

# Press Release

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# MAXIM INTEGRATED REPORTS RESULTS FOR THE THIRD QUARTER OF FISCAL 2014

- Revenue: \$606 million
- Gross Margin: 56.1% GAAP (60.1% excluding special items)
- EPS: \$0.42 GAAP (\$0.43 excluding special items)
- Cash, cash equivalents, and short term investments: \$1.23 billion
- Fiscal fourth quarter revenue outlook: \$635 million to \$665 million

SAN JOSE, CA - April 24, 2014 - Maxim Integrated Products, Inc. (NASDAQ:MXIM) reported net revenue of \$606 million for its third quarter of fiscal 2014 ended March 29, 2014, a 2% decrease from the \$620 million revenue recorded in the prior quarter.

Tunc Doluca, President and Chief Executive Officer, commented, "We achieved better than seasonal results for our mix of businesses, driven by growth in automotive, industrial and communications, as market requirements converge on the need for lower power, higher functionality, and more integrated designs." Mr. Doluca continued, "Looking forward, we expect continued growth in these businesses, accompanied by strength in mobility."

### **Fiscal Year 2014 Third Quarter Results**

Based on Generally Accepted Accounting Principles (GAAP), diluted earnings per share in the March quarter was \$0.42. Earnings per share included an intellectual property licensing income amount of \$17 million, included in Interest and Other Income.

The results were affected by special items which primarily consisted of a \$35 million pre-tax charge for items related to acquisitions and a \$35 million benefit for income taxes. GAAP earnings per share, excluding special

items was \$0.43. An analysis of GAAP versus GAAP excluding special items is provided in the last table of this press release.

# **Cash Flow Items**

At the end of the third quarter of fiscal 2014, total cash, cash equivalents and short term investments was \$1.23 billion, an increase of \$81 million from the prior quarter. Notable items included:

- Cash flow from operations: \$212 million
- Net capital expenditures: \$26 million
- Dividends: \$73 million (\$0.26 per share)
- Stock repurchases: \$51 million

# **Business Outlook**

The Company's 90-day backlog at the beginning of the fourth fiscal quarter of 2014 was \$413 million. Based on the beginning backlog and expected turns, results for the June 2014 quarter are expected to be as follows:

- Revenue: \$635 million to \$665 million
- Gross Margin: 58% to 60% GAAP (61% to 63% excluding special items)
- EPS: \$0.38 to \$0.42 GAAP (\$0.45 to \$0.49 excluding special items)

Maxim Integrated's business outlook does not include the potential impact of any restructuring activity or mergers, acquisitions, or other business combinations that may be completed during the quarter.

# Dividend

A cash dividend of \$0.26 per share will be paid on June 5, 2014, to stockholders of record on May 22, 2014.

# **Conference Call**

Maxim Integrated has scheduled a conference call on April 24, 2014, at 2:00 p.m. Pacific Time to discuss its financial results for the third quarter of fiscal 2014 and its business outlook. To listen via telephone, dial (866) 804-3547 (toll free) or (703) 639-1328. This call will be webcast by Shareholder.com and can be accessed at the Company's website at <u>www.maximintegrated.com/company/investor</u>.

#### CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	(Unaudited)					
		March 29, 2014	Dee	cember 28, 2013	1	March 30, 2013
		(in	thousands,	, except per share da	ata)	
Net revenues	\$	605,681	\$	620,274	\$	604,884
Cost of goods sold		265,744		291,602		228,782
Gross margin		339,937		328,672		376,102
Operating expenses:						
Research and development		141,493		142,971		134,138
Selling, general and administrative		80,680		83,471		81,954
Intangible asset amortization		4,863		4,968		3,903
Impairment of long-lived assets		_		5,197		_
Severance and restructuring expenses (1)		3,338		10,227		151
Acquisition-related costs		(88)		4,137		_
Other operating expenses (income), net (2)		2,913		7,307		1,678
Total operating expenses		233,199		258,278		221,824
Operating income		106,738		70,394		154,278
Interest and other income (expense), net (3)		5,174		(5,833)		(2,669)
Income before provision for income taxes		111,912		64,561		151,609
Provision (benefit) for income taxes (4)		(10,632)		20,208		22,824
Income from continuing operations		122,544		44,353		128,785
Income from discontinued operations, net of tax		, 		<i></i>		2,603
Net income	\$	122,544	\$	44,353	\$	131,388
Earnings per share: Basic						
From continuing operations	\$	0.43	\$	0.16	\$	0.44
From discontinued operations, net of tax		_		_		0.01
Basic	\$	0.43	\$	0.16	\$	0.45
Earnings per share: Diluted						
From continuing operations	\$	0.42	\$	0.15	\$	0.43
From discontinued operations, net of tax		—		—		0.01
Diluted	\$	0.42	\$	0.15	\$	0.44
Shares used in the calculation of earnings per share:						
Basic		282,627		282,664		292,888
Diluted	_	288,575		288,565		300,082
Dividends paid per share	\$	0.26	\$	0.26	\$	0.24

(1) Includes severance, retention and lease abandonment charges related to acquisitions, and severance charges related to the reorganization of various business units and manufacturing operations.

(2) Other operating expenses (income), net are primarily for legal settlement, in-process research and development abandoned, contingent consideration adjustments related to certain acquisitions and legal expenses related to Volterra acquisition.

(3) Includes impairment of investments in privately-held companies.

(4) Includes one-time fixed asset tax basis adjustments relating to prior year depreciation expense.

### SCHEDULE OF SPECIAL EXPENSE ITEMS (Unaudited)

March 29, 2014 18,542 5,518 24.0(0)	Dec	Aonths Ended ember 28, 2013 thousands) 19,098		rch 30, 2013
<b>2014</b> 18,542 5,518	(in t	2013 thousands) 19,098	2	2013
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5,518	\$	· · · · ·	\$	ררר ר
5,518	\$	· · · · ·	\$	7 777
		12.077	Ψ	1,111
24.0(0		13,066		—
24,060	\$	32,164	\$	7,777
4,863	\$	4,968	\$	3,903
_		5,197		_
3,338		10,227		151
(88)		4,137		_
2,913		7,307		1,678
11.02(	\$	31,836	\$	5,732
	(88)	(88) 2,913	3,338         10,227           (88)         4,137           2,913         7,307	3,338         10,227           (88)         4,137           2,913         7,307

Interest and other expense (income), net (3) Total	\$ \$	3,723 3,723	\$ \$		\$ \$	
Provision (benefit) for income taxes:						
Fixed assets tax basis adjustment (4)	\$	(34,562)	\$	_	\$	_
Research & development tax credits		_		_		(3,899)
Total	\$	(34,562)	\$	_	\$	(3,899)
Discontinued operations:						
Income from discontinued operations, net of tax	\$	_	\$	—	\$	(2,603)
Total	\$	_	\$	_	\$	(2,603)

(1) Includes severance, retention and lease abandonment charges related to acquisitions, and severance charges related to the reorganization of various business units and manufacturing operations.

