Press release – 31 October 2018

DIALOG SEMICONDUCTOR REPORTS RESULTS FOR THE THIRD QUARTER ENDED 28 SEPTEMBER 2018

Record quarter revenue up 6% year-on-year to US$384 million and strong cash flow generation

London, UK, 31 October 2018 – Dialog Semiconductor Plc (XETRA: DLG), a provider of highly integrated power management, Configurable Mixed-Signal IC, AC/DC, solid state lighting and Bluetooth® low energy wireless technology, today reports unaudited results for the third quarter ended 28 September 2018.

Q3 2018 financial highlights

- Revenue of US$384 million, up 6% year-on-year and slightly above the mid-point of the August guidance.
- Revenue includes the contribution from Silego Technology Inc. ("Silego").
- Gross margin at 48.5% and underlying[1] gross margin at 48.6%, both broadly in line with Q3 2017.
- Operating profit of US$63.5 million, up 1% year-on-year. Underlying[1] operating profit of US$83.7 million, up 9% year-on-year.
- All operating segments delivered operating profit.
- Diluted EPS of US$0.60 (Q3 2017: US$0.62) and underlying[1] diluted EPS of US$0.85 (Q3 2017: US$0.81).
- Cash flow from operating activities of US$87 million (Q3 2017: US$34 million). US$79 million of free cash flow[1] generated in Q3 2018 (Q3 2017: US$7 million). US$617 million of cash and cash equivalents, US$20 million below 29 September 2017.

Q3 2018 operational highlights

- Integration of Silego progressing according to plan.
- First in the industry to demonstrate Stereo High Fidelity (HiFi) quality audio streaming over Bluetooth® low energy.
- Design win momentum for our Configurable Mixed-Signal IC technology (CMIC).
- Maintained a commanding market share in the smartphone rapid charge segment.
- Subsequent to quarter end, on 11 October 2018 the Company entered into an agreement with Apple Inc. to license certain PMIC technologies, transfer certain of its assets and over 300 employees. Dialog has been awarded a broad range of new contracts from Apple for the development and supply of power management, audio subsystem, charging and other mixed-signal integrated circuits.

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

"During the quarter we have delivered record Q3 revenue and strong free cash flow generation. Our configurable technology continues to strengthen our presence in the IoT, Mobile and Computing markets. And as the market for Bluetooth low energy expands, we are developing new products which will enable an increasing number of connected devices."

"Our recent agreement with Apple strengthens our long-standing partnership and delivers immediate value for our shareholders. We are entering a new chapter for Dialog, building on our unique mixed-signal power efficient expertise and a strategic focus on high growth segments of IoT, Mobile, Automotive and Computing & Storage end markets."

"A strong balance sheet and a highly cash generative business model, give us ample financial flexibility to pursue a growth strategy and create long-term shareholder value."

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

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Outlook

Based on our current visibility and typical seasonal trends, we anticipate revenue for Q4 2018 to be in the range of US$430-US$470 million. At the mid-point, this will result in full year 2018 revenue up 8% year-on-year to US$1,461 million.

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

Financial overview

IFRS basis

US$ millions unless stated otherwise	**Q3 2018**	Q3 2017	Change	**9M 2018**	9M 2017	Change
Revenue	**383.6**	362.8	+6%	**1,011.4**	889.3	+14%
Gross margin[2]	**48.5%**	48.5%	0bps	**47.6%**	48.2%	-60bps
R&D %[2,3]	**21.4%**	21.5%	-10bps	**23.9%**	24.5%	-60bps
SG&A %[3]	**11.2%**	9.8%	+140bps	**12.0%**	11.2%	+80bps
Operating profit	**63.5**	62.6	+1%	**122.6**	111.6	+10%
Operating margin	**16.6%**	17.3%	-70bps	**12.1%**	12.5%	-40bps
Net income	**46.4**	47.3	-2%	**81.9**	87.5	-6%
Basic EPS $	**0.63**	0.65	-3%	**1.11**	1.19	-7%
Diluted EPS $	**0.60**	0.62	-3%	**1.05**	1.14	-8%
Cash flow from operating activities	**86.9**	34.2	+154%	**192.2**	154.5	+24%

