

**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, 2012



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 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 2, 2012, we announced the results of our operations for the third fiscal quarter ended December 31, 2011. The complete release is attached to this report as Exhibit 99.1.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1 Microchip Technology Announces 85th Consecutive Quarter of Profitability and Third Quarter Fiscal Year 2012 Financial Results

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 2, 2012

Microchip Technology Incorporated
(Registrant)

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

EXHIBITS

99.1 Microchip Technology Announces 85th Consecutive Quarter of Profitability and Third Quarter Fiscal Year 2012 Financial Results



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

**MICROCHIP TECHNOLOGY ANNOUNCES
85th CONSECUTIVE QUARTER OF PROFITABILITY
AND THIRD QUARTER FISCAL YEAR 2012 FINANCIAL RESULTS**

- ž **NET SALES OF \$329.2 MILLION, DOWN 3.4% SEQUENTIALLY AND DOWN 10.5% YEAR-OVER-YEAR**
- ž **A GAAP BASIS: GROSS MARGIN OF 55.8%; OPERATING INCOME OF \$88.1 MILLION; NET INCOME OF \$77.5 MILLION; AND EPS OF 38 CENTS PER DILUTED SHARE**
- ž **ON A NON-GAAP BASIS: GROSS MARGIN OF 56.8%; OPERATING INCOME OF \$100.3 MILLION; NET INCOME OF \$85.4 MILLION; AND EPS OF 42 CENTS PER DILUTED SHARE**
- ž **RECORD 32-BIT REVENUE, UP 33.7% SEQUENTIALLY**
- ž **RECORD LICENSING REVENUE OF \$23.1 MILLION, UP 4.9% SEQUENTIALLY**

CHANDLER, Arizona – February 2, 2012 – (NASDAQ: MCHP) – Microchip Technology Incorporated, a leading provider of microcontroller, analog and Flash-IP solutions, today reported results for the three months ended December 31, 2011 as summarized in the following table:

| (in millions, except earnings per diluted share and percentages) | Three Months Ended December 31, 2011 | | | |
|--|--------------------------------------|----------------|-----------------------|----------------|
| | GAAP | % of Net Sales | Non-GAAP ¹ | % of Net Sales |
| Net Sales | \$329.2 | | \$329.2 | |
| Gross Margin | \$183.8 | 55.8% | \$186.9 | 56.8% |
| Operating Income | \$88.1 | 26.8% | \$100.3 | 30.5% |
| Other Expense including Gains/Losses on Equity Method Investment | \$(4.5) | | \$(2.5) | |
| Income Tax Expense | \$6.2 | | \$12.4 | |
| Net Income | \$77.5 | 23.5% | \$85.4 | 26% |
| Earnings per Diluted Share ² | 38 cents | | 42 cents | |

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

2 Earnings per share has been calculated based on the diluted shares outstanding of Microchip on a consolidated basis.

Net sales for the third quarter of fiscal 2012 were \$329.2 million, down 3.4% sequentially from net sales of \$340.6 million in the immediately preceding quarter, and down 10.5% from net sales of \$367.8 million in the prior

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year's third fiscal quarter. GAAP net income for the third quarter of fiscal 2012 was \$77.5 million, or 38 cents per diluted share, down 2.3% from GAAP net income of \$79.3 million, or 40 cents per diluted share, in the immediately preceding quarter, and down 24.0% from GAAP net income from continuing operations of \$101.9 million, or 52 cents per diluted share, in the prior year's third fiscal quarter. GAAP net income in the third quarter of fiscal 2012 was favorably impacted by special income of \$0.7 million associated with acquisitions occurring in prior fiscal years and \$4.1 million from non-recurring tax events.

