

**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)

May 7, 2015



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))

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 May 7, 2015, we announced the results of our operations for the fourth fiscal quarter and fiscal year ended March 31, 2015. 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 Financial Results for Fourth Quarter and Fiscal Year 2015 Including Record Net Sales and Record Non-GAAP EPS

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: May 7, 2015

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 Financial Results for Fourth Quarter and Fiscal Year 2015 Including Record Net Sales and Record Non-GAAP EPS



**MICROCHIP TECHNOLOGY ANNOUNCES FINANCIAL RESULTS FOR
FOURTH QUARTER AND FISCAL YEAR 2015 INCLUDING
RECORD NET SALES AND RECORD NON-GAAP EPS**

- **For Fiscal Year 2015:**
 - Record non-GAAP net sales of \$2.161 billion, up 11.9% year-over-year.
 - GAAP net sales of \$2.147 billion, up 11.2% year-over-year.
 - On a non-GAAP basis:
 - Gross margin of 58.8%; record operating income of \$700.4 million; record net income of \$593.9 million and 27.5% of net sales; record EPS of \$2.66 per diluted share.
 - On a GAAP basis:
 - Gross margin of 57.3%; operating income of \$425.6 million; net income of \$369.0 million and 17.2% of net sales; EPS of \$1.65 per diluted share.
- **For the quarter ending March 31, 2015:**
 - Record non-GAAP net sales of \$547.2 million.
 - GAAP net sales of \$543.2 million.
 - On a non-GAAP basis: gross margins of 58.3%; record operating income of \$177.4 million; net income of \$148.8 million and record EPS of 68 cents per diluted share. The First Call published estimate for non-GAAP EPS was 67 cents.
 - On a GAAP basis: gross margins of 57.7%; operating income of \$110.3 million; net income of \$99.4 million; and EPS of 45 cents per diluted share. There was no First Call published estimate for GAAP EPS.

CHANDLER, Arizona - May 7, 2015 - (NASDAQ: MCHP) - Microchip Technology Incorporated, a leading provider of microcontroller, mixed signal, analog and Flash-IP solutions, today reported results for the three months and fiscal year ended March 31, 2015 as summarized in the following table:

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| (in millions, except earnings per diluted share and percentages) | Three Months Ended March 31, 2015 | | | | Year Ended March 31, 2015 | | | |
|--|-----------------------------------|----------------|-----------------------|----------------|---------------------------|----------------|-----------------------|----------------|
| | GAAP | % of Net Sales | Non-GAAP ¹ | % of Net Sales | GAAP | % of Net Sales | Non-GAAP ¹ | % of Net Sales |
| Net Sales | \$543.2 | | \$547.2 | | \$2,147.0 | | \$2,160.6 | |
| Gross Margin | \$313.6 | 57.7% | \$319.0 | 58.3% | \$1,229.6 | 57.3% | \$1,271.1 | 58.8% |
| Operating Income | \$110.3 | 20.3% | \$177.4 | 32.4% | \$425.6 | 19.8% | \$700.4 | 32.4% |
| Other Expense | \$(48.3) | | \$(9.3) | | \$(79.7) | | \$(33.4) | |
| Income Tax Provision (Benefit) | \$(36.6) | | \$19.1 | | \$(19.4) | | \$72.1 | |
| Net Income Before Noncontrolling Interest | \$98.6 | | \$149.0 | | \$365.3 | | \$594.9 | |
| Net Income (Loss) from Noncontrolling Interest | \$(0.8) | | \$0.2 | | \$(3.7) | | \$0.9 | |
| Net Income Attributable to Microchip | \$99.4 | 18.3% | \$148.8 | 27.2% | \$369.0 | 17.2% | \$593.9 | 27.5% |
| Earnings per Diluted Share | 45 Cents | | 68 Cents | | \$1.65 | | \$2.66 | |

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

GAAP net sales for the fourth quarter of fiscal 2015 were \$543.2 million, up 10.1% from GAAP net sales of \$493.4 million in the prior year's fourth fiscal quarter. GAAP net income for the fourth quarter of fiscal 2015 was \$99.4 million, or 45 cents per diluted share, down 10.8% from GAAP net income of \$111.5 million, or 50 cents per diluted share, in the prior year's fourth fiscal quarter.

