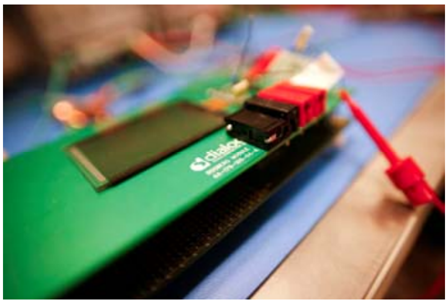
dialog
SEMICONDUCTOR

Interim Report as of 1 April 2011

Powering ahead...



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Press Release – 4 May 2011

DIALOG SEMICONDUCTOR ANNOUNCES RESULTS FOR THE FIRST QUARTER OF 2011

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

Kirchheim/Teck, Germany, 4th May 2011 – Dialog Semiconductor plc (FWB: DLG), a provider of highly integrated innovative power management, audio and low energy short range wireless technologies, today reports results for the first quarter ended 1 April 2011.

Q1 2011 Financial Highlights (*)

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

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

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

Q1 2011 Operational Highlights

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

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

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

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

FINANCIAL OVERVIEW

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

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

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

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

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

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

Profits in Q1 2011 subject to tax continued to benefit from the utilisation of brought-forward tax losses resulting in a residual minimum level current tax charge, mainly applicable to taxable profits in Germany, of $1.3 million. Additionally, Q1 2011 included a net deferred tax benefit of $0.4 million from further recognition of a proportion of the deferred tax assets principally relating to carried forward losses. In total a net tax charge of $0.9 million was recorded in Q1 2011. Consequently, the overall effective tax rate for the Q1 2011 was 10.2%.

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

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

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

SITEL PROGRESS

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

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

OPERATIONAL OVERVIEW

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

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

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

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

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

OUTLOOK

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

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

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

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

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

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

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Note to editors:

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

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

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

Dialog Semiconductor plc is headquartered near Stuttgart with a global sales, R&D and marketing organisation. In 2010, it had $296.6 million in revenue and was again one of the fastest growing European public semiconductor companies. It currently has approximately 550 employees. The company is listed on the Frankfurt (FWB: DLG) stock exchange and is a member of the German TecDax index.

Forward Looking Statements:

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

Financial Review

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

	Three months ended 1 April 2011		Three months ended 2 April 2010		Change
	US$000	**% of revenues**	US$000	% of revenues	%
Revenues					
Audio & Power Management	**68,226**	**69.3**	47,598	77.9	43.3
Display Systems	**306**	**0.3**	195	0.3	56.9
Automotive / Industrial	**12,175**	**12.3**	13,391	21.9	(9.1)
Connectivity	**17,850**	**18.1**	-	-	-
Corporate Sector	**(79)**	**0.0**	(99)	(0.2)	(20.2)
Revenues	**98,478**	**100.0**	61,085	100.0	61.2
Cost of sales	**(58,432)**	**(59.3)**	(32,982)	(54.0)	77.2
Gross profit	**40,046**	**40.7**	28,103	46.0	42.5
Selling and marketing expenses	**(5,358)**	**(5.4)**	(3,994)	(6.4)	34.2
General and administrative expenses	**(7,435)**	**(7.5)**	(4,331)	(7.1)	71.7
Research and development expenses	**(19,007)**	**(19.3)**	(13,184)	(21.6)	44.2
Operating profit	**8,246**	**8.5**	6,594	10.8	25.1
Interest income and other financial income	**282**	**0.2**	335	0.5	(15.8)
Interest expense and other financial expense	**(34)**	**0.0**	(30)	0.0	13.3
Foreign currency exchange gains and losses, net	**353**	**0.3**	(1,360)	(2.2)	(126.0)
Result before income taxes	**8,847**	**9.0**	5,539	9.1	59.7
Income tax expense	**(901)**	**(0.9)**	(611)	(1.0)	47.5
Net profit	**7,946**	**8.1**	4,928	8.1	61.2

Results of Operations

Segment Reporting

Revenues in the **Audio & Power Management segment** were US$68.2 million for the three months ended 1 April 2011 (Q1-2010: US$47.6 million) comprising 69.3% of our total revenues (Q1-2010: 77.9%). 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$10.5 million for the three months ended 2 April 2010 to US$11.4 million for the three months ended 1 April 2011.