Non-GAAP net income for the third quarter of fiscal 2012 was \$85.4 million, or 42 cents per diluted share, down 7.7% from non-GAAP net income of \$92.6 million, or 46 cents per diluted share, in the immediately preceding quarter, and down 24.9% from non-GAAP net income of \$113.8 million, or 58 cents per diluted share, in the prior year's third fiscal quarter. For the third quarters of fiscal 2012 and fiscal 2011, our non-GAAP results exclude the effect of share-based compensation, expenses related to our acquisition activities (including intangible asset amortization, inventory valuation costs, severance costs, earn out adjustments and legal and other general and administrative expenses associated with acquisitions), non-recurring tax events, and non-cash interest expense on our convertible debentures. 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 34.9 cents per share. The quarterly dividend is payable on March 6, 2012 to stockholders of record on February 21, 2012.

"Our December quarter results were consistent with the guidance we provided on November 3, 2011 and marked our 85th consecutive quarter of profitability," said Steve Sanghi, President and CEO. "Microchip entered this industry down cycle about one quarter earlier than most of our industry peers, and we believe that our December quarter results combined with our March quarter guidance confirms that we also expect to exit this cycle a quarter earlier than most."

Mr. Sanghi added, "We believe our inventory levels and short lead times, combined with our strong product portfolio, position us well to gain market share in our microcontroller and analog product lines."

"Our 32-bit microcontroller business had an outstanding quarter and produced revenue growth of 33.7% on a sequential basis, and was up 137.3% from the year-ago quarter to achieve a new record," said Ganesh Moorthy, Chief Operating Officer. "Despite the challenging environment, this product line continues to demonstrate strong growth as many new designs continue to go to production."

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“Our analog business produced another good quarter with revenue up 1.75% sequentially compared to other analog companies being down in double digit percentages sequentially. We have continued to introduce a steady stream of new products targeting a broad range of applications and are winning many new customers and designs,” said Mr. Rich Simonicic, Vice President of Analog Products.

Mark Reiten, Vice President of Microchip’s Licensing division commented, “Our licensing business posted a new record in the December quarter achieving \$23.1 million in revenue, up 4.9% sequentially and up 21% over the year ago quarter. Our SuperFlash technology continues to be recognized as the best-in-class flash technology for embedded applications. We continue to expand the number of licensees that are using this technology at various wafer foundries, as well as fabs owned by integrated device manufacturers.”

Eric Bjornholt, Microchip’s Chief Financial Officer, said, “The combined inventory position of Microchip and its distributors decreased by 6 days during the December quarter. The inventory on our balance sheet was up 5 days while distribution inventory declined 11 days on a sequential basis. At this time we believe the majority of the inventory correction has been completed for our customers and our distributors”

Mr. Sanghi concluded, “While the March 2012 quarter will as usual be seasonally impacted by the Lunar New Year holidays in Asia, we believe that Microchip will start to see the beginning of our recovery from the inventory correction. Taking this into consideration, we expect revenue in the March 2012 quarter to be up between one and five percent and are forecasting sequential improvements in non-GAAP gross margins, operating margins and earnings per share.”

Microchip’s Recent Highlights:

- Microchip released Version 1 of its next-generation MPLAB[®] X IDE, which recently won four prestigious industry awards—while still in Beta—from ECN Magazine and the EDN Hot 100 in the Americas, the Elektra Awards in Europe, and an EDN China Innovation Award. Each cited Microchip’s industry-leading position in universally supporting all of its 800+ PIC[®] MCUs from one integrated development environment, while adding cross-platform support for development with the Linux, Mac OS[®] and Windows[®] operating systems, and many other advanced design features. MPLAB X is based on the open-source NetBeans platform, which enables users to take advantage of existing community plug-ins while creating new ones.

