

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

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>October 3, 2015</u>	<u>September 27, 2014</u>	<u>October 3, 2015</u>	<u>September 27, 2014</u>
Revenues	\$156,194	\$158,144	\$484,755	\$458,753
Cost of revenues	62,759	62,033	197,523	176,874
Gross margin	93,435	96,111	287,232	281,879
Operating expenses:				
Research and development	46,483	42,517	140,805	126,846
Selling, general and administrative	35,729	43,990	118,989	114,618
Operating expenses	82,212	86,507	259,794	241,464
Operating income	11,223	9,604	27,438	40,415
Other income (expense):				
Interest income	186	231	544	733
Interest expense	(687)	(768)	(2,160)	(2,346)
Other income (expense), net	(280)	42	218	103
Income before income taxes	10,442	9,109	26,040	38,905
Provision for income taxes	467	3,501	2,112	10,908
Net income	<u>\$ 9,975</u>	<u>\$ 5,608</u>	<u>\$ 23,928</u>	<u>\$ 27,997</u>
Earnings per share:				
Basic	\$ 0.24	\$ 0.13	\$ 0.56	\$ 0.65
Diluted	\$ 0.23	\$ 0.13	\$ 0.55	\$ 0.64
Weighted-average common shares outstanding:				
Basic	42,331	43,112	42,522	43,218
Diluted	42,795	43,815	43,135	44,030

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

	October 3, 2015	January 3, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$135,640	\$ 141,706
Short-term investments	112,670	193,489
Accounts receivable, net of allowances for doubtful accounts of \$695 at October 3, 2015 and \$786 at January 3, 2015	61,030	70,367
Inventories	51,957	52,631
Deferred income taxes	19,155	21,173
Prepaid expenses and other current assets	48,903	49,171
Total current assets	429,355	528,537
Long-term investments	7,240	7,419
Property and equipment, net	130,283	132,820
Goodwill	263,925	228,781
Other intangible assets, net	121,208	115,021
Other assets, net	26,040	29,983
Total assets	\$978,051	\$1,042,561
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 30,306	\$ 38,922
Current portion of long-term debt	10,000	10,000
Accrued expenses	50,080	73,646
Deferred income on shipments to distributors	37,881	38,662
Income taxes	1,074	2,084
Total current liabilities	129,341	163,314
Long-term debt	70,000	77,500
Other non-current liabilities	37,234	43,691
Total liabilities	236,575	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; 41,570 and 42,225 shares issued and outstanding at October 3, 2015 and January 3, 2015, respectively	4	4
Additional paid-in capital	--	29,501
Retained earnings	742,091	728,633
Accumulated other comprehensive loss	(619)	(82)
Total stockholders' equity	741,476	758,056
Total liabilities and stockholders' equity	\$978,051	\$1,042,561

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

	Nine Months Ended	
	October 3, 2015	September 27, 2014
Operating Activities		
Net income	\$ 23,928	\$ 27,997
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation of property and equipment	9,293	9,512
Amortization of other intangible assets and other assets	21,686	13,090
Stock-based compensation expense	30,798	28,173
Income tax benefit from stock-based awards	1,727	413
Excess income tax benefit from stock-based awards	(2,118)	(654)
Deferred income taxes	1,571	3,894
Changes in operating assets and liabilities:		
Accounts receivable	12,097	769
Inventories	2,259	(1,591)
Prepaid expenses and other assets	8,409	12,627
Accounts payable	(5,686)	5,074
Accrued expenses	(280)	28,756
Deferred income on shipments to distributors	(2,825)	6,215
Income taxes	(3,413)	(4,898)
Other non-current liabilities	(10,031)	(21,790)
Net cash provided by operating activities	<u>87,415</u>	<u>107,587</u>
Investing Activities		
Purchases of available-for-sale investments	(55,433)	(137,373)
Proceeds from sales and maturities of available-for-sale investments	136,262	100,009
Purchases of property and equipment	(7,281)	(5,500)
Purchases of other assets	(5,291)	(3,339)
Acquisition of business, net of cash acquired	(76,899)	--
Net cash used in investing activities	<u>(8,642)</u>	<u>(46,203)</u>
Financing Activities		
Proceeds from issuance of common stock, net of cash paid for withheld taxes	(77)	8,559
Excess income tax benefit from stock-based awards	2,118	654
Repurchases of common stock	(71,448)	(50,942)
Payment of acquisition-related contingent consideration	(4,464)	--
Proceeds from issuance of long-term debt, net	81,238	--
Payments on debt	(92,206)	(3,750)
Net cash used in financing activities	<u>(84,839)</u>	<u>(45,479)</u>
Increase (decrease) in cash and cash equivalents	(6,066)	15,905
Cash and cash equivalents at beginning of period	<u>141,706</u>	<u>95,800</u>
Cash and cash equivalents at end of period	<u>\$135,640</u>	<u>\$111,705</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 October 3, 2015							
	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	\$156,194							
Gross margin	93,435	59.8%	\$ 249	\$ 390	\$ --	\$ --	\$94,074	60.2%
Research and development	46,483	29.8%	4,623	5,250	--	--	36,610	23.4%
Selling, general and administrative	35,729	22.8%	4,350	1,219	(1,351)	118	31,393	20.1%
Operating expenses	82,212	52.6%	8,973	6,469	(1,351)	118	68,003	43.5%
Operating income	11,223	7.2%	9,222	6,859	(1,351)	118	26,071	16.7%

Non-GAAP Earnings Per Share and Income Tax Rate	Three Months Ended October 3, 2015								
	GAAP Measure	GAAP Tax Percentage Rate	Stock Compensation Expense	Intangible Asset Amortization	Acquisition Related Items	Termination Costs	Tax Impact of Adjustments	Non-GAAP Measure	Non-GAAP Tax Percentage Rate
Income before income taxes	\$10,442		\$9,222	\$6,859	\$(1,351)	\$118	\$ --	\$25,290	
Provision for income taxes	467	4.5%					2,996	3,463	13.7%
Net income	9,975							21,827	
Diluted shares outstanding	42,795							42,795	
Diluted earnings per share	\$ 0.23							\$ 0.51	

Unaudited Forward-Looking Statements Regarding Business Outlook **

Business Outlook	Three Months Ending	
	January 2, 2016	
	High	Low
Estimated GAAP diluted earnings per share	\$0.11	\$0.05
Estimated non-GAAP charges	0.40	0.40
Estimated non-GAAP diluted earnings per share	\$0.51	\$0.45

** 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.