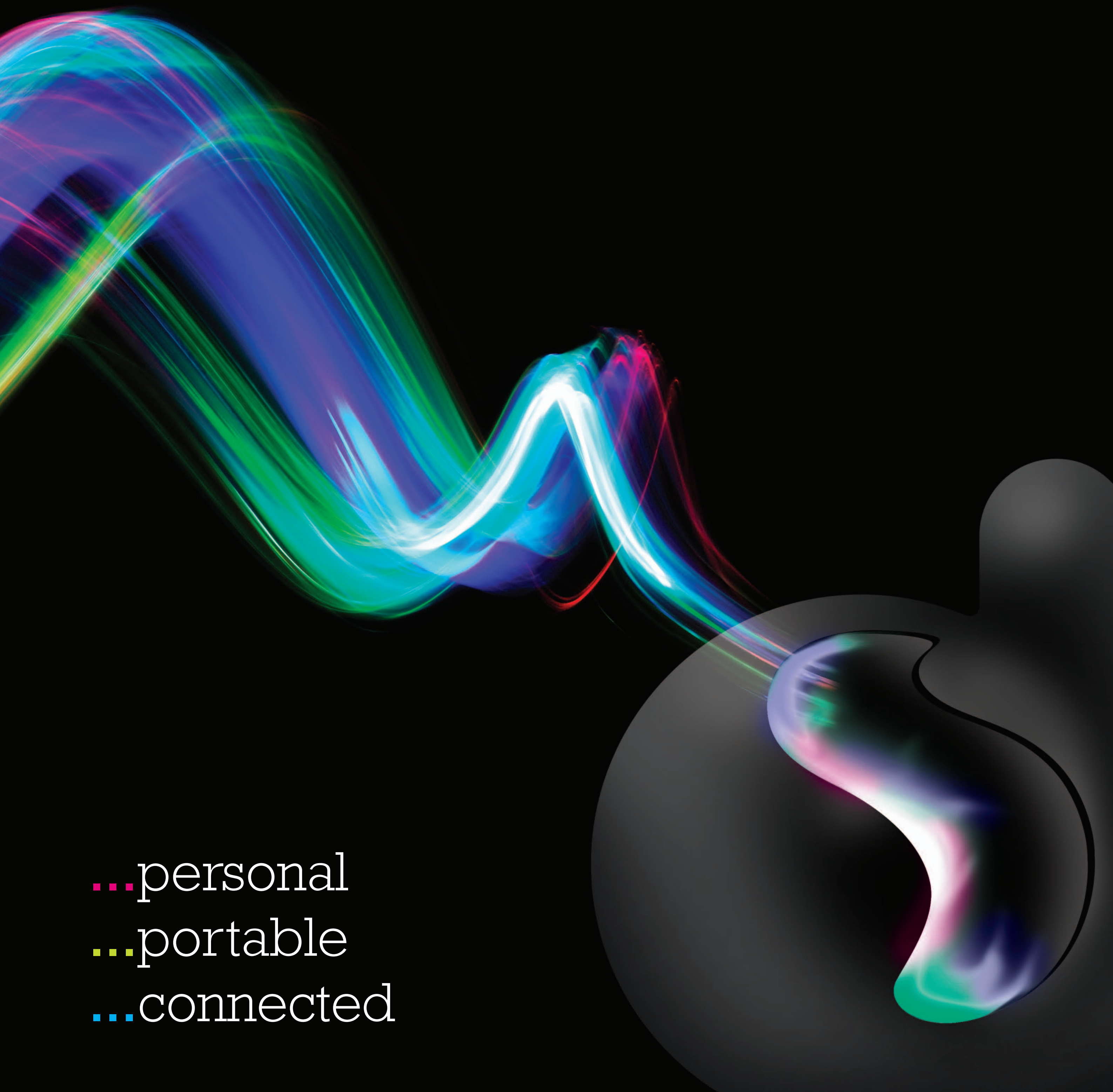
dialog SEMICONDUCTOR

Interim Report as of 29 June **2012**

The power to be...



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 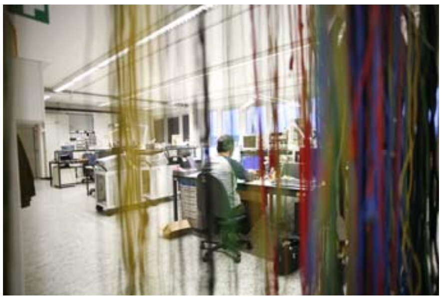 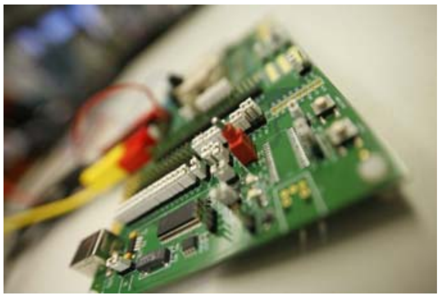

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Press Release – 24 July 2012

DIALOG SEMICONDUCTOR ANNOUNCES ITS RESULTS FOR THE SECOND QUARTER OF 2012

Company meets Q2 guidance, reporting a record second quarter revenue of $159.5 million, representing year-on-year growth of 37.4%

Kirchheim/Teck, Germany, 24 July 2012 – 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 its second quarter ending 29 June 2012.

Q2 2012 Financial Highlights

- Revenue for Q2 2012 was $159.5 million, an increase of 37.4% over Q2 2011
- Incremental gross margin improvement of 0.6 percentage points in the quarter
- Q2 2012 IFRS operating profit (EBIT) was $13.4 million or 8.4% of revenue with underlying(*) operating profit of $16.9 million or 10.6% of revenue
- Q2 2012 underlying(*) EBITDA(**) of $24.4 million or 15.3% of revenue, compared to $20.4 million or 17.6% in the prior year
- Q2 2012 underlying(*) diluted earnings per share of 20 cents, compared to 24 cents in Q2 2011
- Remain confident in our ability to meet current market revenue expectations for the full year 2012

Q2 2012 Operational Highlights

- Continued engagements with leading application processor vendors for integrated companion PMIC solutions, targeting 2013 volume production
- Strong engagement and first design wins for our short-range wireless audio ICs at leading microphone, gaming and professional headset customers
- Our second PMIC including integrated Audio, for a global Smartphone platform design win announced with Samsung
- Adoption of SmartPulse™ DECT ULE for internet enabled home plugs by European OEM's
- Adoption of Dialog audio technology for MP3 accessory for Samsung SIII Smartphone

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

"I am pleased to report a solid second quarter for Dialog, achieving strong year over year revenue growth. This is also the second sequential quarter in which we have delivered incremental gross margin improvement.

The breadth and depth of our technology portfolio, particularly for class leading power management, has enabled us to continue to build deeper engagement with leading trend-setting customers and partners. We have also continued to invest in and execute on our strategic priorities to drive profitable growth through Smartphones, Tablet PCs and now next generation Ultrabook solutions. Taken together, these factors continue to position Dialog well for continued strong revenue growth."

FINANCIAL OVERVIEW

Revenue in Q2 2012 was $159.5 million, representing an increase of 37.4% over the $116.1 million delivered in the second quarter of 2011 and a sequential decrease of 4.1% on the $166.3 million of revenue delivered in the prior quarter following, as previously reported, a particularly strong finish to that prior quarter.

Gross margin continues, as forecast, to steadily improve. In Q2 2012, gross margin stood at 37.5% of revenue, representing an increase of 0.6 percentage points over the 36.9% achieved in the prior quarter and a decrease of 3.4 percentage points over the 40.9% achieved in Q2 2011. The Q2 2012 underlying(*) gross margin was 37.5% compared to 37.3% in Q1 2012.

R&D and SG&A in Q2 2012 stood at 19.1% and 10.0% of revenue respectively, compared to 18.2% and 11.5% in Q2 2011 and 17.2% and 10.3% in the prior quarter (▲). Underlying(*) R&D and SG&A in Q2 2012 stood at 18.6% and 8.2% of revenue respectively, compared to 17.6% and 9.3% in Q2 2011 (▲) as we seek to fuel future revenue growth.

