



DIALOG SEMICONDUCTOR REPORTS RESULTS FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2015

Full year revenue growth of 17% and strong cash flow generation

London, UK, 8 March 2016 - [Dialog Semiconductor plc](#) (FWB: [DLG](#)), a provider of highly integrated power management, AC/DC power conversion, solid state lighting and Bluetooth® Smart wireless technology, today reports results for its fourth quarter and year ended 31 December 2015.

Q4 and full year 2015 financial highlights

- Full year revenue up 17% to \$1,355 million. Q4 2015 revenue, down 9% over Q4 2014 to \$397 million.
- Power Conversion Q4 2015 revenue up 16% over Q4 2014.
- Full year gross margin at 46.1%, up 160bps over full year 2014.
- Full year Underlying (*) EBITDA (**) up 33% to \$359.5 million or 26.5% of revenue. Q4 2015 Underlying (*) EBITDA (**) down 9% to \$117.5 million or 29.6% of revenue.
- Full year EBITDA (**) up 31% to \$316.6 million or 23.4% of revenue. Q4 2015 EBITDA (**) down 19% to \$97.7 million or 24.6% of revenue.
- Full year 2015 Underlying (*) diluted EPS up 33% to \$3.02. Underlying (*) Q4 2015 diluted EPS down 17% over Q4 2014 to \$0.97.
- Full year 2015 diluted EPS up 19% to \$2.29. Q4 2015 diluted EPS down 32% over Q4 2014.
- Cash and cash equivalents balance as of 31 December 2015 was \$567 million.

Q4 and full year 2015 operational highlights

- Continued design win momentum for power management with additional high volume custom and standard products design wins for next generation smartphones and tablets, at our main customers.
- Increased Bluetooth® Smart market share and launched the first ever Bluetooth® Smart Wearable-on-Chip™ to capture the high-growth opportunity within the IoT market.
- Gained a majority share of the rapid charging market, cementing our leadership position.
- Expanded business relationship with several Chinese smartphone makers with our sub-PMIC products through MediaTek LTE platforms.
- Entered the sensor market establishing a strategic partnership with Foxconn Technology Group's ShuShin Technology and Lite-On by way of our investment in Dyna Image.

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

"2015 has been an important year for Dialog as we work to broaden our customer base with new design wins and innovative technology developments in high-growth markets. I am very pleased to report that we achieved those strategic milestones while delivering uninterrupted annual revenue growth for a 9th consecutive year, while further improving margins and maintaining strong cash generation.

Throughout recent years we have been investing in R&D to prepare Dialog for changes to our end markets. We enter 2016 with a leading Mobile business, and rapidly expanding Connectivity and Power Conversion businesses. "

Outlook

Based on our current visibility, the expected softening of the smartphone market and the traditional seasonal pattern, we anticipate revenue for Q1 2016 to be in the range of \$230 to \$245m.

We continue to expect single digit year-on-year overall revenue growth for the full year 2016 and anticipate continuing strong momentum from our connectivity and power conversion products through 2016. As with previous years, revenue performance will be strongly weighted towards the second half of the year.

In line with the seasonal lower revenue, gross margin in Q1 2016 will be marginally below Q4 2015. Based on our current full year 2016 revenue guidance, gross margin in 2016 is expected to remain broadly in line with that achieved in 2015.

