

**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**

	CY09	CY10	CY11	CY12	CY13	CY14	CY15**
Net sales, as reported	\$ 842,962	\$ 1,385,240	\$ 1,424,250	\$ 1,490,390	\$ 1,867,977	\$ 2,097,213	\$ 1,618,550
Distributor revenue recognition adjustment	-	-	-	24,748	-	9,587	22,024
Non-GAAP net sales	\$ 842,962	\$ 1,385,240	\$ 1,424,250	\$ 1,515,138	\$ 1,867,977	\$ 2,106,800	\$ 1,640,574

**RECONCILIATION OF GAAP GROSS PROFIT TO NON-GAAP GROSS PROFIT**

	CY09	CY10	CY11	CY12	CY13	CY14	CY15**
Gross profit, as reported	\$ 450,930	\$ 822,811	\$ 830,991	\$ 795,066	\$ 1,077,196	\$ 1,206,518	\$ 923,599
Distributor revenue recognition adjustment, net of product cost	-	-	-	15,868	-	4,565	13,255
Share-based compensation expense	6,045	7,625	5,785	7,030	8,150	8,651	6,080
Acquisition-related restructuring and acquired inventory valuation costs	914	6,200	109	54,958	1,125	25,012	11,143
Non-GAAP gross profit	\$ 457,889	\$ 836,636	\$ 836,885	\$ 872,922	\$ 1,086,471	\$ 1,244,746	\$ 954,077
Non-GAAP gross profit percentage	54.3%	60.4%	58.8%	57.6%	58.2%	59.1%	58.2%

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

	CY09	CY10	CY11	CY12	CY13	CY14	CY15**
Research and development expenses, as reported	\$ 113,192	\$ 159,735	\$ 179,096	\$ 231,998	\$ 298,118	\$ 339,244	\$ 267,598
Share-based compensation expense	(12,048)	(12,505)	(14,178)	(20,461)	(24,378)	(26,437)	(23,287)
Acquisition-related costs	-	-	-	(17)	-	-	-
Non-GAAP research and development expenses	\$ 101,144	\$ 147,230	\$ 164,918	\$ 211,520	\$ 273,740	\$ 312,807	\$ 244,311
Non-GAAP research and development expenses as a percentage of net sales	12.0%	10.6%	11.6%	14.0%	14.7%	14.8%	14.9%

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

	CY09	CY10	CY11	CY12	CY13	CY14	CY15**
Selling, general and administrative expenses, as reported	\$ 153,050	\$ 213,285	\$ 213,969	\$ 246,452	\$ 266,678	\$ 272,381	\$ 214,885
Share-based compensation expense	(17,366)	(17,098)	(17,534)	(26,987)	(22,203)	(20,737)	(22,954)
Acquisition-related costs	(206)	(3,430)	(1,205)	(6,008)	(3,022)	(4,140)	(3,978)
Non-GAAP selling, general and administrative expenses	\$ 135,478	\$ 192,757	\$ 195,230	\$ 213,457	\$ 241,453	\$ 247,504	\$ 187,953
Non-GAAP selling, general and administrative expenses as a percentage of net sales	16.1%	13.9%	13.7%	14.1%	12.9%	11.7%	11.5%

**RECONCILIATION OF GAAP OPERATING EXPENSES TO NON-GAAP OPERATING EXPENSES**

	CY09	CY10	CY11	CY12	CY13	CY14	CY15**
Operating expenses, as reported	\$ 275,417	\$ 384,502	\$ 404,023	\$ 579,317	\$ 687,656	\$ 765,208	\$ 616,985
Share-based compensation expense	(29,414)	(29,603)	(31,712)	(47,448)	(46,581)	(47,174)	(46,241)
Acquisition-related costs	(206)	(3,430)	(1,205)	(6,025)	(3,022)	(4,140)	(3,978)
Amortization of acquired intangible assets	(2,003)	(9,803)	(11,432)	(74,417)	(113,147)	(150,968)	(125,539)
Special charges, net	(7,172)	(1,679)	474	(26,450)	(9,713)	(2,615)	(8,963)
Non-GAAP operating expenses	\$ 236,622	\$ 339,987	\$ 360,148	\$ 424,977	\$ 515,193	\$ 560,311	\$ 432,264
Non-GAAP operating expenses as a percentage of net sales	28.1%	24.5%	25.3%	28.0%	27.6%	26.6%	26.3%

**RECONCILIATION OF GAAP OPERATING INCOME TO NON-GAAP OPERATING INCOME**

	CY09	CY10	CY11	CY12	CY13	CY14	CY15**
Operating income, as reported	\$ 175,513	\$ 438,309	\$ 426,968	\$ 215,749	\$ 389,540	\$ 441,310	\$ 306,614
Distributor revenue recognition adjustment	-	-	-	15,868	-	4,565	13,255
Share-based compensation expense	35,459	37,228	37,497	54,478	54,731	55,825	52,321
Acquisition-related restructuring, acquired inventory valuation and other costs	1,120	9,630	1,314	60,983	4,147	29,152	15,121
Amortization of acquired intangible assets	2,003	9,803	11,432	74,417	113,147	150,968	125,539
Special charges, net	7,172	1,679	(474)	26,450	9,713	2,615	8,963
Non-GAAP operating income	\$ 221,267	\$ 496,649	\$ 476,737	\$ 447,945	\$ 571,278	\$ 684,435	\$ 521,813
Non-GAAP operating income as a percentage of net sales	26.2%	35.9%	33.5%	29.6%	30.6%	32.5%	31.8%

