

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

	Three Months Ended	
	April 1, 2017	April 2, 2016
Revenues	\$179,028	\$162,025
Cost of revenues	73,867	66,494
Gross margin	105,161	95,531
Operating expenses:		
Research and development	52,324	49,046
Selling, general and administrative	40,155	39,637
Operating expenses	92,479	88,683
Operating income	12,682	6,848
Other income (expense):		
Interest income	696	271
Interest expense	198	(655)
Other, net	(120)	(391)
Income before income taxes	13,456	6,073
Provision (benefit) for income taxes	(1,970)	265
Net income	<u>\$ 15,426</u>	<u>\$ 5,808</u>
Earnings per share:		
Basic	\$ 0.37	\$ 0.14
Diluted	\$ 0.36	\$ 0.14
Weighted-average common shares outstanding:		
Basic	42,096	41,629
Diluted	43,030	42,199

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

	April 1, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 225,399	\$ 141,106
Short-term investments	396,327	153,961
Accounts receivable, net	75,852	74,401
Inventories	61,308	59,578
Prepaid expenses and other current assets	54,360	61,805
Total current assets	813,246	490,851
Long-term investments	5,257	5,196
Property and equipment, net	130,635	129,559
Goodwill	288,629	276,130
Other intangible assets, net	103,638	103,565
Other assets, net	58,021	76,543
Total assets	\$1,399,426	\$1,081,844
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 43,781	\$ 39,577
Accrued expenses	47,416	50,100
Deferred income on shipments to distributors	49,700	45,568
Income taxes	4,396	4,450
Total current liabilities	145,293	139,695
Long-term debt	--	72,500
Convertible debt	332,502	--
Other non-current liabilities	42,797	42,691
Total liabilities	520,592	254,886
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; 42,348 and 41,889 shares issued and outstanding at April 1, 2017 and December 31, 2016, respectively	4	4
Additional paid-in capital	59,714	24,463
Retained earnings	819,641	801,999
Accumulated other comprehensive income (loss)	(525)	492
Total stockholders' equity	878,834	826,958
Total liabilities and stockholders' equity	\$1,399,426	\$1,081,844

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

	Three Months Ended	
	April 1, 2017	April 2, 2016
Operating Activities		
Net income	\$ 15,426	\$ 5,808
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation of property and equipment	3,596	3,310
Amortization of other intangible assets and other assets	6,752	7,980
Amortization of debt discount and debt issuance costs	869	--
Stock-based compensation expense	10,486	10,344
Income tax benefit (shortfall) from stock-based awards	--	(1,025)
Excess income tax benefit from stock-based awards	--	(6)
Deferred income taxes	(4,059)	(38)
Changes in operating assets and liabilities:		
Accounts receivable	(1,252)	(990)
Inventories	(1,636)	4,580
Prepaid expenses and other assets	6,708	9,159
Accounts payable	5,565	1,559
Accrued expenses	(3,889)	6,260
Deferred income on shipments to distributors	4,038	5,558
Income taxes	945	494
Other non-current liabilities	(1,536)	(10,584)
Net cash provided by operating activities	42,013	42,409
Investing Activities		
Purchases of available-for-sale investments	(267,777)	(44,547)
Sales and maturities of available-for-sale investments	25,595	46,654
Purchases of property and equipment	(4,543)	(2,303)
Purchases of other assets	(1,446)	(1,107)
Acquisition of business, net of cash acquired	(13,658)	--
Net cash used in investing activities	(261,829)	(1,303)
Financing Activities		
Proceeds from issuance of long-term debt, net	390,000	--
Payments on debt	(72,500)	(2,500)
Repurchases of common stock	--	(18,484)
Payment of taxes withheld for vested stock awards	(13,553)	(7,517)
Proceeds from the issuance of common stock	162	--
Net cash provided by (used in) financing activities	304,109	(28,501)
Increase in cash and cash equivalents	84,293	12,605
Cash and cash equivalents at beginning of period	141,106	114,085
Cash and cash equivalents at end of period	<u>\$225,399</u>	<u>\$126,690</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 April 1, 2017							Non-GAAP Percent of Revenue
	GAAP Measure	GAAP Percent of Revenue	Stock Compensation Expense	Intangible Asset Amortization	Acquisition Related Items	Non-GAAP Measure		
Revenues	\$179,028							
Gross margin	105,161	58.7%	\$ 258	\$ --	\$124	\$105,543	59.0%	
Research and development	52,324	29.2%	5,246	4,897	356	41,825	23.4%	
Selling, general and administrative	40,155	22.4%	4,982	1,605	816	32,752	18.3%	
Operating expenses	92,479	51.6%	10,228	6,502	1,172	74,577	41.7%	
Operating income	12,682	7.1%	10,486	6,502	1,296	30,966	17.3%	

Non-GAAP Earnings Per Share and Income Tax Rate	Three Months Ended April 1, 2017							Non-GAAP Tax Percentage Rate	
	GAAP Measure	GAAP Tax Percentage Rate	Stock Compensation Expense	Intangible Asset Amortization	Acquisition Related Items	Interest Expense	Income Tax Adjustments		
Income before income taxes	\$13,456		\$10,486	\$6,502	\$1,296	\$(1,228)	\$ --	\$30,512	
Provision (benefit) for income taxes	(1,970)	(14.6)%					5,212	3,242	10.6%
Net income	\$15,426							\$27,270	
Diluted shares outstanding	43,030							43,030	
Diluted earnings per share	\$ 0.36							\$ 0.63	

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

Business Outlook	Three Months Ending July 1, 2017		
	GAAP Measure	Non-GAAP Adjustments	Non-GAAP Measure
Gross margin	58.8%	0.2%	59.0%
Operating expenses	\$92	\$18	\$74 - \$75
Effective tax rate	11.0%	0.5%	11.5%
Diluted earnings per share - low	\$0.27	\$0.41	\$0.68
Diluted earnings per share - high	\$0.33	\$0.41	\$0.74

** 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.