

**Silicon Laboratories Inc.**  
**Condensed Consolidated Statements of Income**  
(In thousands, except per share data)  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	October 1, 2011	October 2, 2010	October 1, 2011	October 2, 2010
Revenues	\$119,100	\$120,154	\$364,933	\$381,450
Cost of revenues	46,203	41,484	143,666	128,297
Gross margin	72,897	78,670	221,267	253,153
Operating expenses:				
Research and development	31,715	30,769	101,248	91,200
Selling, general and administrative	27,254	28,556	85,168	86,296
Operating expenses	58,969	59,325	186,416	177,496
Operating income	13,928	19,345	34,851	75,657
Other income (expense):				
Interest income	388	540	1,432	1,839
Interest expense	(4)	(21)	(14)	(66)
Other income (expense), net	(81)	(394)	292	(1,277)
Income before income taxes	14,231	19,470	36,561	76,153
Provision for income taxes	2,976	1,237	13,894	15,794
Net income	\$ 11,255	\$ 18,233	\$ 22,667	\$ 60,359
Earnings per share:				
Basic	\$ 0.26	\$ 0.41	\$ 0.52	\$ 1.34
Diluted	\$ 0.26	\$ 0.40	\$ 0.50	\$ 1.28
Weighted-average common shares outstanding:				
Basic	42,834	44,341	43,902	45,182
Diluted	43,919	46,009	45,305	47,103

**Silicon Laboratories Inc.**  
**Condensed Consolidated Balance Sheets**  
(In thousands, except per share data)  
(Unaudited)

	<b>October 1, 2011</b>	<b>January 1, 2011</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$108,183	\$138,567
Short-term investments	174,915	227,295
Accounts receivable, net of allowance for doubtful accounts of \$733 at October 1, 2011 and \$772 at January 1, 2011	58,370	45,030
Inventories	38,403	39,450
Deferred income taxes	10,617	9,140
Prepaid expenses and other current assets	36,280	34,447
Total current assets	426,768	493,929
Long-term investments	17,840	17,500
Property and equipment, net	27,373	29,945
Goodwill	115,489	112,296
Other intangible assets, net	63,787	53,242
Other assets, net	26,088	20,746
Total assets	\$677,345	\$727,658
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 25,720	\$ 24,433
Accrued expenses	31,842	25,604
Deferred income on shipments to distributors	28,372	26,127
Income taxes	809	3,692
Total current liabilities	86,743	79,856
Long-term obligations and other liabilities	19,280	22,372
Total liabilities	106,023	102,228
Commitments and contingencies		
Stockholders' equity:		
Preferred stock--\$0.0001 par value; 10,000 shares authorized; no shares issued and outstanding	--	--
Common stock--\$0.0001 par value; 250,000 shares authorized; 41,839 and 43,933 shares issued and outstanding at October 1, 2011 and January 1, 2011, respectively	4	4
Additional paid-in capital	--	49,947
Retained earnings	573,848	579,127
Accumulated other comprehensive loss	(2,530)	(3,648)
Total stockholders' equity	571,322	625,430
Total liabilities and stockholders' equity	\$677,345	\$727,658

**Silicon Laboratories Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
(In thousands)  
(Unaudited)

	<b>Nine Months Ended</b>	
	<b>October 1, 2011</b>	<b>October 2, 2010</b>
<b>Operating Activities</b>		
Net income	\$ 22,667	\$ 60,359
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation of property and equipment	10,119	8,736
Amortization of other intangible assets and other assets	8,570	5,461
Stock-based compensation expense	27,224	31,261
Income tax benefit from employee stock-based awards	2,301	2,855
Excess income tax benefit from employee stock-based awards	(2,111)	(2,008)
Deferred income taxes	2,011	(1,649)
Changes in operating assets and liabilities:		
Accounts receivable	(11,581)	(7,429)
Inventories	1,670	(6,487)
Prepaid expenses and other assets	227	(5,527)
Accounts payable	871	607
Accrued expenses	819	(145)
Deferred income on shipments to distributors	1,495	4,723
Income taxes	1,287	(7,275)
Net cash provided by operating activities	<u>65,569</u>	<u>83,482</u>
<b>Investing Activities</b>		
Purchases of available-for-sale investments	(113,784)	(293,502)
Proceeds from sales and maturities of marketable securities	166,262	277,541
Purchases of property and equipment	(7,472)	(6,792)
Purchases of other assets	(891)	(7,147)
Acquisitions of businesses, net of cash acquired	(27,262)	(18,351)
Net cash provided by (used in) investing activities	<u>16,853</u>	<u>(48,251)</u>
<b>Financing Activities</b>		
Proceeds from issuance of common stock, net of shares withheld for taxes	2,320	15,006
Excess income tax benefit from employee stock-based awards	2,111	2,008
Repurchases of common stock	(110,063)	(140,331)
Payments on debt	(7,174)	--
Net cash used in financing activities	<u>(112,806)</u>	<u>(123,317)</u>
Decrease in cash and cash equivalents	(30,384)	(88,086)
Cash and cash equivalents at beginning of period	<u>138,567</u>	<u>195,737</u>
Cash and cash equivalents at end of period	<u><u>\$108,183</u></u>	<u><u>\$107,651</u></u>

