DIALOG SEMICONDUCTOR REPORTS RESULTS FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2014

Full year revenue growth of 28% and strong cash flow generation

London, UK, 19 February 2015 - 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 fourth quarter and year ended 31 December 2014.

Q4 and full year 2014 financial highlights

- Q4 2014 IFRS Revenue, up 24% over Q4 2013 to $435 million. Full year IFRS revenue up 28% to $1,156 million.
- Full year IFRS gross margin at 44.5%
- Q4 2014 Underlying (*) EBITDA (**) up 50% to $129.6 million or 29.8% of revenue. Full year Underlying (*) EBITDA (**) up 55% to $269.4 million or 23.3% of revenue
- Q4 IFRS operating profit (EBIT) up 49% to $105.1million or 24.2% of revenue. Full year IFRS EBIT up 81% to $185.9 million or 16.1% of revenue
- IFRS full year tax rate at 18.5%, including one-off non-cash deferred tax credit of $17.8 million ; 29.0% IFRS tax rate excluding one-off
- Underlying (*) Q4 2014 diluted EPS up 67% over Q4 2013 to $1.17. Full year 2014 Underlying (*) diluted EPS up 58% to $2.27
- Cash from operating activities in Q4 2014 was up 158% to $119.3 million. Cash and cash equivalents balance as of 31 December 2014 was $324 million

Q4 and full year 2014 operational highlights

- Continued momentum with power management design wins, across new platforms and models at our largest customers
- Successfully delivered a steep ramp of new products to meet our customers demand
- Increased the content of our products and achieved an ASP of $2.66 in 2014, excluding Power Conversion products
- SmartBond™ remains the world's lowest power and smallest Bluetooth Smart system-on-chip
- Our quick charging and lighting segments made significant advancement
- Extended our customer base in Asia with our collaboration with MediaTek and LG

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

"I am extremely pleased with the exceptional business performance we have achieved in Q4 and over the full year. We have delivered uninterrupted annual revenue growth for the 8th consecutive year; while significantly increasing margins, investing in R&D and generating high cash returns to allow the company to return to a bank debt free position significantly ahead of schedule.

Our financial performance reflects our relentless focus on delivering competitive and differentiated products in high growth consumer electronics markets. We now have good *visibility of another year of growth ahead in 2015, with Dialog at the core of a new generation of ultra-portable devices and low-power connected consumer electronics."*

Outlook

Given our current visibility, we expect 2015 to be another year of good growth. As in previous years, revenue performance will be strongly weighted towards the second half of the year.

Q1 2015 revenue will reflect the expected seasonal pattern and deliver year on year growth. We expect revenue for Q1 2015 to be in the range of $265 to $300 million.

In line with the seasonal lower revenue, gross margin in Q1 2015 will decline sequentially but improve on a year-on-year basis. Gross margin in 2015 is expected to remain broadly at a similar level to the full year 2014.

Financial overview

IFRS	Fourth Quarter			Full Year		
US$ million	2014	2013	% Var.	2014	2013	% Var.
Revenue	435.0	351.4	+24%	1,156.1	901.4	+28%
Gross Margin	46.3%	42.2%	410bps	44.5%	39.0%	+550bps
R&D %	14.3%	14.6%	-30bps	18.5%	17.8%	+70bps
SG&A %	8.2%	8.6%	-40bps	10.3%	10.3%	0bps
EBIT	105.1	70.6	+49%	185.9	102.7	+81%
EBIT %	24.2%	20.1%	+410bps	16.1%	11.4%	+470bps
Net income	70.6	46.6	+52%	138.1	62.2	+122%
Basic EPS $	1.05	0.71	+48%	2.05	0.95	+116%
Diluted EPS $	0.95	0.66	+44%	1.93	0.92	+110%
Cash flow from operating activities	119.3	46.2	+158%	270.5	110.7	+144%
Underlying	Fourth Quarter			Full Year		
US$ million	2014	2013	% Var.	2014	2013	% Var.
Revenue	435.0	352.3	+23%	1,156.1	907.6	+27%
Gross Margin	46.6%	43.0%	+360bps	45.3%	40.5%	+480bps
EBITDA	129.6	86.2	+50%	269.4	174.2	+55%
EBITDA %	29.8%	24.5%	+530bps	23.3%	19.2%	+410bps
EBIT	117.9	76.4	+54%	230.3	139.6	+65%
EBIT %	27.1%	21.7%	+540bps	19.9%	15.4%	+450bps
Net income	89.2	52.1	+71%	172.2	97.6	+76%
Basic EPS $	1.33	0.79	+68%	2.56	1.49	+72%
Diluted EPS $	1.17	0.70	+67%	2.27	1.44	+58%

See underlying definition on page 4.
The presentation of income and related expenses from customer specific research and development costs has changed. Please see note 2 of the Financials and Selected Notes 2014 Report.

