

DIALOG SEMICONDUCTOR REPORTS THIRD QUARTER RESULTS ENDED 27 SEPTEMBER 2013

Company delivers 25% year on year revenue growth and increasing profitability

Kirchheim/Teck, Germany, 29 October 2013 - Dialog Semiconductor (FWB: DLG), a provider of highly integrated innovative power management, audio, AC/DC and short range wireless technologies, today reports results for its third quarter ending 27 September 2013.

Q3 2013 financial highlights

- IFRS revenue at \$219.5 million, up 22% on Q3 2012; up 25% on an underlying(*) basis
- Mobile Systems IFRS revenue at \$171.9 million, up 17% on Q3 2012
- Power Conversion (formerly iWatt Inc.) underlying (*) revenue at \$18.4 million excluding \$5.4 million impact of IFRS adjustments
- Underlying (*) Gross margin at 40.0%, 180bps above Q3 2012
- Underlying (*) operating profit (EBIT) up 47% to \$32.2 million or 14.3% of revenue. IFRS operating profit (EBIT) down 46% to \$9.5 million or 4.3% of revenue
- Underlying (*) basic and diluted EPS of 33 and 32 cents, up 18% and 19% respectively on Q3 2012. IFRS basic and diluted EPS of 5 cents, down 74% and 72% respectively on Q3 2012
- Cash generated from operations at \$18.4 million. Cash and cash equivalents balance as of 27 September 2013 of \$157.1 million

Q3 2013 operational highlights

- The integration of iWatt has progressed according to plan since completion on 16 July 2013
- Continued power management smartphone and tablet design win momentum, across new platforms and models of our largest customers
- Successfully delivered a steep ramp of new products to meet our customers demand
- Licenced Tensilica® HiFi Audio/Voice DSP IP from Cadence Design Systems, to develop next-generation audio solutions for our connectivity products
- Continued new products rollout by the Power Conversion Business Group (formerly iWatt Inc.)
- Gained traction in the wearable market with Smartbond™, our leading low energy Bluetooth Smart SoC
- The migration to 0.13nm BCD technology continued according to plan and first products will be available for sampling next quarter

- Subsequent to the end of the reporting period we extended our customer footprint with a fourth platform win with Samsung announced on 24 October 2013

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

"I'm really pleased to report a robust set of results delivering strong revenue growth, increasing profitability and solid cash generation."

“We have devoted significant attention to the smooth integration of iWatt into our business. This acquisition supports our strategy to diversify our markets and our customer base and our team remains really excited about the opportunities it brings.”

“During the quarter Dialog successfully delivered on the beginning of the steep ramp of new products we anticipated for the second half of this year and we remain focused on the successful delivery of what will be a very busy end to 2013.”

Outlook

In line with our expectation of a stronger second half of the year and given our current visibility, we expect revenue growth momentum to continue in Q4 2013 with underlying revenue in the range of \$270 million to \$295 million⁽¹⁾. This will result in a full year underlying revenue range of \$826 million to \$851 million.

In Q4 2013 we expect underlying gross margin, to improve sequentially and on a year on year basis. This will result in underlying gross margin improvement for full year 2013 over 2012.

(1) Estimated Q4 2013 revenue adjustment of \$1.7 million in Power Conversion Business Group (formerly iWatt Inc.)

Financial overview

	IFRS ⁽²⁾ Third Quarter			Underlying(*) Third Quarter		
	2013	2012	Var.	2013	2012	Var.
US\$ million						
Revenue	219.5	180.0	+22%	224.8	180.0	+25%
Gross Margin	35.5%	38.0%	-250bps	40.0%	38.2%	+180bps
R&D %	17.9%	18.8%	-90bps	16.8%	18.0%	-120bps
SG&A %	13.3%	9.5%	+380bps	8.8%	8.0%	+80bps
EBITDA	24.4	26.3	-7%	41.0	29.9	+37%
EBITDA %	11.1%	14.6%	-350bps	18.2%	16.6%	+160bps
EBIT	9.5	17.5	-46%	32.2	21.8	+47%
EBIT %	4.3%	9.7%	-540bps	14.3%	12.1%	+220bps
Net income	3.6	12.1	-70%	21.8	18.0	+22%
Basic EPS \$ cents	5	19	-74%	33	28	+18%
Diluted EPS \$ cents	5	18	-72%	32	27	+19%
Operating cash flow	18.4	(19.6)	n/a			

(2) Including \$3.5 million of acquisition and integration costs

Power Conversion Q3 2013

US\$ million	IFRS	Adjustments				Underlying (*)
		Inventory revaluation	Deferred revenue	PPA	Integration costs	
Revenue	13.0		5.4			18.4
EBIT	(14.9)	6.8	3.0	4.7	1.7	1.3

Revenue in Q3 2013 was up 25% at \$225 million, excluding the impact of \$5.4 million of an IFRS adjustment relating to the accounting associated with the acquisition of iWatt deferred revenue. In addition to the strong performance in Mobile Systems underpinned by several new product launches, revenue in Automotive and Industrial was up 18% to \$10.3 million, an uptick in Automotive from the softness observed in Q2 2013 and in line with our expectations.

