

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): **March 23, 2007**

SILICON LABORATORIES INC.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

000-29823
(Commission File Number)

74-2793174
(IRS Employer
Identification No.)

400 West Cesar Chavez, Austin, TX 78701
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: **(512) 416-8500**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

The information set forth in Item 2.01 of this Current Report on Form 8-K regarding the Intellectual Property License Agreement is incorporated herein by reference.

Item 2.01 Completion of Acquisition or Disposition of Assets.

On March 23, 2007, Silicon Laboratories Inc., Silicon Laboratories International Pte. Ltd. (collectively "Silicon Laboratories"), NXP B.V. and NXP Semiconductors France SAS (collectively "NXP"), completed the sale of Silicon Laboratories' Aero® transceiver, AeroFONE™ single-chip phone and power amplifier product lines to NXP in exchange for \$285 million in cash (including \$14.3 million held in escrow), with additional earn-out potential of up to an aggregate of \$65 million over the next three years. The acquisition was completed pursuant to the terms of the Sale and Purchase Agreement dated February 8, 2007, a copy of which was filed as an exhibit to the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 9, 2007 and is incorporated herein by reference (the "Purchase Agreement").

In connection with the closing of the acquisition, Silicon Laboratories entered into certain ancillary agreements, including an Intellectual Property License Agreement dated March 23, 2007 ("IPLA"), pursuant to which Silicon Laboratories granted NXP a license with respect to retained intellectual property and NXP granted a license to Silicon Laboratories with respect to transferred intellectual property.

The foregoing description of the transactions is qualified in its entirety by the full text of the Purchase Agreement and the IPLA (a copy of which is filed hereto as Exhibit 10.1 and incorporated herein by reference).

The press release announcing the completion of the sale is attached as Exhibit 99.1 to this Current Report on Form 8-K.

Item 7.01 Regulation FD disclosures.

On March 23, 2007, Silicon Laboratories completed the sale of its Aero transceiver, AeroFONE single-chip phone and power amplifier product lines. Pro forma condensed consolidated statements of income are included as Exhibit 99.2 to this Current Report on Form 8-K. A reconciliation of GAAP financial measurements to non-GAAP financial measurements, in each case on the pro forma basis described in Exhibit 99.2, is attached as Exhibit 99.3 to this Current Report on Form 8-K. The non-GAAP financial measurements provided in Exhibit 99.3 furnished herewith do not replace the presentation of Silicon Laboratories' GAAP financial results. Exhibit 99.3 merely provides supplemental information to assist investors in analyzing Silicon Laboratories' results of operations; however, these measures are not in accordance with, or an alternative to, GAAP and may be different from non-GAAP measures used by other

companies. Silicon Laboratories has chosen to provide this information to investors because it believes that such supplemental information enables them to perform meaningful comparisons of past, present and future operating results, and as a means to highlight the results of core ongoing operations.

The information in Item 7.01 of this Current Report on Form 8-K, including exhibit 99.3 hereto, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. The information contained in this Item 7.01 and in the accompanying exhibit 99.3 shall not be incorporated by reference into any filing with the U.S. Securities and Exchange Commission made by Silicon Laboratories, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Item 9.01. Financial Statements and Exhibits

(b) Pro Forma Financial Information.

The pro forma financial information required by this item is attached as Exhibit 99.2 to this Current Report on Form 8-K.

(d) Exhibits.

10.1 Intellectual Property License Agreement dated as of March 23, 2007, by and among Silicon Laboratories Inc., Silicon Laboratories International Pte. Ltd., NXP B.V. and NXP Semiconductors France SAS

99.1 Press release of Silicon Laboratories Inc. dated March 23, 2007 entitled "Silicon Laboratories Closes Sale of Aero® Product Lines to NXP"

99.2 Unaudited Pro Forma Condensed Consolidated Financial Statements

99.3 Unaudited Reconciliation of GAAP to Non-GAAP Financial Measures

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SILICON LABORATORIES INC.

March 29, 2007

Date

By: /s/ Paul V. Walsh, Jr.

Paul V. Walsh, Jr.
Vice President of Finance
(Principal Accounting Officer)

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EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
10.1	Intellectual Property License Agreement dated as of March 23, 2007, by and among Silicon Laboratories Inc., Silicon Laboratories International Pte. Ltd., NXP B.V. and NXP Semiconductors France SAS
99.1	Press Release
99.2	Unaudited Pro Forma Condensed Consolidated Financial Statements
99.3	Unaudited Reconciliation of GAAP to Non-GAAP Financial Measures

INTELLECTUAL PROPERTY LICENSE AGREEMENT

This Intellectual Property License Agreement (“Agreement”) is effective as of the Closing Date, between Silicon Laboratories Inc., a Delaware corporation (“Parent Seller”), and Silicon Laboratories International Pte. Ltd., a private limited company organized under the laws of Singapore (“Subsidiary Seller”) (collectively “Seller”), and NXP BV, a limited liability company organized under the laws of The Netherlands (“Parent Buyer”), NXP Semiconductors France SAS, a company incorporated under the laws of France (“Subsidiary Buyer,” and together with Parent Buyer, “Buyer”). For the purpose of this Agreement, unless otherwise defined herein, all initially capitalized terms are defined in and shall have the meaning specified in the Sale and Purchase Agreement (as defined below).

RECITAL

WHEREAS, Seller and certain of its Subsidiaries are engaged in, among other things, the Business;

WHEREAS, Seller and Buyer have entered into a Sale and Purchase Agreement, dated as of February 8, 2007 (“Sale and Purchase Agreement”); and

WHEREAS, as part of the foregoing, each of Buyer and Seller desire to grant the other party certain license rights under certain Intellectual Property Rights, and each of Seller and Buyer desires to obtain such licenses.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises of the parties, and for the good and valuable consideration set forth in the Sale and Purchase Agreement, the parties agree as follows:

ARTICLE I — DEFINITIONS

As used herein, the terms below shall have the following meanings. Any such terms, unless the context otherwise requires, may be used in the singular or plural, depending on the reference.

1.1 “Blocks” means all mask works, circuit blocks, design methodologies and similar items in the Transferred Business IPR.

1.2 “Excluded Products” means those products and projects set forth on Schedule 1 and any products that are substantially similar thereto.

