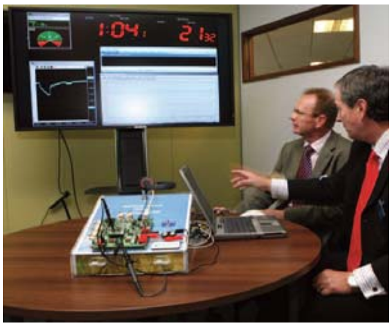
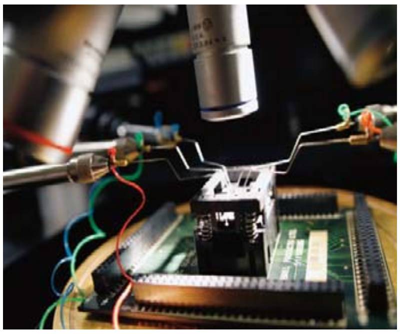
dialog SEMICONDUCTOR

Energy management excellence

Interim Report as of 2 July 2010

Making it happen!





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Press Release – 20 July 2010

DIALOG SEMICONDUCTOR ANNOUNCES ITS RESULTS FOR THE SECOND QUARTER OF 2010

Company reports revenue in second quarter of $68.5 million, achieving strong year-on-year revenue growth of 52%

Kirchheim/Teck, Germany, 20 July 2010 – Dialog Semiconductor plc (FWB: DLG), a leading provider of high integrated innovative Power Management Semiconductor solutions, today reports results for its second quarter ending 2 July 2010.

Q2 2010 Financial Highlights

- Revenue for Q2 2010 was $68.5 million, an increase of 12.1% over the prior quarter and 52.2% over the corresponding quarter of 2009
- Net Income in Q2 2010 was $11.2 million or 16.4% of revenue compared to $4.9 million or 8.1% of revenue in the prior quarter
- Basic and Diluted earnings per share of 19 and 17 cents respectively in the quarter
- Expect Q3 2010 revenues to be between $72 and $77 million
- Reiterate 2010 guidance

Q2 2010 Operational Highlights

- 2 significant new Strategic Processor partners added in quarter, further diversifying Dialog's application and customer base
- Continued ramp and market adoption of new design wins for Power Management configurable standard products for portable devices
- Success in Audio, including design wins at 2 major recognised consumer brand companies
- Intel Atom companion PMIC program accelerating with designs wins across multiple industrial and infotainment applications
- Power Management motor control ASSPs under advanced evaluation at Japanese and Korean Automotive suppliers

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

"Dialog's growth this quarter further underscores our confidence in our ability to grow faster than the markets we serve.

Our success in growing the top line and the design win momentum we are creating, through our sales channels and with our processor partners for our PMIC solutions, further validates our strategy and demonstrates how our diversification initiatives are paying dividends", added Bagherli.

FINANCIAL OVERVIEW

Revenue in Q2 2010 was $68.5 million, an increase of 12.1% over the $61.1 million in the prior quarter and an increase of 52.2% on the $45.0 million of revenue delivered in the corresponding quarter of 2009. During the quarter we also benefited from $3.1 million sales of last time buy products within the Automotive and Industrial segment

Gross margin for the second quarter was 48.3%. This represents an increase of 2.3 percentage points over that achieved in the prior quarter and an increase of 2.6 percentage points over that achieved in Q2 2009.

Our operating expenses in Q2 2010 decreased by $0.5 million over the prior quarter to $21.1 million, with R&D and SG&A at 19.5% and 10.5% of revenue respectively, compared to 21.6 % and 13.6% in the prior quarter. The operating expenses included net charges of $0.7 million for share-based compensation. Excluding the reduction in related social charge recorded during the quarter as a result of a lower share price, Q2 2010 underlying share-based compensation would have been approximately $1.1 million.

Operating profit in Q2 2010 was $12.0 million or 17.5% of revenues compared to $6.6 million or 10.8% of revenues delivered in the prior quarter and $3.9 million in Q2 2009.

