



## Silicon Laboratories Reports Strong Revenue and Earnings Growth

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### Gross Margin Increases and Company Guides to Record Revenue

AUSTIN, Texas--(BUSINESS WIRE)--Jul. 29, 2009-- Silicon Laboratories Inc. (Nasdaq: SLAB), a leader in high-performance, analog-intensive, mixed-signal integrated circuits (ICs), today reported second quarter revenue of \$104.2 million, a 25 percent sequential increase. GAAP diluted earnings per share of \$0.21 increased dramatically from one cent in the first quarter, and non-GAAP diluted earnings per share increased 90 percent sequentially to \$0.42. Better than anticipated earnings performance resulted from improved gross margin and the company's expense controls. The company guided expected revenue to \$114 to \$119 million for the third quarter, record revenue levels for continuing operations.

#### Second Quarter Financial Results

Second quarter revenue of \$104.2 million was approximately flat to the same period last year. Second quarter GAAP gross margin increased considerably sequentially to 62.2 percent of revenue. R&D investment for the period was \$25.9 million, and SG&A was \$26.2 million. GAAP diluted earnings per share was \$0.21, significantly better than forecasted.

The following non-GAAP results exclude the impact of stock compensation expense. Non-GAAP gross margin increased sequentially by 150 basis points to 62.5 percent. The company expects the improved 62.5 percent margin will likely be sustainable through the end of 2009. Non-GAAP operating expenses declined sequentially as a percent of revenue, totaling \$41.6 million. Non-GAAP operating income was 22.6 percent and is forecasted to reach 25 percent in the third quarter. Non-GAAP diluted earnings per share were \$0.42, considerably better than anticipated. The reconciling charges are set forth in the financial tables below.

During the second quarter, accounts receivable returned to normal levels as demand improved. Inventory rose, but remained lower than the same period last year at \$26.7 million. The company repurchased approximately \$7 million in shares and ended the quarter with a higher level of cash, cash equivalents and investments at \$336 million.

#### Business Summary

The company's outstanding performance during the quarter was due primarily to a number of new product cycles and relative geographic strength from Asia. The company also experienced a very strong rebound in the access and broadcast audio products, both of which were up more than 25 percent sequentially.

Access product revenue in the second quarter nearly met the record revenue level achieved during the same period last year, due to strength in both modem and voice products. RF product revenue increased by more than 20 percent year over year, driven by growth in all three of the product lines: audio, video and short range wireless. The strength of ramps into the digital TV market with the company's video demodulator contributed to the growth. New programs and market share gains continued in handsets, where FM penetration has increased and large customers have expanded their market share. The company's consumer audio business grew as well, with the AM/FM tuner adoption accelerating in Asia.

The Broad-based business was about flat sequentially with growth in MCU and timing offsetting a sequential decline in the power product line. Design wins stepped up during the quarter across the portfolio. In aggregate, the Broad-based business is expected to reach record revenue levels in the third quarter.

"Our business is benefiting from wins in new customer programs, market share gains and seasonality. The increased revenue, strong margins and good expense management are generating tremendous earnings power," said Necip Sayiner, president and CEO of Silicon Laboratories. "We think financial discipline and focus on investing in the right R&D projects are enabling the company to get back to peak revenue levels ahead of our peers, building a foundation for sustainable growth in the future as we continue to execute."

#### Webcast and Conference Call

A conference call discussing the results will follow this press release today at 7:30 a.m. Central Time. An audio webcast will be available simultaneously on Silicon Laboratories' website under Investor Relations ([www.silabs.com](http://www.silabs.com)). A replay will be available after the call at the same website listed above or by calling 1-800-873-2051 or +1-402-220-5370 (international). Replays will be available through August 12, 2009.

#### About Silicon Laboratories Inc.

Silicon Laboratories Inc. is a leading designer of high-performance, analog-intensive, mixed-signal integrated circuits (ICs) for a broad range of applications. Silicon Laboratories' diverse portfolio of highly integrated, patented solutions is developed by a world-class engineering team with expertise in cutting-edge mixed-signal design. The company has design, engineering, marketing, sales and applications offices throughout North America, Europe and Asia. For more information about Silicon Laboratories, please visit [www.silabs.com](http://www.silabs.com).

