DIALOG SEMICONDUCTOR REPORTS THIRD QUARTER RESULTS ENDED 30 SEPTEMBER 2016

Dialog reports third quarter revenue ahead of guidance and robust sequential earnings growth.

London, UK, November 3, 2016 - Dialog Semiconductor plc (XETRA: DLG), a provider of highly integrated power management, AC/DC, solid state lighting and Bluetooth® low energy wireless technology, today reports results for the third quarter ended 30 September, 2016.

Q3 2016 financial highlights

- Revenue of $346 million 13% above mid-range of guidance and up 5% over Q3 2015
- Power Conversion revenue up 54% over Q3 2015 to $33.2 million
- Gross margin at 46.0% and underlying* gross margin at 46.6%, in line with July guidance
- Operating profit of $61.4 million, a year-on-year increase of 2%. Underlying* operating profit of $73.4 million, more than double Q2 2016 and a year-on-year increase of 4%
- All operational business segments profitable on IFRS basis
- Diluted EPS of 59 cents, a year-on-year increase of 7%. Underlying* diluted EPS of 71 cents, a sequential increase of 109% and a year-on-year increase of 4%
- Cash flow from operating activities of $39 million (Q3 2015: $43 million). $40 million of free cash flow* generated in Q3 2016, up 156% over Q3 2015. $649 million of cash and cash equivalents, $171 million above Q3 2015
- The first tranche of the share buyback concluded on the 28th September 2016. In total the Company purchased 1,332,158 ordinary shares at an average price of €28.15

Q3 2016 operational highlights

- Design win momentum for Power Management ICs (PMICs) with our latest highly integrated custom PMIC at leading smartphone OEM
- Early production momentum for our new smartphone companion charger product line
- On target with the development of an integrated PMIC targeting new LTE platform for future China smartphone business expansion
- Entered Gallium Nitride (GaN) market with first integrated device targeting fast charging smartphone and computing power adapter segment
- Rapid Charge™ success continues for China smartphone power adapters, supporting a record quarter for the Power Conversion Business Group (PCBG)
- Dialog's leading SmartBond™ Bluetooth® low energy SoC's, incorporated to two new products launched from Tile – Tile Slim and Tile Mate
- Dialog SmartBond™ provides connectivity in Pokémon GO Plus
- Expanded SmartBond Bluetooth low energy portfolio with new DA14681, offering unparalleled performance and flexibility

***Underlying measures** and free cash flow quoted in this Press Release are non-IFRS measures (see page 4).

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

"This has been a strong quarter for Dialog, delivering revenue growth, increasing year-on-year profits and a robust sequential improvement in earnings.

I am delighted to see such high demand and strong growth momentum for our Bluetooth® low energy and RapidCharge™ products. We are entering new markets with differentiated and innovative products and maintaining our technical leadership through focused R&D investment. The increasing number of opportunities for our core technologies and the latest set of design-wins for our ASSP products gives me great confidence in our growth prospects for 2017."

Outlook

Based on our current visibility, we anticipate revenue for Q4 2016 to be in the range of $345-$375 million. At the mid-point, this will result in a full year revenue of $1,193 million, a 3% improvement over the July guidance.

In line with the revenue performance, we expect underlying gross margin percentage for the full year to be broadly in line with the level achieved year to date.

Financial overview

IFRS	Third Quarter		
US$ million	**2016**	**2015**	**Var.**
Revenue	345.8	330.4	+5%
Gross Margin	46.0%	46.3%	-30bps
R&D %**	18.6%	18.0%	+60bps
SG&A %**	9.6%	10.0%	-40bps
Other operating income %	-	-	-
Operating profit	61.4	60.4	+2%
Operating margin	17.8%	18.3%	-50bps
Net income	46.3	43.0	+8%
Basic EPS $	0.62	0.57	+9%
Diluted EPS $	0.59	0.55	+7%
Cash flow from operating activities	39.3	42.7	-8%
Underlying*	**Third Quarter**		
US$ million	**2016**	**2015**	**Var.**
Revenue	345.8	330.4	+5%
Gross margin	46.6%	47.1%	-50bps
R&D %**	17.7%	17.6%	+10bps
SG&A %**	7.7%	8.2%	-50bps
EBITDA	86.6	80.7	+7%
EBITDA %	25.0%	24.4%	+60bps
Operating profit	73.4	70.4	+4%
Operating margin	21.2%	21.3%	-10bps
Net income	55.5	53.2	+4%
Basic EPS $	0.74	0.71	+4%
Diluted EPS $	0.71	0.68	+4%