Q2 2010 taxable profits continued to benefit from the utilisation of brought forward tax losses resulting in a residual minimum level tax charge mainly applying to taxable profits in Germany. A net tax charge of $0.6 million was recorded for Q2 2010 which included a benefit of $2.4 million or 4 cents per diluted and basic share, being a further recognition of a proportion of the deferred tax assets principally relating to carried forward losses. Consequently, the effective tax rate in Q2 2010 was 5.2%. As we have previously stated, going forward and on a quarterly basis, we will consider whether it is appropriate to continue to recognise further currently unrecognised deferred tax assets.

In Q2 2010, net income was $11.2 million or 16.4% of revenue. Earnings per basic and diluted share were 19 cents and 17 cents respectively: This compares to a net income of $4.9 million or 8 cents per basic and diluted share in the prior quarter and $3.3 million or 7 cents per basic and diluted share delivered in Q2 2009.

At the end of Q2 2010, we had a cash, cash equivalents and restricted cash balance of $131.9 million, with no debt. This represents a decrease of $6.4 million over the cash and cash equivalents and restricted cash balance of the prior quarter and an increase of $88.4 million over the cash and cash equivalents and restricted cash balance at the end of Q2 2009. In September 2009 net proceeds of $59.7 million were raised from an international equity offering which contributed to the increase in cash balances over the prior 12 months.

At the end of Q2 2010, our inventory level was $26.1 million, an increase of $4.9 million over the prior quarter, in line with the increased seasonal demand as we enter Q3 2010.

OPERATIONAL OVERVIEW

During the quarter, we have been commended by many of our customers for excellence in delivery performance as we continued the steep ramp in production with our manufacturing partners support. Our revenue was driven by our customers' success with portable devices, including smartphones, HSPA-3G cellphones, converged media devices and portable media players. Additionally we saw an increased demand for our products within the Automotive and Industrial segment. We continued to execute on our strategy of broadening custom design wins across multiple platforms within our existing customers while diversifying to new customers with our increasing range of power management and audio standard products.

In Q2 2010, we added two significant new processor vendors to our partner program, and already have working evaluation platforms developed and early customer engagements. These platforms will be launched in the next months and we expect will contribute to revenue in 2011. Through co-operating with our processor partners and leveraging their channels to market, we are now engaging with new customers and winning designs across many new portable device platforms. Configurable power management – a concept Dialog was first to introduce in 2009 – is clearly gaining industry adoption, evidenced by these design wins.

Our audio codecs are proven to have the lowest power consumption for portable applications with multiple designs wins at customers including two major reputable consumer brands in the audio industry.

Dialog's SmartXtend™ PM OLED display driver remains on track. Together with our first two module partners, we are sampling cellphone and portable device customers with engineering prototypes while we continue to optimize for maximum production yields and performance. Additionally, we expect to add a third module partner in the next months.

In the industrial and infotainment market, we have begun shipping engineering samples of a new power management and clocking device for the next generation of the Intel Atom platform and already have very high interest and multiple designs wins for this product.

In recent quarters, we have focused on bringing our Automotive technology to suppliers outside Europe. We are seeing the first signs of success with our highly integrated motor controller ASSPs, which are now currently under detailed evaluation for electric window/sunroof and windscreen wiper applications at Japanese and Korean automotive suppliers for 2012 production.

OUTLOOK

We are seeing continued strong demand for our products from our customers. Our Q3 2010 revenue is expected to be in the range of $72.0 to $77.0 million, maintaining our upward trajectory of quarterly year over year growth since Q4 2007 and a sequential increase over the prior quarter. However, our industry is now showing signs of foundry and backend supply constraints which may affect our end customer build rate and limit our revenue upside and potentially margin levels for 2010. We maintain our outlook for the full year and remain confident in our ability to grow our revenue faster than the broader market and to deliver a successful result for 2010.