Revenues in the **Display Systems sector** were US$0.3 million for the three months ended 1 April 2011 (Q1-2010 US$0.2 million). The operating loss in this sector was US$2.3 million (Q1-2010 US$3.3 million). This loss reflects our continuous investment in the emerging ultra low power display technology such as PMOLED.

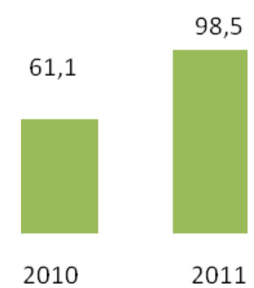
Revenues from our **Automotive / Industrial Applications segment** were US$12.2 million for the three months ended 1 April 2011 (Q1-2010: US$13.4 million) representing 12.3% of our total revenues (Q1-2010: 21.9%). While the total revenues decreased year-on-year, in Q1-2010 we benefited from a sales of 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 Q1-2010 would have been US$9.9 million. Therefore, without this one-time effect in 2010, our year-on-year revenues have increased by 23,3%. The Operating Profit in the sector was US$2.4 million for the three months ended 1 April 2011 (Q1-2010: Operating profit US$1.8 million).

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$17.9 million. Operating profit in Q1-2011 was US$1.8 million. For further information please refer to note 2 to the Q1-2011 interim consolidated financial statements.

Revenues

Total revenues were US$98.5 million for the three months ended 1 April 2011 (Q1-2010: US$61.1 million). The increase of 61.2% in revenues results mainly from the our acquisition of SiTel (the new Connectivity segment, see above and note 2 to the Q1-2011 interim consolidated financial statements) and higher sales volumes in our Audio & Power Management segment as

Revenues (US$ million)

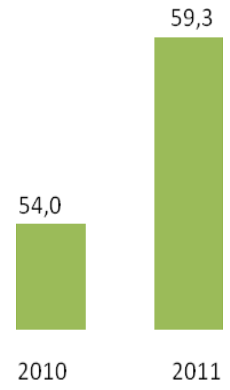


described above. Excluding the SiTel acquisition (please refer to table on page 8), the revenues would have been US$80.6 million, representing an increase of 32.0% year-on-year.

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 77.2% from US$33.0 million for the three months ended 2 April 2010 to US$58.4 million for the three months ended 1 April 2011. As a percentage of revenues, cost of sales increased from 54.0% to 59.3%. The increase in cost of sales this quarter can largely be attributed to the acquisition of SiTel and higher costs due to a constrained supply chain situation. Additionally, during the quarter we started the ramp of a new high volume product where the production yield is not yet fully optimised.

Cost of sales as % of revenue



Cost of sales, excluding SiTel (please refer to table on page 8), would have been US$47.5 million for Q1-2011 representing 58.9% of revenues, an increase of 44.1% over the cost of sales of US$33.0 million in Q1-2010.

Gross profit

Our gross margin decreased from 46.0% of revenues for the three months ended 2 April 2010 to 40.7% of revenues for the three months ended 1 April 2011 driven by higher cost of sales as a percentage of revenues mainly caused by a change in the product mix compared to Q1-2010 and the impact of a favourable margin derived from the one time sale of US$ 3.5 million of last time buy products recorded in Q1-2010 as described above. For further effects, please see paragraph above (cost of sales).

Gross profit excluding SiTel (please refer to table on page 8) would have been US$33.1 million or 41.0% of revenues compared to US$28.1 million or 46.0% of revenues in Q1-2010.

