
— PARTICIPANTS**Corporate Participants**

Leanne K. Sievers – Executive Vice President-Investor Relations, Shelton Group
Vincent Tai – Chairman & Chief Executive Officer
Lily Dong – Chief Financial Officer

Other Participants

Craig A. Ellis – Analyst, Caris & Co., Inc.
Randy Abrams – Analyst, Credit Suisse Securities (Taiwan) Ltd.
Bill Lu – Analyst, Morgan Stanley Asia Ltd.
Jay Srivatsa – Managing Director-Equity Research, Chardan Capital Markets LLC
Aalok K. Shah – Analyst, D. A. Davidson & Co.
Quinn Bolton – Analyst, Needham & Co. LLC
Ping Heng Wu – Analyst, Barclays Capital Securities (Taiwan) Ltd.

— MANAGEMENT DISCUSSION SECTION

Operator: Good morning and welcome to RDA Microelectronics' First Quarter 2012 Financial Results Conference Call. At this time all participants are in a listen-only mode. [Operator Instructions] As a remainder this conference call is being recorded today, Tuesday, May 3, 2012.

I would now like turn the call to Leanne Sievers of Shelton Group. The Investor Relations Agency for RDA. Leanne, please go ahead.

Leanne K. Sievers, Executive Vice President-Investor Relations, Shelton Group

Good morning and welcome to RDA Microelectronics' First Quarter 2012 Financial Results Conference Call. Joining the call today are Vincent Tai, Chairman and CEO; and Lily Dong, Chief Financial Officer.

Vincent will begin today's call with the discussion of the financial results and also provide an overview of the product and market strategies. Lily will then discuss the financial results in more detail followed by the second quarter 2012 outlook.

This morning RDA issued a press release announcing its first quarter 2012 financial results which is available on the company's website at www.rdamicro.com. This call is being broadcast live over the Internet and the audio of this call will be available on the Investor Relations page of the company's website.

Before management's prepared remarks, I'd like to remind everyone that this conference call will contain forward-looking statements that are not historical facts but rather are based on the company's current expectations and beliefs. RDA's actual results may differ materially. Please refer to the company's SEC filings for detailed information.

In addition, non-GAAP financial measures will be discussed during this call. Reconciliations in the most directly comparable GAAP financial measures are included in the earnings release on the website.

And now, I'd like to introduce Vincent Tai, Chairman and CEO of RDA Microelectronics.

Vincent Tai, Chairman & Chief Executive Officer

Thank you, Leanne. Hello everyone, and thank you for joining us today. I will begin with a overview of our financials and a discussion of our business in the first quarter 2012, and then turn the call over to Lily for a more comprehensive review of our financial results and first quarter outlook. After our prepared remark, we will open the line for questions.

I'm once again pleased to report strong financial results in which we exceed our guidance for the quarter. Revenue grew by more than 30% year-over-year to \$72 million. We continued to increase shipment volumes of our Power Amplifier and Bluetooth products as demand strengthened more than expected following the Chinese New Year holiday. Strong late quarter shipments for these products offset the price declines that we had expected and discussed on our last earning call.

Also during the quarter, we achieved solid margin performance, expanding gross margin to 35.9%, while operating margin remained at 20%. As a result, we generated \$18.8 million of cash from operations. One other notable statistic in the first quarter, RDA reached 2 billion cumulative IC units shipped since our inception.

In addition to our continued financial success, RDA achieved a very important milestone last quarter with the acquisition of Coolsand's baseband IP. The addition of baseband products complements our market leading handset product offerings and significantly expand our total addressable market and silicon content per handset. Besides the immediate opportunities in the 2G market, strong market share in 2G will help RDA position itself to capture revenue from the potentially huge low cost market in China and the emerging markets as the transition to 3G accelerates.

Before I discuss our Coolsand acquisition and market outlook in more details, let me provide a brief update on the pricing environment that I discussed on the last call. In the PA market, as we mentioned before, we saw some of our multi-national competitors lower prices on a more aggressive manner in an attempt to regain lost market share. Some also recently announced on their earning calls that they intend to stay competitive in the 2G market. This indicated that they still view 2G as a good market that can provide meaningful revenue opportunities, and we agree with this assessment.

Furthermore, we believe RDA's strong technology position in 2G will allow us to continue to deploy core enhancements and reduce sourcing costs. For example, we launched our RDA 6645 PA, which contains a lower cost switch and IPD in a 5x5 package that has the smallest footprint in the industry. We believe the competitiveness of our PA product will support continued market share gains.

We have shipped more PA and Bluetooth product last quarter than we did in Q4. In fact, the shipment of both our PA and Bluetooth in the first quarter exceeded what we did in Q3, which was our strongest quarter in 2011. We believe that having record shipment in a down quarter is a very strong indicative evidence of our continuing momentum in the 2G market.

