



DIALOG SEMICONDUCTOR ANNOUNCES ITS RESULTS FOR THE SECOND QUARTER OF 2011

Company exceeds Q2 guidance and reports record revenue in second quarter of \$116.1 million, achieving impressive year-on-year growth of 70%

Kirchheim/Teck, Germany, 25 July 2011 – Dialog Semiconductor plc (FWB: DLG), a leading provider of high integrated innovative Power Management Semiconductor solutions, today reports results for its second quarter ending 1 July 2011.

Q2 2011 Financial Highlights

- Revenue for Q2 2011 was \$116.1 million, an increase of 17.9% over the prior quarter and 69.6% over the corresponding quarter of 2010
- Q2 2011 IFRS operating profit (EBIT) was \$13.1 million or 11.3% of revenue with underlying(*) operating profit of \$17.1 million or 14.7% of revenue
- Q2 2011 underlying(*) EBITDA(**) of \$20.4 million or 17.6% of revenue, compared to \$15.1 million or 22.1% in the prior year
- Q2 2011 underlying(*) diluted earnings per share of 24 cents, a 25.4% increase over Q2 2010
- Increasingly confident in our ability to meet current market expectations for the full year 2011
- Earnings Accretion from SiTel already achieved in Q2 2011, ahead of schedule

() Underlying results are based on IFRS, adjusted to exclude share-based compensation charges in Q2 2011 of \$1.4 million, excluding one-time costs of \$0.3 million associated with the acquisition of SiTel Semiconductor ("SiTel") incurred during Q2 2011, excluding \$0.8 million of amortisation of intangibles associated with the acquisition of SiTel and excluding amortisation expenses of \$1.4 million in relation to previously capitalised R&D expenses for close to end of life products from SiTel. 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.*

*(**) EBITDA is defined as operating profit excluding depreciation and amortisation expenses.*

Q2 2011 Operational Highlights

- Significant progress in the integration of SiTel, with integration plan remaining on track for completion in Q3 2011
- ARM multicore support now added in new generation of power management ICs launched, with the addition of Freescale processors to the range of supported application processor products
- Relationship with Panasonic extended with new wins announced for portable device power management, complementing existing digital cordless business
- First Green VOIP IC product wins announced in Gigaset's new VOIP pro series of phones
- New custom PMIC including audio remains on track for smartphone adoption by major Asian OEM

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

"I am pleased to report a strong second quarter for Dialog, with revenue and earnings per share exceeding expectations, again bucking the trend in what remains a challenging economic environment.

Our strategy of focusing the company's technology and product portfolio on the smartphone and tablet opportunity, which remains the sweet spot within high-growth consumer markets, continues to bear fruit. At the same time, our innovation pipeline is generating a strong line-up of new and future offerings which coupled with a recently expanded portfolio including short range wireless products, underlines my confidence in Dialog's future."

FINANCIAL OVERVIEW

Revenue in Q2 2011 was \$116.1 million, an increase of 17.9% over the \$98.5 million in the prior quarter and an increase of 69.6% on the \$68.5 million of revenue delivered in the corresponding quarter of 2010. Included, was a contribution of \$29.1 million of revenue from the SiTel acquisition: the first full quarter of consolidation since the acquisition on 10 February 2011. Excluding this SiTel contribution, revenue in Q2 2011 increased by 7.9% over the prior quarter and increased by 27.1% over the corresponding quarter of 2010.

Gross margin for the second quarter was 40.2%, a decrease of 0.5% over that achieved in the prior quarter. The gross margin continued to be affected by both the global constrained supply chain situation as well as the amortisation of capitalised R&D expenses relating to SiTel products, which as previously advised will cease to be a material factor after Q3 2011. The margin was also negatively impacted by the continued steep ramp of a highly integrated, high volume custom product. This will now show gradual improvement through the second half of 2011 as the yield is further optimised.

R&D and SG&A in Q2 2011 stood at 18.2% and 10.7% of revenue respectively, compared to 19.3% and 12.9% in the prior quarter and 19.5% and 10.5% in the corresponding quarter of 2010.