IFRS Revenue in Q4 2014 was 24% above the previous year with strong performance across most business segments: Mobile Systems was up 24%, Power Conversion, up 55% (38% on an Underlying (*) basis) and Connectivity was up 18%.
Q4 2014 IFRS gross margin was 410bps above Q4 2013 and 150bps above the previous quarter. This was the result of the following items:

- Higher revenue achieved in the quarter and the subsequent lower allocation per unit of the fixed component of Cost of Goods Sold
- Benefits of manufacturing cost optimisation, yield and test time improvements in high volume products
- Positive product mix contribution from new products in Mobile Systems, Connectivity and Power Conversion.

In Q4 2014 underlying (*) net OPEX as a percentage of revenue was 19.5%, 180bps below Q4 2013. For the full year, underlying OPEX was 25.4% of revenue, 30bps above FY 2013.

Q4 2014 underlying (*) R&D investment stood at 13.4% of revenue, 80bps below Q4 2013 and 520bps below Q3 2014. For the year 2014, underlying (*) R&D was 17.5%, 30 bps above the previous year as a result of the acceleration of our R&D investments in both, existing product initiatives as well as new initiatives that have the potential to support profitable growth and accelerate the diversification of our business.

Underlying (*) SG&A in Q4 2014 stood at 6.2% of revenue, 100bps below Q4 2013 and 210bps below Q3 2014. During 2014 we continued to manage our SG&A costs effectively and kept underlying (*) SG&A at 8.1% of revenue, in line with the previous year.

In Q4 2014 we achieved IFRS and underlying(*) EBIT of $105.1 million and $117.9 million respectively, 49% and 54% over Q4 2013. Underlying (*) EBIT margin in the quarter was 27.1%. The Q4 2014 underlying(*) EBIT increase of 54% was primarily driven by the solid performance of the Mobile Systems segment and the return to profitability of the Connectivity segment (Q4 2014: $2.9 million; Q42013: loss of $3.7 million). During 2014 underlying (*) EBIT increased by 65%, more than twice the rate of revenue growth in the same period.

In 2014, a net IFRS tax charge of $31.2 million was recorded (2013: US$27.5 million), which includes a one-off non-cash deferred tax credit of US$ 17.8 million. This credit arose during the year resulting from an intra-group reorganisation of certain Intellectual Property, which impacted the recorded value of deferred tax liabilities. This intra-group reorganisation took place in Q1 2014 but the impact of the recorded value of deferred tax liabilities was only identified during the detailed preparation of the year-end financial statements. The one-off non-cash deferred tax credit was therefore recorded in the full year 2014 results, giving an IFRS group effective tax rate for the full year of 18.5% (2013:30.7%).The group effective tax rate excluding this one-off non-cash deferred tax credit was 29.0%.The decrease in our Group effective tax rate, (excluding the one-off non-cash deferred tax credit), is driven by the on-going exercise to align our Intellectual Property ownership with the commercial structure of the group. This has allowed Dialog to utilise and to further partially recognise previously unrecognised UK loss carry forwards and other UK tax attributes and to benefit from the favourable UK Tax regime for technology companies. 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 Q4 2014, underlying (*) net income increased 71% over Q4 2013. Underlying (*) diluted EPS in Q4 2014 was 67% higher than in the same quarter of 2013 resulting in a full year 2014 underlying diluted EPS year-on-year growth of 58%.

At the end of Q4 2014, our total inventory level was $99 million (or ~38 days), a decrease of $49 million over the prior quarter. This represents a 50 day decrease in our days of inventory on the back of a record revenue quarter for Dialog. During Q1 2015 we expect inventory value and inventory days to increase from Q4 2014 to service our current customer backlog.

As of 31 December 2014, we had cash and cash equivalents balance of $324 million which included the last early bank debt repayment of $40 million. In the fourth quarter we generated $119 million of cash from operating activities, an increase of 158% over the same quarter of 2013. The strong cash generation of the business has allowed the company to return to a bank debt free position significantly ahead of schedule and generated $213 million of free cash flow(***) during 2014.

(*) Underlying results (net of tax) in Q4-2014 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of US$10.0 million, excluding US$0.2 million of amortisation of intangibles associated with the acquisition of SiTel (now Dialog B.V.), excluding US$2.1 million non-cash effective interest expense in connection with the convertible bond, excluding US$ 0.5 million non-cash effective interest expense related to a licensing agreement, excluding US$0.9 million acquisition and integration expenses in connection with the purchase of iWatt, and excluding US$4.9 million of amortisation and depreciation expenses associated with the acquisition of iWatt.

