Press release – 2 August 2018

DIALOG SEMICONDUCTOR REPORTS RESULTS FOR THE SECOND QUARTER ENDED 29 JUNE 2018

Second quarter revenue up 16% year-on-year to US$296 million and increased operating profit

London, UK, 2 August 2018 – 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 unaudited results for the second quarter ended 29 June 2018.

Q2 2018 financial highlights

- Revenue of US$296 million, up 16% year-on-year and slightly above the mid-point of the May guidance.
- Revenue includes the contribution from Silego Technology Inc. ("Silego") and all operational segments delivered year-on-year revenue growth.
- Gross margin at 48.0% and underlying[1] gross margin at 48.3%, both slightly below Q2 2017 but above the May guidance.
- Operating profit of US$26.2 million, up 31% year-on-year. Underlying[1] operating profit of US$42.1 million, up 33% year-on-year.
- All operating segments delivered operating profit.
- Diluted EPS of US$0.23 (Q2 2017: US$0.23) and underlying[1] diluted EPS of US$0.45 (Q2 2017: US$0.36).
- Cash flow from operating activities of US$56 million (Q2 2017: US$20 million). US$37 million of free cash flow[1] generated in Q2 2018 (Q2 2017: US$1 million). US$537 million of cash and cash equivalents, US$106 million below 30 June 2017, following the acquisition of Silego.

Q2 2018 operational highlights

- Design engagement momentum for custom Power Management ICs (PMICs) at leading smartphone OEM.
- Received a reduced share of volume forecast from Apple for the main PMIC for the 2018 smartphone platform. All other PMICs and sub-PMICs remain unchanged.
- Integration of Silego progressing according to plan.
- Adoption of the USB Power Delivery ("USB PD") standard continues to accelerate in mobile devices.
- Built a solid presence in the Bluetooth® low energy market, delivering 45% year-on-year revenue growth, with our SmartBond™ SoCs.
- Expanded our SmartBond™ offering adding Bluetooth Special Interest Group (SIG)-compliant mesh support and launching a new 5 Degrees-of-Freedom (DOF) SmartBond™ Multi-Sensor Kit to support sensor connectivity in the Internet of Things ("IoT").
- Expanded our product portfolio with the launch of an ultra low power and compact Haptic Driver IC to meet increasing adoptions in the mobile, gaming and automotive markets.
- SmartBeat™, our wireless audio IC targeting the consumer headset market was selected by Jabra for their new Engage headset series.

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

"During the quarter, we delivered robust year-on-year revenue growth in line with our guidance. All our business segments contributed to the revenue growth and each one of them was profitable. The integration of Silego has progressed according to plan – as customers in Mobile and IoT aim to deliver their products fast to market, the business opportunity for differentiated technologies such as the CMIC is very exciting.

Our focused investment in innovation supports the expansion of our product portfolio and the generation of future revenue growth. During the quarter, we launched new products supporting the needs of our customers in IoT and peripherals, such as the new SmartBond™ Multi-Sensor Kit. We also entered the haptics segment with the launch of a new Haptic Driver IC, aiming to meet the increasing adoption of high-quality and low-power haptics in mobile, gaming and automotive. Despite the existing customer specific headwinds in Power Management, our investment in innovation and a strong pipeline of customer design-ins give me confidence about our revenue growth prospects for 2018."

1 Underlying measures and free cash flow quoted in this Press Release are non-IFRS measures (see page 5).

Press release – 2 August 2018 continued

Outlook

Based on our current visibility and typical seasonal trends, we anticipate revenue for Q3 2018 to be in the range of US$365-US$395 million.

Good business momentum and a pipeline of key product launches, give us confidence 2018 will be a year of revenue growth. As in previous years, revenue performance will be strongly weighted towards the second half of the year.

In line with the anticipated revenue performance, we expect gross margin for Q3 2018 to be broadly in line with Q2 2018 and FY 2018 to be broadly in line with FY 2017.