As we discussed last quarter, Bluetooth pricing was also under pressure due to a major competitor dropping prices to clear out inventory of their older 110-nanometer Bluetooth products. Our 55-nanometer solutions remain generations ahead of our competition. This allows us to maintain our cost leadership and margin in this product category.

In addition, we are launching our second generation 55-nanometer Bluetooth product this quarter, which will further increase our Bluetooth gross margin. However, we do expect Bluetooth shipment

in the 2G market will start to decline. This is the result of Bluetooth and FM being integrated into baseband for the low-end market. In fact, RDA will be leading this trend as we are launching a baseband product with integrated Bluetooth and FM this quarter.

These highlights RDA's intention of leading the integration race, and we expect to convert some revenue from current stand-alone products into baseband share gains through higher-level integration. We will examine our entire product portfolio and try a unified strategy to optimize our long term growth.

While we are pleased to be able to respond swiftly and effectively to market changes and protect our industry leading position in our current product, we see even greater opportunity ahead as we expand our addressable silicon through the addition of baseband, gain further share in 2G and expand our product portfolio in 3G. Let me begin with baseband.

As previously announced, we acquired all of Coolsand's IP at the end of March and we have since hired 42 of its development and support staff to fully integrate this technology into RDA. We have previously validated the market opportunity in baseband with fully integrated product combining Coolsand's 2G IP with RDA's RF technology.

Within a few [ph] weeks (07:19) of the IP acquisition, we launched the market's first high-performance 55-nanometer highly-integrated 2G baseband. The new 55-nanometer product includes a single chip baseband with Bluetooth and FM integrated into the same package via System-in-Package, or SIP. We started shipping this new baseband product in April. We are now focusing on transitioning Coolsand customers to our new 55-nanometer device.

Based on customer feedback and design activity, we expect to gain notable market share throughout 2012 with this industry leading solution. Another point worth mentioning is that RDA's new baseband is capable of running at 300MHz, which is the fastest among all current 2G baseband chips in the China market. This will enable us to start working with some of our customers along with third-party software suppliers to explore opportunities in the mid-end feature phone market. This will further enhance our position as a full-fledged 2G baseband supplier.

In addition to the successful launch of RDA's first integrated baseband product, we are moving aggressively on our new product roadmap to launch more advanced products for the 2G market, including cost down version. Even taking into account the scheduled product launches from our competition's road maps, we believe RDA will remain one generation ahead of our 2G baseband competitors in terms of product integration throughout 2012.

We also plan to move into higher value devices, starting with our 2.75G EDGE smartphone baseband, which we will launch by early 2013. Our first 3G integrated baseband solutions for WCDMA and TD-SCDMA will be launched later in 2013, further expanding our addressable market and silicon content of this rapidly growing market in China.

In addition to our baseband product roadmap, we continue to aggressively implement our new product initiative for our other cellular and connectivity products.

As the market share leader in several of our products in China, we anticipate continuing significant 2G handset volumes over the next couple of years, primarily driven by emerging markets outside of China. As I have stated in the past, we continue to see ongoing volumes growth opportunity in India, Africa and Latin America. New cell phone users in these markets are primarily voice-driven customers in rural and underdeveloped area not yet ready for 3G services. These users will still favor low cost 2G handsets, where we have leading market share. We anticipate that these trends will drive continued volume growth for our other cellular products, in particular our PA products, in the near future.

While 2G remains a high volume market opportunity for RDA over the next several years. We are working to aggressively expand our content in low cost smartphone and 3G solution as we begin to see higher volume opportunities in China. Handset manufacturer continue to lower the total cost of ownership for smartphone so that they will become more affordable to a larger portion of the Chinese and emerging markets' population. Various third-party figures suggest smartphone made in China will represent approximately 20% of the global market by 2015, and this would still only reflect between 20% and 30% penetration.

With rapid volume growth in smartphone handset solutions and intense competition leading to more competitive pricing, the China smartphone market represents a significant growth opportunity for RDA due to our low cost structure, higher efficiency, proximity and long-standing relationships with our customers.

Design activity surrounding our Wi-Fi combo chip is progressing very well. We have started shipping the product to customers in this quarter, ahead of our original schedule. Sampling of our WCDMA PA is also on track, and we expect that it will begin to generate revenue in the second half. We also recently announced sampling of the RDALN16, our low noise amplifier for GPS applications on smartphones, further diversifying our silicon content capabilities.

Each of these products as well as our future product launches will significantly expand our silicon content value, as well as our addressable market through the continued expansion of smartphone, first in China and then in the developing world.

I will now turn the call to Lily to give you more detail about performance in the first quarter 2012, and our guidance for the second quarter 2012. Lily?

Lily Dong, Chief Financial Officer

Thank you, Vincent, and hello, everyone. I will start by reviewing our performance in the first quarter 2012. Unless specifically noted, all figures quoted are on a GAAP and a U.S. dollar basis.

