DIALOG SEMICONDUCTOR REPORTS FIRST QUARTER RESULTS ENDED 1 APRIL 2016

Company delivers first quarter revenue at the high-end of guidance

London, UK, 4 May 2016 - Dialog Semiconductor plc (FWB: DLG), a provider of highly integrated power management, AC/DC power conversion, solid state lighting and Bluetooth® Smart wireless technology, today reports results for the quarter ended 1 April 2016.

Q1 2016 financial highlights

- Revenue of $241.4 million, at the high-end of guidance
- Power Conversion revenue up 28% over Q1 2015 to $24.0 million
- Gross margin at 44.6%. Underlying gross margin at 45.5%, in line with guidance
- $137.3 million Atmel termination fee in other operating income
- Adjusted EBITDA (**) up 142% over Q1 2015 to $165.9 million or 69% of revenue. Underlying (*) adjusted EBITDA (**) down 49% over Q1 2015 to $41.0 million or 17% of revenue
- Operating profit up 172% over Q1 2015 to $151.2 million or 63% of revenue
- Basic and diluted EPS up 232% and 240% respectively over Q1 2015. Underlying (*) basic and diluted EPS down 64% and 61% respectively over Q1 2015
- $662 million of cash and cash equivalents

Q1 2016 operational highlights

- Continued design win momentum for Power Management with custom and standard products at leading smartphone and tablet OEMs
- Strengthened our leadership position in the mobile adapter rapid charge market
- LED Solid State Lighting portfolio expansion with new products launched
- New design wins for our Bluetooth® Smart SoC for watches, fitness bands and gaming
- Good momentum in China smartphone market with sub-PMIC ASSP through platform integration with MediaTek

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

"We have made encouraging progress at the start of 2016 in the context of the expected softening of the smartphone market, achieving revenue performance at the top end of our guidance range. I am particularly pleased with Power Conversion's strong progress, where we continue to build on our leadership position in the smartphone fast charging market.

Underpinning our mid-term organic growth opportunity, we have an increasing number of custom-designed (ASIC) opportunities for our core technologies with a variety of Tier 1 customers. In support of these opportunities, we are making focused investments in research and development and are expanding our technology portfolio for emerging high volume product areas. These investments will strengthen our competitive position, broaden our customer base and underpin our expectation of return to revenue growth in 2017 and beyond."

Outlook

Based on our current visibility, we anticipate revenue for Q2 2016 to improve sequentially from Q1 2016 and to be in the range of $240 to $260 million. On the basis of this revenue guidance, gross margin in Q2 2016 will be flat to marginally above Q1 2016.

In line with historic seasonality, we expect revenue performance for the full year to be strongly weighted towards the second half of the year. However, as a result of the continuing softness in smartphone market demand, we now anticipate revenue for the full year 2016 to decline high single digit percentage year-on-year. We expect growth momentum in our Connectivity and Power Conversion products to remain strong through 2016.

In line with the revenue performance, we expect underlying gross margin percentage for the full year to be slightly below the level achieved in 2015. The effect of the lower anticipated revenue in FY 2016 will be partially offset by rigorous control of operating expenses in the period.

Financial overview

IFRS	**First Quarter**		
US$ million	**2016**	**2015**	**Var.**
Revenue	241.4	311.2	-22%
Gross margin	44.6%	46.0%	-140bps
R&D %(1)	23.8%	17.3%	+650bps
SG&A %(1)	15.1%	11.0%	+410bps
Other operating income %(2)	56.9%	-	nm
Operating profit	151.2	55.6	+172%
Operating margin	62.6%	17.9%	nm
Net income	142.9	38.8	+268%
Basic EPS $	1.89	0.57	+232%
Diluted EPS $	1.80	0.53	+240%
Cash flow from operating activities	107.1	119.6	-10%
Underlying	**First Quarter**		
US$ million	**2016**	**2015**	**Var.**
Revenue	241.4	311.2	-22%
Gross margin	45.5%	46.6%	-110bps
R&D %(1)	22.3%	16.0%	+630bps
SG&A %(1)	10.9%	8.0%	+290bps
Adjusted EBITDA	41.0	80.2	-49%
Adjusted EBITDA %	17.0%	25.8%	-880bps
Operating profit	29.9	71.0	-58%
Operating margin	12.4%	22.8%	nm
Net income	21.6	55.5	-61%
Basic EPS $	0.29	0.81	-64%
Diluted EPS $	0.28	0.71	-61%

(1) R&D and SG&A as a percentage of revenue.

