

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K**

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

Date of Report (Date of earliest event reported)

**February 2, 2010**



**MICROCHIP TECHNOLOGY INCORPORATED**

(Exact Name Of Registrant As Specified In Its Charter)

**Delaware**  
(State Or Other Jurisdiction Of Incorporation)

**0-21184**  
(Commission File No.)

**86-0629024**  
(IRS Employer Identification No.)

**2355 West Chandler Boulevard, Chandler, Arizona 85224-6199**  
(Address Of Principal Executive Offices)

**(480) 792-7200**  
(Registrant's Telephone Number, Including Area Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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## **Item 1.01 Entry into a Material Definitive Agreement.**

### **Agreement and Plan of Merger with SST**

On February 2, 2010, Microchip Technology Incorporated, a Delaware corporation (“Microchip”), Silicon Storage Technology, Inc., a California corporation (“SST”), and Sun Acquisition Corporation, a California corporation and a direct, wholly-owned subsidiary of Microchip (“Merger Sub”), entered into an Agreement and Plan of Merger (the “Merger Agreement”). The Merger Agreement provides for the acquisition of SST by Microchip by means of a merger of Merger Sub with and into SST, with SST being the surviving corporation. As a result of the Merger, SST would become a wholly-owned subsidiary of Microchip (the “Merger”) and each share of SST common stock (other than those shares owned by SST and with respect to which dissenters rights are properly exercised and not withdrawn) issued and outstanding immediately prior to the effective time of the Merger, will be converted into the right to receive a cash amount of \$2.85 per share, without interest. Each outstanding option or other right to purchase SST common stock (whether vested or unvested) shall be cancelled and the holder of such option or right shall be entitled to receive, subject to any required withholding taxes, an amount equal to the product of (x) the number of shares of SST common stock subject to such option or right and (y) the excess, if any, of \$2.85 over the exercise price per share of such SST option or right.

The Boards of Directors of Microchip and SST have approved the Merger and the Merger Agreement. The transaction is subject to customary closing conditions including approval by the holders of a majority of the outstanding shares of SST.

The Merger Agreement contains representations, warranties and covenants of Microchip, SST and Merger Sub, including among others, (i) covenants by SST concerning the conduct of its business in the ordinary course during the interim period between the execution of the Merger Agreement and the consummation of the Merger, (ii) a covenant by SST that, subject to certain exceptions, the Board of Directors of SST will recommend to its shareholders adoption of the Merger Agreement, and (iii) a covenant that SST will not solicit, initiate, knowingly encourage or knowing facilitate, any inquiries or the making of any proposal or offer with respect to or that would be reasonably expected to lead to any Acquisition Proposal (as defined in the Merger Agreement). The Merger Agreement contains certain termination rights for both Microchip and SST and further provides that upon termination of the Merger Agreement under specified circumstances SST may be required to pay Microchip a termination fee. Under specified circumstances, SST may be required to reimburse certain of Microchip’s expenses incurred in connection with the Merger.

The foregoing description of the Merger Agreement and the transactions contemplated thereby does not purport to be complete and is qualified in its entirety by reference to the Merger Agreement. Microchip plans to file a copy of the Merger Agreement as an exhibit to its Form 10-Q for its third quarter ended December 31, 2009. We encourage you to read the Merger Agreement for a more complete understanding of the transaction.

On February 3, 2010, Microchip issued a press release relating to the Merger. A copy of the press release is attached hereto as Exhibit 99.1.

### **Forward Looking Statements**

The statements about the completion and effects of the proposed Merger, and all other statements in this Current Report on Form 8-K other than historical facts, constitute forward-looking

statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements involve risks and uncertainties that could cause actual results to differ materially, including, but not limited to, the actual timing of the closing of the Merger, the satisfaction of the conditions to closing in the Merger Agreement (including approval by the SST shareholders) and any termination of the Merger Agreement. For a detailed discussion of these and other risk factors, please refer to the filings of Microchip on Forms 10-K and 10-Q. You can obtain copies of Microchip's Forms 10-K and 10-Q and other relevant documents for free at Microchip's Web site ([www.microchip.com](http://www.microchip.com)) or the SEC's Web site ([www.sec.gov](http://www.sec.gov)) or from commercial document retrieval services.

Stockholders are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date such statements are made. Microchip undertakes no obligation to publicly update any forward-looking statements to reflect events, circumstances or new information after the date of this Form 8-K, or to reflect the occurrence of unanticipated events.

#### **Additional Information and Where to Find It**

In connection with the proposed merger, SST will file a proxy statement and other related documents with the Securities and Exchange Commission, or the SEC. INVESTORS AND SHAREHOLDERS ARE ADVISED TO READ THESE DOCUMENTS WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. Investors and shareholders may obtain a free copy of these documents (when available) and other documents filed by SST at the SEC's web site at [www.sec.gov](http://www.sec.gov) and at the Investor section of their website at [www.SST.com](http://www.SST.com). The proxy statement and such other documents may also be obtained for free from SST by directing such request to Silicon Storage Technology, Inc., Attention: Ricky Gradwohl, 1020 Kifer Road, Sunnyvale, California 94086, Telephone: (408) 735-9110.