## Non-GAAP Financial Measurements

In addition to the GAAP results provided throughout this document, Silicon Laboratories has provided non-GAAP financial measurements on a basis excluding non-cash and other one-time charges and benefits. Details of these excluded items are presented in the tables below, which reconcile the GAAP results to non-GAAP financial measurements.

The non-GAAP financial measurements do not replace the presentation of Silicon Laboratories' GAAP financial results. These measurements provide supplemental information to assist management and investors in analyzing Silicon Laboratories' financial position and results of operations. Silicon Laboratories has chosen to provide this information to investors to enable them to perform meaningful comparisons of past, present and future operating results and as a means to emphasize the results of core on-going operations.

### Unaudited Reconciliation of GAAP to Non-GAAP Financial Measures (In thousands, except per share data)

Non-GAAP Income Statement Items	Three Months Ended October 1, 2011					
	GAAP Measure	GAAP Percent of Revenue	Stock Compensation Expense	Acquisition Related Items	Non- GAAP Measure	Non- GAAP Percent of Revenue
Revenues	\$119,100					
Gross margin	72,897	61.2%	\$ 335	\$ --	\$73,232	61.5%
Research and development	31,715	26.6%	3,581	--	28,134	23.6%
Selling, general and administrative	27,254	22.9%	5,234	(414)	22,434	18.8%
Operating expenses	58,969	49.5%	8,815	(414)	50,568	42.5%
Operating income	13,928	11.7%	9,150	(414)	22,664	19.0%
Net income	11,255	9.5%	8,270	(414)	19,111	16.0%
Non-GAAP Diluted Earnings Per Share	Three Months Ended October 1, 2011					
	GAAP Measure		Stock Compensation Expense	Acquisition Related Items	Non- GAAP Measure	
Net income	\$11,255		\$8,270	\$(414)	\$19,111	
Diluted shares outstanding	43,919		--	--	43,919	
Diluted earnings per share	\$ 0.26				\$ 0.44	

**Unaudited Reconciliation of GAAP to Non-GAAP Financial Measures**  
**(In thousands, except per share data)**  
**(Continued)**

<b>Non-GAAP Income Tax Rate</b>	<b>Three Months Ended October 1, 2011</b>			
	<b>GAAP Measure</b>	<b>Stock Compensation Expense</b>	<b>Acquisition Related Items</b>	<b>Non-GAAP Measure</b>
Income before income taxes	\$14,231	\$9,150	\$(414)	\$22,967
Provision for income taxes	2,976	880	--	3,856
Tax rate percentage	20.9%			16.8%

**Unaudited Forward-Looking Statements Regarding Business Outlook\***  
**(In thousands, except per share information)**

<b>Business Outlook</b>	<b>Three Months Ending December 31, 2011</b>	
	<b>High</b>	<b>Low</b>
Estimated GAAP diluted earnings per share	\$0.27	\$0.21
Estimated non-cash charges	0.18	0.18
Estimated non-GAAP diluted earnings per share	\$0.45	\$0.39

\* These financial schedules contain forward-looking statements based on Silicon Laboratories' current expectations. The words "believe," "estimate," "expect," "intend," "anticipate," "plan," "project," "will" and similar phrases as they relate to Silicon Laboratories are intended to identify such forward-looking statements. These forward-looking statements reflect the current views and assumptions of Silicon Laboratories and are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. Among the factors that could cause actual results to differ from those in the forward-looking statements are the following: risks that Silicon Laboratories may not be able to maintain its historical growth; quarterly fluctuations in revenues and operating results; volatile stock price; average selling prices of products may decrease significantly and rapidly, difficulties developing new products that achieve market acceptance; dependence on a limited number of products and customers; intellectual property litigation risks; inventory-related risks; risks associated with acquisitions; difficulties managing international activities; difficulties managing our manufacturers and subcontractors; risks that Silicon Laboratories may not be able to manage strains associated with its growth; credit risks associated with our accounts receivable; dependence on key personnel; risks associated with divestitures; geographic concentration of manufacturers, assemblers, test service providers and customers in Asia that subjects Silicon Laboratories' business and results of operations to risks of natural disasters, epidemics, war and political unrest; the competitive and cyclical nature of the semiconductor industry and other factors that are detailed in Silicon Laboratories' filings with the SEC. Silicon Laboratories disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.