



NEWS RELEASE

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MICROCHIP TECHNOLOGY ANNOUNCES THE SALE OF FAB 3 IN PUYALLUP, WASHINGTON

Chandler, Arizona – October 23, 2007 –(NASDAQ: MCHP) – Microchip Technology Incorporated, a leading provider of microcontroller and analog semiconductors, today announced the sale of its idled Fab 3 in Puyallup, Washington. The sale was completed on October 19, 2007, after the Company had received an unsolicited offer during September, 2007 for the facility. The facility was sold for \$30 million at a loss of \$16.5 million net of income taxes, or an earnings per share impact of 7.4 cents in the September quarter.

“We believe that the equipment currently in our remaining wafer fabs will take us to \$1.6 billion in revenue with nominal capital equipment additions. With further equipment additions in our Fab 4 in Gresham, Oregon and some in Fab 2 in Tempe, Arizona, we can increase the total revenue capacity in our two fabs to \$2.2 billion. We are also having success in producing several of our products in foundries. We believe that the capacity available from the foundries will augment our available capacity to \$2.5 billion in revenues,” said Steve Sanghi, President and CEO.

“With our revised capacity analysis, we determined that we would not require Fab 3 for many years, allowing Microchip to accept the offer for Fab 3,” continued Mr. Sanghi.

“With the sale of Fab 3, it is expected that we will see an increase in gross margins of approximately 60 basis points in future quarters, as well as an addition of over \$27.5 million to our treasury balances, which is net of disposal costs,” said Gordon Parnell, Vice President and Chief Financial Officer.

Cautionary Statement:

The statements contained in this release relating to the current equipment in our wafer fabs taking us to \$1.6 billion in revenue with nominal capital equipment additions, total revenue capacity of our two fabs reaching \$2.2 billion, success in producing several of our products in foundries, the capacity available from foundries augmenting our available capacity to \$2.5 billion in revenues, an increase of approximately 60 basis points in gross margins in future quarters, and the addition of \$27.5 million to our

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**Microchip Technology
Announces the Sale of Fab 3
In Puyallup, Washington**

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

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

Stockholders of Microchip are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date such statements are made. Microchip does not undertake any obligation to publicly update any forward-looking statements to reflect events, circumstances or new information after this October 23, 2007 press release, or to reflect the occurrence of unanticipated events.

About Microchip:

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

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