Operating profitability on an IFRS basis has also continued to improve. In Q2 2012, Operating Profit was $13.4 million or 8.4% of revenue. This compares to the $13.1 million or 11.2% of revenue achieved in Q2 2011 and $15.7 million or 9.4% of revenue achieved in the prior quarter. The underlying(*) operating profit achieved in Q2 2012 was $16.9 million or 10.6% of revenue, compared with the underlying(*) operating profit of $17.1 million or 14.7% of revenue in Q2 2011 and $21.5 million or 13.0% in the prior quarter (▲).

In Q2 2012 **underlying(*) EBITDA(**)** was $24.4 million or 15.3% of revenue compared to $20.4 million or 17.6% in Q2 2011 and $27.1 million or 16.3% in the prior quarter.

In total a net **tax charge** of $3.2 million was recorded in Q2 2012. Consequently, the overall effective tax rate for Q2 2012 was 27.0%.

In Q2 2012, on an IFRS basis, **net profit** was $8.5 million or 13 cents per basic share and 12 cents per diluted share. This compares to a net profit of $12.3 million or 20 cents per basic and 18 cents per diluted share delivered in Q2 2011 and a net profit of $11.6 million or 18 cents per basic and 17 cents per diluted share in the prior quarter. The underlying (*) **earnings per share** (diluted) in Q2 2012 was 20 cents. This compares to 24 cents in Q2 2011 and 26 cents in the prior quarter.

At the end of Q2 2012, our total **inventory** level was $102.5 million (or ~92 days), an increase of $21.8 million over the prior quarter and a level which we feel is appropriate in order to service the accelerating demand expected of the business during the second half of 2012.

At the end of Q2 2012, we had a **cash and cash equivalents** of $304.0 million. This represents an increase of $167.6 million over the cash and cash equivalents over the prior quarter. During Q1 of this financial year, Dialog closed a Convertible Bond Offering and early in Q2 received the net proceeds from that offering amounting to $196.8 million.

In support of our new product development strategy and efforts to optimise our supply chain with our offshore partners, during the quarter, we incurred capital expenditures of $16.8 million (Q2 2011: $3.9 million).

As part of our on-going strategy to invest in R&D, subsequent to quarter close, Dialog entered into a $26.4 million, payable over 6 years, license agreement with a third party which allows Dialog to access patents in the area of portable power management and battery charging technology.

(*) Underlying results in Q2 2012 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of $1.9 million, excluding $1.6 million of amortisation of intangibles associated with the acquisition of Dialog B.V. and excluding $1.7 million interest and financial expense in connection with the convertible bond.

The term "underlying" is not defined in IFRS and therefore may not be comparable with similarly titled measure 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 for property, plant and equipment (Q2 2012: $3.0 million), amortisation for intangible assets (Q2 2012: $4.3 million) and losses on disposals and impairment of fixed assets (Q2 2012: $0.1million).

(▲) See Notes to the Interim Consolidated Financial Statements (unaudited) published on our website: http://www.diasemi.com/investor_relations.php) – Following the successful completion of the Convertible Bond issue (see note 7 "Convertible Bond"), the transactions cost incurred ($ 4.2 million in total) are now allocated to the liability and equity component using prevailing market interest rate for debt with similar terms. As a result, we are now recognising that the $ 3.4 million transactions cost relating to the liability portion of the instrument should be offset against the liability in accordance to IAS 32 and IAS 39 rather than as expense in the income statement as previously reported in Q1 2012

OPERATIONAL OVERVIEW

As part of our Processor Partner Program initiative, during the quarter we continued to engage with leading application processor vendors. Our focus rests on developing optimised companion power management IC's for next generation processors, targeting new and high volume Smartphone, Tablet and Ultrabook platforms. We expect to announce products through the rest of 2012 and early 2013 with designs targeting volume productions in 2013.

We recently announced our second power management and audio design win at Samsung for a global smartphone platform. This new platform is part of the Samsung Galaxy series of Smartphones that use Dialog ICs. The first phone to use the platform is the Galaxy Pocket S5300, which recently began to ship in volume. We expect that additional Smartphones from Samsung for global 3G markets based upon this Dialog platform will be rolled out in the coming months.

Additionally, our audio technology was adopted and now in production by Samsung for an MP3 accessory player – YP-W1 or commonly known as the "S-Pebble" – for the Samsung SIII Smartphone. The Samsung YP-W1 bridges the gap between ultra-portable MP3 players and those with information displays. The player is designed for runners and other sportspeople.

For wireless audio, we secured new design wins and strong engagement based on a new short-range wireless processor at leading microphone, gaming and professional headset global OEMs. Our new products offer low latency and interference-free wireless operation for real-time audio applications.

Dialog's innovative SmartPulse™ DECT ULE technology continues to gain traction for home automation applications. Our latest design win is for internet enabled power plugs, allowing control and remote energy monitoring of connected devices to power plugs from your smartphone or tablet PC.

OUTLOOK

In Q3 2012, we expect our revenue momentum to continue to build and deliver revenue for the quarter in the range of $170 to $180 million, representing further significant year on year growth. We remain confident in our ability to meet current market revenue expectations for the full year, driven by a stronger seasonal second half and through anticipated new product launches from our customers.

We continue to believe that the positive trend of gradual incremental gross margin improvement achieved in the first half will continue through 2012, supported by our increasing supply chain visibility.

* * * * *

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 2012 performance, as well as guidance for Q3. 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 (UK)** with access code **94782739#**. 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 release including the company's consolidated income statement, consolidated balance sheet and consolidated statements of cash flows for the period ending 29 June 2012 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 focus and expertise in energy efficient system power management in addition to low energy short range wireless and VoIP technology, 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 enhance 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 2011, it had approximately $527million in revenue and was again one of the fastest growing European public semiconductor companies. It currently has approximately 725 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 tables detail the historical consolidated statements of the operations of Dialog for the three and six months ended 29 June 2012 and 1 July 2011:

	Three months ended 29 June 2012		Three months ended 1 July 2011		Change
	US$000	**% of revenues**	US$000	% of revenues	%
Revenues					
Mobile Systems	**126,054**	**79.0**	74,815	64.4	68.5
Automotive/industrial	**10,369**	**6.5**	12,237	10.5	(15.3)
Connectivity	**23,103**	**14.5**	29,066	25.0	(20.5)
Corporate	**(1)**	**0.0**	(28)	0.1	(96.4)
Revenues	**159,525**	**100.0**	116,090	100.0	37.4
Cost of sales	**(99,781)**	**(62.5)**	(68,617)	(59.1)	45.4
Gross profit	**59,744**	**37.5**	47,473	40.9	25.8
Selling and marketing expenses	**(9,494)**	**(6.0)**	(8,128)	(7.0)	16.8
General and administrative expenses	**(6,453)**	**(4.0)**	(5,171)	(4.5)	24.8
Research and development expenses	**(30,397)**	**(19.1)**	(21,125)	(18.2)	43.9
Operating profit	**13,400**	**8.4**	13,049	11.2	2.7
Interest income and other financial income	**496**	**0.3**	67	0.1	640.3
Interest expense and other financial expense	**(1,725)**	**(1.1)**	(101)	(0.1)	1,607.9
Foreign currency exchange gains and losses, net	**(471)**	**(0.3)**	(181)	(0.1)	160.2
Result before income taxes	**11,700**	**7.3**	12,834	11.1	(8.8)
Income tax expense	**(3,159)**	**(2.0)**	(570)	(0.5)	454.2
Net profit	**8,541**	**5.3**	12,264	10.6	(30.4)

