

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

	Three Months Ended		Nine Months Ended	
	September 30, 2017	October 1, 2016	September 30, 2017	October 1, 2016
Revenues	\$198,723	\$178,083	\$567,849	\$515,016
Cost of revenues	82,149	69,880	232,922	202,988
Gross margin	116,574	108,203	334,927	312,028
Operating expenses:				
Research and development	52,000	48,437	156,756	149,118
Selling, general and administrative	39,606	38,034	119,587	116,716
Operating expenses	91,606	86,471	276,343	265,834
Operating income	24,968	21,732	58,584	46,194
Other income (expense):				
Interest income and other, net	1,923	273	4,094	449
Interest expense	(4,764)	(643)	(9,265)	(1,939)
Income before income taxes	22,127	21,362	53,413	44,704
Provision for income taxes	2,178	1,344	1,469	3,319
Net income	\$ 19,949	\$ 20,018	\$ 51,944	\$ 41,385
Earnings per share:				
Basic	\$ 0.47	\$ 0.48	\$ 1.23	\$ 0.99
Diluted	\$ 0.46	\$ 0.47	\$ 1.20	\$ 0.98
Weighted-average common shares outstanding:				
Basic	42,553	41,614	42,376	41,673
Diluted	43,374	42,307	43,194	42,263

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

	<u>September 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 236,459	\$ 141,106
Short-term investments	482,396	153,961
Accounts receivable, net	76,188	74,401
Inventories	72,895	59,578
Prepaid expenses and other current assets	37,563	61,805
Total current assets	<u>905,501</u>	<u>490,851</u>
Long-term investments	5,471	5,196
Property and equipment, net	129,075	129,559
Goodwill	288,629	276,130
Other intangible assets, net	89,859	103,565
Other assets, net	59,251	76,543
Total assets	<u>\$1,477,786</u>	<u>\$1,081,844</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 38,857	\$ 39,577
Accrued expenses	60,376	50,100
Deferred income on shipments to distributors	56,701	45,568
Income taxes	4,057	4,450
Total current liabilities	<u>159,991</u>	<u>139,695</u>
Long-term debt	--	72,500
Convertible debt	338,717	--
Other non-current liabilities	36,246	42,691
Total liabilities	<u>534,954</u>	<u>254,886</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock – \$0.0001 par value; 10,000 shares authorized; no shares issued	--	--
Common stock – \$0.0001 par value; 250,000 shares authorized; 42,562 and 41,889 shares issued and outstanding at September 30, 2017 and December 31, 2016, respectively	4	4
Additional paid-in capital	87,004	24,463
Retained earnings	856,159	801,999
Accumulated other comprehensive income (loss)	(335)	492
Total stockholders' equity	<u>942,832</u>	<u>826,958</u>
Total liabilities and stockholders' equity	<u>\$1,477,786</u>	<u>\$1,081,844</u>

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

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	<b>October 1,</b>
	<b>2017</b>	<b>2016</b>
<b>Operating Activities</b>		
Net income	\$ 51,944	\$ 41,385
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation of property and equipment	11,068	9,912
Amortization of other intangible assets and other assets	20,531	21,461
Amortization of debt discount and debt issuance costs	6,984	--
Stock-based compensation expense	33,007	30,057
Income tax shortfall from stock-based awards	--	(1,611)
Deferred income taxes	(5,703)	(1,460)
Changes in operating assets and liabilities:		
Accounts receivable	(1,587)	(11,322)
Inventories	(13,196)	(1,558)
Prepaid expenses and other assets	23,506	7,404
Accounts payable	1,746	1,280
Accrued expenses	9,720	8,930
Deferred income on shipments to distributors	11,039	11,573
Income taxes	(424)	1,459
Other non-current liabilities	(7,269)	(10,891)
Net cash provided by operating activities	<u>141,366</u>	<u>106,619</u>
<b>Investing Activities</b>		
Purchases of available-for-sale investments	(471,938)	(131,741)
Sales and maturities of available-for-sale investments	143,765	129,511
Purchases of property and equipment	(10,494)	(8,545)
Purchases of other assets	(2,622)	(4,994)
Acquisition of business, net of cash acquired	(13,658)	--
Net cash used in investing activities	<u>(354,947)</u>	<u>(15,769)</u>
<b>Financing Activities</b>		
Proceeds from issuance of long-term debt, net	389,468	--
Payments on debt	(72,500)	(5,000)
Repurchases of common stock	--	(40,543)
Payment of taxes withheld for vested stock awards	(14,870)	(10,148)
Proceeds from the issuance of common stock	6,836	8,451
Payment of acquisition-related contingent consideration	--	(9,500)
Net cash provided by (used in) financing activities	<u>308,934</u>	<u>(56,740)</u>
Increase in cash and cash equivalents	95,353	34,110
Cash and cash equivalents at beginning of period	<u>141,106</u>	<u>114,085</u>
Cash and cash equivalents at end of period	<u><u>\$236,459</u></u>	<u><u>\$148,195</u></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 September 30, 2017						
	GAAP Measure	GAAP Percent of Revenue	Stock Compensation Expense	Intangible Asset Amortization	Acquisition Related Items	Non-GAAP Measure	Non-GAAP Percent of Revenue
Revenues	\$198,723						
Gross margin	116,574	58.7%	\$ 281	\$ --	\$ --	\$116,855	58.8%
Research and development	52,000	26.2%	5,411	5,187	--	41,402	20.8%
Selling, general and administrative	39,606	19.9%	5,663	1,647	161	32,135	16.2%
Operating expenses	91,606	46.1%	11,074	6,834	161	73,537	37.0%
Operating income	24,968	12.6%	11,355	6,834	161	43,318	21.8%

  

Non-GAAP Earnings Per Share and Income Tax Rate	Three Months Ended September 30, 2017								
	GAAP Measure	GAAP Tax Percentage Rate	Stock Compensation Expense	Intangible Asset Amortization	Acquisition Related Items	Non-cash Interest Expense	Income Tax Adjustments	Non-GAAP Measure	Non-GAAP Tax Percentage Rate
Income before income taxes	\$22,127		\$11,355	\$6,834	\$161	\$2,674	\$ --	\$43,151	
Provision for income taxes	2,178	9.8%					1,796	3,974	9.2%
Net income	\$19,949							\$39,177	
Diluted shares outstanding	43,374							43,374	
Diluted earnings per share	\$ 0.46							\$ 0.90	

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

<b>Business Outlook</b>	<b>Three Months Ending December 30, 2017</b>		
	<b>GAAP Measure</b>	<b>Non-GAAP Adjustments</b>	<b>Non-GAAP Measure</b>
Gross margin	58.5%	0.0%	58.5%
Operating expenses	\$91.0	\$17.5	\$73.5
Effective tax rate	11.0%	0.0%	11.0%
Diluted earnings per share - low	\$0.40	\$0.43	\$0.83
Diluted earnings per share - high	\$0.46	\$0.43	\$0.89

\*\* 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.