Underlying

US$ millions unless stated otherwise	**Q3 2018**	Q3 2017	Change	**9M 2018**	9M 2017	Change
Revenue	**383.6**	362.8	+6%	**1,011.4**	889.3	+14%
Gross margin[2]	**48.6%**	48.7%	-10bps	**48.1%**	48.4%	-30bps
R&D %[2,3]	**19.5%**	19.9%	-40bps	**21.7%**	22.5%	-80bps
SG&A %[3]	**7.7%**	7.6%	+10bps	**9.0%**	8.9%	+10bps
EBITDA	**98.7**	90.5	+9%	**221.9**	192.7	+15%
EBITDA %	**25.7%**	24.9%	+80bps	**21.9%**	21.7%	+20bps
Operating profit	**83.7**	76.6	+9%	**178.2**	151.3	+18%
Operating margin	**21.8%**	21.1%	+70bps	**17.6%**	17.0%	+60bps
Net income	**66.3**	62.4	+6%	**142.5**	124.6	+14%
Basic EPS $	**0.90**	0.85	+6%	**1.93**	1.68	+15%
Diluted EPS $	**0.85**	0.81	+5%	**1.83**	1.60	+14%

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 Q3 2018 was up 6% year-on-year to US$384 million. Excluding the contribution of the acquisition of Silego (Q3 2018: US$28.3 million), revenue was 2% below Q3 2017. The small decline was the result of the lower year-on-year revenue in Mobile Systems which was 3% below Q3 2017 due to the reduced share of volume from Apple for the main PMIC for the 2018 smartphone platform announced in May 2018, partially offset by higher content per device in other platforms. In Q3 2018, Advanced Mixed Signal revenue almost doubled year-on-year. Excluding revenue from Silego, Advanced Mixed Signal was up 3% year-on-year as a result of solid demand for rapid charge ICs and Backlighting products. Connectivity was up 2% year-on-year. The year-on-year increase was mainly driven by growth in audio products. Automotive & Industrial was down 11% year-on-year, mostly due to lower 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. Q3 2018 gross margin was 48.5% in line with Q3 2017. Q3 2018 underlying[1] gross margin was 48.6%, broadly in line with Q3 2017 due to product mix offset by lower manufacturing costs.

Operating expenses (OPEX) comprising SG&A and R&D expenses, in Q3 2018 was up 10% year-on-year to US$125.1 million, or 32.6% of revenue (Q3 2017: 31.3%). The increase in OPEX was mainly due to the consolidation of Silego into the Group. Underlying[1] OPEX in Q3 2018 was up 4% year-on-year to US$104.4 million, or 27.2% of revenue (Q3 2017: 27.5%). The year-on-year increase in underlying[1] OPEX was due to the consolidation of Silego into the Group.

R&D expense in Q3 2018 was up 5% from Q3 2017 to US$82.2 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 Q3 2018 was broadly in line with Q3 2017 at 21.4%. On an underlying[1] basis, R&D expense was up 3% from Q3 2017 to US$74.7 million. As a percentage of revenue, underlying[1] R&D in Q3 2018 was 40bps below Q3 2017 at 19.5%.

SG&A expense in Q3 2018 was up 21% from Q3 2017 to US$42.9 million. This increase was mainly due to the consolidation of Silego into the Group. In Q3 2018, we incurred US$0.9 million of integration costs relating to the acquisition of Silego and US$3.9 million of corporate transactions costs relating to the aborted acquisition of Synaptics, and the agreement entered with Apple on 11 October 2018. As a percentage of revenue, SG&A in Q3 2018 was 140bps above Q3 2017 at 11.2% (Q3 2017: 9.8%). Underlying[1] SG&A in Q3 2018 was up 7% over Q3 2017 to US$29.7 million. The increase in underlying[1] SG&A was driven by the same reason mentioned above. As a percentage of revenue, underlying SG&A was broadly in line with Q3 2017 at 7.7% (Q3 2017: 7.6%).

Other operating income in Q3 2018 was US$2.6 million, comprising income from R&D contracts of US$1.5 million and $1.1 million arising from a reduction in the estimated contingent consideration payable for Silego. Underlying[1] operating income in Q3 2018 was US$1.5 million in relation to the income from R&D contracts.

Operating profit in Q3 2018 was US$63.5 million, up 1% year-on-year reflecting the increased revenue and other operating income offset by higher OPEX. Operating profit margin in the quarter was 16.6%, 70bps below Q3 2017, mainly due to the higher SG&A as a percentage of revenue as a result of the consolidation of Silego into the Group. Underlying[1] operating profit was US$83.7 million, up 9% year-on-year mainly driven by the revenue growth partially offset by slightly higher OPEX. Underlying[1] operating margin in the quarter was 21.8% 70bps above Q3 2017.

