

DIALOG SEMICONDUCTOR REPORTS FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2010 RESULTS

The Company maintains revenue growth momentum with record revenue for both Q4 2010 and FY 2010; delivering 36% year-on-year revenue growth

Kirchheim/Teck, Germany, 10 February 2011 – Dialog Semiconductor plc (FWB: DLG), a leading provider of power management semiconductor solutions today reports results for Q4 and audited results for the financial year ended 31 December 2010.

In addition, Dialog announces today the acquisition of SiTel Semiconductor B.V. (“SiTel”) for an enterprise value of \$86.5 million(♦). SiTel is a leader in short-range wireless, digital cordless and VoIP technology. The acquisition will add short-range wireless connectivity to Dialog’s existing power management technology portfolio, both expanding the Company’s portable device product range and providing access to major new customers. Further details on the acquisition have been provided in a separate announcement.

Q4 AND FINANCIAL YEAR 2010 FINANCIAL HIGHLIGHTS

- Revenue for Q4 2010 was \$87.6 million, an increase of 10.2% over the prior quarter and 12.9% on Q4 2009. For the financial year, revenue was \$296.6 million representing an increase of 36.3% over financial year 2009
- For the financial year 2010, gross margin was 46.3%, representing an increase of 1.4 percentage points year-on-year
- Cash, cash equivalents and restricted cash of \$158.2 million, an increase in Q4 2010 of \$12.6 million over the prior quarter and an increase of \$35.1 million over financial year 2009
- For the financial year 2010, IFRS Operating Profit was \$45.3 million or 15.3% of revenue with underlying(*) Operating Profit of \$56.2 million or 19.0% of revenue
- Full year 2010 IFRS diluted earnings per share of 66 cents and underlying(*) diluted earnings per share of 82 cents

(♦) net cash paid of \$84.5m

(*) Underlying results are based on IFRS, adjusted to exclude share-based compensation charges (FY 2010: \$10.9 million; FY 2009: \$2.8 million; Q4 2010: \$4.3 million; Q4 2009: \$1.9 million) including associated social security costs (FY 2010: \$6.6 million; FY 2009: \$1.4 million; Q4 2010: \$3.0 million; Q4 2009: \$1.4 million). 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.

Q4 AND FINANCIAL YEAR 2010 OPERATIONAL HIGHLIGHTS

- Extended Dialog's market leadership position in Power Management to the Tablet PC market: an exciting and additive new market to Smartphones which has emerged in 2010
- Continued standard product portfolio expansion, with new products launched across all business segments
- Early success in audio, with design wins across Sony Corporation and at Samsung Electronics
- Customer diversification efforts successfully continued, with new customers for both custom and standard products added in 2010
- Strong recovery of the Automotive and Industrial segment during 2010
- 2010 Winners of Global Semiconductor Association "Outstanding European Fabless Company" award for the second consecutive year

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

"We are extremely pleased with our record revenue performance in the fourth quarter, rounding off what has also been a record financial year for our company. Our continued commitment to technology innovation and first-class product execution, coupled with a sharp focus on gaining market share in high-growth portable markets has enabled Dialog to record revenue growth, well in excess of 30% for the third consecutive year, outpacing the wider market and our peers.

During 2010 we have focused our efforts on increasing market share within a broader base of Smartphone customers, in addition to extending Dialog's Power Management leadership to the fast growing Tablet PC market. We have also reinforced our customer relationships with both new custom product development and innovative standard products and further strengthened our already robust balance sheet. This, coupled with a strong customer opportunity pipeline, underlines our confidence in continuing business growth momentum for Dialog."

FINANCIAL OVERVIEW

Revenue in Q4 2010 was \$87.6 million representing a sequential increase of 10.2% on the \$79.5 million of revenue delivered in Q3 2010 and an increase of 12.9% over the \$77.6 million delivered in the comparative period last year. For the financial year 2010 revenue was \$296.6 million: an increase of 36.3% over 2009.

For the financial year 2010, gross margin was 46.3%: an increase of 1.4 percentage points over financial year 2009. Gross margin in Q4 was 44.9%, representing a decrease of 1.4 percentage points over the 46.3% achieved in the prior quarter. This decrease can mainly be attributed to the particular product mix shipped during the quarter and ongoing supply constraints.

R&D and SG&A in Q4 2010 stood at 17.9% and 12.3% of revenue respectively, compared to 18.1% and 10.8% in the prior quarter. For the financial year 2010, R&D and SG&A were lower at 19.0% and 11.8% of revenue compared to 19.6% and 12.3% in 2009.

Our operating expenses increased in Q4 2010 by \$3.5 million over the prior quarter to \$26.4 million. These operating expenses, both in Q4 2010 and financial year 2010, included a net charge of \$4.3 million and \$10.9 million respectively for share-based compensation and employment-related tax (Q4 2009: \$1.9 million, FY2009: \$2.8 million). Q4 2010 included a net \$3.0 million additional charge resulting from a 42% increase in our share price during that period and additional option

grants. Q4 2010 also benefitted from a positive change in social charge contributions which reduced the charge by \$0.9 million.