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- Microchip's growing PIC32 portfolio of 32-bit microcontrollers built on its best-in-class performance with the smallest and lowest-cost family to date. This family also integrates new peripherals for audio and touch sensing. All PIC32s were recently qualified for an expanded operating temperature range of -40°C to 105°C, enabling their use in a wider range of robust applications. And, Microchip introduced the lowest-cost development tool for all of its 3.3V 16- and 32-bit MCUs and DSCs that come in 28-pin SPDIP packages.
- Microchip shipped 43,146 development systems during the quarter, demonstrating the continued strong interest in its products. The total cumulative number of development systems shipped now stands at 1,243,361.
- In the 16-bit arena, Microchip introduced two new families. The first expanded its eXtreme Low Power (XLP) portfolio with the industry's lowest 16-bit MCU active current consumption, as well as several new low-power sleep modes. The second added to Microchip's highest-performing, 70 MIPS architecture with cost-effective new MCUs and DSCs that feature on-chip operational amplifiers and touch-sensing peripherals, enabling advanced features in user-interface, intelligent-sensing, general-purpose and motor-control applications.
- Microchip's 8-bit MCU family with integrated configurable logic in 2x3 mm packages continued to win awards, including Electronic Design Magazine's Best Digital Electronic Design for 2011. Microchip also introduced a new device that combines an XLP 8-bit MCU with a sub-GHz RF transmitter in a single package, for a broad range of remote-access applications.
- On the analog front, Microchip continued to grow its broad catalog with five new products: the industry's first and only standalone, resistor-programmable fan motor driver; the Company's first instrumentation amplifier, which provides low power consumption and on-chip calibration for enhanced performance; the world's first ionization smoke-detector IC with programmable calibration and feature selection, and the first with horn synchronization and auto alarm locate; a USB to SPI protocol converter that provides the simplest, smallest and most cost-effective way to add USB to existing designs; and, finally, a silicon temperature sensor that guarantees high accuracy and resolution across a wide temperature range in small packages.
- The Company's memory portfolio also expanded, including two new compact, low-power parallel NOR Flash devices, and a new family of battery-backed Real-Time Clock/Calendars with more memory and a faster interface.

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Fourth Quarter Fiscal Year 2012 Outlook:

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

| | Microchip Guidance | | |
|--|----------------------------|-----------------------------------|----------------------------|
| | GAAP | Non-GAAP Adjustments ¹ | Non-GAAP ¹ |
| Results from Continuing Operations: | | | |
| Net Sales | \$332.4 to \$345.6 million | | \$332.4 to \$345.6 million |
| Gross Margin ³ | 56.7% to 57.2% | \$3.5 to \$3.6 million | 57.75% to 58.25% |
| Operating Expenses ³ | 28.75% to 29.25% | \$10.0 to \$10.4 million | 25.75% to 26.25% |
| Other Income (Expense) | (\$4.5) million | \$1.9 million | (\$2.6) million |
| Tax Rate | 12.5% to 13% | \$2.0 million | 12.5% to 13% |
| Net Income | \$75.5 to \$82.1 million | \$13.4 to \$13.9 million | \$88.8 to \$96.0 million |
| Diluted Common Shares Outstanding ² | 207 million shares | 0.5 million shares | 206.5 million shares |
| Earnings per Diluted Share | 36 to 40 cents | about 7 cents | 43 to 47 cents |

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

² Earnings per share have been calculated based on the diluted shares outstanding of Microchip on a consolidated basis.

- Microchip's inventory days at March 31, 2012 are expected to be about flat from the December quarter. Our inventory position enables us to continue to service our customers with very short lead times while allowing us to control future capital expenditures. The actual inventory level will depend on the inventory that our distributors decide to hold to support their customers, overall demand for our products and our production levels.
- Capital expenditures for the quarter ending March 31, 2012 are expected to be approximately \$9 million. Capital expenditures for all of fiscal year 2012 are anticipated to be approximately \$68 million. We are continuing to take actions to invest in the equipment needed to support the expected growth of our new products and technologies.
- We expect net cash generation during the March quarter of approximately \$80 million to \$90 million prior to the dividend payment.