	Six months ended 29 June 2012 ▲ US$000	% of revenues	Six months ended1 July 2011 US$000	% of revenues	Change %
Revenues					
Mobile Systems	**258,197**	**79.2**	143,347	66.8	80.1
Automotive/industrial	**20,486**	**6.3**	24,412	11.4	(16.1)
Connectivity	**47,191**	**14.5**	46,916	21.8	0.6
Corporate	**(1)**	**0.0**	(107)	0.0	(99.1)
Revenues	**325,873**	**100.0**	214,568	100.0	51.9
Cost of sales	**(204,683)**	**(62.8)**	(126,480)	(58.9)	61.8
Gross profit	**121,190**	**37.2**	88,088	41.1	37.6
Selling and marketing expenses	**(18,783)**	**(5.8)**	(14,262)	(6.7)	31.7
General and administrative expenses	**(14,255)**	**(4.4)**	(12,606)	(5.9)	13.1
Research and development expenses	**(59,036)**	**(18.1)**	(40,209)	(18.7)	46.8
Operating profit	**29,116**	**8.9**	21,011	9.9	38.6
Interest income and other financial income	**595**	**0.2**	349	0.2	70.5
Interest expense and other financial expense	**(1,768)**	**(0.5)**	(135)	(0.1)	1,209.6
Foreign currency exchange gains and losses, net	**(312)**	**(0.1)**	172	0.1	(281.4)
Result before income taxes	**27,631**	**8.5**	21,397	10.1	29.1
Income tax expense	**(7,460)**	**(2.3)**	(1,471)	(0.7)	407.1
Net profit	**20,171**	**6.2**	19,926	9.3	1.2

▲ Six months IFRS numbers are composed of adjusted Q1-2012 numbers, please refer to “Prior period adjustments” in note 1 to the Q2-2012 consolidated interim financial statements and Q2-2012 numbers as published.

Results of Operations

Segment Reporting

Revenues in the **Mobile Systems** segment were US$126.1 million for the three months ended 29 June 2012 (Q2-2011: US$74.8 million) comprising 79.0% of our total revenues (Q2-2011: 64.4%). For the first six months of 2012, revenues in this segment were US$258.2 million compared to US$143.3 million in the same period 2011, an increase of 80.1%. The increase in this sector is again 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 **Mobile Systems** segment increased from US$12.5 million for the three months ended 1 July 2011 to US$16.4 million for the three months ended 29 June 2012. For the first six months of 2012, the operating profit in this segment was US$36.2 million compared to US$21.7 million in the same period 2011, an increase of 67.2%.

Revenues from our **Automotive / Industrial Applications segment** were US$10.4 million for the three months ended 29 June 2012 (Q2-2011: US$12.2 million) representing 6.5% of our total revenues (Q2-2011: 10.5%). For the first six months of 2012, revenues in this segment were US$20.5 million compared to US$24.4 million in the same period 2011, a decrease of 16.1%. This development is mainly a result of lower sales volumes in the area of professional lighting applications caused by the unfavourable economic climate in Europe with a decreased level of investments. The Operating Profit in the sector was US$2.8 million for the three months ended 29 June 2012 (Q2-2011: US$3.2 million). For the first six months of 2012, operating profit was US$4.3 million (H1-2011: US$5.6 million).

The **Connectivity segment** represents our subsidiary, Dialog Semiconductor B.V. (Dialog B.V.). The company was acquired on 10 February 2011; therefore in 2011 its results were only consolidated from this date. Revenues from our Connectivity segment were US$23.1million for Q2-2012 and US$29.1 million for Q2-2011. For Q2-2012 the Connectivity segment contributed an operating loss of US$2.2 million, compared to an operating loss of US$0.2 million for Q2-2011. The loss in Q2-2012 includes an amount of US$1.6 million (Q2-2011 1.7 million) amortisation expense resulting from fair value adjustments in connection with the purchase price allocation. In addition Q2-2011 also included $0.6 million for the accelerated amortisation of intangible assets in relation to previously capitalised R&D expenses for close to end of life products. These products were fully amortised by the end of Q1-2012.

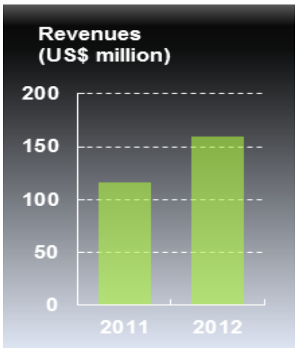
For the first six months of 2012, revenues in this segment were US$47.2 million compared to US$46.9 million in the period from 10 February 2011 to 1 July 2011. For the first six months 2012 we recorded an operating loss of US$4.9 million, compared to an operating profit of US$1.3 million in the period from 10 February 2011 to 1 July 2011. Had the connectivity business been consolidated from the beginning of 2011, the total contributed revenue would have been US$58.4 million for the first six months 2011. This compares to a revenue of US$47.2 million achieved in H1-2012, a decrease of US$11.2 million which translates into a reduction of the operating income of approximately US$4.6 million. In addition H1-2011 benefited from a first time inventory overhead capitalisation of US$0.5 million to align the local accounting procedures to those of the Group. Another reason for the decline was that in H1-2012 the Company allocated about US$0.5 million (H1-2011: nil) of overhead costs to this segment for cost associated with the Company's share option programme. The amount relates mainly to higher National Insurance provisions for UK based employees, associated to share options which need to be provided for by the Company as a direct result of the Dialog share price increase from €12.36 at 31 December 2011 to €14.27 at 29 June 2012. Furthermore, in H1-2012 one-time costs of about US$0.7 million were recorded which relate to the transfer of certain legacy Connectivity products to a new assembly site which will lead to future cost improvements, once the transfer is completed (4Q-2012). Underlying (*) operational loss in H1-2012 was US$0.7 million compared to a profit of US$4.8 million in H1-2011.

For further information please refer to note 2 to the Q2-2012 interim consolidated financial statements.

Revenues

Total revenues were US$159.5 million for the three months ended 29 June 2012 (Q2-2011: US$116.1 million, an increase of 37.4%). For the first six months of 2012, revenues were US$325.9 million compared to US$214.6 million in the same period 2011, an increase of 51.9%. The increase in revenues results mainly from higher sales volume in our Mobile systems sector as described above.

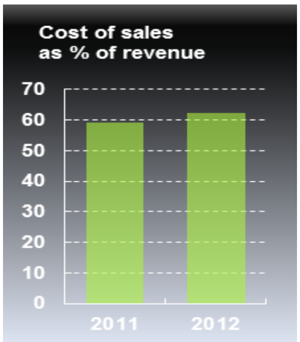
Q2 Revenues (US$ million)



Cost of sales

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 45.4% from US$68.6 million for the three months ended 1 July 2011 to US$99.8 million for the three months ended 29 June 2012 in line with increased production volume. As a percentage of revenues, cost of sales increased from 59.1% to 62.5%. This increase can largely be attributed to the product mix increasingly reflecting higher volume customer contracts together with higher material costs against the backdrop of an ongoing constrained supply chain environment. Additionally, very high volume ramps of new products using new manufacturing processes introduced early last year continued to drive lower yields in Q2-2012 although measurable improvements are already visible. Furthermore, as already mentioned above (see connectivity segment), cost of sales in H1-2012 include one-time costs of about US$0.7 million which relate to the transfer of certain legacy Connectivity products to a new assembly site.

Q2 Cost of sales as % of revenue



For the same reasons, Cost of sales as a percentage of revenue increased from 58.9% in H1-2011 to 62.8% in H1-2012.

Gross profit

Our gross margin decreased from 40.9% of revenues in Q2-2011 to 37.5% of revenues in Q2-2012 due to higher cost of sales as a percentage of revenues, as described above. Gross profit for the second quarter of 2012 was US$59.7 million, 25.8% above the amount in the second quarter of 2011 (US$47.5 million).

The gross margin for H1-2012 was 37.2% compared to 41.1% achieved in H1-2011, a decrease of 3.9 percentage points. Gross profit for the first six months of 2012 was US$121.2 million, 37.6% above the previous year's figures (US$88.1 million).

Gross margins remained under pressure due to the reasons described above and the continuous supply constraints in the Company's supply chain inhibited normally expected cost reductions from suppliers. However the gross margin of Q2-2012 continued to improve for the second consecutive quarter.

