



## PLX TECHNOLOGY, INC. REPORTS SECOND-QUARTER 2006 FINANCIAL RESULTS

- **Increases across All Product Lines Drive Revenue Growth and Profitability**
- **Cash and Investment Balances Increase by \$2.9 Million from Prior Quarter**
- **Shipped PCI Express Production Units, Samples or Development Systems to More than 400 Customers since Product Line Launch**

SUNNYVALE, Calif. – (July 18, 2006) – PLX Technology, Inc. (NASDAQ: PLXT) today announced financial results for the second quarter ended June 30, 2006.

For the second quarter ended June 30, 2006, PLX reported net revenues of \$19.4 million, a 47 percent increase from the \$13.2 million reported in the second quarter ended June 30, 2005, and a three percent decrease compared to the \$20.0 million reported in the first quarter ended March 31, 2006. Included in the first quarter ended March 31, 2006 results is a one-time pick-up in net revenues and gross margin of \$2,766,076 and \$1,875,066, respectively, as a result of the Company's change from the sell-through method of accounting for revenues to the sell-in method, whereby revenues are recognized at the time of shipment to a distributor.

Net revenues for the first six months of 2006 were \$39.4 million, a 49 percent increase from the \$26.4 million reported for the first six months of 2005. As described above, net revenues for the first six months of 2006 include the one-time pick-up in revenue in the first quarter ended March 31, 2006 as a result of the change to the sell-in accounting method.

Net income for the second quarter ended June 30, 2006, under U.S. generally accepted accounting principles (GAAP), which included the effect of acquisition-related costs and stock option expense, was \$0.3 million, or \$0.01 per share (diluted). This compared with net losses under GAAP of \$0.7 million, or a loss of \$0.03 per share (diluted), in the second quarter ended June 30, 2005 and net income under GAAP of \$1.5 million, or \$0.06 per share (diluted), in the first quarter ended March 31, 2006. Net income for the first six months of 2006 was \$1.8 million, or \$0.06 per share (diluted), compared to net losses of \$1.3 million, or a loss of \$0.05 per share (diluted), for the first six months of 2005.

Pro forma net income for the second quarter ended June 30, 2006, which excluded the effect of stock option expense and acquisition-related costs, was \$2.2 million, or \$0.08 per share (diluted). This compared with pro forma net losses of \$0.2 million, or a loss of \$0.01 per share (diluted), in the second quarter ended June 30, 2005 and pro forma net income of \$3.1 million, or \$0.11 per share (diluted), in the first quarter ended March 31, 2006. Pro forma net income for the first six months of 2006 was \$5.3 million, or \$0.18 per share (diluted), compared with pro forma net losses of \$0.1 million, or \$0.00 per share (diluted), for the first six months of 2005. Included in pro forma net income for the first quarter and first six months of 2006 is the one-time pick-up

described above. A reconciliation between net income (loss) under GAAP and pro forma net income (loss) is provided in a table immediately below the Pro Forma Consolidated Statements of Operations.

The Company's gross margin for the second quarter ended June 30, 2006 was 58 percent, as compared with 63 percent for the first quarter ended March 31, 2006 and 63 percent for the second quarter ended June 30, 2005. The one-time pick-up in revenue and gross margin in the first quarter ended March 31, 2006 as described above resulted in an increase of approximately one percent to the first quarter ended March 31, 2006 gross margin. The decrease in gross margin was primarily the result of higher sales of USB and PCI Express<sup>TM</sup> devices, which yield lower margins relative to the PCI I/O devices.

Operating expenses under GAAP for the second quarter ended June 30, 2006 of \$11.3 million include \$1.4 million in stock option expense and \$0.5 million of acquisition-related costs. This compares with operating expenses under GAAP of \$11.3 million in the first quarter ended March 31, 2006, which include \$1.0 million of stock option expense and \$0.5 million of acquisition-related costs.

Pro forma operating expenses for the second quarter ended June 30, 2006 were \$9.4 million, which exclude stock option expense and acquisition-related costs. This compares to pro forma operating expenses of \$9.7 million for the prior quarter.