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 2010 performance, as well as guidance for financial 2010. To access the call please use the following dial-in numbers: Germany: 0800 101 2072, UK: 0800 358 0886, US: 1 877 941 2927, with no access code required. An instant replay facility will be available for 30 days after the call and can be accessed at +49 69 58 99 90 568 with access code 143103# (Germany). An audio replay of the conference call will also be posted soon thereafter on the company's website at:

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

Additional information to this adhoc release including the company's consolidated income statement, consolidated balance sheet and consolidated statements of cash flows for the period ending 2 July 2010 is available under the investor relations section of the Company's web site.

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Note to editors:

Dialog Semiconductor creates energy-efficient, highly integrated, mixed-signal circuits optimised for personal mobile, lighting & display and automotive applications. The company provides flexible and dynamic support, world-class innovation and the assurance of dealing with an established business partner. With its unique focus and expertise in system power management, Dialog brings decades of experience to the rapid development of integrated circuits for power management, audio, display processing and motor control. Dialog's processor companion chips are essential for enhancing both the performance of hand-held products and the consumers' multimedia experience. With world-class manufacturing partners, Dialog operates a fabless business model. Dialog Semiconductor plc is headquartered near Stuttgart with a global sales, R&D and marketing organisation. In 2009, it recorded $218 million in revenue and was one of the fastest growing European public semiconductor companies. It currently has approximately 370 employees. The company is listed on the Frankfurt (FWB: DLG) stock exchange.

Forward Looking Statements

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

Financial Review

The following tables detail the historical consolidated statements of the operations of Dialog for the three and six months ended 2 July 2010 and 26 June 2009:

	Three months ended 2 July 2010		Three months ended 26 June 2009		Change
	US$000	**% of revenues**	US$000	% of revenues	%
Revenues					
Audio & Power Management	**54,734**	**80.0**	34,663	77.1	57.9
Display Systems	**468**	**0.7**	1,594	3.6	(70.6)
Automotive / Industrial	**13,431**	**19.6**	6,754	15.0	98.9
Corporate	**(182)**	**(0.3)**	1,952	4.3	(109.3)
Revenues	**68,451**	**100.0**	**44,963**	**100.0**	**52.2**
Cost of sales	**(35,421)**	**(51.7)**	(24,402)	(54.3)	45.2
Gross profit	**33,030**	**48.3**	**20,561**	**45.7**	**60.6**
Selling and marketing expenses	**(4,099)**	**(6.0)**	(3,593)	(8.0)	14.1
General and administrative expenses	**(3,080)**	**(4.5)**	(3,323)	(7.5)	(7.3)
Research and development expenses	**(13,301)**	**(19.5)**	(10,053)	(22.4)	32.3
Other operating income	**-**	**0.0**	333	0.7	(100.0)
Restructuring charges	**(581)**	**(0.8)**	-	0.0	-
Operating profit	**11,969**	**17.5**	**3,925**	**8.5**	**204.9**
Interest income and other financial income	**350**	**0.5**	33	0.2	960.6
Interest expense and other financial expense	**(34)**	**0.0**	(85)	(0.1)	(60.0)
Foreign currency exchange gains and losses, net	**(425)**	**(0.7)**	231	0.5	(284.0)
Result before income taxes	**11,860**	**17.3**	**4,104**	**9.1**	**189.0**
Income tax expense	**(621)**	**(0.9)**	(810)	(1.8)	(23.3)
Net income	**11,239**	**16.4**	**3,294**	**7.3**	241.2