¹ Use of Non-GAAP Financial Measures: Our Non-GAAP adjustments, where applicable, include the effect of share-based compensation, expenses related to our acquisition activities (including intangible asset

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amortization, inventory valuation costs, severance costs, earn-out adjustments and legal and other general and administrative expenses associated with acquisitions), losses on equity securities, and non-cash interest expense on our convertible debentures, the related income tax implications of these items and nonrecurring tax events.

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 equity 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, nonrecurring tax events and a portion of our interest expense related to our convertible debentures are either non-cash expenses or non-recurring expenses related to such transactions. Accordingly, management excludes all of these items from its internal operating forecasts and models.

We are using non-GAAP gross profit, 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 administrative expenses, non-GAAP operating income, non-GAAP other expense, net including gains (losses) on equity method investments, 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, as applicable, to permit additional analysis of our performance.

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 underlying operating results. 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

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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 equity 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.

² 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 (additional information regarding our share count is available in the investor relations section of our website under the heading “Supplemental Financial Information”), and the repurchase or the issuance of stock. The diluted common shares outstanding presented in the guidance table above assumes an average Microchip stock price in the March 2012 quarter of \$38 per share (however, we make no prediction as to what our actual share price will be for such period or any other period and we cannot estimate what our stock option exercise activity will be during the quarter).

³ Generally, gross margin fluctuates over time, driven primarily by the mix of microcontrollers, analog products and memory products sold and licensing revenue; 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 net sales and profit levels.

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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, | |
|---|------------------------------------|------------|-----------------------------------|--------------|
| | 2011 | 2010 | 2011 | 2010 |
| Net sales | \$ 329,156 | \$ 367,824 | \$ 1,044,265 | \$ 1,107,220 |
| Cost of sales | 145,377 | 151,427 | 445,744 | 458,375 |
| Gross profit | 183,779 | 216,397 | 598,521 | 648,845 |
| Operating expenses: | | | | |
| Research and development | 44,256 | 42,198 | 134,937 | 126,448 |
| Selling, general and administrative | 52,056 | 56,100 | 161,637 | 170,896 |
| Special (income) charges | (660) | 646 | (660) | 1,679 |
| | 95,652 | 98,944 | 295,914 | 299,023 |
| Operating income | 88,127 | 117,453 | 302,607 | 349,822 |
| Gains (losses) on equity method investments | 14 | 280 | (60) | 185 |
| Other expense, net | (4,464) | (3,342) | (14,774) | (9,338) |
| Income from continuing operations before income taxes | 83,677 | 114,391 | 287,773 | 340,669 |
| Income tax provision | 6,188 | 12,461 | 31,704 | 42,114 |
| Net income from continuing operations | 77,489 | 101,930 | 256,069 | 298,555 |
| Discontinued operations: | | | | |
| Loss from discontinued operations before income taxes | - | (1,317) | - | (5,372) |
| Income tax benefit | - | (163) | - | (239) |
| Net loss from discontinued operations | - | (1,154) | - | (5,133) |
| Net income | \$ 77,489 | \$ 100,776 | \$ 256,069 | \$ 293,422 |
| Basic income per common share continuing operations | \$ 0.40 | \$ 0.54 | \$ 1.34 | \$ 1.60 |
| Basic income per common share discontinued operations | - | (0.01) | - | (0.03) |
| Basic net income per common share | \$ 0.40 | \$ 0.54 | \$ 1.34 | \$ 1.57 |
| Diluted income per common share continuing operations | \$ 0.38 | \$ 0.52 | \$ 1.26 | \$ 1.55 |
| Diluted income per common share discontinued operations | - | (0.01) | - | (0.03) |
| Diluted net income per common share | \$ 0.38 | \$ 0.51 | \$ 1.26 | \$ 1.53 |
| Basic common shares outstanding | 191,640 | 187,488 | 190,854 | 186,444 |
| Diluted common shares outstanding | 203,291 | 196,255 | 202,686 | 192,344 |

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MICROCHIP TECHNOLOGY INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

