



Monolithic Power Systems Announces Record Second Quarter and First Half 2008 Results

SAN JOSE, Calif., July 31 /PRNewswire-FirstCall/ -- Monolithic Power Systems (MPS) (Nasdaq: MPWR), a leading fabless manufacturer of high-performance analog and mixed-signal semiconductors, today announced financial results for the three and six months ended June 30, 2008.

The results for the quarter ended June 30, 2008 are as follows:

- Net revenues of \$41.5 million, up 34.6% from \$30.8 million in the second quarter of 2007 and up 17.2% sequentially from \$35.4 million in the first quarter of 2008
- Gross margin of 63.0%, compared to 63.5% in the second quarter of 2007 and 63.2% in the first quarter of 2008
- GAAP operating expenses of \$21.8 million, including \$17.5 million for research and development and selling, general and administrative expenses, which includes \$3.2 million for stock-based compensation, and \$4.3 million for patent litigation expenses
- Non-GAAP(1) operating expenses of \$18.6 million, excluding \$3.2 million for stock-based compensation
- GAAP net income of \$4.6 million, with GAAP EPS of \$0.13 per diluted share
- Non-GAAP(1) net income of \$7.1 million, or \$0.20 per diluted share, excluding stock-based compensation and related tax effects

The results for the six months ended June 30, 2008 are as follows:

- Net revenues of \$76.9 million, compared to \$55.3 million for the six months ended June 30, 2007, an increase of 39.0%
- Gross margin of 63.0%, compared to 63.5% for the six months ended June 30, 2007
- GAAP operating expenses of \$38.8 million, including \$33.8 million for research and development and selling, general and administrative expenses, which includes \$6.0 million for stock-based compensation and \$5.0 million for patent litigation expenses
- Non-GAAP(1) operating expenses of \$32.9 million, excluding \$6.0 million for stock-based compensation
- GAAP net income of \$10.5 million, with GAAP EPS of \$0.29 per diluted share
- Non-GAAP(1) net income of \$14.7 million, or \$0.41 per diluted share, excluding stock-based compensation and related tax effects

"MPS set an all-time record for revenue in the second quarter," said Michael Hsing, chief executive officer and founder of MPS, "and we are pleased with the continued success of the execution of our strategies."

Business Outlook

The following are MPS' financial targets for the third quarter ending September 30, 2008:

- Revenues in the range of \$46 million to \$49 million
- Gross margin in the mid to upper end of the company's target range of 60% to 63%
- Research and development and selling, general and administrative expenses between \$18.2 million and \$19.6 million. Non-GAAP(1) research and development and selling, general and administrative expenses between \$15.0 million and \$16.0 million. This excludes an estimate of stock-based compensation expense in the range of \$3.2 million to \$3.6 million
- Litigation expense in the range of \$1.4 million to \$1.8 million

(1) Non-GAAP net income, non-GAAP operating expenses and non-GAAP research and development and selling, general and administrative expense differ from net income, operating expenses, and research and development and selling, general and administrative expense determined in accordance with GAAP (Generally Accepted Accounting Principles in the United States). Non-GAAP net income for the quarter and six months ended June 30, 2008 and 2007 excludes the effect of stock-based compensation expense and a patent litigation settlement amount and their related tax effects, and includes a reversal of the lease write-off that was recorded previously. Non-GAAP operating expenses for the quarter and six months ended June 30, 2008 and 2007 exclude the effect of stock-based compensation expense and a patent litigation settlement amount, and include a reversal of the lease write-off that was recorded previously. Projected non-GAAP research and development and selling, general and administrative expenses exclude the effect of stock-based compensation expense and related tax effects. A schedule reconciling these amounts is included in this news release. Non-GAAP financial measures should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. MPS utilizes both GAAP and non-GAAP financial measures to assess what it believes to be its core operating performance and to evaluate and manage its internal business and assist in making financial operating decisions. MPS believes that the inclusion of non-GAAP

financial measures, together with GAAP measures, provides investors with an alternative presentation useful to investors' understanding of MPS' core operating results and trends. Additionally, MPS believes that the inclusion of non-GAAP measures, together with GAAP measures, provides investors with an additional dimension of comparability to similar companies. However, investors should be aware that non-GAAP financial measures utilized by other companies are not likely to be comparable in most cases to the non- GAAP financials measures used by MPS.

