

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

	Three Months Ended	
	March 31, 2018	April 1, 2017
Revenues	\$205,384	\$179,028
Cost of revenues	81,147	73,867
Gross margin	124,237	105,161
Operating expenses:		
Research and development	54,828	52,324
Selling, general and administrative	45,694	40,155
Operating expenses	100,522	92,479
Operating income	23,715	12,682
Other income (expense):		
Interest income and other, net	3,202	576
Interest expense	(4,883)	198
Income before income taxes	22,034	13,456
Provision (benefit) for income taxes	(4,371)	(1,970)
Net income	\$ 26,405	\$ 15,426
Earnings per share:		
Basic	\$ 0.61	\$ 0.37
Diluted	\$ 0.60	\$ 0.36
Weighted-average common shares outstanding:		
Basic	42,963	42,096
Diluted	43,918	43,030

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

	March 31, 2018	December 30, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 342,272	\$ 269,366
Short-term investments	417,867	494,657
Accounts receivable, net	75,122	71,367
Inventories	76,505	73,132
Prepaid expenses and other current assets	64,555	39,120
Total current assets	976,321	947,642
Property and equipment, net	129,894	127,682
Goodwill	288,227	288,227
Other intangible assets, net	76,716	83,144
Other assets, net	94,837	88,387
Total assets	\$1,565,995	\$1,535,082
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 50,068	\$ 38,851
Deferred revenue and returns liability	25,426	--
Deferred income on shipments to distributors	--	50,115
Other current liabilities	69,310	73,359
Total current liabilities	144,804	162,325
Convertible debt	345,049	341,879
Other non-current liabilities	75,567	77,862
Total liabilities	565,420	582,066
Commitments and contingencies		
Stockholders' equity:		
Preferred stock — \$0.0001 par value; 10,000 shares authorized; no shares issued	--	--
Common stock — \$0.0001 par value; 250,000 shares authorized; 43,227 and 42,707 shares issued and outstanding at March 31, 2018 and December 30, 2017, respectively	4	4
Additional paid-in capital	98,396	102,862
Retained earnings	904,160	851,307
Accumulated other comprehensive loss	(1,985)	(1,157)
Total stockholders' equity	1,000,575	953,016
Total liabilities and stockholders' equity	\$1,565,995	\$1,535,082

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

	Three Months Ended	
	March 31, 2018	April 1, 2017
Operating Activities		
Net income	\$ 26,405	\$ 15,426
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation of property and equipment	3,704	3,596
Amortization of other intangible assets and other assets	6,427	6,752
Amortization of debt discount and debt issuance costs	3,169	869
Stock-based compensation expense	12,192	10,486
Deferred income taxes	(4,780)	(4,059)
Changes in operating assets and liabilities:		
Accounts receivable	(3,307)	(1,252)
Inventories	(3,368)	(1,636)
Prepaid expenses and other assets	(17,169)	6,708
Accounts payable	13,030	5,565
Other current liabilities and income taxes	(9,643)	(2,944)
Deferred income, deferred revenue and returns liability	(2,599)	4,038
Other non-current liabilities	(1,849)	(1,536)
Net cash provided by operating activities	<u>22,212</u>	<u>42,013</u>
Investing Activities		
Purchases of available-for-sale investments	(52,821)	(267,777)
Sales and maturities of available-for-sale investments	128,975	25,595
Purchases of property and equipment	(4,102)	(4,543)
Purchases of other assets	(4,698)	(1,446)
Acquisition of business, net of cash acquired	--	(13,658)
Net cash provided by (used in) investing activities	<u>67,354</u>	<u>(261,829)</u>
Financing Activities		
Proceeds from issuance of long-term debt, net	--	390,000
Payments on debt	--	(72,500)
Payment of taxes withheld for vested stock awards	(17,871)	(13,553)
Proceeds from the issuance of common stock	1,211	162
Net cash provided by (used in) financing activities	<u>(16,660)</u>	<u>304,109</u>
Increase in cash and cash equivalents	72,906	84,293
Cash and cash equivalents at beginning of period	269,366	141,106
Cash and cash equivalents at end of period	<u>\$342,272</u>	<u>\$225,399</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 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 March 31, 2018						
	GAAP Measure	GAAP Percent of Revenue	Stock Compensation Expense	Intangible Asset Amortization	Acquisition Related Items	Non-GAAP Measure	Non-GAAP Percent of Revenue
Revenues	\$205,384						
Gross margin	124,237	60.5%	\$ 296	\$ --	\$ --	\$124,533	60.6%
Research and development	54,828	26.7%	5,769	4,787	--	44,272	21.6%
Selling, general and administrative	45,694	22.3%	6,127	1,515	700	37,352	18.1%
Operating expenses	100,522	49.0%	11,896	6,302	700	81,624	39.7%
Operating income	23,715	11.5%	12,192	6,302	700	42,909	20.9%

Non-GAAP Earnings Per Share and Income Tax Rate	Three Months Ended March 31, 2018									
	GAAP Measure	GAAP Tax Percentage Rate	Stock Compensation Expense	Intangible Asset Amortization	Acquisition Related Items	Termination Costs, Impairments and Fair Value Adjustments	Non-cash Interest Expense	Income Tax Adjustments	Non-GAAP Measure	Non-GAAP Tax Percentage Rate
Income before income taxes	\$22,034		\$12,192	\$6,302	\$700	\$(985)	\$2,754	\$ --	\$42,997	
Provision (benefit) for income taxes	(4,371)	(19.8)%						9,045	4,674	10.9%
Net income	\$26,405								\$38,323	
Diluted shares outstanding	43,918								43,918	
Diluted earnings per share	\$ 0.60								\$ 0.87	

Unaudited Forward-Looking Statements Regarding Business Outlook**
(In millions, except per share data)

Business Outlook	Three Months Ending June 30, 2018		
	GAAP Measure	Non-GAAP Adjustments	Non-GAAP Measure
Gross margin	58.5%	1.0%	59.5%
Operating expenses	\$111	\$25	\$86
Effective tax rate	0.0%	11.0%	11.0%
Diluted earnings per share - low	\$0.23	\$0.58	\$0.81
Diluted earnings per share - high	\$0.29	\$0.58	\$0.87

** 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; cyber-attacks against our products and our networks; 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.