DIALOG SEMICONDUCTOR REPORTS SECOND QUARTER RESULTS ENDED 28 JUNE 2013

Company delivers second quarter revenue at the upper end of May guidance and year on year gross margin improvement

Kirchheim/Teck, Germany, 23 July 2013 - Dialog Semiconductor plc (FWB: DLG), a provider of highly integrated innovative power management, audio and low energy short range wireless technologies, today reports results for its second quarter ending 28 June 2013.

Q2 2013 financial highlights

- Revenue at $152 million, down 5% on Q2 2012
- Connectivity segment revenue up 4% over Q2 2012
- Gross margin at 37.7%, 20bps above Q2 2012
- Underlying (*) EBITDA (**) at $19.8 million or 13.1% of revenue
- IFRS operating profit (EBIT) at $6.1 million or 4.0% of revenue. Excluding acquisition related costs of $2.9 million incurred in Q2, IFRS EBIT at 6.0% of revenue
- Connectivity segment IFRS operating profit (EBIT) at $2.3 million or 9.4% of revenue
- IFRS basic and diluted EPS of 3 cents, down 10 and 9 cents respectively on Q2 2012 Underlying (*) basic and diluted EPS of 15 and 14 cents, down 6 and 5 cents respectively on Q2 2012. Basic and diluted EPS impact of acquisition related costs was 4 cents respectively
- Cash generated from operations at $57.7 million. Cash and cash equivalents balance as of 28 June 2013 increased by $28.1 million from Q1 2013 to $346.7 million

Q2 2013 operational highlights

- The acquisition of iWatt completed as expected on 16 July
- Continued power management smartphone and tablet design win momentum, across new platforms and models of our largest clients
- Broadened our product portfolio with the launch of Smartbond™ the world's lowest power Bluetooth Smart System-on-Chip (SoC)
- Wistron adopted Smartwave™, our multi-touch IC to provide tier one PC manufacturing partners with a 23 inch touch All-in-One product
- Expanded our partnership with Freescale with a new audio codec reference module for their Tower System Development Platform

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

"We have delivered a good set of results in the second quarter while maintaining our innovation focus and generating significant cash from our business. The launch of two new product families, Smartbond™ and Smartwave™ opens up new addressable markets, supporting the diversification of our business and enabling exciting new applications."

"Dialog remains focused on delivering a successful steep ramp of a number of new products through the next two quarters to meet client demand. Lastly, I am very excited to have recently completed the acquisition of iWatt and we are now devoting significant attention to the integration of the business."

Outlook

In Q3 2013, excluding the contribution from the acquired iWatt business, we expect revenue for the quarter to be in the range of $190 to $210 million.

Given the visibility we have, we remain confident about the Company's revenue growth for the full year, driven by the ramp of high volume new products.

In Q3 2013, excluding the contribution of the acquired iWatt business, gross margin is expected to improve sequentially and on a year on year basis and continue to improve through the second half of 2013. This will result in gross margin improvement for full year 2013 over 2012.

In Q3 2013, we expect the acquired iWatt business to contribute an additional $18 to $20 million revenue from July 16, representing approximately a 15% year on year growth for the full quarter.

Financial overview

IFRS (*)	Second Quarter			First Half		
US$ million	**2013**	**2012**	**Var.**	**2013**	**2012**	**Var.**
Revenue	151.7	159.5	(5)%	331.6	325.9	+2%
Gross Margin	37.7%	37.5%	+20bps	37.9%	37.2%	+70bps
R&D %	21.6%	19.1%	+250bps	20.8%	18.1%	+270bps
SG&A %	12.1%	10.0%	+210bps	10.3%	10.2%	(10)bps
EBIT	6.1	13.4	(55)%	22.6	29.1	(22)%
EBIT %	4.0%	8.4%	(440)bps	6.8%	9.0%	(220)bps
Net income	2.1	8.5	(76)%	12.0	20.2	(41)%
Basic EPS $	0.03	0.13	(77)%	0.18	0.31	(42)%
Diluted EPS $	0.03	0.12	(75)%	0.18	0.30	(40)%
Operating cash flow	57.7	(9.0)	n/a	78.2	26.8	+192%
Underlying	**Second Quarter**			**First Half**		
US$ million	**2013**	**2012**	**Var.**	**2013**	**2012**	**Var.**
Gross Margin	37.9%	37.5%	+40bps	38.1%	37.4%	+70bps
EBITDA	19.8	24.4	(19)%	48.1	51.5	(7)%
EBITDA %	13.1%	15.3%	(220)bps	14.5%	15.8%	(130)bps
EBIT	12.0	16.9	(29)%	31.0	38.5	(19)%
EBIT %	7.9%	10.6%	(270)bps	9.3%	11.8%	(250)bps
Basic EPS $	0.15	0.21	(29)%	0.36	0.47	(23)%
Diluted EPS $	0.14	0.19	(26)%	0.35	0.45	(22)%

(*) Including $2.9 million of acquisition related costs

Revenue in Q2 2013 was down 5% at $152 million. As expected, revenue in Mobile Systems segment was down 5% over Q2 2012. During the quarter we saw good momentum in the Connectivity segment, with revenue up 4% on Q2 2012.