First quarter revenue was \$72 million, exceeding our guidance range of \$69 million to \$71 million. Revenue increased to 30.5% compared to the same quarter last year, and decreased 12.6% sequentially, better than the seasonal 14% to 16% decline we originally expected. We achieved record shipment volumes for both PA and the Bluetooth in a seasonal weaker quarter, which offset the greater than normal ASP erosion for these products.

Product mix remained similar to the previous quarter. Cellular revenue was over 50%, connectivity was slightly over 30% and broadcast was just under 15%.

Turning to our margins. Gross margin expanded again in the first quarter to 35.9%, beating the high end of our guidance. The gross margin performance was mainly the result of aggressive cost reductions for our Bluetooth products.

Operating expenses were \$11.5 million, a sequential decrease of 9.2%. Our R&D expenses benefited from the recognition of a \$1.6 million government grant for TD-SCDMA product development. The government grant was one-time in nature, and we do not expect any material government grants to offset our R&D spending in the following quarters. SG&A also decreased in the quarter on lower employee compensation cost.

As a result of our increased gross margin and lower operating expenses, operating margin for the first quarter remained 20%, in line with our target model.

Non-GAAP net income was \$15.1 million, compared to \$8.5 million for the year-ago period and \$17.4 million in the previous quarter. Non-GAAP net income excluded \$0.7 million in stock based compensation and \$0.5 million in amortization of acquired intangibles. Non-GAAP net income per diluted ADS in the quarter was \$0.33, compared to \$0.18 for the year ago period and \$0.39 in the previous quarter.

Turning to the balance sheet and the cash flow, we ended the first quarter with a very healthy balance sheet. Cash at the end of the quarter was \$142.9 million, which was similar to the cash level in the prior quarter.

During the quarter, we generated \$18.8 million of cash from operations. The \$18.8 million does not include an \$11.8 million offset of receivable from Coolsand procurement against a portion of the consideration payable by us for the Coolsand acquisition. We paid a net \$8.2 million in cash to Coolsand and \$8.5 million to Trident for IP acquisitions.

Inventory declined by \$6.8 million, mainly due to stronger than expected PA and Bluetooth sell-through after the Chinese New Year. Accounts receivable decreased by \$19.3 million during the quarter, reflecting typical collection activity plus settlement of the Coolsand outstanding receivables.

And now, I would to provide our financial guidance for the second quarter of 2012. Based on our current business outlook, we expect revenue in the range of \$94 million to \$100 million, an increase of 40% to 48% year-over-year and 31% to 39% sequentially. The strong sequential and year-over-year growth in revenue is mainly driven by the addition of 55-nanometer baseband product shipment beginning in April.

With the addition of baseband revenue, we expect cellular revenue in the second quarter will exceed 60% of total revenue, while the connectivity revenue contribution will drop to around 20%, and the broadcast below 15%.

We expect our gross margins to be in the range of 30.5% to 30.9%, reflecting the impact of lower gross margin of baseband products, as we discussed previously. This also includes some effect from the previously mentioned PA pricing pressures. We anticipate returning to our targeted model of 35% gross margin levels as we exit 2012 through the following efforts:

Firstly, we will improve baseband gross margin through the introduction of our next generation baseband product 8851. Our 8851 product is a single die solution on 55-nanometer, fully integrated with baseband, RF transceiver, Bluetooth, FM, PMU, class K audio amplifier and a 32k crystal. In addition, we're also saving a SAW. The die size of our 8851 is as small as our competitor's 40nm digital baseband die size, while our competitor needs extra die on 152nm for RF in addition to the extra components for Bluetooth and FM. We are convinced that RDA 8851 will have the market's lowest cost structure, which will enable us to gain market share and expand our gross margin.

Secondly, we will continue driving cost down efforts for PA products through design enhancements and a lower material and assembly cost through alternative sourcing.

Thirdly, we expect our mix of high margin products such as Wi-Fi combo-chip and the 3G PA will increase as volume of low cost smartphones in China continues to ramp in the second half of the year. As a reminder, beginning with the second quarter, we expect to record \$0.5 million and \$1.9 million for non-cash amortization of Trident and the Coolsand IP purchase, respectively. These quarterly amortization amounts will be excluded in our Non-GAAP figures.

One last comment for modeling purpose. With the Coolsand acquisition, RDA share count in the second quarter will be approximately 45.3 million ADR shares for basic, and 47.9 million for diluted.

And now, Vincent and I are happy to answer your questions. Operator, please open the line.

corrected transcript

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from Craig Ellis of Caris & Company. Please go ahead.

<Q – Craig Ellis – Caris & Co., Inc.>: Thanks for taking the question and congratulations on the very strong results. Vincent, there's clearly a lot of product that's coming online for smartphones as we work through the year. Can you just step up to a higher level and talk about the mix of your business going from 2G towards smartphone as we go from here through the fourth quarter of the year?