Underlying Q3 2013 gross margin was 40.0%, 180bps above Q3 2012. The gross margin improvement in the quarter was the result of three key elements:

- The net realisation of the benefits of manufacturing cost optimisation over the last six months
- Positive product mix contribution from the Power Conversion Business Group, the Connectivity Segment and new products in Mobile Systems
- Higher revenue in the quarter and the subsequent lower allocation per unit of the fixed component of Cost of Goods Sold (COGS)

We continue to expect year on year underlying gross margin improvement for Q4 2013 and the full year 2013.

Underlying R&D investment in Q3 2013 stood at 16.8% of revenue, 120 bps below Q3 2012. On a trailing twelve months basis R&D was 17.4% of revenue, in line with Q3 2012 and 30bps below Q2 2013. In line with the company's strategy of continuing innovation and to accelerate the diversification our product portfolio, the absolute value of R&D costs increased by 20% over Q2 2013, nearly double the 11% increase we saw in the same period of 2012. We remain confident about our product pipeline and we anticipate new products launches in Q4 2013 and into 2014.

Underlying SG&A in Q3 2013 was 80bps above Q2 2013 at 8.8%. This increase is primarily driven by the consolidation of iWatt into the Group and the impact of the different SG&A structure. On a trailing twelve months basis, excluding the impact of PPA and \$3.5 million of acquisition and integration costs, SG&A was 9.2% of revenue, 60bps below Q3 2012.

Underlying EBIT in Q3 2013 was up 47% over Q3 2012 to \$32.2 million. This increase was the result of the higher revenue in the quarter, the continuing improvement in gross margin and the successful turnaround of the Connectivity segment (Q3 2013 IFRS \$0.9 million profit; Q3 2012 IFRS \$2.8 million losses).

After the consolidation of iWatt into the Group, we now expect the tax rate for the full year 2013 to be at around 33% (30% before the consolidation of iWatt into the Group). A net tax charge of \$2.5 million was recorded in Q3 2013 on an IFRS basis. This rate is above the effective tax rate for Q3 2012 of 27%.

Underlying net income was 22% above Q3 2012 at \$21.8 million. This improvement is the result of the increase in EBIT partially offset by higher interest expenses and a slightly higher effective tax rate. The increase in interest expenses relates to the additional financing required to fund the acquisition of iWatt.

At the end of Q3 2013, the value of our total inventory was \$144.3 million, an increase of 26% over Q2 2013 (or ~92 days, 17 days below Q2 2013) in anticipation of a number of product launches during the second half of this year. The percentage of raw materials out of the total inventory value was 13%, a third of the level we saw in the previous quarter (Q2 2013: 31%). The percentage of finished goods and work in progress out of the total inventory increased slightly to 52% (Q2 2013: 41%) and 35% (Q2 2013: 28%) respectively. During Q4 2013 we expect both, inventory value and inventory days to decline as we service the high level of demand expected in the quarter.

At the end of Q3 2013, we had cash and cash equivalents balance of \$157.1 million. In the third quarter we generated \$18.4 million of operating cash. Free cash flow (***) movement in the quarter before the cash payment for the acquisition of iWatt was an inflow of \$4.3 million (Q3 2012: outflow of \$40.3 million).

() Underlying results (net of tax) in Q3-2013 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of US\$2.8 million, excluding US\$1.0 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 entered into in Q3-2012, excluding US\$2.9 million acquisition and integration expenses in connection with the purchase of iWatt and US\$7.5 million of amortisation and depreciation expenses*

associated with the acquisition of iWatt. Furthermore, sales of US\$ 3.5 million that were reversed in connection with the iWatt business integration and related cost of sales of \$1.6 million were brought back in the calculation of underlying results.

Underlying results (net of tax) in Q3-2012 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of US\$2.9 million, excluding US\$1.5 million of amortisation of intangibles associated with the acquisition of Dialog B.V., excluding US\$1.0 million non-cash effective interest expense in connection with the convertible bond and excluding US\$0.4 million non-cash effective interest expense related to the new licensing agreement (please refer to note 6 to the Q3-2012 interim consolidated financial statements).