Financial overview

IFRS basis

US$ millions unless stated otherwise	**Q2 2018**	Q2 2017	Change	**H1 2018**	H1 2017	Change
Revenue	**295.7**	255.5	+16%	**627.8**	526.5	+19%
Gross margin[2]	**48.0%**	48.4%	-40bps	**47.1%**	48.0%	-90bps
R&D %[2,3]	**26.5%**	28.4%	-190bps	**25.4%**	26.5%	-110bps
SG&A %[3]	**13.0%**	12.3%	+70bps	**12.5%**	12.2%	+30bps
Operating profit	**26.2**	20.0	+31%	**59.1**	49.1	+20%
Operating margin	**8.9%**	7.8%	+110bps	**9.4%**	9.3%	+10bps
Net income	**18.1**	17.1	+6%	**35.5**	40.2	-12%
Basic EPS $	**0.24**	0.24	0%	**0.48**	0.55	-13%
Diluted EPS $	**0.23**	0.23	0%	**0.46**	0.52	-12%
Cash flow from operating activities	**55.6**	19.7	+182%	**105.3**	120.3	-12%

Underlying

US$ millions unless stated otherwise	**Q2 2018**	Q2 2017	Change	**H1 2018**	H1 2017	Change
Revenue	**295.7**	255.5	+16%	**627.8**	526.5	+19%
Gross margin[2]	**48.3%**	48.6%	-30bps	**47.7%**	48.2%	-50bps
R&D %[2,3]	**24.0%**	26.2%	-220bps	**23.0%**	24.2%	-120bps
SG&A %[3]	**10.2%**	10.1%	+10bps	**9.8%**	9.8%	0bps
EBITDA	**56.7**	44.8	+27%	**123.2**	102.2	+21%
EBITDA %	**19.2%**	17.5%	+170bps	**19.6%**	19.4%	+20bps
Operating profit	**42.1**	31.6	+33%	**94.5**	74.8	+26%
Operating margin	**14.2%**	12.3%	+190bps	**15.1%**	14.2%	+90bps
Net income	**35.3**	27.8	+27%	**76.2**	62.2	+23%
Basic EPS $	**0.48**	0.38	+26%	**1.03**	0.84	+23%
Diluted EPS $	**0.45**	0.36	+25%	**0.98**	0.80	+23%

2 2017 Gross margin and R&D % are presented on a consistent basis. Further information regarding the reclassification of certain product development costs is presented on page 7 and in note 1 to the interim financial statements.
3 R&D and SG&A as a percentage of revenue.

Revenue in Q2 2018 was up 16% year-on-year to US$296 million. Excluding the contribution of the acquisition of Silego (Q2 2018: US$24.1 million), revenue was up 6% year-on-year due to the good performance of all our business segments. Mobile Systems was up 4% year-on-year. The year-on-year performance was driven by the increased value of our latest generation of highly-integrated power management solutions. In Q2 2018, Advanced Mixed Signal revenue almost doubled year-on-year. Excluding revenue from Silego, Advanced Mixed Signal was up 17% year-on-year, as a result of the improvement in demand for rapid charge adapters. Connectivity was up 12% year-on-year. The year-on-year increase was mainly driven by 45% revenue growth in Bluetooth® low energy products. Automotive & Industrial was up 4% year-on-year, mostly due to higher volumes in the automotive segment.

At the beginning of the year we changed the classification of the amortisation of capitalised product development costs, the amortisation of acquired developed technology, and royalties. These costs were previously included in cost of sales and they are now included in R&D expenses (see table on page 7 for full details). This change had no impact on operating profit and we made it to improve the comparability of our results with our industry peers. Q2 2018 gross margin was 48.0%, 40bps below Q2 2017 due to product mix partially offset by lower manufacturing costs. Q2 2018 underlying[1] gross margin was 48.3%, 30bps below Q2 2017 for the same reasons as described before.