**RECONCILIATION OF GAAP OTHER INCOME (EXPENSE), NET TO NON-GAAP OTHER EXPENSE, NET**

	CY09	CY10	CY11	CY12	CY13	CY14	CY15**
Other income (expense), net, as reported	\$ 5,904	\$ (13,828)	\$ (19,078)	\$ (20,635)	\$ (25,462)	\$ (39,105)	\$ (70,650)
Non-cash other expense	5,983	6,696	7,326	8,038	8,773	9,599	31,126
Loss on retirement of convertible debentures	-	-	-	-	-	-	50,631
(Gain) loss on investments, net	(19,537)	-	1,878	-	(2,438)	746	(34,533)
Non-GAAP other expense, net	\$ (7,650)	\$ (7,132)	\$ (9,874)	\$ (12,597)	\$ (19,127)	\$ (28,760)	\$ (23,426)
Non-GAAP other expense, net, as a percentage of net sales	-0.9%	-0.5%	-0.7%	-0.8%	-1.0%	-1.4%	-1.4%

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

	CY09	CY10	CY11	CY12	CY13	CY14	CY15**
Income tax provision (benefit), as reported	\$ 18,197	\$ 50,362	\$ 21,121	\$ 46,262	\$ 20,156	\$ 23,870	\$ (58,396)
Income tax rate, as reported	10.0%	11.9%	5.2%	23.8%	5.5%	5.9%	-24.8%
Distributor revenue recognition adjustment	-	-	-	3,404	-	823	4,505
Share-based compensation expense	4,478	4,420	4,706	8,730	6,043	8,106	15,861
Acquisition-related restructuring, acquired inventory valuation costs, intangible asset amortization and other costs	1,046	873	637	12,995	1,899	15,055	23,349
Special charges, net	524	-	-	12,989	3,641	923	1,854
(Gain) loss on investments, net	(7,521)	-	704	-	-	279	-
Non-cash other expense	2,303	2,526	2,748	3,015	3,286	3,572	11,558
Loss on retirement of convertible debentures	-	-	-	-	-	-	18,809
Non-recurring tax events	8,452	1,534	28,470	(26,071)	17,706	15,752	39,442
Non-GAAP income tax provision	\$ 27,479	\$ 59,715	\$ 58,386	\$ 61,324	\$ 52,731	\$ 68,380	\$ 56,982
Non-GAAP income tax rate	12.9%	12.2%	12.5%	14.1%	9.6%	10.4%	11.4%

**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**

	CY09	CY10	CY11	CY12	CY13	CY14	CY15**
Net income attributable to Microchip Technology, as reported	\$ 163,220	\$ 374,304	\$ 386,681	\$ 148,335	\$ 343,476	\$ 381,102	\$ 294,968
Distributor revenue recognition adjustment, net of tax effect	-	-	-	12,464	-	3,742	8,750
Share-based compensation expense, net of tax effect	30,981	32,808	32,791	45,748	48,688	47,719	36,460
Acquisition-related restructuring, acquired inventory valuation costs, intangible asset amortization and other costs, net of tax effect	2,077	18,560	12,109	122,405	115,395	165,065	117,311
Special charges, net of tax effect	6,648	1,679	(474)	13,461	6,072	1,692	7,109
(Gain) loss on investments, net of tax effect	(12,016)	-	1,174	-	(2,438)	467	(34,533)
Non-controlling interests	-	-	-	-	-	(3,623)	(1,370)
Non-cash other expense, net of tax effect	3,680	4,170	4,578	5,023	5,487	6,027	19,568
Loss on retirement of convertible debentures	-	-	-	-	-	-	31,822
Non-recurring tax events	(8,452)	(1,534)	(28,470)	26,071	(17,706)	(15,752)	(39,442)
Non-GAAP net income attributable to Microchip Technology	\$ 186,138	\$ 429,987	\$ 408,389	\$ 373,507	\$ 498,974	\$ 586,439	\$ 440,643
Non-GAAP net income attributable to Microchip Technology as a percentage of net sales	22.1%	31.0%	28.7%	24.7%	26.7%	27.8%	26.9%
Diluted net income per common share attributable to Microchip Technology stockholders, as reported	\$ 0.88	\$ 1.95	\$ 1.91	\$ 0.72	\$ 1.60	\$ 1.70	\$ 1.35
Non-GAAP diluted net income per common share attributable to Microchip Technology stockholders	\$ 1.01	\$ 2.26	\$ 2.02	\$ 1.83	\$ 2.33	\$ 2.63	\$ 2.02
Diluted common shares outstanding, as reported	186,119	191,520	202,472	204,919	214,319	223,997	218,271
Diluted common shares outstanding Non-GAAP	184,631	190,258	201,851	204,574	213,747	223,399	217,924

\*\* Only includes the first three quarters of the calendar year (January 1, 2015 through September 30, 2015).