Q2 2013 gross margin was 37.7%, 20bps above Q2 2012 and in line with our May guidance. The anticipated marginal sequential decline versus Q1 2013 is the result of the lower revenue in the quarter and the subsequent higher allocation per unit of the fixed component of Cost of Sales - or Cost of Goods Sold (COGS). In addition to the on-going collaboration with our foundry partners, the Connectivity segment contributed to the positive year on year gross margin trend. As a result of all these efforts, we continue to expect year on year gross margin improvement for the full year 2013.

R&D investment in Q2 2013 stood at 21.6% of revenue, 250 bps over Q2 2012 and despite a sequential decline of 10% on Q1 2013 in the absolute amount of R&D. On a trailing twelve months basis, R&D was 17.7% of revenue, 70bps above Q2 2012. The strong investment in R&D resources and projects is an important part of the company's strategy to accelerate diversification of its product portfolio, to address new market applications and broaden its customer base. We remain confident about our product pipeline and we expect to launch new products through the second half of 2013 and into 2014.

During the quarter we maintained best in class SG&A expense levels. Excluding $2.9 million costs related to the acquisition of iWatt, SG&A in Q2 2013 was broadly in line with Q2 2012 at 10.1% of revenue, representing a sequential decline of 3% on Q1 2013. On a trailing twelve months basis SG&A was 9.0% of revenue, 90bps below Q2 2012 after excluding acquisition related costs. As in Q1 2013, we saw lower amortisation expenses relating to the purchase price allocation from the SiTel acquisition and lower national insurance costs associated with share based payment charges.

IFRS EBIT in Q2 2013 excluding costs related to the acquisition of iWatt was down 33% on Q2 2012 to $9.0 million. This decline was the consequence of the lower revenue in Q2 2013 and the continuing investment in R&D resources and projects to fuel future growth. The positive trend we saw in Connectivity segment in Q1 2013 continued during the second quarter. This segment was for the first time profitable on an IFRS basis with Q2 2013 EBIT at $2.3 million (Q2 2012: loss of $2.2 million). During the second quarter we continued to benefit from all the initiatives we took during 2012 to gain greater supply chain efficiencies and re-focus on higher margin business opportunities.

A net tax charge of $0.9 million was recorded in Q2 2013. This is in line with our May guidance, representing a 30% effective tax rate. This rate is above the effective tax rate for Q2 2012 of 27%. We continue to expect the tax rate to peak in 2013 at around 30% before the consolidation of iWatt into the Group.

IFRS net income was $2.1 million, 76% below Q2 2012. Excluding acquisition related costs incurred in the quarter, IFRS net income was $5.1 million, 40% below Q2 2012. This drop was the result of the decrease in EBIT and the higher interest expenses being partially offset by the lower value of the tax charge. The increase in interest expenses relates to the measurement of the financial liability from the convertible bond. On an underlying basis Q2 2013 net income was below Q2 2012 mainly as a result of the lower revenue and the sustained investment in R&D in line with our strategic growth and diversification objectives.

At the end of Q2 2013, the value of our total inventory was $114 million, 22% below Q1 2013 (or ~109 days, 11 days below Q1 2013). As indicated in May, the value of our finished goods continued to reduce, resulting on a 39% decrease on Q1 2013. The percentage of raw materials out of the total inventory value was 31% (Q1 2013: 30%) and the percentage of work in progress reached 28% (Q1 2013: 18%). We expect inventory value to increase during Q3 2013 in anticipation of a number of product launches during the second half.

At the end of Q2 2013, we had cash and cash equivalents balance of $346.7 million. In the second quarter we generated $57.7 million of operating cash. Free cash flow (***) movement in the quarter was an inflow of $44.4 million.

(*) Underlying results(net of tax) in Q2-2013 are based on IFRS consolidated interim net income statement, adjusted to exclude share-based compensation charges and related charges for National Insurance of US$1.6 million, excluding US$0.9 million of amortisation of intangibles associated with the acquisition of SiTel (now Dialog B.V.), excluding US$ 1.9 million non-cash interest expense in connection with the convertible bond, excluding US$ 0.2 million non-cash effective interest expense related to a licensing agreement entered into in Q3-2012 and excluding costs of US$2.9 million incurred during the acquisition of iWatt and also excluding the related tax effects.

Underlying results(net of tax) in Q2-2012 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of US$1.9 million, excluding US$1.2 million of amortisation of intangibles associated with the acquisition of Dialog B.V. and excluding US$1.7 million interest expense in connection with the convertible bond.

Underlying results (net of tax) in H1-2013 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of US$2.8 million, excluding US$1.7 million of amortisation of intangibles associated with the acquisition of SiTel, excluding US$3.8 million non-cash interest expense in connection with the convertible bond, US$ 0.4 million non-cash effective interest expense related to a licensing agreement entered into in Q3-2012, excluding costs of US$2.9 million incurred during the acquisition of iWatt and also excluding the related tax effects.