(2) Other operating expenses (income), net are primarily for legal settlement, in-process research and development abandoned, contingent consideration adjustments related to certain acquisitions and legal expenses related to Volterra acquisition.

(3) Includes impairment of investments in privately-held companies.

(4) Includes one-time fixed asset tax basis adjustments relating to prior year depreciation expense.

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		(Unaudite	ed)			
Three Months Ended March 29, 2014	Stoc	k Options		Restricted lock Units	oyee Stock chase Plan	Total
Cost of goods sold	\$	451	\$	2,108	\$ 594	\$ 3,153
Research and development expense		2,124		7,917	1,623	11,664
Selling, general and administrative expense		1,391		5,186	 663	7,240
Total	\$	3,966	\$	15,211	\$ 2,880	\$ 22,057
Three Months Ended December 28, 2013						
Cost of goods sold	\$	438	\$	2,395	\$ 533	\$ 3,366
Research and development expense		2,616		8,728	1,153	12,497
Selling, general and administrative expense		1,476		4,996	 534	 7,006
Total	\$	4,530	\$	16,119	\$ 2,220	\$ 22,869
Three Months Ended March 30, 2013						
Cost of goods sold	\$	337	\$	2,120	\$ 598	\$ 3,055
Research and development expense		1,440		7,116	1,480	10,036
Selling, general and administrative expense		1,157		4,764	 601	 6,522
Total	\$	2,934	\$	14,000	\$ 2,679	\$ 19,613

# STOCK-BASED COMPENSATION BY TYPE OF AWARD (in thousands) (Unaudited)

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CONSOLIDATED BALANCE SHEETS										
(Unaudited)		JILLIS								
	Ν	March 29, 2014	December 28, 2013			March 30, 2013				
			(i	in thousands)						
ASSETS										
Current assets:										
Cash and cash equivalents	\$	1,231,248	\$	1,149,909	\$	1,547,980				
Short-term investments						25,095				
Total cash, cash equivalents and short-term investments		1,231,248		1,149,909		1,573,075				
Accounts receivable, net		304,128		288,285		300,046				
Inventories		290,518		297,234		268,018				
Deferred tax assets		74,038		69,154		81,809				
Other current assets		79,346		85,554		113,010				
Total current assets		1,979,278		1,890,136		2,335,958				
Property, plant and equipment, net		1,355,268		1,372,393		1,368,905				
Intangible assets, net		384,167		404,652		165,591				
Goodwill		597,676		596,898		422,004				
Other assets		38,176		42,803		41,660				
TOTAL ASSETS	\$	4,354,565	\$	4,306,882	\$	4,334,118				
LIABILITIES AND STOCKHOI	7									
Current liabilities:			-							
Accounts payable	\$	94,315	\$	99,009	\$	114,629				
Income taxes payable		20,720		21,717		20,200				
Accrued salary and related expenses		168,336		140,738		182,894				
Accrued expenses		81,232		91,145		59,075				
Current portion of long-term debt		2,526		2,965	304,314					
Deferred income on shipments to distributors		24,259		25,542		25,851				
Total current liabilities		391,388		381,116		706,963				
Long-term debt		1,000,871		1,000,871		503,573				
Income taxes payable		352,294		337,053		271,815				
Deferred tax liabilities		171,431		202,435		213,138				
Other liabilities		37,977		29,343		26,063				
Total liabilities		1,953,961		1,950,818		1,721,552				
Stockholders' equity:										
Common stock and capital in excess of par value		283		283		292				
Retained earnings		2,412,627		2,368,350		2,629,895				
Accumulated other comprehensive loss		(12,306)		(12,569)		(17,621)				
Total stockholders' equity		2,400,604		2,356,064		2,612,566				
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$	4,354,565	\$	4,306,882	\$	4,334,118				

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### CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(Unaudited)		,	Three	Months Ended		
	N	Aarch 29, 2014	December 28,			Aarch 30, 2013
		2014	(in	2013 thousands)		2013
Cash flows from operating activities:						
Net income	\$	122,544	\$	44,353	\$	131,388
Adjustments to reconcile net income to net cash provided by operating activities:						
Stock-based compensation		22,057		22,869		19,613
Depreciation and amortization		64,665		64,404		50,391
Deferred taxes		(36,482)		(11,705)		18,392
In-process research and development written-off		2,580		—		2,800
Loss (gain) from sale of property, plant and equipment		818		265		(2,397)
Tax benefit (shortfall) related to stock-based compensation		3,204		(726)		1,317
Impairment of long-lived assets		_		5,197		
Impairment of investments in privately-held companies		3,723		_		
Excess tax benefit from stock-based compensation		(5,139)		(2,459)		(4,297)
Loss(gain) on sale of discontinued operations		—		—		(3,285)
Changes in assets and liabilities:						
Accounts receivable		(15,566)		33,056		(35,501)
Inventories		7,717		14,030		(12,143)
Other current assets		7,194		30,330		(14,653)
Accounts payable		(4,044)		(3,252)		10,453
Income taxes payable		14,244		19,002		9,100
Deferred revenue on shipments to distributors		(1,283)		(1,637)		489
All other accrued liabilities		25,466		20,704		40,026
Net cash provided by (used in) operating activities	_	211,698		234,431		211,693
Cash flows from investing activities:						
Purchase of property, plant and equipment		(26,407)		(46,133)		(54,945)
Proceeds from sales of property, plant and equipment		618		—		10,199
Payments in connection with business acquisition, net of cash acquired		(5,750)		(453,506)		
Proceeds from maturity of available-for-sale securities		_		27,000		50,000
Net cash provided by (used in) investing activities		(31,539)		(472,639)		5,254
Cash flows from financing activities:						
Excess tax benefit from stock-based compensation		5,139		2,459		4,297
Contingent consideration paid		(104)		(4,601)		
Dividends paid		(73,481)		(73,324)		(70,421)
Repayment of notes payable		(439)		(1,839)		(903)
Issuance of debt		—		497,795		491,145
Debt issuance cost		—		(3,431)		_
Repurchase of common stock		(51,083)		(59,101)		(66,330)
Issuance of ESPP shares under employee stock purchase program		—		19,096		
Net issuance of restricted stock units		(8,390)		(7,106)		(7,941)
Proceeds from stock options exercised		29,538		8,622		26,079
Net cash provided by (used in) financing activities	_	(98,820)		378,570		375,926
Net increase (decrease) in cash and cash equivalents		81,339		140,362		592,873
Cash and cash equivalents:						
Beginning of period		1,149,909		1,009,547		955,107
End of period	\$	1,231,248	\$	1,149,909	\$	1,547,980
		1,231,248	\$			1,573,075