Operating Profit on an IFRS basis in Q4 2010 was \$12.9 million or 14.8% of revenue. This compares to the \$13.9 million or 17.4% of revenue delivered in the prior quarter and the \$14.2 million or 18.3% of revenue delivered in Q4 2009. For the financial year, IFRS Operating Profit was \$45.3 million or 15.3% of revenue. This compares to \$28.7 million or 13.2% of revenue in financial year 2009. Excluding the share-based compensation impact, the underlying(*) Operating Profit achieved in Q4 2010 was \$17.3 million or 19.7% of revenue, compared with the underlying(*) Operating Profit of 20.8% of revenue in Q4 2009. For financial year 2010 the underlying(*) Operating Profit was \$56.2 million or 19.0% of revenue compared to 14.5% in 2009.

2010 taxable profits continued to benefit from the utilisation of brought-forward tax losses resulting in a residual minimum level current tax charge, mainly applicable to taxable profits in Germany, of \$5.3 million. Additionally 2010 included a deferred tax benefit of \$3.5 million from further recognition of a proportion of the deferred tax assets principally relating to carried forward losses. In total a net tax charge of \$1.8 million was recorded in 2010. Consequently, the overall effective tax rate for the financial year 2010 was 4.0%.

In Q4 2010, on an IFRS basis net income was \$13.0 million or 21 cents per basic share and 20 cents per diluted share. This compares to 22 cents per basic share and 20 cents per diluted share delivered in the prior quarter and 34 cents and 31 cents in Q4 2009. For the 2010 financial year, net income was \$42.5 million or 70 cents per basic share and 66 cents per diluted share compared to \$32.7 million and basic and diluted earnings per share of 67 cents and 60 cents recorded in 2009. The underlying(*) earnings per share (diluted) in Q4 2010 was 26 cents and 82 cents for financial year 2010. This compares to 34 cents in Q4 2009 and 65 cents for financial year 2009.

At 31 December 2010, the Company's cash, restricted cash and cash equivalents balance stood at \$158.2 million, with no debt. This represents an increase of \$12.6 million over that of the prior quarter and an increase of \$35.1 million for the financial year. In addition, Dialog has recently put in place an additional revolving credit facility of \$35.0 million for general corporate purposes.

At the end of Q4 2010, our inventory was \$40.7 million or 76 days outstanding (Q3 2010: 79 days). This represents an increase of \$3.0 million over the prior quarter and a level appropriate to service 2011 first half demand.

OPERATIONAL OVERVIEW

We have continued to execute our growth strategy successfully this year, both extending our product portfolio and extending our reach into new customers and new growth markets.

Within the wireless segment, our design win momentum within portable devices has continued in 2010, including major design wins not only in Smartphones but also within Tablet PCs, MP3 players and other portable devices. We view the Tablet PC market, which has emerged strongly in 2010, as an additive and exciting market to Smartphones and one which fits perfectly with our expanding product portfolio.

Expansion of our portfolio to include more standard products has also continued in 2010 with our launch of new standard product families. These launches have included a new Intel® Atom™ companion device for the latest Atom E6xx series as well as a second generation of configurable power management ICs. We have also expanded the Industry's lowest power audio codec suite of products and developed an exciting industry-first "2d-3d" video conversion IC for Tablet PCs and Smartphones. These products map closely with consumer and manufacturer demands and provide us with a platform for continued future revenue growth.

Our SmartXtend™ passive matrix OLED developments remain on track for industry adoption within the portable device and cellphone markets. The characteristics of transparency and flexible displays are proving to be strong differentiators for early niche volume cell phone customers, with the first such customer phones expected in the Asian market within Q1 2011.

2010 also saw the recovery of our Automotive and Industrial segment with revenues reaching a record high. During the year, we were also successful in adding a new Japanese motor controller customer. The transition to an increasing use of energy-saving lighting, including LEDs, is also providing an opportunity for Dialog to further build on its existing lighting business for the future.

In recognition of the many operational achievements this year, Dialog was once again awarded the Global Semiconductor Association's prestigious "Outstanding European Semiconductor Company" award for the second consecutive year.

We continue to execute our strategy successfully, both to further strengthen our technology leadership and to expand our addressable market. Pursuant to this strategy, and as announced separately today, we have acquired SiTel: a leader in short-range wireless, digital cordless and VoIP technology. SiTel's technology and platform represent a complementary and exciting opportunity to address these adjacent portable device markets, both in order to develop new products as well as to cross-sell Dialog's existing Power Management technology to SiTel's customer base.

OUTLOOK

We expect to maintain our strong revenue momentum in financial year 2011 and, at this stage in the year, we expect organic full year revenue growth – excluding any impact from the acquisition of SiTel announced today – to be in line with current market expectations.

