



## **DIALOG SEMICONDUCTOR REPORTS FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2012 RESULTS**

***Company confirms full year revenue of \$774 million and record full year EBIT of \$91 million***

**Kirchheim/Teck, Germany, 20 February 2013** - 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 fourth quarter ending 31 December 2012.

### **Q4 and full year 2012 financial highlights**

- Revenue in Q4 up 56% over 2011 at \$268 million. Full year revenue at \$774 million representing 47% growth over 2011
- Q4 2012 gross margin improved further by an additional 0.5 percentage points achieved in the quarter. Gross margin for the full year ended at 37.8%
- Q4 2012 underlying(\*) EBITDA(\*\*) up 80% over Q4 2011 to \$55.5 million or 20.7% of revenue. Full year underlying(\*) EBITDA(\*\*) up 39% at \$134.5 million or 17.4% of revenue
- Q4 2012 IFRS operating profit (EBIT) up 107% to \$44.5 million or 16.6% of revenue, with the full year ending at \$91.0 million or 11.8%, representing an increase of 48% over 2011
- Underlying(\*) Q4 2012 diluted earnings per share up 28% over Q4 2011 at 45 cents. Full year underlying(\*) diluted earnings per share up 7% at \$1.19
- Cash generated from operations in Q4 2012 was up 96% over Q4 2011 at \$53.5 million. Full year 2012 cash generated from operations was \$52.4 million; Cash and cash equivalents balance as of 31 December 2012 was \$312.4 million

### **Q4 and full year 2012 operational highlights**

- Continued power management smartphone and tablet design win success, across new models of leading trend-setting manufacturers
- Diversification acceleration with new product launches, new application partners added and continued ramp of new platform design wins of power management and audio at Samsung
- Continued to increase content of our products and achieved an overall company ASP approaching \$2.00 in 2012
- First member of our digital power management family incorporating ARM M0 core sampled
- Transition of PMIC technology to 0.13 um BCD, in preparation for increased future demand, 300mm production and higher integration PMIC needs
- New multi-phase buck architecture introduced - key PMIC building block - supporting the latest quad and octal ARM and Intel Atom multicore processors
- New segments for Dialog short range wireless entered with success in wireless audio with leading headset and microphone customers and penetration of home automation market with SmartPulse™

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

*"I am very pleased with the financial results Dialog achieved for Q4 and the full year 2012, delivering uninterrupted annual revenue growth for the 6th consecutive year. During the year, we improved operating margin while investing a healthy level of resources in advanced technology and new product development for both standard and custom products. Coupled with a strong balance sheet, Dialog is in an excellent position to further diversify its product portfolio and to continue its success story in 2013."*

## **Outlook**

In Q1 2013, Dialog expects to deliver year on year growth with revenue for the quarter to be in the range of \$177 to \$187 million. Q1 2013 revenue guidance reflects a seasonally low quarter partially driven by a stronger than anticipated end of year late surge in demand for smartphone and tablet products.

Gross margin in Q1 2013 will be marginally lower than in Q4 2012, reflecting the seasonally weaker first quarter. However, gross margin is expected to improve incrementally through 2013 and grow year on year.

Given the visibility we have, we remain confident about the Company's revenue growth for the full year, anticipating a much stronger second half driven by ramp of high volume new products.