The effective tax rate in Q3 2018 was 24.9% (Q3 2017: 22.6%), including a charge of US$1.4 million (Q3 2017: credit of $1.2 million) resulting from the agreement of prior year items with tax authorities. The higher effective tax rate for Q3 2018 was 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[1] effective tax rate in Q3 2018 was 22.6%, which compares with 20.5% for Q3 2017. Excluding the charge of US$1.4 million (Q3 2017: credit of US$1.2 million) in respect of the agreement of prior year items, the underlying[1] effective tax rate in Q3 2018 was 21.0%, which compares with 22.0% for Q3 2017.

In Q3 2018, net income was 2% below Q3 2017 due to the small increase in operating profit offset by higher income tax expense. Underlying[1] net income was up 6% year-on-year. The year-on-year increase in underlying[1] net income was mainly driven by the operating profit movement. Diluted EPS in Q3 2018 was 3% below Q3 2017. Underlying[1] diluted EPS in Q3 2018 was up 5% year-on-year.

At the end of Q3 2018, our total inventory level was US$141 million, 5% above the previous quarter (or ~64 days), representing a 14-day decrease in our days of inventory from the previous quarter. During Q4 2018, we expect inventory value to increase from Q3 2018 and days of inventory to be below Q3 2018.

At the end of Q3 2018, we had a cash and cash equivalents balance of US$617 million. Cash flow from operating activities in Q3 2018 was US$87 million, more than double Q3 2017 (Q3 2017: US$34 million) mainly as a result of working capital movements and the timing of income tax payments. Free cash flow in Q3 2018 was US$79 million, significantly higher than Q3 2017 (Q3 2017: US$7 million) mostly due to the higher cash flow from operating activities.

On 31 July 2018, the Company announced that it had terminated discussions with Synaptics Incorporated (NASDAQ:SYNA) regarding a potential acquisition of Synaptics.

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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 the Internet of Things (IoT) and Mobile. 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, we intend to continue with the expansion of our product portfolio through a combination of organic and inorganic initiatives.

Mobile Systems
During Q3 2018, revenue from Mobile Systems business segment was 3% below Q3 2017 due to the reduced share of volume from Apple for the main PMIC for the 2018 smartphone platform announced on 31 May 2018, partially offset by higher content per device in other platforms.

Mobile Systems is gradually expanding its product portfolio of Application Specific Standard Products (ASSP) with next generation Charger ICs and nanopower PMICs. The ultra-compact nanopower PMICs provide high efficiency and flexibility for wearables, smart home applications and many other connected devices.

On 11 October 2018, Dialog entered into an agreement with Apple Inc. to license its power management technologies, transfer certain of its assets and over 300 employees from Dialog to support chip research and development. Apple will pay $300 million in cash for the transaction and prepay $300 million for Dialog products to be delivered over the next three years. The transaction is expected to be completed in the first half of 2019, subject to applicable regulatory approvals and other customary closing conditions.

Dialog has been awarded a broad range of new contracts from Apple for the development and supply of power management, audio subsystem, charging and other mixed-signal integrated circuits. Revenue from the new contracts is expected to be realized starting in 2019 and accelerating in 2020 and 2021.

In parallel, we continue 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 Q3 2018, Advanced Mixed Signal revenue almost doubled year-on-year. Excluding revenue from Silego, Advanced Mixed Signal was up 3% year-on-year mainly as a result of solid demand for rapid charge ICs and Backlighting products.

We expect market adoption of new charging technologies, like USB PD Type-C, to accelerate in 2019. 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. 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. With over 4.0 billion CMICs having been shipped to date Dialog's configurable technology, including the highly successful GreenPAK™ product family, has established 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.

In Q3 2018, the technology was adopted by a top audio equipment brand name for its next generation wireless speakers. This technology will contribute to the expansion of our customer base and strengthen our presence in IoT, mobile computing and automotive.

Connectivity
During Q3 2018, the Connectivity Segment delivered 2% year-on-year revenue growth.

Revenue from our SmartBond™ System-on-Chip (SoC) was broadly in line with Q3 2017. The Bluetooth® low energy market is estimated to grow 23% CAGR over the 2016-2021 period[5] a reflection of the continuing adoption of the technology across a wide range of applications. In Q3 2018, Dialog was the first in the industry to develop a proof of concept implementation to demonstrate Stereo High Fidelity (HiFi) quality audio streaming over Bluetooth low energy. This proof of concept demonstrates Bluetooth low energy's potential to deliver the solution developers need, while overcoming the limitations of existing technology. Our strategy remains focused on targeted verticals, like wearables, proximity tags, smart home, and 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. In Q3 2018, SmartBond™ DA14585 was adopted by a top US OEM for its next-generation proximity tags and a major mobile OEM adopted our Bluetooth low energy technology for its low-power phablet accessory. Revenue from our portfolio of DECT audio products in Q3 2018 was slightly below Q3 2017.