(2) Other operating income includes $137.3 million Atmel termination fee.

Revenue in Q1 2016 was down 22% to $241 million. The revenue performance was the result of the year-on-year revenue decline in Mobile Systems (-26%), Connectivity (-25%) and Automotive & Industrial (-32%), partially offset by 28% growth in Power Conversion.

Q1 2016 Underlying gross margin was 45.5%, 40bps below Q4 2015, in line with our March guidance. The anticipated decline was driven by the lower revenue in the quarter and the subsequent higher allocation per unit of the fixed component of Cost of Goods Sold.

Underlying (*) net OPEX (comprising SG&A and R&D expenses, and other operating income) in Q1 2016 was $80.0 million, or 33.1% of revenue. On a trailing twelve month basis, underlying net OPEX in Q1 2016 was 24.9% of revenue (Q1 2015: 24.4%).

On an underlying (*) basis, R&D expense was up 6.7% from Q4 2015. As a percentage of revenue, underlying R&D in Q1 2016 was up 630bps to 22.3% (Q1 2015:16.0 %). This increase was predominantly the result of the lower revenue in Q1 2016 and the on-going investment in large customer opportunities. On a trailing twelve month basis, underlying R&D was 16.8% of revenue, broadly flat on Q1 2015 (Q1 2015: 16.7%).

Underlying (*) SG&A in Q1 2016 was 10.9% of revenue, 290bps above Q1 2015. This increase was predominantly as a result of the lower revenue in Q1 2016.

Other operating items include $137.3 million termination fee received upon termination of the merger agreement with Atmel.

In Q1 2016 we achieved IFRS and underlying (*) operating profit of $151.2 million and $29.9 million, respectively. Underlying operating profit in the quarter was down 58% over Q1 2015. This decrease was mainly the result of the year-on-year revenue decline and higher R&D expenses.

The underlying effective tax rate in Q1 2016 was 22%, 80bps lower than the Q1 2015 rate. The Company has obtained advice that the $137.3 million termination fee received upon the termination of the merger agreement with Atmel should not be taxable in the UK. The resulting IFRS effective tax rate in Q1 2016 was 2.7%.

In Q1 2016, underlying (*) net income decreased 61% over Q1 2015. Underlying diluted EPS in Q1 2016 was 61% lower than in the same quarter of 2015.

As indicated in March, at the end of Q1 2016, our total inventory level was up $18 million over the prior quarter to $153million (or ~103 days), representing a 47 day increase in our days of inventory over the prior quarter. The increase in the inventory value was mostly due to the increase in raw materials in anticipation of a number of product launches starting in Q2 2016. During Q2 2016 we expect inventory value and inventory days to decrease from Q1 2016 as we serve our customers backlog.

At the end of Q1 2016, we had cash and cash equivalents balance of $662 million. In the first quarter we generated $110 million (Q1 2015: $98 million) of free cash flow (***).

(*)Underlying adjustments $000

Q1 2016	IFRS	Share-based comp. and related payroll taxes	Amortisation of acquired intangible assets	Aborted merger with Atmel	Effective interest	Underlying
Revenue	241,408	-	-	-	-	241,408
Gross profit	107,661	519	1,751	-	-	109,931
SG&A exp.	(36,430)	4,513	1,900	3,606	-	(26,411)
R&D exp.	(57,524)	3,743	-	-	-	(53,781)
Other op. income	137,478	-	-	(137,300)	-	178
Operating profit	151,185	8,775	3,651	(133,694)	-	29,917
Net finance exp.	(4,279)	-	-	1,913	153	(2,213)
Income tax exp.	(4,015)	(1,451)	(215)	(383)	(31)	(6,095)
Net income	142,891	7,324	3,436	(132,164)	122	21,609
Adjusted EBITDA	165,931	8,775	-	(133,694)	-	41,012

