



## **DIALOG SEMICONDUCTOR ANNOUNCES ITS RESULTS FOR THE SECOND QUARTER OF 2010**

***Company reports revenue in second quarter of \$68.5 million, achieving strong year-on-year revenue growth of 52%***

**Kirchheim/Teck, Germany, 20 July 2010** – Dialog Semiconductor plc (FWB: DLG), a leading provider of high integrated innovative Power Management Semiconductor solutions, today reports results for its second quarter ending 2 July 2010.

### **Q2 2010 Financial Highlights**

- Revenue for Q2 2010 was \$68.5 million, an increase of 12.1% over the prior quarter and 52.2% over the corresponding quarter of 2009
- Net Income in Q2 2010 was \$11.2 million or 16.4% of revenue compared to \$4.9 million or 8.1% of revenue in the prior quarter
- Basic and Diluted earnings per share of 19 and 17 cents respectively in the quarter
- Expect Q3 2010 revenues to be between \$72 and \$77 million
- Reiterate 2010 guidance

### **Q2 2010 Operational Highlights**

- 2 significant new Strategic Processor partners added in quarter, further diversifying Dialog's application and customer base
- Continued ramp and market adoption of new design wins for Power Management configurable standard products for portable devices
- Success in Audio, including design wins at 2 major recognised consumer brand companies
- Intel Atom companion PMIC program accelerating with designs wins across multiple industrial and infotainment applications
- Power Management motor control ASSPs under advanced evaluation at Japanese and Korean Automotive suppliers

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

*“Dialog’s growth this quarter further underscores our confidence in our ability to grow faster than the markets we serve.*

*Our success in growing the top line and the design win momentum we are creating, through our sales channels and with our processor partners for our PMIC solutions, further validates our strategy and demonstrates how our diversification initiatives are paying dividends”, added Bagherli.*

### **FINANCIAL OVERVIEW**

Revenue in Q2 2010 was \$68.5 million, an increase of 12.1% over the \$61.1 million in the prior quarter and an increase of 52.2% on the \$45.0 million of revenue delivered in the corresponding quarter of 2009. During the quarter we also benefited from \$3.1 million sales of last time buy products within the Automotive and Industrial segment

Gross margin for the second quarter was 48.3%. This represents an increase of 2.3 percentage points over that achieved in the prior quarter and an increase of 2.6 percentage points over that achieved in Q2 2009.

Our operating expenses in Q2 2010 decreased by \$0.5 million over the prior quarter to \$21.1 million, with R&D and SG&A at 19.5% and 10.5% of revenue respectively, compared to 21.6 % and 13.6% in the prior quarter. The operating expenses included net charges of \$0.7 million for share-based compensation. Excluding the reduction in related social charge recorded during the quarter as a result of a lower share price, Q2 2010 underlying share-based compensation would have been approximately \$1.1 million.

Operating profit in Q2 2010 was \$12.0 million or 17.5% of revenues compared to \$6.6 million or 10.8% of revenues delivered in the prior quarter and \$3.9 million in Q2 2009.

Q2 2010 taxable profits continued to benefit from the utilisation of brought forward tax losses resulting in a residual minimum level tax charge mainly applying to taxable profits in Germany. A net tax charge of \$0.6 million was recorded for Q2 2010 which included a benefit of \$2.4 million or 4 cents per diluted and basic share, being a further recognition of a proportion of the deferred tax assets principally relating to carried forward losses. Consequently, the effective tax rate in Q2 2010 was 5.2%. As we have previously stated, going forward and on a quarterly basis, we will consider whether it is appropriate to continue to recognise further currently unrecognised deferred tax assets.

In Q2 2010, net income was \$11.2 million or 16.4% of revenue. Earnings per basic and diluted share were 19 cents and 17 cents respectively: This compares to a net income of \$4.9 million or 8 cents per basic and diluted share in the prior quarter and \$3.3 million or 7 cents per basic and diluted share delivered in Q2 2009.

