

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

| | Three Months Ended | | Nine Months Ended | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 29, 2018 | September 30, 2017 | September 29, 2018 | September 30, 2017 |
| Revenues | \$230,243 | \$198,723 | \$652,733 | \$567,849 |
| Cost of revenues | 94,616 | 82,149 | 261,577 | 232,922 |
| Gross margin | 135,627 | 116,574 | 391,156 | 334,927 |
| Operating expenses: | | | | |
| Research and development | 61,091 | 52,000 | 175,414 | 156,756 |
| Selling, general and administrative | 49,406 | 39,606 | 148,896 | 119,587 |
| Operating expenses | 110,497 | 91,606 | 324,310 | 276,343 |
| Operating income | 25,130 | 24,968 | 66,846 | 58,584 |
| Other income (expense): | | | | |
| Interest income and other, net | 2,109 | 1,923 | 6,920 | 4,094 |
| Interest expense | (4,932) | (4,764) | (14,703) | (9,265) |
| Income before income taxes | 22,307 | 22,127 | 59,063 | 53,413 |
| Provision (benefit) for income taxes | (5,454) | 2,178 | (9,383) | 1,469 |
| Net income | \$ 27,761 | \$ 19,949 | \$ 68,446 | \$ 51,944 |
| Earnings per share: | | | | |
| Basic | \$ 0.64 | \$ 0.47 | \$ 1.59 | \$ 1.23 |
| Diluted | \$ 0.63 | \$ 0.46 | \$ 1.55 | \$ 1.20 |
| Weighted-average common shares outstanding: | | | | |
| Basic | 43,256 | 42,553 | 43,177 | 42,376 |
| Diluted | 44,194 | 43,374 | 44,135 | 43,194 |

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

| | September 29, 2018 | December 30, 2017 |
|---|-------------------------------|------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 225,326 | \$ 269,366 |
| Short-term investments | 376,603 | 494,657 |
| Accounts receivable, net | 74,607 | 71,367 |
| Inventories | 77,563 | 73,132 |
| Prepaid expenses and other current assets | 46,952 | 39,120 |
| Total current assets | 801,051 | 947,642 |
| Property and equipment, net | 135,566 | 127,682 |
| Goodwill | 396,689 | 288,227 |
| Other intangible assets, net | 181,611 | 83,144 |
| Other assets, net | 89,372 | 88,387 |
| Total assets | \$1,604,289 | \$1,535,082 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 43,647 | \$ 38,851 |
| Deferred revenue and returns liability | 25,880 | -- |
| Deferred income on shipments to distributors | -- | 50,115 |
| Other current liabilities | 77,821 | 73,359 |
| Total current liabilities | 147,348 | 162,325 |
| Convertible debt | 351,457 | 341,879 |
| Other non-current liabilities | 57,777 | 77,862 |
| Total liabilities | 556,582 | 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; 43,147 and 42,707 shares issued and outstanding at September 29, 2018 and December 30, 2017, respectively | 4 | 4 |
| Additional paid-in capital | 103,169 | 102,862 |
| Retained earnings | 946,201 | 851,307 |
| Accumulated other comprehensive loss | (1,667) | (1,157) |
| Total stockholders' equity | 1,047,707 | 953,016 |
| Total liabilities and stockholders' equity | \$1,604,289 | \$1,535,082 |

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

| | Nine Months Ended | |
|---|-------------------------------|-------------------------------|
| | September 29, 2018 | September 30, 2017 |
| Operating Activities | | |
| Net income | \$ 68,446 | \$ 51,944 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation of property and equipment | 11,781 | 11,068 |
| Amortization of other intangible assets and other assets | 33,322 | 20,531 |
| Amortization of debt discount and debt issuance costs | 9,578 | 6,984 |
| Stock-based compensation expense | 36,893 | 33,007 |
| Deferred income taxes | (2,994) | (5,703) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 2,518 | (1,587) |
| Inventories | 5,066 | (13,196) |
| Prepaid expenses and other assets | 6,349 | 23,506 |
| Accounts payable | 8,675 | 1,746 |
| Other current liabilities and income taxes | (23,814) | 9,296 |
| Deferred income, deferred revenue and returns liability | (2,816) | 11,039 |
| Other non-current liabilities | (7,878) | (7,269) |
| Net cash provided by operating activities | <u>145,126</u> | <u>141,366</u> |
| Investing Activities | | |
| Purchases of available-for-sale investments | (253,973) | (471,938) |
| Sales and maturities of available-for-sale investments | 371,885 | 143,765 |
| Purchases of property and equipment | (18,267) | (10,494) |
| Purchases of other assets | (9,088) | (2,622) |
| Acquisition of business, net of cash acquired | (239,729) | (13,658) |
| Net cash used in investing activities | <u>(149,172)</u> | <u>(354,947)</u> |
| Financing Activities | | |
| Proceeds from issuance of long-term debt, net | -- | 389,468 |
| Payments on debt | -- | (72,500) |
| Repurchases of common stock | (24,272) | -- |
| Payment of taxes withheld for vested stock awards | (18,927) | (14,870) |
| Proceeds from the issuance of common stock | 6,585 | 6,836 |
| Payment of acquisition-related contingent consideration | (3,380) | -- |
| Net cash provided by (used in) financing activities | <u>(39,994)</u> | <u>308,934</u> |
| Increase (decrease) in cash and cash equivalents | (44,040) | 95,353 |
| Cash and cash equivalents at beginning of period | 269,366 | 141,106 |
| Cash and cash equivalents at end of period | <u><u>\$225,326</u></u> | <u><u>\$236,459</u></u> |