1.3 “Field” means (i) CMOS power amplifier integrated circuits; (ii) CMOS transceiver integrated circuits; (iii) CMOS analog and digital baseband integrated circuits; (iv) baseband software; and/or (v) the integration of one or more of the circuits and software listed in (i) to (iv) above into integrated circuits or systems in each case of (i) to (v) where such integrated circuit, system or software is used to receive and/or transmit signals complying with any current or future cellular communication standards, including but not limited to GSM, GPRS, EDGE, UMTS (including WCDMA), CDMA and their derivatives, extensions and successors.

1.4 “Field IPR” means all IPR (other than the Transferred Business IPR, any Trademarks or any IPR described in subsection (j) of the “Excluded Assets” in the Sale and Purchase Agreement) owned by the Seller or its Subsidiaries (or licensed by any of them, to the extent sublicenseable hereunder without additional monetary liability to Seller or its Subsidiaries) as of the Closing Date that (i) have been used, developed or held for use by the Seller or its Subsidiaries in the Field at any time prior to the Closing Date or (ii) would be infringed by any of Buyer or its Subsidiaries’ current or future products or services within the scope of the Field, excluding for both (i) and (ii), IPR used by Seller or its Subsidiaries as of the Closing Date exclusively in or exclusively in connection with the products and projects on Schedule 1.

1.5 “Field Patents” means all Patents included in the Field IPR.

1.6 “Intellectual Property Rights” or “IPR” shall mean all U.S. and foreign intellectual property rights, including without limitation (i) (a) patents and patent applications and disclosures relating thereto (and any patents that issue as a result of those patent applications), and any renewals, reissues, reexaminations, extensions, continuations, continuations-in-part, divisions and substitutions relating to any of the patents and patent applications, as well as all related foreign patent and patent applications that are counterparts to such patents and patent applications (“Patents”), (b) trademarks, service marks, trade dress, logos, trade names and corporate names, whether registered or unregistered, and the goodwill associated therewith, together with any registrations and applications for registration thereof (“Trademarks”), (c) copyrights and rights under copyrights, including copyrights in Software, whether registered or unregistered, including moral rights, and any registrations and applications for registration thereof (“Copyrights”), (d) mask work rights and registrations and applications for registration thereof (“Mask Works”), (e) rights in databases and data collections (including knowledge databases, customer lists and customer databases) under the Laws of the United States or any other jurisdiction, whether registered or unregistered, and any applications for registration thereof (“Databases”); (f) any rights in discoveries, inventions, developments, processes, designs and techniques that are not included in the definition of “Patents,” including any documents, memoranda, reports, studies, data or analyses relating thereto, (g) and any rights in trade secrets, know-how, and confidential, proprietary or non-public information, including documents containing the foregoing, analyses thereof, research, and lists (“Trade Secret Information”); and (h) Residuals.

1.7 “Other Field IPR” means all Field IPR other than Patents.

1.8 “Residuals” means Trade Secret Information in nontangible form (i.e., not in written or other documentary form, including tape, disk or other storage), including without limitation ideas, know-how or techniques, that is retained in the unaided memory of employees due to their past work for Seller or its Subsidiaries.

ARTICLE II— LICENSE FROM SELLER

2.1 Field Patent License to Buyer. Subject to the terms and conditions of this Agreement, Seller, on behalf of itself and its Subsidiaries, grants to Buyer and its Subsidiaries a worldwide, paid-up, non-transferable (except as set forth in Section 9.12 hereof), non-exclusive license under Field Patents in connection with their current and future activities in the Field including the right to make, have made, use, sell, offer for sale, and import products and offer services (and to incorporate products as components, subassemblies or subsystems in other products made, used and/or sold by or on behalf of Buyer and its Subsidiaries) in the Field (but excluding Excluded Products), without the right of sublicense other than as set forth in Section 2.4. For the avoidance of doubt, this license covers (i) all Field Patents in existence as of the Closing Date, and all subsequent divisions, continuations, continuations-in-part (but these only to the extent based on inventions existing as of the Closing Date), re-examinations, re-issues, provisionals, extensions and counterparts relating thereto, and (ii) all Field Patents issuing after the Closing Date that arise from applications filed for inventions reduced to practice prior to the Closing Date.

2.2 Other Field IPR License to Buyer. Subject to the terms and conditions of this Agreement, Seller, on behalf of itself and its Subsidiaries, grants to Buyer and its Subsidiaries a worldwide, paid-up, non-transferable (except as set forth in Section 9.12 hereof), non-exclusive license under the Other Field IPR, in connection with their current and future activities in the Field, including the right to make, have made, use, sell, offer for sale, and import products and offer services (and to incorporate products as components, subassemblies or subsystems in other products made, used and/or sold by or on behalf of Buyer and its Subsidiaries) in the Field (but excluding Excluded Products), without the right of sublicense other than as set forth in Section 2.4.

2.3 Use of Residuals by Buyer. Seller, on behalf of itself and its Subsidiaries, acknowledges that Buyer and its Subsidiaries may freely use in any field of use (whether within or outside the scope of the Field) after the Closing Date all of the Residuals possessed by Rehired Employees, subject to Article IV. Such right to use Residuals shall not constitute or be deemed a license under any patents of Seller or its Subsidiaries.

2.4 Subsidiaries/Sublicensing. Each Subsidiary licensed under Section 2.1 or 2.2 shall be bound by the terms and conditions of this Agreement. Any such license granted to such party shall terminate on the date such party ceases to be a Subsidiary, provided that the parties shall negotiate in good faith a transition license period sufficient to cover the reasonable transition needs of such Subsidiary. Buyer and its Subsidiaries may sublicense their licensed rights (i) in Section 2.1 and 2.2, to vendors, suppliers, distributors, customers, end-users and other parties in the normal supply and distribution chain or other third-party licensees (“Covered Parties”) solely (a) for the resale or redistribution of Buyer and its Subsidiaries’ products, (b) for the sale of Buyer and its Subsidiaries’ own components, subassemblies or subsystems (“Buyer Components”) solely for incorporation into the products to be distributed or sold by the Covered Parties (“Covered Products”) or (c) to allow Covered Parties to make Buyer Components solely for incorporation into Covered Products, subject to Article IV (but for the avoidance of doubt, the above sublicenses do not cover Covered Products as a whole, any components, subassemblies or subsystems of Covered Products (even other components, subassemblies or subsystems sold by Buyer or its Subsidiaries) that are not Buyer Components or the incorporation of any components, subassemblies or subsystems other than Buyer Components into Covered Products, but do cover the incorporation of Buyer Components into Covered Products) and (ii) in Section 2.2, also to their authorized licensees, sublicensees, agents, contractors or employees, subject to Article IV.