**** R&D and SG&A as a percentage of revenue.**

Revenue in Q3 2016 was up 5% year on year to $346 million. Our main three business segments delivered year-on-year growth in Q3 2016. Mobile Systems was up 1% year on year and 52% sequentially. Power Conversion improved both year on year (+54%) and sequentially, (+16%) and Connectivity was up 8% year-on-year and 18% sequentially on the solid performance of Bluetooth® low energy products. The revenue over performance versus the July guidance was partially the result of delivery dates for certain Q4 Mobile Systems orders being pulled forward into Q3 to accommodate a public holiday in China during the first week of October.

Q3 2016 gross margin was 46.0%, 30bps below Q3 2015. Q3 2016 underlying* gross margin was 46.6%, 50 bps below Q3 2015 and 30bps above H1 2016, in line with our guidance.The year-on-year decrease was mainly the result of an increase in the amortisation of capitalised R&D and depreciation of Testers.

Net OPEX (comprising SG&A and R&D expenses, and other operating income) in Q3 2016 was $97.5 million, or 28.2% of revenue. Underlying* net OPEX (comprising SG&A and R&D expenses, and other operating income) in Q3 2016 was $87.7 million, or 25.4% of revenue. On a trailing twelve month basis, underlying* net OPEX in Q3 2016 was 26.6% of revenue (Q3 2015: 23.1%), 20bps below Q2 2016 as a result of the revenue improvement quarter on quarter.

R&D expense in Q3 2016 was up 8% from Q3 2015. As a percentage of revenue, R&D in Q3 2016 was up 60bps year-on-year to 18.6%. As a percentage of revenue, underlying* R&D in Q3 2016 was broadly in line year-on-year at 17.7% (Q3 2015:17.6%). This modest increase was predominantly the result of the on-going investment in large application-specific customer opportunities. On an underlying* basis, R&D expense was up 6% from Q3 2015. On a trailing twelve month basis, underlying* R&D was in line with the previous quarter at 18.0% of revenue (Q2 2016: 18.0%).

SG&A expense in Q3 2016 was 9.6% of revenue, 40bps below Q3 2015. This decrease was predominantly the result of the higher revenue in Q3 2016. Underlying* SG&A in Q3 2016 was 7.7% of revenue, 50bps below Q3 2015.

In Q3 2016 we achieved IFRS and underlying* operating profit of $61.4 million and $73.4 million, respectively. Operating profit in the quarter was up 2% year-on-year. Underlying operating profit in the quarter was up 4% over Q3 2015 and more than double the previous quarter (Q2 2016: $33.2 million) . The year-year increase was mainly the result of the revenue growth partially offset by the moderate increase in OPEX expenses. The underlying improvement over the previous quarter was mainly the result of the higher revenue in Q3 2016.

The effective tax rate Q3 YTD was 11.7% (Q3 YTD 2015: 28.5%).The underlying* effective tax rate in Q3 2016 was 24.1%, in line with H1 2016 and down 30bps year-on-year (Q3 2015: 24.4%). The underlying* effective tax rate for Q3 YTD 2016 was 24.0%, which compares with 25.0% for FY 2015.

In Q3 2016, net income was up 8% year-on-year. Underlying* net income was up 4% year-on-year and more than double the previous quarter (Q2 2016: $26.7 million). The year-on-year and sequential movements were the result of the higher revenue in Q3 2016. Underlying* diluted EPS in Q3 2016 was up 4% year-on-year and also more than double the previous quarter (Q2 2016: 34 cents).