Non-GAAP net sales for the fourth quarter of fiscal 2015 were \$547.2 million, up 10.9% from non-GAAP net sales of \$493.4 million in the prior year's fourth fiscal quarter. Non-GAAP net income for the fourth quarter of fiscal 2015 was \$148.8 million, or 68 cents per diluted share, up 5.3% from non-GAAP net income of \$141.3 million, or 64 cents per diluted share, in the prior year's fourth fiscal quarter. For the fourth quarters of fiscal 2015 and fiscal 2014, 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, and legal and other general and administrative expenses associated with acquisitions), revenue recognition changes related to ISSC's distribution relationships, a loss on the retirement of convertible debentures, gains from equity securities, non-cash interest expense on our convertible debentures, and non-recurring tax events. A reconciliation of our non-GAAP and GAAP results is included in this press release.

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GAAP net sales for the fiscal year ended March 31, 2015 were \$2.147 billion, an increase of 11.2% from net sales of \$1.931 billion in the prior fiscal year. On a GAAP basis, consolidated net income for the fiscal year ended March 31, 2015 was \$369.0 million, or \$1.65 per diluted share, a decrease of 6.6% from net income of \$395.3 million, or \$1.82 per diluted share in the prior fiscal year.

Non-GAAP net sales for the fiscal year ended March 31, 2015 were \$2.161 billion, an increase of 11.9% from net sales of \$1.931 billion in the prior fiscal year. On a non-GAAP basis, net income for the fiscal year ended March 31, 2015 was \$593.9 million, or \$2.66 per diluted share, an increase of 11.9% from net income of \$531.0 million, or \$2.45 per diluted share, in the prior fiscal year.

Microchip announced today that its Board of Directors declared a quarterly cash dividend on its common stock of 35.75 cents per share. The quarterly dividend is payable on June 4, 2015 to stockholders of record on May 21, 2015.

Microchip also announced today that it has signed a definitive agreement to acquire Micrel Incorporated for \$14.00 per share. Micrel shareholders may elect to receive the purchase price in either cash or shares of Microchip common stock. The acquisition price represents a total equity value of about \$839 million, and a total enterprise value of about \$744 million, after excluding Micrel's cash and investments on its balance sheet of approximately \$95 million. The acquisition has been unanimously approved by the Boards of Directors of each company and is expected to close early in the third quarter of calendar 2015, subject to approval by Micrel's shareholders, regulatory approvals and other customary closing conditions. The Microchip Board of Directors has authorized an increase in the existing share repurchase program to 20.0 million shares of common stock from the approximately 2.5 million shares remaining under the prior authorization. Under this program, in the next several months, Microchip intends to repurchase the approximate number of shares it issues in the Micrel acquisition, which is expected to result in the transaction having the accretive effects of a cash transaction from a financial perspective.

"We are very pleased with our execution in the March quarter," said Steve Sanghi, President and CEO. "We achieved record net sales and our non-GAAP earnings per share in the March quarter were 68 cents per diluted share, at the high end of our guidance which was upwardly revised on February 11, 2015 to reflect our refinancing activities."

Mr. Sanghi added, "Fiscal year 2015 was another record year as we achieved non-GAAP net sales of \$2.161 billion, up 11.9% from fiscal year 2014. In fiscal year 2015 our microcontroller and analog product lines both set new revenue records. The March quarter was our 98th consecutive quarter of profitability, a track record that our employees and stockholders should be extremely proud of."

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"Our microcontroller revenue was up 8.4% in the March quarter from the year ago quarter," said Ganesh Moorthy, Chief Operating Officer. "For fiscal year 2015, our microcontroller business was up 11.4% over fiscal year 2014, setting a revenue record at over \$1.4 billion. Additionally, for fiscal year 2015, each of our three microcontroller segments, 8-bit, 16-bit and 32-bit set revenue records and gained significant market share as reported in the 2014 Gartner Dataquest rankings, with our 8-bit business also regaining the #1 position in revenue."

Mr. Moorthy added, "For fiscal year 2015, our analog business was also up strongly at 17.6% over fiscal year 2015, setting a revenue record and for the first time crossing the half billion dollar mark."

