

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

	Three Months Ended		Nine Months Ended	
	October 1, 2016	October 3, 2015	October 1, 2016	October 3, 2015
Revenues	\$178,083	\$156,194	\$515,016	\$484,755
Cost of revenues	69,880	62,759	202,988	197,523
Gross margin	108,203	93,435	312,028	287,232
Operating expenses:				
Research and development	48,437	46,483	149,118	140,805
Selling, general and administrative	38,034	35,729	116,716	118,989
Operating expenses	86,471	82,212	265,834	259,794
Operating income	21,732	11,223	46,194	27,438
Other income (expense):				
Interest income	331	186	880	544
Interest expense	(643)	(687)	(1,939)	(2,160)
Other, net	(58)	(280)	(431)	218
Income before income taxes	21,362	10,442	44,704	26,040
Provision for income taxes	1,344	467	3,319	2,112
Net income	<u>\$ 20,018</u>	<u>\$ 9,975</u>	<u>\$ 41,385</u>	<u>\$ 23,928</u>
Earnings per share:				
Basic	\$ 0.48	\$ 0.24	\$ 0.99	\$ 0.56
Diluted	\$ 0.47	\$ 0.23	\$ 0.98	\$ 0.55
Weighted-average common shares outstanding:				
Basic	41,614	42,331	41,673	42,522
Diluted	42,307	42,795	42,263	43,135

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

	October 1, 2016	January 2, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 148,195	\$ 114,085
Short-term investments	131,139	128,901
Accounts receivable, net	84,923	73,601
Inventories	55,051	53,895
Prepaid expenses and other current assets	49,087	52,658
Total current assets	468,395	423,140
Long-term investments	6,980	7,126
Property and equipment, net	130,318	131,132
Goodwill	272,722	272,722
Other intangible assets, net	100,320	121,354
Other assets, net	51,481	55,989
Total assets	<u>\$1,030,216</u>	<u>\$1,011,463</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 39,591	\$ 42,127
Current portion of long-term debt	--	10,000
Accrued expenses	51,561	52,131
Deferred income on shipments to distributors	47,057	35,448
Income taxes	5,638	2,615
Total current liabilities	143,847	142,321
Long-term debt	72,500	67,500
Other non-current liabilities	26,240	40,528
Total liabilities	242,587	250,349
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; 41,651 and 41,727 shares issued and outstanding at October 1, 2016 and January 2, 2016, respectively	4	4
Additional paid-in capital	6,344	13,868
Retained earnings	781,890	747,749
Accumulated other comprehensive loss	(609)	(507)
Total stockholders' equity	787,629	761,114
Total liabilities and stockholders' equity	<u>\$1,030,216</u>	<u>\$1,011,463</u>

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

	Nine Months Ended	
	October 1, 2016	October 3, 2015
Operating Activities		
Net income	\$ 41,385	\$ 23,928
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation of property and equipment	9,912	9,293
Amortization of other intangible assets and other assets	21,461	21,686
Stock-based compensation expense	30,057	30,798
Income tax benefit (shortfall) from stock-based awards	(1,238)	1,727
Excess income tax benefit from stock-based awards	(373)	(2,118)
Deferred income taxes	(1,460)	1,571
Changes in operating assets and liabilities:		
Accounts receivable	(11,322)	12,097
Inventories	(1,558)	2,259
Prepaid expenses and other assets	7,404	8,409
Accounts payable	1,280	(5,686)
Accrued expenses	8,930	(280)
Deferred income on shipments to distributors	11,573	(2,825)
Income taxes	1,459	(3,413)
Other non-current liabilities	(10,891)	(10,031)
Net cash provided by operating activities	106,619	87,415
Investing Activities		
Purchases of available-for-sale investments	(131,741)	(55,433)
Sales and maturities of available-for-sale investments	129,511	136,262
Purchases of property and equipment	(8,545)	(7,281)
Purchases of other assets	(4,994)	(5,291)
Acquisition of business, net of cash acquired	--	(76,899)
Net cash used in investing activities	(15,769)	(8,642)
Financing Activities		
Proceeds from issuance of long-term debt, net	--	81,238
Payments on debt	(5,000)	(92,206)
Repurchases of common stock	(40,543)	(71,448)
Payment of taxes withheld for vested stock awards	(10,521)	(12,652)
Proceeds from the issuance of common stock	8,451	12,575
Excess income tax benefit from stock-based awards	373	2,118
Payment of acquisition-related contingent consideration	(9,500)	(4,464)
Net cash used in financing activities	(56,740)	(84,839)
Decrease in cash and cash equivalents	34,110	(6,066)
Cash and cash equivalents at beginning of period	114,085	141,706
Cash and cash equivalents at end of period	<u>\$148,195</u>	<u>\$135,640</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 October 1, 2016							
	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	\$178,083							
Gross margin	108,203	60.8%	\$ 272	\$ 130	\$ --	\$ --	\$108,605	61.0%
Research and development	48,437	27.2%	4,580	4,257	--	--	39,600	22.2%
Selling, general and administrative	38,034	21.4%	4,343	1,420	311	552	31,408	17.7%
Operating expenses	86,471	48.6%	8,923	5,677	311	552	71,008	39.9%
Operating income	21,732	12.2%	9,195	5,807	311	552	37,597	21.1%

Non-GAAP Earnings Per Share and Income Tax Rate	Three Months Ended October 1, 2016								
	GAAP Measure	GAAP Tax Percentage Rate	Stock Compensation Expense	Intangible Asset Amortization	Acquisition Related Items	Termination Costs	Income Tax Adjustments	Non- GAAP Measure	Non-GAAP Tax Percentage Rate
Income before income taxes	\$21,362		\$9,195	\$5,807	\$311	\$552	\$ --	\$37,227	
Provision for income taxes	1,344	6.3%					3,467	4,811	12.9%
Net income	\$20,018							\$32,416	
Diluted shares outstanding	42,307							42,307	
Diluted earnings per share	\$ 0.47							\$ 0.77	

Unaudited Forward-Looking Statements Regarding Business Outlook **

Business Outlook	Three Months Ending December 31, 2016	
	High	Low
Estimated GAAP diluted earnings per share	\$0.36	\$0.30
Estimated non-GAAP charges	0.32	0.32
Estimated non-GAAP diluted earnings per share	\$0.68	\$0.62

** 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.