

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

	Three Months Ended		Six Months Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
Revenues	\$141,543	\$135,670	\$286,918	\$261,372
Cost of revenues	52,770	52,868	110,773	103,474
Gross margin	88,773	82,802	176,145	157,898
Operating expenses:				
Research and development	37,387	34,245	74,969	67,175
Selling, general and administrative	32,357	32,178	61,510	57,580
Operating expenses	69,744	66,423	136,479	124,755
Operating income	19,029	16,379	39,666	33,143
Other income (expense):				
Interest income	152	363	487	860
Interest expense	(831)	(32)	(1,673)	(65)
Other income (expense), net	114	1,079	62	968
Income before income taxes	18,464	17,789	38,542	34,906
Provision (benefit) for income taxes	5,852	(2,720)	5,896	77
Net income	<u>\$ 12,612</u>	<u>\$ 20,509</u>	<u>\$ 32,646</u>	<u>\$ 34,829</u>
Earnings per share:				
Basic	\$ 0.30	\$ 0.48	\$ 0.77	\$ 0.82
Diluted	\$ 0.29	\$ 0.47	\$ 0.76	\$ 0.80
Weighted-average common shares outstanding:				
Basic	42,552	42,655	42,370	42,556
Diluted	43,269	43,423	43,191	43,637

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

	<u>June 29, 2013</u>	<u>December 29, 2012</u>
Assets		
Current assets:		
Cash and cash equivalents	\$193,468	\$105,426
Short-term investments	151,423	176,565
Accounts receivable, net of allowances for doubtful accounts of \$720 at June 29, 2013 and \$670 at December 29, 2012	68,635	78,023
Inventories	50,659	49,579
Deferred income taxes	16,387	16,652
Prepaid expenses and other current assets	46,356	41,437
Total current assets	<u>526,928</u>	<u>467,682</u>
Long-term investments	10,197	11,369
Property and equipment, net	135,006	135,271
Goodwill	130,265	130,265
Other intangible assets, net	85,115	90,750
Other assets, net	25,510	36,629
Total assets	<u>\$913,021</u>	<u>\$871,966</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 25,952	\$ 29,622
Current portion of long-term debt	5,000	5,000
Accrued expenses	36,012	40,410
Deferred income on shipments to distributors	30,552	30,259
Income taxes	926	1,087
Total current liabilities	<u>98,442</u>	<u>106,378</u>
Long-term debt	91,250	95,000
Other non-current liabilities	17,978	20,615
Total liabilities	<u>207,670</u>	<u>221,993</u>
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; 42,668 and 41,879 shares issued and outstanding at June 29, 2013 and December 29, 2012, respectively	4	4
Additional paid-in capital	32,837	10,122
Retained earnings	673,439	640,793
Accumulated other comprehensive loss	(929)	(946)
Total stockholders' equity	<u>705,351</u>	<u>649,973</u>
Total liabilities and stockholders' equity	<u>\$913,021</u>	<u>\$871,966</u>

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

	Six Months Ended	
	June 29, 2013	June 30, 2012
Operating Activities		
Net income	\$ 32,646	\$ 34,829
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation of property and equipment	6,634	6,749
Amortization of other intangible assets and other assets	5,635	4,559
Stock-based compensation expense	13,684	15,865
Income tax benefit (detriment) from employee stock-based awards	(489)	2,627
Excess income tax benefit from employee stock-based awards	(243)	(2,450)
Deferred income taxes	9,277	1,625
Changes in operating assets and liabilities:		
Accounts receivable	9,388	(17,315)
Inventories	(1,028)	(1,299)
Prepaid expenses and other assets	5,023	4,806
Accounts payable	(2,271)	8,766
Accrued expenses	(6,013)	(5,203)
Deferred income on shipments to distributors	293	1,372
Income taxes	(6,439)	(13,672)
Net cash provided by operating activities	<u>66,097</u>	<u>41,259</u>
Investing Activities		
Purchases of available-for-sale investments	(121,994)	(105,169)
Proceeds from sales and maturities of available-for-sale investments	146,870	186,514
Purchases of property and equipment	(6,498)	(5,095)
Purchases of other assets	(2,438)	(7,919)
Net cash provided by investing activities	<u>15,940</u>	<u>68,331</u>
Financing Activities		
Proceeds from issuance of common stock, net of shares withheld for taxes	9,512	2,922
Excess income tax benefit from employee stock-based awards	243	2,450
Repurchases of common stock	--	(36,173)
Payments on debt	(3,750)	--
Net cash provided by (used) in financing activities	<u>6,005</u>	<u>(30,801)</u>
Increase in cash and cash equivalents	88,042	78,789
Cash and cash equivalents at beginning of period	105,426	94,964
Cash and cash equivalents at end of period	<u><u>\$193,468</u></u>	<u><u>\$173,753</u></u>

Unaudited Intangible Asset Amortization
(In thousands)

The following represents historical amortization of Silicon Laboratories' intangible assets by income statement line item. Silicon Laboratories will exclude amortization of intangible assets from its non-GAAP financial measurements beginning with its results for the third quarter fiscal 2013.

