



DIALOG SEMICONDUCTOR ANNOUNCES RESULTS FOR THE THIRD QUARTER OF FY 2011

Record third quarter revenues of \$140.6 million, representing 77% Year on Year and 21% sequential quarterly revenue growth

Kirchheim/Teck, Germany, 25 October 2011 – Dialog Semiconductor plc (FWB: DLG), a provider of highly integrated innovative power management, audio and short range wireless technologies, today reports results for its third quarter ending 30 September 2011.

Q3 2011 Financial Highlights

- Revenue for Q3 2011 was \$140.6 million, an increase of 21.1% over the prior quarter and 76.9% over the corresponding quarter of 2010
- Q3 2011 IFRS operating profit (EBIT) was \$19.4 million or 13.8% of revenue with underlying(*) operating profit of \$22.8 million or 16.2% of revenue
- Q3 2011 underlying(*) EBITDA(**) of \$28.0 million or 19.9% of revenue, compared to \$20.4 million or 17.6% in the prior quarter
- Q3 2011 underlying(*) diluted earnings per share of 31 cents, a 9 cent increase over Q3 2010
- Cash and cash equivalents balance of \$94.4 million, an increase of \$14.0 million over the prior quarter, with \$34.4 million of cash generated from operations during the quarter

Q3 2011 Operational Highlights

- Record revenue driven by continued ramp of Smartphone and Tablet PC products for both custom and standard products at our leading customers
- Launch of SmartPulse®, a new wireless smart sensor technology for home automation type applications and announcement of Panasonic as first SmartPulse® customer
- Shipment during the quarter of first production custom power management and audio devices to a large Asian OEM for Smartphone platform
- Adlink announced as new power management customer for Intel Atom™ based industrial computer systems
- Continued design wins for companion PMICs with Dialog's application processor partners

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

"The increasing demand for personal, portable and connected devices, together with a very necessary focus on energy saving continues to favour Dialog's core strengths in power management and is fuelling the expansion of our product portfolio. We have demonstrated this in this third quarter by continuing our growth in revenue and profit, in addition to generating significant cash from our business, despite a broader economic downturn."

FINANCIAL OVERVIEW

Revenue in Q3 2011 was \$140.6 million, an increase of 21.1% over the \$116.09 million achieved in the prior quarter and an increase of 76.9% on the \$79.5 million of revenue delivered in the corresponding quarter of 2010.

Gross margin for the third quarter was 40.9%, representing an increase of 0.7 percentage points over that achieved in the prior quarter and a decrease of 5.4 percentage points over that achieved in the corresponding quarter of 2010. Dialog also received during the quarter a net cash settlement of \$2.1 million mainly against revenues that had not been recognised in 2006 as a result of the insolvency of BenQ Mobile which had a positive effect of 0.8% on the gross margin.

Our **operating expenses** increased in Q3 2011 in absolute terms by \$4.5 million over the prior quarter to \$38.0 million. However, we have continued to keep tight control over our operating expenses such that R&D and SG&A in Q3 2011 stood at 17.7% and 9.6% of revenue respectively compared to 18.2% and 10.7% in the prior quarter.

Operating profit on an IFRS basis in Q3 2011 was \$19.4 million or 13.8% of revenue. This compares to the \$13.1 million or 11.3% of revenue delivered in the prior quarter and \$13.9 million or 17.4% in Q3 2010. The underlying (*) operating profit achieved in Q3 2011 was \$22.8 million or 16.2% of revenue, compared with the underlying (*) operating profit of \$17.1 million or 14.7% of revenue in the prior quarter and \$15.3 million or 19.2% in Q3 2010. In Q3 2011 **Underlying (*) EBITDA (**)** was \$28.0 million or 19.9% of revenue compared to \$17.2 million or 21.7% in the prior year quarter.

The **tax charge** in Q3 2011 continued to benefit from the utilisation of brought-forward tax losses resulting in a residual minimum level current tax charge. In total a net tax charge of \$1.7 million was recorded in Q3 2011. Consequently, the overall effective tax rate for Q3 2011 was 8.9%.

