Company's Board of Directors:

(a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 1, 2005 Signature: /s/ David D. French

Exhibit 31.2

CERTIFICATION

Pursuant to 18 U.S.C. Section 1350,

as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, John T. Kurtzweil, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cirrus Logic, Inc;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) reserved;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the Company's Board of Directors:

(a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 1, 2005 Signature: /s/ John T. Kurtzweil

Exhibit 32.1

Certification Pursuant to 18 U.S.C. Section 1350,

as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the periodic report of Cirrus Logic, Inc. (the “Company”) on Form 10-Q for the period ended December 25, 2004, as filed with the Securities and Exchange Commission (the “Report”), I, David D. French, President and Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This Certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.

Date: February 1, 2005

/s/ David D. French

David D. French

Exhibit 32.2

Certification Pursuant to 18 U.S.C. Section 1350,

as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the periodic report of Cirrus Logic, Inc. (the “Company”) on Form 10-Q for the period ended December 25, 2004, as filed with the Securities and Exchange Commission (the “Report”), I, John T. Kurtzweil, Chief Financial Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This Certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.

Date: February 1, 2005

/s/ John T. Kurtzweil

John T. Kurtzweil