Intangible Asset Amortization	Fiscal 2013		
	First Quarter	Second Quarter	Six Month Period
Cost of revenues	\$ 390	\$ 390	\$ 780
Research and development	1,836	1,791	3,627
Selling, general and administrative	489	489	978
Operating expenses	2,325	2,280	4,605
Operating income	2,715	2,670	5,385
Income tax benefit	876	860	1,736
Net income	1,839	1,810	3,649

Intangible Asset Amortization	Fiscal 2012				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
Cost of revenues	\$ 696	\$ 696	\$ 696	\$ 640	\$ 2,728
Research and development	1,267	1,267	1,666	1,900	6,100
Selling, general and administrative	318	314	489	489	1,610
Operating expenses	1,585	1,581	2,155	2,389	7,710
Operating income	2,281	2,277	2,851	3,029	10,438
Income tax benefit	724	722	924	986	3,356
Net income	1,557	1,555	1,927	2,043	7,082

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 June 29, 2013						
	GAAP Measure	GAAP Percent of Revenue	Stock Compensation Expense	Termination Costs	Acquisition Related Items	Non-GAAP Measure	Non-GAAP Percent of Revenue
Revenues	\$141,543						
Gross margin	88,773	62.7%	\$ 263	\$ --	\$ --	\$89,036	62.9%
Research and development	37,387	26.4%	3,483	315	--	33,589	23.7%
Selling, general and administrative	32,357	22.9%	3,678	480	920	27,279	19.3%
Operating expenses	69,744	49.3%	7,161	795	920	60,868	43.0%
Operating income	19,029	13.4%	7,424	795	920	28,168	19.9%
Net income	\$12,612	8.9%	7,254	715	920	21,501	15.2%
Non-GAAP Diluted Earnings Per Share	Three Months Ended June 29, 2013						
	GAAP Measure		Stock Compensation Expense	Termination Costs	Acquisition Related Items	Non-GAAP Measure	
Net income	\$12,612		\$7,254	\$715	\$920	\$21,501	
Diluted shares outstanding	43,269		--	--	--	43,269	
Diluted earnings per share	\$ 0.29					\$ 0.50	

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

Non-GAAP Diluted Earnings Per Share	Three Months Ended June 30, 2012					Non-GAAP Measure
	GAAP Measure	Stock Compensation Expense *	Termination Costs	Acquisition Related Items	Release of Unrecognized Tax Benefits	
Net income	\$20,509	\$5,846	\$2,729	\$483	\$(7,265)	\$22,302
Diluted shares outstanding	43,423	--	--	--	--	43,423
Diluted earnings per share	\$ 0.47					\$ 0.51

* Excludes stock compensation recognized in connection with termination costs for our former CEO.

Non-GAAP Income Tax Rate	Three Months Ended June 29, 2013				
	GAAP Measure	Stock Compensation Expense	Termination Costs	Acquisition Related Items	Non-GAAP Measure
Income before income taxes	\$18,464	\$7,424	\$795	\$920	\$27,603
Provision for income taxes	5,852	170	80	--	6,102
Tax rate percentage	31.7%				22.1%

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

Business Outlook	Three Months Ending September 28, 2013	
	High	Low
Estimated GAAP diluted earnings per share	\$0.13	\$0.09
Estimated non-cash charges	0.32	0.31
Estimated non-GAAP diluted earnings per share	\$0.45	\$0.40

** These financial schedules contain forward-looking statements based on Silicon Labs' current expectations. The words "believe," "estimate," "expect," "intend," "anticipate," "plan," "project," "will" and similar phrases as they relate to Silicon Labs are intended to identify such forward-looking statements. These forward-looking statements reflect the current views and assumptions of Silicon Labs 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 Labs may not be able to maintain its historical growth; quarterly fluctuations in revenues and operating results; difficulties developing new products that achieve market acceptance; dependence on a limited number of products and customers; intellectual property litigation risks; risks associated with acquisitions and divestitures; product liability risks; difficulties managing our distributors, manufacturers and subcontractors; inventory-related risks; difficulties managing international activities; risks that Silicon Labs may not be able to manage strains associated with its growth; credit risks associated with our accounts receivable; dependence on key personnel; stock price volatility; geographic concentration of manufacturers, assemblers, test service providers and customers in Asia that subjects Silicon Labs' business and results of operations to risks of natural disasters, epidemics, war and political unrest; debt-related risks; capital-raising risks; the competitive and cyclical nature of the semiconductor industry; average selling prices of products may decrease significantly and rapidly; information technology risks; conflict mineral risks and other factors that are detailed in the SEC filings of Silicon Laboratories Inc. Silicon Labs disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. References in these financial schedules to Silicon Labs shall mean Silicon Laboratories Inc.