<A – Vincent Tai – RDA Microelectronics, Inc.>: I think for the baseband standpoint, I think, again, we will start launching a 2.75G EDGE base smartphone baseband beginning of 2013. [ph] For our other Bluetooth product (21:24) again we are sampling a PA product for WCDMA market. We have been shipping a [ph] TDPA (21:31) product and we are start shipping a Wi-Fi/FM combo chip this quarter also.

So those product will help us to address some of the – do phones with 3G or smartphone opportunity especially the Wi-Fi/FM combo product. I think the product design activity is quite well and I think our shipping is ahead of schedule. So we think that product should be a very significant product for us going forward for the smartphone market and the 3G market.

<Q – Craig Ellis – Caris & Co., Inc.>: And from a percent of sales mix standpoint, is it possible to quantify what smartphone sales would be as we exit the year? Would 10% be a reasonable proxy or do think it will be higher or lower than that?

<A – Vincent Tai – RDA Microelectronics, Inc.>: Well, I think that because one complication is that to go with the 2G baseband shipment will be a big part of revenue also. Then from an absolute dollar standpoint, I think the revenue from the 3G will grow quite substantially. But our revenue mix, there won't be close to 2G [ph] data (22:28) that we have and a big portion of the 2G revenue to our overall revenue mix. Therefore, the revenue mix itself may not increase that much, but the actual number should increase quite significantly.

<Q – Craig Ellis – Caris & Co., Inc.>: Good point. Switching gears and turning to Lily. Lily, given the pricing dynamics that you saw in the marketplace in the first quarter, can you just talk a little bit further about the assumptions that you have on pricing that are embedded in the second quarter guidance for 30.5% to 30.9%?

<A – Lily Dong – RDA Microelectronics, Inc.>: Craig, 35% to 39%, are you saying – oh, you mean the revenue growth, right? All right, so for Power Amplifier, we saw the like-for-like product in the past few years, as ASP erosion is around 15% to 20%. But based on the current pricing environment, we think that the price erosion for 2012 will be greater than 25%. So that is how I assumed for the ASP erosion for Power Amplifier for the rest of the year including the second quarter.

And then for the baseband, because now RDA is already the lowest in the market in terms of the cost, so we do not expect a dramatic ASP erosion in the following two to three quarters. And as for the Bluetooth, we do expect that the ASP should be stabilized a little bit due to the change of integration in the second half. And so that is how we assumed the ASP assumption for the second quarter.

<Q – Craig Ellis – Caris & Co., Inc.>: Okay. Thank you. And then just one more question for me on the operating expense side of things. Given that the growth that you're seeing in the business and the increasing breadth of the product portfolio, as we look at operating expenses through the

year, Lily, how should we think about their trajectory of operating expense beyond the second quarter?

<A – Lily Dong – RDA Microelectronics, Inc.>: All right. So let me first start with the second quarter. Second quarter, if we take away the share-based compensation amortization of Coolsand's and Trident's IP, we expect that the non-GAAP operating expenses would be around 15% to 16% of revenue.

R&D expenses will be higher than the previous quarter mainly for the incremental development cost related to 3G and smartphones baseband development. SG&A expenses will be roughly flat. As I mentioned in the earlier call for Coolsand announcement, we expect the incremental expenses relating to WCDMA and the TD-SCDMA baseband development in 2012 to be around 1% to 2% of consolidated revenue and we will remain pretty comfortable with this guidance.

<Q – Craig Ellis – Caris & Co., Inc.>: Great. Thank you and good luck.

<A – Lily Dong – RDA Microelectronics, Inc.>: Thank you.

Operator: Our next question comes from Randy Abrams of Credit Suisse. Please go ahead.

<Q – Randy Abrams – Credit Suisse Securities (Taiwan) Ltd.>: Yes, good evening. First question for Vincent, you talked a bit about targeting the mid-end baseband market or smart feature phone. Could you talk about how quickly you'll start targeting that segment and whether you can get premium pricing on the baseband for that or you plan to sell the existing chip same pricing? And if there is any development costs to go with pushing into that part of the market?

<A – Vincent Tai – RDA Microelectronics, Inc.>: That market, I think – we starting working with the customer on design now. It takes four to five months, we expect that sometime in late Q3, we should start seeing shipments for the mid-end feature phone market. For the very high-end feature phone market, I think that market will eventually be compressed either way by the low-end [indiscernible] (27:09) phone especially the EDGE space market. So, I think that market will correlate. So we think – we intended [indiscernible] (27:11) in 2013 to EDGE-based smartphone for that market.

So the current product can address the mid low-end and mid-end market. And the mid-end market basically, we are working with some of the – because the quality we sell (27:34) pretty sufficient to – and just some high-end feature. So we're working with some software developing product and develop some high-end feature to help us market the product. So sometime in Q3 – I think, it will be some time in Q3 we will see shipment of that product and depends on how competition reacts to the market, the follow-up may not achieve a premium pricing. But the ASP will be higher, The gross margin itself I think will be, depends on how our competitor will react to our entry into the [ph] medium (28:07) market.