	Six months ended 2 July 2010		Six months ended 26 June 2009		Change
	US$000	**% of revenues**	US$000	% of revenues	%
Revenues					
Audio & Power Management	**102,332**	**79.0**	60,233	74.4	69.9
Display Systems	**663**	**0.5**	3,424	4.2	(80.6)
Automotive / Industrial	**26,822**	**20.7**	15,367	19.0	74.5
Corporate	**(281)**	**(0.2)**	1,945	2.4	(114.4)
Revenues	**129,536**	**100.0**	**80,969**	**100.0**	**60.0**
Cost of sales	**(68,403)**	**(52.8)**	(47,205)	(58.3)	44.9
Gross profit	**61,133**	**47.2**	**33,764**	**41.7**	**81.1**
Selling and marketing expenses	**(8,093)**	**(6.3)**	(5,777)	(7.1)	40.1
General and administrative expenses	**(7,411)**	**(5.7)**	(5,386)	(6.7)	37.6
Research and development expenses	**(26,485)**	**(20.4)**	(18,061)	(22.3)	46.6
Other operating income	**-**	**0.0**	333	0.4	(100.0)
Restructuring charges	**(581)**	**(0.4)**	-	0.0	-
Operating profit (loss)	**18,563**	**14.4**	**4,873**	**6.0**	**280.9**
Interest income and other financial income	**685**	**0.5**	60	0.1	1,041.7
Interest expense and other financial expense	**(64)**	**0.0**	(146)	(0.2)	(56.2)
Foreign currency exchange gains and losses, net	**(1,785)**	**(1.4)**	84	0.1	(2,225.0)
Result before income taxes	**17,399**	**13.5**	**4,871**	**6.0**	**257.2**
Income tax expense	**(1,232)**	**(1.0)**	(785)	(1.0)	56.9
Net income	**16,167**	**12.5**	**4,086**	**5.0**	295.7

Results of Operations

Segment Reporting

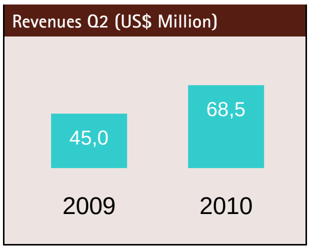
Revenues in the **audio & power management segment** were US$54.7 million for the three months ended 2 July 2010 (Q2-2009: US$34.7 million) comprising 80.0% of our total revenues (Q2-2009: 77.1%). For the first six months of 2010, revenues in this segment were US$102.3 million compared to US$60.2 million in the same period 2009, an increase of 69.9%. The increase in this sector is primarily driven by the success of our growing range of integrated power management and audio products for the smartphone market. The operating profit in the **audio & power management** segment increased from US$7.6 million for the three months ended 26 June 2009 to US$13.8 million for the three months ended 2 July 2010. For the first six months of 2010, operating profit in this segment was US$24.3 million compared to US$11.2 million in the same period 2009, an increase of 117.4%.

Revenues in the **Display Systems segment** were US$0.5 million for the three months ended 2 July 2010 (Q2-2009: US$1.6 million). For the first six months of 2010, revenues in this segment were US$0.7 million compared to US$3.4 million in the first six months of 2009. The decrease is mainly caused by the reduction of customer-funded R&D activities which contributed mainly to the revenues in Q2-2009. The operating loss in this sector was US$2.3 million for the three months ended 2 July 2010 (Q2-2009 US$2.6 million). For the first six months of 2010, the operating loss was US$5.5 million (H1-2009: US$4.3 million loss). The increased loss results from reduced customer funded activities in MEMS technology and our continuous investment in the emerging ultra low power display technologies.

Revenues from our **automotive / industrial applications segment** were US$13.4 million for the three months ended 2 July 2010 (Q2-2009: US$6.8 million) representing 19.6% of our total revenues (Q2-2009: 15.0%). For the first six months of 2010, revenues in this segment were US$26.8 million compared to US$15.4 million in the same period 2009, an increase of 74.5%. Operating profit in the sector was US$2.3 million for the three months ended 2 July 2010 (Q2-2009: US$2.0 million operating loss). For the first six months of 2010, operating profit was US$4.0 million (H1-2009: US$2.0 million operating loss). H1-2010 year-on-year revenue growth reflects the recovery in the Automotive business which started in the fourth Quarter of 2009 and the fact that we also benefited from sales of last time buy products during H1-2010 in an amount of US$3.5 million. These products were sold as a result of last year's notification of the phasing out of an older manufacturing process from one of our foundry partners.