Selling and marketing expenses

Selling and marketing expenses consist primarily of salaries, sales commissions, travel expenses, advertising and other marketing costs. In line with our increased sales volume and continuous growth of our business, selling and marketing expenses increased from US$8.1 million for the three months ended 1 July 2011, to US$9.5 million for the three months ended 29 June 2012. As a percentage of total revenues, selling and marketing expenses decreased from 7.0% of total revenues in Q2-2011 to 6.0% of total revenues in Q2-2012. Similarly, selling and marketing expenses increased from US$14.3 million (6.7% of total revenues) for the first six months 2011 to US $18.8million (5.8% of total revenues) for the first six months 2012.

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$6.5 million for the second quarter 2012 an increase of 24.8% over the US$5.2 million in Q2-2011. Despite this absolute increase, as a percentage of total revenues general and administrative expenses decreased from 4.5% in Q2-2011 to 4.0% in Q2-2012.

For the first six months 2012 and 2011, general and administrative costs were US$14.3 million (or 4.4% of total revenues) and US$12.6 million (or 5.9% of total revenues) respectively. H1-2011 included one-time M&A expenses in connection with the acquisition of Dialog B.V. in an amount of US$3.1 million. Excluding these one-time costs General and administrative expenses were US$9.5 million for H1-2011. Without these one-time costs General and administrative expenses in H1-2012 increased US$4.8 million or 50.3% over H1-2011.

US$1.6 million of this increase relates to higher National Insurance provisions for UK based employees associated to share options which need to be provided for by the Company mainly as a direct result of the Dialog share price increase from €12.36 at 31 December 2011 to €14.27 at 29 June 2012. The remaining increase relates to higher costs for support functions reflecting the growth of the Company. Underlying (*) general and administrative expenses in H1-2012 were US$11.4 million or 3.5% of revenues compared to US$8.3 million or 3.9% in H1-2011.

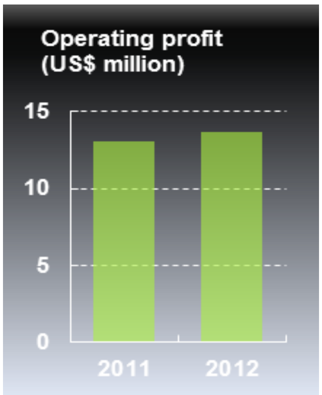
Research and development expenses

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$30.4 million for the three months ended 29 June 2012 (Q2-2011: US$21.1 million), an increase of 43.9%. The increase was primarily due to an increased headcount of our R&D personnel in support of our growth strategy. As a percentage of total revenues research and development expenses increased from 18.2% to 19.1% in those periods. For the first six months of 2012, our R&D expenses were US$59.0 million (18.1% of total revenues) compared to US$40.2 million (18.7% of total revenues) in the first six months of 2011.

Operating profit

We reported an operating profit of US$13.4 million for the second quarter 2012 (Q2-2011: US$13.0 million). For the first six months of 2012, we reported an operating profit of US$29.1 million. This compares to an operating profit of US$21.0 million in the previous year. This improvement primarily resulted from a wider revenue base in 2012 mainly contributed by our Mobile Systems segment. Underlying (*) operating profit in H1-2012 was US$38.5 million or 11.8% of revenues compared to US$30.9 million or14.4% of revenues in H1-2011.

Q2 Operating profit (US$ million)



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$496 thousand for the three months ended 29 June 2012 (Q2-2011: US$67 thousand). The increase is associated with the placement of the proceeds of the Convertible Bond on interest bearing accounts. For the first six months of 2012, we recorded interest income and other financial income of US$595 thousand compared to US$349 thousand in the same period of 2011.

Interest expense and other financial expense

Interest expense and other financial expense consist primarily of expenses from capital leases, hire purchase agreements, the Group's factoring arrangement and in 2012 also the interest expense in relation to the convertible bond. Q2-2012 interest and other financial expenses were US$1.7 million (Q2-2011: US$101 thousand). The amount in Q2-2012 mainly includes two components relating to the convertible bond: US$ 0.4 million relate to a one per cent coupon payable on a semi-annual basis to the bond holders and US$1.3 million represent the interest expense in connection with the measurement of the financial liability from the bond using the effective interest method.

For the first six months of 2012, interest expenses and other financial expenses were US$1.8 million compared to US$135 thousand in the first six months of 2011. The increase is related to the convertible bond as mentioned above.

Income tax expense

For the three months ended 29 June 2012, a net income tax charge of US$3.2million was recorded (Q2-2011: US$0.6 million). The amount in Q2-2012 consists of a current tax expense of US$2.2 million (Q2-2011 US$1.3 million) and a deferred tax expense of US$1.0 million (Q2-2011 benefit of US$0.7 million). The tax charge in both periods continued to benefit from the utilisation of brought forward tax losses resulting in a residual minimum tax level current tax expense.

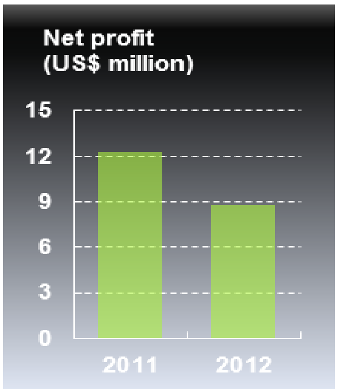
For the six months ended 29 June 2012, a net income tax charge of US$7.5 million was recorded (H1-2011: US$1.5 million) resulting in an effective tax rate of 27.0% (H1-2011 6.9%) The main reason for the increase of the effective tax rate was that in H1-2012 a lower amount of previously unrecognised deferred tax assets was recognised. The amount in H1-2012 was: US$2.0 million compared to US$5.4 million in H1-2011 resulting in a change of the effective tax rate of 15.9%. Higher non-tax-deductible expenses recorded in H1-2012 compared to H1-2011 contributed to a further increase in the 2012 effective tax rate.

Net profit

For the reasons described above, we reported a net profit of US$8.5 million for the three months ended 29 June 2012 (Q2-2011: US$12.3 million). Basic earnings per share in Q2-2012 were US$0.13 (Q2-2011: US$0.20) while diluted earnings per share were US$0.12 (Q2-2011: US$ 0.18).

For the first six months of 2012, net profit reached US$20.2 million compared to US$19.9 million in the comparison period 2011 with basic earnings per share at US$0.31 (2011: US$0.32) and diluted earnings per share at US$0.30 (2011: US$0.30).

Q2 Net profit (US$ million)



Liquidity and capital resources

Cash flows

Cash used for operating activities was US$10.3 million for the three months ended 29 June 2012 (Q2-2011: US$7.0 million). The cash outflow for the three months ended 29 June 2011 mainly resulted from investments in the group's working capital in the amount US$31.6 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$19.1 million for the three months ended 29 June 2012 (Q2-2011: US$6.8 million). Cash used for investing activities in Q2-2012 was predominantly spent to support our new product development strategy and efforts to optimise our supply chain with our offshore partners. During the quarter, we incurred capital expenditures of US$16.8 million (Q2-2011: US$3.9 million) for the purchase of test machines, tooling (masks), laboratory equipment, probe cards, load boards and other advanced test equipment, the purchase of intangible assets of US$1.0 million (Q2-2011: US$0.7 million) and payments related to capitalised development costs of US$1.2 million (Q2-2011: US$1.5 million).

Cash flow from financing activities was US$197.3 million for the three months ended 29 June 2012. US$196.8 million relate to the cash inflow from the convertible bond in amount of US$201.0 million net of transaction costs of US$4.2 million.

Liquidity

At 29 June 2012 we had cash and cash equivalents of US$304.0 million (31 December 2011: US$113.6 million). The working capital (defined as current assets minus current liabilities) was US$366.6 million (31 December 2011: US$150.8 million).