Eric Bjornholt, Microchip's Chief Financial Officer, said, "Our cash generation in the March quarter excluding the purchase of additional shares of ISSC, our dividend payment, and changes in borrowing levels was \$155.5 million. As of March 31, 2015, our consolidated cash and total investment position was approximately \$2.34 billion. The dividend that we announced today marks the 45th occasion that we have increased our dividend payment, and cumulative dividends paid are now \$2.52 billion."

Mr. Sanghi concluded, "We have evaluated the current global economic environment, our backlog position and customer designs that are coming to production and expect our revenue to be between \$547 million and \$564 million in the June quarter."

Microchip's Highlights for the Quarter Ended March 31, 2015:

- Microchip executed several refinancing transactions in February 2015 as follows: amending and restating its credit facility to increase the available borrowings under such facility from \$2.0 billion to \$2.5 billion; issuing \$1.725 billion of convertible senior subordinated notes due in 2025 and bearing interest at 1.625% per annum; and using \$1.136 billion of the proceeds from the sale of such notes to repurchase \$575 million in aggregate principal amount of its convertible junior subordinated debenture due in 2037. The combination of these refinancing transactions is expected to provide annual accretion to Microchip's non-GAAP diluted earnings per share of approximately 12 cents.
- Microchip's MOST[®] technology devices continued their leadership in automotive infotainment networks, with new deployments in BMW's Series Active Tourer, and Audi's TT models. More than 150 million MOST devices have been installed in over 180 car models, since 2001.
- On the technology side, Microchip and the MOST Cooperation added support for smart antenna modules. Additionally, Microchip introduced the world's first H.264 video I/O companions for MOST automotive infotainment and Advanced Driver Assistance System (ADAS) networks.

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- In other automotive news, Microchip's new family of CAN FD (Flexible Data-Rate) transceivers not only helps automotive and industrial manufacturers with today's CAN communication needs, but also provides a path for the newer CAN FD networks that are increasingly in demand.
- Microchip's Silicon Storage Technology (SST) subsidiary further strengthened its market leadership in embedded, Flash-based devices, by expanding its partnership with United Microelectronics Corporation (UMC) to include a qualified 55 nm embedded SuperFlash[®] memory platform and a 40 nm license. To date, more than 50 billion devices have shipped with SST's SuperFlash technology.
- Expanding its Internet of Things (IoT) and Machine-to-Machine (M2M) offerings, Microchip announced the first in a series of modules for the LoRa[™] technology low-data-rate wireless networking standard. This new standard enables communication with a range of more than 10 miles (suburban), a battery life of greater than 10 years, and the ability to connect millions of wireless sensor nodes to LoRa technology gateways.
- The Company announced its EtherCAT[®] technology license, along with its first EtherCAT slave controller, demonstrating Microchip's strategy for expanding its industrial-Ethernet market presence with a continuing commitment to provide unique, leading-edge products. This controller reduces system complexity and cost for factory-automation, process-control, motor/motion-control and IoT industrial-Ethernet applications.
- Microchip continued to expand its offering of 8-bit PIC[®] microcontrollers with integrated Core Independent Peripherals, which reduce interrupt latency, lower power consumption, and increase system efficiency and safety while minimizing design time and effort. The new PIC16(L)F1769 family provides multiple independent, closed-loop power channels and system management.
- Microchip also upgraded its MPLAB[®] Code Configurator Plug-In to support its 16-bit PIC MCUs, in addition to the 8-bit devices already supported. This code development tool makes it easier for firmware developers to quickly initialize the device and implement peripheral drivers.
- In the growing area of sensor fusion, the new MM7150 motion module combines Microchip's PIC32-based SSC7150 motion co-processor with Bosch 9-axis sensors, including accelerometer, magnetometer and gyroscope, in a small, easy to use form factor. With a simple I²C[™] connection to most MCUs/MPUs, embedded/Internet of Things (IoT) applications can easily tap into the module's advanced motion and position data.

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- Microchip added two new families to its multifaceted analog and interface portfolio. The latest power MOSFET drivers feature thermally efficient, small packages for improved efficiency. New digital-to-analog converters combine non-volatile memory and I²C with 8, 10 and 12-bit resolution.
- In other wireless news, Microchip announced its 2nd generation multizone audio technology and a mobile app for use in whole-home-audio and multi-room applications, based on the JukeBlox[®] 4 platform. And, its new 5 GHz power amplifier module extends the range and reduces the production costs of WLAN applications based on the IEEE 802.11ac Wi-Fi[®] standard, such as access points, routers and set-top boxes.
- Finally, Microchip broadened its memory portfolio with a new 3V 16, 32 and 64-Mbit serial quad I/O[™] interface, NOR SuperFlash memory family that enables execute-in-place (XIP) capability with the world's lowest power consumption and the world's fastest read/write times.