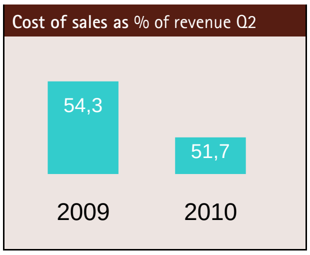
Revenues in the **corporate sector** include sales discounts and in the three months ended 26 June 2009 also an unexpected cash settlement against revenues which had not been recognized in 2006 as a result of the insolvency of BenQ. For further information please refer to note 27 to 2009 consolidated financial statements.

Revenues



Total revenues were US$68.5 million for the three months ended 2 July 2010 (Q2-2009: US$45.0 million, an increase of 52.2%). For the first six months of 2010, revenues were US$129.5 million compared to US$81.0 million in the same period 2009, an increase of 60.0%. The increase in revenues results mainly from higher sales volumes in our audio & power management and Automotive and Industrial sector as described above.

Cost of sales



Cost of sales consist 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 45.2% from US$24.4 million for the three months ended 26 June 2009 to US$35.4 million for the three months ended 2 July 2010 in line with increased production volume. As a percentage of total revenues cost of sales decreased from 54.3% to 51.7%. Excluding the effect of the cash settlement from BenQ insolvency recorded in Q2-2009 (see above), cost of sales in Q2-2009 as a percentage of revenue would have been 56.7%. For the same reasons, cost of sales as a percentage of revenue decreased from 58.3% in H1-2009 to 52.8% in H1-2010. This demonstrates the gains made possible by our continuous efforts to improve the Company's product mix, test time and yields.

Gross profit

Our gross margin increased from 45.7% of revenues in Q2-2009 (or 43.3% if the effect of the cash settlement from BenQ insolvency is excluded (see segment reporting above)) to 48.3% of revenues in Q2-2010 due to lower cost of sales as a percentage of revenue, as prescribed above. Gross profit for the second quarter of 2010 was US$33.0 million, 60.6% above the amount in the second quarter of 2009 (US$20.6 million). Gross profit for the first six months of 2010 was US$61.1 million, 81.1% above the previous year's figures (US$33.8 million). Excluding the favourable margin impact from sales of last time buy products (see above), H1-gross margin would have been 46.4%.

Selling and marketing expenses

Selling and marketing expenses consist primarily of salaries, sales commissions, travel expenses, advertising and other marketing costs. Selling and marketing expenses increased from US$3.6 million for the three months ended 26 June 2009, to US$4.1 million for the three months ended 2 July 2010, in line with increased production volume and as a result of the company's investment in creating value by increasing staff in strategic marketing functions. As a percentage of total revenues, selling and marketing expenses decreased from 8.0% of total revenues in Q2-2009 to 6.0% of total revenues in Q2-2010. Similarly, selling and marketing expenses increased from US$5.8 million (7.1% of total revenues) for the first six months 2009 to US $8.1million (6.3% of total revenues) for the first six months 2010.

General and administrative expenses

General and administrative expenses consist primarily of personnel and support costs for our finance, human resources and other management departments. General and administrative expenses were US$3.1 million for the second quarter 2010 (Q2-2009: US$3.3 million). General and administrative expenses decreased from 7.5% of total revenues for the three months ended 26 June 2009 (or 6.2% if some onetime charges recorded in Q2-2009 are excluded) to 4.5% of total revenues in the three months ended 2 July 2010. For the first six months 2010 and 2009, general and administrative cost were US$7.4 million (or 5.7% of total revenues) and US$5.4 million (or 6.7% of total revenues).

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$13.3 million for the three months ended 2 July 2010 (Q2-2009: US$10.1 million). As a percentage of total revenues research and development expenses decreased from 22.4% in Q2-2009 to 19.5% in Q2-2010. For the first six months 2010, research and development expenses were US$26.5 million (or 20.4% of total revenues) compared to US$18.1 million (or 22.3% of total revenues) in the first six months of 2009. The absolute US$ increase was primarily due to an increased headcount of our R&D personnel in connection with our growth strategy.

Other operating income

Other operating income of US$0.3 million in the second quarter of 2009 relates to the unexpected settlement against receivables which had been written down in 2006 as a result of the insolvency of BenQ Mobile. For further information please refer to note 27 to the 2009 consolidated financial statements.