# ANALYSIS OF GAAP VERSUS GAAP EXCLUDING SPECIAL ITEMS DISCLOSURES (Unaudited)

GAAP grows profit %         56.1%         53.0%         62.3           Special items:         Intragible aset amorization         18,542         19,008         7,777           Acquisition-related inventory write-up         5,518         13,066         -           Total special items         24,060         32,164         -         7,777           GAAP gross profit % excluding special items         5         360,397         \$ 360,336         \$ 352,879           GAAP gross profit % excluding special items         60.1%         \$ \$258,278         \$ \$ 221,824           Special items:         -         -         -         -         60.1%         \$ \$ \$258,278         \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	(Chaudheu)	Three Months Ended					
Reconciliation of GAAP gross profit to GAAP gross profit excluding special         S         339,937         S         328,672         S         376,102           GAAP gross profit %         S         330,937         S         328,672         S         376,102           GAAP gross profit %         S         56,1%         53,0%         62,2           Special items:         Intangble asset amorization         18,542         19,098         7,777           Acquisition-related inventory write-up         5,518         12,066            CAAP gross profit % excluding special items         8         60,1%         58,2%         63,3           CAAP gross profit % excluding special items:         60,1%         58,2%         63,3         7,777           CAAP gross profit % excluding special items:         60,1%         58,2%         63,3         7,777           CAAP gross profit % excluding special items:         5         233,199         S         258,278         S         221,824           Special items:         Intangble asset amorization         4,865         4,968         3,000           Impairment of long-lived assets         5,197         -         1,027         1,017           Acquisition-related items         5,197         -         21,826 </th <th></th> <th>N</th> <th></th> <th>De</th> <th></th> <th>N</th> <th></th>		N		De		N	
items:         Item bit with the set anotization         \$ 339.937         \$ 328.672         \$ 376,102           GAAP gross profit %         \$ 56.1%         \$ 53.0% $62.2$ Special items:         Intragible asset amortization         18,542         19,008         7,777           Acquisition-citated inventory write-up $55.18$ 13,066 $-$ 7,777           GAAP gross profit %         \$ 50.397         \$ 50.808.6         \$ 333,879 $60.18^\circ$ \$ 80.836         \$ 333,879           GAAP gross profit %         Seconditing special items $60.18^\circ$ \$ \$ 228,278         \$ \$ 221,824           GAAP gross profit %         Seconditing special items: $60.18^\circ$ \$ \$ 233,199         \$ \$ 258,278         \$ \$ 221,824           Special items:         Intagible asset amortization $4,863$ $4,968$ $3,903$ Instagible asset amortization $4,863$ $4,968$ $3,903$ $ 5,197$ $ 5,197$ $ 5,197$ $ 5,197$ $ 5,197$ $ 5,197$ $ 5,197$ $ 5,197$ $ 5,197$ $ 5,197$ $-$			(in thous	sands,	except per sha	are dat	a)
GAAP grass profit %         56.1%         53.0%         62.2           Special items:         Intagple asset anotization         18,542         19,098         7,777           Acquisition-clated inventory write-up         5,518         13,066         -           Total special items         24,060         32,164         -         7,777           Acquisition-clated inventory write-up         5,18         13,066         -         7,777           GAAP grass profit % excluding special items         50,097         \$ 360,997         \$ 362,876         \$ 63.3           Reconciliation of GAAP operating expenses to GAAP operating expenses         5         233,199         \$ 258,278         \$ 221,824           Special items:         Intagble asset anortization         4,863         4,968         3,000           Impainment of long-lived assets         -         5,197         -           Secondilation of GAAP net income (2)         2,913         7,307         1,678           Total special items:         11026         31,836         5,723           GAAP net income         \$ 122,544         \$ 44,353         \$ 131,388           Special items:         11026         1,836         5,717           Total special items:         1         3,338         10,2							
Special items:Intangible asset amortization18,54219,0987,777Acquisition-related inventory write-up5,51813,066Total special items $$ 363,997$ $$ 360,836$ $$ 38,276$ GAAP gross profit se excluding special items $$ 061,95$ $$ 38,276$ $$ 63,587$ GAAP gross profit seculating special items $$ 233,199$ $$ 258,278$ $$ 221,824$ Special items:Innamiple asset amortization $4,863$ $4,968$ $3,903$ Intragible asset amortization $4,863$ $4,968$ $3,003$ Intragible asset amortization $2,913$ $7,307$ $1,678$ Other operating expenses (income), net (2) $2,913$ $7,307$ $1,678$ Other operating expenses excluding special items $\overline{2},221,773$ $\overline{5},226,442$ $\overline{5},216,092$ Reconciliation of GAAP net income to GAAP net income excluding special items $\overline{5},518$ $13,066$ $$ GAAP end income $5,118$ $13,066$ $$ $-$ Special items: $1,026$ $31,386$ $ -$ Intragible asset amortization $23,405$ $24,066$ $11,680$ Acquisition-related items $3,383$ $10,227$ $151$ Acquisition-related items $3,328$ $0,227$ $151$ Interset and other expense,	GAAP gross profit	\$	339,937	\$	328,672	\$	376,102
