



Silicon Laboratories Announces Record Revenue

July 25, 2007 12:00 PM EDT

AUSTIN, Texas--(BUSINESS WIRE)--July 25, 2007--Silicon Laboratories Inc. (Nasdaq:SLAB), a leader in high-performance, analog-intensive, mixed-signal integrated circuits (ICs), today reported record revenue in continuing operations of \$75.6 million and earnings per share results that exceeded the company's guidance. The company also announced a significant increase in the share repurchase program.

Share Repurchase Program

Silicon Laboratories' Board of Directors approved a new \$400 million share repurchase plan, quadrupling the previous authorization. The program will be executed on the open market or in private transactions, including structured or accelerated transactions, depending on market conditions.

"It is our intention to be active in the execution of this program, effectively returning capital to shareholders and significantly reducing our outstanding share base," said Bill Bock, chief financial officer of Silicon Laboratories. "We also believe this is a responsible action relative to our cash position in that it returns value to shareholders while retaining our financial flexibility for either the operation of the business or for strategic opportunities."

Second Quarter Financial Results

Revenue increased by two percent year over year to record levels in the second quarter. GAAP gross margin totaled 60 percent. GAAP operating income was \$1.9 million. GAAP diluted earnings per share from continuing operations of \$0.12 represented more than a 100 percent improvement over the same period last year.

Excluding an \$8.6 million charge for stock compensation expense, non-GAAP operating income was \$10.6 million or 14 percent of revenue, representing significant progress towards the company's target model. Non-GAAP diluted earnings per share from continuing operations totaled \$0.26, an increase of 60 percent sequentially. The reconciling charges are set forth in the financial measures table included below.

The company ended the quarter with approximately \$644 million in cash, cash equivalents and short-term investments.

Business Summary

During the second quarter, growth was driven by strength in the broadcast and microcontroller product lines. Strong demand from certain handset customers and increasing diversification in non-handset applications resulted in a double-digit broadcast revenue increase. The company also began to ship its new FM transmitter in the second quarter as planned.

The MCU business continued to grow across consumer, industrial and networking applications. The company believes that recent new product introductions and future products under development as part of the MCU roadmap will significantly expand the company's served available market over time.

"We believe that improved visibility into the next two quarters and current business trends support the company's annual growth targets," said Necip Sayiner, president and chief executive officer of Silicon Laboratories. "The margin leverage in our new business model will really become impactful as we grow our revenue in the second half of the year."

For the third quarter of 2007, the company believes revenue in all of its core product lines will experience growth and is guiding revenue in the range of \$81 to \$84 million.

Webcast and Conference Call

A conference call discussing the second quarter 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). A replay will be available after the call at the same website listed above or by calling 888-568-0091 or +1 402-530-7778 (international). Replays will be available through August 8, 2007.

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.

Forward-Looking Statements

This press release contains 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; 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 (including risks associated with the implementation of its enterprise resource planning system); 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 the Pacific Rim 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 and 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 | |
|--|--------------------|-----------------|------------------|-----------------|
| | June 30, 2007 | July 1, 2006 | June 30, 2007 | July 1, 2006 |
| Revenues | \$75,597 | \$73,936 | \$149,411 | \$140,588 |
| Cost of revenues | 30,233 | 24,442 | 58,672 | 45,569 |
| Gross profit | 45,364 | 49,494 | 90,739 | 95,019 |
| Operating expenses: | | | | |
| Research and development | 22,145 | 22,619 | 46,952 | 43,688 |
| Selling, general and administrative | 21,282 | 22,822 | 45,574 | 43,552 |
| In-process research and development | -- | 2,600 | -- | 2,600 |
| Operating expenses | 43,427 | 48,041 | 92,526 | 89,840 |
| Operating income (loss) | 1,937 | 1,453 | (1,787) | 5,179 |
| Other income (expense): | | | | |
| Interest income | 7,032 | 3,624 | 10,867 | 6,826 |
| Interest expense | (167) | (225) | (398) | (400) |
| Other income (expense), net | (51) | 45 | (170) | 291 |
| Income from continuing operations [| | | | |
| before income taxes | 8,751 | 4,897 | 8,512 | 11,896 |
| Provision for income taxes | 1,859 | 1,892 | 2,366 | 3,693 |
| Income from continuing operations | 6,892 | 3,005 | 6,146 | 8,203 |
| Income from discontinued operations, net of income taxes | 581 | 7,132 | 156,940 | 12,998 |
| Net income | \$7,473 | \$10,137 | \$163,086 | \$21,201 |
| Basic earnings per share: | | | | |
| Income from continuing operations | \$0.13 | \$0.05 | \$0.11 | \$0.15 |