Microchip, SST and their directors and executive officers may be deemed to be participants in the solicitation of proxies from the shareholders of SST in connection with the Merger. Information regarding the special interests of these directors and executive officers in the transaction will be included in the proxy statement described above. Additional information regarding the directors and executive officers of Microchip is also included in Microchip's proxy statement for its 2009 Annual Meeting of Stockholders, which was filed with the SEC on July 10, 2009. Additional information regarding the directors and executive officers of SST is also included in SST's proxy statement for its 2009 Annual Meeting of Shareholders, which was filed with the SEC on April 30, 2009. These documents are available free of charge at the SEC's web site at [www.sec.gov](http://www.sec.gov) and as described above.

#### **Item 2.02 Results of Operations and Financial Condition.**

The information pursuant to Item 2.02 in this report on Form 8-K is being furnished as contemplated by General Instruction B(2) to Form 8-K and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section.

On February 3, 2010, we announced the results of our operations for the third quarter ended December 31, 2009. The complete release is attached to this report as Exhibit 99.2.

#### **Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

<b>Exhibit No.</b>	<b>Description</b>
99.1	Microchip Technology Announces Acquisition of Silicon Storage Technology, Inc.
99.2	Microchip Technology Exceeds \$1 Billion Annual Net Sales Run Rate Based on its Revenue for the Third Fiscal Quarter 2010

## SIGNATURES

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

Dated: February 3, 2010

Microchip Technology Incorporated  
(Registrant)

By: /s/ J. Eric Bjornholt  
J. Eric Bjornholt  
Vice President, Chief Financial Officer  
(Principal Accounting and Financial Officer)

## INDEX TO EXHIBITS

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99.2	Microchip Technology Exceeds \$1 Billion Annual Net Sales Run Rate Based on its Revenue for the Third Fiscal Quarter 2010





*MICROCHIP CONTACTS:*  
J. Eric Bjornholt – CFO (480) 792-7804  
Gordon Parnell – Vice President of  
Business Development and  
Investor Relations (480) 792-7374

**MICROCHIP TECHNOLOGY ANNOUNCES ACQUISITION  
OF SILICON STORAGE TECHNOLOGY, INC.**

CHANDLER, Arizona – February 3, 2010 – (NASDAQ: MCHP) - Microchip Technology Incorporated, a leading provider of microcontrollers and analog semiconductors, announced today that it has signed a definitive agreement to acquire Silicon Storage Technology, Inc. (Nasdaq: SSTI) for \$2.85 per share in cash. The \$2.85 per share represents an approximate 35.7% premium to the amount that the holders of SST common stock would have received under the previously announced merger agreement between SST and Technology Resources Holdings, Inc., and an approximate 53.2% premium to the closing price per share of SST's stock on November 12, 2009, the last day of trading prior to the announcement of the execution of the definitive merger agreement with Technology Resources Holdings, Inc. As separately announced today by SST, SST has terminated its previously announced merger agreement prior to entering into the definitive agreement with Microchip.

The acquisition has been approved by the Boards of Directors of each company and is expected to close in the second quarter of calendar 2010, subject to approval by SST's stockholders and other customary closing conditions.

"SST's Superflash® technology and extensive patent portfolio are critical building blocks for advanced microcontrollers," said Steve Sanghi, President and CEO. "This acquisition enables Microchip to gain earlier access to SST's advanced technologies, as well as the ability to customize technology variants that can give us an advantage over competing technologies."

"We believe this is an attractive transaction for SST's stockholders, as it presents a significant premium to the prior transaction and requires no external financing," continued Mr. Sanghi. "We look forward to completing this transaction early in the second calendar quarter of 2010."

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Microchip Technology Incorporated 2355 West Chandler Blvd. Chandler, AZ 85224-6199 Main Office 480•792•7200 FAX 480•899•9210

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**Conference Call Information:**

Microchip will host a conference call today, February 3, 2010 at 10:00 a.m. (Eastern Time) to discuss this release and its financial results for the third fiscal quarter ended December 31, 2009. This call will be simulcast over the Internet at [www.microchip.com](http://www.microchip.com). The webcast will be available for replay until February 10, 2010.

A telephonic replay of the conference call will be available at approximately 1:00 p.m. (Eastern Time) on February 3, 2010 and will remain available until 5:00 p.m. (Eastern Time) on February 10, 2010. Interested parties may listen to the replay by dialing 719-457-0820 and entering access code 2375453.

**Cautionary Statement:**

The statements in this release relating to the ability to customize technology variants that can give us an advantage over competing technologies and completing this transaction early in the second calendar quarter of 2010 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 actual results to differ materially, including, but not limited to: the actual timing of the closing of the SST acquisition, the satisfaction of the conditions to closing in the SST acquisition agreement, any termination of the SST acquisition agreement, changes in demand or market acceptance of SST's products and technology and the products and technology needs of its customers, changes in demand or market acceptance of our products and the products of our customers; competitive developments including changes in microcontroller technologies; the costs and outcome of any current or future tax audit or any litigation involving our or SST's intellectual property, customers or other issues; disruptions 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 the filings of Microchip on Forms 10-K and 10-Q. You can obtain copies of Microchip's Forms 10-K and 10-Q and other relevant documents for free at Microchip's Web site ([www.microchip.com](http://www.microchip.com)) or the SEC's Web site ([www.sec.gov](http://www.sec.gov)) or from commercial document retrieval services.

