

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

	Three Months Ended		Year Ended	
	December 29, 2012	December 31, 2011	December 29, 2012	December 31, 2011
Revenues	\$152,461	\$126,692	\$563,294	\$491,625
Cost of revenues	58,835	49,513	225,277	193,179
Gross margin	93,626	77,179	338,017	298,446
Operating expenses:				
Research and development	36,009	34,705	137,952	135,953
Selling, general and administrative	32,315	27,251	114,390	112,419
Operating expenses	68,324	61,956	252,342	248,372
Operating income	25,302	15,223	85,675	50,074
Other income (expense):				
Interest income	235	427	1,338	1,859
Interest expense	(850)	(23)	(1,149)	(37)
Other income (expense), net	(323)	152	484	444
Income before income taxes	24,364	15,779	86,348	52,340
Provision for income taxes	5,669	2,974	22,800	16,868
Net income	<u>\$ 18,695</u>	<u>\$ 12,805</u>	<u>\$ 63,548</u>	<u>\$ 35,472</u>
Earnings per share:				
Basic	\$ 0.45	\$ 0.31	\$ 1.51	\$ 0.82
Diluted	\$ 0.44	\$ 0.29	\$ 1.47	\$ 0.79
Weighted-average common shares outstanding:				
Basic	41,705	41,979	42,136	43,421
Diluted	42,641	43,410	43,106	44,832

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

	December 29, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$105,426	\$ 94,964
Short-term investments	176,565	212,526
Accounts receivable, net of allowances for doubtful accounts of \$670 at December 29, 2012 and \$725 at December 31, 2011	78,023	55,351
Inventories	49,579	34,778
Deferred income taxes	16,652	11,563
Prepaid expenses and other current assets	41,437	43,867
Total current assets	467,682	453,049
Long-term investments	11,369	17,477
Property and equipment, net	135,271	25,141
Goodwill	130,265	115,489
Other intangible assets, net	90,750	60,005
Other assets, net	36,629	34,830
Total assets	\$871,966	\$705,991
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 29,622	\$ 26,354
Current portion of long-term debt	5,000	--
Accrued expenses	40,410	30,857
Deferred income on shipments to distributors	30,259	24,962
Income taxes	1,087	665
Total current liabilities	106,378	82,838
Long-term debt	95,000	--
Other non-current liabilities	20,615	24,214
Total liabilities	221,993	107,052
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; 41,879 and 42,068 shares issued and outstanding at December 29, 2012 and December 31, 2011, respectively	4	4
Additional paid-in capital	10,122	14,749
Retained earnings	640,793	586,653
Accumulated other comprehensive loss	(946)	(2,467)
Total stockholders' equity	649,973	598,939
Total liabilities and stockholders' equity	\$871,966	\$705,991

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

	Year Ended	
	December 29, 2012	December 31, 2011
Operating Activities		
Net income	\$ 63,548	\$ 35,472
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation of property and equipment	13,621	13,570
Net gain on the purchase of property and equipment	(8,457)	--
Amortization of other intangible assets and other assets	14,154	11,030
Impairment of long-lived assets	708	1,322
Stock-based compensation expense	31,176	36,115
Income tax benefit from employee stock-based awards	1,827	2,814
Excess income tax benefit from employee stock-based awards	(1,294)	(2,404)
Deferred income taxes	4,725	(445)
Changes in operating assets and liabilities:		
Accounts receivable	(20,743)	(8,562)
Inventories	(13,056)	5,334
Prepaid expenses and other assets	10,629	(5,948)
Accounts payable	7,217	(2,176)
Accrued expenses	(3,812)	(1,320)
Deferred income on shipments to distributors	4,623	(1,915)
Income taxes	(7,816)	5,855
Net cash provided by operating activities	97,050	88,742
Investing Activities		
Purchases of available-for-sale investments	(192,450)	(178,676)
Proceeds from sales and maturities of marketable securities	235,517	193,474
Purchases of property and equipment	(102,043)	(8,690)
Purchases of other assets	(8,508)	(4,018)
Acquisitions of businesses, net of cash acquired	(71,852)	(27,262)
Net cash used in investing activities	(139,336)	(25,172)
Financing Activities		
Proceeds from issuance of common stock, net of shares withheld for taxes	15,148	7,660
Excess income tax benefit from employee stock-based awards	1,294	2,404
Repurchases of common stock	(62,019)	(110,063)
Proceeds from issuance of long-term debt, net	98,325	--
Payments on debt	--	(7,174)
Net cash provided by (used in) financing activities	52,748	(107,173)
Increase (decrease) in cash and cash equivalents	10,462	(43,603)
Cash and cash equivalents at beginning of period	94,964	138,567
Cash and cash equivalents at end of period	<u>\$105,426</u>	<u>\$ 94,964</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 29, 2012						
	GAAP Measure	GAAP Percent of Revenue	Stock Compensation Expense	Termination Costs and Impairments	Acquisition Related Items	Non- GAAP Measure	Non- GAAP Percent of Revenue
Revenues	\$152,461						
Gross margin	93,626	61.4%	\$ 268	\$ --	\$ --	\$93,894	61.6%
Research and development	36,009	23.6%	3,006	262	--	32,741	21.5%
Selling, general and administrative	32,315	21.2%	4,106	1,967	(1,253)	27,495	18.0%
Operating expenses	68,324	44.8%	7,112	2,229	(1,253)	60,236	39.5%
Operating income	25,302	16.6%	7,380	2,229	(1,253)	33,658	22.1%
Net income	18,695	12.3%	6,667	1,829	(1,253)	25,938	17.0%
Non-GAAP Diluted Earnings Per Share	Three Months Ended December 29, 2012						
	GAAP Measure		Stock Compensation Expense	Termination Costs and Impairments	Acquisition Related Items	Non- GAAP Measure	
Net income	\$18,695		\$6,667	\$1,829	\$(1,253)	\$25,938	
Diluted shares outstanding	42,641		--	--	--	42,641	
Diluted earnings per share	\$ 0.44					\$ 0.61	

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 29, 2012				
	GAAP Measure	Stock Compensation Expense	Termination Costs and Impairments	Acquisition Related Items	Non- GAAP Measure
Income before income taxes	\$24,364	\$7,380	\$2,229	\$(1,253)	\$32,720
Provision for income taxes	5,669	713	400	--	6,782
Tax rate percentage	23.3%				20.7%

Non-GAAP Diluted Earnings Per Share	Year Ended December 29, 2012						
	GAAP Measure	Stock Compensation Expense*	Termination Costs and Impairments	Acquisition Related Items	Headquarters Purchase	Release of Unrecognized Tax Benefits	Non- GAAP Measure
Net income	\$63,548	\$25,578	\$4,561	\$11,932	\$(5,274)	\$(7,265)	\$93,080
Diluted shares outstanding	43,106	--	--	--	--	--	43,106
Diluted earnings per share	\$ 1.47						\$ 2.16

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

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

Business Outlook	Three Months Ending March 30, 2013	
	High	Low
Estimated GAAP diluted earnings per share	\$0.40	\$0.34
Estimated non-cash charges	0.17	0.17
Estimated non-GAAP diluted earnings per share	\$0.57	\$0.51

** 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.