ARTICLE III — LICENSE FROM BUYER

3.1 Transferred Business IPR License to Seller.

3.1.1 License Outside Field. Subject to the terms and conditions of this Agreement, Buyer, on behalf of itself and its Subsidiaries, grants to Seller and its Subsidiaries a worldwide, paid-up, non-transferable (except as set forth in Section 9.12 hereof), non-exclusive license under any and all Transferred Business IPR (other than Trademarks), including without limitation all Blocks (the “Buyer IPR”), in connection with their current and future activities outside the Field, including the right to make, have made, use, sell, offer for sale, and import products and offer services (and to incorporate products as components, subassemblies or subsystems in other products made, used and/or sold by or on behalf of Seller and its Subsidiaries) outside the Field (and the right to use or reuse any Blocks outside the Field in connection therewith), without the right of sublicense other than as set forth in Section 3.4. For the avoidance of doubt, this license includes (i) all Patents included in the Transferred Business IPR and in existence as of the Closing Date, and all subsequent divisions, continuations, continuations-in-part (but these only to the extent based on inventions existing as of the Closing Date), re-examinations, re-issues, provisionals, extensions and counterparts relating thereto, and (ii) all Patents issuing after the Closing Date that arise from applications filed for inventions reduced to practice prior to the Closing Date, to the extent any of them are included in the Transferred Business IPR; but (iii) excludes any Intellectual Property Rights owned by Buyer and its Subsidiaries other than the Transferred Business IPR, except as expressly set forth in this Agreement.

3.1.2 License for Components. Subject to the terms and conditions of this Agreement, Buyer, on behalf of itself and its Subsidiaries, grants to Seller and its Subsidiaries an additional worldwide, paid-up, non-transferable (except as set forth in Section 9.12 hereof), non-exclusive license under any and all Buyer IPR that does not relate exclusively to the Business, solely (i) for the sale of their own components, subassemblies or subsystems licensed under Section 3.1.1 (“Seller Components”) solely for incorporation into Covered Products or (ii) to sublicense to Covered Parties, solely to allow such Covered Parties to make Seller Components to incorporate into Covered Products, in each case, solely for the sale of Covered Products in or outside of the Field. For the avoidance of doubt, the above license does not cover any Covered Product as a whole, any components, subassemblies or subsystems of Covered Products (even other components, subassemblies or subsystems sold by Seller or its Subsidiaries) that are not Seller Components or the incorporation of any components, subassemblies or subsystems other than Seller Components into Covered Products, but does cover the incorporation of Seller Components into Covered Products. For the avoidance of doubt, this license includes (a) all Patents included in the Transferred Business IPR and in existence as of the Closing Date that do not relate exclusively to the Business, and all subsequent divisions, continuations, continuations-in-part (but these only to the extent based on inventions existing as of the Closing Date that do not relate exclusively to the Business), re-examinations, re-issues, provisionals, extensions and counterparts relating thereto, and (b) all Patents issuing after the Closing Date that arise from applications filed for inventions reduced to practice prior to the Closing Date that do not relate exclusively to the Business, to the extent any of them are included in the Transferred Business IPR; but (iii) excludes any Intellectual Property Rights owned by Buyer and its Subsidiaries, except as expressly set forth in this Agreement.

3.2 Other Buyer License to Seller. Subject to the terms and conditions of this Agreement, Buyer, on behalf of itself and its Subsidiaries, grants to Seller and its Subsidiaries a worldwide, paid-up, personal and non-transferable, non-exclusive license under any and all of its and their Patents with respect to Seller and its Subsidiaries' use of any Blocks in their businesses outside the Field, provided that, in addition to Buyer's remedies in Article V, Seller expressly acknowledges, on behalf of itself and its Subsidiaries, that the license in this Section 3.2 shall terminate automatically, without the requirement of notice from Buyer, upon the commencement of any action or proceeding (that is not a claim for breach of this Agreement or a counterclaim) by or on behalf of Seller or any of its Subsidiaries that Buyer or any of its Subsidiaries has Infringed any of Seller or its Subsidiaries' Patents. For the avoidance of doubt, notwithstanding anything in Section 9.12 to the contrary, this license in Section 3.2 is personal to Seller and its Subsidiaries in existence as of the Closing Date, and may not be (i) assigned, sublicensed (except as set forth in Section 3.4.3), or assumed in bankruptcy, including assignments by operation of law or otherwise, including via a change of control (which shall be deemed an "assignment" for purposes of this Section 3.2), merger or reorganization (regardless of whether Seller or its Subsidiaries are the surviving party); or (ii) used by Seller or its Subsidiaries in connection with any assets, businesses or lines of business acquired from other persons after the Closing Date, in each case, without the prior written consent of Buyer in its sole discretion. Any attempted transaction in violation of the foregoing shall be void *ab initio* and of no force or effect. For the further avoidance of doubt, if any of Seller or its Subsidiaries' products contain components, subassemblies or subsystems other than the above-licensed Blocks, the license in this Section 3.2 does not cover such products as a whole or any components, subassemblies or subsystems of such products that are not the above-licensed Blocks or the incorporation of such other components, subassemblies or subsystems with or into any of the above-licensed Blocks.

3.3 Use of Residuals by Seller. Buyer, on behalf of itself and its Subsidiaries, acknowledges that Seller and its Subsidiaries may freely use in any field of use (whether within or outside the scope of the Field) after the Closing Date all of the Residuals that relate to the Business and are possessed by their employees, subject to Article IV. Such right to use Residuals shall not constitute or be deemed a license under any patents, of Buyer or its Subsidiaries.

3.4 Subsidiaries/Sublicensing.

3.4.1 Each Subsidiary licensed under Section 3.1 or 3.2 shall be bound by the terms and conditions of this Agreement. Any such license granted to such party shall terminate on the date such party ceases to be a Subsidiary, provided that the parties shall negotiate in good faith a transition license period sufficient to cover the reasonable transition needs of such Subsidiary.