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Stockholders are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date such statements are made. Microchip undertakes no obligation to publicly update any forward-looking statements to reflect events, circumstances or new information after this February 3, 2010 press release, or to reflect the occurrence of unanticipated events.

#### **Additional Information and Where to Find It**

Silicon Storage Technology, Inc. intends to file a proxy statement in connection with the acquisition transaction. Investors and security holders are urged to read the proxy statement when it becomes available because it will contain important information about the transaction. Investors and security holders may obtain free copies of these documents (when they are available) and other documents filed with the SEC at the SEC's web site at [www.sec.gov](http://www.sec.gov).

Microchip, SST and their directors and executive officers may be deemed to be participants in the solicitation of proxies from the stockholders of SST in connection with the acquisition transaction. Information regarding the special interests of these directors and executive officers in the transaction will be included in the proxy statement described above. Additional information regarding the directors and executive officers of Microchip is also included in Microchip's proxy statement for its 2009 Annual Meeting of Stockholders, which was filed with the SEC on July 10, 2009. Additional information regarding the directors and executive officers of SST is also included in SST's proxy statement for its 2009 Annual Meeting of Stockholders, which was filed with the SEC on April 30, 2009. These documents are available free of charge at the SEC's web site at [www.sec.gov](http://www.sec.gov) and as described above.

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**About Microchip:**

Microchip Technology Incorporated 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 website at [www.microchip.com](http://www.microchip.com).

**About Silicon Storage Technology, Inc.:**

Headquartered in Sunnyvale, California, SST designs, manufactures and markets a diversified range of memory and non-memory products for high volume applications in the digital consumer, networking, wireless communications and Internet computing markets. Leveraging its proprietary, patented SuperFlash technology, SST is a leading provider of nonvolatile memory solutions with product families that include various densities of high functionality flash memory components and flash mass storage products. The company also offers its SuperFlash technology for embedded applications through its broad network of world-class manufacturing partners and technology licensees, including TSMC, which offers it under its trademark EMBFLASH<sup>SM</sup>. SST's non-memory products include NAND controller-based products, smart card ICs and modules, flash microcontrollers and radio frequency ICs and modules. Further information on SST can be found on the company's website at <http://www.sst.com>.

The Microchip logo and name are registered trademarks of Microchip Technology Incorporated in the U.S.A. and other countries. The SST logo and SuperFlash are registered trademarks of Silicon Storage Technology, Inc. EMBFLASH is a service mark and/or trademark of TSMC. All other trademarks mentioned herein are the property of their respective companies.

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*INVESTOR RELATIONS CONTACTS:*  
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Gordon Parnell – Vice President of  
Business Development and  
Investor Relations (480) 792-7374

**MICROCHIP TECHNOLOGY EXCEEDS \$1 BILLION  
ANNUAL NET SALES RUN RATE BASED ON ITS REVENUE  
FOR THE THIRD FISCAL QUARTER 2010**

- NET SALES OF **\$250.1** MILLION, UP **10.3%** SEQUENTIALLY
- ON A GAAP BASIS:
  - GROSS MARGIN OF **58.4%**; OPERATING PROFIT OF **29.0%**; NET INCOME OF **\$69.4** MILLION AND **27.8%** OF NET SALES; EPS OF **37** CENTS PER DILUTED SHARE
  - GAAP NET INCOME INCLUDES AN **\$8.5** MILLION BENEFIT, OR **4.5** CENTS PER DILUTED SHARE, RELATED TO A TAX AUDIT SETTLEMENT
- ON A NON-GAAP BASIS:
  - GROSS MARGIN OF **59.0%**; OPERATING PROFIT OF **32.8%**; NET INCOME OF **\$70.1** MILLION AND **28.0%** OF NET SALES; EPS OF **38** CENTS PER DILUTED SHARE
- RECORD 16-BIT MICROCONTROLLER AND ANALOG REVENUE
- RECORD SHIPMENTS OF **41,492** DEVELOPMENT TOOLS
- INCREASED QUARTERLY DIVIDEND TO **34.1** CENTS PER SHARE

CHANDLER, Arizona – February 3, 2010 – (NASDAQ: MCHP) – Microchip Technology Incorporated, a leading provider of microcontroller and analog semiconductors, today reported results for the three months ended December 31, 2009 as summarized in the following table:

	GAAP	% of Revenue	Non-GAAP <sup>1</sup>	% of Revenue
Revenue	\$250.1 million		\$250.1 million	
Gross Margin	\$146.0 million	58.4%	\$147.6 million	59.0%
Operating Income	\$72.6 million	29.0%	\$82.0 million	32.8%
Other Income (Expense)	\$(2.7) million		\$(1.1) million	
Income Tax Expense	\$0.5 million		\$10.8 million	
Net Income	\$69.4 million	27.8%	\$70.1 million	28.0%
Earnings per Diluted Share	37 cents		38 cents	