Selling and marketing expenses

Selling and marketing expenses consist primarily of salaries, travel expenses, sales commissions and advertising and other marketing costs. Selling and marketing expenses increased from US$4.0 million for the three months ended 2 April 2010 to US$5.4 million for the three months ended 1 April 2011. This increase is principally linked to the acquisition of SiTel. Selling and marketing expenses excluding SiTel were US$3.9 million, a decrease of 2.7% over the US$4.0 million in Q1-2010. However, even including SiTel, as a total percentage of revenues, selling and marketing expenses decreased from 6.4% of total revenues in Q1- 2010 to 5.4% of total revenues in Q1-2011.

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 Q1-2011 the acquisition related costs in connection with acquisition of SiTel. General and administrative expenses were US$7.4 million for the first quarter 2011, an increase of 71.7% over the US$4.3 million in Q1-2010. As a percentage of total revenues General and administrative expenses increased from 7.1% for the three months ended 2 April 2010 to 7.5% in the three months ended 1 April 2011. This increase is predominantly attributed to the M&A expenses in connection with the acquisition of SiTel in an amount of US$2.8 million.

General and administrative expenses excluding SiTel and the M&A expenses in connection with the SiTel acquisition were US$4.2 million or 5.2% of revenues for Q1-2011 compared to general and administrative expenses of US$4.3 million or 7.1% of total revenues for Q1-2010, a decrease of 3.5%.

Research and development expenses

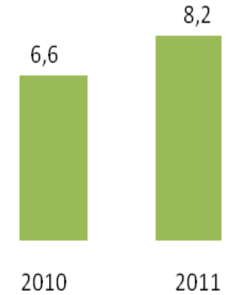
Research and development expenses consist principally of design and engineering-related costs associated with the development of new Application Specific Integrated Circuits ("ASICs") and Application Specific Standard Products ("ASSPs"). Research and development expenses (net of customer funded projects) were US$19.0 million for the three months ended 1 April 2011 (Q1-2010: US$13.2 million), an increase of 44.2%. 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 21.6% to 19.3% in those periods.

Excluding the impact of SiTel acquisition, research and development expenses would have been US$ 16.2 million or 20.1% of revenues, compared to US$13.2million or 21.6% in Q1-2010.

Operating profit

We reported an operating profit of US$8.2 million for the first quarter 2011 (Q1-2010: US$6.6 million). This improvement primarily resulted from a wider revenue base in 2011 especially in relation to the acquisition of SiTel.

Operating profit (US$ million)



Excluding the results contributed by SiTel (please refer to table on page 8) and excluding the M&A costs in relation to the SiTel acquisition, the operating profit would have been US$8.8 million compared to US$6.6 million achieved in Q1-2010.

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$282 thousand for the three months ended 1 April 2011 (Q1-2010: US$335 thousand). The decrease was primarily the result of lower cash held during the quarter, due to the cash outflow in connection with the SiTel acquisition.

Interest expense and other financial expense

Interest expense and other financial expense consist primarily of expenses from capital leases, hire purchase agreements and the Group's factoring arrangement. Q1-2011 interest and other financial expenses were US$34 thousand (Q1-2010: US$30 thousand).

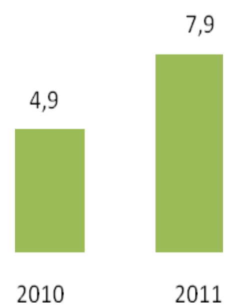
Income tax expense

For the three months ended 1 April 2011, a net income tax charge of US0.9 million was recorded (Q1-2010: US$0.6 million). The amount in Q1-2011 consists of a current tax expense of US$1.3 million and a deferred tax benefit of US$0.4 million mainly as a result of the recognition of previously unrecognised deferred tax assets. The amount in Q1-2010 consists of a current tax expense of US$0.9 million and a deferred tax benefit of US$0.3 million.

Net profit

For the reasons described above, we reported a net profit of US$7.9 million for the three months ended 1 April 2011 (Q1-2010: US$4.9 million).

Net profit (US$ million)



Basic earnings per share in Q1-2011 were US$0.13 (Q1-2010: US$0.08) while diluted earnings per share were US$0.12 (Q1-2010: US$ 0.08).