In Q3 2011, on an IFRS basis **net profit** was \$17.3 million or 28 cents per basic share and 26 cents per diluted share. This compares to 20 cents per basic share and 18 cents per diluted share delivered in the prior quarter and 22 and 20 cents respectively in Q3 2010. The underlying (*) **earnings per share** (diluted) in Q3 2011 was 31 cents. This compares to 24 cents in the prior quarter and 22 cents in Q3 2010.

At the end of Q3 2011, our total **inventory** level was at 76 days (\$70.7 million) a decrease of 4 days over the prior quarter and 3 days compared to Q3 2010. The inventory remains at a level we believe is appropriate to service our demand as we enter the fourth quarter.

At the end of Q3 2011, we had a **cash and cash equivalents** balance of \$94.4 million. This represents an increase of \$14.0 million over the cash and cash equivalents balance at the end of Q2 2011. During the quarter, \$34.4 million of cash was generated from operations and we also repaid \$10.0 million of debt from a revolving credit facility, such that Dialog is currently debt free.

The acquired SiTel business in its second full quarter of consolidation recorded \$33.2million in revenue for Q3 2011 and contributed an operating profit of \$2.9 million to the overall Group performance.

() Underlying results are based on IFRS, adjusted to exclude share-based compensation charges in Q3 2011 of \$1.3 million, excluding one-time costs of \$0.1 million associated with the acquisition of SiTel Semiconductor ("SiTel") incurred during Q3 2011, excluding \$1.6 million of amortisation of intangibles associated with the acquisition of SiTel and excluding amortisation expenses of \$0.5 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 of \$2.4 million for property, plant and equipment, and amortisation of \$4.8 million for intangible assets in Q3 2011.*

OPERATIONAL OVERVIEW

Globally, the transition to Smartphones and the rollout of Tablet PC's continues at a rapid pace. We benefit from this transition through our close collaboration with the leading OEM vendors in these fields. This quarter also saw the launch of new Smartphone models based on our custom power management technology. Additionally, we shipped the first production devices to a major Asian OEM Smartphone and Tablet PC manufacturer of a custom Power Management IC (PMIC), leveraging our expertise in combining audio and power management in a stacked System in Package ("SIP"). We expect to see the first phones from the OEM's use of this platform to be launched in the market before the end of this financial year.

During the quarter, based on the new DECT ULE (ultra low energy) standard, we launched SmartPulse®: a series of wireless sensors and base station devices that enable the easy creation of wireless sensor networks for the home automation, security, healthcare and energy monitoring consumer markets. Furthermore, systems running SmartPulse® sensors self-configure with a home's existing DECT enabled hub or internet gateway, allowing connected systems to be simply managed over the web using a Smartphone, Laptop or Tablet PC. Panasonic was subsequently announced as the first customer for the technology for home security applications.

Our wireless technology is also now seeing increasing traction and adoption at professional headset and wireless microphone companies.

We have, as planned, completed the integration of SiTel into the wider Dialog group, with all corporate functions now operating as a single organisation. Dialog's strategy includes the pursuit of opportunities in the higher growth and higher profit market segments the business operated in. New R&D product development of the acquired business is now primarily focused on the development of low energy short range wireless and VoIP solutions.

OUTLOOK

We anticipate continuing our strong revenue momentum in Q4 2011 and expect revenue to be in the range of \$150.0 million to \$157.0 million, resulting in a successful outcome for the full financial year and full year revenue breaking through the \$500 million barrier.

As previously indicated, our gross margin remains under pressure in Q4 2011 as Dialog's product mix increasingly reflects the higher volume customer contracts and higher current material costs. However in Q4 2011, we believe our continual focus on managing our operating expenses will lead to increased operating profits. Beyond that, we continue to believe our commitment to reducing costs combined with improving supply chain market conditions will lead to improved gross margins.

Dialog Semiconductor invites you today at **09.30 (London) / 10.30 (Frankfurt)** to listen in a live conference call to management's discussion of Q3 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 (0)1452 555 566**. An instant replay facility will be available for 30 days after the call and can be accessed at **+44 (0)1452 550 000** with access code **17033252#**. 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 30 September 2011, 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 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 one of the fastest growing European public semiconductor companies. It currently has approximately 600 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