1 See the “Use of Non-GAAP Financial Measures” section of this release.

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**Microchip Technology**  
**Reports Third Quarter**  
**Fiscal 2010 Results**

Net revenue for the third quarter of fiscal year 2010 was \$250.1 million, up 10.3% sequentially from net revenue of \$226.7 million in the immediately preceding quarter, and up approximately 30.1% from net revenue of \$192.2 million in the prior year's third fiscal quarter. GAAP net income for the third quarter of fiscal year 2010 was \$69.4 million, or 37 cents per diluted share, up 56.0% from GAAP net income of \$44.5 million, or 24 cents per diluted share, in the immediately preceding quarter, and down 4.1% from GAAP net income of \$72.4 million, or 39 cents per diluted share, in the prior year's third fiscal quarter. The December 2009 quarter included an \$8.5 million favorable income tax benefit associated with an IRS audit settlement while the December 2008 quarter included a \$51.3 million favorable income tax benefit related to an IRS settlement, changes in tax regulations and the reinstatement of the R&D tax credit.

Non-GAAP net income for the third quarter of fiscal year 2010 was \$70.1 million, or 38 cents per diluted share, up 31.9% from non-GAAP net income of \$53.2 million, or 29 cents per diluted share, in the immediately preceding quarter, and up 70.3% from non-GAAP net income of \$41.2 million, or 23 cents per diluted share, in the prior year's third fiscal quarter. Our non-GAAP results exclude the effect of share-based compensation, any gain or loss on trading securities, the impact of our acquisition activities, non-recurring tax events and non-cash interest expense on our convertible debentures associated with the adoption of the Financial Accounting Standards Board's Accounting Standards Codification Subtopic 470-20, *Debt with Conversion and Other Options – Cash Conversion*, which requires us to account separately for the liability and equity components of certain convertible debt instruments in a manner that reflects our nonconvertible debt (unsecured debt) borrowing rate when interest cost is recognized. A reconciliation of our non-GAAP and GAAP results is included in this press release.

Microchip also announced today that its Board of Directors declared a quarterly cash dividend on its common stock of 34.1 cents per share. The quarterly dividend is payable on March 4, 2010 to stockholders of record on February 18, 2010. Microchip initiated quarterly cash dividend payments in the third quarter of fiscal 2003.

Additionally, Microchip announced today that it has signed a definitive agreement to acquire Silicon Storage Technology, Inc. (Nasdaq: SSTI) for \$2.85 per share in cash. The acquisition has been approved by the Boards of Directors of each company and is expected to close in the second quarter of calendar 2010, subject to approval of SST's stockholders and other customary closing conditions.

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**Microchip Technology**  
**Reports Third Quarter**  
**Fiscal 2010 Results**

“During the December quarter we experienced strong growth in all geographies and product lines, which resulted in us exceeding the revenue, gross margin, operating profit and earnings per share guidance that we revised positively in late November,” said Steve Sanghi, Microchip’s President and CEO.

“Non-GAAP gross margins were 59%, up 350 basis points from the September quarter, and we expect another 75 to 125 basis points of gross margin improvement in the March quarter as we continue to see the benefits from increased production levels in our factories in response to improving business conditions. We now believe that we are positioned to reach our previous record high non-GAAP gross margin of 61.6% by the end of fiscal year 2011,” continued Mr. Sanghi.

“Our microcontroller business delivered excellent results; revenue was up 10.0% sequentially and we shipped a record 41,492 development tools. Our 16-bit microcontroller business achieved another record for quarterly revenue, with strong sequential growth of 10%, as well as 101.4% growth from the year-ago quarter,” said Ganesh Moorthy, Chief Operating Officer. “Our analog business had another outstanding quarter with 14.1% sequential growth and exceeded an annual revenue run rate of \$100 million for the first time in Microchip’s history.”

Eric Bjornholt, Microchip’s Chief Financial Officer, said, “Due to the much stronger than expected growth in revenue and despite the significant ramp in manufacturing output, our inventory at 99 days remains well below our internal target of 115 days.”

Mr. Bjornholt continued, “In the December quarter, our cash and investments position increased by \$26.9 million after payment of our quarterly cash dividend of \$62.5 million. We expect our cash generation to continue to be strong in the March quarter.”

Mr. Sanghi concluded, “We are extremely pleased with the performance of our business in the December 2009 quarter. Our book-to-bill ratio for the December quarter was 1.12, providing us with excellent visibility. We started the March 2010 quarter with a record high opening backlog. On the other hand, the Lunar New Year holidays will have an adverse seasonal impact on our business in Asia. Taking all these factors into consideration we expect revenue to be up 3% to 7% sequentially.”