The Company's balance sheet remained strong. At June 30, 2006, cash and investments were \$38.3 million, compared to \$35.0 million at December 31, 2005. Additionally, there continues to be no debt.

"Our year-over-year and sequential results reflect solid execution of our growth initiatives," said Mike Salameh, PLX Technology's chief executive officer. "More specifically, we achieved 47 percent revenue growth year-over-year, while growing quarterly pro forma results from a loss to a \$2.2 million net profit and increasing cash and investments by nearly \$6 million. Successful execution of our PCI Express and USB product plans were the main drivers of these results. In the second quarter, we started sampling two new PCI Express switches, which brings our total PCI Express product family to nine switches and bridges. This product family, by far the broadest in the industry, addresses a wide range of applications in the server, storage, PC peripheral, and embedded-system markets. Since we launched the product line in late 2004, we have shipped PCI Express production units, samples or development systems to more than 400 customers, compared to over 300 at the end of the first quarter.

"USB growth has been driven by increased demand from a variety of customers in consumer and PC peripheral applications such as GPS systems, wireless LAN adapters and docking stations. We are also winning new designs in applications that have high data transfer rates or low power consumption requirements such as PDA's and TV Tuners.

"Based on our market leadership in PCI Express and USB, we expect to achieve sustained growth of revenues and earnings."

## Business Outlook

The following statements are based on current expectations. The Company does not intend to update, confirm or change this guidance until its third-quarter earnings conference call, although it may provide additional detail regarding its guidance on today's scheduled conference call.

- Revenue for the third quarter ended September 30, 2006 is expected to be between \$19.5 million and \$20.5 million, with approximately 18 percent to 20 percent of total revenues attributable to USB products and approximately 22 percent to 24 percent of total revenues attributable to PCI Express products.
- Gross margins are expected to be in the range of 57 percent to 59 percent.
- Operating expenses under GAAP are expected to be between \$11.4 million and \$11.6 million. Pro forma expenses are expected to be between \$9.6 million and \$9.8 million. Pro forma operating expenses exclude the effect of stock compensation, which is expected to be between \$1.2 million and \$1.4 million and acquisition-related costs of approximately \$0.5 million.

PLX® management plans to conduct a conference call today at 2:00 p.m. PST to discuss its second-quarter financial results, as well as its third-quarter outlook. There will also be a live Webcast and a replay of the conference call available through the Investors section of the PLX Web site at <http://www.plxtech.com/investors> until July 25, 2006. The Webcast can also be accessed through [www.ccbn.com](http://www.ccbn.com).

For the live Webcast, listeners should go to the Web site at least 15 minutes before the event starts to download and install any necessary audio software. The archived Webcast is typically available one to two hours after the end of the live call.

**USE OF PRO FORMA FINANCIAL INFORMATION:** In addition to reporting financial results in accordance with GAAP, PLX reports pro forma financial results. Pro forma net income (loss) and earnings (loss) per share exclude the effect of stock-based compensation expense as prescribed by SFAS 123R and acquisition-related charges, such as amortization of deferred compensation, and amortization of purchased intangible assets. PLX's management believes that the presentation of pro forma financial results are useful to investors and other interested persons because, by excluding certain expenses we believe are not indicative of our core operating results, the users of the financial statements are provided with valuable insight into PLX's operating results. Further, these non-GAAP results are one of the primary indicators PLX's management uses for planning and forecasting future performance. In addition, PLX has consistently provided these pro forma measurements in previous earnings releases and believes that it is important to provide investors and other interested persons with a consistent basis for comparison between quarters. The method PLX uses to produce pro forma results is not computed according to GAAP, is likely to differ from the methods used by other companies and should not be regarded as a replacement for corresponding GAAP measures. Investors are encouraged to review the reconciliation of these pro forma financial measures to the comparable GAAP results, which is provided in a table immediately below the Pro Forma Consolidated Statements of Operations.