Underlying results (net of tax) in H1-2012 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of US$5.6 million, excluding US$2.8 million of amortisation of intangibles associated with the acquisition of SiTel and excluding US$1.7 million non-cash interest expense in connection with the convertible bond.

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.

(**) EBITDA is defined as operating profit excluding depreciation for property, plant and equipment (Q2 2013: US$4.1 million, Q2 2012: US$3.0 million), amortisation for intangible assets (Q2 2013: US$4.9 million, Q2 2012: US$4.3 million) and losses on disposals and impairment of fixed assets (Q2 2013: US$0.0 million, Q2 2012: US$0.1 million).

EBITDA is defined as operating profit excluding depreciation for property, plant and equipment (H1-2013: US$8.0 million, H1 2012: US$5.6 million), amortisation for intangible assets (H1-2013: US$10.0 million, H1-2012: US$9.0 million) and losses on disposals and impairment of fixed assets (H1-2013: US$0.3 million, H1-2012: US$0.3 million).

(***) Free Cash Flow is defined as net income of US$2.1 million plus amortisation and depreciation of US$ 9.0 million, plus net interest expense of US$2.7 million, plus change in working capital of US$41.0 million and minus capital expenditure of US$10.4 million.

Operational overview

The acquisition of iWatt closed on 16 July. It underscores Dialog's strategy to diversify our markets and growth opportunities through select strategic acquisitions. iWatt's digital power management business is highly complementary to our existing business, enabling Dialog to address adjacent emerging power management segments, such as cutting-edge AC/DC chargers and adapters and ICs for LED solid state lighting. The combined business will be in a unique position to provide the complete solution for next-generation faster charging and power management for portable devices. During the coming months our team will devote significant attention to the smooth integration of the business.

During the quarter we completed a number of our highly integrated PMIC designs which are being sampled to our customers, before transition into our production environment. Our R&D teams are now engaged in next generation designs, using existing 0.25 micron BCD technology and the new 0.13 micron BCD technology for products to be launched in 2014 and beyond.

Building on our innovation effort and as part of our connectivity strategy we entered the Bluetooth® Smart segment with the launch of Smartbond™, the world's lowest power Bluetooth® Smart System-on-Chip (SoC). This solution more than doubles the battery life of an app-enabled smartphone accessory or computer peripheral in comparison to competing solutions on the market. It's designed to connect keyboards, mice and remote controls wirelessly to tablets, laptops or Smart TVs and enables consumers to use innovative new apps on their smartphones and tablets. Murata is the first module manufacturer to adopt Smartbond™.

We continued to broaden our client portfolio and we were very pleased that Wistron adopted Smartwave™, our recently launched multi-touch IC. Wistron has developed a 23 inch, Windows 8 compliant multi- touch module targeting high volume All-in-One PCs and display monitors. This multi-touch module can be used as a direct one-to-one replacement of today's projected capacitive touch module. This win further supports the diversification of our business, expanding our addressable market into mass market PCs, including Ultrabooks™.

We extended our cooperation with Freescale with a new audio codec reference module for their Tower System Development Platform. OEMs can now use Dialog's latest low power audio codec to significantly improve the consumer's audio experience. An on-chip, programmable

Digital Signal Processor (DSP) offloads audio software from the host processor, enabling OEMs to benefit from consistent high quality audio including SRS Sound^{TM}.

Our DA6021 PMIC which we developed in collaboration with Intel for their Bay Trail processor is now qualified and being sampled to customers. Together with the Bay Trail processor, this PMIC delivers outstanding battery life for new tablet designs.

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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 Q2 2013 performance, as well as guidance for Q3 2013. 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 **#96486411**. An audio replay of the conference call will also be posted soon thereafter on the Company's website at:

http://www.diasemi.com/investor-relations

This press release should be read in conjunction with the financial review and unaudited interim condensed consolidated financial statements, where further information is given. Full unaudited interim condensed consolidated financial statements including the independent review report to Dialog Semiconductor plc, unaudited interim consolidated statement of financial position, unaudited interim consolidated income statement, unaudited interim consolidated statement of comprehensive income, unaudited interim consolidated statement of cash flows, unaudited interim consolidated statement of changes in equity and unaudited notes to the interim condensed consolidated financial statements for the period ending 28 June 2013 is available under the investor relations section of the Company's website at:

http://www.diasemi.com/investor-relations

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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 with a technology portfolio including audio, short range wireless, AC/DC power conversion and multi-touch technology, Dialog brings decades of experience to the rapid development of ICs for personal portable applications including smartphones, tablets, ultrabooks and digital cordless phones..

Dialog's power management processor companion chips are essential for enhancing both the performance in terms of extended battery lifetime and the consumers' multimedia experience. With world-class manufacturing partners, Dialog operates a fabless business model.

Dialog Semiconductor plc is headquartered near Stuttgart with a global sales, R&D and marketing organisation. In 2012, it had $774 million in revenue and was one of the fastest growing European public semiconductor companies. Dialog Semiconductor currently has approximately 1,000 employees. The Company is listed on the Frankfurt (FWB: DLG) stock exchange and is a member of the German TecDax index. It also has a convertible bond listed on the Euro MTF Market on the Luxemburg 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.