



DIALOG SEMICONDUCTOR REPORTS FIRST QUARTER RESULTS ENDED 28 MARCH 2014

***Company delivers first quarter year on year revenue growth of 23% and
increasing profitability***

London, UK, 7 May 2014 - [Dialog Semiconductor plc](#) (FWB: [DLG](#)), a provider of highly integrated power management, audio, AC/DC, solid state lighting and short range wireless technologies, today reports results for its first quarter ending 28 March 2014.

Q1 2014 financial highlights

- Revenue up 23% over Q1 2013 at \$221 million
- IFRS gross margin increased year on year to 42.1%
- Underlying (*) EBITDA (**) at \$41.3 million or 18.7% of revenue
- IFRS operating profit (EBIT) up 39% over Q1 2013 to \$23.0 million or 10.4% of revenue
- Underlying (*) basic and diluted EPS up 67% and 62% respectively over Q1 2013. IFRS basic and diluted EPS up 40% and 33% respectively over Q1 2013
- Record \$128.9 million of cash generated from operations

Q1 2014 operational highlights

- Design win momentum continues for Power Management smartphone and tablet designs
- Established early leadership position in the emerging smartphone fast charging segment
- Increased our market share within the high growth Solid State Lighting LED market
- Production start and new design wins for our Bluetooth Smart SoC across multiple verticals
- Extended our offering into emerging wearable devices with the launch of a new audio codec

Commenting on the results Dialog Chief Executive, Dr Jalal Bagherli, said:

“Dialog had an excellent start to 2014, delivering strong year on year revenue growth, increased profitability and record cash generation. During the quarter we maintained momentum in expanding our product portfolio, with new innovative product launches as well as early success for our Bluetooth Smart SoC.”

“The progress we have made in the first quarter underpins our confidence in Dialog’s ability to continue to enhance its strong market proposition and grow successfully throughout 2014.”

Outlook

Given our current visibility, we continue to anticipate that 2014 will be another year of good growth. As in previous years, revenue performance will be strongly weighted towards the second half of the year driven by a solid ramp of high volume new products.

In Q2 2014, we expect revenue for the quarter to reflect the lower seasonal pattern and to be in the range of \$195 to \$210 million. Gross margin in Q2 2014 is expected to improve year on year and to be broadly in line with Q1 2014. Gross margin for the full year 2014 is expected to improve year on year.

Financial overview

IFRS	First Quarter		
US\$ million	2014	2013	Var.
Revenue	220.9	180.0	+23%
Gross Margin	42.1%	38.1%	+400bps
R&D %	20.7%	20.1%	+60bps
SG&A %	11.5%	8.7%	+280bps
EBIT	23.0	16.6	+39%
EBIT %	10.4%	9.2%	+120bps
Net income	14.1	9.9	+43%
Basic EPS \$	0.21	0.15	+40%
Diluted EPS \$	0.20	0.15	+33%
Operating cash flow	128.9	20.4	+531%
Underlying	First Quarter		
US\$ million	2014	2013	Var.
Gross Margin	43.3%	38.2%	+510bps
EBITDA	41.3	27.1	+52%
EBITDA %	18.7%	15.1%	+360bps
EBIT	32.2	18.9	+70%
EBIT %	14.6%	10.5%	+410bps
Basic EPS \$	0.35	0.21	+67%
Diluted EPS \$	0.34	0.21	+62%

Revenue in Q1 2014 was up 23% at \$221 million with strong revenue performance in Mobile Systems, Power Conversion and Automotive and Industrial. Mobile Systems segment revenue increased 16% over Q1 2013.

Q1 2014 IFRS gross margin was significantly above Q1 2013 and in line with Q4 2013 at 42.1%. The higher allocation per unit of the fixed component of Cost of Goods Sold was compensated by:

- Continuing realisation of the benefits of manufacturing cost optimisation
- Positive product mix contribution from the latest generation of products in Mobile Systems and the Power Conversion business group.

We continue to expect a year on year gross margin improvement for the full year 2014.

In Q1 2014 underlying net OPEX as a percentage of revenue was at 28.7%, 100 bps above Q1 2013 including the consolidation of Power Conversion (iWatt Inc.) into the Group. Excluding

Power Conversion, underlying OPEX % for the traditional Dialog business was in line with Q1 2013.

Underlying R&D investment in Q1 2014 stood at 19.9% of revenue, 30bps above Q1 2013 and including the consolidation of Power Conversion (iWatt Inc.) into the Group. This is in line with the company's strategy of continuing innovation and diversification of its product portfolio.