Operating expenses (OPEX) comprising SG&A and R&D expenses, in Q2 2018 was up 12% year-on-year to US$116.7 million, or 39.5% of revenue (Q2 2017: 40.7%). Underlying[1] OPEX in Q2 2018 was up 9% year-on-year to US$101.2 million, or 34.2% of revenue (Q2 2017: 36.3%). The year-on-year increase in OPEX and underlying OPEX was mainly due to higher R&D expense and the consolidation of Silego into the Group.

R&D expense in Q2 2018 was up 8% from Q2 2017 to US$78.3 million. The year-on-year increase in R&D expense was the result of the consolidation of Silego into the Group. As a percentage of revenue, R&D in Q2 2018 was down 190bps year-on-year to 26.5%. On an underlying[1] basis, R&D expense was up 6% from Q2 2017 to US$71.0 million. As a percentage of revenue, underlying R&D in Q2 2018 was 220bps below Q2 2017 at 24.0%.

SG&A expense in Q2 2018 was up 22% from Q2 2017 to US$38.4 million. This increase was largely due to the consolidation of Silego into the Group. In Q2 2018, we incurred US$0.5 million of integration costs relating to the acquisition of Silego. As a percentage of revenue, SG&A in Q2 2018 was 70bps above Q2 2017 at 13.0% (Q2 2017: 12.3%). Underlying[1] SG&A in Q2 2018 was up 17% over Q2 2017 to US$30.2 million. The increase in underlying SG&A was driven by the same reason mentioned above. As a percentage of revenue, underlying SG&A was broadly in line with Q2 2017 at 10.2% (Q2 2017: 10.1%).

Operating profit in Q2 2018 was US$26.2 million, up 31% year-on-year reflecting the increased revenue partially offset by a slightly lower gross margin. Operating profit margin in the quarter was 8.9%, 110bps above Q2 2017, mainly due to the higher revenue and R&D leverage partially offset by the adjustments related to the acquisition of Silego. Underlying[1] operating profit was US$42.1 million, up 33% year-on-year mainly driven by the revenue growth partially offset by a slightly lower gross margin. Underlying operating margin in the quarter was 14.2%, 190bps above Q2 2017.

The effective tax rate in H1 2018 was 35.9% (H1 2017: 23.2%) and in Q2 2018 was 34.5% (Q2 2017: 25.7%). The effective tax rates for H1 2018 and Q2 2018 are principally due to the distorting effect on our income tax expense of the tax and accounting treatments of share-based compensation, business combinations and certain of our strategic investments. The underlying effective tax rate in Q2 2018 was 21.0% (Q2 2017: 19.1% or 22.0% excluding the effect of a $1.0 million provision release), down 100bps on the Q2 2017 underlying effective tax rate excluding the effect of the provision release.

In Q2 2018, net income was up 6% year-on-year due to the increase in operating profit partially offset by higher income tax expense. Underlying[1] net income was up 27% year-on-year. The year-on-year increase in underlying net income was mainly driven by the operating profit movement. Diluted EPS in Q2 2018 was in line with Q2 2017. Underlying diluted EPS in Q2 2018 was up 25% year-on-year.

At the end of Q2 2018, our total inventory level was US$134 million, 3% below the previous quarter (or ~78 days), representing a 8-day increase in our days of inventory from the previous quarter. During Q3 2018, we expect inventory value and days of inventory to increase from Q2 2018 as we approach the ramp of new products.

At the end of Q2 2018, we had a cash and cash equivalents balance of US$537 million. Cash flow from operating activities in Q2 2018 was US$56 million, more than double Q2 2017 (Q2 2017: US$20 million) mainly as a result of working capital movements and the timing of income tax payments. Free cash flow in Q2 2018 was US$37 million, significantly higher than Q2 2017 (Q2 2017: US$1 million) mostly due to the higher cash flow from operating activities.