Net profit excluding the results contributed by SiTel (please refer to table on page 8) and excluding the M&A costs in relation to the SiTel acquisition was US$9.3million representing an increase of US$4.3 million or 87.8% over the US$4.9 million achieved in Q1-2010.

Liquidity and capital resources

Cash flows

Cash generated from operating activities was US$7.6 million for the three months ended 1 April 2011 (Q1-2010: US$20.7 million). The cash inflow in the three months ended 1 April 2011 mainly resulted from the operating income (before depreciation amortisation and other non-cash effective expenses). This cash inflow was partly offset by investments into the group's working capital in the amount US$6.3 million.

Cash used for investing activities was US$82.5 million for the three months ended 1 April 2011 (Q1-2010: US$5.0 million). Cash used for investing activities in Q1 2011 predominantly consisted of US$76.2 million net cash paid for the acquisition of SiTel. (please refer to Note 2 of the Q1-2011 Interim Report).

Furthermore, we purchased tooling (masks), laboratory equipment, probe cards, load boards and other advanced test equipment for a total of US$3.8million (Q1-2010: US$2.1 million), the purchase of intangible assets of US$1.2 million (Q1-2010: US$2.7 million) and payments related to capitalised development costs of US$1.1 million (Q1-2010: US$0.3 million).

Cash flow from financing activities predominantly consists of the cash received in connection with a drawdown of a bank facility in the amount of US$10.0 million.

Liquidity

At 1 April 2011 we had cash and cash equivalents of US$94.3 million (31 December 2010: US$158.2 million). The working capital (defined as current assets minus current liabilities) was US$111.1 million (31 December 2010: US$169.2 million).

As of 1 April 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 April 2011 an amount of US$10 million was drawn 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 Q1-2011 and Q1-2010 excluding SiTel is summarised below:

US$000	Three months ended 1 April 2011			Three months ended 2 April 2010	Change[1]
	IFRS	**Adjustment[2]**	**IFRS (excluding SiTel)[2]**	IFRS	%
		SiTel P&L Q1-2011	**Dialog Q1-2011 stand-alone**		
Revenue	**98,478**	**17,850**	**80,628**	61,085	32.0
Cost of sales	**(58,432)**	**(10,904)**	**(47,528)**	(32,982)	44.1
Gross profit	**40,046**	**6,946**	**33,100**	28,103	17.8
Selling and marketing expenses	**(5,358)**	**(1,472)**	**(3,886)**	(3,994)	(2.7)
M&A related general and administrative expenses	**(2,848)**		**(2,848)**	-	-
Other general and administrative expenses	**(4,587)**	**(409)**	**(4,178)**	(4,331)	(3.5)
General and administrative expenses (total)	**(7,435)**	**(409)**	**(7,026)**	(4,331)	62.2
Research and development expenses	**(19,007)**	**(2,775)**	**(16,232)**	(13,184)	23.1
Operating profit	**8,246**	**2,290**	**5,956**	6,594	(9.7)
Interest income and other financial income	**282**	**-**	**282**	335	(15.8)
Interest expense and other financial expense	**(34)**	**-**	**(34)**	(30)	13.3
Foreign currency exchange gains and losses, net	**353**	**(230)**	**583**	(1,360)	142.9
Result before income taxes	**8,847**	**2,060**	**6,787**	5,539	22.5
Income tax expense	**(901)**	**(522)**	**(379)**	(611)	(38.0)
Net profit	**7,946**	**1,538**	**6,408**	4,928	30.0
Earnings per share (in US$)					
Basic	**0.13**	**0.03**	**0.10**	0.08	26.5
Diluted	**0.12**	**0.02**	**0.10**	0.08	27.5

