Silicon Laboratories Reports Record Revenue

Company Delivers Strong Quarterly Performance and Outlook

Our Broad-based business has achieved critical mass, and with double-digit annual growth rates, it is on track to be the majority of our business as we exit the year

AUSTIN, Texas--(<u>BUSINESS WIRE</u>)--<u>Silicon Laboratories Inc.</u> (Nasdaq: SLAB), a leader in high-performance, analog-intensive, mixed-signal integrated circuits (ICs), today reported record third quarter revenue of \$149.5 million, an impressive 25 percent increase compared to the third quarter of 2011. The company believes market share gains across the portfolio and record design win activity are enabling the business to outperform the end markets.

Financial Highlights

Third quarter revenue was up ten percent sequentially due to both organic growth and the additional revenue from an acquisition completed during the quarter. On a GAAP-basis, gross margin was 57.9 percent, which included one-time charges associated with the acquisition. R&D investment increased to \$34.8 million, and SG&A expense decreased to \$24.5 million. SG&A expense declined primarily due to an \$8.1 million gain from the purchase of the company's headquarters. Resulting GAAP operating income increased to 18.2 percent. Diluted GAAP earnings per share declined to \$0.24 and included other charges related to the acquisition of Ember and a net gain from the purchase of the headquarters buildings.

The following non-GAAP results exclude the impact of stock compensation and other one-time items. Gross margin was 61.0 percent for the quarter. Operating expenses decreased to 39.1 percent of sales. R&D increased to \$31.7 million, and SG&A increased to \$26.7 million due to the acquisition and increased variable compensation. Operating income, therefore, was better than expected at 21.9 percent of revenue. Strong revenue growth and operating performance resulted in significant earnings leverage. Diluted earnings per share for the quarter was 61 cents, a 20 percent sequential increase. Reconciling charges are set forth in the financial measures table included below.

The company repurchased \$14.9 million of stock and ended the quarter with \$285 million in cash, cash equivalents and investments due to continued healthy cash flow from operations.

Business Highlights

All of the company's major product categories, Access, Broadcast and Broad-based, grew sequentially again in the third quarter. The company believes it is benefiting from growth trends in energy efficiency, the "Internet of Everything", and the explosion in demand for bandwidth, all of which drive an increasing need for mixed-signal ICs.

The Broad-based business was up 15 percent as the company's microcontroller (MCU) products posted record revenue. The increase, driven by both organic growth and the acquisition of ZigBee[®] wireless products, resulted from market share gains in communications infrastructure, consumer devices, smart energy, home automation and security. The company's power products benefited from customers' power system re-designs, growing 20 percent sequentially.

The Broadcast business increased in both audio and video as consumer equipment makers continued to build ahead of the holidays. Design win traction remains very strong, with the company's video products closing on the majority of 2013 TV models, enabling continued share gains into next year. The Access products also posted sequential growth due to new ramps in PBX systems, voice over cable and Power over Ethernet applications.

"Our Broad-based business has achieved critical mass, and with double-digit annual growth rates, it is on track to be the majority of our business as we exit the year," said Tyson Tuttle, president and CEO of Silicon Laboratories. "We've aligned our product focus to capitalize on the most important trends impacting mixed-signal ICs, and I feel good about extending the breadth and quality of the growth we're seeing in the business into 2013."

The company expects revenue for the fourth quarter to be in the range of \$145 to \$150 million.

Webcast and Conference Call

A conference call discussing the quarterly results will follow this press release 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 1 (855) 859-2056 or +1 (404) 537-3406 (international) and by entering 39712936. The replay will be available through November 7.

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; 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.

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

Three Months Ended		Nine Months Ended		
September 29,	October 1,	September 29,	October 1,	
2012	2011	2012	2011	
\$ 149,461	\$119,100	\$410,833	\$364,933	
62,968	46,203	166,442	143,666	
86,493	72,897	244,391	221,267	
34,768	31,715	101,943	101,248	
24,495	27,254	82,075	85,168	
59,263	58,969	184,018	186,416	
27,230	13,928	60,373	34,851	
243	388	1,103	1,432	
(234	(4)	(299)	(14)	
(161)	(81)	807	292	
27,078	14,231	61,984	36,561	
17,054	2,976	17,131	13,894	
	September 29, 2012 \$ 149,461 62,968 86,493 34,768 24,495 59,263 27,230 243 (234 (161 27,078	September 29, October 1, 2012 2011 \$ 149,461 \$ 119,100 62,968 46,203 86,493 72,897 34,768 31,715 24,495 27,254 59,263 58,969 27,230 13,928 243 388 (234) (4) (161) (81) 27,078 14,231)	September 29, October 1, September 29, 2012 2011 2012 \$ 149,461 \$ 119,100 \$ 410,833 62,968 46,203 166,442 86,493 72,897 244,391 34,768 31,715 101,943 24,495 27,254 82,075 59,263 58,969 184,018 27,230 13,928 60,373 243 388 1,103 (234) (4) (299) (161) (81) 807 27,078 14,231 61,984	