First Quarter Fiscal Year 2016 Outlook:

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

| | Microchip Consolidated Guidance | | |
|--|----------------------------------|----------------------------------|------------------------------------|
| | GAAP | Non-GAAP Adjustments | Non-GAAP ¹ |
| Net Sales | \$547 to \$564 million | | \$547 to \$564 million |
| Gross Margin ² | 57.60% to 57.85% | \$3.7 to \$3.8 million | 58.3% to 58.5% |
| Operating Expenses ² | 34.65% to 34.9% | \$48.7 to \$50.2 million | 25.75% to 26.0% |
| Other Expense | \$5.7 million | \$2.0 million | \$7.7 million |
| Income Tax Expense | 10.75% to 11.25% | \$5.6 to \$5.7 million | 10.75% to 11.25% |
| Net Income before Noncontrolling Interest | \$105.1 to \$111.7 million | \$44.8 to \$46.3 million | \$150.0 to \$158.0 million |
| Less Net Income (Loss) from Noncontrolling Interest ³ | (\$0.5 million) | \$0.7 million | \$0.2 million |
| Net Income | \$105.6 to \$112.2 million | \$44.1 to \$45.6 million | \$149.8 to \$157.8 million |
| Diluted Common Shares Outstanding ⁴ | Approximately 217 million shares | Approximately 0.6 million shares | Approximately 216.4 million shares |
| Earnings per Diluted Share | 49 to 52 cents | 20 to 21 cents | 69 to 73 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.

³ See Footnote 3 under the "Use of Non-GAAP Financial Measures" section of this release.

⁴ See Footnote 4 under the "Use of Non-GAAP Financial Measures" section of this release.

- Microchip's inventory days at June 30, 2015 are expected to increase by 3 to 9 days to be between 114 days and 120 days. Our 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 June 30, 2015 are expected to be approximately \$40 million and capital expenditures for all of fiscal year 2016 are anticipated to be approximately \$160 million. We are continuing to invest in the equipment needed to support the growth of our production capabilities for fast growing new products and technologies.
- We expect net cash generation during the June quarter of \$160 million to \$180 million prior to the dividend payment, changes in borrowing levels, and our acquisition-related activities.

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 amortization, inventory valuation costs, severance costs, and legal and other general and administrative expenses associated with acquisitions), gains from equity securities, non-cash interest expense on our convertible debentures, a loss on the retirement of convertible debentures, the related income tax implications of these items and non-recurring tax events. Our non-GAAP net sales reflect revenue from the sell-through of products from ISSC's distributors that is not recognized for GAAP purposes because of a change in contractual terms that moves future shipments of product to these distributors to a sell-through revenue recognition model. We believe that our disclosure of non-GAAP net sales provides investors with information regarding the actual end market demand for our products.

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. Our other non-GAAP adjustments 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 net sales, 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, non-GAAP income tax provision (benefit)/tax rate, non-GAAP net income, and non-GAAP diluted earnings per share which exclude the items noted above, as applicable, 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 underlying operating results. Management uses these non-GAAP measures to manage and assess the profitability of our business. Specifically, we do not consider such items when developing and monitoring our budgets and spending. 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 Generally, gross margin fluctuates over time, driven primarily by the mix of microcontrollers, mixed-signal products, analog products and memory products sold and licensing revenue; variances in manufacturing yields; fixed cost absorption; wafer fab loading levels; costs of wafers from foundries; 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.

³ We acquired a controlling interest in ISSC Technologies in July 2014. As of March 31, 2015, we owned 94.1% of ISSC and we expect to own 100% of ISSC by the end of the first quarter of fiscal year 2016. Our weighted average ownership of ISSC in the March 2015 quarter was 92.0%.

⁴ 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 June 2015 quarter of \$49.00 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).