3.4.2 Seller and its Subsidiaries may sublicense their licensed rights in Section 3.1.1 to Covered Parties, solely (a) for the resale or redistribution of Seller and its Subsidiaries' products, (b) for the sale of Seller Components solely for incorporation into Covered Products or (c) to allow Covered Parties to make Seller Components solely for incorporation into Covered Products, in each case, outside the Field and subject to Article IV. For the avoidance of doubt, the above sublicenses do not cover Covered Products as a whole, any components, subassemblies or subsystems of Covered Products (even other components, subassemblies or subsystems sold by Seller or its Subsidiaries) that are not Seller Components or the incorporation of any components, subassemblies or subsystems other than Seller Components into Covered Products, but do cover the incorporation of Seller Components into Covered Products.

3.4.3 Seller and its Subsidiaries may sublicense their licensed rights in Section 3.2 to Covered Parties, solely (a) for the resale or redistribution of Seller and its Subsidiaries' products, (b) for the sale of Seller Components solely for incorporation into Covered Products or (c) to allow Covered Parties to make Seller Components solely for incorporation into Covered Products, in each case, outside the Field subject to Article IV. For the avoidance of doubt, the above sublicenses do not cover Covered Products as a whole, any components, subassemblies or subsystems of Covered Products (even other components, subassemblies or subsystems sold by Seller or its Subsidiaries) that are not Seller Components, the incorporation of any components, subassemblies or subsystems other than Seller Components into such Covered Product, or the incorporation of Seller Components into Covered Products.

ARTICLE IV — CONFIDENTIALITY

4.1 Confidentiality. Each party, on behalf of itself and its Subsidiaries, agrees that for a period of three years from the Closing Date, it shall (i) use commercially reasonable internal confidentiality and security procedures, including but not limited to written non-disclosure provisions in its dealings with other parties, to protect the other party's Trade Secret Information from unauthorized disclosure, and (ii) disclose such Trade Secret Information only to those licensees, sublicensees, agents, contractors or employees who have a need to know same for the receiving party to exploit the benefits of its licenses granted hereunder and who agree in writing not to disclose such Trade Secret Information to any unauthorized person. Notwithstanding these restrictions, either party may disclose the other party's Trade Secret Information to the extent disclosure is implied by its necessary incorporation into products, provided that such party utilizes commercially reasonable efforts to minimize the form and substance of the Trade Secret Information disclosed thereby. Each party agrees and acknowledges that violation of these provisions by the other party or its Subsidiaries (or authorized third parties receiving Trade Secret Information from any of them) will cause irreparable harm to the non-violating party and that the non-violating party shall be entitled to seek an injunction (without necessity to post bond) or other temporary relief in addition to the non-violating party's other rights at law or in equity.

4.2 Exceptions. The obligations in Section 4.1 shall not cover any information (i) that the owning party discloses to a third party with no further restrictions on its disclosure; (ii) that becomes known to the industry or the public through no fault of the receiving party; or (iii) that the receiving party develops independently or obtains from another legitimate source. A party may disclose information as required to be disclosed pursuant to applicable law, statute, rule, regulation, court order or legal process, provided that in this case, the receiving party shall promptly notify the owning party of any such requirement, disclose no more information than is so required and cooperate, at the owning party's request and expense, with all attempts by the owning party to obtain a protective order or similar treatment.

ARTICLE V — RELEASE FROM BUYER

5.1 Buyer's Release. Buyer, on behalf of itself and its Subsidiaries ("Releasing Parties"), completely and irrevocably releases and covenants not to sue Seller and/or its Subsidiaries from any claims that their operation of the Business or use of the Transferred Business IPR, in each case, prior to the Closing Date infringed, misappropriated or violated ("Infringed") any of Buyer or its Subsidiaries' current or future IPR. Seller and its Subsidiaries may not assign this release, in whole or in part, except as set forth in Section 9.12, and any such attempted assignment shall be null and void *ab initio* and of no force or effect.

5.2 Covered Parties. The release in Section 5.1 covers Seller and its Subsidiaries and their Covered Parties with respect to any Infringements caused by Seller and its Subsidiaries, but do not cover any other actions of such Covered Parties. For the avoidance of doubt, if any Covered Product contains Seller Components, the release in Section 5.1 does not cover such Covered Product as a whole or any other components, subassemblies or subsystems of such Covered Product (even other components sold by Seller or its Subsidiaries) that are not Seller Components or the incorporation of any components, subassemblies or subsystems other than Seller Components into such Covered Product, but does cover the incorporation of Seller Components into such Covered Product.

5.3 Facts Unknown. In giving the release in Section 5.1, which include claims which may be unknown to the parties at present, the Releasing Parties hereby acknowledge that they are aware of and understand that statutory law of certain jurisdictions provide that a general release does not extend to claims which the releasing party does not know or suspect to exist in his, her or its favor at the time of executing the release, which if known by him, her or it must have materially affected settlement with the released party.

5.4 Waiver. The Releasing Parties hereby expressly waive and relinquish all rights and benefits and any such law or legal principle in any jurisdiction with respect to claims released hereby. The Releasing Parties further understand and acknowledge the significance and consequence of such specific waiver.

5.5 Non-Use of Certain Information. Buyer, on behalf of itself and its Subsidiaries, covenants that it will not use any confidential information of Seller or its Subsidiaries that Buyer or its Subsidiaries learn from the present transaction or from Rehired Employees and that such Rehired Employees possess due to their work for Seller and its Subsidiaries ("Restricted Information") to assert any claim against Seller or its Subsidiaries for Infringing any Intellectual Property Rights owned by Buyer or its Subsidiaries. The covenant in this Section 5.5 covers Seller and its Subsidiaries and their Covered Parties with respect to any Infringements caused by Seller and its Subsidiaries, but does not cover any other actions of such Covered Parties.

ARTICLE VI — TERM AND TERMINATION

6.1 Term. The term of this Agreement shall be from the Closing Date until the expiration of the last to expire of the Field IPR and Buyer IPR, unless previously terminated as hereinafter provided. The licenses in Section 2.1, 2.2, 3.1 and 3.2 shall expire, with respect to individual Intellectual Property Rights licensed thereby, upon the expiration of each such right, provided that such expiration shall not affect the validity of such license with respect to any other licensed rights.

6.2 Voluntary Termination. By written notice to the other party, each party may voluntarily terminate all or a specified portion of the license and rights granted to it hereunder. Such notice shall specify the effective date of such termination and shall clearly specify the affected licensed rights. Any such termination shall not affect the licenses granted to the other party by the terminating party.