| | | | | |
|---|--------|--------|--------|--------|
| Net income | \$0.14 | \$0.18 | \$2.97 | \$0.38 |
| Diluted earnings per share: | | | | |
| Income from continuing operations | \$0.12 | \$0.05 | \$0.11 | \$0.14 |
| Net income | \$0.13 | \$0.18 | \$2.90 | \$0.37 |
| Weighted-average common shares [outstanding: [| | | | |
| Basic | 54,901 | 55,842 | 54,856 | 55,460 |
| Diluted | 56,312 | 57,858 | 56,308 | 57,761 |

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

| | Three Months Ended [| |
|---|----------------------|-----------|
| | ----- [| |
| | June 30, | |
| | 2007 [| |
| | ----- [| |
| GAAP operating income | \$1,937 | |
| Stock compensation adjustments: | | |
| Cost of revenues | 379 | |
| Research and development | 4,078 | |
| Selling, general and administrative | 4,164 | |
| | ----- [| |
| Non-GAAP operating income | \$10,558 | |
| | ----- [| |
| Non-GAAP operating income % | 14.0% | |
| | ----- [| |
| | Three Months Ended | |
| | ----- [| |
| | June 30, | March 31, |
| | 2007 | 2007 |
| | ----- | |
| GAAP income (loss) from continuing operations | \$6,892 | \$(746) |
| Stock compensation adjustments: | | |
| Cost of revenues | 379 | 307 |
| Research and development | 4,078 | 5,371 |
| Selling, general and administrative | 4,164 | 6,092 |
| Provision for income taxes | (1,137) | (2,068) |
| | ----- | |
| Non-GAAP income from continuing | | |

| | | |
|--|----------|---------|
| operations | \$14,376 | \$8,956 |
| GAAP diluted shares outstanding | 56,312 | 54,806 |
| Stock options and awards | -- | 1,505 |
| | ----- | ----- |
| Non-GAAP diluted shares outstanding | 56,312 | 56,311 |
| Non-GAAP diluted earnings per share from continuing operations | \$0.26 | \$0.16 |
| | ----- | ----- |

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

| | June 30, 2007 | December 30, 2006 |
|--|------------------|----------------------|
| | ----- | ----- |
| Assets [| | |
| Current assets: | | |
| Cash and cash equivalents | \$162,066 | \$68,188 |
| Short-term investments | 481,930 | 318,104 |
| Accounts receivable, net of allowance for doubtful accounts of \$501 at June 30, 2007 and \$421 at December 30, 2006 | 42,171 | 36,657 |
| Inventories | 18,982 | 22,016 |
| Deferred income taxes | 5,229 | 12,118 |
| Prepaid expenses and other | 31,989 | 12,944 |
| Current assets of discontinued operations | -- | 33,680 |
| | ----- | ----- |
| Total current assets | 742,367 | 503,707 |
| Property, equipment and software, net | 29,824 | 34,070 |
| Goodwill | 65,519 | 65,680 |
| Other intangible assets, net | 18,109 | 20,271 |
| Other assets, net | 24,070 | 24,528 |
| Non-current assets of discontinued operations | -- | 38,739 |
| | ----- | ----- |
| Total assets | \$879,889 | \$686,995 |
| | ===== | ===== |

| | | |
|--------------------------------------|----------|----------|
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$30,051 | \$26,438 |
| Accrued expenses | 18,148 | 23,051 |
| Deferred income on shipments to | | |

| | | |
|---|-----------|-----------|
| distributors | 18,341 | 20,568 |
| Income taxes | -- | 15,063 |
| Current liabilities of discontinued operations | 10,099 | 16,502 |
| | ----- | ----- |
| Total current liabilities | 76,639 | 101,622 |
| Long-term obligations and other liabilities | 49,641 | 15,641 |
| Non-current liabilities of discontinued operations | -- | 1,050 |
| | ----- | ----- |
| Total liabilities | 126,280 | 118,313 |
| 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; 55,114 and 54,802 shares issued and outstanding at June 30, 2007 and December 30, 2006, respectively [| | |
| | 6 | 5 |
| Additional paid-in capital | 395,495 | 373,655 |
| Retained earnings | 358,108 | 195,022 |
| | ----- | ----- |
| Total stockholders' equity | 753,609 | 568,682 |
| | ----- | ----- |
| Total liabilities and stockholders' equity | \$879,889 | \$686,995 |
| | ===== | ===== |

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