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

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

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

US$000	Three months ended 1 April 2011				Three months ended 2 April 2010		
	IFRS	**Adjustment**		**Underlying[1]**	IFRS	Adjustment	Underlying[1]
		Share Options[2]	**SiTel Acquisition[3]**			Share Options[2]	
Revenue	**98,478**	**-**	**-**	**98,478**	61,085	-	61,085
Cost of sales	**(58,432)**	**(162)**	**(792)**	**(57,478)**	(32,982)	(105)	(32,877)
Gross profit	**40,046**	**(162)**	**(792)**	**41,000**	28,103	(105)	28,208
Selling and marketing expenses	**(5,358)**	**75**	**-**	**(5,433)**	(3,994)	(307)	(3,687)
M&A related general and administrative expenses	**(2,848)**	**-**	**(2,848)**	**-**	-	-	-
Other general and administrative expenses	**(4,587)**	**(455)**	**-**	**(4,132)**	(4,331)	(575)	(3,756)
General and administrative expenses (total)	**(7,435)**	**(455)**	**(2,848)**	**(4,132)**	(4,331)	(575)	(3,756)
Research and development expenses	**(19,007)**	**(1,406)**	**-**	**(17,601)**	(13,184)	(1,526)	(11,658)
Operating profit	**8,246**	**(1,948)**	**(3,640)**	**13,834**	6,594	(2,513)	9,107
Interest income and other financial income	**282**	**-**	**-**	**282**	335	-	335
Interest expense and other financial expense	**(34)**	**-**	**-**	**(34)**	(30)	-	(30)
Foreign currency exchange gains and losses, net	**353**	**-**	**-**	**353**	(1,360)	-	(1,360)
Result before income taxes	**8,847**	**(1,948)**	**(3,640)**	**14,435**	5,539	(2,513)	8,052
Income tax expense	**(901)**	**-**	**-**	**(901)**	(611)	-	(611)
Net profit	**7,946**	**(1,948)**	**(3,640)**	**13,534**	4,928	(2,513)	7,441
Earnings per share (in US$)							
Basic	**0.13**	**0.03**	**0.06**	**0.22**	0.08	0.04	0.12
Diluted	**0.12**	**0.03**	**0.05**	**0.20**	0.08	0.04	0.11

[1] Underlying results are based on IFRS, adjusted to exclude share-based compensation charges and acquisition costs of SiTel Semiconductor B.V. which were expensed in the income statement of Dialog Semiconductor Plc. The term "underlying" is not defined in IFRS and therefore may not be comparable with similarly titled measures reported by other companies. Underlying measures are not intended as a substitute for, or a superior measure to, IFRS measures.

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

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

Statement of Financial Position

	At 1 April 2011 US$000	At 31 December 2010 US$000	Change US$000	%
Assets				
Cash and cash equivalents	**94,301**	158,200	(63,899)	(40.4)
All other current assets	**95,638**	58,263	37,375	64.1
Total current assets	**189,939**	216,463	(26,524)	(12.3)
Property, plant and equipment, net	**19,096**	14,249	4,847	34.0
Intangible assets	**23,958**	10,727	13,231	123.3
Goodwill	**47,058**	-	47,058	-
All other non-current assets	**1,793**	1,111	682	61.4
Deferred tax assets	**15,970**	10,829	5,141	47.5
Total non-current assets	**107,875**	36,916	70,959	192.2
Total Assets	**297,814**	253,379	44,435	17.5
Liabilities and Shareholders' equity				
Current liabilities	**78,835**	47,218	31,617	67.0
Non-current liabilities	**813**	889	(76)	(8.5)
Net Shareholders' equity	**218,166**	205,272	12,894	6.3
Total Liabilities and Shareholders' equity	**297,814**	253,379	44,435	17.5

Balance sheet total was US$297.8 million at 1 April 2011 (31 December 2010: US$253.4 million). Cash and cash equivalents decreased by US$63.9 million or 40.4% to US$94.3 million at 1 April 2011 (31 December 2010: US$158.2 million). This decrease was mainly caused by the net cash outflow of US$ 76.2 million in connection with the SiTel acquisition and cash outflows for investments in other tangible and intangible assets in the amount of US$6.1 million. These cash outflows were partly offset by a net operating cash inflow in the amount of US$7.6 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$58.2 million at 31 December 2010 by US37.4million to US$95.6 million at 1 April 2011. The increase of 64.1% is mainly driven by the US29.7 million current assets (excluding cash) acquired in connection with the SiTel acquisition.

