

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

	Three Months Ended		Year Ended	
	December 31, 2011	January 1, 2011	December 31, 2011	January 1, 2011
Revenues	\$126,692	\$111,891	\$491,625	\$493,341
Cost of revenues	49,513	40,800	193,179	169,097
Gross margin	77,179	71,091	298,446	324,244
Operating expenses:				
Research and development	34,705	32,621	135,953	123,821
Selling, general and administrative	27,251	27,456	112,419	113,752
Operating expenses	61,956	60,077	248,372	237,573
Operating income	15,223	11,014	50,074	86,671
Other income (expense):				
Interest income	427	479	1,859	2,318
Interest expense	(23)	(11)	(37)	(77)
Other income (expense), net	152	24	444	(1,253)
Income before income taxes	15,779	11,506	52,340	87,659
Provision (benefit) for income taxes	2,974	(1,377)	16,868	14,417
Net income	<u>\$ 12,805</u>	<u>\$ 12,883</u>	<u>\$ 35,472</u>	<u>\$ 73,242</u>
Earnings per share:				
Basic	\$ 0.31	\$ 0.29	\$ 0.82	\$ 1.63
Diluted	\$ 0.29	\$ 0.28	\$ 0.79	\$ 1.57
Weighted-average common shares outstanding:				
Basic	41,979	43,834	43,421	44,845
Diluted	43,410	45,658	44,832	46,742

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

	December 31, 2011	January 1, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 94,964	\$138,567
Short-term investments	212,526	227,295
Accounts receivable, net of allowance for doubtful accounts of \$725 at December 31, 2011 and \$772 at January 1, 2011	55,351	45,030
Inventories	34,778	39,450
Deferred income taxes	11,563	9,140
Prepaid expenses and other current assets	43,867	34,447
Total current assets	453,049	493,929
Long-term investments	17,477	17,500
Property and equipment, net	25,141	29,945
Goodwill	115,489	112,296
Other intangible assets, net	60,005	53,242
Other assets, net	34,830	20,746
Total assets	\$705,991	\$727,658
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 26,354	\$ 24,433
Accrued expenses	30,857	25,604
Deferred income on shipments to distributors	24,962	26,127
Income taxes	665	3,692
Total current liabilities	82,838	79,856
Long-term obligations and other liabilities	24,214	22,372
Total liabilities	107,052	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; 42,068 and 43,933 shares issued and outstanding at December 31, 2011 and January 1, 2011, respectively	4	4
Additional paid-in capital	14,749	49,947
Retained earnings	586,653	579,127
Accumulated other comprehensive loss	(2,467)	(3,648)
Total stockholders' equity	598,939	625,430
Total liabilities and stockholders' equity	\$705,991	\$727,658

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

	Year Ended	
	December 31, 2011	January 1, 2011
Operating Activities		
Net income	\$ 35,472	\$ 73,242
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation of property and equipment	13,570	11,797
Amortization of other intangible assets and other assets	11,030	7,494
Impairment of long-lived assets	1,322	--
Stock-based compensation expense	36,115	40,324
Income tax benefit from employee stock-based awards	2,814	3,295
Excess income tax benefit from employee stock-based awards	(2,404)	(2,412)
Deferred income taxes	(445)	(552)
Changes in operating assets and liabilities:		
Accounts receivable	(8,562)	11,342
Inventories	5,334	(7,811)
Prepaid expenses and other assets	(5,948)	(5,300)
Accounts payable	(2,176)	(777)
Accrued expenses	(1,320)	(2,590)
Deferred income on shipments to distributors	(1,915)	(2,343)
Income taxes	5,855	(7,774)
Net cash provided by operating activities	<u>88,742</u>	<u>117,935</u>
Investing Activities		
Purchases of available-for-sale investments	(178,676)	(357,777)
Proceeds from sales and maturities of marketable securities	193,474	352,779
Purchases of property and equipment	(8,690)	(13,850)
Purchases of other assets	(4,018)	(8,372)
Acquisitions of businesses, net of cash acquired	(27,262)	(28,021)
Net cash used in investing activities	<u>(25,172)</u>	<u>(55,241)</u>
Financing Activities		
Proceeds from issuance of common stock, net of shares withheld for taxes	7,660	18,055
Excess income tax benefit from employee stock-based awards	2,404	2,412
Repurchases of common stock	(110,063)	(140,331)
Payments on debt	(7,174)	--
Net cash used in financing activities	<u>(107,173)</u>	<u>(119,864)</u>
Decrease in cash and cash equivalents	(43,603)	(57,170)
Cash and cash equivalents at beginning of period	138,567	195,737
Cash and cash equivalents at end of period	<u>\$ 94,964</u>	<u>\$138,567</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 December 31, 2011						
	GAAP Measure	GAAP Percent of Revenue	Stock Compensation Expense	Acquisition Related Items	Termination Costs and Impairments	Non-GAAP Measure	Non-GAAP Percent of Revenue
Revenues	\$126,692						
Gross margin	77,179	60.9%	\$ 304	\$ --	\$ --	\$77,483	61.2%
Research and development	34,705	27.4%	3,588	--	1,553	29,564	23.3%
Selling, general and administrative	27,251	21.5%	5,000	(560)	345	22,466	17.7%
Operating expenses	61,956	48.9%	8,588	(560)	1,898	52,030	41.1%
Operating income	15,223	12.0%	8,892	(560)	1,898	25,453	20.1%
Net income	12,805	10.1%	7,629	(560)	1,510	21,384	16.9%

Non-GAAP Diluted Earnings Per Share	Three Months Ended December 31, 2011				
	GAAP Measure	Stock Compensation Expense	Acquisition Related Items	Termination Costs and Impairments	Non-GAAP Measure
Net income	\$12,805	\$7,629	\$(560)	\$1,510	\$21,384
Diluted shares outstanding	43,410				43,410
Diluted earnings per share	\$ 0.29				\$ 0.49

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

Non-GAAP Income Tax Rate	Three Months Ended December 31, 2011				
	GAAP Measure	Stock Compensation Expense	Acquisition Related Items	Termination Costs and Impairments	Non- GAAP Measure
Income before income taxes	\$15,779	\$8,892	\$(560)	\$1,898	\$26,009
Provision for income taxes	2,974	1,263	--	388	4,625
Tax rate percentage	18.8%				17.8%

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

Business Outlook	Three Months Ending March 31, 2012	
	High	Low
Estimated GAAP diluted earnings per share	\$0.24	\$0.20
Estimated non-cash charges	0.18	0.18
Estimated non-GAAP diluted earnings per share	\$0.42	\$0.38

* 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.