



DIALOG SEMICONDUCTOR ANNOUNCES RESULTS FOR THE FIRST QUARTER OF 2011

Combined Company reports record revenue in first quarter of \$98.5 million, achieving strong year-on-year revenue growth of 61%

Kirchheim/Teck, Germany, 4th May 2011 – 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 the first quarter ended 1 April 2011.

Q1 2011 Financial Highlights (*)

- Revenue for Q1 2011 was \$98.5 million, a year-on-year increase of 61.2% over the corresponding first quarter of 2010
- Cash generated from operations was \$7.6 million. Cash and cash equivalents balance at Q1 2011 quarter end was \$94.3 million, a decrease of \$63.9 million due to the acquisition of SiTel Semiconductor (“SiTel”) for net cash of \$84.5 million during the quarter
- Q1 2011, IFRS operating profit was \$8.2 million or 8.5% of revenue with underlying(**) operating profit of \$13.8 million or 14.0% of revenue
- Q1 2011 underlying(**) diluted earnings per share of 20 cents, an 81.8% increase over Q1 2010
- On track to deliver a successful result for 2011 for the combined company

() Financials from the acquisition of SiTel are consolidated in the following Q1 2011 results from 10 February 2011, unless otherwise stated. Given the timing of the transaction, it has not been possible to provide all disclosures required by IFRS 3 (R) as the acquisition accounting is still in the process of being finalised.*

*(**) Underlying results are based on IFRS, adjusted to exclude share-based compensation charges (Q1 2011: \$1.9 million; Q1 2010: \$2.5 million), excluding one-time costs of \$2.8 million associated with the acquisition of SiTel and excluding amortisation expenses of \$0.8 million in relation to previously capitalised R&D expenses for close to end of life products from SiTel. The term “underlying” is not defined in IFRS and therefore may not be comparable with similarly titled measures reported by other companies. Underlying measures are not intended as a substitute for, or a superior measure to, IFRS measures.*

Q1 2011 Operational Highlights

- Good early progress made in the integration of SiTel Semiconductor (“SiTel”), a leader in short range low energy wireless and VoIP ICs acquired in February this year. Remains on track to be earnings accretive from Q3 2011
- Lenovo announced as Dialog’s first PM-OLED customer, with S800 advanced feature phone for the Chinese market utilising a transparent display
- Additional design wins secured across multiple portable platforms at new customers for configurable power management IC DA9053, through processor partner program initiative
- First design win of the 2D-3D video conversion IC in Asia and close engagement with a major display module provider

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

"I am very pleased to report again another record revenue quarter, this time for our combined and larger business. This progress has been driven chiefly by increased demand for smartphones and tablet PCs and we also remain encouraged by the opportunities we see for our newly acquired short range wireless capabilities.

The acquisition of SiTel was an important event for us during the first quarter. We are making very good initial progress in integrating SiTel's operations and corporate functions with our own and we are working toward a target to have largely completed this integration work within 6 months of the acquisition. We are already hard at work on re-positioning the excellent technology we have acquired to take advantage of emerging low energy wireless opportunities and we expect to launch new products to market within the next twelve months.

As a business, our design win activity is accelerating and yielding positive results for both custom and standard products, particularly through our successful processor partner program initiative, which bodes very well for Dialog's future."

FINANCIAL OVERVIEW

Revenue in Q1 2011 for the combined business was \$98.5 million, an increase of 61.2% over the \$61.1 million in the first quarter of 2010 and a sequential increase of 12.5% on the \$87.6 million of revenue delivered in the prior quarter. Included, was a contribution of \$17.9 million of revenue from the SiTel acquisition which was consolidated in the financial results from 10 February. Excluding this SiTel contribution, revenue in Q1 2011 increased by 32.0% over Q1 2010 and decreased by 8.0% over the prior quarter. This first quarter is typically the lowest quarter of our financial year due to the seasonally lower consumer demand for our wireless segment products.

Gross margin in Q1 2011 was 40.7% of revenue. This represents a decrease of 5.3 percentage points over the 46.0% achieved in the comparative period last year and a decrease of 4.2 percentage points over the 44.9% achieved in Q4 2010. Prior year Q1 margin was positively influenced by 1.1 percentage points due to a last time buy product programme.

