

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

	Three Months Ended		Nine Months Ended	
	September 29, 2012	October 1, 2011	September 29, 2012	October 1, 2011
Revenues	\$149,461	\$119,100	\$410,833	\$364,933
Cost of revenues	62,968	46,203	166,442	143,666
Gross margin	86,493	72,897	244,391	221,267
Operating expenses:				
Research and development	34,768	31,715	101,943	101,248
Selling, general and administrative	24,495	27,254	82,075	85,168
Operating expenses	59,263	58,969	184,018	186,416
Operating income	27,230	13,928	60,373	34,851
Other income (expense):				
Interest income	243	388	1,103	1,432
Interest expense	(234)	(4)	(299)	(14)
Other income (expense), net	(161)	(81)	807	292
Income before income taxes	27,078	14,231	61,984	36,561
Provision for income taxes	17,054	2,976	17,131	13,894
Net income	\$ 10,024	\$ 11,255	\$ 44,853	\$ 22,667
Earnings per share:				
Basic	\$ 0.24	\$ 0.26	\$ 1.06	\$ 0.52
Diluted	\$ 0.24	\$ 0.26	\$ 1.04	\$ 0.50
Weighted-average common shares outstanding:				
Basic	41,735	42,834	42,279	43,902
Diluted	42,520	43,919	43,261	45,305

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

	<b>September 29, 2012</b>	<b>December 31, 2011</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$125,505	\$ 94,964
Short-term investments	148,573	212,526
Accounts receivable, net of allowances for doubtful accounts of \$789 at September 29, 2012 and \$725 at December 31, 2011	75,749	55,351
Inventories	42,523	34,778
Deferred income taxes	15,870	11,563
Prepaid expenses and other current assets	36,735	43,867
Total current assets	444,955	453,049
Long-term investments	11,418	17,477
Property and equipment, net	136,321	25,141
Goodwill	130,069	115,489
Other intangible assets, net	94,611	60,005
Other assets, net	37,669	34,830
Total assets	\$855,043	\$705,991
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 35,476	\$ 26,354
Current portion of long-term debt	5,000	--
Accrued expenses	41,441	30,857
Deferred income on shipments to distributors	30,903	24,962
Income taxes	3,339	665
Total current liabilities	116,159	82,838
Long-term debt	95,000	--
Other non-current liabilities	22,663	24,214
Total liabilities	233,822	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; 41,706 and 42,068 shares issued and outstanding at September 29, 2012 and December 31, 2011, respectively	4	4
Additional paid-in capital	--	14,749
Retained earnings	622,098	586,653
Accumulated other comprehensive loss	(881)	(2,467)
Total stockholders' equity	621,221	598,939
Total liabilities and stockholders' equity	\$855,043	\$705,991

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

	<b>Nine Months Ended</b>	
	<b>September 29, 2012</b>	<b>October 1, 2011</b>
<b>Operating Activities</b>		
Net income	\$ 44,853	\$ 22,667
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation of property and equipment	10,247	10,119
Net gain on the purchase of property and equipment	(8,457)	--
Amortization of other intangible assets and other assets	11,001	8,570
Stock-based compensation expense	23,796	27,224
Income tax benefit from employee stock-based awards	2,301	2,301
Excess income tax benefit from employee stock-based awards	(2,470)	(2,111)
Deferred income taxes	5,024	2,011
Changes in operating assets and liabilities:		
Accounts receivable	(18,470)	(11,581)
Inventories	(5,994)	1,670
Prepaid expenses and other assets	13,283	227
Accounts payable	9,113	871
Accrued expenses	(797)	819
Deferred income on shipments to distributors	5,267	1,495
Income taxes	(4,378)	1,287
Net cash provided by operating activities	<u>84,319</u>	<u>65,569</u>
<b>Investing Activities</b>		
Purchases of available-for-sale investments	(138,822)	(113,784)
Proceeds from sales and maturities of marketable securities	209,972	166,262
Purchases of property and equipment	(99,720)	(7,472)
Purchases of other assets	(6,146)	(891)
Acquisition of businesses, net of cash acquired	(71,852)	(27,262)
Net cash provided by (used in) investing activities	<u>(106,568)</u>	<u>16,853</u>
<b>Financing Activities</b>		
Proceeds from issuance of common stock, net of shares withheld for taxes	3,035	2,320
Excess income tax benefit from employee stock-based awards	2,470	2,111
Repurchases of common stock	(51,040)	(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	<u>52,790</u>	<u>(112,806)</u>
Increase (decrease) in cash and cash equivalents	30,541	(30,384)
Cash and cash equivalents at beginning of period	94,964	138,567
Cash and cash equivalents at end of period	<u>\$125,505</u>	<u>\$108,183</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 September 29, 2012							
	GAAP Measure	GAAP Percent of Revenue	Stock Compensation Expense *	Termination Costs	Acquisition Related Items	Headquarters Purchase Items	Non-GAAP Measure	Non-GAAP Percent of Revenue
Revenues	\$149,461							
Gross margin	86,493	57.9%	\$ 261	\$ --	\$ 4,466	\$ --	\$91,220	61.0%
Research and development	34,768	23.3%	3,039	--	--	--	31,729	21.2%
Selling, general and administrative	24,495	16.4%	4,096	1,428	358	(8,113)	26,726	17.9%
Operating expenses	59,263	39.7%	7,135	1,428	358	(8,113)	58,455	39.1%
Operating income	27,230	18.2%	7,396	1,428	4,824	(8,113)	32,765	21.9%
Provision for income taxes	17,054		801	292	(8,827)	(2,839)	6,481	
Net income	10,024	6.7%	6,595	1,136	13,651	(5,274)	26,132	17.5%

Non-GAAP Diluted Earnings Per Share	Three Months Ended September 29, 2012						
	GAAP Measure	Stock Compensation Expense *	Termination Costs	Acquisition Related Items	Headquarters Purchase Items	Non-GAAP Measure	
Net income	\$10,024	\$6,595	\$1,136	\$13,651	\$(5,274)	\$26,132	
Diluted shares outstanding	42,520					42,520	
Diluted earnings per share	\$ 0.24					\$ 0.61	

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

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

<b>Non-GAAP Income Tax Rate</b>	<b>Three Months Ended September 29, 2012</b>					
	<b>GAAP Measure</b>	<b>Stock Compensation Expense *</b>	<b>Termination Costs</b>	<b>Acquisition Related Items</b>	<b>Headquarters Purchase Items</b>	<b>Non- GAAP Measure</b>
Income before income taxes	\$27,078	\$7,396	\$1,428	\$4,824	\$(8,113)	\$32,613
Provision for income taxes	17,054	801	292	(8,827)	(2,839)	6,481
Tax rate percentage	63.0%					19.9%

\* 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)**

<b>Business Outlook</b>	<b>Three Months Ending December 29, 2012</b>	
	<b>High</b>	<b>Low</b>
Estimated GAAP diluted earnings per share	\$0.43	\$0.38
Estimated non-cash charges	0.17	0.17
Estimated non-GAAP diluted earnings per share	\$0.60	\$0.55

\*\* 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.