



July 25, 2006

## RFMD Delivers 50% Growth in Revenue and Improved Operating Income

### Quarterly Highlights:

- Record Revenue Of \$238.3 Million, Representing Growth Of Approximately 50%, Compared To Prior-Year Period
- GAAP Diluted Earnings Per Share Of \$0.07, And GAAP Operating Income Of \$14.0 Million, Including \$5.5 Million Of Non-Cash Share-Based Compensation Expense And \$0.5 Million Of Non-Cash Amortization Of Intangibles
- Non-GAAP Diluted Earnings Per Share Of \$0.09, And Non-GAAP Operating Income Of \$20.0 Million, Excluding Non-Cash Share-Based Compensation Expense And Non-Cash Amortization Of Intangibles
- Company Achieves Fifth Consecutive Quarter Of Growth In Revenue And Non-GAAP Operating Income
- RFMD Currently Expects September Quarterly Revenue Will Grow Sequentially Approximately 1% To 5%
- RFMD Currently Expects September Quarterly Earnings Per Share Will Be Approximately \$0.08 To \$0.09 (GAAP) And Approximately \$0.10 To \$0.11 (Non-GAAP)

GREENSBORO, N.C., July 25 /PRNewswire-FirstCall/ -- RF Micro Devices, Inc. (Nasdaq: RFMD), a global leader in the design and manufacture of high-performance radio systems and solutions for applications that drive mobile communications, today reported financial results for its fiscal 2007 first quarter ended June 30, 2006. Quarterly revenue grew approximately 50% year-over-year and 5.5% sequentially to a record \$238.3 million, and operating income improved to \$14.0 million, on a GAAP basis, and \$20.0 million, on a non-GAAP basis. RFMD's June quarterly results reflected strength at the world's leading handset manufacturers, market share gains in RF semiconductors and increased market demand for the Company's cellular transceivers and transmit modules.

### Business Highlights

#### Revenue

- \* Revenue growth was driven primarily by RFMD's largest handset original equipment manufacturer (OEM) customers
- \* Revenue growth was across all three business units -- Cellular, Wireless Connectivity and Infrastructure
- \* RFMD is booked for sequential growth with the world's four largest handset manufacturers in the September 2006 quarter

#### Cellular

- \* RFMD extended its market share leadership in power amplifiers and GPRS/EDGE transceivers

- \* POLARIS(TM) TOTAL RADIO(TM) solution sales increased to approximately 28% of total quarterly revenue, representing the eighth consecutive quarter of growth in transceiver shipments
- \* RFMD is currently booked for continued sequential growth in transceiver shipments in the September 2006 quarter

#### Wireless Connectivity

- \* RFMD increased sales of WLAN components for handsets and gaming devices
- \* RFMD ramped its SiW3500 Bluetooth(R) solution in support of an EDGE-enabled mobile device powered by Danger, Inc. and manufactured by Sharp Corporation

#### Infrastructure

- \* RFMD demonstrated 120-watt Gallium Nitride (GaN) WCDMA high-power transistors at the IEEE MTT-S tradeshow and has commenced sampling GaN power amplifiers

GAAP and non-GAAP financial measures are presented in the tables below, and non-GAAP financial measures are reconciled to the corresponding GAAP financial measures in the financial statement portion of this press release.

#### GAAP RESULTS

(in millions, except percentages and per share data)

	Q1 Fiscal 2007	Q4 Fiscal 2006	% Change vs. Q4 2006	Q1 Fiscal 2006	% Change vs. Q1 2006
Revenue	\$238.3	\$225.9	5.5%	\$159.4	49.5%
Gross Margin	33.4%	33.6%	(0.2) ppt	34.1%	(0.7) ppt
Operating Income (Loss)	\$ 14.0	\$ (1.7)	N/M	\$ (2.3)	N/M
Net Income (Loss)	\$ 13.9	\$ (1.6)	N/M	\$ (2.7)	N/M
Diluted EPS	\$ 0.07	\$(0.01)	N/M	\$(0.01)	N/M

#### NON-GAAP RESULTS (excluding share-based compensation, amortization, restructuring and customer related payment)

(in millions, except percentages and per share data)

