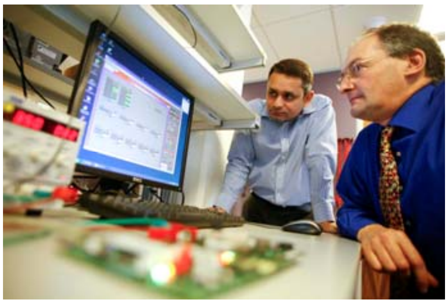
Interim Report as of 1 July 2011

Powering ahead...

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Press Release – 25 July 2011

DIALOG SEMICONDUCTOR ANNOUNCES ITS RESULTS FOR THE SECOND QUARTER OF 2011

Company exceeds Q2 guidance and reports record revenue in second quarter of $116.1 million, achieving impressive year-on-year growth of 70%

Kirchheim/Teck, Germany, 25 July 2011 – Dialog Semiconductor plc (FWB: DLG), a leading provider of high integrated innovative Power Management Semiconductor solutions, today reports results for its second quarter ending 1 July 2011.

Q2 2011 Financial Highlights

- Revenue for Q2 2011 was $116.1 million, an increase of 17.9% over the prior quarter and 69.6% over the corresponding quarter of 2010
- Q2 2011 IFRS operating profit (EBIT) was $13.1 million or 11.3% of revenue with underlying(*) operating profit of $17.1 million or 14.7% of revenue
- Q2 2011 underlying(*) EBITDA(**) of $20.4 million or 17.6% of revenue, compared to $15.1 million or 22.1% in the prior year
- Q2 2011 underlying(*) diluted earnings per share of 24 cents, a 25.4% increase over Q2 2010
- Increasingly confident in our ability to meet current market expectations for the full year 2011
- Earnings Accretion from SiTel already achieved in Q2 2011, ahead of schedule

(*) Underlying results are based on IFRS, adjusted to exclude share-based compensation charges in Q2 2011 of $1.4 million, excluding one-time costs of $0.3 million associated with the acquisition of SiTel Semiconductor ("SiTel") incurred during Q2 2011, excluding $0.8 million of amortisation of intangibles associated with the acquisition of SiTel and excluding amortisation expenses of $1.4 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.

(**) EBITDA is defined as operating profit excluding depreciation and amortisation expenses.

Q2 2011 Operational Highlights

- Significant progress in the integration of SiTel, with integration plan remaining on track for completion in Q3 2011
- ARM multicore support now added in new generation of power management ICs launched, with the addition of Freescale processors to the range of supported application processor products
- Relationship with Panasonic extended with new wins announced for portable device power management, complementing existing digital cordless business
- First Green VOIP IC product wins announced in Gigaset's new VOIP pro series of phones
- New custom PMIC including audio remains on track for smartphone adoption by major Asian OEM

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

"I am pleased to report a strong second quarter for Dialog, with revenue and earnings per share exceeding expectations, again bucking the trend in what remains a challenging economic environment.

Our strategy of focusing the company's technology and product portfolio on the smartphone and tablet opportunity, which remains the sweet spot within high-growth consumer markets, continues to bear fruit. At the same time, our innovation pipeline is generating a strong line-up of new and future offerings which coupled with a recently expanded portfolio including short range wireless products, underlines my confidence in Dialog's future."

FINANCIAL OVERVIEW

Revenue in Q2 2011 was $116.1 million, an increase of 17.9% over the $98.5 million in the prior quarter and an increase of 69.6% on the $68.5 million of revenue delivered in the corresponding quarter of 2010. Included, was a contribution of $29.1 million of revenue from the SiTel acquisition: the first full quarter of consolidation since the acquisition on 10 February 2011. Excluding this SiTel contribution, revenue in Q2 2011 increased by 7.9% over the prior quarter and increased by 27.1% over the corresponding quarter of 2010.

Gross margin for the second quarter was 40.2%, a decrease of 0.5% over that achieved in the prior quarter. The gross margin continued to be affected by both the global constrained supply chain situation as well as the amortisation of capitalised R&D expenses relating to SiTel products, which as previously advised will cease to be a material factor after Q3 2011. The margin was also negatively impacted by the continued steep ramp of a highly integrated, high volume custom product. This will now show gradual improvement through the second half of 2011 as the yield is further optimised.

R&D and SG&A in Q2 2011 stood at 18.2% and 10.7% of revenue respectively, compared to 19.3% and 12.9% in the prior quarter and 19.5% and 10.5% in the corresponding quarter of 2010.

Within the combined company **operating expenses** increased in Q2 2011 by $1.7 million over the prior quarter to $33.5 million due to this being the first full quarter of consolidation of SiTel since the acquisition. These operating expenses in Q2 2011 included a net charge of $1.4 million for share-based compensation and employment-related tax (Q2 2010: $1.4 million), $0.8 million for the amortisation of intangible assets associated with the acquisition of SiTel and $0.3 million of one-time costs associated with the acquisition of SiTel.

Operating profit on an IFRS basis in Q2 2011 was $13.1 million or 11.3% of revenue. This compares to the $8.2 million or 8.5% of revenue delivered in the prior quarter and $12.0 million or 17.5% in Q2 2010. The underlying (*) operating profit achieved in Q2 2011 was $17.1 million or 14.7% of revenue, compared with the underlying (*) operating profit of $13.8 million or 14.0% of revenue in the prior quarter and $13,4 million or 19.5% in Q2 2010. In Q2 2011 underlying (*) **EBITDA (**)** was $20.4 million or 17.6% of revenue compared to $15.1 million or 22.1% in the prior year quarter. Q2 2011 Underlying EBITDA is derived from IRFS EBIT ($13.1 million) as adjusted for $2.0 million for depreciation of property, plant and equipment, $0.8 million for amortisation of intangible assets associated with the acquisition of SiTel, $1.4 million for the accelerated amortisation of intangible assets in relation to previously capitalised R&D expenses for close to end of life products from SiTel $1.3 million of amortisation of other intangible assets, $1.4 million of share based compensation charges and $0.3 million of one-time expenses associated with the acquisition of SiTel.

The **tax charge** in Q2 2011 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, a tax charge relating to taxable profits in the Netherlands of US$0.4 million was recorded. This current and deferred tax charge was partially offset by a net deferred tax benefit of $1.1 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 $0.6 million was recorded in Q2 2011. Consequently, the overall effective tax rate for Q2 2011 was 4.4%.

In Q2 2011, on an IFRS basis **net profit** was $12.4 million or 20 cents per basic share and 18 cents per diluted share. This compares to 13 cents per basic share and 12 cents per diluted share delivered in the prior quarter and 19 and 17 cents respectively in Q2 2010. The underlying (*) earnings per share (diluted) in Q2 2011 was 24 cents. This compares to 20 cents in the prior quarter and 19 cents in Q2 2010.

At the end of Q2 2011, our total **inventory** level was at 80 days ($61.8 million) a decrease of 11 days over the prior quarter. This we believe is a level that is appropriate in order to service the demands of the combined business in the coming quarters. This is particularly the case given the continued constrained global supply chain situation and the expected strong seasonal ramp of our business in the second half of 2011.

At the end of Q2 2011, we had a gross **cash and cash equivalents** balance of $80.5 million, and $10.0 million of debt taken from a $35 million revolving credit facility. This represents a decrease of $13.8 million over the cash and cash equivalents balance at the end of Q1 2011, with increased inventory and working capital now in line for the expected strong seasonal ramp of our business in the second half of 2011.

On the 14 July 2011 we received a net cash settlement of approximately $2.0 million which appears to be against a receivable which had previously been written down in 2006 as a result of the insolvency of BenQ mobile. We have requested further details and, depending on the outcome, we expect this item to be accounted for in our Q3 2011 financial statements.

SITEL PROGRESS

The acquired SiTel business in its first full quarter of consolidation recorded $29.1 million in revenue for Q2 2011 at a gross margin of 37.9% and contributed an operating profit of $0.7 million to the overall Group performance. Excluding the amortisation of capitalised R&D mentioned above gross margin would have been 42.8 percent and underlying(*) operating profit would have been $3.5 million respectively. This results in the SiTel acquisition being already accretive to EPS in this second quarter, ahead of our initial third quarter target.