ASSETS

| | December 31, 2011 | March 31, 2011 |
|----------------------------------|----------------------|-------------------|
| | (Unaudited) | |
| Cash and short-term investments | \$ 1,302,273 | \$ 1,243,496 |
| Accounts receivable, net | 149,277 | 181,202 |
| Inventories | 217,853 | 180,800 |
| Other current assets | 160,677 | 169,485 |
| Total current assets | 1,830,080 | 1,774,983 |
| Property, plant & equipment, net | 533,652 | 540,513 |
| Long-term investments | 468,086 | 464,838 |
| Other assets | 189,333 | 187,724 |
| Total assets | \$ 3,021,151 | \$ 2,968,058 |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|--|--------------|--------------|
| Accounts payable and other current liabilities | \$ 132,780 | \$ 200,272 |
| Deferred income on shipments to distributors | 115,786 | 140,044 |
| Total current liabilities | 248,566 | 340,316 |
| Convertible debentures | 353,341 | 347,334 |
| Long-term income tax payable | 71,386 | 58,125 |
| Deferred tax liability | 397,709 | 399,527 |
| Other long-term liabilities | 8,844 | 10,318 |
| Stockholders' equity | 1,941,305 | 1,812,438 |
| Total liabilities and stockholders' equity | \$ 3,021,151 | \$ 2,968,058 |

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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 GAAP GROSS PROFIT TO NON-GAAP GROSS PROFIT

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|--|------------------------------------|------------|-----------------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| Gross profit, as reported | \$ 183,779 | \$ 216,397 | \$ 598,521 | \$ 648,845 |
| Share-based compensation expense | 1,369 | 1,708 | 4,376 | 5,416 |
| Acquisition-related acquired inventory valuation costs and intangible asset amortization | 1,709 | 1,747 | 5,127 | 11,026 |
| Non-GAAP gross profit | \$ 186,857 | \$ 219,852 | \$ 608,024 | \$ 665,287 |
| Non-GAAP gross profit percentage | 56.8% | 59.8% | 58.2% | 60.1% |

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

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|---|------------------------------------|-----------|-----------------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| Research and development expenses, as reported | \$ 44,256 | \$ 42,198 | \$ 134,937 | \$ 126,448 |
| Share-based compensation expense | (3,851) | (3,324) | (10,820) | (9,516) |
| Non-GAAP research and development expenses | \$ 40,405 | \$ 38,874 | \$ 124,117 | \$ 116,932 |
| Non-GAAP research and development expenses as a percentage of net sales | 12.3% | 10.6% | 11.9% | 10.6% |

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

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|--|------------------------------------|-----------|-----------------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| Selling, general and administrative expenses, as reported | \$ 52,056 | \$ 56,100 | \$ 161,637 | \$ 170,896 |
| Share-based compensation expense | (4,742) | (4,377) | (13,274) | (12,853) |
| Acquisition-related intangible asset amortization and other costs | (1,210) | (1,861) | (3,897) | (6,732) |
| Non-GAAP selling, general and administrative expenses | \$ 46,104 | \$ 49,862 | \$ 144,466 | \$ 151,311 |
| Non-GAAP selling, general and administrative expenses as a percentage of net sales | 14.0% | 13.6% | 13.8% | 13.7% |

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RECONCILIATION OF GAAP OPERATING INCOME TO NON-GAAP OPERATING INCOME

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|---|------------------------------------|-------------------|-----------------------------------|-------------------|
| | 2011 | 2010 | 2011 | 2010 |
| Operating income, as reported | \$ 88,127 | \$ 117,453 | \$ 302,607 | \$ 349,822 |
| Share-based compensation expense | 9,962 | 9,409 | 28,470 | 27,785 |
| Acquisition-related acquired inventory valuation costs, intangible asset amortization and other costs | 2,919 | 3,608 | 9,024 | 17,758 |
| Special (income) charges | (660) | 646 | (660) | 1,679 |
| Non-GAAP operating income | <u>\$ 100,348</u> | <u>\$ 131,116</u> | <u>\$ 339,441</u> | <u>\$ 397,044</u> |
| Non-GAAP operating income as a percentage of net sales | 30.5% | 35.6% | 32.5% | 35.9% |

