DIALOG SEMICONDUCTOR REPORTS SECOND QUARTER RESULTS ENDED 27 JUNE 2014

Company delivers second quarter year on year revenue growth of 45% and increasing profitability

London, UK, 30 July 2014 - Dialog Semiconductor plc (FWB: DLG), a provider of highly integrated power management, AC/DC, solid state lighting and Bluetooth® Smart wireless technology, today reports results for its second quarter ending 27 June 2014.

Q2 2014 financial highlights

- Revenue up 45% over Q2 2013 to $219 million
- IFRS gross margin increased sequentially and year on year to 43.2%
- Underlying (*) EBITDA (**) at $37.8 million or 17.2% of revenue
- IFRS operating profit (EBIT) at $15.9 million or 7.3% of revenue
- Underlying (*) basic and diluted EPS up 113% and 121% respectively over Q2 2013. IFRS basic and diluted EPS up 333% over Q2 2013
- $21.7 million of cash generated from operations

Q2 2014 operational highlights

- Design win momentum continues for Power Management smartphone and tablet designs
- Expanding our leadership position in the emerging mobile device fast charging segment
- Entering the fast growing PC and tablet peripherals market with SmartBond™ our Bluetooth® Smart SoC
- Our collaboration with Asia based chipset partners to address their local markets continued to build momentum

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

"During the second quarter, Dialog delivered an excellent set of results, once again achieving robust revenue growth and increased profitability. In addition to this, we maintained positive momentum in product innovation with new launches in the fast charging segment along with further market adoption of our industry leading Bluetooth® Smart SoC."

"The progress we made in the second quarter underpins our confidence in Dialog's ability to continue to enhance its strong market proposition and grow successfully throughout 2014. We remain focused on delivering a successful steep ramp of a number of new products through the next two quarters to meet customer demand."

Outlook

Given our current visibility, we continue to anticipate that 2014 will be another year of good growth driven by a solid ramp of high volume new products.

In Q3 2014, we expect revenue for the quarter to be in the range of $240 to $265 million.

Gross margin in Q3 2014 is expected to improve year on year and be broadly in line with Q2 2014. We expect gross margin for the full year 2014 to be above 2013.

Financial overview

IFRS	**Second Quarter**			**First Half**		
US$ million	**2014****	**2013***	**Var.**	**2014****	**2013***	**Var.**
Revenue	219.3	151.1	45%	440.1	330.8	+33%
Gross Margin	43.2%	37.8%	+540bps	42.7%	38.0%	+470bps
R&D %	23.1%	22.0%	+110bps	21.9%	21.1%	+80bps
SG&A %	13.4%	12.1%	+130bps	12.5%	10.3%	+220bps
EBIT	15.9	6.1	+162%	38.9	22.6	+72%
EBIT %	7.3%	4.0%	+330bps	8.9%	6.8%	+210bps
Net income	9.0	2.1	+332%	23.1	12.0	+93%
Basic EPS $	0.13	0.03	+333%	0.35	0.18	+94%
Diluted EPS $	0.13	0.03	+333%	0.33	0.18	+83%
Operating cash flow	21.7	57.7	(62)%	150.6	78.2	+93%
Underlying	**Second Quarter**			**First Half**		
US$ million	**2014**	**2013**	**Var.**	**2014**	**2013**	**Var.**
Gross Margin	44.5%	38.0%	+650bps	43.9%	38.2%	+570bps
EBITDA	37.8	19.8	+91%	79.1	48.1	+64%
EBITDA %	17.2%	13.1%	+410bps	18.0%	14.5%	+350bps
EBIT	28.4	12.0	+136%	60.6	31.0	+96%
EBIT %	12.9%	8.0%	+490bps	13.8%	9.4%	+440bps
Net income	21.7	9.6	+124%	45.3	23.6	+92%
Basic EPS $	0.32	0.15	+113%	0.68	0.36	+89%
Diluted EPS $	0.31	0.14	+121%	0.65	0.35	+86%

(*) Including $2.9 million of acquisition related costs
(**) Including $0.8 million of costs related to the merger discussions with ams AG.

The presentation of income and related expenses from customer specific research and development costs has changed. Please see note 2 of the Q2 2014 Interim Report.

Revenue in Q2 2014 was up 45% year on year at $219 million, 8% above the mid-point of our Q2 guidance range. During the quarter Mobile Systems segment revenue increased 39% over Q2 2013.

Q2 2014 IFRS gross margin was 540bps above Q2 2013 and 110bps above the previous quarter. This was the result of the following three points:

- Higher revenue achieved in the quarter
- Yield and test time improvements in high volume products

- Positive product mix contribution from the last generation of products in Mobile Systems and from Power Conversion.

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

In Q2 2014 underlying (*) net OPEX as a percentage of revenue was at 31.6%, 160bps above Q2 2013 including the consolidation of Power Conversion (iWatt Inc.) into the Group. This supports our growth strategy and the higher revenue contribution expected in H2 2014. On a trailing twelve month basis, Underlying OPEX % was 60bps below Q2 2013.

Underlying (*) R&D investment in Q2 2014 stood at 21.8% of revenue, 50bps above Q2 2013 and including the consolidation of Power Conversion into the Group. This is in line with the company's strategy of continuous innovation, diversification of its product portfolio and revenue growth.

Underlying (*) SG&A in Q2 2014 stood at 10.0% of revenue, 90bps above Q2 2013 primarily as a result of the consolidation of Power Conversion into the Group, where the current revenue is not yet high enough to absorb fixed costs and on-going investments in support functions.