Press release – 2 August 2018 continued

Operational overview

Dialog is a fabless semiconductor company primarily focused on the development of highly-integrated mixed-signal products for consumer electronics. Our highly-skilled engineers, partnership approach, operational flexibility and the quality of our products are sources of competitive advantage.
Our primary end markets are consumer markets such as Mobile and the Internet of Things (IoT). The increasing adoption of standard technologies, such as Bluetooth® low energy or LED lighting, and the expansion of high-performance processors into infotainment systems, has contributed to the expansion of our presence in the automotive segment. In line with our strategic goals, during 2018 we intend to continue with the expansion of our product portfolio through a combination of organic and inorganic initiatives.

Mobile Systems
During Q2 2018, the Mobile Systems business segment delivered 4% year-on-year revenue growth.

Mobile Systems is gradually expanding its product portfolio of Application Specific Standard Products (ASSP) with next generation Charger ICs and nanopower PMICs. In Q2 2018, a top 5 China smartphone OEM adopted our Current Doubler (DA9313) onto two platforms, seeking to minimise charging time to differentiate in a highly competitive market. The ultra-compact nanopower PMICs provide high efficiency and flexibility for wearables, smart home applications and many other connected devices. During the quarter we continued the expansion of our portfolio with the launch of an ultra low power, and compact Haptic Driver IC. This product offers a unique and highly responsive haptic experience to the next generation of smartphones, gaming and automotive User Interface systems.

As announced on 31 May 2018, during Q2 2018, we received a reduced share of volume forecast from Apple for the main PMIC for the 2018 smartphone platform. During the quarter we also added new custom PMIC design wins for next generation models. These opportunities and all other opportunities from our largest customer are made available to us on a product by product basis and depend on our ability to work to the highest technical standards, develop leading-edge technology and a commitment to provide high-quality products at appropriate prices and volumes. We recognize that Apple has the resources and capability to design a PMIC of its own. We will continue to support our largest customer as this relationship evolves and develops over time.

In parallel, we continued to leverage our power management technology into new markets and geographies through the expansion of our platform reference designs. Our partnership with Spreadtrum provides Dialog with an opportunity to expand market share in mobility in China and Southeast Asia, and the collaborations with Renesas and Xilinx strengthen Dialog's presence in the automotive segment.

Advanced Mixed Signal
In Q4 2017 we created the Advanced Mixed Signal segment, grouping the Power Conversion segment and the business from the acquisition of Silego. During Q2 2018, Advanced Mixed Signal revenue almost doubled year-on-year. Excluding revenue from Silego, Advanced Mixed Signal was up 17% year-on-year mainly as a result of increasing demand for rapid charge adapters.

We expect market adoption of new charging technologies, like USB PD Type-C, to become more prevalent from the second half of this year. Dialog has successfully maintained a commanding market share in the rapid charge market through a combination of differentiated technology, speed of execution and wide support of rapid charge protocols. Our RapidCharge™ solutions for power adapters had approximately 60% share[4] of the rapid charge adapter market for smartphones at the end of 2017.

Our broad product portfolio in Solid-State Lighting (SSL) LED driver ICs and exclusive digital conversion technologies enable high quality solutions at a low cost. During Q2 2018 our SSL LED business grew at a solid pace and the acquisition of the LED backlighting technology from ams AG in November 2017 has enabled us to expand our customer base, grow our share of the high-end TV market, and target the mobile and automotive display markets over the medium term.

The acquisition of Silego in November 2017 contributed to the expansion of our product portfolio. In Q2 2018 we achieved a significant milestone for its Configurable Mixed-signal ICs (CMICs), with over 3.5 billion CMICs having been shipped to date. The milestone validates Dialog's configurable technology, including the highly successful GreenPAK™ product family, as the leading choice for the market. The ultra-low power consumption and in-system programming, enables customers to rapidly customise and integrate multiple analog, logic and discrete components into a single chip.

This technology will contribute to the expansion of our customer base and strengthen our presence in IoT, mobile computing and automotive.