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**Microchip's Recent Highlights:**

- Microchip is rapidly growing its nanoWatt XLP eXtreme Low Power portfolio of 8- and 16-bit PIC® microcontrollers, which continues its leadership position as the world's most battery-friendly MCUs. Introduced this quarter were two new families of 16-bit PIC24F MCUs, as well as the new PIC16(L)F1826/7 general-purpose 8-bit XLP microcontrollers. PIC microcontrollers with nanoWatt XLP technology recently won three global honors, including Europe's Elektra Awards, America's Wireless Design & Development Technology Awards, and EDN China's Innovation Awards. These awards mirror the positive reception of XLP by Microchip's customers, who have been able to lower their power budgets substantially over competing MCUs.
  - The PIC32 32-bit microcontroller portfolio underwent a major expansion this quarter, with the introduction of three new families. These three families were just named by EDN magazine to their 2009 "Hot 100" list of the most significant new electronic products, in the "Microcontrollers and Processors" category.
  - Two other recent Microchip products joined the PIC32 on EDN's 2009 Hot 100 list: the dsPIC33F "GS" series-based AC/DC reference design, which was named in the "Power" category, and the MCP651/2/5 offset-voltage-corrected operational amplifiers, which were named in the "Analog ICs" category.
  - Microchip acquired ZeroG Wireless, Inc, an innovator in low-power embedded Wi-Fi® solutions based in Sunnyvale, Calif., to further strengthen its wireless offerings by enabling embedded designers to easily connect to this ubiquitous networking protocol with any 8-, 16- or 32-bit PIC microcontroller.
  - Also in the wireless arena, Microchip announced that it has achieved certification for its ZigBee® RF4CE Compliant Platform, which enables the next generation of RF remote controls and consumer electronics.
  - Responding to the increasing market requirements for ICs specified for operation at temperatures greater than 125° C, Microchip introduced the largest and broadest portfolio of ICs for high-temperature applications—including 8- and 16-bit PIC microcontrollers, dsPIC® Digital Signal Controllers, serial EEPROM devices, and analog products—that are specified for operation up to 150° C ambient and qualified to AEC-Q100 Grade 0 requirements.
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**Microchip Technology**  
**Reports Third Quarter**  
**Fiscal 2010 Results**

- Microchip's broad, low-power Analog portfolio continued to grow at a steady pace, including new high-accuracy, low-power temperature sensors; a metering analog front end for highly accurate measurements; low dropout regulators with wide input and output voltage ranges; and synchronous Buck MOSFET drivers with maximum efficiency in small packages.
- During the quarter, Microchip shipped 41,492 development systems, a new record that demonstrates the continued strong interest in Microchip's products. The total cumulative number of development systems shipped now stands at 884,502.
- Microchip's mTouch Inductive Touch Sensing Technology was bestowed with the Best Touch Sensing Technology award by Electronic Engineering & Product World magazine in China, as part of their Embedded Systems Editor's Choice Awards 2009.

**Fourth Quarter Fiscal 2010 Outlook:**

The following statements are based on current expectations. These statements are forward-looking, and actual results may differ materially.

	GAAP	Non-GAAP Adjustments	Non-GAAP <sup>1</sup>
Revenue	\$257.5 to \$267.5 million		\$257.5 to \$267.5 million
Gross Margin <sup>2,3</sup>	58.85% to 59.35%	\$2.3 to \$2.5 million	59.75% to 60.25%
Operating Expenses <sup>2,3</sup>	29%	\$7.2 to \$7.5 million	26.2%
Other Income (Expense)	(\$3.7) to (\$4.1) million	\$1.6 million	(\$2.1) to (\$2.5) million
Tax Rate	12% to 12.5%	\$1.8 to \$2.0 million	12.5% to 13%
Diluted Common Shares Outstanding <sup>4</sup>	188.9 to 189.3 million	1.7 million shares	187.2 to 187.6 million
Earnings per Share	34 to 36 cents	5 to 6 cents	39 to 41 cents

- Inventory at March 31, 2010 is expected to be about flat in days from the December 31, 2009 levels, while remaining below our internal target of 115 days.
- Capital expenditures for the quarter ending March 31, 2010 are expected to be approximately \$22 million. Capital expenditures for all of fiscal year 2010 are anticipated to be approximately \$50 million. We are investing in equipment to support the expected revenue growth of our new products and technologies and are taking advantage of low-cost equipment opportunities in the marketplace.

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**Microchip Technology**  
**Reports Third Quarter**  
**Fiscal 2010 Results**

- We expect net cash generation during the March quarter of approximately \$75 to \$85 million before the dividend payment of \$62.9 million announced today. The amount of expected net cash generation is before the effect of any stock buy back activity.
- Microchip's Board of Directors authorized a stock buy back of up to 10.0 million shares in December 2007. At December 31, 2009, approximately 2.5 million shares remained available for purchase under this program. Future purchases will depend upon market conditions, interest rates and corporate considerations.

**<sup>1</sup> Use of Non-GAAP Financial Measures:**

Our Non-GAAP adjustments, where applicable, include the effect of share-based compensation, any gain or loss on trading securities, the impact of our acquisition activities, non-recurring tax events and non-cash interest expense on our convertible debentures and the related income tax implications of these items.

We are required to estimate the cost of certain forms of share-based compensation, including employee stock options, restricted stock units and our employee stock purchase plan, and to record a commensurate expense in our income statement. Share-based compensation expense is a non-cash expense that varies in amount from period to period and is affected by the price of our stock at the date of grant. The price of our stock is affected by market forces that are difficult to predict and are not within the control of management. The value of our trading securities varies in amount from period to period and is affected by fluctuations in the market prices of such securities that we cannot predict and are not within the control of management. The non-GAAP adjustments related to the impact of our acquisitions and a portion of our interest expense related to our convertible debentures are non-cash expenses related to such transactions. Our acquisitions of patent portfolio licenses and tax events related to IRS settlements, changes in tax regulations and the reinstatement of the R&D tax credit are non-recurring events in our business. Accordingly, management excludes all of these items from its internal operating forecasts and models.

