

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

	Three Months Ended		Year Ended	
	January 1, 2011	January 2, 2010	January 1, 2011	January 2, 2010
Revenues	\$111,891	\$127,190	\$493,341	\$441,020
Cost of revenues	40,800	43,930	169,097	161,267
Gross margin	71,091	83,260	324,244	279,753
Operating expenses:				
Research and development	32,621	26,553	123,821	104,394
Selling, general and administrative	27,456	30,629	113,752	108,848
Operating expenses	60,077	57,182	237,573	213,242
Operating income	11,014	26,078	86,671	66,511
Other income (expense):				
Interest income	479	640	2,318	2,725
Interest expense	(11)	(25)	(77)	(180)
Other income (expense), net	24	(388)	(1,253)	(90)
Income before income taxes	11,506	26,305	87,659	68,966
Provision (benefit) for income taxes	(1,377)	(13,946)	14,417	(4,126)
Net income	<u>\$ 12,883</u>	<u>\$ 40,251</u>	<u>\$ 73,242</u>	<u>\$ 73,092</u>
Earnings per share:				
Basic	\$ 0.29	\$ 0.88	\$ 1.63	\$ 1.62
Diluted	\$ 0.28	\$ 0.84	\$ 1.57	\$ 1.57
Weighted-average common shares outstanding:				
Basic	43,834	45,650	44,845	45,023
Diluted	45,658	47,786	46,742	46,542

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

	January 1, 2011	January 2, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$138,567	\$195,737
Short-term investments	227,295	214,486
Accounts receivable, net of allowance for doubtful accounts of \$772 at January 1, 2011 and \$567 at January 2, 2010	45,030	56,128
Inventories	39,450	31,512
Deferred income taxes	9,140	7,620
Prepaid expenses and other current assets	34,447	18,515
Total current assets	493,929	523,998
Long-term investments	17,500	24,676
Property and equipment, net	29,945	27,785
Goodwill	112,296	105,109
Other intangible assets, net	53,242	41,886
Other assets, net	20,746	19,384
Total assets	\$727,658	\$742,838
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 24,433	\$ 28,759
Accrued expenses	25,604	25,399
Deferred income on shipments to distributors	26,127	28,470
Income taxes	3,692	6,011
Total current liabilities	79,856	88,639
Long-term obligations and other liabilities	22,372	24,403
Total liabilities	102,228	113,042
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; 43,933 and 45,772 shares issued and outstanding at January 1, 2011 and January 2, 2010, respectively	4	5
Additional paid-in capital	49,947	128,262
Retained earnings	579,127	505,885
Accumulated other comprehensive loss	(3,648)	(4,356)
Total stockholders' equity	625,430	629,796
Total liabilities and stockholders' equity	\$727,658	\$742,838