## **Financial overview**

<b>IFRS</b>				<b>Full Year</b>		
	<b>Fourth Quarter</b>					
<b>US\$ million</b>	<b>2012</b>	<b>2011</b>	<b>% Var.</b>	<b>2012</b>	<b>2011</b>	<b>% Var.</b>
<b>Revenue</b>	267.7	172.1	+56%	773.6	527.3	+47%
<b>Gross Margin</b>	38.5%	36.5%	+200bps	37.8%	39.5%	-170bps
<b>R&amp;D %</b>	13.1%	14.5%	-140bps	16.5%	17.1%	-60bps
<b>SG&amp;A %</b>	8.2%	9.5%	-130bps	9.3%	10.7%	-140bps
<b>EBIT</b>	44.5	21.5	+107%	91.0	61.6	+48%
<b>EBIT %</b>	16.6%	12.5%	+410bps	11.8%	11.7%	+10bps
<b>Net income<sup>1</sup></b>	30.2	19.7	+53%	62.5	57.4	+9%
<b>Basic EPS \$<sup>1</sup></b>	0.46	0.31	+48%	0.97	0.91	+6%
<b>Diluted EPS \$<sup>1</sup></b>	0.43	0.29	+48%	0.93	0.86	+8%
<b>Operating cash flow</b>	53.5	27.3	+96%	52.4	69.6	-25%
<b>Underlying</b>	<b>Fourth Quarter</b>			<b>Full Year</b>		
	<b>2012</b>	<b>2011</b>	<b>% Var.</b>	<b>2012</b>	<b>2011</b>	<b>% Var.</b>
<b>Gross Margin</b>	38.6%	37.1%	+150bps	38.0%	40.1%	-210bps
<b>EBITDA</b>	55.5	30.9	+80%	134.5	97.1	+39%
<b>EBITDA %</b>	20.7%	18.0%	+270bps	17.4%	18.4%	-100bps
<b>EBIT</b>	47.2	26.1	+81%	107.5	79.8	+35%
<b>EBIT %</b>	17.6%	15.2%	+240bps	13.9%	15.1%	-120bps
<b>Basic EPS \$<sup>1</sup></b>	0.52	0.37	+39%	1.24	1.18	+5%
<b>Diluted EPS \$<sup>1</sup></b>	0.45	0.35	+28%	1.19	1.11	+7%

<sup>1</sup> The finalisation of the purchase price allocation ("PPA") for the SiTel acquisition has resulted in a positive 2 cents retrospective adjustment in basic and diluted EPS for the full year 2011. Further details of this adjustment are provided on the 2012 financials and selected notes document published on our website.

Revenue in Q4 2012 was \$268 million, representing a year on year increase of 56% and a sequential increase of 49% increase over Q3 2012. Demand during the last few weeks of the year was stronger than anticipated resulting in our Mobile Systems segment revenues to \$639 million for the full year 2012, 72% up compared to the prior year.

As previously indicated, Q4 2012 gross margin continued to improve for the fourth consecutive quarter, increasing 0.5 percentage points over the 38.0% achieved in the prior quarter. We continued to work with our foundry partner to make further improvements to the manufacturing process, increase yields and pursue ambitious cost reductions.

R&D investment in Q4 2012 continued to underpin our strategic agenda of continuous innovation, extending our product portfolio for portable platforms and broadening of our customer base. We have managed closely our R&D programmes throughout 2012. As a percentage of revenue, R&D costs for the full year 2012 were 60bps below that of 2011.

SG&A in Q4 2012 stood at 8.2% of revenue, remaining amongst best in class in our industry and representing 9.3% of revenue for the year as a whole, 140bps lower than in 2011.

We achieved a record EBIT of \$44.5 million in Q4 2012, more than double what we delivered in Q4 2011. The full year EBIT growth of 48% was fundamentally driven by the robust performance of our Mobile Systems segment.

In total, a net tax charge of \$11.7 million was recorded in Q4 2012. The strong financial performance of our business resulted in an overall effective tax rate for Q4 2012 of 27.9%, taking the full year effective tax rate to 27.4% compared to 6.6% for full year 2011. The lower effective tax rate in 2011 was due to the use of cumulated German tax losses at that point. We expect the tax rate to peak in 2013 at around 30%.

Net income and EPS improved sequentially and year on year in Q4 2012 despite the 2012 increase in effective tax rate. Diluted EPS in Q4 2012 was 48% higher than in the same quarter of 2011, resulting in a full year 2012 fully diluted EPS year on year growth of 8%.