Restructuring charges

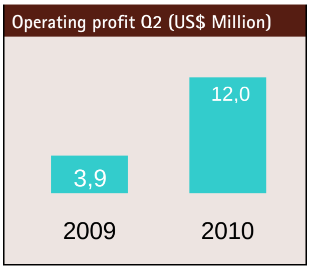
Restructuring charges are related to the closing of our Heidelberg Design Centre. For further information please refer to Note 3 of the Q2-2010 Interim Report.

Share based compensation expenses

Share based compensation expenses consist of option expenses and related social charges. Share based compensation expenses increased from US$0.3 million for the three months ended 26 June 2009 to US$0.7 million for the three months ended 2 July 2010. Q2-2010 Share based compensation expenses include a gain from reduced social liabilities in the amount of US$0.4 million as a result of a lower share price during that period. Excluding this reduction recorded during the quarter, Q2 2010 underlying share-based compensation would have been approximately US$1.1 million. Share based compensation expenses in the first six months ended 2 July 2010 were US$ 4.1 million as compared to US$0.5 million in the corresponding period in 2009. This increase is driven by a significant share price increase during 2010.

Operating profit

We reported an operating profit of US$12.0 million for the second quarter 2010 (Q2-2009: US$3.9 million). For the first six months, we reported an operating profit of US$18.6 million. This compares against an operating profit of US$4.9 million reported in the previous year. The improvement resulted from higher gross profits recognised in 2010.



Interest income and other financial income

Interest income and other financial income from the Company's investments (primarily short-term) was US$0.4 million for the three months ended 2 July 2010 (Q2-2009: US$33 thousand). For the first six months of 2009, interest income was US$0.7 million compared to US$60 thousand in the previous year. The increase is primarily the effect of an increased liquidity and this relates in particular to the Company's capital increase in Q3-2009.

Interest expense and other financial expense

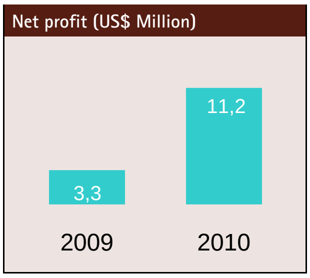
Interest expense and other financial expense consist primarily of expenses of capital leases, hire purchase agreements and the Group's factoring arrangement. Interest and other financial expenses were US$34 thousand (Q2-2009: US$85 thousand). For the six months 2010 and 2009, interest expenses were US$64 thousand and US$146 thousand respectively. This reflects our planned reduced reliance on factoring.

Income taxes

Income tax expense was US$0.6 million for the second quarter 2010 (Q2-2009: US$0.8 million). Income taxes mainly relate to the minimum level tax charge applying to taxable profits in Germany. The additional recognition of a proportion of deferred tax assets in Q2-2010 principally relating to carried forward losses leads to a reduced effective tax rate in Q2-2010 of 5.2% (Q2-

2009: 19.7%). Income tax expense was US$1.2 million for the first six months 2010 (H1-2009: US$0.8 million).

Net profit



For the reasons described above, we reported a net profit of US$11.2 million for the three months ended 2 July 2010 (Q2-2009: US$3.3 million). Basic and diluted earnings per share were US$0.19 and US$0.17 for the three months ended 2 July 2010 (Q2-2009: basic and diluted: US$0.07). For the first six months 2010 and 2009, net profit reached US$16.2 million (12.5% of total revenues) and US$4.1 million (5.0% of total revenues) respectively. Basic and diluted earnings per share were US$0.27 and US$0.25 for the six months ended 2 July 2010.

Liquidity and capital resources

Cash flows

Cash generated from operating activities was US$0.5 million for the three months ended 2 July 2010 (Q2-2009: US$6.3 million). The cash inflow in the three months ended 2 July 2010 mainly resulted from the operating income (before depreciation amortisation and other non-cash effective expenses). This cash inflow was mostly offset by cash outflows in connection with the increase in working capital (excluding cash) of US$12.6 million, mainly in relation to a higher inventory balance and reduced other payables. Cash provided by operating activities was US$21,2 million for the first six months of 2010 compared to US$11,2 million in the comparison period.