As previously indicated, the decrease in gross margin this quarter can largely be attributed to the constrained supply chain situation together with the effects associated with the amortisation of capitalized R&D expenses relating to SiTel products which will run out in the second half of 2011. Additionally, during the quarter we started the ramp of a new high integrated, high volume product where the production yield is not yet fully optimised.

R&D and SG&A in Q1 2011 for the combined company stood at 19.3% and 12.9% of revenue respectively, compared to 17.9% and 12.3% in the prior quarter excluding SiTel.

Within the combined company, our **operating expenses** increased in Q1 2011 by \$5.4 million over the prior quarter to \$31.8 million. These operating expenses in Q1 2011 included a net charge of \$1.9 million for share-based compensation and employment-related tax (Q1 2010: \$2.5 million). Q1 2011 also included a net \$0.3 million cost of options grants to new employees, including those from the acquisition of SiTel, and \$2.8 million of one-time costs associated with the acquisition of SiTel.

Operating profit on an IFRS basis in Q1 2011 was \$8.2 million or 8.5% of revenue. This compares to the \$6.6 million or 10.8% of revenue delivered in Q1 2010. Excluding the share-based compensation impact and the one-time costs associated with the acquisition, the underlying(**) operating profit achieved in Q1 2011 was \$13.8 million or 14.0% of revenue, compared with the underlying(**) operating profit of \$9.1 million or 14.9% of revenue in Q1 2010.

Profits in Q1 2011 subject to tax 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 \$1.3 million. Additionally, Q1 2011 included a net deferred tax benefit of \$0.4 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 \$0.9 million was recorded in Q1 2011. Consequently, the overall effective tax rate for the Q1 2011 was 10.2%.

In Q1 2011, on an IFRS basis **net income** was \$7.9 million or 13 cents per basic share and 12 cents per diluted share. This compares to 8 cents per basic share and diluted share delivered in Q1 2010. The underlying(**) earnings per share (diluted) in Q1 2011 was 20 cents. This compares to 11 cents in Q1 2010.

At the end of Q1 2011, our total **inventory** level was \$58.9 million (or ~91 days): an increase of \$18.2 million over the prior quarter (prior quarter included no inventory from SiTel) and a level which, we feel is appropriate in order to service the demand of the combined business for the next quarters given the constrained supply chain situation and resulting extended lead-time.

Cash generated from operations was \$7.6 million. At the end of Q1 2011, we had a **cash and cash equivalents** balance of \$94.3 million, which includes \$10.0 million of debt taken from a \$35 million revolving credit facility established during the quarter. This represents a decrease of \$63.9 million over the cash and cash equivalents balance at the end of Q4 2010. Dialog acquired SiTel Semiconductor for net cash of \$84.5 million during the quarter.

SITEL PROGRESS

For financial year 2010, SiTel recorded \$116.9 million revenue (unaudited) and will be consolidated in Dialog financials from 10 February 2011. From this date, SiTel recorded \$17.9 million in revenue in Q1 2011 at a gross margin of 38.9% and contributed \$2.3 million of operating profit. Excluding the amortisation of capitalised R&D mentioned above, gross margin and operating profit would have been 43.3% and \$3.1 million respectively. SiTel's revenue seasonality pattern has historically resulted in the first quarter of the year being the lowest quarter, before typically peaking in the third quarter.

Good initial progress has been made in integrating SiTel into the existing operational and technical structures of our organisation. Our focus now rests on largely completing the integration plan by Q3 2011. Dialog's strategy includes the pursuit of opportunities in the higher growth and higher profit market segments SiTel operates in. New R&D product development will be primarily focused on the development of low energy short range wireless and VoIP solutions.

OPERATIONAL OVERVIEW

In Q1 2011, and as announced by Dialog on 20 April, Lenovo launched a transparent advanced feature phone, the S800, which was based on our SmartXtend™ PM OLED driver IC. This represents the first early production and commercial adoption for this technology and the first cellphone to offer a true transparent display to the user. We continue to work with other manufactures for other similar early adopter type designs using the innovative features which SmartXtend™ enables.