We are using non-GAAP gross profit margin, non-GAAP gross profit percentage, non-GAAP operating expenses in dollars and as a percentage of sales including non-GAAP research and development expenses and non-GAAP selling, general and administration expenses, non-GAAP operating income, non-GAAP other income (expense), non-GAAP income tax/tax rate, non-GAAP net income, and non-GAAP diluted earnings per share which exclude the items noted in the immediately preceding paragraph, to permit additional analysis of our performance.

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Management believes these non-GAAP measures are useful to investors because they enhance the understanding of our historical financial performance and comparability between periods. Many of our investors have requested that we disclose this non-GAAP information because they believe it is useful in understanding our performance as it excludes non-cash and other charges that many investors feel may obscure our true operating costs. Management uses these non-GAAP measures to manage and assess the profitability of its business. Specifically, we do not consider such items when developing and monitoring our budgets and spending. As described above the economic substance behind our decision to exclude such items relates either to these charges being non-cash in nature or to the one-time nature of the events or, in the case of our trading securities, because such item is difficult to predict and not within the control of management. Our determination of the above non-GAAP measures might not be the same as similarly titled measures used by other companies, and it should not be construed as a substitute for amounts determined in accordance with GAAP. There are limitations associated with using non-GAAP measures, including that they exclude financial information that some may consider important in evaluating our performance. Management compensates for this by presenting information on both a GAAP and non-GAAP basis for investors and providing reconciliations of the GAAP and non-GAAP results.

<sup>2</sup> The GAAP outlook for gross margin and operating expenses do not consider any acquisition related costs or amortization of intangible assets associated with acquisitions that were not completed as of December 31, 2009.

<sup>3</sup> Generally, gross margin fluctuates over time, driven primarily by the mix of microcontrollers, analog products and memory products sold; variances in manufacturing yields; fixed cost absorption; wafer fab loading levels; inventory reserves; pricing pressures in our non-proprietary product lines; and competitive and economic conditions. Operating expenses fluctuate over time, primarily due to revenue and profit levels.

<sup>4</sup> Diluted Common Shares Outstanding can vary for, among other things, the trading price of our common stock, the actual exercise of options or vesting of restricted stock units, the potential for incremental dilutive shares from our convertible debentures, and the repurchase or the issuance of stock or the sale of treasury shares.

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**MICROCHIP TECHNOLOGY INCORPORATED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(in thousands except per share amounts)  
(Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2009	2008 <sup>(1)</sup>	2009	2008 <sup>(1)</sup>
Net sales	\$ 250,099	\$ 192,166	\$ 669,709	\$ 730,044
Cost of sales	104,103	87,379	303,938	297,507
Gross profit	145,996	104,787	365,771	432,537
Operating expenses:				
Research and development	30,332	26,973	87,536	89,868
Selling, general and administrative	43,096	36,840	120,525	127,882
Special charge	-	500	1,238	500
	73,428	64,313	209,299	218,250
Operating income	72,568	40,474	156,472	214,287
Other expense, net	(2,689)	(20,064)	(2,656)	(9,809)
Income before income taxes	69,879	20,410	153,816	204,478
Income tax provision (benefit)	476	(51,946)	12,560	(19,145)
Net income	\$ 69,403	\$ 72,356	\$ 141,256	\$ 223,623
Basic net income per share	\$ 0.38	\$ 0.40	\$ 0.77	\$ 1.22
Diluted net income per share	\$ 0.37	\$ 0.39	\$ 0.76	\$ 1.19
Basic shares used in calculation	183,856	181,963	183,301	183,414
Diluted shares used in calculation	187,861	183,999	186,770	187,661

<sup>(1)</sup> As adjusted due to the adoption of ASC Subtopic 470-20, *Debt with Conversion and Other Options – Cash Conversion*.

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**MICROCHIP TECHNOLOGY INCORPORATED AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands)

**ASSETS**

	December 31, 2009 (Unaudited)	March 31, 2009 <sup>(1)</sup>
Cash and short-term investments	\$ 1,077,974	\$ 1,389,945
Accounts receivable, net	113,763	88,525
Inventories	112,784	131,510
Other current assets	138,216	138,864
Total current assets	<u>1,442,737</u>	<u>1,748,844</u>
Property, plant & equipment, net	495,065	531,687
Long-term investments	421,628	50,826
Other assets	<u>84,177</u>	<u>80,409</u>
Total assets	<u>\$ 2,443,607</u>	<u>\$ 2,411,766</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Accounts payable and other accrued liabilities	\$ 87,552	\$ 71,714
Deferred income on shipments to distributors	<u>97,583</u>	<u>83,931</u>
Total current liabilities	185,135	155,645
Convertible debentures	339,000	334,184
Long-term income tax payable	53,967	70,051
Deferred tax liability	377,647	365,734
Other long-term liabilities	3,983	3,834
Stockholders' equity	<u>1,483,875</u>	<u>1,482,318</u>
Total liabilities and stockholders' equity	<u>\$ 2,443,607</u>	<u>\$ 2,411,766</u>

<sup>(1)</sup> As adjusted due to the adoption of ASC Subtopic 470-20, *Debt with Conversion and Other Options – Cash Conversion*.