(*)Underlying results (net of tax) in Q4-2013 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of US$2.2 million, excluding US$1.1 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$0.5 million acquisition and integration expenses in connection with the purchase of iWatt and excluding US$2.8 million of amortisation and depreciation expenses associated with the acquisition of iWatt, deferred sales and related cost of sales that were reversed in connection with the iWatt business integration of US$ 0.6 million were brought back. Furthermore the gain of US$ 3.2 million from the release of an earn-out provision in relation to the iWatt acquisition was reversed and a recorded income related to a payment the company received in connection with the insolvency of BenQ of US$0.7 million was also taken out.

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 Q4 2014 is defined as operating profit excluding depreciation for property, plant and equipment, (Q4 2014:US$5.4 million, Q4 2013:US$5.4 million), amortisation of intangible assets (Q4 2014:US$9.8 million, Q4 2013:US$9.1 million) and losses on disposals and impairment of fixed assets (Q4 2014:US$0.1 million, Q4 2013:US$0.8 million).

(***) Free Cash Flow in FY 2014 is defined as net income of US$138.1 million plus amortisation and depreciation of US$55.6 million, plus net interest expense of US$14.4 million, plus change in working capital of US$47.8 million and minus capital expenditure of US$43.0 million.

Operational overview

In Q4 2014 we added new custom PMIC design wins both across new platforms and next generation models at our largest customers. Additionally, during the quarter we successfully delivered the beginning of a steep ramp of new products launched by our customers.

Dialog continued to lead in delivering the highest level of power management integration and power efficiency in its PMIC products. This allowed us to increase the Average Sales Price (ASP) of our products by 16%, excluding the Power Conversion segment, from $2.30 in 2013 to $2.66 in 2014.

In support of our diversification programs, Q4 saw the start of high volume shipments for our SmartBond™ - Bluetooth® Smart - solution. With the technology being rapidly adopted across multiple IoT segments, we added new design wins in applications including wireless charging, wearables, smart home and human interface devices. Dialog’s SmartBond™ remains the industry’s smallest footprint solution in addition to consuming less than half the power of competing devices, critical parameters for IoT applications demanding long battery lifetime.

Throughout Q4 2014 and the first few weeks of 2015 we rolled out a number of new products from the Power Conversion Business segment. We entered the MR16 – low voltage (12 volt) downlight LED form factor – market segment with an excellent dimming and universal transformer compatibility solution. Additionally, we launched a new dimming platform, delivering the ultimate in dimming performance while eliminating more than 20 external components from the bill of materials. These two devices allow Dialog to continue its market leadership in the dimming segment of the fast growing LED domestic retrofit market.

Power Conversion made also significant progress with large ODMs in Asia in the quick charge segment with the development of new products which accommodate the latest proprietary quick charge protocols of various companies.

Our sub-PMIC multi-phase DC-DC approach in 2014 allowed us to accelerate adoption of our technology for the China smartphone market. Through our strategic cooperation with Mediatek with sub-PMIC ICs for their MT6595 and MT6795 Octa-core reference platforms, we added design wins with Meizu, Lenovo and other top emerging China smartphone brands. Additionally, Q4 saw the start of volume production of a new custom PMIC for LG's new NUCLUN application processor which is sold alongside our sub-PMIC solution in LG's latest smartphone models.

Leveraging the unique advantages of our touch technology, Q4 2014 also saw the start of volume production of our Smartwave™ multi-touch display solution by a top US PC OEM in a low cost 23 inch All-in-One PC.

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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 Q4 and full year 2014 performance, as well as guidance for Q1 2015. Participants will need to register using the link below labelled 'Online Registration'. A full list of dial-in numbers will also be available.

Webcast & Telephone Registration:
http://wcc.webeventservices.com/r.htm?e=921569&s=1&k=678BC566C5DE430441B4F2D45A740A95

Conference Number: +44 (0)207 192 8000
Conference ID: 61960817

In synchronicity with the call, the analyst presentation will be webcasted on our website at: http://www.dialog-semiconductor.com/investor-relations. A replay will be posted at the same address four hours after the conclusion of the presentation and will be available for 30 days.

Full release including the Company's consolidated income statement, consolidated balance sheet, consolidated statements of cash flows and selected notes for the period ending 31 December 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 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® Smart, 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 2014, it had $1.16 billion in revenue and was one of the fastest growing European public semiconductor companies. It currently has approximately 1,400 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.