6.3 Termination for Material Breach. Either party may terminate the licenses it has granted to the other party hereunder, effective upon notice, if it is found in a final, non-appealable decision pursuant to Section 8.8 of this Agreement that (i) such party has materially breached any warranty, term, condition or covenant of this Agreement and failed to cure that breach within sixty days after written notice, specifying such breach in reasonable detail and (ii) termination is warranted under the circumstances. Any such termination shall not affect the licenses granted to the other party by the breaching party.

6.4 Survival. Termination or expiration of this Agreement and/or the licenses in Articles II and/or III shall not affect the release granted in Section 5.1, which is deemed irrevocable. All provisions of this Agreement that, by their nature, would survive its expiration or termination, are deemed to survive such circumstances.

ARTICLE VII — LIMITATION OF LIABILITY

EXCEPT AS SET FORTH BELOW OR IN THE SALE AND PURCHASE AGREEMENT, IN NO EVENT SHALL EITHER PARTY OR ITS SUBSIDIARIES BE LIABLE TO THE OTHER PARTY OR ITS SUBSIDIARIES FOR ANY LOST PROFITS OR FOR ANY SPECIAL, CONSEQUENTIAL, INDIRECT OR INCIDENTAL DAMAGES, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY (INCLUDING WITHOUT LIMITATION NEGLIGENCE), ARISING IN ANY WAY OUT OF THIS AGREEMENT, WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THE FOREGOING SHALL NOT, HOWEVER, LIMIT THE AMOUNT OR TYPES OF DAMAGES AVAILABLE TO EITHER PARTY FOR ANY DISCLOSURE OF TRADE SECRET INFORMATION IN VIOLATION OF ARTICLE IV (CONFIDENTIALITY).

ARTICLE VIII — DISCLAIMER OF WARRANTIES

EXCEPT AS OTHERWISE SET FORTH IN THE SALE AND PURCHASE AGREEMENT, EACH PARTY ACKNOWLEDGES AND AGREES THAT ALL INTELLECTUAL PROPERTY RIGHTS LICENSED HEREUNDER ARE LICENSED WITHOUT ANY WARRANTIES WHATSOEVER, AND EACH PARTY DISCLAIMS ALL WARRANTIES OF ANY KIND WHETHER EXPRESS, IMPLIED OR STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE OR NON-INFRINGEMENT. Each party makes no warranty or representation under this Agreement as to the validity and/or scope of any IPR licensed by such party and its Subsidiaries to the other party hereunder or any warranty or representation that any manufacture, use, importation, offer for sale or sale of any product or service by a licensed party hereunder will not infringe any IPR of any person.

ARTICLE IX — MISCELLANEOUS

9.1 No Implied Licenses. Nothing contained in this Agreement shall be construed as conferring any rights by implication, estoppel or otherwise, under any IPR other than the rights expressly granted in this Agreement.

9.2 Licensee Bankruptcy Protection. All rights and licenses granted under or pursuant to this Agreement are, and shall otherwise be deemed to be, for purposes of Section 365(n) of title 11 of the United States Code (the "Bankruptcy Code"), licenses of rights to "intellectual property" as defined under Section 101 of the Bankruptcy Code. The parties agree that each of Seller and Buyer and their Subsidiaries, as licensees of such rights under Articles I and/or III of this Agreement, shall retain and may fully exercise all of their rights and elections under the Bankruptcy Code.

9.3 Infringement Suits. Neither party shall have any obligation hereunder to institute or maintain any claim against any party for the Infringement of any Intellectual Property Rights licensed hereunder, or to defend any claim brought by any person which challenges or concerns the validity of any of such rights. A licensed party shall not have any right to institute any claim against any person for the Infringement of any Intellectual Property Rights licensed to such licensed party hereunder.

9.4 No Obligation to Provide Technical Assistance. Except as otherwise set forth in the Sale and Purchase Agreement and Transition Services Agreement, Seller shall not be obligated to provide Buyer with any technical assistance or to furnish Buyer with or obtain any documents, materials or other information.

9.5 No Obligation to Obtain or Maintain IPR. Neither party is obligated to (a) file any patent application or to secure any patent or patent rights, (b) maintain any patent in force, (c) file any copyright registration application or to secure any registered copyright rights, or (d) file any mask work application or to secure any mask work rights, in each case, with respect to the Intellectual Property Rights it licenses to the other party hereunder.

9.6 Entire Agreement; Amendment; Waiver. This Agreement, the Sale and Purchase Agreement and the Ancillary Agreements, together with all exhibits and schedules hereto and thereto (including the Disclosure Schedules to the Sale and Purchase Agreement), constitute the entire agreement among the parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties. This Agreement may not be amended except by an instrument signed on behalf of each of the parties hereto. No amendment, supplement, modification or waiver of this Agreement or any exhibits or schedules hereto shall be binding unless executed in writing by the party to be bound thereby. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided in writing.

9.7 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

9.8 Arbitration. Notwithstanding anything herein to the contrary, any claim or dispute arising out of or related to this Agreement, the interpretation, making performance, breach or termination thereof, shall be finally and exclusively settled by binding arbitration to be held in New York, New York. The arbitration shall be made in accordance with the then current Commercial Arbitration Rules of the American Arbitration Association and such arbitration shall be conducted by an arbitrator chosen by mutual agreement of Buyer and Seller; failing such agreement, the arbitration shall be conducted by 3 independent arbitrators, one chosen by Seller, one chosen by Buyer and such two arbitrators shall mutually select a third arbitrator, with any decision of two such arbitrators shall be binding; *provided, however*, if such arbitrators fail to agree on a third arbitrator within 20 days, either Buyer or Seller may make written application to Judicial Arbitration and Mediation Services ("JAMS"), New York, New York, for the appointment of a single arbitrator (the "JAMS Arbitrator") to resolve the dispute by arbitration. At the request of JAMS the parties involved in the dispute shall meet with JAMS at its offices within 10 days of such request to discuss the dispute and the qualifications and experience which each party respectively believes the JAMS Arbitrator should have; *provided, however*, the selection of the JAMS Arbitrator shall be the exclusive decision of JAMS and shall be made within 30 days of the written application to JAMS. The arbitrator(s) shall have the authority to grant any equitable and legal remedies that would be available in any judicial proceeding instituted under New York law to resolve the dispute. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Each party shall pay its own costs and expenses (including counsel fees) of any such arbitration. The parties hereto expressly waive all rights whatsoever to file an appeal against or otherwise to challenge any award by the arbitrator(s) hereunder; *provided, however*, the foregoing shall not limit the rights of either party to bring a proceeding in any applicable jurisdiction to conform, enforce or enter judgment upon such award (and the rights of the other party, if such proceeding is brought, to contest such confirmation, enforcement or entry of judgment).