Within the combined company **operating expenses** increased in Q2 2011 by \$1.7 million over the prior quarter to \$33.5 million due to this being the first full quarter of consolidation of SiTel since the acquisition. These operating expenses in Q2 2011 included a net charge of \$1.4 million for share-based compensation and employment-related tax (Q2 2010: \$1.4 million), \$0.8 million for the amortisation of intangible assets associated with the acquisition of SiTel and \$0.3 million of one-time costs associated with the acquisition of SiTel.

Operating profit on an IFRS basis in Q2 2011 was \$13.1 million or 11.3% of revenue. This compares to the \$8.2 million or 8.5% of revenue delivered in the prior quarter and \$12.0 million or 17.5% in Q2 2010. The underlying (*) operating profit achieved in Q2 2011 was \$17.1 million or 14.7% of revenue, compared with the underlying (*) operating profit of \$13.8 million or 14.0% of revenue in the prior quarter and \$13.4 million or 19.5% in Q2 2010. In Q2 2011 underlying (*) **EBITDA (**)** was \$20.4 million or 17.6% of revenue compared to \$15.1 million or 22.1% in the prior year quarter. Q2 2011 Underlying EBITDA is derived from IFRS EBIT (\$13.1 million) as adjusted for \$2.0 million for depreciation of property, plant and equipment, \$0.8 million for amortisation of intangible assets associated with the acquisition of SiTel, \$1.4 million for the accelerated amortisation of intangible assets in relation to previously capitalised R&D expenses for close to end of life products from SiTel \$1.3 million of amortisation of other intangible assets, \$1.4 million of share based compensation charges and \$0.3 million of one-time expenses associated with the acquisition of SiTel.

The tax charge in Q2 2011 continued to benefit from the utilisation of brought-forward tax losses resulting in a residual minimum level current tax charge, mainly applicable to taxable profits in Germany of \$1.3 million. Additionally, a tax charge relating to taxable profits in the Netherlands of US\$0.4 million was recorded. This current and deferred tax charge was partially offset by a net deferred tax benefit of \$1.1 million from further recognition of a proportion of the deferred tax assets principally relating to carried forward losses. In total a net tax charge of \$0.6 million was recorded in Q2 2011. Consequently, the overall effective tax rate for Q2 2011 was 4.4%.

In Q2 2011, on an IFRS basis **net profit** was \$12.4 million or 20 cents per basic share and 18 cents per diluted share. This compares to 13 cents per basic share and 12 cents per diluted share delivered in the prior quarter and 19 and 17 cents respectively in Q2 2010. The underlying (*) earnings per share (diluted) in Q2 2011 was 24 cents. This compares to 20 cents in the prior quarter and 19 cents in Q2 2010.

At the end of Q2 2011, our total **inventory** level was at 80 days (\$61.8 million) a decrease of 11 days over the prior quarter. This we believe is a level that is appropriate in order to service the demands of the combined business in the coming quarters. This is particularly the case given the continued constrained global supply chain situation and the expected strong seasonal ramp of our business in the second half of 2011.

At the end of Q2 2011, we had a gross **cash and cash equivalents** balance of \$80.5 million, and \$10.0 million of debt taken from a \$35 million revolving credit facility. This represents a decrease of \$13.8 million over the cash and cash equivalents balance at the end of Q1 2011, with increased inventory and working capital now in line for the expected strong seasonal ramp of our business in the second half of 2011.

On the 14 July 2011 we received a net cash settlement of approximately \$2.0 million which appears to be against a receivable which had previously been written down in 2006 as a result of the insolvency of BenQ mobile. We have requested further details and, depending on the outcome, we expect this item to be accounted for in our Q3 2011 financial statements.

SITEL PROGRESS

The acquired SiTel business in its first full quarter of consolidation recorded \$29.1 million in revenue for Q2 2011 at a gross margin of 37.9% and contributed an operating profit of \$0.7 million to the overall Group performance. Excluding the amortisation of capitalised R&D mentioned above gross margin would have been 42.8 percent and underlying(*) operating profit would have been \$3.5 million respectively. This results in the SiTel acquisition being already accretive to EPS in this second quarter, ahead of our initial third quarter target.