	Q1 Fiscal 2007	Q4 Fiscal 2006	% Change vs. Q4 2006	Q1 Fiscal 2006	% Change vs. Q1 2006
Revenue	\$238.3	\$225.9	5.5%	\$164.4	45.0%
Gross Margin	34.4%	35.0%	(0.6) ppt	36.3%	(1.9) ppt
Operating Income	\$ 20.0	\$ 19.8	1.4%	\$ 3.3	N/M
Net Income	\$ 19.9	\$ 19.9	0.3%	\$ 2.8	N/M
Diluted EPS	\$ 0.09	\$ 0.09	0.2%	\$ 0.01	N/M

N/M = Not Meaningful

#### Financial Guidance And Business Outlook

In the September 2006 quarter, RFMD anticipates continued market share gains in RF semiconductors, led by cellular transceivers and transmit modules. RFMD believes it is benefiting from handset market strength and is currently booked for growth in the September quarter with multiple handset OEMs, representing the majority of worldwide handset production.

- \* Revenue in the September 2006 quarter is currently expected to be in the range of \$240 million to \$250 million, representing sequential growth of approximately 1% to 5% and year-over-year growth of

approximately 35% to 41%.

- \* Quarterly GAAP net income in the September 2006 quarter is currently expected to be in the range of \$0.08 to \$0.09 per share, including estimated non-cash share-based compensation expense and non-cash amortization of intangibles of approximately \$4.0 million in the aggregate.
- \* Quarterly non-GAAP net income is currently expected to be in the range of \$0.10 to \$0.11 per share. Non-GAAP net income excludes non-cash share-based compensation expense and non-cash amortization of intangibles.

The methodology used by RFMD to estimate non-cash share-based compensation expense does not factor in items such as new grants, exercises, terminations or amounts that may be capitalized in inventory, and the methodology used to estimate intangible amortization assumes no additional intangible assets are recorded. RFMD currently cannot estimate the impact of non-cash share-based compensation expense on gross margin or operating expenses and will provide this information with its September quarterly results. Accordingly, actual quarterly results may differ from these estimates, and such differences may be material.

#### Comments From Management

Bob Bruggeworth, president and CEO of RF Micro Devices, said, "RFMD is successfully executing on a plan to grow quarterly revenue and deliver improved quarterly operating income. During the June quarter, we took share in cellular transceivers and transmit modules, and we expect this trend to continue. In fact, we are currently booked for sequential revenue growth in the September quarter with the world's four largest handset manufacturers. In the second half of calendar year 2006, we expect revenue, margins and earnings will be favorably impacted by momentum at our leading customers, as well as strong handset demand, new product launches and continued design wins."

Dean Priddy, CFO and vice president, finance and administration of RF Micro Devices, said, "We believe the handset industry will experience healthy growth this year of at least 15% and we're positioned to grow well in excess of the overall market. The demand for our GaAs technology has increased rapidly with transmit modules, WCDMA and WLAN in handsets, as well as complete front-end GaAs solutions for the emerging 802.11n PC market. Our 40% increase in fab capacity is expected to be completed in the December quarter and is a supply chain competitive advantage for RFMD. Coupled with this investment we are more than doubling our assembly capacity in Beijing by the December quarter, giving us substantial cost and cycle time advantages.

"We added \$25 million in five-year asset-based financing in the June quarter. We do not expect this facility will materially impact quarterly earnings, and it gives us the flexibility to continue making the investments we feel are necessary to drive revenue and earning growth while maintaining a healthy cash balance. In particular, we believe margins will show improvement in the September quarter largely because of the strategic manufacturing investments we are making."

#### Non-GAAP Financial Measures

RFMD reports gross margin, operating income, net income and earnings per share (EPS) on a GAAP basis and non-GAAP basis. RFMD believes non-GAAP financial measures provide useful supplemental information to investors and facilitate a better understanding of results of operations as seen through the eyes of management. RFMD has chosen to provide this supplemental information to enable investors to perform additional comparisons of operating results and analyze financial performance without the impact of certain non-cash expenses or unusual items that may obscure trends in RFMD's underlying performance. Management uses these non-GAAP financial measures internally to make strategic decisions, forecast future results and evaluate RFMD's current performance. These non-GAAP financial measures are not in accordance with, or an alternative for, GAAP financial measures and may differ from non-GAAP financial measures used by other companies.

