

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

	Three Months Ended		Six Months Ended	
	July 3, 2010	July 4, 2009	July 3, 2010	July 4, 2009
Revenues	\$134,577	\$104,216	\$261,296	\$187,917
Cost of revenues	43,684	39,435	86,813	72,458
Gross margin	90,893	64,781	174,483	115,459
Operating expenses:				
Research and development	30,509	25,868	60,431	51,937
Selling, general and administrative	29,737	26,187	57,740	49,629
Operating expenses	60,246	52,055	118,171	101,566
Operating income	30,647	12,726	56,312	13,893
Other income (expense):				
Interest income	633	655	1,299	1,537
Interest expense	(22)	(51)	(45)	(103)
Other income (expense), net	(586)	342	(883)	290
Income before income taxes	30,672	13,672	56,683	15,617
Provision for income taxes	9,625	3,942	14,557	5,216
Net income	\$ 21,047	\$ 9,730	\$ 42,126	\$ 10,401
Earnings per share:				
Basic	\$ 0.46	\$ 0.22	\$ 0.92	\$ 0.23
Diluted	\$ 0.44	\$ 0.21	\$ 0.88	\$ 0.23
Weighted-average common shares outstanding:				
Basic	45,387	44,640	45,602	44,336
Diluted	47,371	45,975	47,649	45,229

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

	<b>July 3, 2010</b>	<b>January 2, 2010</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 80,969	\$195,737
Short-term investments	272,408	214,486
Accounts receivable, net of allowance for doubtful accounts of \$771 at July 3, 2010 and \$567 at January 2, 2010	76,318	56,128
Inventories	29,100	31,512
Deferred income taxes	9,068	7,620
Prepaid expenses and other current assets	20,448	18,515
Total current assets	488,311	523,998
Long-term investments	26,170	24,676
Property and equipment, net	25,365	27,785
Goodwill	109,222	105,109
Other intangible assets, net	47,965	41,886
Other assets, net	23,465	19,384
Total assets	\$720,498	\$742,838
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 29,475	\$ 28,759
Accrued expenses	23,531	25,399
Deferred income on shipments to distributors	28,953	28,470
Income taxes	1,230	6,011
Total current liabilities	83,189	88,639
Long-term obligations and other liabilities	23,832	24,403
Total liabilities	107,021	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; 44,621 and 45,772 shares issued and outstanding at July 3, 2010 and January 2, 2010, respectively	4	5
Additional paid-in capital	68,660	128,262
Retained earnings	548,011	505,885
Accumulated other comprehensive loss	(3,198)	(4,356)
Total stockholders' equity	613,477	629,796
Total liabilities and stockholders' equity	\$720,498	\$742,838

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

	<b>Six Months Ended</b>	
	<b>July 3, 2010</b>	<b>July 4, 2009</b>
<b>Operating Activities</b>		
Net income	\$ 42,126	\$ 10,401
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation of property and equipment	5,821	5,963
Loss on disposal of property and equipment	--	32
Amortization of other intangible assets and other assets	3,651	3,950
Stock compensation expense	20,931	21,000
Income tax benefit from employee stock-based awards	2,523	293
Excess income tax benefit from employee stock-based awards	(1,784)	(273)
Deferred income taxes	(319)	1,593
Changes in operating assets and liabilities:		
Accounts receivable	(19,946)	(26,420)
Inventories	2,537	1,658
Prepaid expenses and other assets	3,208	2,829
Accounts payable	3,015	3,896
Accrued expenses	(4,445)	(4,388)
Deferred income on shipments to distributors	483	5,240
Income taxes	(5,268)	757
Net cash provided by operating activities	<u>52,533</u>	<u>26,531</u>
<b>Investing Activities</b>		
Purchases of available-for-sale investments	(216,385)	(45,537)
Proceeds from sales and maturities of marketable securities	158,944	62,034
Purchases of property and equipment	(3,311)	(3,974)
Purchases of other assets	(6,917)	(2,304)
Acquisitions of businesses, net of cash acquired	(18,351)	(2,800)
Net cash provided by (used in) investing activities	<u>(86,020)</u>	<u>7,419</u>
<b>Financing Activities</b>		
Proceeds from issuance of common stock, net of shares withheld for taxes	17,244	5,164
Excess income tax benefit from employee stock-based awards	1,784	273
Repurchases of common stock	(100,309)	(12,140)
Net cash used in financing activities	<u>(81,281)</u>	<u>(6,703)</u>
Increase (decrease) in cash and cash equivalents	(114,768)	27,247
Cash and cash equivalents at beginning of period	195,737	172,272
Cash and cash equivalents at end of period	<u>\$ 80,969</u>	<u>\$ 199,519</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 July 3, 2010					
	GAAP Measure	GAAP Percent of Revenue	Stock Compensation Expense	Acquisition Tax Expense	Non-GAAP Measure	Non-GAAP Percent of Revenue
Revenues	\$134,577					
Gross margin	90,893	67.5%	\$ 351	\$ --	\$91,244	67.8%
Research and development	30,509	22.7%	4,386	--	26,123	19.4%
Selling, general and administrative	29,737	22.0%	5,938	--	23,799	17.7%
Operating expenses	60,246	44.7%	10,324	--	49,922	37.1%
Operating income	30,647	22.8%	10,675	--	41,322	30.7%
Net income	21,047	15.6%	9,156	3,850	34,053	25.3%
Non-GAAP Diluted Earnings Per Share	Three Months Ended July 3, 2010					
	GAAP Measure	Stock Compensation Expense	Acquisition Tax Expense	Non-GAAP Measure		
Net income	\$21,047	\$9,156	\$3,850	\$34,053		
Diluted shares outstanding	47,371	--	--	47,371		
Diluted earnings per share	\$ 0.44			\$ 0.72		
Non-GAAP Income Tax Rate	Three Months Ended July 3, 2010					
	GAAP Measure	Stock Compensation Expense	Acquisition Tax Expense	Non-GAAP Measure		
Income before income taxes	\$30,672	\$10,675	\$ -	\$41,347		
Provision for income taxes	9,625	1,519	(3,850)	7,294		
Tax rate percentage	31.4%			17.6%		