*About PLX*

PLX Technology, Inc. ([www.plxtech.com](http://www.plxtech.com)), based in Sunnyvale, Calif., USA, is the leading supplier of PCI Express, USB and other standard I/O interconnect silicon to the communications, server, storage, embedded-control, and consumer industries. All PLX I/O interconnect products are available in lead-free packaging. The PLX solution provides a competitive edge to customers through an integrated combination of high-performance silicon, hardware and software design tools. These innovative solutions enable customers to develop products with industry-leading performance and functionality. Furthermore, the combination of PLX product features, supporting development tools and partnerships allows customers to bring their designs to market faster. PLX PCI, PCI Express and USB interconnect chips are designed into a wide variety of communications, server, storage, embedded-control, and consumer products.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This release includes statements that qualify as forward-looking statements under the Private Securities Litigation Reform Act of 1995. These include statements about the Company's estimated revenues, estimates of revenues attributable to certain products, estimated expenses, and estimated gross margins for the third quarter of 2006, which are set forth under the caption "Business Outlook," statements regarding the PCI Express and USB product lines and statements about achieving sustained growth of revenues and earnings. Such statements involve risks and uncertainties, which may cause actual results to differ materially from those set forth in the statements. Factors that could cause actual results to differ materially include risks and uncertainties, such as reduced demand for products of electronic equipment manufacturers which include the Company's products, adverse economic conditions in general or those specifically affecting the Company's markets, technical difficulties and delays in the development process, errors in the products, reduced backlog for the Company's customers and unexpected expenses. Please refer to the documents filed by the Company with the SEC from time to time, including, but not limited to, the Annual Report on Form 10-K for the year ended December 31, 2005, and our quarterly report on Form 10-Q for the quarter ended March 31, 2006, which identify important risk factors that could cause actual results to differ from those contained in the forward-looking statements. All forward-looking statements are made as of today, and the Company assumes no obligation to update such statements.

**PLX is a trademark of PLX Technology, Inc., which may be registered in some jurisdictions. All other product names that appear in this material are for identification purposes only and are acknowledged to be trademarks or registered trademarks of their respective companies.**

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PLX TECHNOLOGY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

(in thousands, except per share amounts)

	Three Months Ended			Six Months Ended	
	June 30	June 30	March 31	June 30	
	2006	2005	2006	2006	2005
Net revenues	\$ 19,411	\$ 13,185	\$ 20,005	\$ 39,416	\$ 26,407
Cost of revenues	8,225	4,900	7,497	15,722	9,757
Gross margin	11,186	8,285	12,508	23,694	16,650
Operating expenses:					
Research and development	4,835	4,665	5,079	9,914	8,777
Selling, general and administrative	5,982	4,021	5,675	11,657	8,447
Amortization of purchased intangible assets	481	512	512	993	1,024
Total operating expenses	11,298	9,198	11,266	22,564	18,248
Income (loss) from operations	(112)	(913)	1,242	1,130	(1,598)
Interest income and other, net	421	185	342	763	340
Income (loss) before provision (benefit) for income taxes	309	(728)	1,584	1,893	(1,258)
Provision for income taxes	28	4	43	71	15
Net income (loss)	\$ 281	\$ (732)	\$ 1,541	\$ 1,822	\$ (1,273)
Basic net income (loss) per share	\$ 0.01	\$ (0.03)	\$ 0.06	\$ 0.07	\$ (0.05)
Shares used to compute basic per share amounts	28,081	26,932	27,884	27,983	26,857
Diluted net income (loss) per share	\$ 0.01	\$ (0.03)	\$ 0.05	\$ 0.06	\$ (0.05)
Shares used to compute diluted per share amounts	28,938	26,932	28,794	28,868	26,857

**PLX TECHNOLOGY, INC.**

**PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Excluding Acquisition-Related Costs and Stock-Based Compensation Expense)**  
**(Unaudited)**

(in thousands, except per share amounts)

