DIALOG SEMICONDUCTOR ANNOUNCES ITS RESULTS FOR THE THIRD QUARTER OF 2010

Record third quarter revenues of $79.5 million, representing 35% Year on Year and 16% sequential quarterly revenue growth

Kirchheim/Teck, Germany, 26 October 2010 – Dialog Semiconductor plc (FWB: DLG), a leading provider of high integrated innovative Power Management Semiconductor solutions, today reports results for its third quarter ending 1 October 2010.

Q3 2010 Financial Highlights

- Revenue for Q3 2010 was $79.5 million, representing:
  - an increase of 35% over the corresponding quarter of 2009
  - an increase of 16% over the prior quarter
- Net income in Q3 2010 of $13.3 million or 16.7% of revenue compared to $11.2 million or 16.4% of revenue in prior quarter
- Total cash balance increased in Q3 2010 by $13.7 million to stand at $145.6 million
- Basic and diluted earnings per share of 22 cents and 20 cents respectively
- Expect 2010 revenues to be in the range of $290 and $295 million
  - in line with our 2010 aim to outpace broader market growth
  - representing c.34% year-on-year revenue growth at the mid-point of that range

Q3 2010 Operational Highlights

- Launch of Dialog's second generation Intel Atom power management and clock companion IC, supporting Intel's newly launched E6xx Atom processor with first design win at Congatec for an industrial embedded PC board
- First consumer product based on Dialog's ultra low power audio technology launched in the quarter by a major consumer brand
- Renesas, the number one application processor provider, confirmed as the latest member of Dialog's Processor Partner Program initiative
- Demonstration by TDK of a flexible and transparent OLED display based on Dialog SmartXtend PM-OLED driver technology

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

"I am proud of the contribution that all of our employees have made in achieving what is a record quarter in Dialog's public company history. I am also very pleased with the healthy pipeline of innovative standard and custom products that we intend to release to the market in the coming months, underlying my continued confidence in our strategy to keep on delivering consistent, profitable and long-term growth."

FINANCIAL OVERVIEW

Revenue in Q3 2010 was $79.5 million, an increase of 16.1% over the $68.5 million achieved in the prior quarter and an increase of 34.6% on the $59.0 million of revenue delivered in the corresponding quarter of 2009.

Gross margin for the third quarter was 46.3%, representing a decrease of 2.0 percentage points over that achieved in the prior quarter and an increase of 1.0 percentage point over that achieved in Q3 2009. This reduction in gross margin was a result of the product mix shipped and higher associated manufacturing costs.

Our operating expenses increased in Q3 2010 by $1.9 million over the prior quarter to $22.9 million. However, R&D and SG&A in Q3 2010 stood at 18.1% and 10.8% of revenue respectively, compared to 19.5% and 10.5% in the prior quarter, demonstrating the strong control we continue to exercise within our model over the cost base. The operating expenses included a net charge of $2.4 million for share-based compensation. Excluding the additional charges recorded during the quarter as a result of a higher share price, the underlying share-based compensation for Q3 2010 would have been approximately $1.8 million.

Operating profit or EBIT in Q3 2010 was $13.9 million or 17.4% of revenue compared to the $12.0 million or 17.5% of revenue delivered in the prior quarter and the $9.6 million or 16.3% of revenue delivered in Q3 2009.

Q3 2010 taxable profits continued to benefit from the utilisation of brought forward tax losses resulting in a residual minimum level tax charge mainly applying to taxable profits in Germany. A net tax charge of $1.1 million was recorded for Q3 2010 which included a benefit of $1.0 million or 1.5 cents per diluted and 1.6 cent per basic share, being a further recognition of a proportion of the deferred tax assets principally relating to carried forward losses. Consequently, the effective tax rate in Q3 2010 was 7.8%. As we have previously stated, going forward and on a quarterly basis, we will consider whether it is appropriate to continue to recognise further currently unrecognised deferred tax assets.

Net income for Q3 2010 was $13.3 million or 16.7% of revenue. Earnings per basic and diluted share were 22 cents and 20 cents respectively: These Q3 2010 figures compare to a net income of $11.2 million or 19 cents per basic and 17 cents per diluted share in the prior quarter and to the $8.8 million or 19 cents per basic and 18 cents per diluted share delivered in Q3 2009.

At the end of Q3 2010, Dialog had a cash, cash equivalents and restricted cash balance of $145.6 million. This represents an increase of $13.7 million over the cash, cash equivalents and restricted cash balance at the end of Q2 2010 and an increase of $99.2 million over the cash and cash equivalents balance at the end of Q3 2009. In September 2009 net proceeds of $59.7 million were raised from an international equity offering which contributed to the increase in cash balances over the prior 12 months.