#### Forward-Looking Statements

This press release contains forward-looking statements based on Silicon Laboratories' current expectations. The words "guide," "believe," "estimate," "expect," "forecast," "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; dependence on a limited number of products and customers; difficulties developing new products that achieve market acceptance; risks that Silicon Laboratories may not be able to manage strains associated with its growth; dependence on key personnel; difficulties managing our manufacturers and subcontractors; difficulties managing international activities; credit risks associated with our accounts receivable; 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; product development risks; inventory-related risks; intellectual property litigation risks; risks associated with acquisitions (including risks that acquisitions may not yield the expected benefits due to the failure to

properly integrate the acquired businesses and employees; risks that the customer base and revenue of the acquired businesses may cease to expand or may decline; risks that the acquired business' products under development may fail to achieve market acceptance; risks of disputes regarding the acquired business; risks that the performance of Silicon Laboratories' existing business may not offset the dilutive effect of an acquisition); risks associated with divestitures; 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.

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## Silicon Laboratories Inc.

### Condensed Consolidated Statements of Income

(In thousands, except per share data)

(Unaudited)

|                                             | Three Months Ended |                 | Six Months Ended |                 |
|---------------------------------------------|--------------------|-----------------|------------------|-----------------|
|                                             | July 4,<br>2009    | July 5,<br>2008 | July 4,<br>2009  | July 5,<br>2008 |
| Revenues                                    | \$ 104,216         | \$ 104,620      | \$ 187,917       | \$ 202,799      |
| Cost of revenues                            | 39,435             | 38,587          | 72,458           | 76,419          |
| Gross margin                                | 64,781             | 66,033          | 115,459          | 126,380         |
| Operating expenses:                         |                    |                 |                  |                 |
| Research and development                    | 25,868             | 23,378          | 51,937           | 48,051          |
| Selling, general and administrative         | 26,187             | 24,486          | 49,629           | 49,095          |
| Operating expenses                          | 52,055             | 47,864          | 101,566          | 97,146          |
| Operating income                            | 12,726             | 18,169          | 13,893           | 29,234          |
| Other income (expense):                     |                    |                 |                  |                 |
| Interest income                             | 655                | 2,406           | 1,537            | 7,204           |
| Interest expense                            | (51)               | (109)           | (103)            | (254)           |
| Other income (expense), net                 | 342                | (355)           | 290              | (497)           |
| Income before income taxes                  | 13,672             | 20,111          | 15,617           | 35,687          |
| Provision for income taxes                  | 3,942              | 5,468           | 5,216            | 10,230          |
| Net income                                  | \$ 9,730           | \$ 14,643       | \$ 10,401        | \$ 25,457       |
| Earnings per share:                         |                    |                 |                  |                 |
| Basic                                       | \$ 0.22            | \$ 0.30         | \$ 0.23          | \$ 0.51         |
| Diluted                                     | \$ 0.21            | \$ 0.29         | \$ 0.23          | \$ 0.50         |
| Weighted-average common shares outstanding: |                    |                 |                  |                 |
| Basic                                       | 44,640             | 48,510          | 44,336           | 49,858          |
| Diluted                                     | 45,975             | 49,705          | 45,229           | 50,901          |

### Unaudited Reconciliation of GAAP to Non-GAAP Financial Measures

(In thousands, except per share data)

| Non-GAAP Income Statement Items | Three Months Ended July 4, 2009 |                         |                            |                  |                             |
|---------------------------------|---------------------------------|-------------------------|----------------------------|------------------|-----------------------------|
|                                 | GAAP Measure                    | GAAP Percent of Revenue | Stock Compensation Expense | Non-GAAP Measure | Non-GAAP Percent of Revenue |
| Revenues                        | \$ 104,216                      |                         |                            |                  |                             |
| Gross margin                    | 64,781                          | 62.2%                   | \$ 372                     | \$ 65,153        | 62.5%                       |
| Operating expenses              | 52,055                          | 49.9%                   | 10,479                     | 41,576           | 39.9%                       |
| Operating income                | 12,726                          | 12.3%                   | 10,851                     | 23,577           | 22.6%                       |

| Non-GAAP Diluted<br>Earnings Per Share | Three Months Ended |                                  |                     |
|----------------------------------------|--------------------|----------------------------------|---------------------|
|                                        | July 4, 2009       |                                  |                     |
|                                        | GAAP<br>Measure    | Stock<br>Compensation<br>Expense | Non-GAAP<br>Measure |
| Net Income                             | \$ 9,730           | \$ 9,394                         | \$ 19,124           |
| Diluted shares outstanding             | 45,975             | --                               | 45,975              |
| Diluted earnings per share             | \$ 0.21            |                                  | \$ 0.42             |