For Q1 2011 – excluding any impact from the acquisition of SiTel announced today – we expect significant year-on-year growth to continue and to deliver revenue in the range of \$77–\$82 million.

The unaudited results of SiTel for the year ended 31 December 2010 showed a turnover of \$116.9 million (2009: \$109.6 million) with a 42.4% gross margin. SiTel's results will be consolidated with those of the existing Dialog business from the date of acquisition. The SiTel acquisition is expected to be accretive in Q3 2011 and we are confident in our ability to improve SiTel's growth and profitability in the medium term.

With the inclusion of SiTel in 2011, the enlarged group is expected to show some reduction in gross margin. We anticipate the industry supply constraints we saw in Q4 2010 to persist as we continue to participate in increasingly higher volume customer engagements.

We will give further guidance on the expected results of the enlarged group, including SiTel as part of our Q1 2011 results announcement.

We remain confident in our ability to deliver a successful result for 2011.

Dialog Semiconductor's financial performance for Q4 2010 and FY 2010 is summarised below:

US\$000	Q 4 2010			Q4 2009		
	IFRS	adjustment	Underlying	IFRS	adjustment	Underlying
Revenues	87,565	-	87,565	77,590	-	77,590
Cost of sales	(48,232)	132	(48,100)	(40,369)	52	(40,317)
Gross profit	39,333	132	39,465	37,221	52	37,273
Selling and marketing expenses	(4,998)	620	(4,378)	(5,148)	173	(4,975)
General and administrative expenses	(5,761)	2,208	(3,553)	(4,571)	998	(3,573)
Research and development expenses	(15,648)	1,374	(14,274)	(13,315)	706	(12,609)
Restructuring expenses	(9)	-	(9)	-	-	-
Operating profit	12,917	4,334	17,251	14,187	1,929	16,116
Interest income and other financial income	192	-	192	129	-	129
Interest expense and other financial expense	(27)	-	(27)	(31)	-	(31)
Foreign currency exchange gains and losses, net	(623)	-	(623)	(88)	-	(88)
Result before income taxes	12,459	4,334	16,793	14,197	1,929	16,126
Income tax benefit (expense)	570	-	570	5,691	-	5,691
Net profit	13,029	4,334	17,363	19,888	1,929	21,817
Earnings per share (in US\$)						
Basic	0.21	0.07	0.29	0.34	0.03	0.37
Diluted	0.20	0.07	0.26	0.31	0.03	0.34

US\$000	2010			2009		
	IFRS	adjustment	Underlying	IFRS	adjustment	Underlying
Revenues	296,597	-	296,597	217,613	-	217,613
Cost of sales	(159,334)	460	(158,874)	(119,886)	139	(119,747)
Gross profit	137,263	460	137,723	97,727	139	97,866
Selling and marketing expenses	(17,391)	1,604	(15,787)	(14,183)	405	(13,778)
General and administrative expenses	(17,471)	5,305	(12,166)	(12,584)	1,023	(11,561)
Research and development expenses	(56,465)	3,484	(52,981)	(42,621)	1,246	(41,375)
Other operating income	-	-	-	333	-	333
Restructuring expenses	(595)	-	(595)	-	-	-
Operating profit	45,341	10,853	56,194	28,672	2,813	31,485
Interest income and other financial income	1,130	-	1,130	203	-	203
Interest expense and other financial expense	(120)	-	(120)	(212)	-	(212)
Foreign currency exchange gains and losses, net	(2,088)	-	(2,088)	162	-	162
Result before income taxes	44,263	10,853	55,116	28,825	2,813	31,638
Income tax benefit (expense)	(1,784)	-	(1,784)	3,902	-	3,902
Net profit	42,479	10,853	53,332	32,727	2,813	35,540
Earnings per share (in US\$)						
Basic	0.70	0.18	0.88	0.67	0.06	0.73
Diluted	0.66	0.17	0.82	0.60	0.05	0.65

Main Conference Call on Thursday 10th February at 09:30 CET / 08:30 UK

Dialog Semiconductor invites you to listen in a live conference call to a management discussion on the acquisition, the Q4 2010 and full year 2010 performance. To access the call please use the following dial-in numbers: Germany +49 (0) 6103 485 3000, UK +44 (0) 207 153 2027, USA +1 480 629 9725, with no access code required. An instant replay facility will be available for 30 days after the call and can be accessed at +49 (0) 69 589 990 568 with access code 4402293#. 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 Conference Call for US investors and analysts at 17:00 CET / 11:00 Eastern Time

An additional live conference call for the benefit of US-based investors and analysts will be held at 17:00 (CET) / 11.00 Eastern Time. To access the call please dial +1 877 941 8633, with no access code required.

Additional information to this adhoc 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 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 2010, it had \$296.6 million in revenue and was again one of the fastest growing European public semiconductor companies. It currently has approximately 400 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.

Ends