Intangible asset amortization       18,542       19,098       7,777         Acquisition-related inventory write-up       5,518       13,066          Total special items       24,060       32,164       7,777         GAAP gross profit excluding special items       60,1%       58,2%       63,3         Reconciliation of GAAP operating expenses to GAAP operating expenses       60,1%       58,2%       63,5         Reconciliation of GAAP operating expenses to GAAP operating expenses       5,233,199       \$258,278       \$221,824         Special items:       Intangible asset amortization       4,863       4,968       3,903         Impairment of long-lived assets       -       5,197       -       -         Severance and restructuring (1)       3,338       10,227       151         Acquisition-related costs       (88)       4,137       -       -         Other operating expenses (income), net (2)       2,913       7,307       1,678         Total special items:       11,026       31,836       5,732         GAAP net income       S       12,2,544       \$44,353       \$13,086         Special items:       -       5,187       13,066       -         Interest and orbization       3,338       10,227 <td>GAAP gross profit %</td> <td></td> <td>56.1%</td> <td></td> <td>53.0%</td> <td></td> <td>62.2%</td>	GAAP gross profit %		56.1%		53.0%		62.2%
Acquisition-related inventory write-up $5,518$ $13,066$ $$ Total special items $24,060$ $32,164$ $7,77$ GAAP gross profit % excluding special items $60,1\%$ $58,2\%$ $63,57$ GAAP gross profit % excluding special items $60,1\%$ $58,2\%$ $63,57$ Reconciliation of GAAP operating expenses to GAAP operating expenses $523,199$ $5258,278$ $5221,824$ Special items:       Intangible asset amortization $4,863$ $4,968$ $3,903$ Intangible asset amortization $4,863$ $4,968$ $57,323$ GAAP operating expenses (income), net (2) $2,913$ $7,307$ $1,678$ Interst $518$ $13,066$ $$ Interst $518$ $13,066$ $$ Interst $518$ $5136$ $$ $-$	•						
Total special items $24,060$ $32,164$ $7,777$ GAAP gross profit excluding special items $30,397$ $5$ $30,397$ $5$ $30,836$ $5$ $88,379$ GAAP gross profit * excluding special items $60,1\%$ $58,2\%$ $63,57$ $63,57$ Reconciliation of GAAP operating expenses to GAAP operating expenses $5$ $233,199$ $5$ $258,278$ $5$ $221,824$ Special items:Intangible asset amortization $4,863$ $4,968$ $3,903$ $5$ $258,278$ $5$ $221,824$ Intangible asset amortization $4,863$ $4,968$ $3,903$ $1,977$ $-$ Severance and restructuring (1) $3,338$ $10,227$ $151$ Acquisition-related costs(88) $4,137$ $-$ Other operating expenses (income), net (2) $2,913$ $7,307$ $1.678$ Total special items $11,026$ $31,336$ $5,752$ GAAP net income $5$ $122,544$ $5$ $44,353$ $5$ Special items: $11,026$ $3,338$ $10,227$ $151$ Intangible asset amortization $23,405$ $24,066$ $-1$ Intangible asset amortization $23,405$ $24,066$ $-1$ Interest and other expense, (ne, net (3) $  5,117$ $-$ Acquisition-related costs $  5,197$ $-$ Interest and restructuring (1) $33,338$ $10,227$ $151$ Acquisition-related costs $   -$ Interest and other exp	•		,		-		7,777
GAAP gross profit % excluding special items $$$ <			,				_
GAAP grass profit % excluding special items $60.1\%$ $58.2\%$ $63.5$ Reconciliation of GAAP operating expenses           Second litems:           GAAP operating expenses         S $233.199$ S $258.278$ S $221,824$ Special items:         Intangible asset amortization $4.863$ $4.968$ $3.903$ Impairment of long-lived assets $ 5,197$ $-$ Severance and restructuring (1) $3.338$ $10.227$ $151$ Acquisition-related costs         (88) $4.137$ $-$ Other operating expenses (income), net (2) $2.913$ $7.307$ $1.678$ Total special items $11.026$ $31.836$ $5.752$ GAAP operating expenses (income), net (2) $2.2,173$ $$$ 226,442$ $$$ 216,092$ Reconciliation of GAAP net income to GAAP net income excluding special items $ 5.197$ Intangible asset amortization $23,405$ $24,066$ $11.680$ Acquisition-related inventory write-up $5.18$ $13,066$ $-$ Impairment of long-lived assets	Total special items		,		32,164		7,777
Reconciliation of GAAP operating expensesSolution of GAAP operating expensesGAAP operating expenses\$ 233,199\$ 258,278\$ 221,824Special items:4,8634,9683,900Impairment of long-lived asets $-$ 5,197 $-$ Severance and restructuring (1)3,33810,227151Acquisition-related costs(88)4,137 $-$ Other operating expenses (income), net (2)2,913 $7,307$ 1678Total special items:11,026 $31,836$ $5,732$ GAAP operating expenses excluding special items $$ 222,173$ $$ 222,442$ $$ 216,092$ Reconciliation of GAAP net income to GAAP net income excluding special items: $3,338$ 10,227151Intangible aset amortization $23,405$ $24,066$ 11,680Acquisition-related inventory write-up $5,518$ 13,066 $-$ Impairment of Iong-lived asets $ 5,197$ $-$ Special items: $ 5,197$ $ -$ Intangible aset amortization $23,405$ $24,066$ 11,680Acquisition-related inventory write-up $5,518$ 13,066 $-$ Impairment of Iong-lived asets $  -$ Severance and restructuring (1) $3,338$ 10,227151Acquisition-related costs $(88)$ $4,137$ $-$ Impairment of ong-lived asets $  -$ Interest and other expense, net (3) $  -$ Pre-tax total specia	GAAP gross profit excluding special items	\$	363,997	\$	360,836	\$	383,879
excluting special items:GAAP operating expenses\$\$233,199\$258,278\$\$221,824Special items:Intangible asset amorization4,8634,9683,903Impairment of long-lived assets	GAAP gross profit % excluding special items		60.1%		58.2%		63.5%
GAAP operating expenses         \$ 233,199         \$ 258,278         \$ 221,824           Special items:         Intangible asset amortization         4,863         4,968         3,903           Impairment of long-lived assets          5,197             Severance and restructuring (1)         .3338         10,227         151           Acquisition-related costs         (88)         4,137            Total special items         11,026         31,386         5,732           GAAP operating expenses (income), net (2)         2,913         7,307         1,678           Total special items         11,026         \$ 226,442         \$ 216,002           GAAP net income         S         122,544         \$ 44,353         \$ 131,388           Special items:         Intangible asset amortization         23,405         24,066         11,680           Intangible asset amortization         23,405         24,066         11,680            Intangible asset amortization         23,405         24,066         11,680           Acquisition-related inventory write-up         5,518         13,066            Impairment of long-lived assets          5,197							