At the end of Q4 2012, our total inventory level was \$152 million (or ~81 days), a small anticipated increase of \$7 million over the prior quarter but a 19 days reduction in our days of inventory. We feel this level is appropriate in order to service our current customer backlog as well as the expected demand of the business during the next two quarters.

At the end of Q4 2012, we had cash and cash equivalents balance of \$312.4 million. In the fourth quarter alone we generated \$33 million of cash or \$29 million of free cash flow(\*\*\*), in line with the strong cash generation profile of our business. For the year 2012 as a whole the decrease in operating cash flow generated was mainly attributed to the necessary increase in inventory to service the growing demand of the business.

*(\*) Underlying results in Q4 2012 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of \$1.6 million, excluding \$0.9 million of amortisation of intangibles associated with the acquisition of SiTel Semiconductor B.V. (now Dialog B.V.) and excluding \$1.5 million noncash-effective interest and financial expense in connection with the convertible bond and discounted purchase prices. 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 and amortisation for intangible assets (Q4 2012: \$8.8 million)*

*(\*\*\*) Free cash flow is defined as net income plus amortisation and depreciation, plus/minus change in working capital, minus capital expenditure and plus/minus interest expense/income.*

## Operational overview

In Q4 2012, we won additional new custom PMIC designs at our Tier 1 trendsetting accounts. Through our Processor Partner Program initiative, we also added new design wins for our standard product PMICs at the emerging white box players for both smartphone and tablets. Identification of diverse future revenue streams has been a key focus of the Company in 2012. Several new products were ramped into production and our sustained investment in R&D will allow us to introduce new products through 2013. We won new custom smartphone platforms at Samsung and the business continues to ramp as new phones are introduced for the different global markets based on these platform wins.

Dialog continued to lead in delivering the highest level of PMIC integration for smartphones and tablets, as we integrate more functionality into the PMIC. This allowed us to increase the Average Sales Price (ASP) of our products from \$1.70 in 2011 to nearly \$2 in 2012.

During 2012, we have taken major steps in transitioning our power management IP (intellectual property) to 0.13 micron BCD technology from 0.25 micron today. This smaller geometry allows us to even further increase the level of functionality we can integrate into our PMIC's, including the integration of increased digital power management functionality. Additionally, it gives us access to increased manufacturing capacity at our foundry partners and a future platform to transition to 300 mm wafer manufacturing. The first products will begin sampling by Q4 2013.

Our R&D investment continued to deliver exciting product innovations. A new multiphase buck architecture - key PMIC building block - was introduced. This allows our devices to more efficiently deliver the increased current demands of smartphones as the application processors rapidly transition to quad and octal core based architectures. The ARM® Cortex™ M0 core was integrated into our first PMIC devices, supporting the trend of the transition to more digital power management based control, including faster charging and more accurate battery fuel gauge monitoring.

For low energy short range wireless, in 2012, we focused our R&D and sales efforts on addressing faster growing segments including the wireless microphone, headset and smarthome connectivity markets, achieving already the first design wins. Dialog's wireless audio technology offers lower latency and interference free operation while our Smartpulse™ - DECT ULE based technology - allows devices to be more easily connected to the cloud and controlled from a smartphone or a tablet.

\* \* \* \* \*

Dialog Semiconductor invites you today at 09.00 am (London) / 10.00 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 2012 performance, as well as guidance for Q1 2013. 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**, with no access code required. 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 86698933#. 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>

Full release including the Company's consolidated income statement, consolidated balance sheet, consolidated statements of cash flows and selected notes for the period ending 31 December 2012 is available under the investor relations section of the Company's website at:  
<http://www.diasemi.com/investor-relations>

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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, and with a technology portfolio including audio, short range wireless and VoIP technology, Dialog brings decades of experience to the rapid development of ICs for personal portable applications including smartphones, tablets, digital cordless 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 2012, it had \$774 million in revenue and was one of the fastest growing European public semiconductor companies. At the end of 2012 it had approximately 800 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.