RECONCILIATION OF GAAP OTHER EXPENSE, NET TO NON-GAAP OTHER EXPENSE, NET

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|---|------------------------------------|-------------------|-----------------------------------|-------------------|
| | 2011 | 2010 | 2011 | 2010 |
| Other expense, net, as reported | \$ (4,464) | \$ (3,342) | \$ (14,774) | \$ (9,338) |
| Convertible debt non-cash interest expense | 1,909 | 1,745 | 5,580 | 5,100 |
| Losses on equity securities | - | - | 1,878 | - |
| Non-GAAP other expense, net | <u>\$ (2,555)</u> | <u>\$ (1,597)</u> | <u>\$ (7,316)</u> | <u>\$ (4,238)</u> |
| Non-GAAP other expense, net, as a percentage of net sales | -0.8 % | -0.4 % | -0.7 % | -0.4 % |

RECONCILIATION OF GAAP INCOME TAX PROVISION FROM CONTINUING OPERATIONS TO NON-GAAP INCOME TAX PROVISION FROM CONTINUING OPERATIONS

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|---|------------------------------------|------------------|-----------------------------------|------------------|
| | 2011 | 2010 | 2011 | 2010 |
| Income tax provision, as reported | \$ 6,188 | \$ 12,461 | \$ 31,704 | \$ 42,114 |
| Income tax rate, as reported | 7.4% | 10.9% | 11.0% | 12.4% |
| Share-based compensation expense | 1,261 | 1,166 | 3,655 | 3,442 |
| Acquisition-related acquired inventory valuation costs, intangible asset amortization and other costs | 143 | 146 | 464 | 563 |
| Special charges | - | 80 | - | 137 |
| Convertible debt non-cash interest expense | 716 | 654 | 2,093 | 1,912 |
| Non-recurring tax events | 4,075 | - | 4,075 | - |
| R&D tax credit reinstatement | - | 1,534 | - | 1,534 |
| Losses on equity securities | - | - | 704 | - |
| Non-GAAP income tax provision | <u>\$ 12,383</u> | <u>\$ 16,041</u> | <u>\$ 42,695</u> | <u>\$ 49,702</u> |
| Non-GAAP income tax rate | 12.7% | 12.4% | 12.9% | 12.6% |