We have sampled multiple customers with our DA8223 2D-3D video conversion IC during the quarter with very strong interest being generated particularly with Asian customers. We already have the first success at an early adopter OEM while in addition we work closely with a major provider of displays to the smartphone and tablet PC market.

Our strategy of leveraging leading application processor partners' eco systems – including Intel, Renesas and other undisclosed vendors – through joint reference platforms enabled us to deliver multiple design wins in Q1 2011 at new accounts. Included were design wins for new portable medical applications, tablet PC products and platforms in addition to new industrial and automotive infotainment applications.

Our unique ability to combine ultra low power audio and high integrated power management technology is continuing to gain market traction, with a custom device being successfully sampled in Q1 2011 to a major Asian OEM.

From the newly acquired SiTel business, we are now working closely with leading VoIP equipment providers and have already secured multiple design wins across the enterprise segment. We are starting to see strong interest in our low energy technology for early adopter home automation and security applications, due to the unique features it delivers over competing technologies.

OUTLOOK

For Q2 2011, we expect revenue including SiTel to be in the range of \$107.0 million to \$112.0 million despite some market uncertainty in the worldwide electronics supply chain due to the earthquake and tsunami in Japan. Annualised growth trends in 2011 are expected to be in line with current market expectations.

Our integration of SiTel has started successfully and we are on track for the acquisition to be accretive in Q3 2011.

Looking forward, for the combined company gross margins are expected to remain at their current levels whilst supply chain conditions remain restricted. However, we expect further margin improvements in the acquired SiTel business to be realised towards the end of the year.

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

Dialog Semiconductor's financial performance for Q1-2011 and Q1-2010 excluding SiTel is summarised below:

US\$000	Three months ended 1 April 2011			Three months ended 2 April 2010	Change ¹⁾
	IFRS	Adjustment ²⁾ SiTel P&L Q1-2011	IFRS (excluding SiTel) ²⁾ Dialog Q1-2011 stand-alone	IFRS	%
Revenue	98,478	17,850	80,628	61,085	32.0
Cost of sales	(58,432)	(10,904)	(47,528)	(32,982)	44.1
Gross profit	40,046	6,946	33,100	28,103	17.8
Selling and marketing expenses	(5,358)	(1,472)	(3,886)	(3,994)	(2.7)
M&A related general and administrative expenses	(2,848)		(2,848)	-	-
Other general and administrative expenses	(4,587)	(409)	(4,178)	(4,331)	(3.5)
General and administrative expenses (total)	(7,435)	(409)	(7,026)	(4,331)	62.2
Research and development expenses	(19,007)	(2,775)	(16,232)	(13,184)	23.1
Operating profit	8,246	2,290	5,956	6,594	(9.7)
Financial result	601	(230)	831	(1,055)	(178.8)
Result before income taxes	8,847	2,060	6,787	5,539	22.5
Income tax expense	(901)	(522)	(379)	(611)	(38.0)
Net profit	7,946	1,538	6,408	4,928	30.0
Earnings per share (in US\$)					
Basic	0.13	0.03	0.10	0.08	26.5
Diluted	0.12	0.02	0.10	0.08	27.5

[1] The column is showing the change between Q1-2011 results for Dialog without considering SiTel and Q1-2010

[2] The 'IFRS (excluding SiTel)' column has been disclosed to illustrate the performance of the Dialog Semiconductor Plc business in 2011 excluding the acquisition of SiTel Semiconductor B.V. which occurred on 10 February 2011. The performance of SiTel Semiconductor B.V. since acquisition on 10 February 2011 is shown in the 'Adjustment' column. The 'IFRS' column represents the total consolidated result of the enlarged Dialog Semiconductor Plc group for three months ended 1 April 2011.

