

## **Silicon Laboratories Reports Strong Fourth Quarter Performance**

AUSTIN, Texas--(BUSINESS WIRE)--Jan. 25, 2006--Silicon Laboratories Inc. (Nasdaq:SLAB), a leader in high-performance, analog-intensive, mixed-signal ICs, today reported higher than anticipated revenue of \$110 million and GAAP diluted net income per share of \$0.27 for the fourth quarter.

GAAP operating income for the fourth quarter was \$17.8 million or 16.2 percent of revenue. Excluding stock compensation expense, adjusted operating income for the fourth quarter was \$20.2 million, or 18.4 percent of revenue, and adjusted diluted net income per share was \$0.31. The reconciling charges are set forth in the reconciliation of GAAP to non-GAAP financial measures table included below. The company increased cash and investments by approximately \$28 million to \$364 million at year end.

### **Business Summary**

Revenue growth in the fourth quarter was due to robust wireless demand across the customer base. Driven primarily by the Aero<sup>®</sup> transceiver products, mobile handset revenue increased by 14 percent sequentially and represented approximately 47 percent of revenue. There continued to be strong momentum for new products including the EDGE transceiver, tri-band PA, the FM tuner and the AeroFONE<sup>®</sup> single-chip phone.

The broad-based mixed-signal business declined slightly and represented a little more than half of the revenue in the fourth quarter and for the year. Key growth areas for the business in 2005 included the ProSLIC<sup>®</sup> telephony interface for VoIP, which grew by greater than 60 percent year over year, and microcontrollers, which grew by more than 30 percent year over year. The company also sampled hundreds of new customers who are evaluating recently introduced broad-based mixed-signal products including the new VCXO family, the SiRX<sup>™</sup> set-top box receiver and the ISOmodem<sup>®</sup> fax modem.

"The business performed very well in the fourth quarter and we anticipate continued strength in our wireless business due to strong market demand," said Necip Sayiner, president and CEO of Silicon Laboratories. "Customer feedback has validated that our new products are highly differentiated, and we are building momentum to put our business on a solid growth trajectory."

In 2005, Silicon Laboratories expanded design, sales and support offices to more than 20 locations around the world. Cumulative patents either filed or issued increased to more than 600 and the number of employees worldwide increased to 651. The product portfolio doubled including the addition of broadcast, timing, digital power and new wireless products.

For the first quarter of 2006, the company anticipates revenue of \$110 to \$114 million.

### **Conference Call Today**

A conference call discussing the fourth quarter results will follow the release at 7:30 a.m. Central Time. An audio webcast will be available simultaneously on Silicon Laboratories' website under Investor Relations ([www.silabs.com](http://www.silabs.com)). A replay will be available after the call at the same website listed above or by calling 1-800-295-0889 (U.S.) or +1 402-220-3774 (international). These replays will be available through February 15, 2006.

### **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](http://www.silabs.com).

### **Cautionary Language**

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 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, especially for mobile handset products; dependence on a limited number of products and customers; risks associated with shifting market demand from GSM/GPRS to EDGE and WCDMA; difficulties developing new products that achieve market acceptance; risks that Silicon Laboratories may not be able to manage strains associated with its growth; dependence on key personnel; difficulties managing our manufacturers and subcontractors; difficulties managing international activities; credit risks associated with our accounts receivable; geographic concentration of manufacturers, assemblers, test service providers and customers in the Pacific Rim that subjects Silicon Laboratories' business and results of operations to risks of natural disasters, epidemics, war and political unrest; product development risks; inventory-related risks; intellectual property litigation risks; risks associated with acquisitions; 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.

Note to editors: Silicon Laboratories, ProSLIC, Aero, AeroFONE, ISOModem, SiRX and the Silicon Laboratories logo are trademarks of Silicon Laboratories Inc. All other product names noted herein may be trademarks of their respective holders.

Silicon Laboratories Inc.

Consolidated Statements of Income

(in thousands, except per share data)

|                                     | Three Months Ended   |                    | Twelve Months Ended  |                    |
|-------------------------------------|----------------------|--------------------|----------------------|--------------------|
|                                     | December 31,<br>2005 | January 1,<br>2005 | December 31,<br>2005 | January 1,<br>2005 |
|                                     | (Unaudited)          | (Unaudited)        | (Unaudited)          | (Unaudited)        |
| Revenues                            | \$109,856            | \$95,462           | \$425,689            | \$456,225          |
| Cost of revenues                    | 49,499               | 43,121             | 193,904              | 206,320            |
| Gross profit                        | 60,357               | 52,341             | 231,785              | 249,905            |
| Operating expenses:                 |                      |                    |                      |                    |
| Research and development            | 23,692               | 20,711             | 101,222              | 78,056             |
| Selling, general and administrative | 18,898               | 15,426             | 72,553               | 65,164             |
| Operating expenses                  | 42,590               | 36,137             | 173,775              | 143,220            |
| Operating income                    | 17,767               | 16,204             | 58,010               | 106,685            |
| Other income (expense):             |                      |                    |                      |                    |
| Interest income                     | 2,743                | 1,194              | 8,285                | 3,054              |
| Interest expense                    | (191)                | (68)               | (322)                | (311)              |
| Other income (expense), net         | (91)                 | 169                | (332)                | 2,148              |
| Income before income taxes          | 20,228               | 17,499             | 65,641               | 111,576            |
| Provision for income taxes          | 4,965                | 4,570              | 18,135               | 34,883             |
| Net income                          | \$15,263             | \$12,929           | \$47,506             | \$76,693           |
| Net income per share:               |                      |                    |                      |                    |
| Basic                               | \$0.28               | \$0.25             | \$0.89               | \$1.49             |
| Diluted                             | \$0.27               | \$0.24             | \$0.86               | \$1.39             |
| Weighted-average common shares      |                      |                    |                      |                    |