At the end of Q3 2010, our inventory level was $37.7 million, an increase of $11.6 million over the prior quarter, in line with increased lead time from suppliers and sustained seasonal demand as we enter Q4 2010.

OPERATIONAL OVERVIEW

Our design win success with smartphone customers for both custom power management designs and configurable standard products continued to gain momentum through Q3 2010. As cellphones continue to transition to smartphones, in addition to the continued popularity of new portable media devices launched in the quarter and emerging Tablet PC's, the demand for Dialog's high integrated power management technology is becoming steadily more important at our expanding customer base. In the quarter, particularly in Korea and Japan, we experienced an encouraging increase in design-ins of our standard products and demand for new custom power management product engagements for smartphones from large electronics companies.

Renesas, the number one global provider of applications processors was confirmed in Q3 2010 as the latest member of Dialog's Processor Partner Program initiative. Dialog established this initiative through which it partners with industry leading processor vendors to develop configurable standard product companion power management ICs that go on to form part of the processor vendors' design-in platform or eco system. This initiative will, over time, enable us to reach a very broad range of customers with a single standard product.

In Q3 2010, a major recognised consumer brand company shipped the first of a series of consumer portable media products based on Dialog's latest ultra low power audio technology. This represents a significant milestone for Dialog and serves as validation of the quality and features of our leading audio technology, which was only launched to the industry within the past 12 months.

TDK, our strategic display module partner, announced and demonstrated at this month's CEATEC show in Japan a series of transparent and flexible OLED displays based on our SmartXtend Passive Matrix OLED technology. The transparency and flexibility features of these displays are enabling manufacturers to create new phone designs that are more innovative than competing display technologies would allow and are proving to be popular features as we have begun to engage with our early-adopter customers.

During Q3 2010 at the Intel Developers Forum (IDF), coinciding with Intel® launch of its latest Atom™ E6xx processor series, Dialog also launched its second generation companion power management and clock driver IC, the DA6011.

The DA6011 enables the industry's lowest bill of materials for Atom based designs - reducing the cost by up to 50% compared with a discrete solution. It also enables the creation of exceptionally small embedded PC designs and accelerates time to market for our customers' products. Design-in demand for the DA6011 is proving to be very high, with samples now shipped to more than 20 customers across multiple application sectors in the industry, further expanding the addressable market for Dialog's power management technology into the industrial sector.

Congatec, a leader in industrial embedded PC designs was announced as an early design win for the DA6011 and demonstrated a very small 7cm x 7 cm industrial PC board based on the product at the IDF show during the quarter.

OUTLOOK

Q3 2010 represented a record revenue quarter for Dialog, and an early start to the traditionally strong end of year sales season. We anticipate continuing our revenue momentum in Q4 2010 and beyond, despite some continuing market uncertainty and supply chain limitations at our customers, and expect gross margins going forward to remain consistent with Q3 levels. We expect to report full year 2010 revenue within the range of $290 to $295 million: in line with our stated aim to grow revenue at a rate faster than the broader market and, at the mid-point of that range, representing a year-on-year revenue growth rate of approximately 34%.

Dialog Semiconductor invites you today at 08.30 (London) / 09.30 (Frankfurt) to listen in a live conference call to management's discussion of Q3 2010 performance, as well as guidance for financial 2010. To access the call please use the following dial-in numbers: Germany: **0800 101 4960**, UK: **0800 073 1340**, US: **1 866 434 1089**. 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 **14714068**. 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 adhoc release including the company's consolidated income statement, consolidated balance sheet and consolidated statements of cash flows for the period ending 1st October is available under the investor relations section of the Company's web site.

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Information about Dialog Semiconductor:

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 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 enhance both the performance of hand-held products and the consumers' multimedia experience. With world-class manufacturing partners, Dialog operates a fabless business model.

Dialog Semiconductor plc is headquartered near Stuttgart with a global sales, R&D and marketing organisation. In 2009, it recorded $218 million in revenue and was one of the fastest growing European public semiconductor companies. It has approximately 380 employees. The company is listed on the Frankfurt (FWB: DLG) stock exchange.

Forward Looking Statements:

This press release contains "forward-looking statements" that reflect management's current views with respect to future events. The words "anticipate," "believe," "estimate, "expect," "intend," "may," "plan," "project" and "should" and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties, including, but not limited to: an economic downturn in the semiconductor and telecommunications markets; changes in currency exchange rates and interest rates, the timing of customer orders and manufacturing lead times, insufficient, excess or obsolete inventory, the impact of competing products and their pricing, political risks in the countries in which we operate or sale and supply constraints. If any of these or other risks and uncertainties occur (some of which are described under the heading "Risks and their management" in Dialog Semiconductor's most recent Annual Report) or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. We do not intend or assume any obligation to update any forward-looking statement which speaks only as of the date on which it is made, however, any subsequent statement will supersede any previous statement.