Connectivity

During Q2 2018, the Connectivity Segment delivered 12% year-on-year revenue growth.

Revenue from our SmartBond™ System-on-Chip (SoC) was up 45% year-on-year, a strong indication of the value we bring to customers and the continuing adoption of the technology across a wide range of applications. The Bluetooth® low energy market is estimated to grow 26% CAGR over the 2016-2020 period[5]. In Q2 2018, our SmartBond™ SoC (DA14683) was adopted by a household brand in the European consumer appliance segment. Our strategy remains focused on targeted verticals, like wearables, proximity tags, smart home, or gaming accessories. The latest additions to our portfolio enable increased security, advanced connectivity to the Cloud for IoT devices and new use cases such as Bluetooth® mesh. Volumes from our portfolio of audio (DECT-based) products were slightly down during the quarter.

The Connectivity Segment is targeting the consumer headset market with our SmartBeat™ wireless Audio IC. During the quarter we announced a first design win with Jabra for their new Engage headset series. In Q2 2018, a top 5 global smartphone OEM has adopted SmartBeat™ for a new "in-the-box" wireless hearable product. This technology enables a new immersive headset experience and supports both wired USB 3.0 Type-C™ and Bluetooth® based consumer headsets. The DA14195 is currently being evaluated by a number of leading consumer brands for gaming and USB Type-C™ headsets.

4 Dialog own estimates.
5 Source: IHS Technology Q3 2017 Report, 26 October 2017.

Automotive and Industrial
Automotive & Industrial delivered 4% year-on-year revenue growth in Q2 2018. This solid result was driven by higher year-on-year volumes in the automotive segment.

Other business initiatives
Our strategic partnership with Energous Corporation continued to develop, aiming to drive market adoption of true over the air wireless charging by combining Energous' uncoupled wireless charging technology and Dialog's power saving technologies. In Q1 2018, we announced the acceleration of a complete product roadmap. This announcement was possible after the Federal Communications Commission (FCC) certification of the Mid Field WattUp® transmitter reference design.

Non-IFRS measures

Underlying measures of performance and free cash flow quoted in this press release are non-IFRS measures. Our use of underlying measures and reconciliations of the underlying measures to the nearest equivalent IFRS measures are presented in Section 3 of the Q2 2018 Interim report. For ease of reference, we present below reconciliations for the non-IFRS measures quoted in this press release:

Q2 2018

US$000 unless stated otherwise	IFRS basis	Share-based compensation and related payroll taxes	Accounting for business combinations	Integration costs	Effective interest	Strategic investments	Underlying basis
Revenue	295,664	–	–	–	–	–	295,664
Gross profit	141,856	506	406	–	–	–	142,768
SG&A expenses	(38,378)	3,284	4,455	474	–	–	(30,165)
R&D expenses	(78,273)	4,956	2,288	–	–	–	(71,029)
Other operating income	1,022	–	(522)	–	–	–	500
Operating profit	26,227	8,746	6,627	474	–	–	42,074
Net finance income	1,897	–	460	–	17	720	3,094
Profit before income taxes	28,124	8,746	7,087	474	17	720	45,168
Income tax expense	(9,691)	1,197	(867)	(100)	(3)	(27)	(9,491)
Profit after income taxes	18,433	9,943	6,220	374	14	693	35,677
Share of loss of associate	(377)	–	–	–	–	–	(377)
Net income	18,056	9,943	6,220	374	14	693	35,300

Q2 2017

US$000 unless stated otherwise	IFRS basis	Share-based compensation and related payroll taxes	Accounting for business combinations	Effective interest	Strategic investments	Underlying basis
Revenue	255,515	–	–	–	–	255,515
Gross profit	123,759	394	–	–	–	124,153
SG&A expenses	(31,384)	3,731	1,824	–	–	(25,829)
R&D expenses	(72,461)	3,868	1,773	–	–	(66,820)
Other operating income	50	–	–	–	–	50
Operating profit	19,964	7,993	3,597	–	–	31,554
Net finance income	3,039	–	–	80	(263)	2,856
Profit before income taxes	23,003	7,993	3,597	80	(263)	34,410
Income tax expense	(5,920)	(591)	(210)	(15)	147	(6,589)
Net income	17,083	7,402	3,387	65	(116)	27,821

