

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

	Three Months Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Revenues	\$146,933	\$149,461	\$433,851	\$410,833
Cost of revenues	58,772	62,968	169,545	166,442
Gross margin	88,161	86,493	264,306	244,391
Operating expenses:				
Research and development	40,662	34,768	115,631	101,943
Selling, general and administrative	37,009	24,495	98,519	82,075
Operating expenses	77,671	59,263	214,150	184,018
Operating income	10,490	27,230	50,156	60,373
Other income (expense):				
Interest income	129	243	616	1,103
Interest expense	(813)	(234)	(2,486)	(299)
Other income (expense), net	(23)	(161)	39	807
Income before income taxes	9,783	27,078	48,325	61,984
Provision for income taxes	3,252	17,054	9,148	17,131
Net income	<u>\$ 6,531</u>	<u>\$ 10,024</u>	<u>\$ 39,177</u>	<u>\$ 44,853</u>
Earnings per share:				
Basic	\$ 0.15	\$ 0.24	\$ 0.92	\$ 1.06
Diluted	\$ 0.15	\$ 0.24	\$ 0.90	\$ 1.04
Weighted-average common shares outstanding:				
Basic	42,684	41,735	42,477	42,279
Diluted	43,922	42,520	43,437	43,261

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

	<b>September 28, 2013</b>	<b>December 29, 2012</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$116,539	\$105,426
Short-term investments	153,857	176,565
Accounts receivable, net of allowances for doubtful accounts of \$717 at September 28, 2013 and \$670 at December 29, 2012	68,499	78,023
Inventories	44,817	49,579
Deferred income taxes	17,356	16,652
Prepaid expenses and other current assets	51,097	41,437
Total current assets	452,165	467,682
Long-term investments	10,671	11,369
Property and equipment, net	134,398	135,271
Goodwill	227,289	130,265
Other intangible assets, net	136,054	90,750
Other assets, net	39,150	36,629
Total assets	\$999,727	\$871,966
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 24,885	\$ 29,622
Current portion of long-term debt	5,000	5,000
Accrued expenses	42,639	40,410
Deferred income on shipments to distributors	29,876	30,259
Income taxes	1,457	1,087
Total current liabilities	103,857	106,378
Long-term debt	91,250	95,000
Other non-current liabilities	70,342	20,615
Total liabilities	265,449	221,993
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; 43,093 and 41,879 shares issued and outstanding at September 28, 2013 and December 29, 2012, respectively	4	4
Additional paid-in capital	55,085	10,122
Retained earnings	679,970	640,793
Accumulated other comprehensive loss	(781)	(946)
Total stockholders' equity	734,278	649,973
Total liabilities and stockholders' equity	\$999,727	\$871,966