Dialog's ultra low power Green VoIP ICs, acquired through the recent acquisition of SiTel, have been adopted by Gigaset Communcations, a leading European telephony equipment manufacturer, extending the already existing supply relationship here for DECT ICs. Gigaset's pro series of VoIP phones are targeted at Small and Medium Enterprises ("SME") with Gigaset being the first of multiple designs wins yet to be announced.

We are seeing strong interest in our low energy wireless technology for early adopter home automation and security applications, due to the unique features it can deliver over competing technologies. We expect to launch new products in the coming months to address this burgeoning segment.

We made significant progress in integrating SiTel (Renamed to Dialog B.V.) into the wider Group, with most corporate functions now operating as a single organization. Our focus now rests on completing the integration plan, as intended, 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 is now primarily focused on the development of low energy short range wireless and VoIP solutions

OPERATIONAL OVERVIEW

As part of our Processor Partner program initiative, during the quarter we launched two new advanced system level power management ICs for tablet PCs, smartphones, embedded computers and multimedia players. Delivering class-leading energy efficiency and power-up flexibility, the new DA9053 supports multicore ARM Cortex based processors, including Freescale's iMX53 flagship processor family. Freescale becomes the latest leading application processor vendor to be supported by Dialog companion PMICs.

Additionally, our system level power management ICs was adopted in two of Panasonic's latest feature rich portable media players. These design wins further extend the company's relationship with Panasonic, with ICs for both power management and digital cordless phone technology now being shipped.

Our engagement with a major Asian OEM smartphone manufacturer for a custom PMIC, leveraging our expertise in combining audio and power management in a stacked System in Package ("SIP"), remains on track for platform adoption before the end of this financial year.

Our innovative display products – PMOLED and 2D-3D Conversion ICs – were sampled to major OEMs during the quarter for first builds of early concept phones to demonstrate the unique features these ICs enable.

OUTLOOK

For Q3 2011 we expect revenue to be in the range of $131.0 million to $136.0 million. We are increasingly confident about the revenue outlook for the full year 2011 and our ability to meet current market expectations.

For Q3 2011 we expect gross margins to remain at the same level as the first half of 2011 as supply chain conditions continue to remain restricted. Against this backdrop, we expect the yield on a high volume custom product currently ramping to show gradual improvement and expect further margin improvements within the acquired SiTel business to be realised towards the end of the financial year.

* * * * *

Dialog Semiconductor invites you today at 08.30 am (London) / 09.30 am (Frankfurt) to listen in a live conference call to management's discussion of Q2 2011 performance, as well as guidance for financial 2011. To access the call please use the following dial-in numbers: Germany: **0800 101 4960,** UK: **0800 694 0257**, US: **1866 966 9439,** ROW: **+44 1452 555 566**, with no access code required. An instant replay facility will be available for 30 days after the call and can be accessed at **+44 1452 550 000** with access code **80064027# (UK)**. 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 1 July 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.

Financial Review

The following table details the historical consolidated statements of the operations of Dialog for the three and six months ended 1 July 2011 and 2 July 2010:

	Three months ended 1 July 2011		Three months ended 2 July 2010		Change
	US$000	**% of revenues**	US$000	% of revenues	%
Revenues					
Audio & Power Management	**74,447**	**64.1**	54,734	80.0	36.0
Display Systems	**368**	**0.3**	468	0.7	(21.4)
Automotive / Industrial	**12,237**	**10.5**	13,431	19.6	(8.9)
Connectivity	**29,066**	**25.0**	-	-	-
Corporate Sector	**(28)**	**0.1**	(182)	(0.3)	(84.6)
Revenues	**116,090**	**100.0**	68,451	100.0	69.6
Cost of sales	**(69,448)**	**(59.8)**	(35,421)	(51.7)	96.1
Gross profit	**46,642**	**40.2**	33,030	48.3	41.2
Selling and marketing expenses	**(7,189)**	**(6.2)**	(4,099)	(6.0)	75.4
General and administrative expenses	**(5,172)**	**(4.5)**	(3,080)	(4.5)	67.9
Research and development expenses	**(21,136)**	**(18.2)**	(13,301)	(19.5)	58.9
Restructuring and related impairment charges	**-**	**-**	(581)	(0.8)	(100.0)
Operating profit	**13,145**	**11.3**	11,969	17.5	9.8
Interest income and other financial income	**67**	**0.1**	350	0.5	(80.9)
Interest expense and other financial expense	**(101)**	**(0.1)**	(34)	0.0	197.1
Foreign currency exchange gains and losses, net	**(181)**	**(0.2)**	(425)	(0.7)	(57.4)
Result before income taxes	**12,930**	**11.1**	11,860	17.3	9.0
Income tax expense	**(570)**	**(0.5)**	(621)	(0.9)	(8.2)
Net profit	**12,360**	**10.6**	11,239	16.4	10.0

	Six months ended 1 July 2011 US$000	% of revenues	Six months ended 2 July 2010 US$000	% of revenues	Change %
Revenues					
Audio & Power Management	**142,673**	**66.5**	102,332	79.0	39.4
Display Systems	**674**	**0.3**	663	0.5	1.7
Automotive / Industrial	**24,412**	**11.4**	26,822	20.7	(9.0)
Connectivity	**46,916**	**21.8**	-	-	-
Corporate Sector	**(107)**	**0.0**	(281)	(0.2)	(61.9)
Revenues	**214,568**	**100.0**	129,536	100.0	65.6
Cost of sales	**(127,880)**	**(59.6)**	(68,403)	(52.8)	87.0
Gross profit	**86,688**	**40.4**	61,133	47.2	41.8
Selling and marketing expenses	**(12,547)**	**(5.8)**	(8,093)	(6.3)	55.0
General and administrative expenses	**(12,607)**	**(5.9)**	(7,411)	(5.7)	70.1
Research and development expenses	**(40,143)**	**(18.7)**	(26,485)	(20.4)	51.6
Restructuring and related impairment charges	**-**	**0.0**	(581)	(0.4)	(100.0)
Operating profit	**21,391**	**10.0**	18,563	14.4	15.2
Interest income and other financial income	**349**	**0.2**	685	0.5	(49.1)
Interest expense and other financial expense	**(135)**	**(0.1)**	(64)	0.0	110.9
Foreign currency exchange gains and losses, net	**172**	**0.1**	(1,785)	(1.4)	(109.6)
Result before income taxes	**21,777**	**10.2**	17,399	13.5	25.2
Income tax expense	**(1,471)**	**(0.7)**	(1,232)	(1.0)	19.4
Net profit	**20,306**	**9.5**	16,167	12.5	25.6

Results of Operations

Segment Reporting

Revenues in the **Audio & Power Management segment** were US$74.4 million for the three months ended 1 July 2011 (Q2-2010: US$54.7 million) comprising 64.1% of our total revenues (Q2-2010: 80.0%). For the first six months of 2011, revenues in this segment were US$142.7 million compared to US$102.3 million in the same period 2010, an increase of 39.4%. The increase in this sector is primarily driven by the success of our growing range of highly integrated power management solutions for portable devices including portable media players, Smartphones and Tablet PCs.

The operating profit in the **Audio & Power Management** segment increased from US$13.8 million for the three months ended 2 July 2010 to US$15.1 million for the three months ended 1 July 2011. For the first six months of 2011, operating profit in this segment was US$26.6 million compared to US$24.3 million in the same period 2010, an increase of 9.2%.

Revenues in the **Display Systems segment** were US$0.4 million for the three months ended 1 July 2011 (Q2-2010: US$0.5 million). For the first six months of 2011 and 2010, revenues in this segment were US$0.7 million. The operating loss in this sector was US$2.6 million for the three months ended 1 July 2011 (Q2-2010 US$2.3 million). For the first six months of 2010, the operating loss was US$4.9 million (H1-2010: US$5.5 million loss). The loss results from our continuous investment in the emerging ultra-low power display technologies.