Conference Call

MPS plans to conduct a management teleconference covering its second quarter and first half 2008 results at 2:00 p.m. PT / 5:00 p.m. ET today, July 31, 2008. To access the conference call and following replay, go to <http://ir.monolithicpower.com> and click the webcast link. From this site, you can listen to the teleconference, assuming that your computer system is configured properly. In addition to the webcast replay, which will be archived for all investors for one year on the MPS website, a phone replay will be available for seven days after the live call at 617-801-6888, code number 48865373. This press release and any other information related to the call will also be posted on the website.

Safe Harbor Statement

This press release contains forward-looking statements regarding targeted revenues, gross margin, GAAP and non-GAAP research and development and selling, general and administrative expenses, stock-based compensation expense and litigation expense for the three months ending September 30, 2008. These statements are not historical facts or guarantees of future performance or events, are based on current expectations, estimates, beliefs, assumptions, goals, and objectives, and involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from the results expressed by these statements. Readers of this press release and listeners to the accompanying conference call are cautioned not to place undue reliance on any forward-looking statements. Factors that could cause actual results to differ include, but are not limited to, the risks, uncertainties and costs of litigation in which the company is involved; the outcome of any upcoming trials, hearings, motions, and appeals; any market disruptions or interruptions in MPS' schedule of new product release development; adverse changes in production and testing efficiency; adverse changes in government regulations in foreign countries where MPS has offices; acceptance of, or demand for, MPS' products being lower than expected; the adverse impact on MPS' financial performance if its tax and litigation provisions are inadequate; difficulty in predicting or budgeting for future expenses and financial contingencies; and other important risk factors identified in MPS' SEC filings, including, but not limited to, its Form 10-Q filed on May 14, 2008.

The forward-looking statements in this press release represent MPS' targets, not predictions of actual performance. MPS assumes no obligation to update the information in this press release or in the accompanying conference call.

About Monolithic Power Systems, Inc.

Monolithic Power Systems, Inc. (MPS) develops and markets proprietary, advanced analog and mixed-signal semiconductors. The company combines advanced process technology with its highly experienced analog designers to produce high-performance power management integrated circuits (ICs) for DC to DC converters, LED drivers, Cold Cathode Fluorescent Lamp (CCFL) backlight controllers, Class D audio amplifiers, and Linear ICs. MPS products are used extensively in computing and network communications products, LCD monitors and TVs, and a wide variety of consumer and portable electronics products. MPS partners with world-class manufacturing organizations to deliver top quality, ultra-compact, high-performance solutions through the most productive, cost- efficient channels. Founded in 1997 and headquartered in San Jose, California, the company has expanded its global presence with sales offices in Taiwan, China, Korea, Japan, and Europe, which operate under MPS International, Ltd.

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Consolidated Balance Sheet (Unaudited, in thousands, except par value)

	June 30, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$75,595	\$83,114
Short-term investments	4,735	27,765

Accounts receivable, net of allowances of \$0 in 2008 and \$227 in 2007	13,033	8,239
Inventories	24,120	17,487
Deferred income tax asset-current	76	72
Prepaid expenses and other current assets	4,794	4,733
Restricted cash	7,360	7,350
Total current assets	129,713	148,760
Property and equipment, net	14,606	14,175
Long-term investments	39,140	-
Deferred income tax asset-long term	776	776
Other assets	614	539
Restricted assets	8,608	8,340
Total assets	\$193,457	\$172,590

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$12,626	\$6,154
Accrued compensation and related benefits	7,488	8,299
Accrued liabilities	17,325	14,959
Total current liabilities	37,439	29,412

Deferred rent	107	237
Non-current income tax liability	5,319	5,318
Other long term liabilities	-	86
Total liabilities	42,865	35,053

Stockholders' equity:

Common stock, \$0.001 par value, \$34 and \$33 in 2008 and 2007, respectively; shares authorized: 150,000,000; shares issued and outstanding: 33,669,624 and 33,454,595 in 2008 and 2007, respectively	145,896	143,890
Deferred stock compensation	-	(3)
Retained earnings (accumulated deficit)	3,720	(6,815)
Accumulated other comprehensive income	976	465
Total stockholders' equity	150,592	137,537
Total liabilities and stockholders' equity	\$193,457	\$172,590