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

| | Three Months Ended December 31, 2011 | Three Months Ended December 31, 2010 | | | Nine Months Ended December 31, 2011 | Nine Months Ended December 31, 2010 | | |
|--|--|---|--------------------------|----------------------------|--|--|--------------------------|----------------------------|
| | Consolidated Operations | Consolidated Operations | Continuing Operations | Discontinued Operations | Consolidated Operations | Consolidated Operations | Continuing Operations | Discontinued Operations |
| Net income (loss), as reported | \$ 77,489 | \$ 100,776 | \$ 101,930 | \$ (1,154) | \$ 256,069 | \$ 293,422 | \$ 298,555 | \$ (5,133) |
| Share-based compensation expense, net of tax effect | 8,701 | 8,243 | 8,243 | - | 24,815 | 24,343 | 24,343 | - |
| Acquisition-related acquired inventory valuation costs, intangible asset amortization and other costs, net of tax effect | 2,776 | 3,462 | 3,462 | - | 8,560 | 19,883 | 17,195 | 2,688 |
| Special (income) charges, net of tax effect | (660) | 566 | 566 | - | (660) | 1,542 | 1,542 | - |
| Non-recurring tax events | (4,075) | - | - | - | (4,075) | - | - | - |
| R&D tax credit reinstatement | - | (1,534) | (1,534) | - | - | (1,534) | (1,534) | - |
| Convertible debt non-cash interest expense, net of tax effect | 1,193 | 1,091 | 1,091 | - | 3,487 | 3,188 | 3,188 | - |
| Losses on equity securities, net of tax effect | - | - | - | - | 1,174 | - | - | - |
| Non-GAAP net income (loss) | <u>\$ 85,424</u> | <u>\$ 112,604</u> | <u>\$ 113,758</u> | <u>\$ (1,154)</u> | <u>\$ 289,370</u> | <u>\$ 340,844</u> | <u>\$ 343,289</u> | <u>\$ (2,445)</u> |
| Non-GAAP net income (loss) as a percentage of net sales | 26.0% | | 30.9% | | 27.7% | | 31.0% | |
| Diluted net income (loss) per share, as reported | <u>\$ 0.38</u> | <u>\$ 0.51</u> | <u>\$ 0.52</u> | <u>\$ (0.01)</u> | <u>\$ 1.26</u> | <u>\$ 1.53</u> | <u>\$ 1.55</u> | <u>\$ (0.03)</u> |
| Non-GAAP diluted net income (loss) per share | <u>\$ 0.42</u> | <u>\$ 0.58</u> | <u>\$ 0.58</u> | <u>\$ (0.01)</u> | <u>\$ 1.43</u> | <u>\$ 1.78</u> | <u>\$ 1.80</u> | <u>\$ (0.01)</u> |
| Diluted common shares outstanding Non-GAAP | <u>202,749</u> | <u>195,332</u> | <u>195,332</u> | <u>195,332</u> | <u>202,090</u> | <u>191,175</u> | <u>191,175</u> | <u>191,175</u> |

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Microchip will host a conference call today, February 2, 2012 at 5:00 p.m. (Eastern Time) to discuss this release. This call will be simulcast over the Internet at www.microchip.com. The webcast will be available for replay until February 9, 2012.

A telephonic replay of the conference call will be available at approximately 8:00 p.m. (Eastern Time) February 2, 2012 and will remain available until 8:00 p.m. (Eastern Time) on February 2, 2012. Interested parties may listen to the replay by dialing 719-457-0820 and entering access code 9049919.

Cautionary Statement:

The statements in this release relating to exiting this cycle a quarter earlier than most, our strong product portfolio positioning us well to gain market share, continuing to demonstrate strong 32-bit microcontroller growth, continuing to introduce a steady stream of new analog products, winning many new customers and designs, our SuperFlash technology continuing to be recognized as best-in-class, expanding the number of licensees using our SuperFlash technology, the majority of the inventory correction being complete for our customers and distributors, seasonal impact of the Lunar New Year, starting to see the beginning of our recovery from the inventory correction, expecting revenue in the March 2012 quarter to be up between one and five percent sequentially, sequential improvements in non-GAAP gross margins, operating margins and earnings per share, continued strong interest in our products, our fourth quarter fiscal 2012 guidance including GAAP and non-GAAP data as applicable for net sales, gross margin, operating expenses, other income (expense), tax rate, net income, diluted common shares outstanding, earnings per diluted share, inventory levels, capital expenditures for the March quarter and for fiscal 2012, inventory levels enabling us to service our customers with very short lead times and allowing us to control future capital expenditures, 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 continued economic uncertainty or any unexpected fluctuations or further weakness in the U.S. and global economies, changes in demand or market acceptance of our products (including our licensed technology) 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 manage 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

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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; the risk that our customers may fail to continue to accept the SST product offerings; our actual average stock price in the March 2012 quarter and the impact such price will have on our share count; disruptions in our business or the businesses of our customers or suppliers due to natural disasters (including the recent floods in Thailand), 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 website (www.microchip.com) or the SEC's website (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 2, 2012 press release, or to reflect the occurrence of unanticipated events.

About Microchip:

Microchip Technology Incorporated is a leading provider of microcontroller, analog and Flash-IP solutions, 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.

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