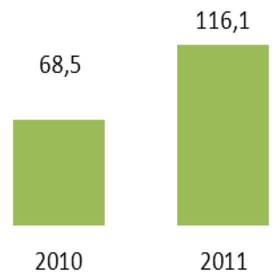
Revenues from our **Automotive / Industrial Applications segment** were US$12.2 million for the three months ended 1 July 2011 (Q2-2010: US$13.4 million) representing 10.5% of our total revenues (Q2-2010: 19.6%). For the first six months of 2011, revenues in this segment were US$24.4 million compared to US$26.8 million in the same period 2010, a decrease of 9.0%. The total revenues decreased year-on-year, as in H1-2010 we benefited from a sale of last time buy products in an amount of US$3.5 million. These products were sold as a result of the previous year's notification of the phasing out of an older manufacturing process from one of our foundry partners. Excluding these revenues, the total revenues for H1 2010 would have been US$23.3 million. Therefore, without this one-time effect in 2010, our year-on-year revenues have increased by 4.7%. The Operating Profit in the sector was US$3.2 million for the three months ended 1 July 2011 (Q2-2010: US$2.3 million).For the first six months of 2011, operating profit was US$5.6 million (H1-2010: US$4.0 million). Despite lower revenues in this sector, we recorded an increasing operating profit. This is primarily driven by continuous yield improvements and a reduction of allocated Research and Development expenses to the automotive and industrial segment.

The **Connectivity segment** represents our newly acquired subsidiary SiTel Semiconductor B.V. (SiTel). SiTel was acquired on 10 February 2011; therefore its results are consolidated from this date. Revenues from our Connectivity segment were US$29.1 million for Q2-2011 and US$46.9 million since 10 February 2011. Operating loss in Q2-2011 was US$0.1 million. This loss includes an amount of US$0.8 million amortisation expense resulting from fair value adjustments in connection with the purchase price allocation and US$0.5 million of share-based compensation expenses. For the first six months 2011 we recorded an operating profit of US$1.7 million.

For further information please refer to note 2 to the Q2-2011 interim consolidated financial statements.

Revenues

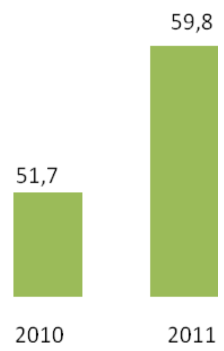
Q2-2011 revenues (US$ million)



Total revenues were US$116.1 million for the three months ended 1 July 2011(Q2-2010: US$68.5 million, an increase of 69.6%). For the first six months of 2011, revenues were US$214.6 million compared to US$129.5 million in the same period 2010, an increase of 65.6%. The increase in revenues results mainly from higher sales volumes in our audio & power management sector and the consolidation of SiTel as described above. Excluding the contribution of SiTel, revenues were US$87.0 million for Q2-2011 and US$167.7 million for H2-2011, still representing increases of 27.1% and 29.4% over the amounts achieved in Q2-2010 and H1-2010 respectively.

Cost of sales

Q2-2011 Cost of sales as % of revenue



Cost of sales consists of material costs, the costs of outsourced production and assembly, related personnel costs and applicable overhead and depreciation of test and other equipment. Cost of sales increased by 96.1% from US$35.4 million for the three months ended 2 July 2010 to US$69.4 million for the three months ended 1 July 2011 in line with increased production volume. As a percentage of revenues, cost of sales increased from 51.7% to 59.8%. The increase in cost of sales can largely be attributed to costs due to a constrained supply chain situation together with the amortisation of capitalized R&D expenses relating to SiTel products which will run out in the second half of 2011. The margin was also negatively affected by the continued steep ramp of a new high integrated, high volume custom product where the production yield is not yet fully optimised.

For the same reasons, cost of sales as a percentage of revenue increased from 52.8% in H1-2010 to 59.6% in H1-2011.

Cost of sales, excluding SiTel (please refer to table on page 10), would have been US$51.4 million for Q2-2011 representing 59.0% of revenues, an increase of 45.1% over the cost of sales of US$35.4 million in Q2-2010. For the first six months 2011, costs of sales excluding SiTel would have been US$98.9 million (59.0% of revenues) compared to US$68.4 million (52.8% of revenues) in the first six months of 2010.

Gross profit

Our gross margin decreased from 48.3% of revenues in Q2-2010 to 40.2% of revenues in Q2-2011 due to higher cost of sales as a percentage of revenues, as prescribed above. Gross profit for the second quarter of 2011 was US$46.6 million, 41.2% above the amount in the second quarter of 2010 (US$33.0 million). The gross margin for H1-2011 was 40.4% compared to 47.2% achieved in H1 2010, a decrease of 6.8%. During 1H2011, the continuous supply constraints in the Company's supply chain inhibited normally expected cost reductions from suppliers. Another reason for the decrease was the favourable impact of the one-time sale of US$3.5 million of last time buy products recorded in the first six months of 2010. Please see segment reporting paragraph "automotive and industrial" for further information. Gross profit for the first six months of 2011 was US$86.7 million, 41.8% above the previous year's figures (US$61.1 million).

Gross profit excluding SiTel (please refer to table on page 10) would have been US$35.6 million or 41.0% of revenues for Q2-2011 compared to US$33.0 million or 48.3% of revenues in Q2-2010. Excluding SiTel, gross profit for the first six months of 2011 would have been US$68.8 million compared to US$61.1 million in the first six months 2010.

Selling and marketing expenses

Selling and marketing expenses consist primarily of salaries, sales commissions, travel expenses, advertising and other marketing costs. Selling and marketing expenses increased from US$4.1 million for the three months ended 2 July 2010, to US$7.2 million for the three months ended 1 July 2011. This increase of 75.4% is principally linked to the acquisition of SiTel. As a percentage of total revenues, selling and marketing expenses increased only slightly from 6.0% of total revenues in Q2-2010 to 6.2% of total revenues in Q2-2011. Similarly, selling and marketing expenses increased from US$8.1 million (6.2% of total revenues) for the first six months 2010 to US $12.5million (5.8% of total revenues) for the first six months 2011.

Selling and marketing expenses excluding SiTel (please refer to table on page 10) were US$4.0 million in Q2-2011, a decrease of 2.5% over the US$4.1 million in Q2-2010. For the first six months of 2011, selling and marketing expenses excluding SiTel would have been US$7.9 million (4.7% of revenues) and accordingly lower than in the first six months of 2010 (US$8.1 million or 6.3% of revenues).

General and administrative expenses

General and administrative expenses consist primarily of personnel and support costs for our finance, human resources and other management departments and in 2011 the acquisition related costs in connection with purchase of SiTel. General and administrative expenses were US$5.2 million for the second quarter 2011, an increase of 67.9% over the

US$3.1 million in Q2-2010. The increase is predominantly a result of the consolidation of SiTel. Despite this absolute increase, as a percentage of total revenues general and administrative expenses were 4.5% both in Q2-2011 and Q2-2010 respectively. For the first six months 2011 and 2010, general and administrative costs were US$12.6 million (or 5.9% of total revenues) and US$7.4 million (or 5.7% of total revenues) respectively. This increase is predominantly attributed to the M&A expenses in connection with the acquisition of SiTel in an amount of US$3.1 million and the general and administrative expenses contributed by SiTel itself since the first consolidation on 10 February 2011 in the amount of US$1.3 million.

General and administrative expenses excluding the SiTel G&A expenses and the SiTel acquisition related costs were US$4.0 million or 4.6% of revenues for Q2-2011 compared to general and administrative expenses of US$3.1 million or 4.5% of total revenues for Q2-2010, an increase of 28.8%. G&A expenses for the first six months (excluding expenses booked by SiTel and SiTel acquisition related costs) would have been US$8.1 million (4.9% of revenues) and accordingly an increase of 9.8% over the US$7.4 million (5.7%of revenues) in the first six months of 2010.

