September 8, 2009

Microchip Technology Raises Net Sales and EPS Guidance for the Second Quarter Fiscal 2010

CHANDLER, Ariz.--(BUSINESS WIRE)-- Microchip Technology Incorporated (NASDAQ: MCHP), a leading provider of microcontrollers and analog semiconductors, announced today that its net sales and earnings for its second quarter fiscal 2010, ending September 30, 2009 are expected to exceed the upper end of its prior guidance. Based on good starting backlog and strong bookings and sales activities for the first two months of the quarter, Microchip now expects its net sales for its second fiscal quarter to be up 12 to 14% sequentially. Microchip expects GAAP diluted earnings per share to be approximately 20 to 22 cents and non-GAAP diluted earnings per share to be approximately 26 to 27 cents. On August 6, 2009, Microchip had provided guidance of net sales increasing 7 to 11% sequentially, GAAP diluted earnings per share of approximately 18 to 20 cents, and non-GAAP diluted earnings per share of approximately 23 to 26 cents.

Gross margins in the second fiscal quarter are also expected to exceed the high end of our prior guidance. Gross margins are now expected to be up approximately 350 to 400 basis points sequentially versus a prior guidance of up 250 to 350 basis points.

"We are experiencing strong demand for all of our microcontroller and analog product families in the quarter with out 16-bit microcontrollers providing the highest sequential growth. Geographically, we are seeing strong demand in Asia and the Americas. Europe is unseasonably strong with revenue in the summer quarter being sequentially up for the first time in several years. We also experienced the strongest August bookings in our company's history, and consequently we are seeing strong backlog starting to build for our fiscal third quarter. We now expect inventory on our balance sheet to drop by an additional 5 days, to approximately 103 days in the second fiscal quarter ending September 30, 2009. Therefore, we are accelerating the capacity ramps in all our manufacturing facilities," said Steve Sanghi, Microchip's President and CEO.

Second Quarter Fiscal 2010 Outlook:

Our current guidance is summarized in the following table. Our guidance is based on current expectations and our actual results may differ materially from such guidance.

	GAAP	Non-GAAP Adjustments	Non-GAAP1
Revenue	$216 to $220 million		$216 to $220 million
Gross Margin	53.8% to 54.3%	$2.3 to $2.5 million	54.9% to 55.4%

Operating Expenses	31.8% to 32.1%	$7.6 to $8.0 million	28.2% to 28.50%
Other Income (Expense)2	($3.1) to ($3.6) million	$1.6 million	($1.5) to ($2.0) million
Tax Rate	11.5% to 12.5%	$1.9 to $2.0 million	12.5% to 13.5%
Diluted Common Shares Outstanding	186.4 to 187.1 million	1.7 million shares	184.7 to 185.4 million
Diluted earnings per share2	20 to 22 cents	5 to 6 cents	26 to 27 cents

1 Our Non-GAAP adjustments for this period include share-based compensation expense; acquisition-related acquired inventory valuation cost and intangible asset amortization, other acquisition-related expenditures, non-cash interest expense, gains and losses on trading securities, other non-recurring items in our business and the related income tax implications of these items.

2 Our second quarter fiscal 2010 outlook does not assume any gains or losses on trading securities as we are not able to predict the September 30, 2009 market trading prices for these securities at this time.

The Company is not able to provide a full reconciliation of its GAAP and non-GAAP guidance for the quarter ending September 30, 2009 at this time, but will include such reconciliation and related information as part of its earnings announcement.

No conference call will be held in conjunction with today's press release. Microchip Technology will present at the Citi Investor Research Global Technology Conference on Wednesday, September 9, 2009 at 11:00 a.m. (Eastern Time). A live webcast and replay of the presentation can be accessed on the Microchip website at www.microchip.com. The replay of the webcast will be available for a period of seven days following the presentation.

Cautionary Statement:

The statements in this release relating to our updated guidance for net sales, GAAP and non-GAAP gross margins, GAAP and non-GAAP operating expenses, GAAP and non-GAAP other income (expense), GAAP and non-GAAP tax rate, GAAP and non-GAAP diluted common shares outstanding, GAAP and non-GAAP earnings per share, strong demand for all microcontroller and analog product families, strong demand in Asia and the Americas, unseasonably strong demand in Europe and Europe not declining in the summer quarter, strong backlog starting to build, inventory on our balance sheet to drop by an additional 5 days, to approximately 103 days, and accelerating capacity ramps in all our manufacturing facilities are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements involve risks and uncertainties that could cause our actual results to differ materially, including, but not limited to: unexpected changes in economic conditions or the ordering patterns of our customers; changes in demand or market acceptance of our products and the products of our

customers; the mix of inventory we hold and our ability to satisfy short-term orders from our inventory; changes in utilization of our manufacturing capacity; competitive developments including pricing pressures; the level of orders that are received and can be shipped in a quarter; the level of sell-through of our products through distribution; changes or fluctuations in customer order patterns and seasonality; foreign currency effects on our business; costs and outcome of any current or future tax audit or any litigation involving intellectual property, customers or other issues; disruptions in our business or the businesses of our customers or suppliers due to natural disasters, terrorist activity, armed conflict, war, worldwide oil prices and supply, public health concerns or disruptions in the transportation system; and general economic, industry or political conditions in the United States or internationally.

For a detailed discussion of these and other risk factors, please refer to Microchip's filings on Forms 10-K and 10-Q. You can obtain copies of Forms 10-K and 10-Q and other relevant documents for free at Microchip's Web site (www.microchip.com) or the SEC's Web site (www.sec.gov) or from commercial document retrieval services.

Stockholders of Microchip are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date such statements are made. Microchip does not undertake any obligation to publicly update any forward-looking statements to reflect events, circumstances or new information after this September 8, 2009 press release, or to reflect the occurrence of unanticipated events.

About Microchip:

Microchip Technology Inc. is a leading provider of microcontroller and analog semiconductors, providing low-risk product development, lower total system cost and faster time to market for thousands of diverse customer applications worldwide. Headquartered in Chandler, Arizona, Microchip offers outstanding technical support along with dependable delivery and quality. For more information, visit the Microchip Web site at www.microchip.com.

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