As of 29 June 2012 we had long-term debt in the amount of US$162.0 million representing the fair value of the liability from the convertible bond (31 December 2011: 0)

If necessary, we have available for use a multi-currency 3 years (2010-2013) revolving credit line facility of £10.0 million at a rate of LIBOR +150bp and a 3 year (2011-2014) revolving credit facility of US$35.0 million that bears interest at a rate of LIBOR +140bp. At 29 June 2012 and 31 December 2011 we had no amounts outstanding under these facilities. In addition, we have two factoring agreements which provide the Company with up to US$42.0 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 underlying financial performance for Q2-2012 and Q2-2011 is summarised below:

US$000	**Three months ended 29 June 2012**			Three months ended 1 July 2011 ***)		
	IFRS	**Adjustments**	**Underlying*)**	IFRS	Adjustments	Underlying*)
Revenue	**159,525**	**-**	**159,525**	116,090	-	116,090
Cost of sales	**(99,781)**	**(4)**	**(99,777)**	(68,617)	(810)	(67,807)
Gross profit	**59,744**	**(4)**	**59,748**	47,473	(810)	48,283
Selling and marketing expenses	**(9,494)**	**(1,801)**	**(7,693)**	(8,128)	(1,532)	(6,596)
General and administrative expenses	**(6,453)**	**(993)**	**(5,460)**	(5,171)	(1,020)	(4,151)
Research and development expenses	**(30,397)**	**(710)**	**(29,687)**	(21,125)	(651)	(20,474)
Operating profit	**13,400**	**(3,508)**	**16,908**	13,049	(4,013)	17,062
Interest income and other financial income	**496**	**-**	**496**	67	-	67
Interest expense and other financial expense	**(1,725)**	**(1,685)**	**(40)**	(101)	-	(101)
Foreign currency exchange gains and losses, net	**(471)**	**-**	**(471)**	(181)	-	(181)
Result before income taxes	**11,700**	**(5,193)**	**16,893**	12,834	(4,013)	16,847
Income tax expense	**(3,159)**	**-**	**(3,159)**	(570)	-	(570)
Net profit	**8,541**	**(5,193)**	**13,734**	12,264	(4,013)	16,277
Earnings per share (in US$)						
Basic	**0.13**	**(0.08)**	**0.21**	0.20	(0.06)	0.26
Diluted	**0.12**	**(0.08)**	**0.20**	0.18	(0.06)	0.24
EBITDA **)	**20,773**	**(3,604)**	**24,377**	18,715	(1,661)	20,376

*) Underlying results in Q2-2012 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of US$1.9 million, excluding US$1.6 million of amortisation of intangibles associated with the acquisition of Dialog B.V. and excluding US$1.7 million interest expense in connection with the convertible bond.

Underlying results in Q2-2011 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of US$1.4 million, excluding one-time costs of US$0.3 million associated with the acquisition of Dialog B.V., excluding US$2.3 million of amortisation of intangibles associated with the acquisition of Dialog B.V.

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 for property, plant and equipment (Q2-2012: US$3.0 million, Q2-2011: US$2.0 million), amortisation for intangible assets (Q2-2012: US$4.3 million, Q2-2011: US$3.7 million) and losses on disposals and impairment of fixed assets (Q2-2012: US$0.1 million, Q2-2011: US$0.1 million).

***) Q2-2011 numbers adjusted for purchase price allocation, please refer to note 1 to the Q2-2012 consolidated interim financial statements

Dialog Semiconductor's underlying financial performance for the first six months of 2012 and 2011 is summarised below:

US$000	Six months ended 29 June 2012			Six months ended 1 July 2011 ***)		
	IFRS ▲	**Adjustments**	**Underlying*)**	IFRS	Adjustments	Underlying*)
Revenue	**325,873**	**-**	**325,873**	214,568	-	214,568
Cost of sales	**(204,683)**	**(560)**	**(204,123)**	(126,480)	(1,195)	(125,285)
Gross profit	**121,190**	**(560)**	**121,750**	88,088	(1,195)	89,283
Selling and marketing expenses	**(18,783)**	**(3,730)**	**(15,053)**	(14,262)	(2,233)	(12,029)
General and administrative expenses	**(14,255)**	**(2,869)**	**(11,386)**	(12,606)	(4,323)	(8,283)
Research and development expenses	**(59,036)**	**(2,181)**	**(56,855)**	(40,209)	(2,134)	(38,075)
Operating profit	**29,116**	**(9,340)**	**38,456**	21,011	(9,885)	30,896
Interest income and other financial income	**595**	**-**	**595**	349	-	349
Interest expense and other financial expense	**(1,768)**	**(1,685)**	**(83)**	(135)	-	(135)
Foreign currency exchange gains and losses, net	**(312)**	**-**	**(312)**	172	-	172
Result before income taxes	**27,631**	**(11,025)**	**38,656**	21,397	(9,885)	31,282
Income tax expense	**(7,460)**	**-**	**(7,460)**	(1,471)	-	(1,471)
Net profit	**20,171**	**(11,025)**	**31,196**	19,926	(9,885)	29,811
Earnings per share (in US$)						
Basic	**0.31**	**(0.17)**	**0.49**	0.32	(0.16)	0.48
Diluted	**0.30**	**(0.16)**	**0.46**	0.30	(0.15)	0.45
EBITDA **)	**44,129**	**(7,341)**	**51,470**	31,046	(6,457)	37,503

*) Underlying results in H1-2012 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of US$5.6 million, excluding US$3.7 million of amortisation of intangibles associated with the acquisition of SiTel and excluding US$1.7 million interest expense in connection with the convertible bond.

Underlying results in H1-2011 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of US$3.3 million, excluding one-time transaction costs of US$3.1 million associated with the acquisition of Dialog B.V., excluding US$3.4 million of amortisation of intangibles associated with the acquisition of Dialog B.V.

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 for property, plant and equipment (H1-2012: US$5.7 million, H1 2011: US$3.7 million), amortisation for intangible assets (H1-2012: US$9.0 million, H1-2011: US$6.3 million) and losses on disposals and impairment of fixed assets (H1-2012: US$0.3 million, H1-2011: US$0.2 million).

***) H1-2011 numbers adjusted for purchase price allocation, please refer to note 1 to the Q2-2012 consolidated interim financial statements

▲ Six months IFRS numbers are composed of adjusted Q1-2012 numbers, please refer to "Prior period adjustments" in note 1 to the Q2-2012 consolidated interim financial statements and Q2-2012 numbers as published.

Statement of Financial Position

	At 29 June 2012 US$000	At 31 December 2011 US$000	Change US$000	%
Assets				
Cash and cash equivalents	**303,953**	113,590	190,363	167.6
All other current assets	**161,694**	117,685	44,009	37.4
Total current assets	**465,647**	231,275	234,372	101.3
Property, plant and equipment, net	**47,152**	28,404	18,748	66.0
Intangible assets	**34,587**	38,361	(3,774)	(9.8)
Goodwill	**27,358**	27,358	-	-
All other non-current assets	**1,481**	1,684	(203)	(12.1)
Deferred tax assets	**15,004**	17,382	(2,378)	(13.7)
Total non-current assets	**125,582**	113,189	12,393	10.9
Total Assets	**591,229**	344,464	246,765	71.6
Liabilities and Shareholders' equity				
Current liabilities	**99,088**	80,440	18,648	23.2
Non-current liabilities	**162,538**	909	161,629	17,781.0
Net Shareholders' equity	**329,603**	263,115	66,488	25.3
Total Liabilities and Shareholders' equity	**591,229**	344,464	246,765	71.6

The balance sheet total was US$591.2 million at 29 June 2012 (31 December 2011: US$344.5 million). Cash and cash equivalents increased by US$190.4 million or 167.6% to US$304.0 million at 29 June 2012 (31 December 2011: US$113.6 million). This increase was mainly caused by the net cash inflow from the convertible bond in the amount of US$196.8 million, cash flows from operating activities in the amount of US$20.5 million and cash inflows from the sale of employee stock purchase plan shares in the amount of US$2.8 million. The cash inflows were partly offset by cash outflows for investing activities in the amount of US$29.5 million as described above.