Financial overview

IFRS	Fourth Quarter			Full Year		
US\$ million	2015	2014	Var.	2015	2014	Var.
Revenue	397.2	435.0	-9%	1,355.3	1,156.1	+17%
Gross Margin	45.6%	46.3%	-70bps	46.1%	44.5%	+160bps
R&D % ⁽¹⁾	13.6%	14.3%	-70bps	16.5%	18.5%	-200bps
SG&A % ⁽¹⁾⁽²⁾	11.6%	7.8%	+380bps	10.5%	10.0%	+50bps
Operating profit	81.3	105.1	-23%	259.7	185.9	+40%
Operating margin %	20.5%	24.2%	-370bps	19.2%	16.1%	+310bps
Net income ⁽³⁾	52.6	73.6	-29%	177.3	138.1	+28%
Basic EPS \$ ⁽³⁾	0.70	1.09	-36%	2.42	2.05	+18%
Diluted EPS \$ ⁽³⁾	0.67	0.99	-32%	2.29	1.93	+19%
Cash flow from operating activities	109.7	119.3	-8%	317.7	270.5	+17%
Underlying	Fourth Quarter			Full Year		
US\$ million	2015	2014	Var.	2015	2014	Var.
Revenue	397.2	435.0	-9%	1,355.3	1,156.1	+17%
Gross Margin	45.9%	46.6%	-70bps	46.7%	45.3%	+140bps
R&D % ⁽¹⁾	12.7%	13.4%	-70bps	15.6%	17.5%	-190bps
SG&A % ⁽¹⁾⁽²⁾	6.7%	6.1%	+60bps	7.7%	7.9%	-20bps
EBITDA	117.5	129.6	-9%	359.5	269.4	+33%
EBITDA %	29.6%	29.8%	-20bps	26.5%	23.3%	+320bps
Operating profit	105.1	118.0	-11%	317.7	230.3	+38%
Operating margin %	26.5%	27.1%	-60bps	23.4%	19.9%	+350bps
Net income	77.6	89.2	-13%	238.4	172.2	+38%
Basic EPS \$	1.02	1.33	-23%	3.25	2.56	+27%
Diluted EPS \$	0.97	1.17	-17%	3.02	2.27	+33%

See underlying definition on page 4.

(1) R&D and SG&A as a percentage of revenue.

(2) Including other operating income.

(3) Q4 2014 IFRS net income has increased by \$3.0m compared to the amount reported in 2014. The adjustment relates to the on-going effect on the tax expense giving rise to the non-cash deferred tax credit of \$17.8m discussed in pages 29-30 of the 2014 Annual Report

Revenue in Q4 2015 was 9% down on the previous year following the anticipated softer demand in the smartphone market impacting the Mobile Systems segment. There were stronger performances across the other main business segments. Power Conversion was up 16% on the back of the ramp of our rapid charge solutions. Our Bluetooth® Smart products continued to perform well, resulting in revenue for our Connectivity segment up 9% from Q4 2014.

Q4 2015 Underlying gross margin was 70bps below Q4 2014. This was the result of the lower revenue performance and inventory write-offs amounting to \$8.1 million. The total value of inventory write-offs in 2015 was \$9.1 million, 8% below 2014.

In Q4 2015 underlying (*) net OPEX (comprising, selling and marketing expenses, general and administrative expenses, research and development expenses and other operating income) as a percentage of revenue was 19.4%, 10bps below Q4 2014. For the full year, underlying net OPEX was 23.2% of revenue, 210bps below full year 2014.

Q4 2015 underlying (*) R&D expense stood at 12.7% of revenue, 70bps below Q4 2014. The reduction was mainly the result of \$6.1 million of UK R&D Expenditure Credits and \$7.7 million of capitalised R&D costs. Capitalised development costs were significantly higher this year than in 2014. This was due to an increase in the number of products under development that had satisfied both the technical and commercial feasibility criteria. For the year 2015, underlying (*) R&D was 15.6% of revenue, 190bps below the previous year as revenue growth accelerated faster than our investment in R&D. We will continue to invest 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 2015 stood at 6.8% of revenue, 60bps above Q4 2014 and 140bps below the previous quarter. During 2015 we continued to manage our SG&A costs effectively and kept the increase in underlying (*) SG&A costs below the increase in revenue. As a percentage of revenue, SG&A costs represented 7.7% of revenue, down 40bps on the previous year.

In Q4 2015 we achieved IFRS and underlying (*) operating profit (EBIT) of \$81.3 million and \$105.1 million respectively, 23% and 11% under Q4 2014. Underlying (*) EBIT margin in the quarter was 26.5%. The Q4 2015 underlying (*) EBIT decrease of 11% from Q4 2014 was primarily due to the lower revenue in the quarter. During 2015 underlying (*) EBIT increased by 38% to \$317.7 million, more than twice the rate of revenue growth in the same period. The 2015 underlying (*) EBIT margin grew 350bps over the prior year.

The Group's income tax expense for 2015 was \$77.6 million (2014: \$31.2 million), which resulted in an effective tax rate of 30.4% (2014: 18.5%). Excluding the \$18.9 million pre-tax costs relating to the proposed acquisition of Atmel, the Group's effective tax rate for 2015 was 28.4% (2014: 29.0% excluding non-cash deferred tax credit of \$17.8 million). This reduction was driven by the on-going exercise to align the ownership of the Group's Intellectual Property with its commercial structure. We believe the gradual decrease is sustainable and will continue in the years to come.