<Q – Randy Abrams – Credit Suisse Securities (Taiwan) Ltd.>: Okay and a follow up on the 8851 which is your next baseband integrating Bluetooth. Could you talk about how quick a ramp you expect for that product?

<A – Vincent Tai – RDA Microelectronics, Inc.>: Now we have two integrated products. One is the one we are shipping now which is 8853 which is integrated based Bluetooth FM using SIP. The 8851 will be launched in the next few months, will be launched in the next few months. I think that the ramp there should take less than six months.

<Q – Randy Abrams – Credit Suisse Securities (Taiwan) Ltd.>: Okay. And with that product, do you expect baseband would be close to corporate average or do you think because of competitive dynamic you expect base...

<A – Vincent Tai – RDA Microelectronics, Inc.>: We feel the gross margin for the product should be quite decent.

<Q – Randy Abrams – Credit Suisse Securities (Taiwan) Ltd.>: Okay. And you're leading I think, what you said in your remarks about Bluetooth integration on baseband, but maybe talk about what you see from competitors integrating Bluetooth. If you're seeing other chipsets in the market and implications for that. I guess, how you're seeing the Bluetooth market over the next few quarters from a unit perspective whether it will start to decline at a faster pace now?

<A – Vincent Tai – RDA Microelectronics, Inc.>: Yeah, I think once we launched integrated product and I think one of our competitor might also launch a two die solution for the integrated product. I think we – until the end of this year, we will remain to be the only company to have a single die Bluetooth FM baseband integrated product.

One of my competitor, I think they will be launching a two die solution, not single die solution. So I think once we launch our product and they launch their product, the marketing power will quickly migrate into a baseband Bluetooth integrated solution. So if that happened quickly in our Bluetooth power declined quite very rapidly also during the beginning of the shipment

<Q – Randy Abrams – Credit Suisse Securities (Taiwan) Ltd.>: And last question I want to ask is if you take a broader market perspective now, a lot of your products are still feature phone. Next one to two quarters just how you're seeing overall demand and how inventory looks in the channels you're selling into over next three to six months?

<A – Vincent Tai – RDA Microelectronics, Inc.>: We think in March – if you look by our Q1, we had a very strong Q1. So I think the unit shipment for 3G based feature phone still will be okay for this year. We don't see any meaningful decline this year. I think what bothers you will go away with it. I think we're still holding our position or market will go a little bit for 2G feature phone market. I think we'll continue to gain market share.

<Q – Randy Abrams – Credit Suisse Securities (Taiwan) Ltd.>: Okay. Thanks a lot guys. Have a good evening.

<A – Vincent Tai – RDA Microelectronics, Inc.>: Thank you, Randy.

<A – Lily Dong – RDA Microelectronics, Inc.>: Thank you.

Operator: Our next question comes from Bill Lu of Morgan Stanley. Please go ahead.

<Q – Bill Lu – Morgan Stanley Asia Ltd.>: Hi. Yeah. Good evening Vincent and Lily. A few questions from me. One is on the baseband side, you talked about [indiscernible] (31:03) with Bluetooth in the package in 2Q I'm wondering if there's a gross margin, so maybe a gross margin difference between that and the baseband with RF chips that you have previously. And also, what will be the mix in 2Q between these two offerings?

<A – Vincent Tai – RDA Microelectronics, Inc.>: The 55 nanometer baseband products have better gross margin than the previous Coolsand 130 nm baseband products. And the 8851 that we'll be launching next quarter, there isn't a better gross margin than our current 55-nanometer baseband product.

<Q – Bill Lu – Morgan Stanley Asia Ltd.>: Okay, if you look at 2Q, what do you think is a mix of the baseband that sells Bluetooth versus the baseband?

<A – Vincent Tai – RDA Microelectronics, Inc.>: Hi, I'm sorry, you were breaking up, can you repeat your question again?

<Q – Bill Lu – Morgan Stanley Asia Ltd.>: Yeah, I am sorry, I'm on a cell phone. So if you look at the second-quarter, what do you think is going to be the percentage of the baseband shipments that comes – that ships with a Bluetooth?

<A – Vincent Tai – RDA Microelectronics, Inc.>: Revenue now, I don't have a very good idea. I believe eventually after 4, 5, 6 months, I think the percentage will be probably over 60%, over even 70% if you join them with Bluetooth, and then the other 20% to 30% would be without Bluetooth.

<Q – Bill Lu – Morgan Stanley Asia Ltd.>: Okay, great. And then on your EDGE smartphone, can you help me with what that might look like in terms of specs, what kind of ARM core you'll be using, what is the clock speed, etc.?

<A – Vincent Tai – RDA Microelectronics, Inc.>: Well, the part's still under development so we don't have all the detail yet. Because that's the part to be launch in beginning of 2013. But I think the part will be very competitive in terms of clock rate and performance compared to our competitors.