Non-GAAP Financial Measurements

In addition to the GAAP results provided throughout this document, Silicon Labs 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 Labs' GAAP financial results. These measurements provide supplemental information to assist management and investors in analyzing Silicon Labs' financial position and results of operations. Silicon Labs 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 29, 2018 | | | | | | | |
|-------------------------------------|---------------------------------------|-------------------------|----------------------------|-------------------------------|---------------------------|-------------------|------------------|-----------------------------|
| | GAAP Measure | GAAP Percent of Revenue | Stock Compensation Expense | Intangible Asset Amortization | Acquisition Related Items | Termination Costs | Non-GAAP Measure | Non-GAAP Percent of Revenue |
| Revenues | \$230,243 | | | | | | | |
| Gross margin | 135,627 | 58.9% | \$ 324 | \$ -- | \$3,967 | \$ -- | \$139,918 | 60.8% |
| Research and development | 61,091 | 26.5% | 6,016 | 7,810 | -- | -- | 47,265 | 20.5% |
| Selling, general and administrative | 49,406 | 21.5% | 6,242 | 3,179 | -- | 256 | 39,729 | 17.3% |
| Operating expenses | 110,497 | 48.0% | 12,258 | 10,989 | -- | 256 | 86,994 | 37.8% |
| Operating income | 25,130 | 10.9% | 12,582 | 10,989 | 3,967 | 256 | 52,924 | 23.0% |

| Non-GAAP Earnings Per Share and Income Tax Rate | Three Months Ended September 29, 2018 | | | | | | | | | |
|---|---------------------------------------|--------------------------|----------------------------|-------------------------------|---------------------------|-------------------|---------------------------|------------------------|------------------|------------------------------|
| | GAAP Measure | GAAP Tax Percentage Rate | Stock Compensation Expense | Intangible Asset Amortization | Acquisition Related Items | Termination Costs | Non-cash Interest Expense | Income Tax Adjustments | Non-GAAP Measure | Non-GAAP Tax Percentage Rate |
| Income before income taxes | \$22,307 | | \$12,582 | \$10,989 | \$3,967 | \$256 | \$2,801 | \$ -- | \$52,902 | |
| Provision (benefit) for income taxes | (5,454) | -24.4% | | | | | | 13,700 | 8,246 | 15.6% |
| Net income | \$27,761 | | | | | | | | \$44,656 | |
| Diluted shares outstanding | 44,194 | | | | | | | | 44,194 | |
| Diluted earnings per share | \$ 0.63 | | | | | | | | \$ 1.01 | |

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

| Business Outlook | Three Months Ending December 29, 2018 | | |
|-----------------------------------|--|---------------------------------|-----------------------------|
| | GAAP Measure | Non-GAAP Adjustments | Non-GAAP Measure |
| Gross margin | 60.0% | 0.0% - 0.5% | 60.0% - 60.5% |
| Operating expenses | \$111 | \$23 | \$88 |
| Effective tax rate | 10.0% | 3.0% | 13.0% |
| Diluted earnings per share - low | \$0.39 | \$0.52 | \$0.91 |
| Diluted earnings per share - high | \$0.45 | \$0.52 | \$0.97 |

** 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 Silicon Labs' distributors, manufacturers and subcontractors; inventory-related risks; difficulties managing international activities; risks associated with international activities (including trade barriers); risks that Silicon Labs may not be able to manage strains associated with its growth; credit risks associated with its 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; cyber-attacks against Silicon Labs' products and its networks; 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.