In Q4 2015, underlying (*) net income decreased 13% over Q4 2014. Underlying (*) diluted EPS in Q4 2015 was 17% lower than in the same quarter of 2014 resulting in a full year 2015 underlying diluted EPS year-on-year growth of 33%.

At the end of Q4 2015, our total inventory level was \$135 million (or ~56 days), a decrease of \$4 million over the prior quarter. This represents a 15 day sequential decrease in our days of inventory. During Q1 2016 we expect inventory value and inventory days to increase from Q4 2015 to service our current customer backlog.

As of 31 December 2015, we had cash and cash equivalents balance of \$567 million (2014: \$324 million). In the fourth quarter we generated \$110 million of cash from operating activities, a decrease of 8% over the same quarter of 2014. The strong cash generation of the business has allowed the company to generate \$192 million of free cash flow (***) during 2015.

Subsequent to the year end, on 20 January 2016 the Company received \$137 million termination fees upon termination of the merger agreement with Atmel.

At the 2016 Annual General Meeting the Board will be asking shareholders for an authority to put in place a general framework for a share buy-back programme. It should be emphasised that, even if this authority is granted, no decision has yet been made to implement such a programme and implementation will only occur if the board considers this in the best interests of the Company's shareholders depending on the prevailing circumstances.

(*Underlying adjustments \$ million)

Q4 2015	IFRS	Share-based comp. and related payroll taxes	Accounting for business combinations	Aborted merger costs	Integration costs	Effective interest	Underlying
Revenue	397.2	-	-	-	-	-	397.2
Gross profit	181.3	-1.0	2.1	-	-	-	182.4
SG&A exp.	-46.3	2.5	1.9	14.7	-	-	-27.2
R&D exp.	-53.9	3.5	-	-	-	-	-50.4
Other op. income	0.2	-	-	-	-	-	0.2
Operating profit	81.3	5.1	4.0	14.7	-	-	105.1
Net finance exp.	-0.8	-	-	1.2	-	0.2	0.6
Income tax exp.	-27.9	0.2	-0.3	-	-	0.0	-28.0
Net income	52.6	5.2	3.7	15.9	-	0.1	77.6
EBITDA	97.7	5.1	-	14.7	-	-	117.5
FY 2015							
Revenue	1,355.3	-	-	-	-	-	1,355.3
Gross profit	624.8	0.9	6.6	-	-	-	632.3
SG&A exp.	-143.0	10.3	11.1	17.6	0.2	-	-103.8
R&D exp.	-223.2	10.4	0.8	-	-	-	-212.0
Other op. income	1.2	-	-	-	-	-	1.2
Operating profit	259.7	21.6	18.6	17.6	0.2	-	317.7
Net finance exp.	-4.9	-	-	1.2	-	3.7	0.0
Income tax exp.	-77.6	-0.5	-1.0	-	-	-0.2	-79.3
Net income	177.3	21.1	17.5	18.8	0.2	3.5	238.4
EBITDA	316.6	21.6	3.5	17.6	0.2	-	359.5

(**)EBITDA in Q4 2015 is defined as net income excluding income tax expense (Q4 2015: \$27.8 million, 2014: \$29.2 million), depreciation for property, plant and equipment, (Q4 2015:\$6.7 million, Q4 2014:\$5.4 million), amortisation of intangible assets (Q4 2015:\$8.5 million, Q4 2014:\$9.8 million) and losses on disposals and impairment of fixed assets (Q4 2015:\$1.3 million, Q4 2014:\$0.1 million) and excluding interest and foreign exchange movements (Q4 2015:\$0.8million, Q4 2014:\$5.3 million).

EBITDA in 2015 is defined as net income excluding income tax expense (2015:\$77.6 million, 2014: \$31.2 million), depreciation for property, plant and equipment, (2015:\$24.0 million, 2014:\$22.1 million), amortisation of intangible assets (2015:\$31.1 million, 2014:\$33.4 million), losses on disposals and impairment of fixed assets (2015:\$1.8 million, 2014:\$0.4 million) and excluding interest and foreign exchange movements (2015:net loss \$4.9million, 2014: net loss \$16.6 million).