|              |        |        |        |        |
|--------------|--------|--------|--------|--------|
| outstanding: |        |        |        |        |
| Basic        | 54,210 | 52,008 | 53,399 | 51,471 |
| Diluted      | 56,206 | 54,632 | 55,485 | 54,983 |

Certain prior period amounts of the amortization of stock compensation expense have been reclassified to conform to the current period presentation.

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

|                                     | Three Months Ended |                 |
|-------------------------------------|--------------------|-----------------|
|                                     | December 31, 2005  | January 1, 2005 |
| GAAP operating income               | \$17,767           | \$16,204        |
| Stock compensation amortization:    |                    |                 |
| Cost of revenues                    | 58                 | 13              |
| Research and development            | 1,081              | 659             |
| Selling, general and administrative | 1,274              | 182             |
| Adjusted operating income           | \$20,180           | \$17,058        |
| Adjusted operating income %         | 18.4%              | 17.9%           |

|                                       | Three Months Ended |                 |
|---------------------------------------|--------------------|-----------------|
|                                       | December 31, 2005  | January 1, 2005 |
| GAAP net income                       | \$15,263           | \$12,929        |
| Stock compensation amortization:      |                    |                 |
| Cost of revenues                      | 58                 | 13              |
| Research and development              | 1,081              | 659             |
| Selling, general and administrative   | 1,274              | 182             |
| Adjusted net income                   | \$17,676           | \$13,783        |
| GAAP diluted shares outstanding       | 56,206             | 54,632          |
| Adjusted diluted net income per share | \$0.31             | \$0.25          |

Estimated Stock Compensation Expense Under SFAS 123R  
(in thousands)

|                                     | Three Months Ended<br>April 1, 2006 |
|-------------------------------------|-------------------------------------|
| Cost of revenues                    | \$382                               |
| Research and development            | 4,431                               |
| Selling, general and administrative | 5,391                               |
| Impact on operating income          | 10,204                              |
| Provision for income taxes          | (1,907)                             |

Impact on net income -----  
\$8,297  
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Silicon Laboratories Inc.  
Consolidated Balance Sheets  
(in thousands, except per share data)

|  | December 31,<br>2005 | January 1,<br>2005 |
|--|----------------------|--------------------|
|  | -----<br>(Unaudited) | -----              |
| ASSETS   |                      |                    |
| Current assets:  |                      |                    |
| Cash and cash equivalents  | \$255,369            | \$48,636           |
| Short-term investments   | 108,341              | 228,470            |
| Accounts receivable, net of allowance<br>for doubtful accounts of \$1,088<br>at December 31, 2005 and January 1, 2005  | 68,824               | 46,272             |
| Inventories  | 23,132               | 38,405             |
| Deferred income taxes  | 11,505               | 9,878              |
| Prepaid expenses and other   | 9,670                | 5,244              |
|  | -----                | -----              |
| Total current assets   | 476,841              | 376,905            |
| Property, equipment and software, net  | 32,584               | 34,559             |
| Goodwill   | 62,877               | 46,766             |
| Other intangible assets, net   | 14,838               | 15,384             |
| Other assets, net  | 25,863               | 10,788             |
|  | -----                | -----              |
| Total assets   | \$613,003            | \$484,402          |
|  | =====                | =====              |
| LIABILITIES AND STOCKHOLDERS' EQUITY   |                      |                    |
| Current liabilities:   |                      |                    |
| Accounts payable   | \$43,846             | \$37,001           |
| Accrued expenses   | 11,307               | 11,913             |
| Deferred income on shipments to distributors   | 34,036               | 25,227             |
| Income taxes payable   | 18,348               | 8,207              |
|  | -----                | -----              |
| Total current liabilities  | 107,537              | 82,348             |
| Long-term obligations and other liabilities  | 7,418                | 2,570              |
|  | -----                | -----              |
| Total liabilities  | 114,955              | 84,918             |
| Commitments and contingencies  |                      |                    |
| Stockholders' equity:  |                      |                    |
| Preferred stock -- \$.0001 par value;<br>10,000 shares authorized; no shares<br>issued and outstanding   | --                   | --                 |
| Common stock -- \$.0001 par value;<br>250,000 shares authorized; 54,530 and<br>52,508 shares issued and outstanding at<br>December 31, 2005 and January 1, 2005,<br>respectively | 5                    | 5                  |
| Additional paid-in capital   | 335,284              | 287,908            |
| Deferred stock compensation  | (1,105)              | (4,787)            |
| Retained earnings  | 163,864              | 116,358            |
|  | -----                | -----              |
| Total stockholders' equity   | 498,048              | 399,484            |
|  | -----                | -----              |
| Total liabilities and stockholders' equity   | \$613,003            | \$484,402          |

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