9.9 Injunctive Relief. Notwithstanding the above arbitration provision, nothing shall prevent either party from seeking interim or injunctive relief from a court of competent jurisdiction in order to protect its Intellectual Property Rights.

9.10 Section Headings. The section headings contained in this Agreement are inserted for reference purposes only and are not intended to be a part, nor should they affect the meaning or interpretation, of this Agreement.

9.11 Notices. All notices, requests, demands and other communications which are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given when received if personally delivered; when transmitted if transmitted by telecopy, electronic or digital transmission method; the day after it is sent, if sent for next day delivery to a domestic address by recognized overnight delivery service (e.g., Federal Express); and upon receipt, if sent by certified or registered mail, return receipt requested. In each case notice shall be sent to:

If to Seller, addressed to:
Silicon Laboratories Inc.
400 West Cesar Chavez
Austin, Texas 78701
Attention: General Counsel
Fax: (512) 428-1504

With a copy to:
DLA Piper US LLP
1221 South MoPac Expwy
Suite 400
Austin, Texas 78746

Attention: Philip Russell, P.C.
Fax: (512) 457-7001

If to Buyer, addressed to:
NXP B.V.
High Tech Campus 60
5656 AG Eindhoven
The Netherlands
Attention: Guido R.C. Dierick

With a copy to:
Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York 10017
Attention: Lori Lesser
Fax: (212) 455-2502

or to such other place and with such other copies as either party may designate as to itself by written notice to the others.

9.12 Assignability.

9.12.1 Except as provided in Section 9.12.2, neither party or its Subsidiaries may, directly or indirectly, in whole or in part, assign or transfer this Agreement or its rights or obligations hereunder, without the other party's prior written consent in its sole discretion. Any attempted assignment or transfer without such prior written consent shall be void *ab initio* and of no force or effect.

9.12.2 Notwithstanding Section 9.12.1, either party or its Subsidiaries may, without the consent of the other party, assign this Agreement, in whole or in part (i) to a Subsidiary; (ii) to an affiliate created due to an internal reorganization; or (iii) in connection with one or more sales (including asset and/or equity sales) of the businesses or a material portion thereof to which this Agreement relates to the respective purchasers or acquirers thereof, provided that, in the case of one or more partial assignments, the assigning party shall divest all of its interest with respect to a particular country, jurisdiction and/or field of use, such that no more than one person shall simultaneously hold the license for any particular rights licensed hereunder.

9.12.3 In the case of a Section 9.12.2(iii) assignment, (i) the licenses granted to the assigning party hereunder may be assigned or sublicensed to such purchasers or acquirers for use in their other businesses, subject to the same field of use restrictions applicable to the assigning party; and (ii) the licenses granted by the assigning party to the other party hereunder shall not be deemed to include any other Intellectual Property Rights owned by the purchaser or acquirer.

9.12.4 No assignment or transfer made pursuant to this Section 9.12 shall release the transferring or assigning party from any of its liabilities or obligations hereunder. Without limiting the foregoing, in the event of a permitted assignment hereunder, this Agreement will be binding upon and inure to the benefit of the parties and their permitted successors and assigns.

9.12.5 Either party or its Subsidiaries may assign, transfer, sell, or otherwise dispose of any of the Intellectual Property Rights it has licensed to the other party and its Subsidiaries hereunder, in whole or in part, provided that the assignee, transferee or purchaser thereof must assume in writing the disposing party's obligations under this Agreement. Any attempted transaction in violation of the foregoing shall be void *ab initio* and of no force or effect.

9.12.6 For the avoidance of doubt, notwithstanding any of the foregoing language in this Section 9.12, the license in Section 3.2 is not assignable in any manner, in whole or in part.

9.13 Severability. In the event that any one or more of the provisions contained in this Agreement or in any other instrument referred to herein, shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, then to the maximum extent permitted by law, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any other such instrument.

9.14 Independent Contractors. The parties are independent contractors and there is no relationship of agency, partnership, joint venture, employment, or franchise between the parties. Neither party has the authority to bind the other or to incur any obligation on its behalf.

9.15 Remedies Cumulative. All rights and remedies of either party hereto are cumulative of each other and of every other right or remedy such party may otherwise have at law or in equity, and the exercise of one or more rights or remedies shall not prejudice or impair the concurrent or subsequent exercise of other rights or remedies.

9.16 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

WHEREFORE, the parties have signed this Intellectual Property License Agreement effective as of the Closing Date.

ON BEHALF OF ITSELF AND ITS SUBSIDIARIES

By: /s/ Necip Sayiner

Name: Necip Sayiner

Title: President and Chief Executive Officer

**SILICON LABORATORIES INTERNATIONAL PTE.
LTD.**

ON BEHALF OF ITSELF AND ITS SUBSIDIARIES

By: /s/ GH Low

Name: GH Low

Title: International Finance Director

ON BEHALF OF ITSELF AND ITS SUBSIDIARIES

By: /s/ Guido Dierick

Name: Guido Dierick

Title: General Counsel

NXP SEMICONDUCTORS FRANCE SAS

ON BEHALF OF ITSELF AND ITS SUBSIDIARIES

By: /s/ James N. Casey

Name: James N. Casey

Title: VP, Authorized Signatory





NEWS RELEASE

SILICON LABORATORIES CLOSES SALE OF AERO® PRODUCT LINES TO NXP

— *Company Focused on Long-Term Growth Potential and Sustainable Competitive Advantages of Mixed-Signal Business* —

AUSTIN, Texas — March 23, 2007 — Silicon Laboratories Inc. (Nasdaq: SLAB), a leader in high-performance, analog-intensive, mixed-signal integrated circuits (ICs), today announced it finalized the sale of the Aero product lines to NXP, formerly Philips Semiconductor.

“With the close of this transaction, our focus will be on mixed-signal product lines where the expected return on investment is aligned with our business model targets,” stated Necip Sayiner, president and chief executive officer of Silicon Laboratories.

Announced in February 2007, NXP purchased the Aero product lines, including the Aero transceiver, AeroFONE™ single-chip phone and power amplifier, for \$285 million in cash. There is an additional earn-out potential of up to an aggregate of \$65 million over the next three years based on the broad acceptance of AeroFONE technology.

About Silicon Laboratories Inc.