At the end of Q2 2010, we had a cash, cash equivalents and restricted cash balance of \$131.9 million, with no debt. This represents a decrease of \$6.4 million over the cash and cash equivalents and restricted cash balance of the prior quarter and an increase of \$88.4 million over the cash and cash equivalents and restricted cash balance at the end of Q2 2009. In September 2009 net proceeds of \$59.7 million were raised from an international equity offering which contributed to the increase in cash balances over the prior 12 months.

At the end of Q2 2010, our inventory level was \$26.1 million, an increase of \$4.9 million over the prior quarter, in line with the increased seasonal demand as we enter Q3 2010.

## **OPERATIONAL OVERVIEW**

During the quarter, we have been commended by many of our customers for excellence in delivery performance as we continued the steep ramp in production with our manufacturing partners support. Our revenue was driven by our customers' success with portable devices, including smartphones, HSPA-3G cellphones, converged media devices and portable media players. Additionally we saw an increased demand for our products within the Automotive and Industrial segment. We continued to execute on our strategy of broadening custom design wins across multiple platforms within our existing customers while diversifying to new customers with our increasing range of power management and audio standard products.

In Q2 2010, we added two significant new processor vendors to our partner program, and already have working evaluation platforms developed and early customer engagements. These platforms will be launched in the next months and we expect will contribute to revenue in 2011. Through co-operating with our processor partners and leveraging their channels to market, we are now engaging with new customers and winning designs across many new portable device platforms. Configurable power management – a concept Dialog was first to introduce in 2009 – is clearly gaining industry adoption, evidenced by these design wins.

Our audio codecs are proven to have the lowest power consumption for portable applications with multiple designs wins at customers including two major reputable consumer brands in the audio industry.

Dialog's SmartXtend™ PM OLED display driver remains on track. Together with our first two module partners, we are sampling cellphone and portable device customers with engineering prototypes while we continue to optimize for maximum production yields and performance. Additionally, we expect to add a third module partner in the next months.

In the industrial and infotainment market, we have begun shipping engineering samples of a new power management and clocking device for the next generation of the Intel Atom platform and already have very high interest and multiple designs wins for this product.

In recent quarters, we have focused on bringing our Automotive technology to suppliers outside Europe. We are seeing the first signs of success with our highly integrated motor controller ASSPs, which are now currently under detailed evaluation for electric window/sunroof and windscreen wiper applications at Japanese and Korean automotive suppliers for 2012 production.

## **OUTLOOK**

We are seeing continued strong demand for our products from our customers. Our Q3 2010 revenue is expected to be in the range of \$72.0 to \$77.0 million, maintaining our upward trajectory of quarterly year over year growth since Q4 2007 and a sequential increase over the prior quarter. However, our industry is now showing signs of foundry and backend supply constraints which may affect our end customer build rate and limit our revenue upside and potentially margin levels for 2010. We maintain our outlook for the full year and remain confident in our ability to grow our revenue faster than the broader market and to deliver a successful result for 2010.

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 2010 performance, as well as guidance for financial 2010. To access the call please use the following dial-in numbers: Germany: 0800 101 2072, UK: 0800 358 0886, US: 1 877 941 2927, with no access code required. An instant replay facility will be available for 30 days after the call and can be accessed at +49 69 58 99 90 568 with access code 143103# (Germany). 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](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 2 July 2010 is available under the investor relations section of the Company's web site.

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### **Note to editors:**

Dialog Semiconductor creates energy-efficient, highly integrated, mixed-signal circuits optimised for personal mobile, 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 system power management, Dialog brings decades of experience to the rapid development of integrated circuits for power management, audio, display processing and motor control. Dialog's processor companion chips are essential for enhancing both the performance of hand-held products 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 2009, it recorded \$218 million in revenue and was one of the fastest growing European public semiconductor companies. It currently has approximately 370 employees. The company is listed on the Frankfurt (FWB: DLG) stock exchange.

### **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.