CHANDLER, Arizona – June 5, 2002 -- (NASDAQ:MCHP) – Microchip Technology Incorporated announced today that it has completed the acquisition of PowerSmart, Inc., a privately held fabless semiconductor company, in a cash transaction. Microchip paid approximately $54 million in cash, assumed a balance sheet with approximately $4 million in cash and other net assets, and assumed certain employee stock options. Approximately 40 employees from PowerSmart have joined Microchip.

PowerSmart delivers a unique battery management whole product solution which improves system runtimes up to 30% with a lower system cost for the user. Included in the whole product solution is an application tools suite to speed up implementation during the user’s development and production.

Steve Sanghi, Microchip’s President and Chief Executive Officer, said, “Combining PowerSmart’s leading edge battery management technology and whole product sales solution with Microchip’s leadership FLASH embedded control technology and cost efficient manufacturing will enable us to provide generations of cost-effective, high performance battery management integrated circuits to existing and new customers. Further, it will position us well to take advantage of the growing opportunity of smart battery management, and a strong trend towards mobility and portability, requiring battery powered devices.”

“PowerSmart’s leading edge technology in battery management combined with Microchip’s existing microcontroller infrastructure will position us well to gain market share in the office automation and consumer product markets. This acquisition is expected to strengthen Microchip’s position in battery management applications such as laptop computers, personal digital assistants, cellular telephones, digital cameras and camcorders, and UPS systems,” Sanghi concluded.
Microchip Technology Inc.
Completes Acquisition of PowerSmart, Inc.

PowerSmart is expected to contribute approximately $7 to $8 million in revenue to Microchip in fiscal year 2003, and about $14 to $16 million in revenue in fiscal year 2004. Microchip expects to have a one-time write off for in-process research and development related to the acquisition. Additionally, a portion of the purchase price will be amortized over two to five years, and a portion will be allocated to goodwill. The impact on Microchip’s operating earnings for first fiscal 2003 quarter ending June 30, 2002, as well as the impact on our current guidance of 6% revenue growth for the September quarter, compared to the June 30, 2002 quarter, is expected to be negligible.

Business Update Info:

On Wednesday, June 12, 2002 after market close, Microchip will make available a first quarter business update. This update will be 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.

Cautionary Statement:

This release contains forward-looking statements relating to combining PowerSmart’s technology and sales solution with Microchip’s embedded control technology and cost efficient manufacturing enabling us to provide generations of cost-effective, high performance battery management integrated circuits to new and existing customers, positioning Microchip well to take advantage of a trend towards mobility and portability requiring battery powered devices, positioning us to gain market share in the office automation and consumer product markets, PowerSmart’s products strengthening Microchip’s position in battery management applications, the expected revenue contribution of PowerSmart to Microchip in fiscal 2003 and 2004, our expectation of a one time charge for in-process R&D, allocation of the

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purchase price, and the impact of the acquisition on our quarterly earnings for the quarter ending June 30, 2002 and on our guidance for the September quarter, that are based upon our current expectations and beliefs and are subject to certain risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. In particular, the following factors, among others, could cause actual results to differ materially from those described in the forward-looking statements: difficulties associated with successfully integrating Microchip and PowerSmart’s businesses and technologies; failure of the combined company to retain and hire key executives, technical personnel and other employees; failure of the combined company to successfully manage its changing relationship with customers, suppliers, value added resellers and strategic partners; failure of the combined company’s customers to accept new product offerings; failure to achieve anticipated synergies in the merger, the progress and costs of the development of its products and services and the timing of market acceptance of those products and services. Additionally, other factors that could affect our results for the first and second quarters of fiscal 2003 include, among others: 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; changes in customer order patterns and seasonality; the level at which design wins become actual orders and sales; pricing pressures; disruptions in international transport or delivery occasioned by unexpected increases in price or supply of oil or by terrorist activity or armed conflict; our ability to ramp new products into volume production; possible disruption in commercial activities occasioned by terrorist activity and armed conflict, such as changes in logistics and security arrangements, and reduced customer 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; general industry, economic and political conditions; our ability to maintain operating margins; financial stability in foreign markets; and the costs and outcome of any litigation involving intellectual property, customer and other issues.

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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.

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 press release, 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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