Research and development expenses

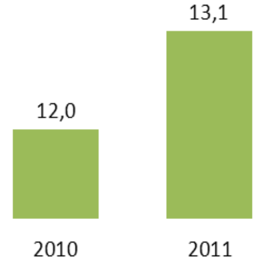
Research and development expenses consist principally of design and engineering-related costs associated with the development of new Application Specific Integrated Circuits ("ASICs") and Application Specific Standard Products ("ASSPs"). Research and development expenses (net of customer funded projects) were US$21.1 million for the three months ended 1 July 2011 (Q2-2010: US$13.3 million), an increase of 58.9%. The increase was primarily due to the acquisition of SiTel Semiconductor B.V. and an increased headcount of our R&D personnel in support of our growth strategy. However, as a percentage of total revenues research and development expenses decreased from 19.5% to 18.2% in those periods. For the first six months of 2011, our R&D expenses were US$40.1 million (18.7% of revenues) compared to US$26.5 million (20.4% of revenues) in the first six months of 2010.

Excluding the impact of SiTel acquisition, research and development expenses would have been US$14.9 million or 17.2% of revenues, compared to US$13.3 million or 19.5% in Q2-2010. For the first six months of 2011, R&D expenses excluding SiTel would have been US$31.0 million (18.5% of revenues) compared to US$26.5 (20.4% of revenues) million in the first six months of 2010.

Operating profit

We reported an operating profit of US$13.1 million for the second quarter 2011 (Q2-2010: US$12.0 million). For the first six months of 2011, we reported an operating profit of US$21.4 million. This compares to an operating profit of US$18.6 million in the previous year. This improvement primarily resulted from a wider revenue base in 2011 especially in relation to the acquisition of SiTel.

Q2-2011 operating profit (US$ million)



Excluding the results contributed by SiTel (please refer to table on page 10) and excluding the M&A costs in relation to the SiTel acquisition, the operating profit in Q2-2011 would have been US$12.7 million compared to US$12.0 million achieved in Q2-2010. For the first six months of 2011, the operating profit excluding these items would have been US$21.7 million compared to US$18.6 million in H1-2010.

Interest income and other financial income

Interest income and other financial income from the Company's investments (primarily short-term deposits and securities) was US$67 thousand for the three months ended 1 July 2011 (Q2-2010: US$350 thousand). For the first six months of 2011, we recorded interest income and other financial income of US$349 thousand compared to US$685 thousand in the same period of 2010. The decrease was primarily the result of lower cash held during the first half of 2011, due to the cash outflow in connection with the acquisition of SiTel and low interest rates on deposits.

Interest expense and other financial expense

Interest expense and other financial expense consist primarily of expenses for a US$ 10 million short-term bank loan which the company raised in 2011, from capital leases, hire purchase agreements and the Group's factoring arrangement. Q2-2011 interest and other financial expenses were US$101 thousand (Q2-2010: US$34 thousand). For the first six months of 2011, interest expenses and other financial expenses were US$135 thousand compared to US$64 thousand in the first six months of 2010. The increase is primarily related to the short-term loan mentioned above.

Income tax expense

For the three months ended 1 July 2011, a net income tax charge of US0.6 million was recorded (Q2-2010: US$0.6 million). The amount in Q2-2011 consists of a current tax expense of US$1.3 million and a net deferred tax benefit of US$0.7 million mainly as a result of the recognition of previously unrecognised deferred tax assets. For the first six months 2011, we recorded a net tax charge of US$1.5 million (first six months of 2010: US$1.2 million).

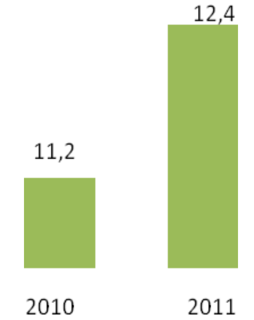
Net profit

For the reasons described above, we reported a net profit of US$12.4 million for the three months ended 1 July 2011 (Q2-2010: US$11.2 million). Basic earnings per share in Q2-2011 were US$0.20 (Q2-2010: US$0.19) while diluted earnings per share were US$0.18 (Q2-2010: US$ 0.17).

For the first six months of 2011, net profit reached US$20.3 million compared to US$16.2 million in the comparison period 2010 with basic earnings per share at US$0.33 (2010: US$0.27) and diluted earnings per share at US$0.30 (2010: US$0.25).

Net profit excluding the results contributed by SiTel (please refer to table on page 10) and excluding the M&A costs in relation to the SiTel acquisition was US$12.8 million in Q2-2011 representing an increase of US$1.5 million or 13.5% over the US$11.2 million

Q2-2011 net profit (US$ million)



achieved in Q2-2010. For the first six months of 2011, net profit excluding SiTel was US$22.2 million compared to US$16.2 million achieved in the first six months of 2010.

Liquidity and capital resources

Cash flows

Cash used for operating activities was US$7.0 million for the three months ended 1 July 2011 (Q2-2010: cash generated from operating activities of US$0.5 million). The cash outflow for the three months ended 1 July 2011 mainly resulted from investments in the group's working capital in the amount US$27.7 million, which was only partially offset by the group's net profit adjusted by depreciation amortisation and other non-cash effective expenses.

Cash used for investing activities was US$6.8 million for the three months ended 1 July 2011 (Q2-2010: US$3.7 million). Cash used for investing activities in Q2 2011 predominantly consisted of US3.9 million (Q2-2010: US2.3 million) for the purchase of tooling (masks), laboratory equipment, probe cards, load boards and other advanced test equipment, the purchase of intangible assets of US$0.7 million (Q2-2010: US$0.9 million) and payments related to capitalised development costs of US$1.5 million (Q2-2010: US$0.5 million). US$0.5 million are related to additional cost for the acquisition of SiTel.

Liquidity

At 1 July 2011 we had cash and cash equivalents of US$80.5 million (31 December 2010: US$158.2 million). The working capital (defined as current assets minus current liabilities) was US$124.6 million (31 December 2010: US$169.2 million).

As of 1 July 2011 we had no long-term debt (31 December 2010: 0)

If necessary, we have available for use a short-term credit facility of US$5.0 million that bears interest at a rate between LIBOR +90bp, a multi-currency revolving credit line facility of £10.0 million at a rate of LIBOR +135bp and a credit facility of US$35.0 million that bears interest at a rate of LIBOR +140bp. At 1 July 2011 an amount of US$10 million was outstanding under one of these facilities. In addition, we have a factoring agreement which provides the Group with up to US$25.0 million of readily-available cash. Accordingly, we believe the funding available from these and other sources will be sufficient to satisfy our working capital requirements in the near to medium term if needed.

Dialog Semiconductor's financial performance for Q2-2011 and Q2-2010 excluding SiTel is summarised below:

US$000	Three months ended 1 July 2011			Three months ended 2 July 2010	Change1)
	IFRS	Adjustment	IFRS (excluding SiTel)2)	IFRS	%
		SiTel P&L Q2-2011	Dialog Q2-2011 stand-alone		
Revenue	**116,090**	**29,067**	**87,023**	68,451	27.1
Cost of sales	**(69,448)**	**(18,062)**	**(51,386)**	(35,421)	45.1
Gross profit	**46,642**	**11,005**	**35,637**	33,030	7.9
Selling and marketing expenses	**(7,189)**	**(3,194)**	**(3,995)**	(4,099)	(2.5)
M&A related general and administrative expenses	**(275)**	**-**	**(275)**	-	-
Other general and administrative expenses	**(4,897)**	**(929)**	**(3,968)**	(3,080)	28.8
General and administrative expenses (total)	**(5,172)**	**(929)**	**(4,243)**	(3,080)	37.8
Research and development expenses	**(21,136)**	**(6,208)**	**(14,928)**	(13,301)	12.2
Restructuring and related impairment charges	**-**	**-**	**-**	(581)	(100.0)
Operating profit	**13,145**	**674**	**12,471**	11,969	4.2
Interest income and other financial income	**67**	**-**	**67**	350	(80.9)
Interest expense and other financial expense	**(101)**	**-**	**(101)**	(34)	197.1
Foreign currency exchange gains and losses, net	**(181)**	**(297)**	**116**	(425)	127.3
Result before income taxes	**12,930**	**377**	**12,553**	11,860	5.8
Income tax expense	**(570)**	**(496)**	**(74)**	(621)	(88.1)
Net profit	**12,360**	**(119)**	**12,479**	11,239	11.0
Earnings per share (in US$)					
Basic	**0.20**	**0.00**	**0.20**	0.19	6.7
Diluted	**0.18**	**0.00**	**0.19**	0.17	8.2

[1] The column is showing the change between Q2-2011 results for Dialog without the contribution of SiTel and Q2-2010

[2] The 'IFRS (excluding SiTel)' column has been disclosed to illustrate the performance of the Dialog Semiconductor Plc business in 2011 excluding the contribution of SiTel. The performance of SiTel Semiconductor B.V. in the second quarter 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 July 2011.

