



INVESTOR RELATIONS CONTACT:

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**MICROCHIP TECHNOLOGY REAFFIRMS PRIOR GUIDANCE
AT UPPER END OF EPS – Q3 FISCAL 2002 BUSINESS UPDATE**

CHANDLER, Arizona – December 12, 2001 -- (NASDAQ:MCHP) -- Microchip Technology Incorporated announced today in its Quarterly Business Update for the third quarter of fiscal 2002 that, based on October and November data, it is tracking towards its earlier guidance of net sales for the current quarter of approximately \$142 million.

Based on the operating factors discussed below, the Company is reaffirming its guidance on earnings per share at the upper end of the range, or approximately 17 cents per share.

“Our business model continues to show strength in the face of these uncertain times. Our turns orders have remained strong for the December 2001 quarter (at approximately 51%, up from 45% in the second fiscal quarter ended September 30). We are able to meet the operating challenges of the current business and economic climate and maintain our guidance for the third fiscal quarter,” said Steve Sanghi, Microchip’s President and CEO. “Inventory in the channel continues to be at extremely low levels, which I would characterize as replenishment levels.”

Outlook for Third Quarter of Fiscal 2002, as of December 12, 2001:

- Revenue guidance for the third fiscal quarter ending December 31, 2001 is unchanged. Revenue is tracking with previous guidance of approximately \$142 million, about flat with the September quarter. Sell-through from distributors for October and November was in line with revenue guidance, and distributor inventory levels continued to decline, although moderating from reductions seen in previous periods.

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- Gross margins for the third quarter are projected to be approximately fifty percent (50%), demonstrating the strength of our proprietary products and business model. Gross margins will fluctuate over time, driven primarily by the product mix of microcontroller products and related memory products, manufacturing yields, fixed cost absorption, wafer fab loading levels and competitive and economic conditions.
- Operating expenses for the third fiscal quarter are expected to be between \$41.2 and \$41.5 million. Operating expenses fluctuate over time, primarily due to revenue and profit levels.
- Included in operating expenses, Research and Development (R&D) for the third fiscal quarter is expected to be approximately \$21.5 million.
- The tax rate for the third fiscal quarter will be 24%, lower than the previous guidance of 27%. The lower tax rate is primarily a result of higher tax credits relating to our R&D activities. We expect that this tax rate will also apply to the quarter ending March 31, 2001. This will lead to an effective tax rate for fiscal 2002 of approximately 25.5%.
- Earnings per share for the third quarter of fiscal 2002 is anticipated to be approximately 17 cents.
- Backlog cancellations and push-outs are within normal operating levels.
- Turns business as indicated by data from October and November is tracking to the 51% target required at the beginning of the third fiscal quarter.
- Cash balance as of December 31, 2001 is anticipated to be approximately \$240 million, an increase of approximately \$70 million from the end of the September quarter. Cash generation is a result of continuing strong cash flow from operations, low capital spending, and cash flow from financing activities.
- Guidance on capital spending and depreciation remains unchanged.

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Additional Information and Earnings Release Date:

This update information is also posted on the Company's website at www.microchip.com. Those who do not have access to the Internet may contact Microchip's Investor Relations department directly at 480-792-7761. Microchip plans to announce financial results for the third fiscal quarter ending December 31, 2001 after market close on Tuesday, January 22, 2002.

Cautionary Statement:

The statements in this release relating to the strength of our business model, proprietary products and distributor inventory levels over the next few quarters, and the statements containing our guidance with respect to revenue, earnings per share, gross margins, operating expenses, R&D, tax rate, the level of turns business for the third fiscal quarter, backlog cancellations and push-outs, cash balance, capital spending, depreciation and cash flows 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: fluctuations in our business during the last month of the quarter; demand for our products and the products of our customers; the level of orders that are received and can be shipped in a quarter; levels of inventories at our distributors and other customers; inventory mix and timing of customer orders; possible disruption in commercial activities occasioned by terrorist activity and armed conflict, such as changes in logistics and security arrangements, and reduced end-user purchases relative to expectations; impact of events outside the United States, such as the business impact of fluctuating currency rates or unrest or political instability; disruptions in international transport or delivery; general industry, economic and political conditions; our ability to maintain operating margins; financial stability in foreign markets; our timely introduction of new technologies; market acceptance of our new products and those of our customers; our ability to ramp new products into volume production; and competitive products and pricing in the markets we generally serve; litigation involving intellectual property, consumer and other issues; the success of our ongoing cost-reduction efforts.

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

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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 December 12, 2001 Business Update, or to reflect the occurrence of unanticipated events.

About Microchip:

Microchip Technology Inc. manufactures the popular PICmicro[®] field-programmable RISC microcontrollers, which serve 8- and 16-bit embedded control applications, and a broad spectrum of high-performance linear and mixed-signal, power management and thermal management devices. The Company also offers complementary microperipheral products including interface devices; microID[™] RFID devices; serial EEPROMs; and the patented KEELOQ[®] security devices. This synergistic product portfolio targets thousands of applications and a growing demand for high-performance designs in the automotive, communications, computing, consumer and industrial control markets. The Company's quality systems are ISO 9001 (1994 version) and QS9000 (1998 version) certified. Microchip is headquartered in Chandler, Arizona with design facilities in Mountain View, California and Bangalore, India; semiconductor fabrication facilities in Tempe and Chandler, Arizona and Puyallup, Washington; and assembly and test operations near Bangkok, Thailand. Microchip employs approximately 2,950 people worldwide and has sales offices throughout Asia, Europe, Japan and the Americas. More information on the Company can be found at www.microchip.com.

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