Net income	\$10,024	\$11,255	\$44,853	\$22,667
Earnings per share: Basic Diluted	\$ 0.24 \$ 0.24	\$0.26 \$0.26	\$1.06 \$1.04	\$0.52 \$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

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

Non-GAAP Income Three Months Ended Statement Items September 29, 2012

	GAAP Measure	GAAP Percent 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 %
Non-GAAP Diluted Earnings Per Share Three Months September			ths Ended 29, 2012						
		GAAP Measure)	Stock Compensation Expense *	Termination Costs	Acquisition Related Items	Headquarters Purchase Items	Non- GAAP Measure	
Net income		\$10,024	4	\$ 6,595	\$ 1,136	\$ 13,651	\$ (5,274)	\$26,132	
Diluted shares outs	tanding	42,520	0					42,520	
Diluted earnings pe	r share	\$0.24						\$0.61	

^{*} Excludes stock compensation recognized in connection with terminations costs for our former CEO.

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

	September 29, 2012	December 31, 2011
Assets Current assets:		
Cash and cash equivalents Short-term investments	\$125,505 148,573	\$94,964 212,526
Accounts receivable, net of allowances for doubtful accounts of \$789 at	75 740	FF 0F4
September 29, 2012 and \$725 at December 31, 2011	75,749	55,351
Inventories Deferred income taxes Prepaid expenses and other current assets Total current assets Long-term investments Property and equipment, net Goodwill Other intangible assets, net Other assets, net	42,523 15,870 36,735 444,955 11,418 136,321 130,069 94,611 37,669	34,778 11,563 43,867 453,049 17,477 25,141 115,489 60,005 34,830
Total assets	\$855,043	\$705,991
Liabilities and Stockholders' Equity Current liabilities:		
Accounts payable Current portion of long-term debt Accrued expenses Deferred income on shipments to distributors Income taxes Total current liabilities Long-term debt Other non-current liabilities Total liabilities Commitments and contingencies Stockholders' equity: Preferred stock\$0.0001 par value; 10,000 shares authorized; no shares	\$35,476 5,000 41,441 30,903 3,339 116,159 95,000 22,663 233,822	\$26,354 30,857 24,962 665 82,838 24,214 107,052
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	4	4
December 31, 2011, respectively	·	•
Additional paid-in capital Retained earnings Accumulated other comprehensive loss Total stockholders' equity Total liabilities and stockholders' equity	622,098 (881) 621,221 \$855,043	14,749 586,653 (2,467) 598,939 \$705,991

Silicon Laboratories Inc.
Condensed Consolidated Statements of Cash Flows

(In thousands) (Unaudited)

	Nine Montl September 29, 2012	_	Ended October 1, 2011		
Operating Activities Net income Adjustments to reconcile net income to cash provided by	\$ 44,853		\$22,667		
operating activities: Depreciation of property and equipment Net gain on the purchase of property and equipment Amortization of other intangible assets and other assets Stock-based compensation expense Income tax benefit from employee stock-based awards Excess income tax benefit from employee stock-based awards Deferred income taxes	10,247 (8,457 11,001 23,796 2,301 (2,470 5,024)	10,119 8,570 27,224 2,301 (2,111) 2,011		
Changes in operating assets and liabilities: Accounts receivable Inventories Prepaid expenses and other assets Accounts payable Accrued expenses Deferred income on shipments to distributors Income taxes Net cash provided by operating activities	(18,470 (5,994 13,283 9,113 (797 5,267 (4,378 84,319))	(11,581) 1,670 227 871 819 1,495 1,287 65,569		
Investing Activities Purchases of available-for-sale investments Proceeds from sales and maturities of marketable securities Purchases of property and equipment Purchases of other assets Acquisition of businesses, net of cash acquired Net cash provided by (used in) investing activities Financing Activities	(138,822 209,972 (99,720 (6,146 (71,852 (106,568)	(113,784) 166,262 (7,472) (891) (27,262) 16,853		
Proceeds from issuance of common stock, net of shares withheld for taxes Excess income tax benefit from employee stock-based awards Repurchases of common stock Proceeds from issuance of long-term debt, net Payments on debt Net cash provided by (used in) financing activities	3,035 2,470 (51,040 98,325 52,790)	2,320 2,111 (110,063) (7,174) (112,806)		
Increase (decrease) in cash and cash equivalents Cash and cash equivalents at beginning of period Cash and cash equivalents at end of period	30,541 94,964 \$125,505		(30,384) 138,567 \$108,183		

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