MICROCHIP TECHNOLOGY INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands except per share amounts)

(Unaudited)

| | Three months ended March 31, | | Twelve months ended March 31, | |
|---|---------------------------------|------------|----------------------------------|--------------|
| | 2015 | 2014 | 2015 | 2014 |
| Net sales | \$ 543,207 | \$ 493,384 | \$ 2,147,036 | \$ 1,931,217 |
| Cost of sales | 229,575 | 202,798 | 917,472 | 802,474 |
| Gross profit | 313,632 | 290,586 | 1,229,564 | 1,128,743 |
| Operating expenses: | | | | |
| Research and development | 87,662 | 77,363 | 349,543 | 305,043 |
| Selling, general and administrative | 67,778 | 65,344 | 274,815 | 267,278 |
| Amortization of acquired intangible assets | 47,087 | 21,309 | 176,746 | 94,534 |
| Special charges | 758 | 533 | 2,840 | 3,024 |
| | 203,285 | 164,549 | 803,944 | 669,879 |
| Operating income | 110,347 | 126,037 | 425,620 | 458,864 |
| (Losses) gains on equity method investments | (188) | 34 | (317) | (177) |
| Other expense, net | (48,138) | (7,847) | (79,396) | (26,333) |
| Income before income taxes | 62,021 | 118,224 | 345,907 | 432,354 |
| Income tax (benefit) provision | (36,559) | 6,729 | (19,418) | 37,073 |
| Net income | 98,580 | 111,495 | 365,325 | 395,281 |
| Less: Net loss attributable to noncontrolling interests | 822 | — | 3,684 | — |
| Net income attributable to Microchip Technology | \$ 99,402 | \$ 111,495 | \$ 369,009 | \$ 395,281 |
| Basic net income per common share attributable to Microchip Technology stockholders | \$ 0.49 | \$ 0.56 | \$ 1.84 | \$ 1.99 |
| Diluted net income per common share attributable to Microchip Technology stockholders | \$ 0.45 | \$ 0.50 | \$ 1.65 | \$ 1.82 |
| Basic common shares outstanding | 201,730 | 199,630 | 200,937 | 198,291 |
| Diluted common shares outstanding | 220,947 | 222,689 | 223,561 | 217,630 |

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

ASSETS

| | March 31, 2015 | March 31, 2014 |
|----------------------------------|-------------------|-------------------|
| | (Unaudited) | |
| Cash and short-term investments | \$ 1,958,869 | \$ 1,344,785 |
| Accounts receivable, net | 273,937 | 242,405 |
| Inventories | 279,456 | 262,725 |
| Deferred tax assets | 71,045 | 67,490 |
| Assets held for sale | 13,989 | — |
| Other current assets | 67,321 | 51,994 |
| Total current assets | 2,664,617 | 1,969,399 |
| Property, plant & equipment, net | 581,572 | 531,967 |
| Long-term investments | 383,326 | 798,712 |
| Other assets | 1,151,198 | 767,552 |
| Total assets | \$ 4,780,713 | \$ 4,067,630 |

LIABILITIES AND EQUITY

| | | |
|--|--------------|--------------|
| Accounts payable and other accrued liabilities | \$ 187,844 | \$ 170,781 |
| Short-term borrowings | — | 17,500 |
| Deferred income on shipments to distributors | 166,128 | 147,798 |
| Total current liabilities | 353,972 | 336,079 |
| Long-term line of credit | 461,952 | 300,000 |
| Long-term borrowings, net | — | 331,385 |
| Senior convertible debentures | 1,174,036 | — |
| Junior convertible debentures | 190,870 | 371,873 |
| Long-term income tax payable | 114,336 | 179,966 |
| Long-term deferred tax liability | 381,192 | 375,316 |
| Other long-term liabilities | 43,329 | 37,550 |
| Microchip Technology stockholders' equity | 2,044,654 | 2,135,461 |
| Noncontrolling interests | 16,372 | — |
| Total equity | 2,061,026 | 2,135,461 |
| Total liabilities and equity | \$ 4,780,713 | \$ 4,067,630 |

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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 NET SALES TO NON-GAAP NET SALES

| | Three months ended March 31, | | Twelve months ended March 31, | |
|--|---------------------------------|-------------------|----------------------------------|---------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Net sales, as reported | \$ 543,207 | \$ 493,384 | \$ 2,147,036 | \$ 1,931,217 |
| Distributor revenue recognition adjustment | 3,983 | — | 13,570 | — |
| Non-GAAP net sales | <u>\$ 547,190</u> | <u>\$ 493,384</u> | <u>\$ 2,160,606</u> | <u>\$ 1,931,217</u> |

