

MICROCHIP TECHNOLOGY INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
NINE MONTHS ENDED DECEMBER 31, 2016

(in thousands except per share amounts)
(unaudited)

| GAAP | Share-based compensation expense | Acquisition-related acquired inventory valuation costs, intangible asset amortization and other costs | Distributor revenue recognition adjustment | Manufacturing excursion | Special charges and other, net | Gain on equity securities and equity method investment | Non-cash other expense, net | Impairment on available-for-sale investment | Non-recurring tax events | Tax adjustment in accordance with ASC 740-270 | Discontinued operations | Non-GAAP |
|---|-------------------------------------|--|---|----------------------------|-----------------------------------|--|--------------------------------|---|-----------------------------|---|----------------------------|--------------|
| Net sales | \$ 2,505,141 | - | 93,879 | - | - | - | - | - | - | - | - | \$ 2,599,020 |
| Cost of sales | 1,280,771 | (15,465) | 43,556 | (800) | - | - | - | - | - | - | - | 1,118,288 |
| Gross profit | 1,224,370 | 15,465 | 189,774 | 50,323 | 800 | - | - | - | - | - | - | 1,480,732 |
| Gross profit percentage | 48.9% | | | | | | | | | | | 57.0% |
| Research and development | 418,111 | (37,569) | 25 | - | - | - | - | - | - | - | - | 380,567 |
| Selling, general and administrative | 388,651 | (53,055) | (21,992) | - | - | - | - | - | - | - | - | 313,604 |
| Amortization of acquired intangible assets | 243,356 | - | (243,356) | - | - | - | - | - | - | - | - | - |
| Special charges and other, net | 52,522 | - | - | - | (52,522) | - | - | - | - | - | - | - |
| Operating expenses | 1,102,640 | (90,624) | (265,323) | - | (52,522) | - | - | - | - | - | - | 694,171 |
| Operating income | 121,730 | 106,089 | 455,097 | 50,323 | 800 | 52,522 | - | - | - | - | - | 786,561 |
| Operating income percentage | 4.9% | | | | | | | | | | | 30.3% |
| Losses on equity method investments | (167) | - | - | - | - | - | - | - | - | - | - | (167) |
| Other expense, net | (103,578) | - | - | - | - | (468) | 38,244 | 1,433 | - | - | - | (64,369) |
| Income from continuing operations before income taxes | 17,985 | 106,089 | 455,097 | 50,323 | 800 | 52,522 | 38,244 | 1,433 | - | - | - | 722,025 |
| Income tax (benefit) provision | (15,699) | 36,622 | 28,630 | 4,164 | 295 | 18,069 | 14,017 | 526 | 10,335 | (34,901) | - | 61,886 |
| Net income from continuing operations | 33,684 | 69,467 | 426,467 | 46,159 | 505 | 34,453 | 24,227 | 907 | (10,335) | 34,901 | - | 660,139 |
| Discontinued operations: | | | | | | | | | | | | |
| Loss from discontinued operations before income taxes | (7,514) | - | - | - | - | - | - | - | - | - | 7,514 | - |
| Income tax benefit | (1,561) | - | - | - | - | - | - | - | - | - | 1,561 | - |
| Net loss from discontinued operations | (5,953) | - | - | - | - | - | - | - | - | - | 5,953 | - |
| Net income | \$ 27,731 | 69,467 | 426,467 | 46,159 | 505 | 34,453 | (296) | 24,227 | 907 | (10,335) | 5,953 | \$ 660,139 |
| Net income percentage | 1.1% | | | | | | | | | | | 25.4% |
| Diluted net income per common share | | | | | | | | | | | | |
| Net income from continuing operations | 0.14 | | | | | | | | | | | 2.83 |
| Net loss from discontinued operations | (0.02) | | | | | | | | | | | - |
| Net income | \$ 0.12 | | | | | | | | | | | \$ 2.83 |
| Diluted common shares outstanding | 233,351 | | | | | | | | | | | 233,351 |