Audio technology performed well during Q3 2018, delivering almost three times more revenue than in Q3 2017. The Connectivity Segment is targeting the consumer headset market with our SmartBeat™ wireless Audio IC. This technology enables a new immersive headset experience and supports both wired USB 3.0 Type-C™ and Bluetooth® based consumer headsets. In Q3 2018, our audio technology was adopted by a top gaming OEM, and by a top Audio equipment OEM for its next generation unified communication low-power Hi-Fi headsets. The DA14195 is currently being evaluated by a number of leading consumer brands for gaming and USB Type-C™ headsets.

4 Dialog estimates.
5 Source: IHS Technology Q1 2018 Tracker and Company estimates.

Automotive and Industrial
Automotive & Industrial revenue in Q3 2018 was 11% below Q3 2017. This decline was the result of lower 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 Q3 2018 Interim report. For ease of reference, we present below reconciliations for the non-IFRS measures quoted in this press release:

Q3 2018

US$000 unless stated otherwise	IFRS basis	Share-based compensation and related payroll taxes	Accounting for business combinations	Integration costs	Corporate transaction costs	Strategic investments	Underlying basis
Revenue	**383,574**	**–**	**–**	**–**	**–**	**–**	**383,574**
Gross profit	**185,975**	**284**	**335**	**–**	**–**	**–**	**186,594**
SG&A expenses	**(42,926)**	**4,734**	**3,673**	**940**	**3,880**	**–**	**(29,699)**
R&D expenses	**(82,180)**	**5,187**	**2,272**	**–**	**–**	**–**	**(74,721)**
Other operating income	**2,619**	**–**	**(1,113)**	**–**	**–**	**–**	**1,506**
Operating profit	**63,488**	**10,205**	**5,167**	**940**	**3,880**	**–**	**83,680**
Net finance (expense)/income	**(1,196)**	**–**	**459**	**–**	**–**	**3,199**	**2,462**
Profit before income taxes	**62,292**	**10,205**	**5,626**	**940**	**3,880**	**3,199**	**86,142**
Income tax expense	**(15,504)**	**(1,829)**	**(761)**	**(197)**	**(571)**	**(607)**	**(19,469)**
Profit after income taxes	**46,788**	**8,376**	**4,865**	**743**	**3,309**	**2,592**	**66,673**
Share of loss of associate	**(367)**	**–**	**–**	**–**	**–**	**–**	**(367)**
Net income	**46,421**	**8,376**	**4,865**	**743**	**3,309**	**2,592**	**66,306**

Q3 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	362,833	–	–	–	–	362,833
Gross profit	176,150	422	–	–	–	176,572
SG&A expenses	(35,425)	4,562	3,156	–	–	(27,707)
R&D expenses	(78,153)	4,090	1,775	–	–	(72,288)
Operating profit	62,572	9,074	4,931	–	–	76,577
Net finance (expense)/income	(1,424)	–	–	65	3,194	1,835
Profit before income taxes	61,148	9,074	4,931	65	3,194	78,412
Income tax expense	(13,837)	(1,530)	(210)	(13)	(461)	(16,051)
Net income	47,311	7,544	4,721	52	2,733	62,361

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9M 2018

US$000 unless stated otherwise	IFRS basis	Share-based compensation and related payroll taxes	Accounting for business combinations	Integration costs	Corporate transaction costs	Effective interest	Strategic investments	Underlying basis
Revenue	1,011,393	–	–	–	–	–	–	1,011,393
Gross profit	481,599	1,432	3,129	13	–	–	–	486,173
SG&A expenses	(121,419)	12,656	11,026	1,862	4,653	–	–	(91,222)
R&D expenses	(241,358)	15,211	6,873	228	–	–	–	(219,046)
Other operating income	3,776	–	(1,477)	–	–	–	–	2,299
Operating profit	122,598	29,299	19,551	2,103	4,653	–	–	178,204
Net finance (expense)/income	(3,737)	–	1,630	–	–	50	7,455	5,398
Profit before income taxes	118,861	29,299	21,181	2,103	4,653	50	7,455	183,602
Income tax expense	(35,832)	129	(2,747)	(442)	(654)	(9)	(401)	(39,956)
Profit after income taxes	83,029	29,428	18,434	1,661	3,999	41	7,054	143,646
Share of loss of associate	(1,116)	–	–	–	–	–	–	(1,116)
Net income	81,913	29,428	18,434	1,661	3,999	41	7,054	142,530