Intangible asset amortization $4,863$ $4,968$ $3,903$ Impairment of long-lived assets- $5,197$ -Severance and restructuring (1) $3,338$ $10,227$ $151$ Acquisition-related costs(88) $4,137$ -Other operating expenses (income), net (2) $2,913$ $7,307$ $1.678$ Total special items $11,026$ $31,836$ $5,732$ GAAP operating expenses excluding special items $$222,173$ $$226,442$ $$216,092$ Reconciliation of GAAP net income to GAAP net income excluding special items: $$11,026$ $31,836$ $5,732$ Intangible asset amortization $23,405$ $24,066$ $11,680$ Acquisition-related inventory write-up $5,518$ $13,066$ -Impairment of long-lived assets- $5,197$ -Severance and restructuring (1) $3,338$ $10,227$ $151$ Acquisition-related costs(88) $4,137$ -Other operating expenses (income), net (2) $2,913$ $7,307$ $1.678$ Interest and other expense, net (3) $3,723$ Pre-tax total special items $38,809$ $64,000$ $13,509$ Tax effect of special items $(3,658)$ $(5,894)$ $(3,806)$ Fixed asset tax basis adjustment (4) $(34,562)$ Research & development tax credits $(2,603)$ GAAP net income excluding special items: $$123,133$ $$102,459$ $$134,589$ GAAP net income excluding special items: <td< td=""><td></td><td>\$</td><td>233,199</td><td>\$</td><td>258,278</td><td>\$</td><td>221,824</td></td<>		\$	233,199	\$	258,278	\$	221,824
Impairment of long-lived assets $ 5,197$ $-$ Severance and restructuring (1) $3,338$ $10,227$ $151$ Acquisition-related costs(88) $4,137$ $-$ Other operating expenses (income), net (2) $2,913$ $7,307$ $1.678$ Total special items $11,026$ $31,836$ $5,732$ GAAP operating expenses excluding special items $$$ $2222,173$ $$$ $$$ $226,442$ $$$ $$$ Reconciliation of GAAP net income to GAAP net income excluding special items:Intangible aset amortization $23,405$ $24,066$ $11,680$ Acquisition-related inventory write-up $5,518$ $13,066$ $-$ Impairment of long-lived assets $ 5,197$ $-$ Severance and restructuring (1) $3,338$ $10,227$ $151$ Acquisition-related inventory write-up $5,518$ $13,066$ $-$ Impairment of long-lived assets $ 5,197$ $-$ Severance and restructuring (1) $3,338$ $10,227$ $151$ Acquisition-related costs $(88)$ $4,137$ $-$ Other operating expenses (income), net (2) $2,913$ $7,307$ $1.678$ Interest and other expense, net (3) $3,723$ $ -$ Pre-tax total special items $38,809$ $64,000$ $13,509$ Tax effect of special items $3,658$ $(5,894)$ $(3,869)$ GAAP net income excluding special items: $$$ $12,459$ $$$ Basic $$$ $$$ $$$ $$$ <t< td=""><td>Special items:</td><td></td><td></td><td></td><td></td><td></td><td></td></t<>	Special items:						
Severance and restructuring (1) $3,338$ $10,227$ $151$ Acquisition-related costs(88) $4,137$ Other operating expenses (income), net (2) $2,913$ $7,307$ $1,678$ Total special items $222,173$ $5$ $226,442$ $5$ $216,092$ <b>Reconciliation of GAAP net income to GAAP net income excluding special</b> $5,522$ $5$ $216,092$ <b>Reconciliation of GAAP net income to GAAP net income excluding special</b> $5$ $222,173$ $5$ $226,442$ $5$ <b>GAAP net income</b> $5$ $122,544$ $5$ $44,353$ $5$ $131,386$ Special items:Intangible asset amortization $23,405$ $24,066$ $11,680$ Acquisition-related inventory write-up $5,518$ $13,066$ Intangible asset amortization $23,405$ $24,066$ $11,680$ Acquisition-related costs $(88)$ $4,137$ Other operating expenses (income), net (2) $2,913$ $7,307$ $1,678$ Interest and other expense, net (3) $3,273$ Pre-tax total special items $38,809$ $64,000$ $13,509$ Fixed asset tax basis adjustment (4) $(34,562)$ Research & development tax credits $(3,899)$ GAAP net income excluding special items: $5$ $134,589$ $5$ $0.446$ Soortinued operating special items $5$ $102,459$ $5$ $134,589$ GAAP net income excluding special items: $5$ $133$ $5$ $102$	Intangible asset amortization		4,863		4,968		3,903
Acquisition-related costs(88)4.137Other operating expenses (income), net (2)2.9137.3071.678Total special items $\overline{s}$ 222.173 $\overline{s}$ 226.442 $\overline{s}$ GAAP operating expenses excluding special items $\overline{s}$ 222.173 $\overline{s}$ 226.442 $\overline{s}$ Reconciliation of GAAP net income to GAAP net income excluding special items:Intangible asset amortization23,40524,06611,680Acquisition-related inventory write-up5,51813,066Intangible asset amortization23,40524,06611,680Acquisition-related inventory write-up5,51813,066Interrest and other expense, net (3)3,33810,227151Other operating expenses (income), net (2)2,9137,3071,678Interest and other expense, net (3)3,723Pre-tax total special items(3,658)(5,894)(3,800)Fixed asset tax basis adjustment (4)(3,562)GAAP net income excluding special items: $\overline{s}$ 123,133 $\overline{s}$ 102,459Basic $\overline{s}$ 0.44 $\underline{s}$ 0.36 $\underline{s}$ 0.44Stares used in the calculation of earnings per share excluding special items: $\underline{s}$ 0.44 $\underline{s}$ 0.36 $\underline{s}$ 0.45Stares used in the calculation of earnings per share excluding special items: $\underline{s}$ 0.44 $\underline{s}$ 0.36 $\underline{s}$ 0.45Shares used in the calculation of earnings per share excluding s	Impairment of long-lived assets		_		5,197		_
Other operating expenses (income), net (2) Total special items $2.913$ 11.026 $7.307$ 31.836 $1.678$ 5.732GAAP operating expenses excluding special items $$222,173$ $$2226,442$ $$2216,092$ Reconciliation of GAAP net income to GAAP net income excluding special items: $$$122,544$ $$$44,353$ $$$131,388$ GAAP net income $$$122,544$ $$$44,353$ $$$131,388$ Special items: $$$122,544$ $$$44,353$ $$$131,388$ Intangible asset amortization $$$23,405$ $$$4,066$ $$11,680$ Acquisition-related inventory write-up $$$,518$ $$130,666$ $$$$$$$$$$$$$$$$$$$$$$$$$$$$$$$$$$$$$$	Severance and restructuring (1)		3,338		10,227		151
Other operating expenses (income), net (2) Total special items $2.913$ 11.026 $7.307$ 31.836 $1.678$ 5.732GAAP operating expenses excluding special items $$222,173$ $$2226,442$ $$2216,092$ Reconciliation of GAAP net income to GAAP net income excluding special items: $$$122,544$ $$$44,353$ $$$131,388$ GAAP net income $$$122,544$ $$$44,353$ $$$131,388$ Special items: $$$122,544$ $$$44,353$ $$$131,388$ Special items: $$$122,544$ $$$44,353$ $$$131,388$ Special items: $$$122,544$ $$$44,353$ $$$131,388$ Intangible asset amortization $$$23,405$ $$$24,066$ $$$11,680$ Acquisition-related inventory write-up $$$,518$ $$$130,666$ $$$$$$$$$$$$$$$$$$$$$$$$$$$$$$$$$$$$$$	Acquisition-related costs		(88)		4,137		_