RF Micro Devices will conduct a conference call at 5:00 p.m. EDT today to discuss today's press release. The conference call will be broadcast live over the Internet and can be accessed by any interested party at <http://www.earnings.com> or <http://www.rfmd.com> (under Investor Info). A telephone playback of the conference call will be available approximately one hour after the call's completion by dialing 303-590-3000 and entering pass code 11065487.

#### About RFMD

RF Micro Devices, Inc. (Nasdaq: RFMD) is a global leader in the design and manufacture of high-performance radio systems and solutions for applications that drive mobile communications. RFMD's power amplifiers, transmit modules, cellular transceivers and system-on-chip (SOC) solutions enable worldwide mobility, provide enhanced connectivity and support

advanced functionality in current- and next-generation mobile handsets, cellular base stations, wireless local area networks (WLANs), wireless personal area networks (WPANs) and global positioning systems (GPS). Recognized for its diverse portfolio of state-of-the-art semiconductor technologies and vast RF systems expertise, RFMD is a preferred supplier enabling the world's leading mobile device manufacturers to deliver advanced wireless capabilities that satisfy current and future market demands.

Headquartered in Greensboro, N.C., RFMD is an ISO 9001- and ISO 14001-certified manufacturer with worldwide engineering, design, sales and service facilities. RFMD is traded on the Nasdaq Global Select Market under the symbol RFMD. For more information, please visit RFMD's web site at [www.rfmd.com](http://www.rfmd.com).

This press release includes "forward-looking statements" within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements about our plans, objectives, representations and contentions and are not historical facts and typically are identified by use of terms such as "may," "will," "should," "could," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential," "continue" and similar words, although some forward-looking statements are expressed differently. You should be aware that the forward-looking statements included herein represent management's current judgment and expectations, but our actual results, events and performance could differ materially from those expressed or implied by forward-looking statements. We do not intend to update any of these forward-looking statements or publicly announce the results of any revisions to these forward-looking statements, other than as is required under the federal securities laws. RF Micro Devices' business is subject to numerous risks and uncertainties, including variability in quarterly operating results, the rate of growth and development of wireless markets, risks associated with the operation of our wafer fabrication facilities, molecular beam epitaxy facility, assembly facility and test and tape and reel facilities, our ability to attract and retain skilled personnel and develop leaders, variability in production yields, our ability to reduce costs and improve gross margins by implementing innovative technologies, our ability to bring new products to market, our ability to adjust production capacity in a timely fashion in response to changes in demand for our products, dependence on a limited number of customers, and dependence on third parties. These and other risks and uncertainties, which are described in more detail in RF Micro Devices' most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission, could cause actual results and developments to be materially different from those expressed or implied by any of these forward- looking statements.

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RF MICRO DEVICES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(In thousands, except per share data)  
(Unaudited)

	Three Months Ended	
	June 30,	
	2006	2005
Total revenue	\$238,335	\$159,384
Costs and expenses:		
Cost of goods sold (1)	158,679	105,074
Research and development (1)	43,885	38,713
Marketing and selling (1)	13,410	12,056
General and administrative (1)	8,262	6,668
Other operating expense (income)	67	(850)
Total costs and expenses (1)	224,303	161,661
Operating income (loss)	14,032	(2,277)
Other income (expense), net	951	(88)
Income (loss) before income taxes	14,983	(2,365)
Income tax expense	(1,049)	(352)

Net income (loss)	\$13,934	\$(2,717)
Net income (loss) per share, diluted	\$0.07	\$(0.01)
Weighted average outstanding diluted shares	225,706	188,100

(1) The following table shows the share-based compensation expense included in the cost and expense items shown for the periods presented:

