

STANDARD MICROSYSTEMS CORPORATION AND SUBSIDIARIES
Supplemental Reconciliation of GAAP Results to Non-GAAP Financial Measures
(in thousands, except per share amounts)

	Twelve Months Ended February 29 and 28,	
	2008	2007
Income from operations – GAAP basis ^(a)	\$ 37,648	\$ 30,327
Non-GAAP adjustments:		
Stock-based compensation included in:		
Costs of goods sold	1,198	357
Research and development	5,903	3,249
Selling, general and administrative	5,728	3,288
	12,829	6,984
Amortization of intangible assets ^(c)	6,707	6,364
Income from operations – non-GAAP basis ^(d)	\$ 57,184	\$ 43,585
Net income – GAAP basis	\$ 32,906	\$ 27,015
Non-GAAP adjustments (as scheduled above)	19,536	13,258
Tax effect of non-GAAP adjustments ^(e)	(7,033)	(4,065)
Net income – non-GAAP basis	\$ 45,409	\$ 36,208
GAAP Net income per share – diluted	\$ 1.39	\$ 1.16
Non-GAAP Net income per share – diluted ^(f)	\$ 1.92	\$ 1.56

Management believes that non-GAAP financial measures assist it in evaluating operational trends, financial performance, and cash generating capacity, and that these non-GAAP measures allow investors to evaluate SMSC's financial performance using some of the same measures as management. However, the non-GAAP financial measures should not be regarded as a replacement for corresponding, similarly captioned, GAAP measures.

^(a) 10.0% and 8.2% of total sales and revenues, respectively.

^(b) To eliminate compensation expense for Stock Appreciation Rights (“SARs”) and stock options as recorded under GAAP applicable in each period presented. Cash paid in connection with exercises of SARs totaled \$6,593K and \$3,356k, in the twelve month periods ended February 29, 2008 and February 28, 2007, respectively. The Company does not include charges related to restricted stock awards in these non-GAAP adjustments, as they are issued primarily in connection with the Company’s annual employee incentive compensation program

^(c) To eliminate the amortization of intangible assets acquired in the fiscal 2006 acquisition of OASIS and the fiscal 2003 acquisition of Gain Technology Corporation.

^(d) 15.1% and 11.8% of total sales and revenues, respectively.

^(e) To adjust the provision for income taxes related to the adjustments described in notes (b) and (c) above, based on applicable incremental tax rates.

^(f) Computed using average number of GAAP-equivalent diluted shares outstanding for each period presented.