Dialog's ultra low power Green VoIP ICs, acquired through the recent acquisition of SiTel, have been adopted by Gigaset Communications, a leading European telephony equipment manufacturer, extending the already existing supply relationship here for DECT ICs. Gigaset's pro series of VoIP phones are targeted at Small and Medium Enterprises ("SME") with Gigaset being the first of multiple designs wins yet to be announced.

We are seeing strong interest in our low energy wireless technology for early adopter home automation and security applications, due to the unique features it can deliver over competing technologies. We expect to launch new products in the coming months to address this burgeoning segment.

We made significant progress in integrating SiTel (Renamed to Dialog B.V.) into the wider Group, with most corporate functions now operating as a single organization. Our focus now rests on completing the integration plan, as intended, by Q3 2011. Dialog's strategy includes the pursuit of opportunities in the higher growth and higher profit market segments SiTel operates in. New R&D product development is now primarily focused on the development of low energy short range wireless and VoIP solutions

OPERATIONAL OVERVIEW

As part of our Processor Partner program initiative, during the quarter we launched two new advanced system level power management ICs for tablet PCs, smartphones, embedded computers and multimedia players. Delivering class-leading energy efficiency and power-up flexibility, the new DA9053 supports multicore ARM Cortex based processors, including Freescale's iMX53 flagship processor family. Freescale becomes the latest leading application processor vendor to be supported by Dialog companion PMICs.

Additionally, our system level power management ICs was adopted in two of Panasonic's latest feature rich portable media players. These design wins further extend the company's relationship with Panasonic, with ICs for both power management and digital cordless phone technology now being shipped.

Our engagement with a major Asian OEM smartphone manufacturer for a custom PMIC, leveraging our expertise in combining audio and power management in a stacked System in Package ("SIP"), remains on track for platform adoption before the end of this financial year.

Our innovative display products – PMOLED and 2D-3D Conversion ICs – were sampled to major OEMs during the quarter for first builds of early concept phones to demonstrate the unique features these ICs enable.

OUTLOOK

For Q3 2011 we expect revenue to be in the range of \$131.0 million to \$136.0 million. We are increasingly confident about the revenue outlook for the full year 2011 and our ability to meet current market expectations.

For Q3 2011 we expect gross margins to remain at the same level as the first half of 2011 as supply chain conditions continue to remain restricted. Against this backdrop, we expect the yield on a high volume custom product currently ramping to show gradual improvement and expect further margin improvements within the acquired SiTel business to be realised towards the end of the financial year.

* * * * *

Dialog Semiconductor invites you today at 08.30 am (London) / 09.30 am (Frankfurt) to listen in a live conference call to management's discussion of Q2 2011 performance, as well as guidance for financial 2011. 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 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 1452 550 000** with access code **80064027# (UK)**. 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.php

Additional information to this adhoc release including the company's consolidated income statement, consolidated balance sheet and consolidated statements of cash flows for the period ending 1 July 2011 is available under the investor relations section of the Company's web site.

For further information please contact:

Dialog Semiconductor
Neue Strasse
D-73230 Kirchheim/Teck
Germany
T: +49 7021 805 412
dialog@fd.com
www.dialog-semiconductor.com

FD London
Matt Dixon
T +44 20 7269 7214
matt.dixon@fd.com

FD Frankfurt
Thomas Krammer
T +49 69 920 37 183
thomas.krammer@fd.com

Note to editors

Dialog Semiconductor creates highly integrated, mixed-signal integrated circuits (ICs) optimised for personal portable, low energy short-range wireless, lighting, display 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 unique focus and expertise in energy efficient system power management, and now with the recent addition of low energy short range wireless and VoIP technology to the portfolio, Dialog brings decades of experience to the rapid development of ICs for personal portable applications including smartphones, tablet PCs, digital cordless phones and gaming applications.

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 2010, it had \$296.6 million in revenue and was again one of the fastest growing European public semiconductor companies. It currently has approximately 550 employees. The company is listed on the Frankfurt (FWB: DLG) stock exchange 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.