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

<b>Non-GAAP Income Statement Items</b>	<b>GAAP Measure</b>	<b>GAAP Percent of Revenue</b>	<b>Stock Compensation Expense</b>	<b>Non-GAAP Measure</b>	<b>Non-GAAP Percent of Revenue</b>
<b>Revenues</b>					
Second Quarter 2010	\$134,577				
First Quarter 2010	126,719				
Fourth Quarter 2009	127,190				
Third Quarter 2009	125,913				
<b>Total</b>	<b>\$514,399</b>				
<b>Gross Margin</b>					
Second Quarter 2010	\$ 90,893	67.5%	\$ 351	\$ 91,244	67.8%
First Quarter 2010	83,590	66.0%	356	83,946	66.2%
Fourth Quarter 2009	83,260	65.5%	315	83,575	65.7%
Third Quarter 2009	81,035	64.4%	375	81,410	64.7%
<b>Total</b>	<b>\$338,778</b>		<b>\$1,397</b>	<b>\$340,175</b>	<b>66.1%</b>
<b>Operating Income</b>					
Second Quarter 2010	\$30,647	22.8%	\$10,675	\$ 41,322	30.7%
First Quarter 2010	25,665	20.3%	10,256	35,921	28.3%
Fourth Quarter 2009	26,078	20.5%	11,798	37,876	29.8%
Third Quarter 2009	26,539	21.1%	11,177	37,716	30.0%
<b>Total</b>	<b>\$108,929</b>		<b>\$43,906</b>	<b>\$152,835</b>	<b>29.7%</b>

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

**Non-GAAP Diluted Earnings Per Share**

	<b>Three Months Ended July 3, 2010</b>			<b>Non-GAAP Diluted Earnings per Share</b>
	<b>GAAP Measure</b>	<b>Stock Compensation Expense</b>	<b>Acquisition Tax Expense</b>	<b>Non-GAAP Measure</b>
Net income	\$21,047	\$9,156	\$3,850	\$34,053
Diluted shares outstanding	47,371	--	--	47,371
Diluted earnings per share	\$ 0.44			\$ 0.72
				\$0.72
	<b>Three Months Ended April 3, 2010</b>			
	<b>GAAP Measure</b>	<b>Stock Compensation Expense</b>	<b>Non-GAAP Measure</b>	
Net income	\$21,079	\$8,769	\$29,848	
Diluted shares outstanding	47,926	--	47,926	
Diluted earnings per share	\$ 0.44		\$ 0.62	\$0.62
	<b>Three Months Ended January 2, 2010</b>			
	<b>GAAP Measure</b>	<b>Stock Compensation Expense</b>	<b>Non-GAAP Measure</b>	
Net income	\$40,251	\$10,234	\$50,485	
Diluted shares outstanding	47,786	--	47,786	
Diluted earnings per share	\$ 0.84		\$ 1.06	\$1.06
	<b>Three Months Ended October 3, 2009</b>			
	<b>GAAP Measure</b>	<b>Stock Compensation Expense</b>	<b>Non-GAAP Measure</b>	
Net income	\$22,439	\$9,484	\$31,923	
Diluted shares outstanding	47,322	--	47,322	
Diluted earnings per share	\$ 0.47		\$ 0.67	\$0.67
<b><u>Sum of prior four quarters non-GAAP diluted earnings per share</u></b>				<b><u>\$3.07</u></b>

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

<b>Business Outlook</b>	<b>Three Months Ending October 2, 2010</b>	
	High	Low
Estimated GAAP diluted earnings per share	\$0.55	\$0.50
Estimated non-cash charges	0.19	0.19
Estimated non-GAAP diluted earnings per share	\$0.74	\$0.69

\* 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.