RECONCILIATION OF GAAP GROSS PROFIT TO NON-GAAP GROSS PROFIT

| | Three months ended March 31, | | Twelve months ended March 31, | |
|--|---------------------------------|-------------------|----------------------------------|---------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Gross profit, as reported | \$ 313,632 | \$ 290,586 | \$ 1,229,564 | \$ 1,128,743 |
| Distributor revenue recognition adjustment, net of product cost | 1,792 | — | 6,357 | — |
| Share-based compensation expense | 2,025 | 1,666 | 9,010 | 7,340 |
| Acquisition-related restructuring and acquired inventory valuation costs | 1,511 | 320 | 26,203 | 362 |
| Non-GAAP gross profit | <u>\$ 318,960</u> | <u>\$ 292,572</u> | <u>\$ 1,271,134</u> | <u>\$ 1,136,445</u> |
| Non-GAAP gross profit percentage | 58.3% | 59.3% | 58.8% | 58.8% |

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

| | Three months ended March 31, | | Twelve months ended March 31, | |
|---|---------------------------------|------------------|----------------------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Research and development expenses, as reported | \$ 87,662 | \$ 77,363 | \$ 349,543 | \$ 305,043 |
| Share-based compensation expense | (7,519) | (5,792) | (28,164) | (24,554) |
| Non-GAAP research and development expenses | <u>\$ 80,143</u> | <u>\$ 71,571</u> | <u>\$ 321,379</u> | <u>\$ 280,489</u> |
| Non-GAAP research and development expenses as a percentage of net sales | 14.6% | 14.5% | 14.9% | 14.5% |

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

| | Three months ended March 31, | | Twelve months ended March 31, | |
|--|---------------------------------|-----------|----------------------------------|------------|
| | 2015 | 2014 | 2015 | 2014 |
| Selling, general and administrative expenses, as reported | \$ 67,778 | \$ 65,344 | \$ 274,815 | \$ 267,278 |
| Share-based compensation expense | (5,639) | (4,954) | (21,422) | (21,893) |
| Acquisition-related costs | (741) | (880) | (4,001) | (2,654) |
| Non-GAAP selling, general and administrative expenses | \$ 61,398 | \$ 59,510 | \$ 249,392 | \$ 242,731 |
| Non-GAAP selling, general and administrative expenses as a percentage of net sales | 11.2% | 12.1% | 11.5% | 12.6% |

RECONCILIATION OF GAAP OPERATING EXPENSES TO NON-GAAP OPERATING EXPENSES

| | Three months ended March 31, | | Twelve months ended March 31, | |
|--|---------------------------------|------------|----------------------------------|------------|
| | 2015 | 2014 | 2015 | 2014 |
| Operating expenses, as reported | \$ 203,285 | \$ 164,549 | \$ 803,944 | \$ 669,879 |
| Share-based compensation expense | (13,158) | (10,746) | (49,586) | (46,447) |
| Acquisition-related costs | (741) | (880) | (4,001) | (2,654) |
| Amortization of acquired intangible assets | (47,087) | (21,309) | (176,746) | (94,534) |
| Special charges | (758) | (533) | (2,840) | (3,024) |
| Non-GAAP operating expenses | \$ 141,541 | \$ 131,081 | \$ 570,771 | \$ 523,220 |
| Non-GAAP operating expenses as a percentage of net sales | 25.9% | 26.6% | 26.4% | 27.1% |

RECONCILIATION OF GAAP OPERATING INCOME TO NON-GAAP OPERATING INCOME

| | Three months ended March 31, | | Twelve months ended March 31, | |
|---|---------------------------------|------------|----------------------------------|------------|
| | 2015 | 2014 | 2015 | 2014 |
| Operating income, as reported | \$ 110,347 | \$ 126,037 | \$ 425,620 | \$ 458,864 |
| Distributor revenue recognition adjustment | 1,792 | — | 6,357 | — |
| Share-based compensation expense | 15,183 | 12,412 | 58,596 | 53,787 |
| Acquisition-related restructuring, acquired inventory valuation and other costs | 2,252 | 1,200 | 30,204 | 3,016 |
| Amortization of acquired intangible assets | 47,087 | 21,309 | 176,746 | 94,534 |
| Special charges | 758 | 533 | 2,840 | 3,024 |
| Non-GAAP operating income | \$ 177,419 | \$ 161,491 | \$ 700,363 | \$ 613,225 |
| Non-GAAP operating income as a percentage of net sales | 32.4% | 32.7% | 32.4% | 31.8% |