	Three Months Ended June 30, 2006			Three Months Ended June 30, 2005		
	As Reported	Stock-Based Compensation	Net	As Reported	Stock-Based Compensation	Net
Total costs and expenses:						
Cost of goods sold	\$158,679	\$2,218	\$156,461	\$105,074	\$225	\$104,849
Research and development	43,885	1,451	42,434	38,713	350	38,363
Marketing and selling	13,410	862	12,548	12,056	411	11,645
General and administrative	8,262	935	7,327	6,668	59	6,609
Other operating expense (income)	67	-	67	(850)	-	(850)
Total costs and expenses	\$224,303	\$5,466	\$218,837	\$161,661	\$1,045	\$160,616

RF MICRO DEVICES, INC. AND SUBSIDIARIES  
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES  
(In thousands, except per share data)  
(Unaudited)

	Three Months Ended		
	June 30, 2006	March 31, 2006	June 30, 2005
GAAP operating expenses	\$65,624	\$77,672	\$56,587
Share-based compensation expense	3,248	17,951	820
Amortization of intangible assets	289	289	197
Discontinuation of WLAN chipset development efforts (adjustment)	67	53	(850)
Non-GAAP operating expenses	62,020	59,379	56,420
GAAP operating income (loss)	14,032	(1,689)	(2,277)
Share-based compensation expense	5,466	20,943	1,045
Amortization of intangible assets	473	457	365
Customer related payment	-	-	5,000
Discontinuation of WLAN chipset development efforts (adjustment)	67	53	(850)
Non-GAAP operating income	20,038	19,764	3,283
GAAP net income (loss)	13,934	(1,568)	(2,717)

Share-based compensation expense	5,466	20,943	1,045
Amortization of intangible assets	473	457	365
Customer related payment	-	-	5,000
Discontinuation of WLAN chipset development efforts (adjustment)	67	53	(850)
Non-GAAP net income	19,940	19,885	2,843
Plus: Income impact of assumed conversions for interest on 1.50% convertible notes	1,049	1,060	-
Non-GAAP net income plus assumed conversion of notes - Numerator for diluted income per share	\$20,989	\$20,945	\$2,843
GAAP weighted average outstanding diluted shares	225,706	189,599	188,100
Adjustments:			
Diluted stock options	-	6,002	2,799
Assumed conversion of 1.50% convertible notes	-	30,144	-
Non-GAAP weighted average outstanding diluted shares	225,706	225,745	190,899
Non-GAAP net income per share, diluted	\$0.09	\$0.09	\$0.01
GAAP gross margin percentage	33.4%	33.6%	34.1%
Adjustment for share-based compensation	0.9%	1.3%	0.1%
Adjustment for intangible amortization	0.1%	0.1%	0.1%
Adjustment for customer related payment	-	-	2.0%
Non-GAAP gross margin percentage	34.4%	35.0%	36.3%

RF MICRO DEVICES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In thousands)

	June 30, 2006 (Unaudited)	March 31, 2006 (Audited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$104,503	\$81,588
Short-term investments	67,641	68,949
Accounts receivable, net	122,789	115,715
Inventories	111,287	116,782
Other current assets	27,271	19,542
Total current assets	433,491	402,576
Property and equipment, net	359,281	341,293
Goodwill	116,626	117,218
Investment in Jazz Semiconductor, Inc.	59,265	59,265
Long-term investments	889	584
Intangible assets, net	10,376	10,849

Other assets	4,049	3,658
Total assets	\$983,977	\$935,443

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Accounts payable and accrued liabilities	\$102,455	\$102,772
Current portion - long-term debt	3,822	-
Other short-term liabilities, net	221	260
Total current liabilities	106,498	103,032

Long-term debt, net	247,983	226,876
Other long-term liabilities	5,843	6,178
Total liabilities	360,324	336,086

Shareholders' equity:

Total shareholders' equity	623,653	599,357
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Total liabilities and shareholders' equity	\$983,977	\$935,443
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SOURCE: RF Micro Devices, Inc.

CONTACT: Dean Priddy, Chief Financial Officer, +1-336-931-7975, or Douglas DeLieto, VP, Investor Relations, +1-336-931-7968, both of RF Micro Devices; or Joe Calabrese of Financial Relations Board, +1-212-827-3772, for RF Micro Devices