Total non-current assets increased 192.2% to US$107.9 million; this increase is mainly due to the goodwill of US$47.1million recorded in connection with the SiTel acquisition, as well as other non-current assets in the amount of US$21.3 million brought into the group by SiTel.

Current liabilities increased by US$31.6 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$218.2 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 73.3% (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; Jürgen Friedel, Vice President, General Manager Automotive and Industrial Business Unit; 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; 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 three 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.

4 May 2011

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

Unaudited consolidated statement of financial position

As at 1 April 2011

	Notes	**At 1 April 2011 US$000**	At 31 December 2010 US$000
Assets			
Cash and cash equivalents		**94,301**	158,200
Trade accounts receivable and other receivables		**26,816**	12,556
Inventories	5	**58,941**	40,733
Income tax receivables		**60**	60
Other financial assets		**3,202**	836
Other current assets		**6,619**	4,078
Total current assets		**189,939**	**216,463**
Property, plant and equipment	6	**19,096**	14,249
Intangible assets	7	**23,958**	10,727
Goodwill	2	**47,058**	–
Deposits		**1,483**	741
Income tax receivables		**310**	370
Deferred tax assets		**15,970**	10,829
Total non-current assets		**107,875**	36,916
Total assets		**297,814**	253,379
Liabilities and Shareholders´ equity			
Trade and other payables		**40,248**	28,413
Other financial liabilities		**10,424**	845
Provisions		**1,143**	877
Income taxes payable		**1,223**	1,208
Other current liabilities		**25,797**	15,875
Total current liabilities		**78,835**	47,218
Provisions		**428**	428
Other non-current financial liabilities		**385**	461
Total non-current liabilities		**813**	889
Ordinary shares		**12,380**	12,380
Additional paid-in capital		**202,803**	202,416
Accumulated deficit		**5,341**	(3,961)
Other reserves		**1,127**	(1,648)
Employee stock purchase plan shares		**(3,485)**	(3,915)
Net Shareholders´ equity		**218,166**	205,272
Total liabilities and Shareholders´ equity		**297,814**	253,379

Unaudited consolidated income statement

For the three months ended 1 April 2011

	Notes	**Three months ended 1 April 2011 US$000**	Three months ended 2 April 2010 US$000
Revenue	3	**98,478**	61,085
Cost of sales		**(58,432)**	(32,982)
Gross profit		**40,046**	28,103
Selling and marketing expenses		**(5,358)**	(3,994)
General and administrative expenses		**(7,435)**	(4,331)
Research and development expenses		**(19,007)**	(13,184)
Operating profit	3	**8,246**	6,594
Interest income and other financial income		**282**	335
Interest expense and other financial expense		**(34)**	(30)
Foreign currency exchange gains and losses, net		**353**	(1,360)
Result before income taxes		**8,847**	5,539
Income tax expense		**(901)**	(611)
Net profit		**7,946**	4,928

	2011	2010
Earnings per share (in US$)		
Basic	**0.13**	0.08
Diluted	**0.12**	0.08
Weighted average number of shares (in thousands)		
Basic	**61,470**	59,793
Diluted	**66,520**	65,235

Unaudited statement of comprehensive income

For the three months ended 1 April 2011

	Three months ended 1 April 2011 US$000	Three months ended 2 April 2010 US$000
Net profit	**7,946**	4,928
Exchange differences on translating foreign operations	**(316)**	124
Cash flow hedges	**2,880**	(1,979)
Income tax relating to components of other comprehensive income	**211**	(280)
Other comprehensive income for the year, net of tax	**2,775**	(2,135)
Total comprehensive income for the year	**10,721**	2,793