Dialog Semiconductor's financial performance for the first six months of 2011 and 2010 excluding SiTel is summarised below:

US$000	Six months ended 1 July 2011			Six months ended 2 July 2010	Change[1]
	IFRS	**Adjustment**	**IFRS (excluding SiTel)[2]**	IFRS	%
		SiTel P&L Q1+Q2-2011	**Dialog Q1+Q2-2011 stand-alone**		
Revenue	**214,568**	**46,916**	**167,652**	129,536	29.4
Cost of sales	**(127,880)**	**(28,988)**	**(98,892)**	(68,403)	44.6
Gross profit	**86,688**	**17,928**	**68,760**	61,133	12.5
Selling and marketing expenses	**(12,547)**	**(4,686)**	**(7,861)**	(8,093)	(2.9)
M&A related general and administrative expenses	**(3,123)**	**-**	**(3,123)**	-	-
Other general and administrative expenses	**(9,484)**	**(1,350)**	**(8,134)**	(7,411)	9.8
General and administrative expenses (total)	**(12,607)**	**(1,350)**	**(11,257)**	(7,411)	51.9
Research and development expenses	**(40,143)**	**(9,096)**	**(31,047)**	(26,485)	17.2
Restructuring and related impairment charges	**-**	**-**	**-**	(581)	(100.0)
Operating profit	**21,391**	**2,796**	**18,595**	18,563	0.2
Interest income and other financial income	**349**	**-**	**349**	685	(49.1)
Interest expense and other financial expense	**(135)**	**-**	**(135)**	(64)	110.9
Foreign currency exchange gains and losses, net	**172**	**(528)**	**700**	(1,785)	139.2
Result before income taxes	**21,777**	**2,268**	**19,509**	17,399	12.1
Income tax expense	**(1,471)**	**(1,018)**	**(453)**	(1,232)	(63.2)
Net profit	**20,306**	**1,250**	**19,056**	16,167	17.9
Earnings per share (in US$)					
Basic	**0.33**	**0.03**	**0.30**	0.27	12.7
Diluted	**0.30**	**0.02**	**0.28**	0.25	14.5

[1] The column is showing the change between H1-2011 results for Dialog without the contribution of SiTel and H1-2010

[2] The 'IFRS (excluding SiTel)' column has been disclosed to illustrate the performance of the Dialog Semiconductor Plc business in 2011 excluding the contribution of SiTel. The performance of SiTel Semiconductor B.V. in the second quarter 2011 is shown in the 'Adjustment' column. The 'IFRS' column represents the total consolidated result of the enlarged Dialog Semiconductor Plc group for six months ended 1 July 2011.

Dialog Semiconductor's underlying financial performance for Q2-2011 and Q2-2010 is summarised below:

US$000	Three months ended 1 July 2011				Three months ended 2 July 2010		
	IFRS	Adjustment		Underlying[1]	IFRS	Adjustment	Underlying[1]
		Share Options[2]	SiTel Acquisition[3]			Share Options2)	
Revenue	**116,090**	**-**	**-**	**116,090**	68,451	-	68,451
Cost of sales	**(69,448)**	**(209)**	**(1,432)**	**(67,807)**	(35,421)	(100)	(35,321)
Gross profit	**46,642**	**(209)**	**(1,432)**	**48,283**	33,030	(100)	33,130
Selling and marketing expenses	**(7,189)**	**19**	**(612)**	**(6,596)**	(4,099)	(217)	(3,882)
M&A related general and administrative expenses	**(275)**	**-**	**(275)**	**-**	-	-	-
Other general and administrative expenses	**(4,897)**	**(746)**	**-**	**(4,151)**	(3,080)	(51)	(3,029)
General and administrative expenses (total)	**(5,172)**	**(746)**	**(275)**	**(4,151)**	(3,080)	(51)	(3,029)
Research and development expenses	**(21,136)**	**(450)**	**(212)**	**(20,474)**	(13,301)	(1,037)	(12,264)
Restructuring and related impairment charges	**-**	**-**	**-**	**-**	(581)	-	(581)
Operating profit	**13,145**	**(1,386)**	**(2,531)**	**17,062**	11,969	(1,405)	13,374
Interest income and other financial income	**67**	**-**	**-**	**67**	350	-	350
Interest expense and other financial expense	**(101)**	**-**	**-**	**(101)**	(34)	-	(34)
Foreign currency exchange gains and losses, net	**(181)**	**-**	**-**	**(181)**	(425)	-	(425)
Result before income taxes	**12,930**	**(1,386)**	**(2,531)**	**16,847**	11,860	(1,405)	13,265
Income tax expense	**(570)**	**-**	**-**	**(570)**	(621)	-	(621)
Net profit	**12,360**	**(1,386)**	**(2,531)**	**16,277**	11,239	(1,405)	12,644
Earnings per share (in US$)							
Basic	**0.20**	**0.02**	**0.04**	**0.26**	0.19	0.02	0.21
Diluted	**0.18**	**0.02**	**0.04**	**0.24**	0.17	0.02	0.19
EBITDA[4]	**18,715**	**(1,386)**	**(275)**	**20,376**	13,701	(1,405)	15,106

[1] Underlying results are based on IFRS, adjusted to exclude share-based compensation charges and costs relating to the acquisition of SiTel Semiconductor B.V. (please refer to footnote [3] below. 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 Q2-2011 were US$1.4 million (Q2-2010: US$1.4 million).

[3] Cost of sales of SiTel includes an amount of US$1.4 million relating to amortisation expenses in relation to capitalised development costs which will be fully amortised during the second half of 2011. Consequently, no further amortisation expenses will be recorded for these assets from Q4-2011 onwards. Selling expenses include the amortization on the customer relationship identified as part of the purchase price allocation process. General and administrative expenses include the acquisition costs recorded as an expense in the income statement of the company. research and development expenses include the amortisation on patented and not patented technology identified as part of the purchase price allocation process.

[4] EBITDA is defined as operating profit excluding depreciation and amortization expenses.

Dialog Semiconductor's underlying financial performance for the first six months of 2011 and 2010 is summarised below:

US$000	Six months ended 1 July 2011				Six months ended 2 July 2010		
	IFRS	Adjustment Share Options[2]	Adjustment SiTel Acquisition[3]	Underlying[1]	IFRS	Adjustment Share Options2)	Underlying[1]
Revenue	**214,568**	**-**	**-**	**214,568**	129,536	-	129,536
Cost of sales	**(127,880)**	**(371)**	**(2,224)**	**(125,285)**	(68,403)	(206)	(68,197)
Gross profit	**86,688**	**(371)**	**(2,224)**	**89,283**	61,133	(206)	61,339
Selling and marketing expenses	**(12,547)**	**94**	**(612)**	**(12,029)**	(8,093)	(524)	(7,569)
M&A related general and administrative expenses	**(3,123)**	**-**	**(3,123)**	**-**	-	-	-
Other general and administrative expenses	**(9,484)**	**(1,201)**	**-**	**(8,283)**	(7,411)	(626)	(6,785)
General and administrative expenses (total)	**(12,607)**	**(1,201)**	**(3,123)**	**(8,283)**	(7,411)	(626)	(6,785)
Research and development expenses	**(40,143)**	**(1,856)**	**(212)**	**(38,075)**	(26,485)	(2,563)	(23,922)
Restructuring and related impairment charges	**-**	**-**	**-**	**-**	(581)	-	(581)
Operating profit	**21,391**	**(3,334)**	**(6,171)**	**30,896**	18,563	(3,919)	22,482
Interest income and other financial income	**349**	**-**	**-**	**349**	685	-	685
Interest expense and other financial expense	**(135)**	**-**	**-**	**(135)**	(64)	-	(64)
Foreign currency exchange gains and losses, net	**172**	**-**	**-**	**172**	(1,785)	-	(1,785)
Result before income taxes	**21,777**	**(3,334)**	**(6,171)**	**31,282**	17,399	(3,919)	21,318
Income tax expense	**(1,471)**	**-**	**-**	**(1,471)**	(1,232)	-	(1,232)
Net profit	**20,306**	**(3,334)**	**(6,171)**	**29,811**	16,167	(3,919)	20,086
Earnings per share (in US$)							
Basic	**0.33**	**0.05**	**0.09**	**0.47**	0.27	0.06	0.33
Diluted	**0.30**	**0.05**	**0.09**	**0.44**	0.25	0.06	0.31
EBITDA[4]	**31,046**	**(3,334)**	**(3,123)**	**37,503**	21,866	(3,919)	25,785

[1] Underlying results are based on IFRS, adjusted to exclude share-based compensation charges and costs relating to the acquisition of SiTel Semiconductor B.V. (please refer to footnote [3] below. 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 H1-2011 were US$3.3 million (H1-2010: US$3.9 million).