<Q – Bill Lu – Morgan Stanley Asia Ltd.>: Okay, when you said that people do in the front end chip, I think, something [ph] you've thrown in consistently in the export (33:17) in terms of doing software is quite a challenge. If you looked at your head count, in your resources on a software side. Is that enough to end your development?

<A – Vincent Tai – RDA Microelectronics, Inc.>: We believe so, if – we are adding people steadily. So I think we'll have sufficient people to satisfy the talent development need. I think, we also welcome some outside party also. So we see a different combination of also some of the work and they do some on the sales side of things. I believe so I think we do have efficient and sufficient people and resources to develop a competitive and strong product.

<Q – Bill Lu – Morgan Stanley Asia Ltd.>: Okay, great and then last question for Lily. If you look at – and so you talked ASP for the PA, down more than 25% year-on-year. What is the progression there in terms of the first half of the year versus the second-half?

<A – Lily Dong – RDA Microelectronics, Inc.>: Yeah. I think that first-half is more, in our view the first half is more dramatic than the second half, because especially the fourth quarter and the fourth quarter our competitor has been very aggressive. But considering now RDA already has the lowest peer cost in the market. We believe that our competitors are hurting their gross margin greatly, in order to win back the market share.

And so unless they could launch lower cost than RDA, it's very hard for us to believe that they could – too compete successfully. So we think the ASP in the second half especially considering the third quarter is the peak quarter of the year, and the people will even fight for capacity. So we think the time the ASP would be stabilized a little bit and so in our assumptions, the first half ASP erosion would be greater than the second half.

<Q – Bill Lu – Morgan Stanley Asia Ltd.>: Okay. Great. Thanks very much.

<A – Vincent Tai – RDA Microelectronics, Inc.>: Thank you, Bill.

<A – Lily Dong – RDA Microelectronics, Inc.>: Thank you, Bill.

Operator: Our next question comes from Jay Srivatsa of Chardan Capital Markets. Please go ahead.

<Q – Jay Srivatsa – Chardan Capital Markets LLC>: Yeah. Thanks for taking my question. On the topic of software, looks like some of your competitors appear to be supporting Android 2.4, 2.3 or Android 4.0. In some of their chipsets positioning towards it the low-cost smartphones. As you look beyond your feature phone product line, what's your plan to continue to invest in software and support some of these Android platforms going forward?

<A – Vincent Tai – RDA Microelectronics, Inc.>: I think, we are steadily adding people to support the Android platform development. And we also believe that their lower market, they might not use the latest version of the Android. So as most of my competitors are using a somewhat older version of the Android. So I think – I believe that it was market look for also, and I think, again, from a head count standpoint, I know there was a lot to consult there but we believe that with the in the head count we're adding, with head count we have on hand. We think we should have enough people to deliver a strong platform.

<Q – Jay Srivatsa – Chardan Capital Markets LLC>: All right. In terms of gross margins, clearly Coolsand has had a negative impact in their margin profile for Q2. And you're betting on 8851 to potentially increase your margins back to your previous target level. How do you see the ASP trends between now and when you launch that product to be able to have enough confidence to believe that there will be improvements in margins towards your target level versus what we're seeing currently out there today?

<A – Lily Dong – RDA Microelectronics, Inc.>: Let me first address your question on how – why we believe the gross margin will be expanded to 35% at the end of this year. As I mentioned in my prepared remarks, so the gross margin for most of our products now is about our target model except for baseband under 2G PA. The baseband business is roughly 2 basis points diluted to gross margin consistent with what we communicate during the quarter announcement conference call.

And we think – although we believe our PA cost is the lowest in the market and that we are continuing the efforts to drive the cost even lower so that the design enhancement are [indiscernible] (38:32). And with our competitors are still very aggressive and which may not be long term sustainable given their cost structure.

Our 3G PA gross margin is much held our target model and so that the Wi-Fi/Bluetooth/FM combo as well. So, we believe as we're transitioning from feature phones to smartphones in China accelerates, our plan needed gross margin for both Power Amplifier and that the Wi-Fi will be benefited. And then in addition through the 8851, Vincent could add a little bit more, We believe the total cost of our solution is way below our competitors that enable us to compete very efficiently, while expanding our gross margin.

<A – Vincent Tai – RDA Microelectronics, Inc.>: Yeah, to add to Lily, I think because the level of integration we have with the 8851, even if the baseband, accept the same cost, the external (39:48) component allows us to save a 25% to 40% of saving compared to our competition's upcoming baseband product. So, with that cost delta on a system level, we think we have plenty of room to sustain our gross margin even if the ASP become very competitive.

<Q – Jay Srivatsa – Chardan Capital Markets LLC>: Okay. Last question, on the Trident acquisition of the IP. What's your plan in terms of integrating some of that IP and what kind of timeline are you looking at?