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

	Year Ended	
	January 1, 2011	January 2, 2010
Operating Activities		
Net income	\$ 73,242	\$ 73,092
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation of property and equipment	11,797	11,887
Loss on disposal of property and equipment	21	33
Amortization of other intangible assets and other assets	7,494	7,842
Stock compensation expense	40,324	43,974
Income tax benefit from employee stock-based awards	3,295	2,422
Excess income tax benefit from employee stock-based awards	(2,412)	(1,862)
Deferred income taxes	(552)	1,896
Changes in operating assets and liabilities:		
Accounts receivable	11,342	(19,657)
Inventories	(7,811)	(3,216)
Prepaid expenses and other assets	(5,321)	3,362
Accounts payable	(777)	8,036
Accrued expenses	(2,590)	(825)
Deferred income on shipments to distributors	(2,343)	6,871
Income taxes	(7,774)	(12,914)
Net cash provided by operating activities	<u>117,935</u>	<u>120,941</u>
Investing Activities		
Purchases of available-for-sale investments	(357,777)	(237,968)
Proceeds from sales and maturities of marketable securities	352,779	153,275
Purchases of property and equipment	(13,850)	(8,943)
Purchases of other assets	(8,372)	(6,408)
Acquisitions of businesses, net of cash acquired	(28,021)	(4,300)
Net cash used in investing activities	<u>(55,241)</u>	<u>(104,344)</u>
Financing Activities		
Proceeds from issuance of common stock, net of shares withheld for taxes	18,055	25,187
Excess income tax benefit from employee stock-based awards	2,412	1,862
Repurchases of common stock	(140,331)	(20,181)
Net cash provided by (used in) financing activities	<u>(119,864)</u>	<u>6,868</u>
Increase (decrease) in cash and cash equivalents	(57,170)	23,465
Cash and cash equivalents at beginning of period	<u>195,737</u>	<u>172,272</u>
Cash and cash equivalents at end of period	<u>\$138,567</u>	<u>\$195,737</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 January 1, 2011				
	GAAP Measure	GAAP Percent of Revenue	Stock Compensation Expense	Non-GAAP Measure	Non-GAAP Percent of Revenue
Revenues	\$111,891				
Gross margin	71,091	63.5%	\$ 361	\$71,452	63.9%
Research and development	32,621	29.2%	4,095	28,526	25.5%
Selling, general and administrative	27,456	24.5%	4,607	22,849	20.4%
Operating expenses	60,077	53.7%	8,702	51,375	45.9%
Operating income	11,014	9.8%	9,063	20,077	17.9%
Net income	12,883	11.5%	7,929	20,812	18.6%

Non-GAAP Income Statement Items	Year Ended January 1, 2011				
	GAAP Measure	GAAP Percent of Revenue	Stock Compensation Expense	Non-GAAP Measure	Non-GAAP Percent of Revenue
Revenues	\$493,341				
Gross margin	324,244	65.7%	\$ 1,435	\$325,679	66.0%
Research and development	123,821	25.1%	17,017	106,804	21.6%
Selling, general and administrative	113,752	23.0%	21,872	91,880	18.6%
Operating income	86,671	17.6%	40,324	126,995	25.7%

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

Non-GAAP Income Statement Items	Year Ended January 2, 2010					
	GAAP Measure	GAAP Percent of Revenue	Stock Compensation Expense	Termination Costs and Impairments	Non-GAAP Measure	Non-GAAP Percent of Revenue
Revenues	\$441,020					
Research and development	104,394	23.7%	\$13,866	\$479	\$90,049	20.4%
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Non-GAAP Diluted Earnings Per Share	Three Months Ended January 1, 2011					
	GAAP Measure	Stock Compensation Expense	Non-GAAP Measure			
Net income	\$12,883	\$7,929	\$20,812			
Diluted shares outstanding	45,658	--	45,658			
Diluted earnings per share	\$ 0.28			\$ 0.46		
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Non-GAAP Diluted Earnings Per Share	Year Ended January 1, 2011					
	GAAP Measure	Stock Compensation Expense	Acquisition Tax Expense	Non-GAAP Measure		
Net income	\$73,242	\$34,862	\$1,137	\$109,241		
Diluted shares outstanding	46,742	--	--	46,742		
Diluted earnings per share	\$ 1.57			\$ 2.34		
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Non-GAAP Income Tax Rate	Three Months Ended January 1, 2011					
	GAAP Measure	Stock Compensation Expense	Non-GAAP Measure			
Income before income taxes	\$11,506	\$9,063	\$20,569			
Provision for income taxes	(1,377)	1,134	(243)			
Tax rate percentage	(12.0)%			(1.2)%		

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

Business Outlook (exclusive of expected charges related to the acquisition of SpectraLinear)	Three Months Ending April 2, 2011	
	High	Low
Estimated GAAP diluted earnings per share	\$0.20	\$0.14
Estimated non-cash charges	0.19	0.19
Estimated non-GAAP diluted earnings per share	\$0.39	\$0.33

* 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 materially 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.