Unaudited consolidated statements of cash flows

For the three months ended 1 April 2011

	Three months ended 1 April 2011 US$000	Three months ended 2 April 2010 US$000
Cash flows from operating activities:		
Net profit	**7,946**	4,928
Interest income, net	**(248)**	(305)
Income tax expense (refund)	**901**	611
Impairment of inventories	**827**	921
Impairment of investment	**–**	–
Depreciation of property, plant and equipment	**1,712**	1,046
Amortization of intangible assets	**2,373**	525
Losses on disposals of fixed assets and impairment of fixed and financial assets	**122**	32
Expense related to share-based payments	**1,356**	876
Changes in working capital:		
Trade accounts receivable and other receivables	**(15,505)**	(1,368)
Factoring	**13,967**	2,297
Inventories	**(4,186)**	4,018
Prepaid expenses	**(1,122)**	(888)
Trade accounts payable	**1,681**	3,937
Provisions	**(357)**	(197)
Other assets and liabilities	**(809)**	4,226
Cash generated from operations	**8,658**	20,659
Interest paid	**(6)**	–
Interest received	**273**	16
Income taxes paid	**(1,295)**	(25)
Cash flow from operating activities	**7,630**	20,651
Cash flows from investing activities:		
Purchases of property, plant and equipment	**(3,779)**	(2,052)
Purchases of intangible assets	**(1,238)**	(2,664)
Payments for capitalized development costs	**(1,085)**	(287)
Purchase of SiTel Semiconductor B.V.	**(76,181)**	(3)
Change in other long term assets	**(227)**	–
Cash flow used for investing activities	**(82,510)**	(5,006)
Cash flows from financing activities:		
Sale of employee stock purchase plan shares	**817**	1,647
Costs in connection with capital increase	**–**	(34)
Financial liabilities	**10,000**	–
Cash flow from financing activities	**10,817**	1,613
Cash flow used for (from) operating, investing and financing activities	**(64,063)**	17,258
Net foreign exchange difference	**164**	**(2,190)**
Net decrease (increase) in cash and cash equivalents	**(63,899)**	15,068
Cash and cash equivalents at beginning of period	**158,200**	**120,148**
Cash and cash equivalents at end of period	**94,301**	135,216

Unaudited consolidated statement of changes in equity

For the three months ended 1 April 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
Total comprehensive income (loss)	–	–	4,928	(156)	(1,979)	–	2,793
Capital Increase for employee share option plan (gross proceeds)	555	414	–	–	–	(969)	-
Transaction cost of capital increase - employee share option plan	–	(34)	–	–	–	–	(34)
Sale of employee stock purchase plan shares	–	1,218	–	–	–	429	1,647
Equity settled transactions, net of tax			876	–	–	–	876
Changes in Equity total	555	1,598	5,804	(156)	(1,979)	(540)	5,282
Balance at 2 April 2010	12,380	285,331	(129,863)	(1,886)	(2,351)	(1,350)	162,261
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)	–	–	7,946	(105)	2,880	–	10,721
Sale of employee stock purchase plan shares	–	387	–	–	–	430	817
Equity settled transactions, net of tax	–	–	1,356	–	–		1,356
Changes in Equity total	–	387	9,302	(105)	2,880	430	12,894
Balance at 1 April 2011	12,380	202,803	5,341	(1,822)	2,949	(3,485)	218,166

Notes to the Interim Consolidated Financial Statements (Unaudited)

For the three months ended 1 April 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 three months ended 1 April 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.

Given the timing of the transaction, it has not been possible to provide all disclosures required by IFRS 3 (R) as the acquisition accounting is still in the process of being finalised. We expect to complete this during the second quarter or 2011.

Assets acquired and liabilities measured

	Carrying 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	**13,275**
Income tax receivables	**302**
Deferred tax assets	**4,776**
Other non-current assets	**411**
Total assets	**63,570**
Liabilities	
Trade and other payables	**(10,106)**
Other financial liabilities	**–**
Provisions	**(606)**
Income taxes payable	**(40)**
Other current liabilities	**(11,144)**
Deferred tax liabilities	**–**
Total liabilities	**(21,896)**
Total identifiable net assets at carrying value	**41,674**
Goodwill arising on acquisition	**47,058**
Purchase consideration transferred	**88,732**

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.