9M 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	889,322	–	–	–	–	889,322
Gross profit	428,864	1,352	–	–	–	430,216
SG&A expenses	(99,413)	13,536	6,804	–	–	(79,073)
R&D expenses	(217,874)	12,695	5,316	–	–	(199,863)
Other operating income	50	–	–	–	–	50
Operating profit	111,627	27,583	12,120	–	–	151,330
Net finance income	1,861	–	–	240	3,904	6,005
Profit before income taxes	113,488	27,583	12,120	240	3,904	157,335
Income tax expense	(25,977)	(5,474)	(630)	(46)	(633)	(32,760)
Net income	87,511	22,109	11,490	194	3,271	124,575

Accounting for business combinations

US$000	**Q3 2018**	Q3 2017	**9M 2018**	9M 2017
Acquisition-related costs	**–**	1,332	**–**	1,332
Amortisation of acquired intangible assets	**5,658**	3,599	**16,972**	10,788
Consumption of the fair value uplift of acquired inventory	**335**	–	**3,129**	–
Consideration accounted for as compensation expense	**342**	–	**1,146**	–
Forfeiture of deferred consideration	**(14)**	–	**(177)**	–
Remeasurement of contingent consideration	**(1,154)**	–	**(1,519)**	–
Increase in operating profit	**5,167**	4,931	**19,551**	12,120
Unwinding of discount on contingent consideration	**459**	–	**1,630**	–
Increase in profit before income taxes	**5,626**	4,931	**21,181**	12,120
Income tax credit	**(761)**	(210)	**(2,747)**	(630)
Increase in net income	**4,865**	4,721	**18,434**	11,490

EBITDA

US$000	Q3 2018	Q3 2017	9M 2018	9M 2017
Net income	**46,421**	47,311	**81,913**	87,511
Net finance expense/(income)	**1,196**	1,424	**3,737**	(1,861)
Income tax expense	**15,504**	13,837	**35,832**	25,977
Depreciation expense	**8,138**	7,796	**24,074**	22,803
Amortisation expense	**12,538**	9,724	**36,563**	29,347
EBITDA	**83,797**	80,092	**182,119**	163,777
Share-based compensation and related payroll taxes	**10,205**	9,074	**29,299**	27,583
Acquisition-related costs	**–**	1,332	**–**	1,332
Consumption of the fair value uplift of acquired inventory	**335**	–	**3,129**	–
Consideration accounted for as compensation expense	**342**	–	**1,146**	–
Forfeiture of deferred consideration	**(14)**	–	**(177)**	–
Remeasurement of contingent consideration	**(1,154)**	–	**(1,519)**	–
Corporate transaction costs	**3,880**	–	**4,653**	–
Integration costs	**940**	–	**2,103**	–
Share of loss of associate	**367**	–	**1,116**	–
Underlying EBITDA	**98,698**	90,498	**221,869**	192,692

Free cash flow

US$000	Q3 2018	Q3 2017	9M 2018	9M 2017
Cash flow from operating activities	**86,896**	34,202	**192,183**	154,484
Purchase of property, plant and equipment	**(3,462)**	(21,863)	**(20,245)**	(38,031)
Purchase of intangible assets	**(653)**	(1,678)	**(3,891)**	(4,032)
Payments for capitalised development costs	**(3,731)**	(2,418)	**(18,950)**	(14,661)
Capital element of finance lease payments	**–**	(787)	**(1,650)**	(3,483)
Free cash flow	**79,050**	7,456	**147,447**	94,277

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 re-presented comparative information for Q3 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	362,833	–	362,833	362,833	–	362,833
Cost of sales	(192,744)	6,061	(186,683)	(190,547)	4,286	(186,261)
Gross profit	170,089	6,061	176,150	172,286	4,286	176,572
R&D expenses	(72,092)	(6,061)	(78,153)	(68,002)	(4,286)	(72,288)
Operating profit	62,572	–	62,572	76,577	–	76,577
Gross margin %	46.9%		48.5%	47.5%		48.7%
R&D % of revenue	19.9%		21.5%	18.7%		19.9%

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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 Q3 2018 performance, as well as guidance for Q4 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/1395/dialog-semiconductor-q3-earnings-call/

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

http://webcast.openbriefing.com/semiconductor_31102018/

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 28 September 2018 is available under the investor relations section of the Company's website at:

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

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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® 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.