[3] Cost of sales of SiTel includes an amount of US$2.2 million relating to amortisation expenses in relation to capitalised development costs which will be fully amortised during the second half of 2011. Consequently, no further amortisation expenses will be recorded for these assets from Q4-2011 onwards. Selling expenses include the amortisation on the customer relationship identified as part of the purchase price allocation process. General and administrative expenses include the acquisition costs recorded as an expense in the income statement of the company. Research and development expenses include the amortisation on patented and not patented technology identified as part of the purchase price allocation process.

[4] EBITDA is defined as operating profit excluding depreciation and amortisation expenses.

Statement of Financial Position

	At 1 July 2011 US$000	At 31 December 2010 US$000	Change US$000	%
Assets				
Cash and cash equivalents	**80,474**	158,200	(77,726)	(49.1)
All other current assets	**106,517**	58,263	48,254	82.8
Total current assets	**186,991**	216,463	(29,472)	(13.6)
Property, plant and equipment, net	**20,765**	14,249	6,516	45.7
Intangible assets	**37,708**	10,727	26,981	251.5
Goodwill	**31,868**	-	31,868	-
All other non-current assets	**2,139**	1,111	1,028	92.5
Deferred tax assets	**16,671**	10,829	5,842	53.9
Total non-current assets	**109,151**	36,916	72,235	195.7
Total Assets	**296,142**	253,379	42,763	16.9
Liabilities and Shareholders' equity				
Current liabilities	**62,377**	47,218	15,159	32.1
Non-current liabilities	**286**	889	(603)	(67.8)
Net Shareholders' equity	**233,479**	205,272	28,207	13.7
Total Liabilities and Shareholders' equity	**296,142**	253,379	42,763	16.9

Balance sheet total was US$296.1 million at 1 July 2011 (31 December 2010: US$253.4 million). Cash and cash equivalents decreased by US$77.7 million or 49.1% to US$80.5 million at 1 July 2011 (31 December 2010: US$158.2 million). This decrease was mainly caused by the net cash outflow of US$ 84.2 million in connection with the acquisition of SiTel and cash outflows for investments in other tangible and intangible assets in the amount of US$12.1 million. These cash outflows were partly offset by a net operating cash inflow in the amount of US$8.2 million and the cash inflow from the drawdown of a bank facility in the amount of US$10.0 million as prescribed above. Other current assets increased from US$58.3 million at 31 December 2010 by US$48.3 million to US$106.5 million at 1 July 2011. The increase of 82.8% is mainly driven by the US30.2 million current assets (excluding cash) acquired in connection with the acquisition of SiTel.

Total non-current assets increased 195.7% to US$109.2 million; this increase is mainly due to the goodwill of US$31.9 million recorded in connection with the SiTel acquisition, as well as other non-current assets in the amount of US$36.5 million brought into the group by SiTel.

Current liabilities increased by US$15.2 million of which US$21.9 million relate to current liabilities brought into the group by SiTel and US$10.0 million relate to the drawdown of a bank facility.

Shareholders' equity increased to US$233.5 million (US$205.3 million at 31 December 2010) which is mainly a result of our net profit (adjusted by expenses for share based payments). The equity ratio was 78.8% (81.0% at 31 December 2010).

Other Information

Members of the Management and the Board of Directors

Management

Dr. Jalal Bagherli, Chief Executive Officer; Andrew Austin, Vice President, Sales; Mohamed Djadoudi, Vice President Global Manufacturing Operations and Quality; Gary Duncan, Vice-President, Engineering; Peter Hall, Vice-President, Supply Operations and Facilities; Udo Kratz, Vice President, General Manager Audio and Power Management Business Unit; Martin Powell, Vice President, Human Resources; Jean-Michel Richard, CFO, Vice President Finance; Asmund Thielens, Vice President, General Manager Connectivity and Automotive & Industrial Business Group; Mark Tyndall, Vice President Business Development and Corporate Strategy.

Board of Directors

Gregorio Reyes, Chairman; Dr. Jalal Bagherli, Chief Executive Officer; Aidan Hughes; John McMonigall; Peter Weber; Peter Tan; Chris Burke; Russ Shaw.

Risks, risk management and opportunities

The risk management, our business risks and opportunities are described in our 2010 annual report – section 2. Compared with the risks and opportunities presented here, no significant additional opportunities and risks arose for the Company in the first six months of 2011. There are currently no identifiable risks that, individually or collectively, could endanger the continued existence of the Company.

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

25 July 2011

Dr. Jalal Bagherli	Jean-Michel Richard
CEO	CFO, Vice President Finance

Unaudited consolidated statement of financial position

As at 1 July 2011

	Notes	**At 1 July 2011 US$000**	At 31 December 2010 US$000
Assets			
Cash and cash equivalents		**80,474**	158,200
Trade accounts receivable and other receivables		**29,887**	12,556
Inventories	5	**61,827**	40,733
Income tax receivables		**62**	60
Other financial assets		**3,815**	836
Other current assets		**10,926**	4,078
Total current assets		**186,991**	216,463
Property, plant and equipment	6	**20,765**	14,249
Intangible assets	7	**37,708**	10,727
Goodwill	2	**31,868**	–
Deposits		**1,818**	741
Income tax receivables		**321**	370
Deferred tax assets		**16,671**	10,829
Total non-current assets		**109,151**	36,916
Total assets		**296,142**	253,379
Liabilities and Shareholders´ equity			
Trade and other payables		**33,811**	28,413
Other financial liabilities		**10,439**	845
Provisions		**1,544**	877
Income taxes payable		**2,303**	1,208
Other current liabilities		**14,280**	15,875
Total current liabilities		**62,377**	47,218
Provisions			428
Other non-current financial liabilities		**286**	461
Total non-current liabilities		**286**	889
Ordinary shares		**12,380**	12,380
Additional paid-in capital		**202,961**	202,416
Accumulated deficit		**19,453**	(3,961)
Other reserves		**2,049**	(1,648)
Employee stock purchase plan shares		**(3,364)**	(3,915)
Net Shareholders´ equity		**233,479**	205,272
Total liabilities and Shareholders´ equity		**296,142**	253,379

Unaudited consolidated income statement

For the three and six months ended 1 July 2011

	Notes	**Three months ended 1 July 2011 US$000**	Three months ended 2 July 2010 US$000	**Six months ended 1 July 2011 US$000**	Six months ended 2 July 2010 US$000
Revenue	3	**116,090**	68,451	**214,568**	129,536
Cost of sales		**(69,448)**	(35,421)	**(127,880)**	(68,403)
Gross profit		**46,642**	33,030	**86,688**	61,133
Selling and marketing expenses		**(7,189)**	(4,099)	**(12,547)**	(8,093)
General and administrative expenses		**(5,172)**	(3,080)	**(12,607)**	(7,411)
Research and development expenses		**(21,136)**	(13,301)	**(40,143)**	(26,485)
Restructuring and related impairment charges		**–**	(581)	**–**	(581)
Operating profit	3	**13,145**	11,969	**21,391**	18,563
Interest income and other financial income		**67**	350	**349**	685
Interest expense and other financial expense		**(101)**	(34)	**(135)**	(64)
Foreign currency exchange gains and losses, net		**(181)**	(425)	**172**	(1,785)
Result before income taxes		**12,930**	11,860	**21,777**	17,399
Income tax expense		**(570)**	(621)	**(1,471)**	(1,232)
Net profit		**12,360**	11,239	**20,306**	16,167