Press release – 2 August 2018 continued

H1 2018

US$000 unless stated otherwise	IFRS basis	Share-based compensation and related payroll taxes	Accounting for business combinations	Integration costs	Effective interest	Strategic investments	Underlying basis
Revenue	**627,819**	**–**	**–**	**–**	**–**	**–**	**627,819**
Gross profit	**295,624**	**1,148**	**2,794**	**13**	**–**	**–**	**299,579**
SG&A expenses	**(78,493)**	**7,922**	**8,126**	**922**	**–**	**–**	**(61,523)**
R&D expenses	**(159,178)**	**10,024**	**4,601**	**228**	**–**	**–**	**(144,325)**
Other operating income	**1,157**	**–**	**(364)**	**–**	**–**	**–**	**793**
Operating profit	**59,110**	**19,094**	**15,157**	**1,163**	**–**	**–**	**94,524**
Net finance (expense)/income	**(2,541)**	**–**	**1,171**	**–**	**50**	**4,256**	**2,936**
Profit before income taxes	**56,569**	**19,094**	**16,328**	**1,163**	**50**	**4,256**	**97,460**
Income tax expense	**(20,328)**	**1,958**	**(2,069)**	**(245)**	**(9)**	**206**	**(20,487)**
Profit after income taxes	**36,241**	**21,052**	**14,259**	**918**	**41**	**4,462**	**76,973**
Share of loss of associate	**(749)**	**–**	**–**	**–**	**–**	**–**	**(749)**
Net income	**35,492**	**21,052**	**14,259**	**918**	**41**	**4,462**	**76,224**

H1 2017

US$000 unless stated otherwise	IFRS basis	Share-based compensation and related payroll taxes	Accounting for business combinations	Effective interest	Strategic investments	Underlying basis
Revenue	526,489	–	–	–	–	526,489
Gross profit	252,714	930	–	–	–	253,644
SG&A expenses	(63,988)	8,974	3,648	–	–	(51,366)
R&D expenses	(139,721)	8,605	3,541	–	–	(127,575)
Other operating income	50	–	–	–	–	50
Operating profit	49,055	18,509	7,189	–	–	74,753
Net finance income	3,285	–	–	175	710	4,170
Profit before income taxes	52,340	18,509	7,189	175	710	78,923
Income tax expense	(12,140)	(3,944)	(420)	(34)	(171)	(16,709)
Net income	40,200	14,565	6,769	141	539	62,214

Accounting for business combinations

US$000	**Q2 2018**	Q2 2017	**H1 2018**	H1 2017
Amortisation of acquired intangible assets	**5,657**	3,597	**11,314**	7,189
Consumption of the fair value uplift of acquired inventory	**406**	–	**2,794**	–
Consideration accounted for as compensation expense	**350**	–	**804**	–
Forfeiture of deferred consideration	**(36)**	–	**(163)**	–
Remeasurement of contingent consideration	**(523)**	–	**(365)**	–
Aborted merger costs	**773**	–	**773**	–
Increase in operating profit	**6,627**	3,597	**15,157**	7,189
Unwinding of discount on contingent consideration	**460**	–	**1,171**	–
Increase in profit before income taxes	**7,087**	3,597	**16,328**	7,189
Income tax credit	**(867)**	(210)	**(2,069)**	(420)
Increase in net income	**6,220**	3,387	**14,259**	6,769