(***) Free Cash Flow in FY 2015 is defined as net income of \$177.3 million plus amortisation and depreciation of \$55.1 million, plus net interest expense of \$5.2 million, plus change in working capital of \$26.4 million and minus capital expenditure of \$71.7 million.

Operational overview

The hard work of all Dialogs' employees was recognised with two awards from the Global Semiconductor Alliance. Dialog Semiconductor won the 2015 awards for the "Most Respected Public Semiconductor Company Achieving \$1 Billion to \$2 Billion in Annual Sales" and the "Best Financially Managed Semiconductor Company Achieving Greater than \$500 Million in Annual Sales".

In 2015, we hired close to 300 engineers to take the global employee base to approximately 1,660 across 14 countries. We expanded our design centres in Europe, Taiwan and China and opened a new design centre in Phoenix, Arizona.

Deep R&D investment enabled the company to strengthen our competitive positioning and deliver the highest level of power management integration and power efficiency in our PMIC products. Our focus on innovation underpins the potential for content increase over the medium term. In 2015, the Average Sales Price (ASP) of our main products, on a like-for-like basis increased by 8%, from \$2.90 in 2014 to \$3.13 in 2015. In Q4 2015, we also added new

custom PMIC design wins both across new platforms and next generation models at our largest customers.

In support of our diversification strategy, leveraging our power management expertise, during 2015 and in early 2016 we expanded into several adjacent consumer mobile markets:

- Power Management ICs for IoT and high end wearable devices;
- PMICs for Mobile Computing systems;
- Highly integrated PMICs for smart TV and set-top box (STB) market. This new family of products will deliver compelling benefits to the TV analog power path. Dialog is the first company to deliver PMICs for this application.

The sub-PMIC MediaTek platform product performed well during 2015, winning multiple China based customers in smartphone and tablet products.

In 2015 the Connectivity segment shipped seven times more Bluetooth Smart units than in 2014, a strong indication of our increasing market share and the rapid adoption of the technology across a wide range of IoT applications. The segment made solid progress in capturing the high-growth opportunity within IoT with our ultra-low power Bluetooth® Smart technology:

- Expanding the first family of SmartBond™ products with three new application-optimised versions for wireless charging, remote control units with voice, motion and gesture recognition and those which require flash embedded memory. This progression was also accompanied by a series of design wins including for our SmartBond DA14582 Bluetooth SoC which is now at the heart of Xiaomi's new Mi Bluetooth® Voice Remote Control;
- Launched the world's first Bluetooth® Smart Wearable-on-Chip, the first single chip solution for wearables;
- Focused our effort into the Smart Home market the launch of Dialog's Bluetooth® Smart development kit with full support for Apple® HomeKit;
- Collaborated with Bosch Sensortec to create an extremely low power smart sensor platform that combines Bosch Sensortec's sensors with Dialog's Bluetooth® Smart technology.

Power Conversion made also significant progress in capturing the high growth opportunity in the quick charge segment with large OEMs in Asia. In Q4 2015 we announced that one of our advanced power management chipsets is at the heart of Samsung's latest Adaptive Fast Charging (AFC) AC/DC wall adapter. The custom chipset incorporates Samsung's proprietary AFC technology. Together with the design wins with Huawei, LeTV and other Japanese phone makers, it builds upon Dialog's estimated 70% market share of the rapid charging adapter market for smartphones, tablet and other mobile devices.

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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 Q4 and full year 2015 performance, as well as guidance for Q1 2016. Participants will need to register using the link below labelled 'Online Registration'. 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:

<http://members.meetingzone.com/selfregistration/registration.aspx?booking=k9qDXCzp9rMSTpvmM1VOqvyPJbbGMXSRayXZYgGshH4=&b=d58ae4ab-80e5-47f2-8295-e04d92bbba83>

In parallel to the call, the analyst presentation will be webcasted on our website at:

http://webcast.openbriefing.com/semiconductor_q4_results_080316/

A replay will be posted on the Dialog website four hours after the conclusion of the presentation and will be available at <http://www.dialog-semiconductor.com/investor-relations>

Full release including the Company's consolidated income statement, consolidated balance sheet, consolidated statements of cash flows and selected notes for the year ended 31 December 2015 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 2015, it had \$1.35 billion in revenue and was one of the fastest growing European public semiconductor companies. It currently has approximately 1,660 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.

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.