Underlying SG&A in Q1 2014 stood at 9.4% of revenue, 130bps above Q1 2013 primarily as a result of the consolidation of Power Conversion (iWatt Inc.) into the Group.

In Q1 2014 we achieved IFRS and underlying EBIT of \$23.0 million and \$32.2 million respectively, 39% and 70% over Q1 2013. Underlying EBIT margin in the quarter was 14.6%. The Q1 2014 underlying EBIT increase of 70% was primarily driven by good performance in the Mobile Systems segment.

In total, a net tax charge of \$5.6 million was recorded in Q1 2014. This represents an effective tax rate of 28.5% (Q1 2013: 30.0%). The decrease in our group effective tax rate is driven by the on-going exercise to align our Intellectual Property with the commercial structure of the group. This should allow Dialog to utilise as yet unrecognised UK loss carry forwards and to benefit from the favourable UK Tax regime towards R&D. We believe this gradual decrease is sustainable and will continue to drive further reductions in our effective tax rate in the years to come.

In Q1 2014, underlying net income and underlying EPS improved year on year. Underlying Diluted EPS in Q1 2014 was 62% higher than in the same quarter of 2013.

At the end of Q1 2014, our total inventory level was \$88 million (or ~62 days), a decrease of \$30 million over the prior quarter. As previously indicated, this represents a 10 day increase in our days of inventory. We are managing our inventory levels tightly and we feel this level is appropriate in order to service our current customer backlog. During Q2 2014 we expect inventory value and inventory days to increase from Q1 2014 in anticipation of a number of high volume product launches during the second half of the year.

At the end of Q1 2014, we had cash and cash equivalents balance of \$286 million which was after \$15 million early debt repayment. In the first quarter alone we generated \$129 million of operating cash and a record \$111 million of free cash flow(**). At the end of Q1 2014, the balance of our Term Loan (put in place to acquire iWatt) was \$90 million. We intend to do further early debt repayments during the course of Q2 2014.

() Underlying results (net of tax) in Q1-2014 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of US\$3.8 million, excluding US\$0.6 million of amortisation of intangibles associated with the acquisition of SiTel (now Dialog B.V.), excluding US\$2.0 million non-cash effective interest expense in connection with the convertible bond, excluding US\$ 0.2 million non-cash effective interest expense related to a licensing agreement, excluding US\$0.3 million acquisition and integration expenses in connection with the purchase of iWatt and excluding US\$2.7 million of amortisation and depreciation expenses associated with the acquisition of iWatt.*

() Underlying results (net of tax) in Q1-2013 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of \$1.1 million, excluding \$0.9 million of amortisation of intangibles associated with the acquisition of Dialog B.V., excluding \$1.9 million non-cash-effective interest and financial expense in connection with the convertible bond and discounted purchase prices and excluding US\$0.2 million non-cash effective interest expenses related to a licensing agreement entered into in Q3-2012.*

The term "underlying" is not defined in IFRS and therefore may not be comparable with similarly titled measures reported by other companies. Underlying measures are not intended as a substitute for, or a superior measure to, IFRS measures. Underlying results (net of tax) have been fully reconciled to IFRS results (net of tax) above. All other underlying measures disclosed within this report are a component of this measure and adjustments between IFRS and underlying measures for each of these measures are a component of those disclosed above.

*(**) EBITDA in Q1 2014 is defined as operating profit excluding depreciation for property, plant and equipment, (Q1 2014:US\$5.4 million, Q1 2013:US\$3.9 million), amortisation of intangible assets (Q1 2014:US\$7.9 million, Q1*

2013:US\$5.1 million) and losses on disposals and impairment of fixed assets (Q1 2014:US\$0.1 million, Q1 2013:US\$0.3 million).

(***) Free Cash Flow in Q1 2014 is defined as net income of US\$14.1 million plus amortisation and depreciation of US\$13.2 million, plus net interest expense of US\$3.6 million, plus change in working capital of US\$88.9 million and minus capital expenditure of US\$9.0 million.

Operational overview

In Q1 2014 we added new custom PMIC and AC/DC power conversion design-wins across smartphone, tablet and other new platforms at our largest customers.

The increasing level of integration offered in our power management IC (PMIC) continued to support an increase in the Average Sales Price (ASP).