Other current assets increased from US$117.7 million at 31 December 2011 by US$44.0 million to US$161.7 million at 29 June 2012. The increase of 37.4% is mainly driven by higher inventory balances to support the growth of the Company.

Total non-current assets increased by US$12.4 million; investments into tangible and intangible assets were US$29.8 million these were partly offset by depreciation and amortisation charges in the amount of US$14.7 million. Deferred tax assets decreased by US$2.4 million due to the usage of net loss carry forwards.

Current liabilities increased by net US$18.6 million of which US$20.5 million relate to increased trade and other payables which mainly stand in relation to the increase inventory balance.

Non-current liabilities increased by US$161.6 million. The amount at 29 June 2012 mainly represents the fair value of the convertible bond liability. For further information please refer to note 7 to the Q2-2012 interim consolidated financial statements.

Shareholders' equity increased from US$263.1 million at 31 December 2011 by US$66.5 million to US$329.6 million at 29 June 2012. US$37.4 million of this increase relate to the convertible bond, for further information please refer to note 7 to the Q2-2012 interim consolidated financial statements. US$23.3 million relate to our net profit (adjusted by expenses for share based payments). The equity ratio was 55.8% (76.4% at 31 December 2011).

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; Christophe Chene, Vice President, Asia; Dr Asmund Tielens, Vice President and General Manager Connectivity, Automotive and Industrial Group; Udo Kratz, Senior Vice President, General Manager Mobile Systems Business Group; Martin Powell, Vice President, Human Resources; Jean-Michel Richard, CFO, Vice President Finance; Mark Tyndall, Vice President Business Development and Corporate Strategy.

Board of Directors
Gregorio Reyes, Chairman; Dr Jalal Bagherli, Chief Executive Officer; Chris Burke; Aidan Hughes; John McMonigall; Russ Shaw; Dr Chang-Bun Yoon; Peter Weber.

Risks, risk management and opportunities
The risk management, our business risks and opportunities are described in our 2011 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 2012. 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.

24 July 2012

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

Unaudited consolidated statement of financial position

As at 29 June 2012

	Notes	**At 29 June 2012 US$000**	At 31 December 2011 US$000
Assets			
Cash and cash equivalents	7	**303,953**	113,590
Trade accounts receivable and other receivables		**50,504**	46,729
Inventories	4	**102,493**	62,637
Income tax receivables		**56**	58
Other financial assets		**879**	25
Other current assets		**7,762**	8,236
Total current assets		**465,647**	231,275
Property, plant and equipment	5	**47,152**	28,404
Intangible assets	6	**34,587**	38,361
Goodwill		**27,358**	27,358
Deposits		**1,111**	1,445
Income tax receivables		**370**	239
Deferred tax assets		**15,004**	17,382
Total non-current assets		**125,582**	113,189
Total assets		**591,229**	344,464
Liabilities and Shareholders´ equity			
Trade and other payables		**70,944**	50,457
Other financial liabilities		**4,387**	7,213
Provisions		**1,174**	1,040
Income taxes payable		**3,198**	5,178
Other current liabilities		**19,385**	16,552
Total current liabilities		**99,088**	80,440
Provisions		**564**	536
Other non-current financial liabilities	7	**161,974**	373
Total non-current liabilities		**162,538**	909
Ordinary shares		**12,852**	12,380
Additional paid-in capital		**245,700**	203,911
Retained earnings		**81,559**	58,233
Other reserves		**(4,442)**	(8,251)
Employee stock purchase plan shares		**(6,066)**	(3,158)
Net Shareholders´ equity		**329,603**	263,115
Total liabilities and Shareholders´ equity		**591,229**	344,464

Unaudited consolidated income statement

For the three and six months ended 29 June 2012

	Notes	**Three months ended 29 June 2012 US$000**	Three months ended 1 July 2011 Adjusted [1] US$000	**Six months ended 29 June 2012 US$000**	Six months ended 1 July 2011 Adjusted [1] US$000
Revenue	2	**159,525**	116,090	**325,873**	214,568
Cost of sales		**(99,781)**	(68,617)	**(204,683)**	(126,480)
Gross profit		**59,744**	47,473	**121,190**	88,088
Selling and marketing expenses		**(9,494)**	(8,128)	**(18,783)**	(14,262)
General and administrative expenses		**(6,453)**	(5,171)	**(14,255)**	(12,606)
Research and development expenses		**(30,397)**	(21,125)	**(59,036)**	(40,209)
Operating profit	**2**	**13,400**	13,049	**29,116**	21,011
Interest income and other financial income		**496**	67	**595**	349
Interest expense and other financial expense		**(1,725)**	(101)	**(1,768)**	(135)
Foreign currency exchange gains and losses, net		**(471)**	(181)	**(312)**	172
Result before income taxes		**11,700**	12,834	**27,631**	21,397
Income tax expense		**(3,159)**	(570)	**(7,460)**	(1,471)
Net profit		**8,541**	12,264	**20,171**	19,926

		Three months ended 29 June 2012	Three months ended 1 July 2011	**Six months ended 29 June 2012**	Six months ended 1 July 2011
Earnings per share (in US$)					
Basic		**0.13**	0.20	**0.31**	0.32
Diluted	7	**0.12**	0.18	**0.30**	0.30
Weighted average number of shares (in thousands)					
Basic		**64,383**	62,864	**64,181**	62,422
Diluted	7	**68,399**	67,302	**67,905**	66,967

[1] Please refer to "Adjustment purchase price allocation" in note 1.

Unaudited statement of comprehensive income

For the three and six months ended 29 June 2012

	Three months ended 29 June 2012 **US$000**	Three months ended 1 July 2011 Adjusted [1] US$000	**Six months ended 29 June 2012** **US$000**	Six months ended 1 July 2011 Adjusted [1] US$000
Net profit	**8,541**	12,264	**20,171**	19,926
Exchange differences on translating foreign operations	**228**	66	**161**	(250)
Cash flow hedges	**(1,236)**	866	**3,114**	3,746
Income tax relating to components of other comprehensive income	**140**	(10)	**534**	201
Other comprehensive income for the year, net of tax	**(868)**	922	**3,809**	3,697
Total comprehensive income for the year	**7,673**	13,186	**23,980**	23,623

[1] Please refer to "Adjustment purchase price allocation" in note 1.

Unaudited consolidated statements of cash flows

For the three and six months ended 29 June 2012

	Notes	**Three months ended 29 June 2012 US$000**	Three months ended 1 July 2011 PPA adjusted US$000	**Six months ended 29 June 2012 US$000**	Six months ended 1 July 2011 PPA adjusted US$000
Cash flows from operating activities:					
Net profit		**8,541**	12,264	**20,171**	19,926
Interest expense (income) , net		**1,229**	34	**1,173**	(214)
Income tax expense		**3,159**	570	**7,460**	1,471
Impairment of inventories		**280**	543	**1,557**	1,370
Depreciation of property, plant and equipment		**2,950**	1,978	**5,673**	3,690
Amortization of intangible assets		**4,315**	3,688	**9,031**	6,345
Losses on disposals of fixed assets and impairment of fixed and financial assets		**108**	126	**309**	248
Expense related to share-based payments		**1,641**	1,752	**3,155**	3,108
Changes in working capital:					
Trade accounts receivable and other receivables		**(5,572)**	(9,761)	**101**	(25,266)
Factoring		**(3,398)**	6,690	**(3,876)**	20,657
Inventories		**(22,062)**	(3,429)	**(41,413)**	(7,615)
Prepaid expenses		**1,400**	(96)	**618**	(1,218)
Trade and other payables		**(3,934)**	(6,437)	**20,470**	(4,756)
Provisions		**80**	(28)	**158**	(385)
Other assets and liabilities		**2,237**	(14,635)	**2,185**	(8,147)
Cash used for (generated from) operations		**(9,026)**	(6,741)	**26,772**	9,214
Interest paid		**–**	(73)	**–**	(80)
Interest received		**187**	31	**263**	295
Income taxes paid		**(1,491)**	(193)	**(6,566)**	(1,277)
Cash flow used for (generated from) operating activities		**(10,330)**	(6,976)	**20,469**	8,152
Cash flows from investing activities:					
Purchases of property, plant and equipment		**(16,804)**	(3,855)	**(24,737)**	(7,634)
Purchases of intangible assets		**(1,029)**	(715)	**(2,787)**	(1,953)
Payments for capitalized development costs		**(1,238)**	(1,459)	**(2,226)**	(2,544)
Sale of property, plant and equipment		**–**	–	**86**	–
Purchase of SiTel Semiconductor B.V.		**–**	(486)	**–**	(84,166)
Change in other long term assets		**18**	(306)	**162**	(533)
Cash flow used for investing activities		**(19,053)**	(6,821)	**(29,502)**	(96,830)
Cash flows from financing activities:					
Convertible Bond	**7**	**196,790**	–	**196,790**	–
Sale of employee stock purchase plan shares		**524**	280	**2,755**	1,097
Financial liabilities		**–**	–	**–**	10,000
Cash flow from financing activities		**197,314**	280	**199,545**	11,097
Cash flow used for (from) operating, investing and financing activities		**167,931**	(13,517)	**190,512**	(77,581)
Net foreign exchange difference		**(322)**	(310)	**(149)**	(145)
Net decrease (increase) in cash and cash equivalents		**167,609**	(13,827)	**190,363**	(77,726)
Cash and cash equivalents at beginning of period		**136,344**	94,301	**113,590**	158,200
Cash and cash equivalents at end of period		**303,953**	80,474	**303,953**	80,474

