

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

	Three Months Ended		Year Ended	
	January 2, 2016	January 3, 2015	January 2, 2016	January 3, 2015
Revenues	\$160,071	\$161,951	\$644,826	\$620,704
Cost of revenues	66,533	65,279	264,056	242,153
Gross margin	93,538	96,672	380,770	378,551
Operating expenses:				
Research and development	47,245	46,139	188,050	172,985
Selling, general and administrative	41,497	39,527	160,486	154,145
Operating expenses	88,742	85,666	348,536	327,130
Operating income	4,796	11,006	32,234	51,421
Other income (expense):				
Interest income	186	274	730	1,007
Interest expense	(668)	(808)	(2,828)	(3,154)
Other income (expense), net	(91)	(337)	127	(234)
Income before income taxes	4,223	10,135	30,263	49,040
Provision (benefit) for income taxes	(1,435)	111	677	11,019
Net income	\$ 5,658	\$ 10,024	\$ 29,586	\$ 38,021
Earnings per share:				
Basic	\$ 0.14	\$ 0.24	\$ 0.70	\$ 0.88
Diluted	\$ 0.13	\$ 0.23	\$ 0.69	\$ 0.87
Weighted-average common shares outstanding:				
Basic	41,670	42,279	42,309	42,970
Diluted	42,374	43,137	42,945	43,793

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

	January 2, 2016	January 3, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 114,085	\$ 141,706
Short-term investments	128,901	193,489
Accounts receivable, net of allowances for doubtful accounts of \$671 at January 2, 2016 and \$786 at January 3, 2015	73,601	70,367
Inventories	53,895	52,631
Deferred income taxes	--	21,173
Prepaid expenses and other current assets	52,658	49,171
Total current assets	423,140	528,537
Long-term investments	7,126	7,419
Property and equipment, net	131,132	132,820
Goodwill	272,722	228,781
Other intangible assets, net	121,354	115,021
Other assets, net	55,989	29,983
Total assets	\$1,011,463	\$1,042,561
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 42,127	\$ 38,922
Current portion of long-term debt	10,000	10,000
Accrued expenses	52,131	73,646
Deferred income on shipments to distributors	35,448	38,662
Income taxes	2,615	2,084
Total current liabilities	142,321	163,314
Long-term debt	67,500	77,500
Other non-current liabilities	40,528	43,691
Total liabilities	250,349	284,505
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; 41,727 and 42,225 shares issued and outstanding at January 2, 2016 and January 3, 2015, respectively	4	4
Additional paid-in capital	13,868	29,501
Retained earnings	747,749	728,633
Accumulated other comprehensive loss	(507)	(82)
Total stockholders' equity	761,114	758,056
Total liabilities and stockholders' equity	\$1,011,463	\$1,042,561

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

	Year Ended	
	January 2, 2016	January 3, 2015
Operating Activities		
Net income	\$ 29,586	\$ 38,021
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation of property and equipment	12,517	12,561
Amortization of other intangible assets and other assets	29,131	17,923
Stock-based compensation expense	42,791	39,067
Income tax benefit (shortfall) from stock-based awards	469	489
Excess income tax benefit from stock-based awards	(2,497)	(632)
Deferred income taxes	(2,136)	3,054
Changes in operating assets and liabilities:		
Accounts receivable	1,702	1,757
Inventories	2,093	(7,170)
Prepaid expenses and other assets	(870)	9,332
Accounts payable	6,662	11,475
Accrued expenses	1,682	27,671
Deferred income on shipments to distributors	(5,298)	7,809
Income taxes	776	(3,371)
Other non-current liabilities	(11,161)	(20,543)
Net cash provided by operating activities	<u>105,447</u>	<u>137,443</u>
Investing Activities		
Purchases of available-for-sale investments	(107,366)	(166,094)
Proceeds from sales and maturities of available-for-sale investments	171,831	156,520
Purchases of property and equipment	(11,268)	(11,225)
Purchases of other assets	(6,399)	(5,514)
Acquisitions of businesses, net of cash acquired	(96,112)	--
Net cash used in investing activities	<u>(49,314)</u>	<u>(26,313)</u>
Financing Activities		
Proceeds from issuance of common stock, net of cash paid for withheld taxes	3,129	13,320
Excess income tax benefit from stock-based awards	2,497	632
Repurchases of common stock	(71,448)	(71,676)
Payment of acquisition-related contingent consideration	(4,464)	--
Proceeds from issuance of long-term debt, net	81,238	--
Payments on debt	(94,706)	(7,500)
Net cash used in financing activities	<u>(83,754)</u>	<u>(65,224)</u>
Increase (decrease) in cash and cash equivalents	(27,621)	45,906
Cash and cash equivalents at beginning of period	141,706	95,800
Cash and cash equivalents at end of period	<u>\$114,085</u>	<u>\$141,706</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 January 2, 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	\$160,071							
Gross margin	93,538	58.4%	\$ 251	\$ 390	\$ 201	\$ --	\$94,380	59.0%
Research and development	47,245	29.5%	5,073	5,441	--	336	36,395	22.7%
Selling, general and administrative	41,497	25.9%	6,669	1,286	1,752	380	31,410	19.7%
Operating expenses	88,742	55.4%	11,742	6,727	1,752	716	67,805	42.4%
Operating income	4,796	3.0%	11,993	7,117	1,953	716	26,575	16.6%

Non-GAAP Earnings Per Share and Income Tax Rate	Three Months Ended January 2, 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	\$4,223		\$11,993	\$7,117	\$1,953	\$716	\$ --	\$26,002	
Provision (benefit) for income taxes	(1,435)	(34.0)%					889	(546)	(2.1)%
Net income	\$5,658							\$26,548	
Diluted shares outstanding	42,374							42,374	
Diluted earnings per share	\$ 0.13							\$ 0.63	

Unaudited Forward-Looking Statements Regarding Business Outlook **

Business Outlook	Three Months Ending	
	April 2, 2016	
	High	Low
Estimated GAAP diluted earnings (loss) per share	\$ (0.02)	\$ (0.08)
Estimated non-GAAP charges	0.50	0.50
Estimated non-GAAP diluted earnings per share	\$0.48	\$0.42

** 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.