Total special items $11,026$ $31,836$ $5,732$ GAAP operating expenses excluding special items $$222,173$ $$226,442$ $$216,092$ Reconciliation of GAAP net income to GAAP net income excluding special items:GAAP net income $$122,544$ $$44,353$ $$131,388$ Special items:Intangible asset amortization $23,405$ $24,066$ $11,680$ Acquisition-related inventory write-up $5,518$ $13,066$ $$ Impairment of long-lived assets $$ $5,197$ $$ Severance and restructuring (1) $3,338$ $10,227$ $1151$ Acquisition-related costs(88) $4,137$ $$ Other operating expenses (income), net (2) $2,913$ $7,307$ $1,678$ Interest and other expense, net (3) $37,23$ $$ $$ Pre-tax total special items $38,809$ $64,000$ $13,509$ Tax effect of special items $(34,562)$ $$ $$ Research & development tax credits $$ $ (2,603)$ GAAP net income pershare excluding special items: $$123,133$ $$102,459$ $$134,589$ GAAP net income pershare excluding special items: $$134,580$ $$22,644$ $$0,366$ $$0,365$ Shares used in the calculation of earnings per share excluding special items: $$28,064$ $$282,627$ $$282,664$ $$292,888$	-				7,307		1,678
GAAP operating expenses excluding special items $$ 222,173 \\ $ 226,442 \\ $ $ 216,092 \\ $ $ 216,092 \\ $ $ 222,173 \\ $ $ 226,442 \\ $ $ $ $ $ $ $ $ $ $ $ $ $ $ $ $ $ $ $							
Reconciliation of GAAP net income to GAAP net income excluding special items:GAAP net income\$ 122,544\$ 44,353\$ 131,388Special items:23,40524,06611,680Acquisition-related inventory write-up5,51813,066Impairment of long-lived assets-5,197-Severance and restructuring (1)3,33810,227151Acquisition-related costs(88)4,137Other operating expenses (income), net (2)2,9137,3071,678Interest and other expense, net (3)3,723Pre-tax total special items38,80964,00013,509Tax effect of special items(34,562)Research & development tax credits(3,899Discontinued operations, net of tax(2,603GAAP net income excluding special items:\$ 123,133\$ 102,459\$ 134,589GAAP net income per share excluding special items:\$ 0.36\$ 0.46Shares used in the calculation of earnings per share excluding special items:\$ 0.44\$ 0.36\$ 0.44Shares used in the calculation of earnings per share excluding special items:Basic282,627282,664292,888	-	\$		\$	,	\$	
Special items:23,40524,06611,680Acquisition-related inventory write-up $5,518$ $13,066$ Impairment of long-lived assets $5,197$ Severance and restructuring (1) $3,338$ $10,227$ $151$ Acquisition-related costs(88) $4,137$ Other operating expenses (income), net (2) $2,913$ $7,307$ $1,678$ Interest and other expense, net (3) $3,723$ Pre-tax total special items $38,809$ $64,000$ $13,509$ Tax effect of special items $(3,658)$ $(5,894)$ $(3,806)$ Fixed asset tax basis adjustment (4) $(34,562)$ Research & development tax credits $(2,603)$ GAAP net income excluding special items:\$ $123,133$ \$ $102,459$ Basic\$ $0.44$ \$ $0.366$ \$Diluted\$ $3.036$ \$ $0.46$ Shares used in the calculation of earnings per share excluding special items:\$ $282,627$ $282,647$ $292,888$	items:	0	100 514	¢	11.050	¢	101 000
Intangible asset amortization $23,405$ $24,066$ $11,680$ Acquisition-related inventory write-up $5,518$ $13,066$ $$ Impairment of long-lived assets $$ $5,197$ $$ Severance and restructuring (1) $3,338$ $10,227$ $151$ Acquisition-related costs $(88)$ $4,137$ $$ Other operating expenses (income), net (2) $2,913$ $7,307$ $1,678$ Interest and other expense, net (3) $3,723$ $$ $$ Pre-tax total special items $(3,658)$ $(5,894)$ $(3,806)$ Fixed asset tax basis adjustment (4) $(34,562)$ $$ $$ Research & development tax credits $$ $$ $(2,603)$ GAAP net income excluding special items: $\frac{$ 123,133}{$ 102,459}$ $\frac{$ 0.36}{$ 0.44}$ $\frac{$ 0.36}{$ 0.36}$ $\frac{$ 0.44}{$ 0.36}$ Shares used in the calculation of earnings per share excluding special items: $\frac{$ 282,627}{$ 282,664}$ $292,888$	GAAP net income	\$	122,544	\$	44,353	\$	131,388
Acquisition-related inventory write-up $5,518$ $13,066$ $-$ Impairment of long-lived assets $ 5,197$ $-$ Severance and restructuring (1) $3,338$ $10,227$ $151$ Acquisition-related costs(88) $4,137$ $-$ Other operating expenses (income), net (2) $2,913$ $7,307$ $1,678$ Interest and other expense, net (3) $3,723$ $ -$ Pre-tax total special items $38,809$ $64,000$ $13,509$ Tax effect of special items $(3,658)$ $(5,894)$ $(3,806)$ Fixed asset tax basis adjustment (4) $(34,562)$ $ -$ Research & development tax credits $  (2,603)$ GAAP net income per share excluding special items: $\frac{$ 123,133}{$ $ $ $ $ $ $ $ $ $ $ $ $ $ $ $ $ $ $ $	Special items:						
Impairment of long-lived assets $ 5,197$ $-$ Severance and restructuring (1) $3,338$ $10,227$ $151$ Acquisition-related costs(88) $4,137$ $-$ Other operating expenses (income), net (2) $2,913$ $7,307$ $1,678$ Interest and other expense, net (3) $3,723$ $ -$ Pre-tax total special items $38,809$ $64,000$ $13,509$ Tax effect of special items $(3,658)$ $(5,894)$ $(3,806)$ Fixed asset tax basis adjustment (4) $(34,562)$ $ -$ Research & development tax credits $  (2,603)$ Discontinued operations, net of tax $  (2,603)$ GAAP net income per share excluding special items: $\frac{$ 0.44}{$ 0.366}$ $\frac{$ 0.366}{$ 0.445}$ Basic $\frac{$ 0.44}{$ 0.366}$ $\frac{$ 0.366}{$ 0.445}$ $\frac{$ 0.36}{$ 0.445}$ Shares used in the calculation of earnings per share excluding special items: $\frac{282,627}{$ 282,664}$ $292,888$	Intangible asset amortization		23,405		24,066		11,680
Severance and restructuring (1) $3,338$ $10,227$ $151$ Acquisition-related costs(88) $4,137$ $-$ Other operating expenses (income), net (2) $2,913$ $7,307$ $1,678$ Interest and other expense, net (3) $3,723$ $ -$ Pre-tax total special items $38,809$ $64,000$ $13,509$ Tax effect of special items $(3,658)$ $(5,894)$ $(3,806)$ Fixed asset tax basis adjustment (4) $(34,562)$ $ -$ Research & development tax credits $  (2,603)$ GAAP net income excluding special items: $\frac{$ 123,133}{$ 102,459}$ $\frac{$ 102,459}{$ 134,589}$ GAAP net income per share excluding special items: $\frac{$ 0.44}{$ 0.36}$ $\frac{$ 0.36}{$ 0.45}$ Basic $\frac{$ 0.44}{$ 0.36}$ $\frac{$ 0.36}{$ 0.45}$ $\frac{$ 0.44}{$ 0.36}$ Shares used in the calculation of earnings per share excluding special items: $282,627$ $282,664$ $292,888$	Acquisition-related inventory write-up		5,518		13,066		—