	Three months ended 1 July 2011	Three months ended 2 July 2010	**Six months ended 1 July 2011**	Six months ended 2 July 2010
Earnings per share (in US$)				
Basic	**0.20**	0.19	**0.33**	0.27
Diluted	**0.18**	0.17	**0.30**	0.25
Weighted average number of shares (in thousands)				
Basic	**62,864**	60,391	**62,422**	60,102
Diluted	**67,302**	65,613	**66,967**	65,382

Unaudited statement of comprehensive income

For the three and six months ended 1 July 2011

	Three months ended 1 July 2011 US$000	Three months ended 2 July 2010 US$000	**Six months ended 1 July 2011 US$000**	Six months ended 2 July 2010 US$000
Net profit	**12,360**	11,239	**20,306**	16,167
Exchange differences on translating foreign operations	**267**	52	**(49)**	176
Cash flow hedges	**866**	(844)	**3,746**	(2,823)
Income tax relating to components of other comprehensive income	**–**	2		(278)
Other comprehensive income for the year, net of tax	**1,133**	(790)	**3,697**	(2,925)
Total comprehensive income for the year	**13,493**	10,449	**24,003**	13,242

Unaudited consolidated statements of cash flows

For the three and six months ended 1 July 2011

	Three months ended 1 July 2011 US$000	Three months ended 2 July 2010 US$000	**Six months ended 1 July 2011 US$000**	Six months ended 2 July 2010 US$000
Cash flows from operating activities:				
Net profit	**12,360**	11,239	**20,306**	16,167
Interest income, net	**34**	(316)	**(214)**	(621)
Income tax expense (refund)	**570**	621	**1,471**	1,232
Impairment of inventories	**543**	299	**1,370**	1,220
Depreciation of property, plant and equipment	**1,978**	1,156	**3,690**	2,202
Amortization of intangible assets	**3,592**	576	**5,965**	1,101
Losses on disposals of fixed assets and impairment of fixed and financial assets	**126**	10	**248**	42
Expense related to share-based payments	**1,752**	752	**3,108**	1,628
Changes in working capital:				
Trade accounts receivable and other receivables	**(9,761)**	(1,522)	**(25,266)**	(2,890)
Factoring	**6,690**	(1,029)	**20,657**	1,268
Inventories	**(3,429)**	(5,189)	**(7,615)**	(1,171)
Prepaid expenses	**(96)**	(17)	**(1,218)**	(905)
Trade accounts payable	**(6,437)**	1,229	**(4,756)**	5,166
Provisions	**(28)**	21	**(385)**	(176)
Other assets and liabilities	**(14,635)**	(7,004)	**(8,147)**	(2,777)
Cash used for (generated from) operations	**(6,741)**	826	**9,214**	21,486
Interest paid	**(73)**	–	**(80)**	–
Interest received	**31**	218	**295**	234
Income taxes paid	**(193)**	(515)	**(1,277)**	(540)
Cash flow used for (generated from) operating activities	**(6,976)**	529	**8,152**	21,180
Cash flows from investing activities:				
Purchases of property, plant and equipment	**(3,855)**	(2,256)	**(7,634)**	(4,308)
Purchases of intangible assets	**(715)**	(907)	**(1,953)**	(3,571)
Payments for capitalized development costs	**(1,459)**	(511)	**(2,544)**	(798)
Purchase of SiTel Semiconductor B.V.	**(486)**	–	**(84,166)**	–
Change in other long term assets	**(306)**	(9)	**(533)**	(12)
Cash flow used for investing activities	**(6,821)**	(3,683)	**(96,830)**	(8,689)
Cash flows from financing activities:				
Purchase of employee stock purchase plan shares	**–**	(2,844)	**–**	(2,844)
Sale of employee stock purchase plan shares	**280**	321	**1,097**	1,968
Costs in connection with capital increase	**–**	(2)	**–**	(36)
Financial liabilities	**–**	–	**10,000**	–
Cash flow from (used for) financing activities	**280**	(2,525)	**11,097**	(912)
Cash flow used for (from) operating, investing and financing activities	**(13,517)**	(5,679)	**(77,581)**	11,579
Net foreign exchange difference	**(310)**	(683)	**(145)**	(2,873)
Net decrease (increase) in cash and cash equivalents	**(13,827)**	(6,362)	**(77,726)**	8,706
Cash and cash equivalents at beginning of period	**94,301**	135,216	**158,200**	120,148
Cash and cash equivalents at end of period	**80,474**	128,854	**80,474**	128,854

Unaudited consolidated statement of changes in equity

For the three and six months ended 1 July 2011

	Ordinary Shares US$000	Additional paid-in capital US$000	Accumulated deficit US$000	Other reserves: Currency translation adjustment US$000	Other reserves: Cash Flow Hedges 000US$	Employee stock purchase plan shares US$000	Total US$000
Balance at 31 December 2009 / 1 January 2010	11,825	283,733	(135,667)	(1,730)	(372)	(810)	156,979
Reduction of share premium account	–	(85,000)	85,000	–	–	–	–
Total comprehensive income (loss)	–	–	16,167	(102)	(2,823)	–	13,242
Capital Increase for employee share option plan (gross proceeds)	555	378	–	–	–	(969)	(36)
Sale of employee stock purchase plan shares	–	1,501	–	–	–	(2,377)	(876)
Equity settled transactions, net of tax	–	–	1,628	–	–	–	1,628
Changes in Equity total	555	(83,121)	102,795	(102)	(2,823)	(3,346)	13,958
Balance at 2 July 2010	12,380	200,612	(32,872)	(1,832)	(3,195)	(4,156)	170,937
Balance at 31 December 2010 / 1 January 2011	12,380	202,416	(3,961)	(1,717)	69	(3,915)	205,272
Total comprehensive income (loss)	–	–	20,306	(49)	3,746	–	24,003
Sale of employee stock purchase plan shares	–	545	–	–	–	551	1,096
Equity settled transactions, net of tax	–	–	3,108	–	–	–	3,108
Changes in Equity total	–	545	23,414	(49)	3,746	551	28,207
Balance at 1 July 2011	**12,380**	**202,961**	**19,453**	**(1,766)**	**3,815**	**(3,364)**	**233,479**

Notes to the Interim Consolidated Financial Statements (Unaudited)

For the three and six months ended 1 July 2011

1. General

Company name and registered office

Dialog Semiconductor Plc
Tower Bridge House
St Katharine's Way
London E1W 1AA
United Kingdom

Description of Business

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.

Accounting policies

The accompanying interim consolidated financial statements have been prepared on the basis of the recognition and measurement requirements of IFRS and its interpretation adopted by the EU. As permitted by IAS 34, Management has decided to publish a condensed version compared to the consolidated financial statements at December 31, 2010.

The interim financial statements are presented in US dollars ("US$") except when otherwise stated. They are prepared on the historical cost basis except that financial instruments classified as available-for-sale and derivative financial instruments are stated at their fair value. The accounting policies and methods of computation are consistent with those of the previous financial year.

Please refer to note 2 to the consolidated financial statements as of December 31, 2010 for the accounting policies applied for the Company's financial reporting.

The accompanying interim consolidated financial statements reflect all adjustments (consisting of only normal recurring adjustments) which, in the opinion of management, are necessary for a fair statement of the results of the interim periods presented. Operating results for the six months ended 1 July 2011 are not necessarily indicative of the results to be expected for the full year ending 31 December 2011.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and judgments include the recoverability of the long-lived assets and assets held for sale, the realisability of deferred income tax assets and inventories, and the fair value of stock-based employee compensation awards. Actual results may differ from those estimates.