Cash used for investing activities was US$3.7 million for the three months ended 2 July 2010 (Q2-2009: US$0.2 million). Cash used for investing activities in Q2-2010 was primarily for the purchase of tooling (masks), laboratory equipment, probe cards, load boards and other advanced test equipment for a total of US$2.3 million (Q2-2009: US$2.5 million), the purchase of intangible assets of US$0.9 million (Q2-2009: US$0.4 million) and payments related to capitalised development costs of US$0.5 million (Q2-2009: US$0.1 million). Cash used for investing activities in Q2-2009 is mostly offset by a balance sheet reclassification from cash to restricted cash in the amount of US$3.5 million (for further information please refer to note 25 to the 2009 financial statements).

Liquidity

At 2 July 2010 we had cash and cash equivalents and restricted cash of US$131.9 million (31 December 2009: US$123.1 million). The working capital (defined as current assets minus current liabilities) was US$142.5 million (31 December 2009: US$134.4 million).

If necessary, we have available for use short-term credit facilities of US$14.2 million which bears interest at a rate of EURIBOR + 0.75% and LIBOR +1% per annum. At 2 July 2010 we had no amounts outstanding under this facility. In addition, we have a factoring agreement which provides the Company with up to US$30.0 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.

Statement of Financial Position

	At 2 July 2010 US$000	At 31 December 2009 US$000	Change US$000	%
ASSETS				
Cash and cash equivalents and restricted cash	**131,854**	123,148	8,706	7.1
All other current assets	**48,353**	45,663	2,690	5.9
Total current assets	**180,207**	**168,811**	**11,396**	**6.8**
Property, plant and equipment, net	**11,928**	9,807	2,121	21.6
Intangible assets	**7,984**	5,005	2,979	59.5
All other non-current assets	**9,339**	8,688	651	7.5
Total non-current assets	**29,251**	**23,500**	**5,751**	**24.5**
TOTAL ASSETS	**209,458**	**192,311**	**17,147**	**8.9**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	**37,663**	**34,380**	**3,283**	**9.5**
Non-current liabilities	**858**	952	(94)	(9.9)
Net Shareholders' equity	**170,937**	156,979	13,958	8.9
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**209,458**	**192,311**	**17,147**	**8.9**

Balance sheet total was US$ 209.5 million at 2 July 2010 (31 December 2009: US$192.3 million). Cash and cash equivalents and restricted cash increased by 7.1% to US$131.9 million at 2 July 2010 (31 December 2009: US$123.1 million). This was mainly caused by an operating cash inflow as prescribed above. Other current assets increased by 5.9% to US$48.4 million (31 December 2009: US$45.7 million).

Total non-current assets increased from US$23.5 million at 31 December 2009 by 24.5% to US$29.3 million at 2 July 2010; this increase is mainly due to higher balances of property, plant and equipment and intangible assets, as capital expenditure and investments in property plant and equipment and intangible assets of US$7.9 million were higher than depreciation, amortisation and impairment charges in the amount of US$3.3 million.

Shareholders' equity increased to US$170.9 million (US$157.0 million at 31 December 2009) which is mainly a result of our net profit. The equity ratio stayed flat compared to 31 December 2009 at 81.6%.

Other Information

Members of the Management and the Board of Directors
Management
Dr. Jalal Bagherli, Chief Executive Officer; 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; Jean-Michel Richard, CFO, Vice President Finance; Manoj Thanigasalam, Vice President, General Manager Display Systems Business Unit; Mark Tyndall, Vice President Business Development and Corporate Strategy; Mohamed Djadoudi, Vice President Global Manufacturing Operations and Quality.

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 2009 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 2010. 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.