Acquisition-related costs(88) $4,137$ —Other operating expenses (income), net (2)2,9137,3071,678Interest and other expense, net (3) $3,723$ ——Pre-tax total special items $38,809$ $64,000$ 13,509Tax effect of special items(3,658)(5,894)(3,806Fixed asset tax basis adjustment (4) $(34,562)$ ——Research & development tax credits———Discontinued operations, net of tax———GAAP net income per share excluding special items:§123,133§102,459Basic§0.36§0.44§0.36§Diluted§0.43§0.36§0.45Shares used in the calculation of earnings per share excluding special items: $282,627$ $282,627$ $282,664$ $292,888$	Impairment of long-lived assets		_		5,197		_
Other operating expenses (income), net (2) $2,913$ $7,307$ $1,678$ Interest and other expense, net (3) $3,723$ $ -$ Pre-tax total special items $38,809$ $64,000$ $13,509$ Tax effect of special items $(3,658)$ $(5,894)$ $(3,806)$ Fixed asset tax basis adjustment (4) $(34,562)$ $ -$ Research & development tax credits $  -$ Discontinued operations, net of tax $  (2,603)$ GAAP net income excluding special items: $\frac{$ 123,133}{$ $ 102,459}$ $\frac{$ 134,589}{$ $ 134,589}$ GAAP net income per share excluding special items: $\frac{$ 0.44}{$ $ 0.36}$ $\frac{$ 0.36}{$ $ 0.45}$ Shares used in the calculation of earnings per share excluding special items: $282,627$ $282,664$ $292,888$	Severance and restructuring (1)		3,338		10,227		151
Interest and other expense, net $(3)$ $3,723$ $ -$ Pre-tax total special items $38,809$ $64,000$ $13,509$ Tax effect of special items $(3,658)$ $(5,894)$ $(3,806)$ Fixed asset tax basis adjustment $(4)$ $(34,562)$ $ -$ Research & development tax credits $   (3,899)$ Discontinued operations, net of tax $   (2,603)$ GAAP net income excluding special items: $\frac{$ 123,133}{$ $ 102,459}$ $\frac{$ 0.36}{$ $ 0.46}$ $\frac{$ 0.36}{$ $ 0.45}$ Basic $\frac{$ 0.44}{$ $ 0.36}$ $\frac{$ 0.36}{$ $ 0.45}$ $\frac{$ 0.46}{$ $ 0.45}$ Shares used in the calculation of earnings per share excluding special items: $282,627$ $282,664$ $292,888$	Acquisition-related costs		(88)		4,137		_
Pre-tax total special items $38,809$ $64,000$ $13,509$ Tax effect of special items $(3,658)$ $(5,894)$ $(3,806)$ Fixed asset tax basis adjustment (4) $(34,562)$ $ -$ Research & development tax credits $  -$ Discontinued operations, net of tax $  -$ GAAP net income excluding special items: $$$ 123,133$ $$$ 102,459$ $$$ 134,589$ Basic $$$ 0.44$ $$$ 0.36$ $$$ 0.46$ Diluted $$$ 0.43$ $$$ 0.36$ $$$ 0.45$ Shares used in the calculation of earnings per share excluding special items: $$282,627$ $$282,664$ $$292,888$	Other operating expenses (income), net (2)		2,913		7,307		1,678
Tax effect of special items $(3,658)$ $(5,894)$ $(3,806)$ Fixed asset tax basis adjustment (4) $(34,562)$ Research & development tax credits(3,899)Discontinued operations, net of tax(2,603)GAAP net income excluding special items\$123,133\$102,459\$Basic\$0.44\$0.36\$0.46Diluted\$0.43\$0.36\$0.45Shares used in the calculation of earnings per share excluding special items: $282,627$ $282,627$ $282,664$ $292,888$	Interest and other expense, net (3)		3,723				_
Fixed asset tax basis adjustment (4) $(34,562)$ Research & development tax credits(3,899)Discontinued operations, net of tax(2,603)GAAP net income excluding special items\$ 123,133\$ 102,459\$ 134,589GAAP net income per share excluding special items:\$ 0.44\$ 0.36\$ 0.46Diluted\$ 0.43\$ 0.36\$ 0.45Shares used in the calculation of earnings per share excluding special items:282,627282,664292,888	Pre-tax total special items		38,809		64,000		13,509
Fixed asset tax basis adjustment (4) $(34,562)$ Research & development tax credits(3,899)Discontinued operations, net of tax(2,603)GAAP net income excluding special items\$ 123,133\$ 102,459\$ 134,589GAAP net income per share excluding special items:\$ 0.44\$ 0.36\$ 0.46Diluted\$ 0.43\$ 0.36\$ 0.45Shares used in the calculation of earnings per share excluding special items:282,627282,664292,888	Tax effect of special items		(3,658)		(5,894)		(3,806)
Discontinued operations, net of tax $  (2,603)$ GAAP net income excluding special items: $$123,133$ $$102,459$ $$134,589$ GAAP net income per share excluding special items: $$0.44$ $$0.36$ $$0.46$ Basic $$0.43$ $$0.36$ $$0.46$ Shares used in the calculation of earnings per share excluding special items: $$282,627$ $$282,664$ $$292,888$			(34,562)		_		_
GAAP net income excluding special items         GAAP net income per share excluding special items:         Basic         Diluted         Shares used in the calculation of earnings per share excluding special items:         Basic         282,627         282,627         282,627         282,627	Research & development tax credits		_				(3,899)
GAAP net income excluding special items         GAAP net income per share excluding special items:         Basic         Diluted         Shares used in the calculation of earnings per share excluding special items:         Basic         282,627         282,627         282,627         282,627	Discontinued operations, net of tax		_				(2,603)
GAAP net income per share excluding special items: Basic Diluted $$ 0.44$ \$ 0.36 \$ 0.43 $$ 0.36$ \$ 0.46 \$ 0.36 $$ 0.46$ \$ 0.45Shares used in the calculation of earnings per share excluding special items: Basic $282,627$ $282,664$ $292,888$	-	\$	123,133	\$	102,459	\$	
Diluted\$0.43\$0.36\$0.45Shares used in the calculation of earnings per share excluding special items: Basic282,627282,664292,888							
Shares used in the calculation of earnings per share excluding special items:         Basic       282,627       282,664       292,888	Basic	\$	0.44	\$	0.36	\$	0.46
Basic <u>282,627</u> <u>282,664</u> <u>292,888</u>	Diluted	\$	0.43	\$	0.36	\$	0.45
	Shares used in the calculation of earnings per share excluding special items:						
Diluted 288,575 288,565 300,082	Basic		282,627		282,664		292,888
	Diluted		288,575		288,565		300,082