At the end of Q3 2016, our total inventory level was broadly in line with the prior quarter at $143 million (or ~69 days), representing a 29-day decrease in our days of inventory from the previous quarter. During Q4 2016, we expect inventory value to be flat to slightly below Q3 2016 and days of inventory to decrease from Q3 2016.

On 28 September 2016, the final settlement of the first tranche of the buyback programme took place. The Company purchased 342,158 ordinary shares at an average price of €29.4931. During the first tranche of the buyback programme, a cumulative total of 1,332,158 ordinary shares have been bought back at an average price of €28.1498 per share, corresponding to 1.71% of the Company's ordinary share capital, at a total cost of €37,500,000.

At the end of Q3 2016, we had a cash and cash equivalents balance of $649 million. In the third quarter we generated $40 million of free cash flow*, more than double what the business generated in Q3 2015 (Q3 2015: $16 million).

**** Non-IFRS measures***
Underlying measures and free cash flow quoted in this Press Release are non-IFRS measures. Our use of underlying measures is explained on pages 149 to 154 of our 2015 Annual Report. Reconciliations of the underlying measures to the nearest equivalent IFRS measures for Q3 2016 and Q3 2015 are presented in Section 3 of the Q3 2016 Interim Report. For ease of reference, we present below those reconciliations for Q3 2016.

Q3 2016	IFRS US$000	Share-based compensation and related payroll taxes US$000	Amortisation of acquired intangible assets US$000	Aborted merger with Atmel US$000	Effective interest US$000	Underlying US$000
Revenue	345,751	-	-	-	-	345,751
Gross profit	158,913	473	1,762	-	-	161,148
SG&A expenses	(33,075)	4,902	1,849	(201)	-	(26,525)
R&D expenses	(64,407)	3,185	-	-	-	(61,222)
Operating profit	61,431	8,560	3,611	(201)	-	73,401
Net finance expense	(487)	-	-	-	125	(362)
Income tax expense	(14,648)	(2,678)	(217)	-	(25)	(17,568)
Net income	46,296	5,882	3,394	(201)	100	55,471
EBITDA	n/a	-	-	-	-	86,563

***EBITDA** is defined as underlying net income of US$55.5 million (Q3 2015: US$53.2 million), before income tax expense of US$17.5 million (Q3 2015: US$17.2 million), depreciation of US$6.9 million (Q3 2015: US$6.4 million), amortisation of US$6.3 million (Q3 2015: US$3.9 million) and net finance (income) expense of US$0.4 million (Q3 2015: US$0.0 million).*

***Free Cash Flow** is defined as net income of US$46.3 million (Q3 2015: US$43.0 million), before depreciation of US$6.9 million (Q3 2015: US$6.4 million), amortisation of US$9.9 million (Q3 2015: US$7.6 million) and net interest (income) expense of US$(0.5) million (Q3 2015: US$0.2 million), plus (minus) the net decrease (increase) in working capital of US$(11.2) million (Q3 2015: US$(27.8) million) and minus capital expenditure of US$11.0 million (Q3 2015: US$13.4 million).*

Operational overview

During the quarter, we successfully ramped the production of a new highly integrated PMICs to support the launch of a tier 1 customer's latest smartphone model. Additionally, custom PMIC and complementary technology design win success continues for smartphones, tablets and other related accessories.

We remain on target with our new platform partner for future China smartphone business expansion with an integrated PMIC development targeting a new LTE platform.

Dialog is seeing strong customer engagement with its new companion charging product line for smartphones. We expect this to allow us to increase our content share for smartphones and tablets, primarily for products entering production in 2017.

During the quarter, Dialog entered the Gallium Nitride (GaN) market with the launch and demonstration of its first GaN monolithic integrated device. This was the result of a close co-operation with its foundry partner Taiwan Semiconductor Manufacturing Corporation (TSMC) and uses their new 650 Volt GaN-on-Silicon process technology. GaN offers the potential to replace incumbent MOSFET technology in many applications with a new power technology, and offers significant TAM expansion for Dialog.