Silicon Laboratories Inc. is a leading designer of high-performance, analog-intensive, mixed-signal integrated circuits (ICs) for a broad range of applications. Silicon Laboratories’ diverse portfolio of highly-integrated, patented solutions is developed by a world-class engineering team with decades of cumulative expertise in cutting-edge mixed-signal design. The company has design, engineering, marketing, sales and applications offices throughout North America, Europe and Asia. For more information about Silicon Laboratories, please visit www.silabs.com.

About NXP

NXP is a top 10 semiconductor company founded by Philips more than 50 years ago. Headquartered in Europe, the company has 38,000 employees working in 26 countries across the world. NXP creates semiconductors, system solutions and software that deliver better sensory experiences in mobile phones, personal media players, TVs, set-top boxes, identification applications, cars and a wide range of other electronic devices. News from NXP is located at www.nxp.com.

Forward Looking Statement

This press release contains 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 relating to the achievement of the earn-out; the potential for unexpected liabilities related to the disposition of the business; risks that Silicon Laboratories may not be able to maintain its historical growth; average selling prices of products may decrease significantly and rapidly, dependence on a limited number of products and customers; difficulties developing new products that achieve market acceptance; risks that Silicon Laboratories may not be able to manage strains associated with this divestiture and/or any future growth or acquisitions; dependence on key personnel; 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.

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Note to editors: The Silicon Labs logo is a trademark of Silicon Laboratories Inc. All other product names noted herein may be trademarks of their respective holders.

INVESTOR CONTACT: Silicon Laboratories Inc., Kellie Nugent, (972) 239-5119 x 125, knugent@sheltongroup.com

MEDIA CONTACT: Silicon Laboratories, Inc., Kirstan Ryan, (512) 416-8500, kirstan.ryan@silabs.com

NXP Semiconductors: Heather Drake, +31 40 27 65949, heather.drake@nxp.com

Silicon Laboratories Inc.
Unaudited Pro Forma Condensed Consolidated Balance Sheet
As of December 30, 2006
(in thousands, except per share data)

Assets	Historical	Disposition Adjustments	Pro Forma
Current assets:			
Cash and cash equivalents	\$ 68,188	\$ 270,750 (A)	\$ 338,938
Short-term investments	318,104	—	318,104
Accounts receivable, net	49,701	—	49,701
Inventories	40,282	(18,266)(B)	22,016
Deferred income taxes	13,330	(1,212)(B)	12,118
Prepaid expenses and other	14,102	14,250 (C)	28,352
		(1,159)(B)	27,193
Total current assets	503,707	264,363	768,070
Property, equipment and software, net	43,321	(9,251)(B)	34,070
Goodwill	78,224	(12,544)(B)	65,680
Other intangible assets, net	21,970	(1,699)(B)	20,271
Other assets, net	39,773	(16,026)(B)	23,747
Total assets	\$ 686,995	\$ 224,843	\$ 911,838
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	\$ 36,396	\$ 3,675 (D)	\$ 40,071
Accrued expenses	27,929	(4,878)(B)	23,051
		700 (E)	23,751
Deferred income on shipments to distributors	22,234	—	22,234
Income taxes	15,063	66,661 (F)	81,724
Total current liabilities	101,622	66,158	167,780
Long-term obligations and other liabilities	16,691	(1,050)(B)	15,641
Total liabilities	118,313	65,108	183,421
Commitments and contingencies			
Stockholders' equity:			
Preferred stock—\$0.0001 par value	—	—	—
Common stock—\$0.0001 par value	5	—	5
Additional paid-in capital	373,655	5,512 (E)	379,167
Retained earnings	195,022	154,223 (G)	349,245
Total stockholders' equity	568,682	159,735	728,417
Total liabilities and stockholders' equity	\$ 686,995	\$ 224,843	\$ 911,838

The accompanying notes are an integral part of these unaudited pro forma condensed consolidated financial statements.

Silicon Laboratories Inc.
Unaudited Pro Forma Condensed Consolidated Statement of Income
For the Year Ended December 30, 2006
(in thousands, except per share data)

	Historical	Disposition Adjustments (H)	Pro Forma
Revenues	\$ 464,597	\$ (176,441)	\$ 288,156(I)
Cost of revenues	208,217	(107,539)	100,678
Gross profit	256,380	(68,902)	187,478
Operating expenses:			
Research and development	121,707	(31,903)	89,804
Selling, general and administrative	102,358	(13,336)	89,022
In-process research and development	3,200	(600)	2,600
Operating expenses	227,265	(45,839)	181,426
Operating income	29,115	(23,063)	6,052
Other income (expense):			
Interest income	13,745	—	13,745
Interest expense	(872)	—	(872)
Other income (expense), net	744	—	744
Income before income taxes	42,732	(23,063)	19,669
Provision for income taxes	11,574	(7,248)	4,326

Net income	\$ 31,158	\$ (15,815)	\$ 15,343
Net income per share:			
Basic	\$ 0.56		\$ 0.28
Diluted	\$ 0.54		\$ 0.27
Weighted-average common shares outstanding:			
Basic	55,346		55,346
Diluted	57,201		57,201

The accompanying notes are an integral part of these unaudited pro forma condensed consolidated financial statements.

Silicon Laboratories Inc.
Unaudited Pro Forma Condensed Consolidated Statement of Income
For the Year Ended December 31, 2005
(in thousands, except per share data)

	Historical	Disposition Adjustments (H)	Pro Forma
Revenues	\$ 425,689	\$ (187,102)	\$ 238,587
Cost of revenues	193,904	(113,954)	79,950
Gross profit	231,785	(73,148)	158,637
Operating expenses:			
Research and development	101,222	(24,845)	76,377
Selling, general and administrative	72,553	(9,238)	63,315
Operating expenses	173,775	(34,083)	139,692
Operating income	58,010	(39,065)	18,945
Other income (expense):			
Interest income	8,285	—	8,285
Interest expense	(322)	—	(322)
Other income (expense), net	(332)	—	(332)
Income before income taxes	65,641	(39,065)	26,576
Provision for income taxes	18,135	(9,259)	8,876
Net income	\$ 47,506	\$ (29,806)	\$ 17,700
Net income per share:			
Basic	\$ 0.89		\$ 0.33
Diluted	\$ 0.86		\$ 0.32
Weighted-average common shares outstanding:			
Basic	53,399		53,399
Diluted	55,485		55,485

The accompanying notes are an integral part of these unaudited pro forma condensed consolidated financial statements.