Dialog Semiconductor's underlying financial performance for Q1-2011 and Q1-2010 is summarised below:

US\$000	Three months ended 1 April 2011				Three months ended 2 April 2010		
	IFRS	Adjustment		Underlying ¹⁾	IFRS	Adjustment	Underlying ¹⁾
		Share Options ²⁾	SiTel Acquisition ³⁾			Share Options ²⁾	
Revenue	98,478	-	-	98,478	61,085	-	61,085
Cost of sales	(58,432)	(162)	(792)	(57,478)	(32,982)	(105)	(32,877)
Gross profit	40,046	(162)	(792)	41,000	28,103	(105)	28,208
Selling and marketing expenses	(5,358)	75	-	(5,433)	(3,994)	(307)	(3,687)
M&A related general and administrative expenses	(2,848)	-	(2,848)	-	-	-	-
Other general and administrative expenses	(4,587)	(455)	-	(4,132)	(4,331)	(575)	(3,756)
General and administrative expenses (total)	(7,435)	(455)	(2,848)	(4,132)	(4,331)	(575)	(3,756)
Research and development expenses	(19,007)	(1,406)	-	(17,601)	(13,184)	(1,526)	(11,658)
Operating profit	8,246	(1,948)	(3,640)	13,834	6,594	(2,513)	9,107
Financial result	601	-	-	601	(1,055)	-	(1,055)
Result before income taxes	8,847	(1,948)	(3,640)	14,435	5,539	(2,513)	8,052
Income tax expense	(901)	-	-	(901)	(611)	-	(611)
Net profit	7,946	(1,948)	(3,640)	13,534	4,928	(2,513)	7,441
Earnings per share (in US\$)							
Basic	0.13	0.03	0.06	0.22	0.08	0.04	0.12
Diluted	0.12	0.03	0.05	0.20	0.08	0.04	0.11

[1] Underlying results are based on IFRS, adjusted to exclude share-based compensation charges and acquisition costs of SiTel Semiconductor B.V. which were expensed in the income statement of Dialog Semiconductor Plc. 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.

[2] Share-based compensation charges for Q1-2011 were US\$1.9 million (Q1-2010: US\$2.5 million).

[3] The adjustment contains the acquisition costs recorded as an expense in the income statement of Dialog Semiconductor Plc which were US\$2.8 million. Cost of sales of SiTel included an amount of US\$1.1 million relating to amortisation expenses in relation to capitalized development costs. Of this amount, US\$0.8 million relate to assets which will be fully amortized during the second half of 2011. Consequently, no further amortisation expenses are will be recorded for these assets from Q4-2011 onwards.

Dialog Semiconductor invites you today at 08:30 London / 09:30 Frankfurt time to listen to and participate in a live conference call including a management discussion of Q1 2011 performance. To access the call please use the following dial-in numbers: Germany: 0800 1012 072, UK: 0800 3580 886, US: 1877 9412 930 with no access code required. An instant replay facility will be available for 30 days after the call and can be accessed at on +49 (0)69 5899 9056 7 with access code 4432473#. An audio replay of the conference call will also be posted soon thereafter on the company's website at:

http://www.diasemi.com/investor_relations.php

Additional information to this ad hoc release including the company's consolidated income statement, consolidated balance sheet and consolidated statements of cash flows for the period ending April 1 2011 is available under the investor relations section of the Company's web site.

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Note to editors:

Dialog Semiconductor creates highly integrated, mixed-signal integrated circuits (ICs) optimised for personal portable, low energy short-range wireless, lighting, display and automotive applications. The company provides flexible and dynamic support, world-class innovation and the assurance of dealing with an established business partner.

With its unique focus and expertise in energy efficient system power management, and now with the recent addition of low energy short range wireless and VoIP technology to the portfolio, Dialog brings decades of experience to the rapid development of ICs for personal portable applications including smartphones, tablet PCs, digital cordless phones and gaming applications.

Dialog's power management processor companion chips are essential for enhancing both the performance in terms of extended battery lifetime and the consumers' multimedia experience. With world-class manufacturing partners, Dialog operates a fabless business model.

Dialog Semiconductor plc is headquartered near Stuttgart with a global sales, R&D and marketing organisation. In 2010, it had \$296.6 million in revenue and was again one of the fastest growing European public semiconductor companies. It currently has approximately 550 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.