

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

	Three Months Ended		Six Months Ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
Revenues	\$135,670	\$126,197	\$261,372	\$245,833
Cost of revenues	52,868	49,985	103,474	97,463
Gross margin	82,802	76,212	157,898	148,370
Operating expenses:				
Research and development	34,245	34,173	67,175	69,533
Selling, general and administrative	32,178	26,055	57,580	57,914
Operating expenses	66,423	60,228	124,755	127,447
Operating income	16,379	15,984	33,143	20,923
Other income (expense):				
Interest income	363	473	860	1,044
Interest expense	(32)	(5)	(65)	(10)
Other income (expense), net	1,079	164	968	373
Income before income taxes	17,789	16,616	34,906	22,330
Provision (benefit) for income taxes	(2,720)	3,244	77	10,918
Net income	<u>\$ 20,509</u>	<u>\$ 13,372</u>	<u>\$ 34,829</u>	<u>\$ 11,412</u>
Earnings per share:				
Basic	\$ 0.48	\$ 0.30	\$ 0.82	\$ 0.26
Diluted	\$ 0.47	\$ 0.29	\$ 0.80	\$ 0.25
Weighted-average common shares outstanding:				
Basic	42,655	44,602	42,556	44,435
Diluted	43,423	45,951	43,637	45,998

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

	June 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$173,753	\$ 94,964
Short-term investments	138,147	212,526
Accounts receivable, net of allowances for doubtful accounts of \$669 at June 30, 2012 and \$725 at December 31, 2011	72,666	55,351
Inventories	35,977	34,778
Deferred income taxes	6,170	11,563
Prepaid expenses and other current assets	48,152	43,867
Total current assets	474,865	453,049
Long-term investments	11,028	17,477
Property and equipment, net	23,468	25,141
Goodwill	115,489	115,489
Other intangible assets, net	55,447	60,005
Other assets, net	40,977	34,830
Total assets	\$721,274	\$705,991
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 36,383	\$ 26,354
Accrued expenses	30,955	30,857
Deferred income on shipments to distributors	26,334	24,962
Income taxes	707	665
Total current liabilities	94,379	82,838
Long-term obligations and other liabilities	9,700	24,214
Total liabilities	104,079	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; 41,941 and 42,068 shares issued and outstanding at June 30, 2012 and December 31, 2011, respectively	4	4
Additional paid-in capital	--	14,749
Retained earnings	618,839	586,653
Accumulated other comprehensive loss	(1,648)	(2,467)
Total stockholders' equity	617,195	598,939
Total liabilities and stockholders' equity	\$721,274	\$705,991

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

	Six Months Ended	
	June 30, 2012	July 2, 2011
Operating Activities		
Net income	\$ 34,829	\$ 11,412
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation of property and equipment	6,749	6,680
Amortization of other intangible assets and other assets	4,559	6,077
Stock-based compensation expense	15,865	18,074
Income tax benefit from employee stock-based awards	2,627	2,083
Excess income tax benefit from employee stock-based awards	(2,450)	(1,963)
Deferred income taxes	1,625	181
Changes in operating assets and liabilities:		
Accounts receivable	(17,315)	(23,562)
Inventories	(1,299)	2,022
Prepaid expenses and other assets	4,806	(1,021)
Accounts payable	8,766	259
Accrued expenses	(5,203)	(2,841)
Deferred income on shipments to distributors	1,372	5,157
Income taxes	(13,672)	3,672
Net cash provided by operating activities	41,259	26,230
Investing Activities		
Purchases of available-for-sale investments	(105,169)	(75,856)
Proceeds from sales and maturities of marketable securities	186,514	104,831
Purchases of property and equipment	(5,095)	(5,058)
Purchases of other assets	(7,919)	(665)
Acquisition of businesses, net of cash acquired	--	(27,262)
Net cash provided by (used in) investing activities	68,331	(4,010)
Financing Activities		
Proceeds from issuance of common stock, net of shares withheld for taxes	2,922	2,489
Excess income tax benefit from employee stock-based awards	2,450	1,963
Repurchases of common stock	(36,173)	(23,241)
Payments on debt	--	(7,174)
Net cash used in financing activities	(30,801)	(25,963)
Increase (decrease) in cash and cash equivalents	78,789	(3,743)
Cash and cash equivalents at beginning of period	94,964	138,567
Cash and cash equivalents at end of period	\$173,753	\$134,824

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 30, 2012							
	GAAP Measure	GAAP Percent of Revenue	Stock Compensation Expense *	Termination Costs	Acquisition Related Items	Release of Unrecognized Tax Benefits	Non-GAAP Measure	Non-GAAP Percent of Revenue
Revenues	\$135,670							
Gross margin	82,802	61.0%	\$ 317	\$ --	\$ --	\$ --	\$83,119	61.3%
Research and development	34,245	25.2%	2,954	--	--	--	31,291	23.1%
Selling, general and administrative	32,178	23.7%	3,340	3,946	483	--	24,409	18.0%
Operating expenses	66,423	48.9%	6,294	3,946	483	--	55,700	41.1%
Operating income	16,379	12.1%	6,611	3,946	483	--	27,419	20.2%
Net income	20,509	15.1%	5,846	2,729	483	(7,265)	22,302	16.4%

Non-GAAP Diluted Earnings Per Share	Three Months Ended June 30, 2012						
	GAAP Measure	Stock Compensation Expense *	Termination Costs	Acquisition Related Items	Release of Unrecognized Tax Benefits	Non-GAAP Measure	
Net income	\$20,509	\$5,846	\$2,729	\$483	\$(7,265)	\$22,302	
Diluted shares outstanding	43,423					43,423	
Diluted earnings per share	\$ 0.47					\$ 0.51	

* 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)

Non-GAAP Income Tax Rate	Three Months Ended June 30, 2012					Non- GAAP Measure
	GAAP Measure	Stock Compensation Expense *	Termination Costs	Acquisition Related Items	Release of Unrecognized Tax Benefits	
Income before income taxes	\$17,789	\$6,611	\$3,946	\$483	\$ --	\$28,829
Provision (benefit) for income taxes	(2,720)	765	1,217	--	7,265	6,527
Tax rate percentage	(15.3)%					22.6%

* 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 September 29, 2012	
	High	Low
Estimated GAAP diluted earnings per share	\$0.33	\$0.28
Estimated non-cash charges	0.22	0.22
Estimated non-GAAP diluted earnings per share	\$0.55	\$0.50

** 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.