



DIALOG SEMICONDUCTOR ANNOUNCES ITS RESULTS FOR THE SECOND QUARTER OF 2012

Company meets Q2 guidance, reporting a record second quarter revenue of \$159.5 million, representing year-on-year growth of 37.4%

Kirchheim/Teck, Germany, 24 July 2012 – Dialog Semiconductor plc (FWB: DLG), a provider of highly integrated innovative power management, audio and low energy short range wireless technologies, today reports results for its second quarter ending 29 June 2012.

Q2 2012 Financial Highlights

- Revenue for Q2 2012 was \$159.5 million, an increase of 37.4% over Q2 2011
- Incremental gross margin improvement of 0.6 percentage points in the quarter
- Q2 2012 IFRS operating profit (EBIT) was \$13.4 million or 8.4% of revenue with underlying(*) operating profit of \$16.9 million or 10.6% of revenue
- Q2 2012 underlying(*) EBITDA(**) of \$24.4 million or 15.3% of revenue, compared to \$20.4 million or 17.6% in the prior year
- Q2 2012 underlying(*) diluted earnings per share of 20 cents, compared to 24 cents in Q2 2011
- Remain confident in our ability to meet current market revenue expectations for the full year 2012

Q2 2012 Operational Highlights

- Continued engagements with leading application processor vendors for integrated companion PMIC solutions, targeting 2013 volume production
- Strong engagement and first design wins for our short-range wireless audio ICs at leading microphone, gaming and professional headset customers
- Our second PMIC including integrated Audio, for a global Smartphone platform design win announced with Samsung
- Adoption of SmartPulse™ DECT ULE for internet enabled home plugs by European OEM's
- Adoption of Dialog audio technology for MP3 accessory for Samsung SIII Smartphone

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

"I am pleased to report a solid second quarter for Dialog, achieving strong year over year revenue growth. This is also the second sequential quarter in which we have delivered incremental gross margin improvement.

The breadth and depth of our technology portfolio, particularly for class leading power management, has enabled us to continue to build deeper engagement with leading trend-setting customers and partners. We have also continued to invest in and execute on our strategic priorities to drive profitable growth through Smartphones, Tablet PCs and now next generation Ultrabook solutions. Taken together, these factors continue to position Dialog well for continued strong revenue growth."

FINANCIAL OVERVIEW

Revenue in Q2 2012 was \$159.5 million, representing an increase of 37.4% over the \$116.1 million delivered in the second quarter of 2011 and a sequential decrease of 4.1% on the \$166.3 million of revenue delivered in the prior quarter following, as previously reported, a particularly strong finish to that prior quarter.

Gross margin continues, as forecast, to steadily improve. In Q2 2012, gross margin stood at 37.5% of revenue, representing an increase of 0.6 percentage points over the 36.9% achieved in the prior quarter and a decrease of 3.4 percentage points over the 40.9% achieved in Q2 2011. The Q2 2012 underlying(*) gross margin was 37.5% compared to 37.3% in Q1 2012.

R&D and SG&A in Q2 2012 stood at 19.1% and 10.0% of revenue respectively, compared to 18.2% and 11.5% in Q2 2011 and 17.2% and 10.3% in the prior quarter (▲). Underlying(*) R&D and SG&A in Q2 2012 stood at 18.6% and 8.2% of revenue respectively, compared to 17.6% and 9.3% in Q2 2011 (▲) as we seek to fuel future revenue growth.

Operating profitability on an IFRS basis has also continued to improve. In Q2 2012, Operating Profit was \$13.4 million or 8.4% of revenue. This compares to the \$13.1 million or 11.2% of revenue achieved in Q2 2011 and \$15.7 million or 9.4% of revenue achieved in the prior quarter. The underlying(*) operating profit achieved in Q2 2012 was \$16.9 million or 10.6% of revenue, compared with the underlying(*) operating profit of \$17.1 million or 14.7% of revenue in Q2 2011 and \$21.5 million or 13.0% in the prior quarter (▲).

In Q2 2012 **underlying(*) EBITDA(**)** was \$24.4 million or 15.3% of revenue compared to \$20.4 million or 17.6% in Q2 2011 and \$27.1 million or 16.3% in the prior quarter.

In total a net **tax charge** of \$3.2 million was recorded in Q2 2012. Consequently, the overall effective tax rate for Q2 2012 was 27.0%.

In Q2 2012, on an IFRS basis, **net profit** was \$8.5 million or 13 cents per basic share and 12 cents per diluted share. This compares to a net profit of \$12.3 million or 20 cents per basic and 18 cents per diluted share delivered in Q2 2011 and a net profit of \$11.6 million or 18 cents per basic and 17 cents per diluted share in the prior quarter. The underlying (*) **earnings per share** (diluted) in Q2 2012 was 20 cents. This compares to 24 cents in Q2 2011 and 26 cents in the prior quarter.