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

| | Three months ended March 31, | | Twelve months ended March 31, | |
|---|---------------------------------|-------------------|----------------------------------|--------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Other expense, net, as reported | \$ (48,138) | \$ (7,847) | \$ (79,396) | \$ (26,333) |
| Loss on retirement of convertible debentures | 50,631 | — | 50,631 | — |
| Gain on equity securities | (18,469) | — | (18,469) | — |
| Non-cash other expense, net | 6,854 | 2,288 | 14,165 | 8,970 |
| Impairment on non-marketable equity investment | — | 746 | — | 746 |
| Gain on shares of acquired company | — | — | — | (2,438) |
| Non-GAAP other expense, net | <u>\$ (9,122)</u> | <u>\$ (4,813)</u> | <u>\$ (33,069)</u> | <u>\$ (19,055)</u> |
| Non-GAAP other expense, net, as a percentage of net sales | -1.7 % | -1.0 % | -1.5 % | -1.0 % |

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

| | Three months ended March 31, | | Twelve months ended March 31, | |
|--|---------------------------------|------------------|----------------------------------|------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Income tax (benefit) provision, as reported | \$ (36,559) | \$ 6,729 | \$ (19,418) | \$ 37,073 |
| Income tax rate, as reported | -58.9 % | 5.7% | -5.6 % | 8.6% |
| Distributor revenue recognition adjustment | 251 | — | 1,074 | — |
| Share-based compensation expense | 3,755 | 1,221 | 10,640 | 5,722 |
| Acquisition-related restructuring, acquired inventory valuation costs, intangible asset amortization and other costs | 3,365 | 359 | 18,061 | 1,531 |
| Special charges | 239 | 200 | 962 | 1,133 |
| Loss on retirement of convertible debentures | 18,809 | — | 18,809 | — |
| Non-cash other expense, net | 2,546 | 856 | 5,262 | 3,358 |
| Impairment on non-marketable equity investment | — | 279 | — | 279 |
| Non-recurring tax events | 26,735 | 5,769 | 36,718 | 13,936 |
| Non-GAAP income tax provision | <u>\$ 19,141</u> | <u>\$ 15,413</u> | <u>\$ 72,108</u> | <u>\$ 63,032</u> |
| Non-GAAP income tax rate | 11.4 % | 9.8% | 10.8 % | 10.6% |

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RECONCILIATION OF GAAP NET INCOME ATTRIBUTABLE TO MICROCHIP TECHNOLOGY AND GAAP DILUTED NET INCOME PER COMMON SHARE ATTRIBUTABLE TO MICROCHIP TECHNOLOGY STOCKHOLDERS TO NON-GAAP NET INCOME ATTRIBUTABLE TO MICROCHIP TECHNOLOGY AND NON-GAAP DILUTED NET INCOME PER COMMON SHARE ATTRIBUTABLE TO MICROCHIP TECHNOLOGY STOCKHOLDERS