The transition to faster smartphone charging is gaining momentum. In the first quarter our Power Conversion Business Group introduced innovative new products and began volume shipments in this segment, establishing an early leadership position:

- Dialog launched a Qualcomm® Quick Charge 2.0-compatible AC/DC adapter solution
- We unveiled the world's first rapid charge AC/DC controller compatible with MediaTek Pump Express™

Within the high growth Solid State Lighting LED market, we steadily increase our market share through the addition of new high volume customers and with the expansion of our product portfolio launching two new innovative products in the quarter.

Bluetooth® Smart connectivity is being rapidly adopted across multiple vertical segments, including wireless charging, wearables, health and fitness, human interface devices – including computer peripherals and remote controls – and within the smart home. Dialog SmartBond™ product started volume shipments in the first quarter, and we continued to accelerate our design win conversion rate across all these segments. Dialog's SmartBond™ product leads the industry in terms of lowest power consumption and smallest form factor.

Addressing the emerging wearable segment, during the quarter we launched our latest audio product in a line of CODECs (DA7212) with exceptionally low always-on power consumption which can extend the battery life of new “wearables” such as smart watches and connected fitness devices.

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Dialog Semiconductor invites you today at 09.00 am (London) / 10.00 am (Frankfurt) to take part in a live conference call and to listen to management's discussion of the Company's Q1 2014 performance, as well as guidance for Q2 2014. To access the call please use the following dial-in numbers: Germany: **0800 101 4960**, UK: **0800 694 0257**, US: **1866 966 9439**, ROW: **+44 (0)1452 555 566**, with no access code required. An instant replay facility will be available for 30 days after the call and can be accessed at **+44 (0)1452 550 000** with access code **#31080031**. An audio replay of the conference call will also be posted soon thereafter on the Company's website at:

<http://www.dialog-semiconductor.com/investor-relations>

Full release including the Company's consolidated income statement, consolidated balance sheet, consolidated statements of cash flows and selected notes for the period ending 28 March 2014 is available under the investor relations section of the Company's website at:

<http://www.dialog-semiconductor.com/investor-relations>

For further information please contact:

Dialog Semiconductor

Jose Cano

Head of Investor Relations

T: +44 (0)1793 756 961

jose.cano@diasemi.com

FTI Consulting London

Matt Dixon

T: +44 (0)20 7269 7214

matt.dixon@fticonsulting.com

FTI Consulting Frankfurt

Thomas M. Krammer

T: +49 (0) 69 9203 7183

thomas.krammer@fticonsulting.com

Note to editors

Dialog Semiconductor creates highly integrated, mixed-signal integrated circuits (ICs), optimised for personal portable, low energy short-range wireless, LED solid state lighting and automotive applications. The company provides flexible and dynamic support, world-class innovation and the assurance of dealing with an established business partner.

With its focus and expertise in energy-efficient system power management and a technology portfolio that also includes audio, short-range wireless, AC/DC power conversion and multi-touch, Dialog brings decades of experience to the rapid development of ICs for personal portable and digital consumer applications, including smartphones, tablets, Ultrabooks™ and emerging wearable type devices.

Dialog's power management processor companion chips increase the performance of portable devices by extending battery lifetime, enabling faster charging and enhancing the consumer's experience. With world-class manufacturing partners, Dialog operates a fabless business model.

Dialog Semiconductor plc is headquartered in London with a global sales, R&D and marketing organisation. In 2013, it had approximately \$910 million in revenue and was one of the fastest growing European public semiconductor companies. It currently has approximately 1,100 employees worldwide. The company is listed on the Frankfurt (FWB: DLG) stock exchange (Regulated Market, Prime Standard, ISIN GB0059822006) and is a member of the German TecDax index. It also has convertible bonds listed on the Euro MTF Market on the Luxembourg Stock Exchange (ISIN XS0757015606).

Forward Looking Statements

This press release contains "forward-looking statements" that reflect management's current views with respect to future events. The words "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "project" and "should" and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties, including, but not limited to: an economic downturn in the semiconductor and telecommunications markets; changes in currency exchange rates and interest rates, the timing of customer orders and manufacturing lead times, insufficient, excess or obsolete inventory, the impact of competing products and their pricing, political risks in the countries in which we operate or sale and supply constraints. If any of these or other risks and uncertainties occur (some of which are described under the heading "Risks and their management" in Dialog Semiconductor's most recent Annual Report) or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. We do not intend or assume any obligation to update any forward-looking statement which speaks only as of the date on which it is made, however, any subsequent statement will supersede any previous statement.