(**) Adjusted EBITDA in Q1 2016 is defined as net income excluding income tax expense (Q1 2016:US$4.0 million, Q1 2015:US$15.5 million), depreciation for property, plant and equipment, (Q1 2016:US$6.4 million, Q1 2015:US$5.3 million), amortisation of intangible assets (Q1 2016:US$8.0 million, Q1 2015:US$7.5 million), losses on disposals and impairment of fixed assets (Q1 2016:US$0.3 million, Q1 2015:US$0.1 million) and excluding interest and foreign exchange movements (Q1 2016:US$4.3 million, Q1 2015:US$1.4 million).

(***) Free Cash Flow in Q1 2016 is defined as net income of US$142.9 million (Q1 2015:US$38.8 million), plus amortisation and depreciation (Q1 2016:US$14.5 million, Q1 2015:US$12.8 million), plus net interest expense (Q1 2016:US$1.6 million, Q1 2015:US$2.9 million), plus change in working capital (Q1 2016:(US$35.2 million), Q1 2015:US$57.8 million) and minus capital expenditure (Q1 2016:US$13.9 million, Q1 2015:US$14.3 million).

Operational overview

Our proven success with leading smartphone customers for custom power management IC's (PMICs) continued through Q1 2016 with new design wins.

During the quarter we brought power conversion innovation into the market and strengthened our leadership position in the mobile adapter rapid charge market. Working closely with Qualcomm, and their Quick Charge™ standard, we have developed a new benchmark for system efficiency, performance, size and cost. The new chipset started volume production and is allowing our leading smartphone customers to upgrade quickly to this latest rapid charge specification. It builds upon Dialog's estimated 70% market share of the rapid charging adapter market for smartphones, tablets and other mobile devices.

Our growing range of Bluetooth® Smart products made progress in capturing the high-growth opportunity within IoT. SmartBond™ market-leading power efficiency and performance secured another major design win in the fast-growing wearables market with the Misfit Shine 2, a powerful new wearable device in Misfit's fitness tracking offering. Misfit merged with Fossil Group, a global design, marketing, and distribution company specializing in consumer lifestyle and fashion accessories in December 2015. According to analyst IHS, the market for wearables will be worth $32 billion by 2019[1] when 230 million of them will be sold.

The Bluetooth® Smart segment continues to gain traction in a number of growing market segments including smart watches and fitness bands, smart home applications, advanced TV remote controls and wireless gaming accessories.

As part of the on-going initiatives to expand our business footprint in Asia, our sub-PMIC partnership with MediaTek performed well during the quarter. In Q2 2016, the next generation sub-PMIC has started shipping to end customers who entered production status with their MediaTek based SoC solutions.

The expansion into the smart TV and set-top box (STB) market continues to gather momentum with a number of leading customers evaluating our recently released integrated power management IC (PMIC) for volume production in Q4 2016 and Q1 2017.

Additionally, we have an increasing number of application-specific IC (ASIC) and application-specific standard products (ASSP) opportunities for our core power, charging and audio technologies with multiple Tier 1 customers. These opportunities will support revenue growth in 2017 across a number of high-volume markets, such as computing systems, USB headsets and mid-market smartphones and phablets.

Innovation was also brought into the LED segment with two new driver controllers for high power commercial LED lighting applications up to 90W. In these applications flicker-free operation is essential to avoid eye stress, particularly where there is long-term exposure to the light source. Dialog patented Flickerless™ technology virtually eliminates flicker through digital control that achieves near-zero line frequency ripple. The iW3629 (non-dimmable) and iW3631 (dimmable) digital power controllers simplify the design of LED power supplies by replacing up to 45 discrete components.

[1] *IHS Technology: A Guide to the $32bn Wearables Market, estimated market size in 2019*

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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 Q1 2016 performance, as well as guidance for Q2 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=Rf1xrNlsiHW9N8QpnZPlhEsGIVFBE167GRbJqqzBcUk=&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_q1_results_040516/

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 condensed consolidated income statement, consolidated balance sheet, consolidated statements of cash flows and selected notes for the quarter ended 1 April 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® Smart, 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 1,660 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.