| | Three months ended March 31, | | Twelve months ended March 31, | |
|---|---------------------------------|-------------------|----------------------------------|-------------------|
| | 2015 | 2014 | 2015 | 2014 |
| Net income attributable to Microchip Technology, as reported | \$ 99,402 | \$ 111,495 | \$ 369,009 | \$ 395,281 |
| Noncontrolling interests | (995) | — | (4,618) | — |
| Distributor revenue recognition adjustment, net of tax effect | 1,541 | — | 5,283 | — |
| Share-based compensation expense, net of tax effect | 11,428 | 11,191 | 47,956 | 48,065 |
| Acquisition-related restructuring, acquired inventory valuation costs, intangible asset amortization and other costs, net of tax effect | 45,974 | 22,150 | 188,889 | 96,019 |
| Special charges, net of tax effect | 519 | 333 | 1,878 | 1,891 |
| Loss on retirement of convertible debentures, net of tax effect | 31,822 | — | 31,822 | — |
| Gain on equity securities | (18,469) | — | (18,469) | — |
| Non-cash other expense, net of tax effect | 4,308 | 1,432 | 8,903 | 5,612 |
| Impairment on non-marketable equity investment, net of tax effect | — | 467 | — | 467 |
| Gain on shares of acquired company | — | — | — | (2,438) |
| Non-recurring tax events | (26,735) | (5,769) | (36,718) | (13,936) |
| Non-GAAP net income attributable to Microchip Technology | <u>\$ 148,795</u> | <u>\$ 141,299</u> | <u>\$ 593,935</u> | <u>\$ 530,961</u> |
| Non-GAAP net income attributable to Microchip Technology as a percentage of net sales | 27.2% | 28.6% | 27.5% | 27.5% |
| | | | | |
| Diluted net income per common share attributable to Microchip Technology stockholders, as reported | \$ 0.45 | \$ 0.50 | \$ 1.65 | \$ 1.82 |
| Non-GAAP diluted net income per common share attributable to Microchip Technology stockholders | <u>\$ 0.68</u> | <u>\$ 0.64</u> | <u>\$ 2.66</u> | <u>\$ 2.45</u> |
| Diluted common shares outstanding, as reported | <u>220,947</u> | <u>222,689</u> | <u>223,561</u> | <u>217,630</u> |
| Diluted common shares outstanding Non-GAAP | <u>220,420</u> | <u>221,947</u> | <u>223,017</u> | <u>216,925</u> |

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Microchip will host a conference call today, May 7, 2015 at 4:30 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 May 14, 2015.

A telephonic replay of the conference call will be available at approximately 8:00 p.m. (Eastern Time) May 7, 2015 and will remain available until 8:00 p.m. (Eastern Time) on May 14, 2015. Interested parties may listen to the replay by dialing 719-457-0820 and entering access code 8017198.

Cautionary Statement:

The statements in this release relating to expecting the Micrel acquisition to close early in the third quarter of calendar 2015, Microchip's intent to repurchase the approximate number of shares it issues in the Micrel acquisition, which is expected to result in the transaction having the accretive effects of a cash transaction from a financial perspective, expecting revenue to be between \$547 million and \$564 million in the June quarter, our refinancing transactions providing annual accretion to our non-GAAP earnings per share, CAN FD networks increasing in demand, being committed to providing unique, leading edge products, growing area of sensor fusion, our first quarter fiscal 2016 guidance (GAAP and non-GAAP as applicable) including net sales, gross margin, operating expenses, other expense, income tax expense, net income, net income before noncontrolling interest, net income (loss) from noncontrolling interest, diluted common shares outstanding, earnings per diluted share, inventory days, capital expenditures for the June 2015 quarter and for fiscal 2016, continuing to invest to support the growth of our production capabilities for fast growing new products and technologies, net cash generation, expecting to own 100% of ISSC by the end of the first quarter of fiscal 2016, and assumed average stock price in the June 2015 quarter 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: any economic uncertainty due to monetary policy, political or other issues in the U.S. or internationally, 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 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 distribution; foreign currency effects on our business; changes or fluctuations in customer order patterns and seasonality; the actual timing of the closing of the Micrel acquisition, the satisfaction of the conditions to closing in the acquisition agreement (including obtaining Micrel shareholder approval and regulatory clearances), any termination of the acquisition agreement; our ability to successfully integrate Micrel's operations and employees, retain key employees and otherwise realize the expected synergies and benefits of the

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transaction; our ability to continue to realize the expected benefits of our other acquisitions; the impact of any other significant acquisitions that we may make; our ability to obtain a sufficient supply of wafers from third party wafer foundries and the cost of such wafers, the costs and outcome of any current or future tax audit or any litigation involving intellectual property, customers or other issues; our actual average stock price in the June 2015 quarter and the impact such price will have on our share count; fluctuations in our stock price and trading volume which could impact the number of shares we acquire under our share repurchase program and the timing of such repurchases; disruptions in our business or the businesses of our customers or suppliers due to natural disasters including any floods in Thailand), terrorist activity, armed conflict, war, worldwide oil prices and supply, Ebola or other 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 May 7, 2015 press release, or to reflect the occurrence of unanticipated events.

About Microchip:

Microchip Technology Incorporated is a leading provider of microcontroller, mixed-signal, 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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