2. Business combinations

Acquisitions in 2011

On 10 February 2011, Dialog Semiconductor plc acquired 100% of the voting shares of SiTel Semiconductor B.V. ("SiTel"), an unlisted company headquartered and incorporated in the Netherlands and a leader in short-range wireless, digital cordless and VoIP technology. Dialog acquired SiTel in order to expand its product portfolio with short-range wireless and VoIP based internet connectivity products. This will allow Dialog do develop new products for these markets as well as to cross-sell Dialog's existing Power Management technology to SiTel's customer base. The acquisition significantly expands Dialog's addressable market targeting high growth wireless personal devices.

Assets acquired and liabilities measured

	Fair value recognised on acquisition US$000
Assets	
Cash and cash equivalents	**12,551**
Trade accounts receivable and other receivables	**12,722**
Inventories	**14,849**
Other current assets	**1,798**
Property, plant and equipment	**2,886**
Intangible assets	**28,465**
Income tax receivables	**788**
Deferred tax assets	**4,776**
Other non-current assets	**411**
Total assets	**79,246**
Liabilities	
Trade and other payables	**(10,106)**
Provisions	**(606)**
Income taxes payable	**(40)**
Other current liabilities	**(11,144)**
Total liabilities	**(21,896)**
Total identifiable net assets at fair value	**57,350**
Goodwill arising on acquisition	**31,868**
Purchase consideration transferred	**89,218**

The fair value of the trade receivables amounts to US$12,722,000. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill of US$ 31,868,000 comprises the value of expected synergies arising from the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

From the date of the acquisition, SiTel has contributed US$46,916,000 of revenue and US$2,267,000 of net profit before tax to the Group. If the combination had taken place at the beginning of the year, revenues would have been US$58,385,000 and the profit would have been US$1,501,000.

Purchase consideration

The total purchase considerations amounted to US$89,218,000.

Analysis of cash flows from acquisition

	US$000
Transaction costs of the acquisition (included in cash flows from operating activities)	**(3,123)**
Total cash outflow for acquisition (included in cash flows from investing activities)	**(89,218)**
Net cash acquired with the subsidiary (included in cash flows from investing activities)	**5,052**
Net cash flow on acquisition	**(87,289)**

Transaction costs of US$3,123,000 have been expensed and are included in administrative expenses.

Contingent consideration
As part of the purchase agreement with the previous owner of SiTel ("member"), a contingent consideration has been agreed. There will be additional cash payments to the previous members of the executive management of SiTel.

This payment has the following terms:

- If the individual member is still employed by Dialog on 10 February 2012 and the employment contract has not been cancelled by the employee or the employer on urgent grounds, he/she will be paid his/her part of a contribution of totally US$811,124.

- If the individual member is still employed by Dialog on 10 February 2013 and the employment contract has not been cancelled by the employee or the employer on urgent grounds, he/she will be paid his/her part of a contribution of totally US$811,124.

As at the acquisition date, the fair value of the contingent consideration was estimated at US$1,622,248.These payments were already paid by the Company into an escrow account, which is not included in the Company's assets. Therefore no further cash outflow will be recorded when the payments are made.

3. Segment Reporting

Segment information is presented in respect of the Group's operating segments. The primary format, operating segments, is based on the Company's principal sales markets.

The new **Connectivity segment** includes the operating segment of our newly acquired subsidiary SiTel Semiconductor B.V. (please refer to Note 2 for further information).

a) Operating Segments

	Three months ended 1 July 2011	Three months ended 2 July 2010	Six months ended 1 July 2011	Six months ended 2 July 2010
	US$000	US$000	**US$000**	US$000
Revenues				
Audio & Power Management	**74,447**	54,734	**142,673**	102,332
Display Systems	**368**	468	**674**	663
Automotive/industrial	**12,237**	13,431	**24,412**	26,822
Connectivity	**29,066**	-	**46,916**	-
Corporate	**(28)**	(182)	**(107)**	(281)
Total revenues	**116,090**	68,451	**214,568**	129,536
Operating profit (loss)[1)]				
Audio & Power Management	**15,114**	13,769	**26,560**	24,316
Display Systems[2)]	**(2,626)**	(2,251)	**(4,909)**	(5,538)
Automotive/industrial	**3,204**	2,254	**5,610**	4,008
Connectivity[3)]	**(59)**	-	**1,709**	-
Corporate	**(2,488)**	(1,803)	**(7,579)**	(4,223)
Total operating profit	**13,145**	11,969	**21,391**	18,563

[1] Certain overhead costs are allocated mainly based on sales and headcount.
[2] The loss reflects the investment in the emerging display technology.
[3] The operating loss recorded for the connectivity segment in Q2-2011includes an additional depreciation of US$751,000 resulting from fair value adjustments in connection with the purchase price allocation.

b) Geografische Informationen

	Three months ended 1 July 2011 US$000	Three months ended 2 July 2010 US$000	Six months ended 1 July 2011 US$000	Six months ended 2 July 2010 US$000
Revenues				
Hungary	**9,017**	8,632	**18,208**	16,582
Other European countries	**14,359**	7,481	**23,670**	14,994
China	**64,777**	37,911	**123,124**	74,390
Japan	**11,889**	1,176	**17,417**	3,068
Other Asian countries	**10,066**	5,726	**19,949**	11,212
Other countries	**5,982**	7,525	**12,200**	9,290
Total revenues	**116,090**	68,451	**214,568**	129,536

	At 1 July 2011 US$000	At 31 December 2010 US$000
Assets		
Germany	**221,844**	245,828
Japan	**2,311**	1,455
United Kingdom	**6,439**	5,503
Netherlands	**63,728**	–
Other	**1,820**	593
Total assets	**296,142**	253,379

Revenues are allocated to countries based on the location of the shipment destination. Segmental assets are allocated based on the geographic location of the asset.

4. Stock-Based Compensation

Stock option plan activity for the period ended 1 July 2011 was as follows:

	Options	2011 Weighted average exercise price US$
Outstanding at beginning of year	**6,098,193**	**2.88**
Granted[1)	**2,223,714**	**4.34**
Exercised	**(1,969,352)**	**0.40**
Forfeited	**(94,626)**	**6.88**
Outstanding at end of period	**6,257,929**	**4.13**
Options exercisable at period end	**3,757,206**	**1.17**

[1] The amount of granted options includes 1,575,327 options granted under the Long-term Incentive Plan (LTIP). For further information please refer to note 20b to the consolidated financial statements as of December 31, 2010. Excluding the LTIP grant, the weighted average exercise price is $14.61.

The Company established an employee benefit trust (the "Trust"). The Trust purchases shares in the Company for the benefit of employees under the Group's share option scheme. At 1 July 2011 the Trust held 2,035,773 shares.

5. Inventories

Inventories consisted of the following:

	At 1 July 2011 US$000	At 31 December 2010 US$000
Raw materials	**15,168**	8,298
Work-in-process	**15,159**	7,238
Finished goods	**31,500**	25,197
	61,827	40,733

6. Property, plant and equipment

Property, plant and equipment consisted of test equipment, leasehold improvements, office and other equipment and advance payments:

	At 1 July 2011 US$000	At 31 December 2010 US$000
Gross carrying amount	**129,994**	104,406
Accumulated depreciation	**(109,229)**	(90,157)
Net carrying amount	**20,765**	14,249

The Company has contractual commitments for the acquisition or property, plant and equipment of US$2,644,736.

7. Intangible assets

Intangible assets subject to amortisation represent licenses, patents and software:

	At 1 July 2011 US$000	At 31 December 2010 US$000
Gross carrying amount	**166,735**	28,409
Accumulated depreciation	**(129,027)**	(17,682)
Net carrying amount	**37,708**	10,727

The Company has contractual commitments for the acquisition of intangible assets of US$3,202,563.

In addition the company has a contingent liability of US$500,000 in connection with the purchase of intangible assets. This liability is contingent to certain milestones being met which is not expected to occur within the next 6 months.

8. Transactions with related parties

As described in the Company's annual report 2010, note 25 the related parties of the Company are comprised of seven non-executive members of the Board of Directors and ten members of the executive management. In the second quarter 2011 one member of the executive management left the company, and was replaced by a new member. Transactions with those related parties only comprise their compensation which in total did not significantly change compared to 2010.

9. Subsequent events

No subsequent events of material impact occurred after the reporting date.

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