<A – Vincent Tai – RDA Microelectronics, Inc.>: Again, as we mentioned in the previous statement, we planned – this is a two, three year [indiscernible] (40:29). We have partnered with Trident IP for a product that will be launched two years later. We are starting a small team already developing our digital TV and NL TV product. But we expect that it will take us two year to launch a

product effectively against the competitor. So again, the Trident IP will not produce revenue for another two years.

<Q – Jay Srivatsa – Chardan Capital Markets LLC>: Thank you very much.

<A – Vincent Tai – RDA Microelectronics, Inc.>: Thank you.

Operator: Our next question comes from Aalok Shah of DA Davidson. Please go ahead.

<Q – Aalok Shah – D. A. Davidson & Co.>: Hello. Thanks, Vincent and Lily for taking my question. If I can just follow up on a question about the 3G PA. How should we view the pricing environment for 3G PA? I know I understand that it should be better for a while, but I'm assuming that we'll start to see some pretty strong ASP degradation. Can you again walk us through how we should view the 3G PA market from both the top line and even from an ASP perspective for the next few quarters?

<A – Vincent Tai – RDA Microelectronics, Inc.>: I think for the second half of this year, we start ramping up our shipment. So I don't think we will gain meaningful market share, we will gain some market share in the second half of this year. I don't think the market share gain will be enough to drive the ASP down too aggressively. So I think that for the rest of this year, the ASP should be okay.

I think starting next year the ASP, as we gain market share, I think that our competition will start to defend their market share. At that time next year, the ASP decline will probably be more significant. I think I believe that eventually when the market becomes huge, eventually the market will be very, very competitive. We expect the gross margin to be similar to the 2G PA a couple of years ago but not last quarter.

<Q – Aalok Shah – D. A. Davidson & Co.>: Okay. And it's helpful. And so then if we think about from that perspective, longer term the gross margin – I know you're guiding 35% exiting the year, but should we start to think about that maybe starting to ease as we go into 2013? I know that's further out, but just given that you will see a bigger percentage of revenue coming from baseband as well as even some 3G PA starting to see some ASP pressure. Should we think about gross margin kind of drifting back towards where we were maybe late last year?

<A – Vincent Tai – RDA Microelectronics, Inc.>: I think 35% should be a sustainable gross margin for next year.

<Q – Aalok Shah – D. A. Davidson & Co.>: Okay. And then can you discuss little bit how we should think about the Trident acquisition, how we should view the revenue opportunities there?

<A – Vincent Tai – RDA Microelectronics, Inc.>: I think the eventual opportunities is quite large, I think some of our competition together – particular is our two Taiwan competitor, together their revenues for the TV set-top box and monitor altogether they're running to right now is \$6 billion. So we look at that as a \$5 billion to \$1 billion revenue potential market. However, again, we won't see revenue from the market for another two years, because that's how long it takes for us to develop a competitive product for their market.

But eventually, I think Smart TV, Connect TV will be a substantial market and this our last synergy in the Smart TV market compared to the smart market, because some of the storage system and our operating system will be most likely a pie, a crossover from smartphone to the panel, to the computer to the Smart TV market. So some of the [indiscernible] (43:59) we will develop for the smartphone would be applicable to the TV market. And some of the TV technology we have, we can also out in the baseband also allow us to provide high performance, video performance on the

smartphone also. So that's how we visualize synergy in between our TV product and a smartphone product going forward. But again, we won't see any revenue for another two years.

<Q – Aalok Shah – D. A. Davidson & Co.>: Sure and then last question, in terms of supply of wafers. Are you seeing any kind of supply constraint this year or is there anything on those lines with GaaS Galium Arsenide? And given that we're trying to see a pickup or potentially a pickup in Q3, Q4, how do you think the pricing for wafers will look like in the back half of this year?

<A – Vincent Tai – RDA Microelectronics, Inc.>: Yeah, I think you're correct the supply is tightening out from wafers from the foundry. We see that the change of aggressive price drop is not realistic at this point. I think most products will hold the pricing, because the price is very tight. So I think the key focus now really to obtain sufficient capacity for next two quarters that's our priority right now. We're working with the foundry we're closing make sure we secure enough capacity to support our revenue growth, that's our priority right now.

<Q – Aalok Shah – D. A. Davidson & Co.>: And just so I'm clear. How do you guys structure your contrast of these boundaries, I mean is it structured on a yearly basis or you have guaranteed purchase commitments or is it on a per quarter basis?

<A – Vincent Tai – RDA Microelectronics, Inc.>: On a quarter-to-quarter basis but we do provide forecast for the rest of this year and negotiate a capacity for the rest of this year. We don't have agreement contracts, we don't have agreement for supply on annual basis. We do not have that.

<Q – Aalok Shah – D. A. Davidson & Co.>: Okay.

<A – Vincent Tai – RDA Microelectronics, Inc.>: And most people in our market do not have that.

<Q – Aalok Shah – D. A. Davidson & Co.>: Okay. Thank you so much.

<A – Vincent Tai – RDA Microelectronics, Inc.>: Thank you.