Silicon Laboratories Inc.
Unaudited Pro Forma Condensed Consolidated Statement of Income
For the Year Ended January 1, 2005
(in thousands, except per share data)

	Historical	Disposition Adjustments (H)	Pro Forma
Revenues	\$ 456,225	\$ (220,258)	\$ 235,967
Cost of revenues	206,320	(120,974)	85,346
Gross profit	249,905	(99,284)	150,621
Operating expenses:			
Research and development	78,056	(21,258)	56,798
Selling, general and administrative	65,164	(11,576)	53,588
Operating expenses	143,220	(32,834)	110,386
Operating income	106,685	(66,450)	40,235
Other income (expense):			
Interest income	3,054	—	3,054
Interest expense	(311)	—	(311)
Other income (expense), net	2,148	—	2,148
Income before income taxes	111,576	(66,450)	45,126
Provision for income taxes	34,883	(21,736)	13,147
Net income	\$ 76,693	\$ (44,714)	\$ 31,979
Net income per share:			
Basic	\$ 1.49		\$ 0.62

Diluted	\$	1.39	\$	0.58
Weighted-average common shares outstanding:				
Basic		51,471		51,471
Diluted		54,983		54,983

The accompanying notes are an integral part of these unaudited pro forma condensed consolidated financial statements.

Silicon Laboratories Inc.
Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

1. Basis of Presentation

As disclosed in Item 2.01 of this Form 8-K, Silicon Laboratories Inc. (the "Company") completed the sale of its Aero transceiver, AeroFONE single-chip phone and power amplifier product lines to NXP, on March 23, 2007 (the "Sale"). The unaudited pro forma condensed consolidated financial statements included herein have been prepared based on the Company's historical consolidated balance sheet as of December 30, 2006 and consolidated statements of income for the fiscal years ended December 30, 2006, December 31, 2005 and January 1, 2005, after giving effect to the disposition of the net assets and operations related to the sold product lines. This disposition will be accounted for as discontinued operations in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

The pro forma condensed consolidated balance sheet gives effect to the Sale as if it had occurred on December 30, 2006. The pro forma balance sheet also reflects the effects of nonrecurring items attributed directly to the Sale, including the gain on sale, net of taxes, and direct transaction costs, including stock compensation charges, as though the Sale occurred on December 30, 2006. The pro forma gain as of December 30, 2006 is expected to differ from the actual gain that ultimately will be recognized as of the closing date of March 23, 2007.

The pro forma condensed consolidated statements of income give effect to the Sale as if it had occurred on January 4, 2004. The disposition adjustments reflect the elimination of revenues and direct costs of the discontinued operations. The pro forma statements of income do not include adjustments for nonrecurring items attributed directly to the Sale. Such items will be recorded in our quarter ended March 31, 2007.

This pro forma financial information is presented for illustrative purposes only, and is not necessarily indicative of the operating results and financial position that might have been achieved had the Sale occurred on the dates indicated, nor are they necessarily indicative of the operating results and financial position that may occur in the future. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the three fiscal years in the period ended December 30, 2006, included in the Company's Form 10-K filed with the Securities and Exchange Commission (SEC) on February 7, 2007.

2. Pro Forma Adjustments

The unaudited pro forma condensed consolidated financial statements reflect the following adjustments:

- (A) Cash proceeds received from the Sale, excluding \$14.3 million of funds held in escrow which are included under "Prepaid expenses and other."
- (B) Removal of balances related to assets and liabilities that will be transferred in the Sale.
- (C) Includes \$14.3 million of funds held in escrow subject to potential indemnification claims in accordance with the Purchase Agreement.
- (D) Accrual of estimated direct transaction costs, other than stock compensation charges.
- (E) Accrual of \$5.5 million of additional paid-in capital and \$0.7 million of payroll taxes for stock compensation charges resulting from modifications of share-based awards held by certain Company employees who were hired by NXP in connection with the Sale.
- (F) Represents the estimated tax effect of the pro forma adjustments, including the estimated gain on sale, estimated direct transaction costs and stock compensation charges.
- (G) Adjustment for the pro forma gain on sale, net of tax, as though the sale closed on December 30, 2006.

- (H) Removal of historical revenues and costs associated with the sold product lines. Unaudited condensed operating results related to the sold product lines for the three fiscal years in the period ended December 30, 2006 are as follows (in thousands):

	Year Ended		
	December 30, 2006	December 31, 2005	January 1, 2005
Revenues	\$ 176,441	\$ 187,102	\$ 220,258
Gross profit	68,902	73,148	99,284
Operating income	23,063	39,065	66,450
Net income	\$ 15,815	\$ 29,806	\$ 44,714

- (I) The following are the Company's fiscal 2006 pro forma revenues (excluding the sold product lines) by quarter (in thousands):

Quarter	Pro Forma Revenue
First	\$ 66,652

Second	73,936
Third	72,956
Fourth	74,612
Total	<u>\$ 288,156</u>

Silicon Laboratories Inc.
Unaudited Reconciliation of GAAP to Non-GAAP Financial Measures
(in thousands)

Pro forma condensed consolidated statements of income are included as Exhibit 99.2 to this Current Report on Form 8-K. This Unaudited Reconciliation of GAAP to Non-GAAP Financial Measures reconciles GAAP financial measurements to non-GAAP financial measurements, in each case on the pro forma basis described in Exhibit 99.2. The non-GAAP financial measurements provided in this Exhibit 99.3 do not replace the presentation of Silicon Laboratories' GAAP financial results. This Exhibit 99.3 merely provides supplemental information to assist investors in analyzing Silicon Laboratories' results of operations; however, these measures are not in accordance with, or an alternative to, GAAP and may be different from non-GAAP measures used by other companies. Silicon Laboratories has chosen to provide this information to investors because it believes that such supplemental information enables them to perform meaningful comparisons of past, present and future operating results, and as a means to highlight the results of core ongoing operations.

	Year Ended December 30, 2006
GAAP revenues	\$ 464,597
Aero product lines adjustment	(176,441)
Non-GAAP revenues	\$ 288,156
GAAP operating income	\$ 29,115
Aero product lines adjustment (including \$8.4 million of stock compensation expense)	(23,063)
Stock compensation — retained business	31,029
In-process R&D — retained business	2,600
Headquarters relocation costs	2,956
Non-GAAP operating income	\$ 42,637
Non-GAAP operating income %	14.8%