Underlying results (net of tax) in the first nine months 2013 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of US\$5.5 million, excluding US\$2.8 million of amortisation of intangibles associated with the acquisition of SiTel, excluding US\$5.8 million non-cash effective interest expense in connection with the convertible bond, US\$ 0.6 million non-cash effective interest expense related to a licensing agreement entered into in Q3-2012, excluding US\$5.8 million acquisition and integration expenses in connection with the acquisition of iWatt and US\$7.5 million of amortisation and depreciation expenses associated with the acquisition of iWatt. Furthermore, sales of US\$ 3.5 million that were reversed in connection with the iWatt business integration and related cost of sales of \$1.6 million were brought back in the calculation of underlying results.

Underlying results (net of tax) in the first nine months 2012 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of US\$8.6 million, excluding US\$5.1 million of amortisation of intangibles associated with the acquisition of SiTel, excluding US\$2.7 million non-cash effective interest expense in connection with the convertible bond and excluding US\$0.4 million non-cash effective interest expense related to the new licensing agreement (please refer to note 6 to the Q3-2012 interim consolidated financial statements).

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. For the third quarter 2013 a more detailed reconciliation for each of these measures has been provided in the financial review section of the Q3 2012 interim consolidated financial statements.

(**) EBITDA in Q3 2013 is defined as operating profit excluding depreciation for property, plant and equipment (Q3 2013: US\$5.1 million, Q3 2012: US\$3.4 million), amortisation for intangible assets (Q3 2013: US\$9.6 million, Q3 2012: US\$5.4 million) and losses on disposals and impairment of fixed assets (Q3 2013: 0.2 million, Q3 2012: US\$0.0 million).

EBITDA for the first nine months periods is defined as operating profit excluding depreciation for property, plant and equipment (Q1-Q3 2013: US\$13.1 million, Q1-Q3 2012: US\$9.1 million), amortisation for intangible assets (Q1-Q3 2013: US\$19.6 million, Q1-Q3 2012: US\$14.4 million) and losses on disposals and impairment of fixed assets (Q1-Q3 2013: US\$0.5 million, Q1-Q3 2012: US\$0.3 million).

(***) Free Cash Flow is defined as net income of US\$3.6 million plus amortisation and depreciation of US\$14.7 million, plus net interest expense of US\$3.7 million, minus change in working capital of US\$8.4 million and minus capital expenditure of US\$9.3 million.

Operational overview

The integration of the Power Conversion Business Group (formerly iWatt) progressed swiftly through the third quarter. We remain focused on delivering a successful and smooth integration and our team continues to be really excited about the potential business opportunities that arise from the combination of our Mobile Systems and Power Conversion Groups.

The high level of integration in our power management IC (PMIC) continued to support an increase in the Average Sales Price (ASP).

During the quarter we successfully delivered a steep ramp of new products launched by our customers.

We made good progress in the diversification of our customer footprint with a fourth global smartphone platform win with Samsung announced on 24 October. Our power management IC (PMIC) with integrated audio functionality is being used in the recently launched Samsung Galaxy Trend 3 smartphone.

As part of our continued investment in innovation, we licensed the Tensilica® HiFi Audio/Voice DSP IP from Cadence Design Systems, Inc. (NASDAQ: CDNS). Dialog will initially deploy the IP to develop next-generation audio solutions for its connectivity products and continue to deliver on critical customer success factors such as sound quality, performance and low power consumption.

Throughout Q3 2013 we rolled out a number of products from the Power Conversion Business Group. These new products enable our customers to address key market trends and reduce their cost while improving efficiency, extending operating life and enhancing safety. In the Solid State Lighting (SSL) segment, we launched a new LED driver that delivers exceptional performance for commercial lighting, while simplifying the design, reducing the cost and solving system heat management issues compared to conventional driver approaches. In the AC/DC conversion segment, we launched the first digital pulse width modulation (PWM) controller that allows designers to address the market trends for lower standby power and higher efficiency at reduced cost.

We are gaining traction in the wearable market where Smartbond™, our leading low energy Bluetooth product - lowest power, smallest footprint- has a number of design-ins with leading brand customers, paving the way for the inclusion of our other power management technologies. Additionally we have early design-in success in the medical market with our Bluetooth technology.

The transition of our power management IP to 0.13 micron BCD technology continued according to plan and we will have first products for sampling available next quarter. This smaller geometry allows us to even further increase the level of functionality we can integrate into our PMIC's, including the integration of increased digital power management functionality. Additionally, it gives us access to increased manufacturing capacity at our foundry partners and a future platform to transition to 300 mm wafer manufacturing.

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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 Q3 2013 performance, as well as guidance for Q4 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 **#75377524**. 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 27 September 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.