

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

	Three Months Ended		Year Ended	
	December 31, 2016	January 2, 2016	December 31, 2016	January 2, 2016
Revenues	\$182,610	\$160,071	\$697,626	\$644,826
Cost of revenues	73,134	66,533	276,122	264,056
Gross margin	109,476	93,538	421,504	380,770
Operating expenses:				
Research and development	50,626	47,245	199,744	188,050
Selling, general and administrative	38,767	41,497	155,483	160,486
Operating expenses	89,393	88,742	355,227	348,536
Operating income	20,083	4,796	66,277	32,234
Other income (expense):				
Interest income	411	186	1,291	730
Interest expense	(648)	(668)	(2,587)	(2,828)
Other, net	(54)	(91)	(485)	127
Income before income taxes	19,792	4,223	64,496	30,263
Provision (benefit) for income taxes	(317)	(1,435)	3,002	677
Net income	<u>\$ 20,109</u>	<u>\$ 5,658</u>	<u>\$ 61,494</u>	<u>\$ 29,586</u>
Earnings per share:				
Basic	\$ 0.48	\$ 0.14	\$ 1.47	\$ 0.70
Diluted	\$ 0.47	\$ 0.13	\$ 1.45	\$ 0.69
Weighted-average common shares outstanding:				
Basic	41,850	41,670	41,713	42,309
Diluted	42,728	42,374	42,376	42,945

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

	December 31, 2016	January 2, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 141,106	\$ 114,085
Short-term investments	153,961	128,901
Accounts receivable, net	74,401	73,601
Inventories	59,578	53,895
Prepaid expenses and other current assets	61,805	52,658
Total current assets	490,851	423,140
Long-term investments	5,196	7,126
Property and equipment, net	129,559	131,132
Goodwill	276,130	272,722
Other intangible assets, net	103,565	121,354
Other assets, net	76,543	55,989
Total assets	\$1,081,844	\$1,011,463
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 39,577	\$ 42,127
Current portion of long-term debt	--	10,000
Accrued expenses	50,100	52,131
Deferred income on shipments to distributors	45,568	35,448
Income taxes	4,450	2,615
Total current liabilities	139,695	142,321
Long-term debt	72,500	67,500
Other non-current liabilities	42,691	40,528
Total liabilities	254,886	250,349
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; 41,889 and 41,727 shares issued and outstanding at December 31, 2016 and January 2, 2016, respectively	4	4
Additional paid-in capital	24,463	13,868
Retained earnings	801,999	747,749
Accumulated other comprehensive income (loss)	492	(507)
Total stockholders' equity	826,958	761,114
Total liabilities and stockholders' equity	\$1,081,844	\$1,011,463

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

	Year Ended	
	December 31, 2016	January 2, 2016
Operating Activities		
Net income	\$ 61,494	\$ 29,586
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation of property and equipment	13,216	12,517
Amortization of other intangible assets and other assets	27,715	29,131
Stock-based compensation expense	39,628	42,791
Income tax benefit (shortfall) from stock-based awards	(1,099)	469
Excess income tax benefit from stock-based awards	(572)	(2,497)
Deferred income taxes	(4,087)	(2,136)
Changes in operating assets and liabilities:		
Accounts receivable	46	1,702
Inventories	(6,093)	2,093
Prepaid expenses and other assets	(3,568)	(870)
Accounts payable	263	6,662
Accrued expenses	5,919	1,682
Deferred income on shipments to distributors	9,713	(5,298)
Income taxes	(3,040)	776
Other non-current liabilities	(10,625)	(11,161)
Net cash provided by operating activities	<u>128,910</u>	<u>105,447</u>
Investing Activities		
Purchases of available-for-sale investments	(185,231)	(107,366)
Sales and maturities of available-for-sale investments	161,921	171,831
Purchases of property and equipment	(10,927)	(11,268)
Purchases of other assets	(8,801)	(6,399)
Acquisitions of businesses, net of cash acquired	(6,546)	(96,112)
Net cash used in investing activities	<u>(49,584)</u>	<u>(49,314)</u>
Financing Activities		
Proceeds from issuance of long-term debt, net	--	81,238
Payments on debt	(5,000)	(94,706)
Repurchases of common stock	(40,543)	(71,448)
Payment of taxes withheld for vested stock awards	(11,133)	(13,869)
Proceeds from the issuance of common stock	13,299	16,998
Excess income tax benefit from stock-based awards	572	2,497
Payment of acquisition-related contingent consideration	(9,500)	(4,464)
Net cash used in financing activities	<u>(52,305)</u>	<u>(83,754)</u>
Increase (decrease) in cash and cash equivalents	27,021	(27,621)
Cash and cash equivalents at beginning of period	114,085	141,706
Cash and cash equivalents at end of period	<u>\$141,106</u>	<u>\$114,085</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 December 31, 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	\$182,610							
Gross margin	109,476	60.0%	\$ 264	\$ --	\$ --	\$ --	\$109,740	60.1%
Research and development	50,626	27.7%	4,879	4,601	(232)	--	41,378	22.7%
Selling, general and administrative	38,767	21.3%	4,429	1,522	282	742	31,792	17.4%
Operating expenses	89,393	49.0%	9,308	6,123	50	742	73,170	40.1%
Operating income	20,083	11.0%	9,572	6,123	50	742	36,570	20.0%

Non-GAAP Earnings Per Share and Income Tax Rate	Three Months Ended December 31, 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	\$19,792		\$9,572	\$6,123	\$50	\$742	\$ --	\$36,279	
Provision (benefit) for income taxes	(317)	(1.6)%					4,585	4,268	11.8%
Net income	\$20,109							\$32,011	
Diluted shares outstanding	42,728							42,728	
Diluted earnings per share	\$ 0.47							\$ 0.75	

Unaudited Forward-Looking Statements Regarding Business Outlook **

Business Outlook	Three Months Ending	
	April 1, 2017	
	High	Low
Estimated GAAP diluted earnings per share	\$0.27	\$0.21
Estimated non-GAAP charges	0.36	0.36
Estimated non-GAAP diluted earnings per share	\$0.63	\$0.57

** 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.