

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

	Three Months Ended		Six Months Ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Revenues	\$154,918	\$141,543	\$300,609	\$286,918
Cost of revenues	56,255	52,770	114,841	110,773
Gross margin	98,663	88,773	185,768	176,145
Operating expenses:				
Research and development	41,844	37,387	84,329	74,969
Selling, general and administrative	36,017	32,357	70,628	61,510
Operating expenses	77,861	69,744	154,957	136,479
Operating income	20,802	19,029	30,811	39,666
Other income (expense):				
Interest income	200	152	502	487
Interest expense	(780)	(831)	(1,578)	(1,673)
Other income (expense), net	(6)	114	61	62
Income before income taxes	20,216	18,464	29,796	38,542
Provision for income taxes	5,937	5,852	7,407	5,896
Net income	<u>\$ 14,279</u>	<u>\$ 12,612</u>	<u>\$ 22,389</u>	<u>\$ 32,646</u>
Earnings per share:				
Basic	\$ 0.33	\$ 0.30	\$ 0.52	\$ 0.77
Diluted	\$ 0.32	\$ 0.29	\$ 0.51	\$ 0.76
Weighted-average common shares outstanding:				
Basic	43,462	42,552	43,271	42,370
Diluted	44,218	43,269	44,137	43,191

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

	June 28, 2014	December 28, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 93,290	\$ 95,800
Short-term investments	235,645	179,593
Accounts receivable, net of allowances for doubtful accounts of \$788 at June 28, 2014 and \$797 at December 28, 2013	69,042	72,124
Inventories	45,557	45,271
Deferred income taxes	17,658	18,878
Prepaid expenses and other current assets	47,785	47,651
Total current assets	508,977	459,317
Long-term investments	10,993	10,632
Property and equipment, net	129,357	132,445
Goodwill	228,781	228,781
Other intangible assets, net	124,106	131,593
Other assets, net	22,251	28,382
Total assets	\$1,024,465	\$991,150
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 24,745	\$ 22,126
Current portion of long-term debt	10,000	7,500
Accrued expenses	65,672	45,975
Deferred income on shipments to distributors	33,437	30,853
Income taxes	896	2,693
Total current liabilities	134,750	109,147
Long-term debt	82,500	87,500
Other non-current liabilities	29,610	55,941
Total liabilities	246,860	252,588
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; 43,406 and 42,779 shares issued and outstanding at June 28, 2014 and December 28, 2013, respectively	4	4
Additional paid-in capital	65,199	48,630
Retained earnings	713,001	690,612
Accumulated other comprehensive loss	(599)	(684)
Total stockholders' equity	777,605	738,562
Total liabilities and stockholders' equity	\$1,024,465	\$991,150

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

	Six Months Ended	
	June 28, 2014	June 29, 2013
Operating Activities		
Net income	\$ 22,389	\$ 32,646
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation of property and equipment	6,427	6,634
Amortization of other intangible assets and other assets	8,839	5,635
Stock-based compensation expense	18,559	13,684
Income tax benefit (shortfall) from stock-based awards	377	(489)
Excess income tax benefit from stock-based awards	(589)	(243)
Deferred income taxes	4,665	9,277
Changes in operating assets and liabilities:		
Accounts receivable	3,082	9,388
Inventories	(123)	(1,028)
Prepaid expenses and other assets	3,394	5,023
Accounts payable	3,846	(2,271)
Accrued expenses	(4,902)	(6,013)
Deferred income on shipments to distributors	2,584	293
Income taxes	(5,130)	(6,439)
Net cash provided by operating activities	<u>63,418</u>	<u>66,097</u>
Investing Activities		
Purchases of available-for-sale investments	(117,744)	(121,994)
Proceeds from sales and maturities of available-for-sale investments	61,803	146,870
Purchases of property and equipment	(3,339)	(6,498)
Purchases of other assets	(2,726)	(2,438)
Net cash provided by (used in) investing activities	<u>(62,006)</u>	<u>15,940</u>
Financing Activities		
Proceeds from issuance of common stock, net of shares withheld for taxes	8,943	9,512
Excess income tax benefit from stock-based awards	589	243
Repurchases of common stock	(10,954)	--
Payments on debt	(2,500)	(3,750)
Net cash provided by (used in) financing activities	<u>(3,922)</u>	<u>6,005</u>
Increase (decrease) in cash and cash equivalents	(2,510)	88,042
Cash and cash equivalents at beginning of period	95,800	105,426
Cash and cash equivalents at end of period	<u>\$ 93,290</u>	<u>\$ 193,468</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 June 28, 2014						
	GAAP Measure	GAAP Percent of Revenue	Stock Compensation Expense	Intangible Asset Amortization	Acquisition Related Items	Non- GAAP Measure	Non-GAAP Percent of Revenue
Revenues	\$154,918						
Gross margin	98,663	63.7%	\$ 178	\$ 390	\$ --	\$99,231	64.1%
Research and development	41,844	27.0%	4,327	3,104	--	34,413	22.2%
Selling, general and administrative	36,017	23.3%	4,777	729	(822)	31,333	20.3%
Operating expenses	77,861	50.3%	9,104	3,833	(822)	65,746	42.5%
Operating income	20,802	13.4%	9,282	4,223	(822)	33,485	21.6%
Net income	14,279	9.2%	8,695	3,388	(822)	25,540	16.5%
Non-GAAP Diluted Earnings Per Share	Three Months Ended June 28, 2014						
	GAAP Measure		Stock Compensation Expense	Intangible Asset Amortization	Acquisition Related Items	Non- GAAP Measure	
Net income	\$14,279		\$8,695	\$3,388	\$(822)	\$25,540	
Diluted shares outstanding	44,218		--	--	--	44,218	
Diluted earnings per share	\$ 0.32					\$ 0.58	

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

Non-GAAP Income Tax Rate	Three Months Ended June 28, 2014				
	GAAP Measure	Stock Compensation Expense	Intangible Asset Amortization	Acquisition Related Items	Non- GAAP Measure
Income before income taxes	\$20,216	\$9,282	\$4,223	\$(822)	\$32,899
Provision for income taxes	5,937	587	835	--	7,359
Tax rate percentage	29.4%				22.4%

Unaudited Forward-Looking Statements Regarding Business Outlook **

Business Outlook	Three Months Ending September 27, 2014	
	High	Low
Estimated GAAP diluted earnings per share	\$0.24	\$0.18
Estimated non-GAAP charges	0.27	0.27
Estimated non-GAAP diluted earnings per share	<u>\$0.51</u>	<u>\$0.45</u>

** 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.