Consolidated Income Statement

(Unaudited, in thousands, except per share amounts)

	Three months ended		Six months ended	
	June 30, 2008	June 30, 2007 (as restated)	June 30, 2008	June 30, 2007 (as restated)
Revenue	\$41,502	\$30,833	\$76,911	\$55,329
Cost of revenue*	15,375	11,248	28,419	20,211
Gross profit	26,127	19,585	48,492	35,118
Operating expenses:				
Research and development*	8,602	6,428	16,174	12,360

Selling, general and administrative*	8,912	7,119	17,640	13,316
Lease abandonment	-	(496)	-	(496)
Patent litigation settlement	-	9,800	-	9,800
Provision for litigation expense	4,294	4,028	5,030	6,875
Total operating expenses	21,808	26,879	38,844	41,855
Income (loss) from operations	4,319	(7,294)	9,648	(6,737)
Other income (expense):				
Interest and other income	810	1,169	2,244	2,176
Interest and other expense	(112)	(22)	(118)	(29)
Total other income, net	698	1,147	2,126	2,147
Income (loss) before income taxes	5,017	(6,147)	11,774	(4,590)
Income tax provision	417	219	1,239	2,105
Net income (loss)	\$4,600	\$(6,366)	\$10,535	\$(6,695)
Basic net income (loss) per share	\$0.14	\$(0.20)	\$0.32	\$(0.22)
Diluted net income (loss) per share	\$0.13	\$(0.20)	\$0.29	\$(0.22)
Weighted average common shares outstanding	33,229	31,382	33,287	30,929
Stock options and restricted stock	3,003	-	2,804	-
Diluted weighted-average common equivalent shares outstanding	36,232	31,382	36,091	30,929

*Stock-based compensation has been included in the following line items:

Cost of revenue	\$128	\$113	\$173	\$224
Research and development	1,396	952	2,603	2,053
Selling, general and administrative	1,819	1,440	3,354	2,548
Total	\$3,343	\$2,505	\$6,130	\$4,825

RECONCILIATION OF NET INCOME TO NON-GAAP NET INCOME
(in thousands, except per share amounts)

Net income (loss)	\$4,600	\$(6,366)	\$10,535	\$(6,695)
Adjustments to reconcile net income to non-GAAP net income				
Stock-based compensation	\$3,343	\$2,505	\$6,130	\$4,825
Patent litigation settlement	-	9,800	-	9,800
Reversal of lease write-off	-	(540)	-	(540)
Tax effect	(837)	(1,186)	(1,924)	(618)
Non-GAAP net income	\$7,106	\$4,214	\$14,741	\$6,773

Non-GAAP earnings per share, excluding stock-based compensation and related tax effects:				
Basic	\$0.21	\$0.13	\$0.44	\$0.22
Diluted	\$0.20	\$0.12	\$0.41	\$0.20

Shares used in the calculation of non-GAAP earnings per share:				
Basic	33,229	31,382	33,287	30,929
Diluted	36,232	34,656	36,091	34,230

RECONCILIATION OF OPERATING EXPENSES TO NON-GAAP OPERATING EXPENSES
(in thousands, except per share amounts)

Total operating expenses	\$21,808	\$26,879	\$38,844	\$41,855
Adjustments to reconcile total operating expenses to non-GAAP total operating expenses				
Stock-based compensation	\$(3,215)	\$(2,392)	\$(5,957)	\$(4,601)
Patent litigation settlement	-	(9,800)	-	(9,800)
Reversal of lease write-off	-	496	-	496
Non-GAAP total operating expenses	\$18,593	\$15,183	\$32,887	\$27,950

2008 Third Quarter Outlook

RECONCILIATION OF R&D AND SG&A EXPENSES TO NON-GAAP R&D AND SG&A EXPENSES
(in thousands)

	Three months ended September 30, 2008	
	Low	High
R&D and SG&A	\$18,200	\$19,600
Adjustments to reconcile R&D and SG&A to non-GAAP R&D and SG&A		
Stock-based compensation	(3,200)	(3,600)
Non-GAAP R&D and SG&A	\$15,000	\$16,000

SOURCE Monolithic Power Systems, Inc.

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