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**MICROCHIP TECHNOLOGY INCORPORATED AND SUBSIDIARIES**  
**RECONCILIATION OF GAAP TO NON-GAAP MEASURES**  
(in thousands except per share amounts and percentages)  
(Unaudited)

**RECONCILIATION OF GROSS PROFIT TO NON-GAAP GROSS PROFIT**

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2009	2008	2009	2008
Gross profit, as reported	\$ 145,996	\$ 104,787	\$ 365,771	\$ 432,537
Share-based compensation expense	1,266	967	4,845	4,645
Acquisition-related acquired inventory valuation costs and intangible asset amortization	321	308	1,868	308
Non-GAAP gross profit	<u>\$ 147,583</u>	<u>\$ 106,062</u>	<u>\$ 372,484</u>	<u>\$ 437,490</u>
Non-GAAP gross profit percentage	59.0%	55.2%	55.6%	59.9%

**RECONCILIATION OF RESEARCH AND DEVELOPMENT EXPENSES TO NON-GAAP  
RESEARCH AND DEVELOPMENT EXPENSES**

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2009	2008	2009	2008
Research and development expenses, as reported	\$ 30,332	\$ 26,973	\$ 87,536	\$ 89,868
Share-based compensation expense	(3,108)	(2,948)	(9,205)	(8,023)
Non-GAAP research and development expenses	<u>\$ 27,224</u>	<u>\$ 24,025</u>	<u>\$ 78,331</u>	<u>\$ 81,845</u>
Non-GAAP research and development expenses as a percentage of net sales	10.9%	12.5%	11.7%	11.2%

**RECONCILIATION OF SELLING, GENERAL AND ADMINISTRATIVE EXPENSES TO  
NON-GAAP SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2009	2008	2009	2008
Selling, general and administrative expenses, as reported	\$ 43,096	\$ 36,840	\$ 120,525	\$ 127,882
Share-based compensation expense	(4,463)	(4,250)	(13,285)	(11,689)
Acquisition-related intangible asset amortization and other costs	(297)	(128)	(860)	(128)
Non-GAAP selling, general and administrative expenses	<u>\$ 38,336</u>	<u>\$ 32,462</u>	<u>\$ 106,380</u>	<u>\$ 116,065</u>
Non-GAAP selling, general and administrative expenses as a percentage of net sales	15.3%	16.9%	15.9%	15.9%

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**RECONCILIATION OF OPERATING INCOME TO NON-GAAP OPERATING INCOME**

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2009	2008	2009	2008
Operating income, as reported	\$ 72,568	\$ 40,474	\$ 156,472	\$ 214,287
Share-based compensation expense	8,837	8,165	27,335	24,357
Acquisition-related acquired inventory valuation costs, intangible asset amortization & other costs	618	436	2,728	436
Special charge – patent license	-	-	1,238	-
Special charge – Hampshire in-process R&D	-	500	-	500
Non-GAAP operating income	\$ 82,023	\$ 49,575	\$ 187,773	\$ 239,580
Non-GAAP operating income as a percentage of net sales	32.8%	25.8%	28.0%	32.8%

**RECONCILIATION OF OTHER EXPENSE, NET TO NON-GAAP OTHER  
(EXPENSE) INCOME, NET**

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2009	2008 <sup>(1)</sup>	2009	2008 <sup>(1)</sup>
Other expense, net, as reported	\$ (2,689)	\$ (20,064)	\$ (2,656)	\$ (9,809)
Convertible debt non-cash interest expense	1,595	1,321	4,662	3,850
Loss (gain) on trading securities	-	19,272	(7,518)	19,272
Non-GAAP other (expense) income, net	\$ (1,094)	\$ 529	\$ (5,512)	\$ 13,313
Non-GAAP other (expense) income, net, as a percentage of net sales	-0.4%	0.3%	-0.8%	1.8%

<sup>(1)</sup>As adjusted due to the adoption of ASC Subtopic 470-20, *Debt with Conversion and Other Options – Cash Conversion*.