At the end of Q2 2012, our total **inventory** level was \$102.5 million (or ~92 days), an increase of \$21.8 million over the prior quarter and a level which we feel is appropriate in order to service the accelerating demand expected of the business during the second half of 2012.

At the end of Q2 2012, we had a **cash and cash equivalents** of \$304.0 million. This represents an increase of \$167.6 million over the cash and cash equivalents over the prior quarter. During Q1 of this financial year, Dialog closed a Convertible Bond Offering and early in Q2 received the net proceeds from that offering amounting to \$196.8 million.

In support of our new product development strategy and efforts to optimise our supply chain with our offshore partners, during the quarter, we incurred capital expenditures of \$16.8 million (Q2 2011: \$3.9 million).

As part of our on-going strategy to invest in R&D, subsequent to quarter close, Dialog entered into a \$26.4 million, payable over 6 years, license agreement with a third party which allows Dialog to access patents in the area of portable power management and battery charging technology.

() Underlying results in Q2 2012 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of \$1.9 million, excluding \$1.6 million of amortisation of intangibles associated*

with the acquisition of Dialog B.V. and excluding \$1.7 million interest and financial expense in connection with the convertible bond.

The term "underlying" is not defined in IFRS and therefore may not be comparable with similarly titled measure 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 for property, plant and equipment (Q2 2012: \$3.0 million), amortisation for intangible assets (Q2 2012: \$4.3 million) and losses on disposals and impairment of fixed assets (Q22012: \$0.1million).

(▲) See Notes to the Interim Consolidated Financial Statements (unaudited) published on our website: http://www.diasemi.com/investor_relations.php – Following the successful completion of the Convertible Bond issue (see note 7 "Convertible Bond"), the transactions cost incurred (\$ 4.2 million in total) are now allocated to the liability and equity component using prevailing market interest rate for debt with similar terms. As a result, we are now recognising that the \$ 3.4 million transactions cost relating to the liability portion of the instrument should be offset against the liability in accordance to IAS 32 and IAS 39 rather than as expense in the income statement as previously reported in Q1 2012

OPERATIONAL OVERVIEW

As part of our Processor Partner Program initiative, during the quarter we continued to engage with leading application processor vendors. Our focus rests on developing optimised companion power management IC's for next generation processors, targeting new and high volume Smartphone, Tablet and Ultrabook platforms. We expect to announce products through the rest of 2012 and early 2013 with designs targeting volume productions in 2013.

We recently announced our second power management and audio design win at Samsung for a global smartphone platform. This new platform is part of the Samsung Galaxy series of Smartphones that use Dialog ICs. The first phone to use the platform is the Galaxy Pocket S5300, which recently began to ship in volume. We expect that additional Smartphones from Samsung for global 3G markets based upon this Dialog platform will be rolled out in the coming months.

Additionally, our audio technology was adopted and now in production by Samsung for an MP3 accessory player – YP-W1 or commonly known as the "S-Pebble" – for the Samsung SIII Smartphone. The Samsung YP-W1 bridges the gap between ultra-portable MP3 players and those with information displays. The player is designed for runners and other sportspeople.

For wireless audio, we secured new design wins and strong engagement based on a new short-range wireless processor at leading microphone, gaming and professional headset global OEMs. Our new products offer low latency and interference-free wireless operation for real-time audio applications.

Dialog's innovative SmartPulse™ DECT ULE technology continues to gain traction for home automation applications. Our latest design win is for internet enabled power plugs, allowing control and remote energy monitoring of connected devices to power plugs from your smartphone or tablet PC.

OUTLOOK

In Q3 2012, we expect our revenue momentum to continue to build and deliver revenue for the quarter in the range of \$170 to \$180 million, representing further significant year on year growth. We remain confident in our ability to meet current market revenue expectations for the full year, driven by a stronger seasonal second half and through anticipated new product launches from our customers.

We continue to believe that the positive trend of gradual incremental gross margin improvement achieved in the first half will continue through 2012, supported by our increasing supply chain visibility.

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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 2012 performance, as well as guidance for Q3. 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 (UK)** with access code **94782739#**. 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 release including the company's consolidated income statement, consolidated balance sheet and consolidated statements of cash flows for the period ending 29 June 2012 is available under the investor relations section of the Company's web site.

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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, 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 focus and expertise in energy efficient system power management in addition to low energy short range wireless and VoIP technology, 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 enhance 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 2011, it had approximately \$527million in revenue and was again one of the fastest growing European public semiconductor companies. It currently has approximately 725 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.