<A – Lily Dong – RDA Microelectronics, Inc.>: Thank you.

Operator: Thank you. Our next question comes from Quinn Bolton of Needham. Please go ahead.

<Q – Quinn Bolton – Needham & Co. LLC>: Good evening, Vincent and Lily. Hey, Vincent, wanted to ask a couple of questions about the PA business and sort of wondering in that side of your business. How important are referenced designs versus sales direct to the OEM and other handsets manufactures.

<A – Vincent Tai – RDA Microelectronics, Inc.>: In the China market not that important because most likely, the first model, first handset the customer will use based on the referenced design to make sure they get a stable product. But after the first model, they start looking for alternative to improve performance or improve pricing, improve supply, for various reasons.

So I think we start to – when the smartphone pricing and also this feature phone pricing, so compared – everybody looking for cost advantage. So I think the incentive, we're going to switch to a better supplier, or more aggressive supplier – it's quite high now. So we don't think getting reference designs is so important except for the first line of design, but given the design cycle is so short in China, every three months, there is a new handset. So that that really become not so important and just how we perform in the past that's how we get market share in the past with those PA products. We have never or anybody's reference design for the last five or six years.

<Q – Quinn Bolton – Needham & Co. LLC>: Okay. So to the extent that as a competitive response to your acquisition of Coolsand to extend [ph] MediaTek or Remstar or Spadtrum (47:19) take the RDA PA's off their reference platform, you don't think that that has any meaningful impact on your PA business?

<A – Vincent Tai – RDA Microelectronics, Inc.>: No, I don't think so because I think – you mentioned MediaTek. MediaTek, they always have Bluetooth, so we should always bill RDA as a direct competitor, we have Bluetooth, they have Bluetooth. So we'll never, never supported in anyway by MediaTek so whoever retain management gain market share so becoming a baseband supplier, will not make it any worse.

<Q – Quinn Bolton – Needham & Co. LLC>: Got you. Okay, great. And then second, just I know that you've introduced your first 3G PA and I think if I remember that's for the 800 MHz band and I apologize if I've got that incorrect, but I was wondering if you can us an update on sort of additional 3G power amps, what you see that launch schedule for additional 3G band support kind of I think there are sort of four or five major bands around the world for 3G and I kind of wondering when you'll have those additional bands out sampling to customers? Thanks.

<A – Vincent Tai – RDA Microelectronics, Inc.>: I think we have a higher band product launched sometime in Q4. So I think for China, for China market, the two band is power sufficient for the time being. And I think going forward this year, we will launch couple of more bands also and eventually we have multi-band products also. But the next – the 1.8 MHz – that will be launched in Q4.

<Q – Quinn Bolton – Needham & Co. LLC>: Okay. Thank you.

<A – Vincent Tai – RDA Microelectronics, Inc.>: Thank you.

Operator: Our next question comes from Ping Heng Wu of Barclays. Please go ahead.

<Q – Ping Heng Wu – Barclays Capital Securities (Taiwan) Ltd.>: Hi, Vincent and Lily, I have one question. Could you talk about how many 2G baseband products should be in the first quarter and how many to expect to shipment in the second quarter?

<A – Vincent Tai – RDA Microelectronics, Inc.>: Well, we did not ship any baseband product in first quarter because we don't have a baseband product. And the Coolsand ship the baseband product. It's not our product for quarter one.

<Q – Ping Heng Wu – Barclays Capital Securities (Taiwan) Ltd.>: Right, right.

<A – Vincent Tai – RDA Microelectronics, Inc.>: In quarter two, we're start shipments on basement product, but we don't give specific number for baseband. I think, there's still certain speculation under wrap, some of the numbers should be looked in the wrap, but we don't give specific product shipment number. But the momentum have been good, I think, are developing very strong for the baseband product. I think, yeah – I apologize, we don't give specific shipment number for specific products.

<A – Lily Dong – RDA Microelectronics, Inc.>: Yeah, we previously communicated that Coolsand baseband will bring additional \$70 million to \$90 million revenue from Q2 to Q3.

<Q – Ping Heng Wu – Barclays Capital Securities (Taiwan) Ltd.>: Right.

<A – Lily Dong – RDA Microelectronics, Inc.>: With our strong momentum of the 55 nanometer products. We remain to be very comfortable with our guidance for the next three quarters.

<Q – Ping Heng Wu – Barclays Capital Securities (Taiwan) Ltd.>: Okay. Okay. Okay. Thank you.

<A – Vincent Tai – RDA Microelectronics, Inc.>: Thank you.

<A – Lily Dong – RDA Microelectronics, Inc.>: Thank you.

Operator: I'm showing no further questions at this time and would like to turn the conference back over to Mr. Vincent Tai for any closing remarks.

Vincent Tai, Chairman & Chief Executive Officer

I would like to thank everyone for your time and attention and thank you.

Operator: Ladies and gentlemen, this does conclude today's conference. You may all disconnect and have a wonderful day.

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