

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

	Three Months Ended		Six Months Ended	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Revenues	\$174,908	\$164,856	\$336,933	\$328,561
Cost of revenues	66,614	67,428	133,108	134,764
Gross margin	108,294	97,428	203,825	193,797
Operating expenses:				
Research and development	51,635	47,465	100,681	94,322
Selling, general and administrative	39,045	40,960	78,682	83,260
Operating expenses	90,680	88,425	179,363	177,582
Operating income	17,614	9,003	24,462	16,215
Other income (expense):				
Interest income	278	166	549	358
Interest expense	(641)	(728)	(1,296)	(1,473)
Other, net	18	90	(373)	498
Income before income taxes	17,269	8,531	23,342	15,598
Provision for income taxes	1,710	956	1,975	1,645
Net income	\$ 15,559	\$ 7,575	\$ 21,367	\$ 13,953
Earnings per share:				
Basic	\$ 0.37	\$ 0.18	\$ 0.51	\$ 0.33
Diluted	\$ 0.37	\$ 0.17	\$ 0.51	\$ 0.32
Weighted-average common shares outstanding:				
Basic	41,775	42,823	41,702	42,617
Diluted	42,284	43,461	42,242	43,305

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

	<u>July 2, 2016</u>	<u>January 2, 2016</u>
Assets		
Current assets:		
Cash and cash equivalents	\$101,334	\$ 114,085
Short-term investments	142,326	128,901
Accounts receivable, net	71,990	73,601
Inventories	56,388	53,895
Prepaid expenses and other current assets	53,326	52,658
Total current assets	<u>425,364</u>	<u>423,140</u>
Long-term investments	6,921	7,126
Property and equipment, net	130,498	131,132
Goodwill	272,722	272,722
Other intangible assets, net	106,246	121,354
Other assets, net	50,837	55,989
Total assets	<u>\$992,588</u>	<u>\$1,011,463</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 41,152	\$ 42,127
Current portion of long-term debt	10,000	10,000
Accrued expenses	47,004	52,131
Deferred income on shipments to distributors	39,257	35,448
Income taxes	3,567	2,615
Total current liabilities	<u>140,980</u>	<u>142,321</u>
Long-term debt	62,500	67,500
Other non-current liabilities	27,959	40,528
Total liabilities	<u>231,439</u>	<u>250,349</u>
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; 41,637 and 41,727 shares issued and outstanding at July 2, 2016 and January 2, 2016, respectively	4	4
Additional paid-in capital	--	13,868
Retained earnings	761,872	747,749
Accumulated other comprehensive loss	(727)	(507)
Total stockholders' equity	<u>761,149</u>	<u>761,114</u>
Total liabilities and stockholders' equity	<u>\$992,588</u>	<u>\$1,011,463</u>

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

	Six Months Ended	
	July 2, 2016	July 4, 2015
Operating Activities		
Net income	\$ 21,367	\$ 13,953
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation of property and equipment	6,675	6,029
Amortization of other intangible assets and other assets	15,534	14,697
Stock-based compensation expense	20,861	21,576
Income tax benefit (shortfall) from stock-based awards	(1,127)	2,781
Excess income tax benefit from stock-based awards	(91)	(2,056)
Deferred income taxes	817	3,892
Changes in operating assets and liabilities:		
Accounts receivable	1,611	1,724
Inventories	(2,888)	(6,534)
Prepaid expenses and other assets	3,282	452
Accounts payable	(1,680)	(3,359)
Accrued expenses	4,372	(1,027)
Deferred income on shipments to distributors	3,773	(2,132)
Income taxes	(1,338)	(7,171)
Other non-current liabilities	(10,737)	(5,622)
Net cash provided by operating activities	<u>60,431</u>	<u>37,203</u>
Investing Activities		
Purchases of available-for-sale investments	(92,222)	(46,908)
Sales and maturities of available-for-sale investments	78,950	92,759
Purchases of property and equipment	(5,146)	(4,714)
Purchases of other assets	(2,215)	(1,871)
Acquisition of business, net of cash acquired	--	(76,899)
Net cash used in investing activities	<u>(20,633)</u>	<u>(37,633)</u>
Financing Activities		
Payments on debt	(5,000)	(5,083)
Repurchases of common stock	(36,103)	(10,418)
Payment of taxes withheld for vested stock awards	(9,399)	(10,783)
Proceeds from the issuance of common stock	7,362	12,467
Excess income tax benefit from stock-based awards	91	2,056
Payment of acquisition-related contingent consideration	(9,500)	(4,464)
Net cash used in financing activities	<u>(52,549)</u>	<u>(16,225)</u>
Decrease in cash and cash equivalents	(12,751)	(16,655)
Cash and cash equivalents at beginning of period	114,085	141,706
Cash and cash equivalents at end of period	<u>\$101,334</u>	<u>\$125,051</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 July 2, 2016							
	GAAP Measure	GAAP Percent of Revenue	Stock Compensation Expense	Intangible Asset Amortization	Termination Costs	Non-GAAP Measure	Non-GAAP Percent of Revenue	
Revenues	\$174,908							
Gross margin	108,294	61.9%	\$ 269	\$ 389	\$ --	\$108,952	62.3%	
Research and development	51,635	29.5%	5,205	5,616	236	40,578	23.2%	
Selling, general and administrative	39,045	22.3%	5,044	1,419	63	32,519	18.6%	
Operating expenses	90,680	51.8%	10,249	7,035	299	73,097	41.8%	
Operating income	17,614	10.1%	10,518	7,424	299	35,855	20.5%	
Non-GAAP Earnings Per Share and Income Tax Rate	Three Months Ended July 2, 2016							
	GAAP Measure	GAAP Tax Percentage Rate	Stock Compensation Expense	Intangible Asset Amortization	Termination Costs	Income Tax Adjustments	Non- GAAP Measure	Non-GAAP Tax Percentage Rate
Income before income taxes	\$17,269		\$10,518	\$7,424	\$299	\$ --	\$35,510	
Provision for income taxes	1,710	9.9%				2,046	3,756	10.6%
Net income	\$15,559						\$31,754	
Diluted shares outstanding	42,284						42,284	
Diluted earnings per share	\$ 0.37						\$ 0.75	

Unaudited Forward-Looking Statements Regarding Business Outlook **

Business Outlook	Three Months Ending	
	October 1, 2016	
	High	Low
Estimated GAAP diluted earnings per share	\$0.33	\$0.27
Estimated non-GAAP charges	0.34	0.34
Estimated non-GAAP diluted earnings per share	\$0.67	\$0.61

** 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.