(1) Includes severance, retention and lease abandonment charges related to acquisitions, and severance charges related to the reorganization of various business units and manufacturing operations.

(2) Other operating expenses (income), net are primarily for legal settlement, in-process research and development abandoned, contingent consideration adjustments related to certain acquisitions and legal expenses related to Volterra acquisition.

(3) Includes impairment of investments in privately-held companies.

(4) Includes one-time fixed asset tax basis adjustments relating to prior year depreciation expense.

### **Non-GAAP Measures**

To supplement the consolidated financial results prepared under GAAP, Maxim Integrated uses non-GAAP measures which are adjusted from the most directly comparable GAAP results to exclude special items related to intangible asset amortization; acquisition-related inventory write-up; impairment of long-lived assets; severance and restructuring; acquisition-related costs; contingent consideration adjustments relating to certain acquisitions; legal settlement; in-process research and development abandoned; legal expenses related to Volterra; impairment of investments in privately-held companies; tax provision impacts due to fixed asset tax basis adjustments; research and development tax credits; and discontinued operations, net of tax. Management uses these non-GAAP measures internally to make strategic decisions, forecast future results and evaluate Maxim Integrated's current performance. Many analysts covering Maxim Integrated use the non-GAAP measures as well. Given management's use of these non-GAAP measures, Maxim Integrated believes these measures are important to investors in understanding Maxim Integrated's current and future operating results as seen through the eyes of management. In addition, management believes these non-GAAP measures are useful to investors in enabling them to better assess changes in Maxim Integrated's core business across different time periods. These non-GAAP measures are not in accordance with or an alternative to GAAP financial data and may be different from non-GAAP measures used by other companies. Because non-GAAP financial measures are not standardized it may not be possible to compare these financial measures with other companies' non-GAAP financial measures, even if they have similar names. The non-GAAP measures displayed in the table above include the following:

### **GAAP Gross Profit Excluding Special Items**

The use of GAAP gross profit excluding special items allows management to evaluate the gross margin of the Company's core businesses and trends across different reporting periods on a consistent basis, independent of special items including intangible asset amortization and acquisition-related inventory write-up. In addition, it is an important component of management's internal performance measurement and reward process as it is used to assess the current and historical financial results of the business, for strategic decision making, preparing budgets and forecasting future results. Management presents GAAP gross profit excluding special items to enable investors and analysts to evaluate our revenue generation performance relative to the direct costs of revenue of Maxim Integrated's core businesses.

### **GAAP Operating Expenses Excluding Special Items**

The use of GAAP operating expenses excluding special items allows management to evaluate the operating expenses of the Company's core businesses and trends across different reporting periods on a consistent basis, independent of special items including intangible asset amortization; impairment of long-lived assets;

severance and restructuring; acquisition-related costs; contingent consideration adjustments relating to certain acquisitions; in-process research and development abandoned; legal settlement; and legal expenses related to Volterra. In addition, it is an important component of management's internal performance measurement and reward process as it is used to assess the current and historical financial results of the business, for strategic decision making, preparing budgets and forecasting future results. Management presents GAAP operating expenses excluding special items to enable investors and analysts to evaluate our core business and its direct operating expenses.

### GAAP Net Income and GAAP Net Income per Share Excluding Special Items

The use of GAAP net income and GAAP net income per share excluding special items allow management to evaluate the operating results of Maxim Integrated's core businesses and trends across different reporting periods on a consistent basis, independent of special items including intangible asset amortization; acquisition-related inventory write-up; impairment of long-lived assets; severance and restructuring; acquisition-related costs; contingent consideration adjustments relating to certain acquisitions; legal settlement; in-process research and development abandoned; legal expenses related to Volterra; impairment of investments in privately-held companies; research and development tax credits; discontinued operations, net of tax; and the tax provision impacts due to fixed asset tax basis adjustments. In addition, they are important components of management's internal performance measurement and reward process as it is used to assess the current and historical financial results of the business, for strategic decision making, preparing budgets and forecasting future results. Management presents GAAP net income and GAAP net income per share excluding special items to enable investors and analysts to understand the results of operations of Maxim Integrated's core businesses and to compare our results of operations on a more consistent basis against that of other companies in our industry.

### "Safe Harbor" Statement

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include the Company's business outlook and financial projections for its fourth quarter of fiscal 2014 ending in June 2014, which includes revenue, gross margin and earnings per share, as well as looking forward, the Company's expects continued growth in its automotive, industrial and communications businesses, accompanied by strength in mobility." These statements involve risk and uncertainty. Actual results could differ materially from those forecasted based upon, among other things, general market and economic conditions and market developments that could adversely affect the growth of the mixed-signal analog market, product mix shifts, the loss of all or a substantial portion of our sales to one of our large

customers, customer cancellations and price competition, as well as other risks described in the Company's Annual Report on Form 10-K for the fiscal year ended June 29, 2013 (the "10-K") and Quarterly Reports on Form 10-Q filed after the 10-K.

All forward-looking statements included in this news release are made as of the date hereof, based on the information available to the Company as of the date hereof, and the Company assumes no obligation to update any forward-looking statement except as required by law.

# **About Maxim Integrated**

At Maxim Integrated, we put analog together in a way that sets our customers apart. In Fiscal 2013, we reported revenues of \$2.4 billion. For more information, go to <u>www.maximintegrated.com</u>.