| Non-GAAP Income<br>Statement Items | Three Months Ended |                               |                                  |                                         |                     |                                   |
|------------------------------------|--------------------|-------------------------------|----------------------------------|-----------------------------------------|---------------------|-----------------------------------|
|                                    | April 4, 2009      |                               |                                  |                                         |                     |                                   |
|                                    | GAAP<br>Measure    | GAAP<br>Percent of<br>Revenue | Stock<br>Compensation<br>Expense | Termination<br>Costs and<br>Impairments | Non-GAAP<br>Measure | Non-GAAP<br>Percent of<br>Revenue |
| Revenues                           | \$ 83,701          |                               |                                  |                                         |                     |                                   |
| Gross margin                       | 50,678             | 60.5%                         | \$ 395                           | \$ 10                                   | \$ 51,083           | 61.0%                             |

| Non-GAAP Diluted<br>Earnings Per Share | Three Months Ended |                                  |                                         |                     |
|----------------------------------------|--------------------|----------------------------------|-----------------------------------------|---------------------|
|                                        | April 4, 2009      |                                  |                                         |                     |
|                                        | GAAP<br>Measure    | Stock<br>Compensation<br>Expense | Termination<br>Costs and<br>Impairments | Non-GAAP<br>Measure |
| Net Income                             | \$ 671             | \$ 8,641                         | \$ 732                                  | \$ 10,044           |
| Diluted shares outstanding             | 45,083             | --                               | --                                      | 45,083              |
| Diluted earnings per share             | \$ 0.01            |                                  |                                         | \$ 0.22             |

**Silicon Laboratories Inc.**

**Condensed Consolidated Balance Sheets**

(In thousands, except per share data)

(Unaudited)

|                                                                                                                        | July 4,<br>2009 | January 3,<br>2009 |
|------------------------------------------------------------------------------------------------------------------------|-----------------|--------------------|
| <b>Assets</b>                                                                                                          |                 |                    |
| Current assets:                                                                                                        |                 |                    |
| Cash and cash equivalents                                                                                              | \$ 199,519      | \$ 172,272         |
| Short-term investments                                                                                                 | 113,205         | 101,267            |
| Accounts receivable, net of allowance for doubtful accounts of<br>\$680 at July 4, 2009 and \$1,011 at January 3, 2009 | 62,890          | 36,144             |
| Inventories                                                                                                            | 26,672          | 28,293             |
| Deferred income taxes                                                                                                  | 6,587           | 6,439              |
| Prepaid expenses and other current assets                                                                              | 20,091          | 18,297             |
| Total current assets                                                                                                   | 428,964         | 362,712            |
| Long-term investments                                                                                                  | 23,138          | 51,821             |
| Property, equipment and software, net                                                                                  | 28,739          | 30,496             |
| Goodwill                                                                                                               | 104,612         | 105,515            |

|                              |            |            |
|------------------------------|------------|------------|
| Other intangible assets, net | 45,778     | 49,728     |
| Other assets, net            | 19,831     | 23,973     |
| Total assets                 | \$ 651,062 | \$ 624,245 |

#### **Liabilities and Stockholders' Equity**

##### Current liabilities:

|                                              |           |           |
|----------------------------------------------|-----------|-----------|
| Accounts payable                             | \$ 25,416 | \$ 22,274 |
| Accrued expenses                             | 21,973    | 29,119    |
| Deferred income on shipments to distributors | 26,839    | 21,599    |
| Income taxes                                 | 85        | 4         |
| Total current liabilities                    | 74,313    | 72,996    |
| Long-term obligations and other liabilities  | 49,608    | 48,789    |
| Total liabilities                            | 123,921   | 121,785   |

##### 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;

44,726 and 44,613 shares issued and outstanding at 4 4

July 4, 2009 and January 3, 2009, respectively

|                                            |            |            |
|--------------------------------------------|------------|------------|
| Additional paid-in capital                 | 89,731     | 75,711     |
| Retained earnings                          | 443,194    | 432,793    |
| Accumulated other comprehensive loss       | (5,788)    | (6,048)    |
| Total stockholders' equity                 | 527,141    | 502,460    |
| Total liabilities and stockholders' equity | \$ 651,062 | \$ 624,245 |

Source: Silicon Laboratories Inc.

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