Unaudited consolidated statement of changes in equity

For the three and six months ended 29 June 2012

	Ordinary Shares US$000	Additional paid-in capital US$000	Accumulated earnings (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 2010 / 1 January 2011	12,380	202,416	(3,961)	(1,717)	69	(3,915)	205,272
Total comprehensive income (loss)	–	–	19,926	(49)	3,746	–	23,623
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**	**23,034**	**(49)**	**3,746**	**551**	**27,827**
Balance at 1 July 2011 [1)]	**12,380**	**202,961**	**19,073**	**(1,766)**	**3,815**	**(3,364)**	**233,099**

	Ordinary Shares US$000	Additional paid-in capital US$000	Accumulated earnings (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 2011 / 1 January 2012	12,380	203,911	58,233	(1,879)	(6,372)	(3,158)	263,115
Total comprehensive income	–	–	20,171	146	3,663	–	23,980
Convertible Bond	–	37,377	–	–	–	–	37,377
Convertible Bond transaction cost	–	(782)	–	–	–	–	(782)
Capital Increase for employee share option plan (gross proceeds)	472	2,661	–	–	–	(3,152)	(19)
Sale of employee stock purchase plan shares	–	2,533	–	–	–	244	2,777
Equity settled transactions, net of tax	–	–	3,155	–	–	–	3,155
Changes in Equity total	**472**	**41,789**	**23,326**	**146**	**3,663**	**(2,908)**	**66,488**
Balance at 29 June 2012	**12,852**	**245,700**	**81,559**	**(1,733)**	**(2,709)**	**(6,066)**	**329,603**

[1] Please refer to "Adjustment purchase price allocation" in note 1.

Notes to the Interim Consolidated Financial Statements (Unaudited)

For the three and six months ended 29 June 2012

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, 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 focus and expertise in energy-efficient system power management, and the addition during 2011 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 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 2011, it had US$527 million in revenue and is one of the fastest growing European public semiconductor companies. At 29 June 2012, the Company had 710 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 31 December 2011.

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 31 December 2011 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 three months ended 29 June 2012 are not necessarily indicative of the results to be expected for the full year ending 31 December 2012.

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.

Adjustment purchase price allocation
On 10 February 2011, Dialog Semiconductor Plc acquired 100% of the voting shares of SiTel Semiconductor B.V. (Now Dialog B.V.), an unlisted company headquartered and incorporated in the Netherlands and a leader in short-range wireless, digital cordless and VoIP technology.

Given the timing of the transaction, at the end of Q2-2011 it was not possible to provide all disclosures required by IFRS 3 (R) as the acquisition accounting including the purchase price allocation ("PPA") was still in the process of being finalised. The Company completed this during the remainder of 2011. Therefore in the consolidated interim financial statements for the first and second quarter 2011 Dialog reported the results of the PPA on the basis of provisional figures. The final results led to changes to the PPA and numbers for Q1and Q2-2011 have been retrospectively adjusted. The table below shows the adjustments:

	Three months ended 1 July 2011 as previously reported	PPA adjustment	**Three months ended 1 July 2011 adjusted**	Six months ended 1 July 2011 as previously reported	PPA adjustment	**Six months ended 1 July 2011 adjusted**
	US$000	US$000	**US$000**	US$000	US$000	**US$000**
Revenue	116,090	–	**116,090**	214,568	–	**214,568**
Cost of sales	(69,448)	831	**(68,617)**	(127,880)	1,400	**(126,480)**
Gross profit	46,642	831	**47,473**	86,688	1,400	**88,088**
Selling and marketing expenses	(7,189)	(939)	**(8,128)**	(12,547)	(1,715)	**(14,262)**
General and administrative expenses	(5,172)	1	**(5,171)**	(12,607)	1	**(12,606)**
Research and development expenses	(21,136)	11	**(21,125)**	(40,143)	(66)	**(40,209)**
Operating profit	13,145	(96)	**13,049**	21,391	(380)	**21,011**
Interest income and other financial income	67	–	**67**	349	–	**349**
Interest expense and other financial expense	(101)	–	**(101)**	(135)	–	**(135)**
Foreign currency exchange gains and losses, net	(181)	–	**(181)**	172	–	**172**
Result before income taxes	12,930	(96)	**12,834**	21,777	(380)	**21,397**
Income tax expense	(570)	–	**(570)**	(1,471)	–	**(1,471)**
Net profit	12,360	(96)	**12,264**	20,306	(380)	**19,926**

	1 July 2011 as previously reported	PPA adjustment	**1 July 2011 adjusted**
	US$000	US$000	**US$000**
Goodwill	31,868	(4,510)	**27,358**
Intangible assets	37,708	4,130	**41,838**
Shareholders' equity	233,479	(380)	**233,099**

Prior period adjustments

Following the cash settlement of the Convertible Bond in April 2012 (see note 7 "Convertible Bond"), the transactions cost incurred (US$ 4.2 million in total) are now allocated to the liability and equity component using prevailing market interest rate for debt with similar terms . As a result, we are now recognising that the US$ 3.4 million transactions cost relating to the liability portion of the instrument should be offset against the liability in accordance to IAS 32 and 39 rather than as expense in the income statement as previously reported in Q1-2012. This adjustment, posted retrospectively in line with IAS8, results in the following changes in the profit and loss statement and the statement of financial position:

	Three months ended 30 March 2012 as previously reported US$000	adjustment US$000	**Three months ended 30 March 2012 adjusted US$000**
General and administrative expenses	(11,215)	3,418	**(7,797)**
Operating profit	12,303	3,418	**15,721**
Result before income taxes	12,518	3,418	**15,936**
Income tax expense	(3,380)	(921)	**(4,301)**
Net profit	9,138	2,497	**11,635**

Earnings per share (in US$)	Three months ended 30 March 2012 as previously reported		**Three months ended 30 March 2012 adjusted**
Basic	0.14	0.04	**0.18**
Diluted	0.13	0.04	**0.17**

	At 30 March 2012 as previously reported US$000	adjustment US$000	**At 30 March 2012 adjusted US$000**
Other current assets	8,860	3,418	**12,278**
Deferred tax assets	16,692	(921)	**15,771**
Retained earnings	68,885	2,497	**71,382**

2. Segment Reporting

The 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.

a) Operating Segments

Dialog has changed the structure of its internal organisation which drove a change in the composition of its reportable segments. For further information please see below. Following this change the Group's operating segments are:

Mobile Systems

This segment includes our power management and audio chips especially designed to meet the needs of the wireless systems markets and a range of advanced driver technologies for low power display applications – from PMOLEDs, to electronic paper and MEMS displays. This segment was newly created in Q1-2012 and includes our former Audio and Power Systems segment and our former Display Systems segment. For further information, see below.