From the date of the acquisition, SiTel has contributed US$17,850,000 of revenue and US$2,060,000 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$109,947,000 and the profit for the Group would have been US$14,740,000.

Purchase consideration

The total purchase considerations amounted to US$88,732,000.

Analysis of cash flows from acquisition

	US$000
Transaction costs of the acquisition (included in cash flows from operating activities)	**(2,848)**
Net cash acquired with the subsidiary (included in cash flows from investing activities)	**12,551**
Net cash flow on acquisition	**9,703**

Transaction costs of US$2,848,333 have been expensed and are included in administrative expenses.

Contingent consideration
As part of the purchase agreement with the previous owner of SiTel, 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 of the executive 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 will be paid his/her part of a contribution of totally US$811,124.
- If the individual member of the executive 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 April 2011						Three months ended 2 April 2010				
	Audio & Power Management US$000	**Display Systems[2]) US$000**	**Automotive /industrial US$000**	**Connectivity US$000**	**Corporate US$000**	**Total US$000**	Audio & Power Management US$000	Display Systems[2]) US$000	Automotive/ industrial US$000	Corporate US$000	Total US$000
Revenues	**68,226**	**306**	**12,175**	**17,850**	**(79)**	**98,478**	47,598	195	13,391	(99)	61,085
Operating profit (loss)[1])	**11,446**	**(2,282)**	**2,406**	**1,768**	**(5,092)**	**8,246**	10,545	(3,287)	1,754	(2,418)	6,594

[1] Certain overhead costs are allocated mainly based on sales and headcount.
[2] The loss reflects the investment in the emerging display technology.

b) Geographic information

	Three months ended 1 April 2011 US$000	Three months ended 2 April 2010 US$000
Revenues		
Hungary	**9,191**	7,950
Other European countries	**9,312**	7,513
China	**58,346**	36,479
Other Asian countries	**15,411**	7,378
Other countries	**6,218**	1,765
Total revenues	**98,478**	**61,085**

	At 1 April 2011 US$000	At 31 December 2010 US$000
Assets		
Germany	**215,495**	245,828
Japan	**1,937**	1,455
United Kingdom	**12,486**	5,503
Netherlands	**66,314**	–
Other	**1,582**	593
Total assets	**297,814**	**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 April 2011 was as follows:

		2011
	Options	**Weighted average exercise price US$**
Outstanding at beginning of year	**6,098,193**	**2.88**
Granted[1]	**2,086,873**	**3.79**
Exercised	**(1,532,576)**	**0.39**
Forfeited	**(36,115)**	**8.13**
Outstanding at end of period	**6,616,375**	**3.72**
Options exercisable at period end	**4,010,015**	**0.98**

[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 $15.09.

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 April 2011 the Trust held 2,471,455 shares.

5. Inventories

Inventories consisted of the following:

	At 1 April 2011 US$000	At 31 December 2010 US$000
Raw materials	**12,107**	8,298
Work-in-process	**11,361**	7,238
Finished goods	**35,473**	25,197
	58,941[1]	40,733

[1] The total inventories of the Group include inventories from the acquisition of SiTel in an amount of 11,785,000 US$

6. Property, plant and equipment

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

	At 1 April 2011 US$000	At 31 December 2010 US$000
Gross carrying amount	**126,412**	104,406
Accumulated depreciation	**(107,316)**	(90,157)
Net carrying amount	**19,096**	14,249

The Company has contractual commitments for the acquisition or property, plant and equipment in 2011 of US$2,869,000

7. Intangible assets

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

	At 1 April 2011 US$000	At 31 December 2010 US$000
Gross carrying amount	**148,675**	28,409
Accumulated depreciation	**(124,717)**	(17,682)
Net carrying amount	**23,958**	10,727

The Company has contractual commitments for the acquisition of intangible assets of US$2,676,000.

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 12 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. The group of related parties has not changed in the first quarter of 2011. Transactions with those related parties only comprise their compensation which 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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