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**RECONCILIATION OF INCOME TAX PROVISION (BENEFIT)  
TO NON-GAAP INCOME TAX PROVISION**

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2009	2008 <sup>(1)</sup>	2009	2008 <sup>(1)</sup>
Income tax provision (benefit), as reported	\$ 476	\$ (51,946)	\$ 12,560	\$ (19,145)
Income tax rate, as reported	0.7%	-254.5%	8.2%	-9.4%
Share-based compensation expense	1,180	1,454	3,585	4,384
Acquisition-related acquired inventory valuation costs, intangible asset amortization and other costs	83	78	357	78
Special charge – patent license	-	-	124	-
Special charge – Hampshire in-process R&D	-	89	-	89
R&D tax credit reinstatement	-	1,470	-	1,470
Tax benefit related to IRS settlement and clarification in tax regulations	-	49,847	-	49,847
Tax benefit on IRS settlement	8,452	-	8,452	-
Convertible debt non-cash interest expense	614	508	1,795	1,482
Loss (gain) on trading securities	-	7,420	(2,894)	7,420
Non-GAAP income tax provision	<u>\$ 10,805</u>	<u>\$ 8,920</u>	<u>\$ 23,979</u>	<u>\$ 45,625</u>
Non-GAAP income tax rate	13.4%	17.8%	13.2%	18.0%

<sup>(1)</sup>As adjusted due to the adoption of ASC Subtopic 470-20, *Debt with Conversion and Other Options – Cash Conversion*.

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**RECONCILIATION OF NET INCOME AND DILUTED NET INCOME PER SHARE TO  
NON-GAAP NET INCOME AND NON-GAAP DILUTED NET INCOME PER SHARE**

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2009	2008 <sup>(1)</sup>	2009	2008 <sup>(1)</sup>
Net income, as reported	\$ 69,403	\$ 72,356	\$ 141,256	\$ 223,623
Share-based compensation expense, net of tax effect	7,657	6,711	23,750	19,973
Acquisition-related acquired inventory valuation costs, intangible asset amortization and other costs, net of tax effect	535	358	2,371	358
Special charge – patent license, net of tax effect	-	-	1,114	-
Special charge – Hampshire in-process R&D, net of tax effect	-	411	-	411
R&D tax credit reinstatement	-	(1,470)	-	(1,470)
Tax benefit related to IRS settlement and clarification in tax regulations	-	(49,847)	-	(49,847)
Tax benefit on IRS settlement	(8,452)	-	(8,452)	-
Convertible debt non-cash interest expense, net of tax effect	981	813	2,867	2,368
Loss (gain) on trading securities, net of tax effect	-	11,852	(4,624)	11,852
Non-GAAP net income	<u>\$ 70,124</u>	<u>\$ 41,184</u>	<u>\$ 158,282</u>	<u>\$ 207,268</u>
Non-GAAP net income as a percentage of net sales	28.0%	21.4%	23.6%	28.4%
Diluted net income per share, as reported	<u>\$ 0.37</u>	<u>\$ 0.39</u>	<u>\$ 0.76</u>	<u>\$ 1.19</u>
Non-GAAP diluted net income per share	<u>\$ 0.38</u>	<u>\$ 0.23</u>	<u>\$ 0.85</u>	<u>\$ 1.12</u>

<sup>(1)</sup> As adjusted due to the adoption of ASC Subtopic 470-20, *Debt with Conversion and Other Options – Cash Conversion*.

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**Microchip Technology**  
**Reports Third Quarter**  
**Fiscal 2010 Results**

Microchip will host a conference call today, February 3, 2010 at 10:00 a.m. (Eastern Time) to discuss this release. This call will be simulcast over the Internet at [www.microchip.com](http://www.microchip.com). The webcast will be available for replay until February 10, 2010.

A telephonic replay of the conference call will be available at approximately 1:00 p.m. (Eastern Time) February 3, 2010 and will remain available until 5:00 p.m. (Eastern Time) on February 10, 2010. Interested parties may listen to the replay by dialing 719-457-0820 and entering access code 2375453.

**Cautionary Statement:**

The statements in this release relating to our \$1 billion run rate, completing the transaction with Silicon Storage Technology, Inc. in the second calendar quarter of 2010, expecting 75 to 125 basis points of gross margin improvement in the March quarter, improvements from increased production levels in our factories, being positioned to achieve our record high non-GAAP gross margin by the end of fiscal 2011, our analog revenue run rate, improving business conditions, continuing to focus on having the appropriate levels of inventory in place to support the needs of our customers, expecting our cash generation to continue to be strong for the March quarter, excellent visibility, the impact of the Lunar New Year holidays on our business in Asia, expecting revenue to be up 3% to 7% sequentially, rapidly growing our nanoWatt product portfolio, strengthening our wireless offerings, continued strong interest in our products, our fourth quarter fiscal 2010 outlook (GAAP and Non-GAAP as applicable) for revenue, gross margin, operating expenses, other income (expense), tax rate, diluted common shares outstanding, earnings per share, inventory, capital expenditures for the March quarter and for fiscal 2010 and net cash generation, 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: the strength of the economic recovery or any unexpected fluctuations or weakness in the U.S. and global economies, 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 and our ability to effectively ramp our production levels; 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; the impact of any significant acquisitions that we make; costs and outcome of any current or future tax audit or any litigation involving intellectual property, customers or other issues; actual timing of the closing of the SST acquisition, the

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**Microchip Technology**  
**Reports Third Quarter**  
**Fiscal 2010 Results**

satisfaction of the conditions to closing in the SST acquisition agreement, any termination of the SST acquisition agreement, 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](http://www.microchip.com)) or the SEC's Web site ([www.sec.gov](http://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 February 3, 2010 press release, or to reflect the occurrence of unanticipated events.

**About Microchip:**

Microchip Technology Incorporated 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](http://www.microchip.com).

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