EBITDA

US$000	Q2 2018	Q2 2017	H1 2018	H1 2017
Net income	**18,056**	17,083	**35,492**	40,200
Net finance (income)/expense	**(1,897)**	(3,039)	**2,541**	(3,285)
Income tax expense	**9,691**	5,920	**20,328**	12,140
Depreciation expense	**8,043**	7,593	**15,936**	15,007
Amortisation expense	**12,239**	9,204	**24,025**	19,623
EBITDA	**46,132**	36,761	**98,322**	83,685
Share-based compensation and related payroll taxes	**8,746**	7,993	**19,094**	18,509
Consumption of the fair value uplift of acquired inventory	**406**	–	**2,794**	–
Consideration accounted for as compensation expense	**350**	–	**804**	–
Forfeiture of deferred consideration	**(36)**	–	**(163)**	–
Remeasurement of contingent consideration	**(523)**	–	**(365)**	–
Aborted merger costs	**773**	–	**773**	–
Integration costs	**474**	–	**1,163**	–
Share of loss of associate	**377**	–	**749**	–
Underlying EBITDA	**56,699**	44,754	**123,171**	102,194

Free cash flow

US$000	Q2 2018	Q2 2017	H1 2018	H1 2017
Cash flow from operating activities	**55,638**	19,724	**105,287**	120,282
Purchase of property, plant and equipment	**(7,729)**	(9,992)	**(16,783)**	(16,168)
Purchase of intangible assets	**(1,462)**	(1,514)	**(3,238)**	(2,354)
Payments for capitalised development costs	**(9,100)**	(6,031)	**(15,219)**	(12,243)
Capital element of finance lease and hire purchase payments	**(832)**	(1,218)	**(1,650)**	(2,696)
Free cash flow	**36,515**	969	**68,397**	86,821

Impact of reclassification of certain R&D expenses

With effect from 1 January 2018, we reclassified certain product development costs from cost of sales to research and development (R&D) expenses. As shown in the table below, we have represented comparative information for Q2 2017 on a consistent basis.

	IFRS			Underlying[1]		
	As previously classified US$000	Effect of reclassification US$000	As reclassified US$000	As previously classified US$000	Effect of reclassification US$000	As reclassified US$000
Revenue	255,515	–	255,515	255,515	–	255,515
Cost of sales	(136,926)	5,170	(131,756)	(134,759)	3,397	(131,362)
Gross profit	118,589	5,170	123,759	120,756	3,397	124,153
R&D expenses	(67,291)	(5,170)	(72,461)	(63,423)	(3,397)	(66,820)
Operating profit	19,964	–	19,964	31,554	–	31,554
Gross margin %	46.4%		48.4%	47.3%		48.6%
R&D % of revenue	26.3%		28.4%	24.8%		26.2%

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Press release – 2 August 2018 continued

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 Q2 2018 performance, as well as guidance for Q3 2018. Participants will need to register using the link below. 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:

https://www.incommglobalevents.com/registration/client/1268/dialog-semiconductor-q2-earnings-call/

In parallel to the call, the presentation will be available at:

http://webcast.openbriefing.com/semiconductor_02082018/

The presentation will also be available under the investor relations section of the Company's website at:

https://www.dialog-semiconductor.com/investor-relations/results-center

A replay will be posted on the Dialog website four hours after the conclusion of the presentation and will be available at:

https://www.dialog-semiconductor.com/investor-relations/results-center

The full release including the Company's condensed consolidated income statement, consolidated balance sheet, consolidated statements of cash flows and financial notes for the quarter ended 29 June 2018 is available under the investor relations section of the Company's website at:

https://www.dialog-semiconductor.com/investor-relations/results-center

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)2037 271 137
matt.dixon@fticonsulting.com

FTI Consulting Frankfurt
Anja Meusel
T: +49 (0)69 9203 7120
anja.meusel@fticonsulting.com

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 2017, it had US$1.4 billion in revenue and approximately 2,070 employees worldwide. The company is listed on the Frankfurt (XETRA: 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 "Managing risk and uncertainty" 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.