In Q2 2014 we achieved IFRS and underlying (*) EBIT of $15.9 million and $28.4 million respectively, 162% and 136% over Q2 2013. Underlying EBIT margin in the quarter was 12.9%. The Q2 2014 underlying EBIT increase of 136% was primarily driven by good performance in the Mobile Systems segment. On an underlying (*) basis, Q2 2014 operating profit (EBIT) for the Power Conversion segment was $0.3 million.

In total, a net tax charge of $3.6 million was recorded in Q2 2014. This represents an effective tax rate of 28.5% (Q2 2013: 30.0%). The decrease in our group effective tax rate is driven by the on-going exercise to align our Intellectual Property ownership 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 Q2 2014, underlying (*) net income and underlying EPS improved significantly year on year. Underlying Diluted EPS in Q2 2014 was 31 cents, 121% above the same quarter of 2013.

At the end of Q2 2014, our total inventory level was $119 million (or ~86 days), an increase of $31 million over the prior quarter, in line with our expectations. This represents a sequential 24 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 demand. During Q3 2014 we expect inventory value to increase but inventory days to decrease from Q2 2014 in anticipation of a number of high volume product launches.

At the end of Q2 2014, we had cash and cash equivalents balance of $272 million which was after $25 million early debt repayment. In the second quarter we generated $22 million of cash from operations. At the end of Q2 2014, the balance of our Term Loan (put in place to acquire iWatt) was $65 million. We intend to do further early debt repayments during the course of Q3 2014.

(*) Underlying results (net of tax) in Q2-2014 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of US$6.8 million, excluding US$0.2 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$0.6 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, US$0.8 million of expenses associated with the merger discussions with ams AG and excluding the gain of US$0.7m from the release of an earn out provision in relation to the iWatt acquisition.

Underlying results (net of tax) in Q2-2013 are based on IFRS, 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 noncash-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 and excluding costs of US$2.9 million acquisition expenses in connection with the purchase of iWatt and its related tax effects.

Underlying results (net of tax) in H1-2014 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of US$10.6 million, excluding US$0.8 million of amortisation of intangibles associated with the acquisition of SiTel (now Dialog B.V.), excluding US$5.4 million of amortisation and depreciation expenses associated with the acquisition of iWatt, excluding US$4.0 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 US$0.8 million acquisition and integration expenses associated with the acquisition of iWatt, US$0.8 million of expenses associated with the merger discussions with ams AG and excluding the gain of US$0.7m from the release of an earn out provision in relation to the iWatt acquisition.

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 (now Dialog B.V.), excluding US$3.8 million non-cash interest expense in connection with the convertible bond, excluding 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 its the related tax effects.

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 Q2 2014 is defined as operating profit excluding depreciation for property, plant and equipment, (Q2 2014:US$6.0 million, Q2 2013:US$4.1 million), amortisation of intangible assets (Q2 2014:US$8.3 million, Q2 2013:US$4.9 million) and losses on disposals and impairment of fixed assets (Q2 2014:US$0.2 million, Q2 2013:US$0.0 million).

EBITDA in H1 2014 is defined as operating profit excluding depreciation for property, plant and equipment (H1-2014: US$11.4 million, H1 2013: US$8.0 million), amortisation for intangible assets (H1-2014: US$16.2 million, H1-2013: US$10.0 million) and losses on disposals and impairment of fixed assets (H1-2014: US$0.3 million, H1-2013: US$0.3 million).

Operational overview

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 2015 and beyond.

The mobile device fast charging segment continued to gain momentum. During the second quarter our Power Conversion Business Group expanded its leadership position in this segment:

- Launched a rapid charge AC/DC controller compatible with MediaTek Pump Express Plus™ targeting the higher power class Chinese tablet and smartphone market
- Started shipping in volume our Qualcomm Quick Charge 2.0-compatible AC/DC adapter IC in the Japanese smartphone supply market to customers including Hosedin Corporation.

Widespread adoption of Bluetooth® Smart connectivity continues to gain momentum across multiple vertical segments. During the quarter we announced the use of SmartBond™ into the fast growing PC and tablet peripherals market with a wireless keyboard reference design. This reference design will help our customers minimise development costs and workload while ensuring fast time-to-market. SmartBond™ leads the industry in terms of lowest power consumption and smallest form factor.

We continued to make positive progress during the quarter on our multiple China market initiatives across the three business groups. We target the fast growing China LTE smartphone market, partnering with the key players for our high integrated power management solutions. We expect revenue from these design wins to start in Q4 2014. In addition, we have secured early design wins for our AC/DC rapid charge solutions supporting Mediatek's PumpExpress™ platforms across multiple power classes with the top China smartphone manufacturers, and now start to ship early production volumes. Our Bluetooth SmartBond™ SOC gained traction in multiple applications including new generation fitness bands.

During the quarter we launched a highly-efficient switching charger IC with an integrated high-accuracy fuel gauge addressing the fast growing China smartphone LTE market. The DA9150 targets USB powered smartphones for the China market, tablets and emerging wearable devices.

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Dialog Semiconductor invites you today at 10.00 am (London) / 11.00 am (Frankfurt) to take part in a live conference call and to listen to management's discussion of the Company's Q2 2014 performance, as well as guidance for Q3 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 **#69920626**. 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 27 June 2014 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 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 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.