

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

	<u>Three Months Ended</u>		<u>Year Ended</u>	
	<u>December 30, 2017</u>	<u>December 31, 2016</u>	<u>December 30, 2017</u>	<u>December 31, 2016</u>
Revenues	\$201,018	\$182,610	\$768,867	\$697,626
Cost of revenues	81,754	73,134	314,676	276,122
Gross margin	119,264	109,476	454,191	421,504
Operating expenses:				
Research and development	52,735	50,626	209,491	199,744
Selling, general and administrative	40,139	38,767	159,726	155,483
Operating expenses	92,874	89,393	369,217	355,227
Operating income	26,390	20,083	84,974	66,277
Other income (expense):				
Interest income and other, net	1,963	357	6,057	806
Interest expense	(4,863)	(648)	(14,128)	(2,587)
Income before income taxes	23,490	19,792	76,903	64,496
Provision (benefit) for income taxes	28,342	(317)	29,811	3,002
Net income (loss)	<u>\$ (4,852)</u>	<u>\$ 20,109</u>	<u>\$ 47,092</u>	<u>\$ 61,494</u>
Earnings (loss) per share:				
Basic	\$ (0.11)	\$ 0.48	\$ 1.11	\$ 1.47
Diluted	\$ (0.11)	\$ 0.47	\$ 1.09	\$ 1.45
Weighted-average common shares outstanding:				
Basic	42,656	41,850	42,446	41,713
Diluted	42,656	42,728	43,332	42,376

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

	<u>December 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 269,366	\$ 141,106
Short-term investments	494,657	153,961
Accounts receivable, net	71,367	74,401
Inventories	73,132	59,578
Prepaid expenses and other current assets	39,120	61,805
Total current assets	<u>947,642</u>	<u>490,851</u>
Property and equipment, net	127,682	129,559
Goodwill	288,227	276,130
Other intangible assets, net	83,144	103,565
Other assets, net	88,387	81,739
Total assets	<u><u>\$1,535,082</u></u>	<u><u>\$1,081,844</u></u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 38,851	\$ 39,577
Deferred income on shipments to distributors	50,115	45,568
Other current liabilities	73,359	54,550
Total current liabilities	<u>162,325</u>	<u>139,695</u>
Long-term debt	--	72,500
Convertible debt	341,879	--
Other non-current liabilities	77,862	42,691
Total liabilities	<u>582,066</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; 42,707 and 41,889 shares issued and outstanding at December 30, 2017 and December 31, 2016, respectively	4	4
Additional paid-in capital	102,862	24,463
Retained earnings	851,307	801,999
Accumulated other comprehensive income (loss)	(1,157)	492
Total stockholders' equity	<u>953,016</u>	<u>826,958</u>
Total liabilities and stockholders' equity	<u><u>\$1,535,082</u></u>	<u><u>\$1,081,844</u></u>

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

	Year Ended	
	December 30, 2017	December 31, 2016
Operating Activities		
Net income	\$ 47,092	\$ 61,494
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation of property and equipment	14,766	13,216
Amortization of other intangible assets and other assets	27,246	27,715
Amortization of debt discount and debt issuance costs	10,146	--
Stock-based compensation expense	44,752	39,628
Income tax shortfall from stock-based awards	--	(1,671)
Deferred income taxes	(26,452)	(4,087)
Changes in operating assets and liabilities:		
Accounts receivable	3,234	46
Inventories	(13,416)	(6,093)
Prepaid expenses and other assets	25,266	(3,568)
Accounts payable	(468)	263
Other current liabilities and income taxes	61,924	2,879
Deferred income on shipments to distributors	4,453	9,713
Other non-current liabilities	(9,022)	(10,625)
Net cash provided by operating activities	189,521	128,910
Investing Activities		
Purchases of available-for-sale investments	(636,363)	(185,231)
Sales and maturities of available-for-sale investments	294,452	161,921
Purchases of property and equipment	(12,252)	(10,927)
Purchases of other assets	(4,960)	(8,801)
Acquisitions of businesses, net of cash acquired	(15,168)	(6,546)
Net cash used in investing activities	(374,291)	(49,584)
Financing Activities		
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	(15,753)	(10,561)
Proceeds from the issuance of common stock	11,815	13,299
Payment of acquisition-related contingent consideration	--	(9,500)
Net cash provided by (used in) financing activities	313,030	(52,305)
Increase in cash and cash equivalents	128,260	27,021
Cash and cash equivalents at beginning of period	141,106	114,085
Cash and cash equivalents at end of period	<u>\$269,366</u>	<u>\$141,106</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 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	\$201,018						
Gross margin	119,264	59.3%	\$ 287	\$ --	\$ --	\$119,551	59.5%
Research and development	52,735	26.2%	5,611	4,943	--	42,181	21.0%
Selling, general and administrative	40,139	20.0%	5,847	1,647	(110)	32,755	16.3%
Operating expenses	92,874	46.2%	11,458	6,590	(110)	74,936	37.3%
Operating income	26,390	13.1%	11,745	6,590	(110)	44,615	22.2%

Non-GAAP Earnings Per Share and Income Tax Rate	Three Months Ended December 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	\$23,490		\$11,745	\$6,590	\$(110)	\$2,748	\$ --	\$44,463	
Provision for income taxes	28,342	120.7%					(24,631)	3,711	8.3%
Net income (loss)	\$(4,852)							\$40,752	
Diluted shares outstanding	42,656		Dilutive Securities Excluded From GAAP Measure Due to Net Loss					43,744	
Diluted earnings (loss) per share	\$ (0.11)			1,088				\$ 0.93	

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

Business Outlook	Three Months Ending March 31, 2018		
	GAAP Measure	Non-GAAP Adjustments	Non-GAAP Measure
Gross margin	59.0%	0.25%	59.25%
Operating expenses	\$98	\$18	\$80
Effective tax rate	(15.0)%	27.5%	12.5%
Diluted earnings per share - low	\$0.42	\$0.31	\$0.73
Diluted earnings per share - high	\$0.48	\$0.31	\$0.79

** 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.