Automotive and Industrial

In the automotive and industrial market our products address the safety, management and control of electronic systems in cars and for industrial applications.

Connectivity

The activities of this segment include short-range wireless, digital cordless and VoIP technology. The new Connectivity segment includes the operating segment of our newly acquired subsidiary SiTel Semiconductor B.V. now Dialog Semiconductor B.V. ("Dialog B.V.") Dialog B.V. was acquired on 10 February 2011; therefore its results are consolidated from this date.

	Three months ended 29 June 2012	Three months ended 1 July 2011	Six months ended 29 June 2012	Six months ended 1 July 2011
	US$000	US$000	**US$000**	US$000
Revenues				
Mobile Systems	**126,054**	74,815	**258,197**	143,347
Automotive/industrial	**10,369**	12,237	**20,486**	24,412
Connectivity	**23,103**	29,066	**47,191**	46,916
Corporate	**(1)**	(28)	**(1)**	(107)
Total revenues	**159,525**	116,090	**325,873**	214,568
Operating profit (loss)[1)]				
Mobile Systems	**16,448**	12,488	**36,190**	21,651
Automotive/industrial	**2,761**	3,204	**4,318**	5,610
Connectivity [2)]	**(2,203)**	(155)	**(4,899)**	1,329
Corporate	**(3,606)**	(2,488)	**(6,493)**	(7,579)
Total operating profit	**13,400**	13,049	**29,116**	21,011

[1] Certain overhead costs are allocated mainly based on sales and headcount.

[2] The operating result recorded for the connectivity segment includes additional depreciation charges resulting from fair value adjustments in connection with the purchase price allocation.

Change of Segmental Reporting structure

Following the acquisition of Dialog B.V. in February 2011, the Company initiated a review of the business segments. The first outcome was the creation of the Connectivity Segment in 1Q-2011 to encapsulate all the activities of former SiTel. During Q1-2012, the Company went on to review its display activities.

Low market traction of the Company's display products in the last two years which resulted in minimal revenues drove the Company's decision to reallocate its scarce R&D resources away from these products and onto higher priority projects. Therefore already in Q1-2012 the Company indicated that it would no longer invest R&D activities in the development of next generation display products unless it sees traction in the market and capacity investment in display glass modules from it business partners in Asia. Nevertheless, the Company continues to engage with major tier 1 OEMs and module display manufacturers to secure their adoption of this technology

Due to high synergy of end markets and customers in mobile products between audio & power management and display products, the Company then decided to merge the two marketing and support organisations.

These decisions meant that it was no longer meaningful to report the display activity as a separate business segment. As a result in Q1-2012 the Company has decided to merge the former Audio & Power Management Segment and the former Display Systems Segment under the newly created segment called Mobile Systems Business Group.

The following table shows for 2011 the Company's former Audio & Power Management Segment, the former Display Segment and the combination of both into the new Mobile Systems Segment:

	Three months ended 1 July 2011			Six months ended 1 July 2011		
	Audio & Power Management US$000	**Display Systems US$000**	**Mobile Systems 000US$**	Audio & Power Management US$000	Display Systems US$000	Mobile Systems 000US$
Revenues [1]	**74,447**	**368**	**74,815**	142,673	674	143,347
Operating profit (loss)	**15,114**	**(2,626)**	**12,488**	26,560	(4,909)	21,651

1) Certain overhead costs are allocated mainly based on sales and headcount.

b) Geographic Information

	Three months ended 29 June 2012 US$000	Three months ended 1 July 2011 US$000	**Six months ended 29 June 2012 US$000**	Six months ended 1 July 2011 US$000
Revenues				
United Kingdom	**700**	799	**1,206**	1,296
Other European countries	**18,348**	22,577	**38,381**	40,582
China	**112,712**	64,777	**236,926**	123,124
Japan	**2,642**	11,889	**6,210**	17,417
Other Asian countries	**23,176**	10,066	**39,073**	19,949
Other countries	**1,947**	5,982	**4,077**	12,200
Total revenues	**159,525**	116,090	**325,873**	214,568

	At 29 June 2012 US$000	At 31 December 2011 US$000
Assets		
Germany	**257,414**	236,561
Japan	**2,511**	2,925
United Kingdom	**240,045**	8,052
Netherlands	**88,241**	93,763
Other	**3,018**	3,163
Total assets	**591,229**	**344,464**

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.

3. Stock-Based Compensation

Stock option plan activity for the period ended 29 June 2012 was as follows:

	Options	2012 Weighted average exercise price €
Outstanding at beginning of year	**6,160,579**	**5.48**
Granted	**698,763**	**4.91**
Exercised	**(869,739)**	**2.28**
Forfeited	**(160,763)**	**8.65**
Outstanding at end of period	**5,828,840**	**5.83**
Options exercisable at period end	**3,445,701**	**2.30**

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 29 June 2012 the Trust held 3,392,353 shares.

4. Inventories

Inventories consisted of the following:

	At 29 June 2012 US$000	At 31 December 2011 US$000
Raw materials	**20,998**	4,031
Work-in-process	**37,260**	22,496
Finished goods	**44,235**	36,110
	102,493	62,637

5. Property, plant and equipment

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

	At 29 June 2012 US$000	At 31 December 2011 US$000
Gross carrying amount	**142,708**	118,275
Accumulated depreciation	**(95,556)**	(89,871)
Net carrying amount	**47,152**	28,404

The Company has contractual commitments for the acquisition or property, plant and equipment of US$6,813,000.

6. Intangible assets

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

	At 29 June 2012 US$000	At 31 December 2011 US$000
Gross carrying amount	**76,823**	71,621
Accumulated depreciation	**(42,236)**	(33,260)
Net carrying amount	**34,587**	38,361

The Company has contractual commitments for the acquisition of intangible assets of US$3,799,000.

In addition the company has a contingent liability of US$400,000 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 12 months.

7. Convertible bond

During Q1-2012, the Company launched a 5 year Convertible Bond Offering yielding gross proceeds of US$201 million. The offering closed on 12 April. The bonds, which are listed on the Luxembourg Stock Exchange's Euro MTF market, will be convertible into ordinary shares of Dialog Semiconductor Plc., listed on the Regulated Market of the Frankfurt Stock Exchange. The Bonds were issued at 100% of their principal amount with a coupon of 1.0% per-annum payable semi-annually in arrear. The conversion price is US$29.5717 (€22.367), representing a premium of 35 per cent above the volume-weighted average price on XETRA of Dialog Semiconductor Plc.'s ordinary shares to the time of pricing on 8 March 2012. The net proceeds received in the second quarter 2012 were US$196,790,000 after transaction costs in the amount of US$4,253,000 were deducted. In accordance with IAS 32 of the nominal amount of US$201 million an amount of US$ 37,393,000 was allocated to equity and an amount of US$163,607,000 was allocated to financial liabilities.

In Q2-2012 and H1 -2012 the potential ordinary shares of the convertible bond were antidilutive as their conversion to ordinary shares would increase earnings per share. For the calculation of diluted earnings per share a conversion was therefore not assumed. Consequently the Convertible bond currently has no impact on diluted earnings per share.

8. Transactions with related parties

As described in the Company's annual report 2011, 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. Effective 24 April 2012 one member of the board of directors was replaced by a new director. Besides this the group of related parties has not changed in the first six months of 2012. Transactions with those related parties only comprise their compensation which did not significantly change compared to 2011.

9. Subsequent events

As part of our on-going strategy to invest in R&D, subsequent to quarter close, Dialog entered into a US$26.4 million, 6 years licensing agreement with a third party which allows Dialog to access patents in the area of portable power management and battery charging technology.

Dialog will pay an initial amount of US$6 million in Q3-2012, followed by 24 subsequent quarterly payments of US$850,000 amounting to a total of US$26.4 million.

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