	Three Months Ended			Six Months Ended	
	June 30 2006	June 30 2005	March 31 2006 (1)	June 30 2006      2005	
Net revenues	\$ 19,411	\$ 13,185	\$ 20,005	\$ 39,416	\$ 26,407
Cost of revenues	8,210	4,900	7,488	15,698	9,757
Gross margin	<u>11,201</u>	<u>8,285</u>	<u>12,517</u>	<u>23,718</u>	<u>16,650</u>
Operating expenses:					
Research and development	4,279	4,649	4,602	8,881	8,683
Selling, general and administrative	5,117	4,004	5,097	10,214	8,409
Total operating expenses	<u>9,396</u>	<u>8,653</u>	<u>9,699</u>	<u>19,095</u>	<u>17,092</u>
Income (loss) from operations	1,805	(368)	2,818	4,623	(442)
Interest income and other, net	<u>421</u>	<u>185</u>	<u>342</u>	<u>763</u>	<u>340</u>
Income (loss) before provision (benefit) for income taxes	2,226	(183)	3,160	5,386	(102)
Provision for income taxes	<u>28</u>	<u>4</u>	<u>43</u>	<u>71</u>	<u>15</u>
Net income (loss)	<u>\$ 2,198</u>	<u>\$ (187)</u>	<u>\$ 3,117</u>	<u>\$ 5,315</u>	<u>\$ (117)</u>
Basic net income (loss) per share	<u>\$ 0.08</u>	<u>\$ (0.01)</u>	<u>\$ 0.11</u>	<u>\$ 0.19</u>	<u>\$ (0.00)</u>
Shares used to compute basic per share amounts	<u>28,081</u>	<u>26,593</u>	<u>27,884</u>	<u>27,983</u>	<u>26,857</u>
Diluted net income (loss) per share	<u>\$ 0.08</u>	<u>\$ (0.01)</u>	<u>\$ 0.11</u>	<u>\$ 0.18</u>	<u>\$ (0.00)</u>
Shares used to compute diluted per share amounts	<u>28,938</u>	<u>26,593</u>	<u>28,794</u>	<u>28,868</u>	<u>26,857</u>

**A reconciliation between net income (loss) on a GAAP basis and pro forma net income (loss) is as follows:**

GAAP net income (loss)	\$ 281	\$ (732)	\$ 1,541	\$ 1,822	\$ (1,273)
Amortization of deferred stock-based compensation	16	33	16	32	132
Amortization of purchased intangible assets	481	512	512	993	1,024
Stock-based compensation expense					
- Cost of revenues	15	-	10	25	-
- Research and development	542	-	463	1,005	-
- Selling, general and administrative	863	-	575	1,438	-
Pro forma net income (loss)	<u>\$ 2,198</u>	<u>\$ (187)</u>	<u>\$ 3,117</u>	<u>\$ 5,315</u>	<u>\$ (117)</u>

- (1) The above pro forma amounts for the three months ended March 31, 2006 include a pick-up in net revenues and cost of revenues of \$2,766,076 and \$891,009, respectively as a result of the Company's change from the sell-through method of accounting for revenues to the sell-in method whereby revenues are recognized at the time of shipment to a distributor.

PLX TECHNOLOGY, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

	<b>June 30</b>	<b>December 31</b>
	<b>2006</b>	<b>2005 (1)</b>
	<b>(unaudited)</b>	
<b>ASSETS</b>		
Cash and investments	\$ 38,265	\$ 35,043
Accounts receivable, net	6,098	6,203
Inventories	10,112	4,328
Property and equipment, net	29,201	29,535
Goodwill	35,818	35,818
Other intangible assets	3,736	4,729
Other assets	1,913	2,255
Total assets	<u>\$ 125,143</u>	<u>\$ 117,911</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 7,105	\$ 4,530
Accrued compensation and benefits	2,153	1,754
Deferred revenues	-	1,963
Accrued commissions	407	298
Other accrued expenses	1,146	1,877
Total liabilities	<u>10,811</u>	<u>10,422</u>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, par value	28	28
Additional paid-in capital	123,307	118,313
Accumulated other comprehensive loss	(87)	(114)
Accumulated deficit	(8,916)	(10,738)
Total stockholders' equity	<u>114,332</u>	<u>107,489</u>
Total liabilities and stockholders' equity	<u>\$ 125,143</u>	<u>\$ 117,911</u>

(1) Derived from audited financial statements