Dialog's first product - DA8801 – offers a differentiated approach integrating both the high voltage FET power stages and logic, to deliver an optimized solution that reduces power losses by up to 50 and enabling a reduction in the size of power electronics by up to 50 percent at the highest efficiency. Dialog is initially targeting the fast charging smartphone and computing adapter segment with its GaN solutions.

Fast charging ability is a key differentiating technology for Smartphone OEM's, particularly in Asia. Dialog's Rapid Charge solutions for power adapters continue to gain share with the top China smartphone OEMs, in addition to the earlier announced success at Samsung. This led to a record quarter for PCBG, and enhances its estimated 70 percent market share of the rapid charging adapter market for smartphones and tablets.

Our SmartBond Bluetooth low energy SoC products continue to ramp in production and maintain high growth momentum in 2016. We expanded the portfolio in Q3 with the extended launch of the DA14681 offering unparalleled integration and flexibility that provides connectivity for re-chargeable devices, including wearables, smart home and other emerging IoT devices. The DA14681 is already shipping in high volume at tier 1 OEMs for applications including fitness tracker wearable products at Xiaomi for the Mi Band 2 and another tier 1 OEM.

Other customer successes for our SmartBond portfolio during the quarter included two new popular Bluetooth tracker devices from Tile, the Tile Slim and Tile Mate. Dialog's Bluetooth low energy success also extended to an eagerly awaited gaming accessory launched and developed by The Pokémon Company and Nintendo following the unprecedented success of Pokémon GO earlier in the year.

In support of our diversification strategy, we signed a global distribution agreement with Avnet, a worldwide leader in semiconductor distribution. Avnet's sales and expert technical support will enable Dialog to extend its distribution reach to a much broader customer base and capture business in fast growing and emerging markets, aligning with Dialog's commitment to continued growth.

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Dialog Semiconductor invites you today at 09.30 am (London) / 10.30 am (Frankfurt) to take part in a live conference call and to listen to management's discussion of the Company's Q3 2016 performance, as well as guidance for Q4 2016. Participants will need to register using the link below labelled 'Online Registration'. A full list of dial in numbers will also be available.
To register for the webcast and receive dial in numbers, the conference PIN and a unique User ID please click on the link below:

http://members.meetingzone.com/selfregistration/registration.aspx?booking=zu1YCu9lBZffF3XOxSKuFYDwauMqn9WfXpvIa1UflRU=&b=d58ae4ab-80e5-47f2-8295-e04d92bbba83

In parallel to the call, the analyst presentation will be webcasted on our website at

http://webcast.openbriefing.com/semiconductor_q3_results_031116/

A replay will be posted on the Dialog website four hours after the conclusion of the presentation and will be available at http://www.dialog-semiconductor.com/investor-relations

Full release including the Company's Interim condensed consolidated income statement, consolidated balance sheet, consolidated statements of cash flows and selected notes for the quarter ended 30 September 2016 is available under the investor relations section of the Company's website at: http://www.dialog-semiconductor.com/investor-relations

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Note to editors

Dialog Semiconductor provides highly integrated standard (ASSP) and custom (ASIC) mixed-signal integrated circuits (ICs), optimised for smartphone, tablet, IoT, LED Solid State Lighting (SSL), and Smart Home applications. Dialog brings decades of experience to the rapid development of ICs while providing flexible and dynamic support, world-class innovation and the assurance of dealing with an established business partner. With world-class manufacturing partners, Dialog operates a fabless business model and is a socially responsible employer pursuing many programs to benefit the employees, community, other stakeholders and the environment we operate in.

Dialog's power saving technologies including DC-DC configurable system power management deliver high efficiency and enhance the consumer's user experience by extending battery lifetime and enabling faster charging of their portable devices. Its technology portfolio also includes audio, Bluetooth® Low Energy, Rapid Charge™ AC/DC power conversion and multi-touch.

Dialog Semiconductor plc is headquartered in London with a global sales, R&D and marketing organisation. In 2015, it had $1.35 billion in revenue and was one of the fastest growing European public semiconductor companies. It currently has approximately 1,700 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.

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.