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

	<b>Nine Months Ended</b>	
	<b>September 28, 2013</b>	<b>September 29, 2012</b>
<b>Operating Activities</b>		
Net income	\$ 39,177	\$ 44,853
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation of property and equipment	10,050	10,247
Net gain on the purchase of property and equipment	--	(8,457)
Amortization of other intangible assets and other assets	11,051	11,001
Stock-based compensation expense	22,304	23,796
Income tax benefit (detriment) from employee stock-based awards	(621)	2,301
Excess income tax benefit from employee stock-based awards	(284)	(2,470)
Deferred income taxes	6,790	5,024
Changes in operating assets and liabilities:		
Accounts receivable	12,599	(18,470)
Inventories	6,213	(5,994)
Prepaid expenses and other assets	(1,606)	13,283
Accounts payable	(3,017)	9,113
Accrued expenses	(2,864)	(797)
Deferred income on shipments to distributors	(3,169)	5,267
Income taxes	(1,429)	(4,378)
Net cash provided by operating activities	<u>95,194</u>	<u>84,319</u>
<b>Investing Activities</b>		
Purchases of available-for-sale investments	(164,317)	(138,822)
Proceeds from sales and maturities of available-for-sale investments	186,936	209,972
Purchases of property and equipment	(8,984)	(99,720)
Purchases of other assets	(3,499)	(6,146)
Acquisition of businesses, net of cash acquired	(86,441)	(71,852)
Net cash used in investing activities	<u>(76,305)</u>	<u>(106,568)</u>
<b>Financing Activities</b>		
Proceeds from issuance of common stock, net of shares withheld for taxes	11,900	3,035
Excess income tax benefit from employee stock-based awards	284	2,470
Repurchases of common stock	(7,776)	(51,040)
Proceeds from issuance of long-term debt, net	--	98,325
Payments on debt	(12,184)	--
Net cash provided by (used) in financing activities	<u>(7,776)</u>	<u>52,790</u>
Increase in cash and cash equivalents	11,113	30,541
Cash and cash equivalents at beginning of period	105,426	94,964
Cash and cash equivalents at end of period	<u>\$116,539</u>	<u>\$125,505</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 28, 2013							
	GAAP Measure	GAAP Percent of Revenue	Stock Compensation Expense	Intangible Asset Amortization	Termination Costs	Acquisition Related Items	Non-GAAP Measure	Non-GAAP Percent of Revenue
Revenues	\$146,933							
Gross margin	88,161	60.0%	\$ 269	\$ 390	\$ --	\$ 955	\$89,775	61.1%
Research and development	40,662	27.7%	3,729	3,217	--	--	33,716	22.9%
Selling, general and administrative	37,009	25.2%	4,622	729	291	1,604	29,763	20.3%
Operating expenses	77,671	52.9%	8,351	3,946	291	1,604	63,479	43.2%
Operating income	10,490	7.1%	8,620	4,336	291	2,559	26,296	17.9%
Net income	6,531	4.4%	7,716	2,986	291	2,292	19,816	13.5%
Non-GAAP Diluted Earnings Per Share	Three Months Ended September 28, 2013							
	GAAP Measure	Stock Compensation Expense	Intangible Asset Amortization	Termination Costs	Acquisition Related Items	Non-GAAP Measure		
Net income	\$6,531	\$7,716	\$2,986	\$291	\$2,292	\$19,816		
Diluted shares outstanding	43,922	--	--	--	--	43,922		
Diluted earnings per share	\$ 0.15					\$ 0.45		

**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 28, 2013</b>					
	<b>GAAP Measure</b>	<b>Stock Compensation Expense</b>	<b>Intangible Asset Amortization</b>	<b>Termination Costs</b>	<b>Acquisition Related Items</b>	<b>Non- GAAP Measure</b>
Income before income taxes	\$9,783	\$8,620	\$4,336	\$291	\$2,559	\$25,589
Provision for income taxes	3,252	904	1,350	--	267	5,773
Tax rate percentage	33.2%					22.6%

**Unaudited Forward-Looking Statements Regarding Business Outlook \*\***  
**(In thousands, except per share information)**

<b>Business Outlook</b>	<b>Three Months Ending December 28, 2013</b>	
	<b>High</b>	<b>Low</b>
Estimated GAAP diluted earnings per share	\$0.17	\$0.12
Estimated non-GAAP charges	0.28	0.28
Estimated non-GAAP diluted earnings per share	<u>\$0.45</u>	<u>\$0.40</u>

\*\* These financial schedules contain forward-looking statements based on Silicon Labs' current expectations. The words "believe," "estimate," "expect," "intend," "anticipate," "plan," "project," "will" and similar phrases as they relate to Silicon Labs are intended to identify such forward-looking statements. These forward-looking statements reflect the current views and assumptions of Silicon Labs 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 Labs may not be able to maintain its historical growth; quarterly fluctuations in revenues and operating results; difficulties developing new products that achieve market acceptance; dependence on a limited number of products and customers; intellectual property litigation risks; risks associated with acquisitions and divestitures; product liability risks; difficulties managing our distributors, manufacturers and subcontractors; inventory-related risks; difficulties managing international activities; risks that Silicon Labs may not be able to manage strains associated with its growth; credit risks associated with our accounts receivable; dependence on key personnel; stock price volatility; geographic concentration of manufacturers, assemblers, test service providers and customers in Asia that subjects Silicon Labs' business and results of operations to risks of natural disasters, epidemics, war and political unrest; debt-related risks; capital-raising risks; the competitive and cyclical nature of the semiconductor industry; average selling prices of products may decrease significantly and rapidly; information technology risks; conflict mineral risks and other factors that are detailed in the SEC filings of Silicon Laboratories Inc. Silicon Labs disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. References in these financial schedules to Silicon Labs shall mean Silicon Laboratories Inc.