20 July 2010

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

Unaudited consolidated statement of financial position

As at 2 July 2010

	Notes	At 2 July 2010 US$000	At 31 December 2009 US$000
ASSETS			
Cash and cash equivalents		**128,854**	120,148
Restricted Cash		**3,000**	3,000
Trade accounts receivable, net		**19,109**	17,486
Inventories	6	**26,144**	26,193
Income tax receivables		**53**	69
Other financial assets		**60**	-
Other current assets		**2,987**	1,915
Total current assets		**180,207**	**168,811**
Property, plant and equipment, net	7	**11,928**	9,807
Intangible assets	8	**7,984**	5,005
Deposits		**728**	804
Income tax receivables		**370**	370
Deferred tax assets		**8,241**	7,514
Total non-current assets		**29,251**	**23,500**
TOTAL ASSETS		**209,458**	**192,311**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Trade and other payables		**22,392**	17,304
Other financial liabilities		**579**	679
Provisions		**1,525**	1,784
Income taxes payable		**4,579**	3,305
Other current liabilities		**8,588**	11,308
Total current liabilities		**37,663**	**34,380**
Provisions		**252**	252
Other non-current financial liabilities		**606**	700
Total non-current liabilities		**858**	**952**
Ordinary Shares		**12,380**	11,825
Additional paid-in capital	9	**200,612**	283,733
Accumulated deficit	9	**(32,872)**	(135,667)
Other reserves		**(5,027)**	(2,102)
Employee stock purchase plan shares		**(4,156)**	(810)
Net Shareholders' equity		**170,937**	**156,979**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**209,458**	**192,311**

Unaudited consolidated income statement

For the three months and six months ended 2 July 2010

	Notes	**Three months ended 2 July 2010 US$000**	Three months ended 26 June 2009 US$000	**Six months ended 2 July 2010 US$000**	Six months ended 26 June 2009 US$000
Revenues	2	**68,451**	44,963	**129,536**	80,969
Cost of sales		**(35,421)**	(24,402)	**(68,403)**	(47,205)
Gross profit		**33,030**	**20,561**	**61,133**	**33,764**
Selling and marketing expenses		**(4,099)**	(3,593)	**(8,093)**	(5,777)
General and administrative expenses		**(3,080)**	(3,323)	**(7,411)**	(5,386)
Research and development expenses		**(13,301)**	(10,053)	**(26,485)**	(18,061)
Other operating income		**-**	333	**-**	333
Restructuring charges	3	**(581)**	-	**(581)**	-
Operating profit	**2**	**11,969**	**3,925**	**18,563**	**4,873**
Interest income and other financial income		**350**	33	**685**	60
Interest expense and other financial expense		**(34)**	(85)	**(64)**	(146)
Foreign currency exchange gains and losses, net		**(425)**	231	**(1,785)**	84
Result before income taxes		**11,860**	**4,104**	**17,399**	**4,871**
Income tax expense	4	**(621)**	(810)	**(1,232)**	(785)
Net profit		**11,239**	**3,294**	**16,167**	**4,086**

	Three months ended 2 July 2010	Three months ended 26 June 2009	**Six months ended 2 July 2010**	Six months ended 26 June 2009
Earnings per share (in US$)				
Basic	**0.19**	0.07	**0.27**	0.09
Diluted	**0.17**	0.07	**0.25**	0.09
Weighted average number of shares (in thousands)				
Basic	**60,391**	45,607	**60,102**	45,522
Diluted	**65,613**	46,989	**65,382**	46,517

Unaudited statement of comprehensive income

For the three and six months ended 2 July 2010

	Three months ended 2 July 2010 US$000	Three months ended 26 June 2009 US$000	**Six months ended 2 July 2010 US$000**	Six months ended 26 June 2009 US$000
Net profit	**11,239**	**3,294**	**16,167**	**4,086**
Exchange differences on translating foreign operations	**52**	(184)	**176**	(173)
Hedges	**(844)**	734	**(2,823)**	968
Income tax relating to components of other comprehensive income	**2**	547	**(278)**	494
Other comprehensive income for the year, net of tax	**(790)**	**1,097**	**(2,925)**	**1,289**
Total comprehensive income for the year	**10,449**	**4,391**	**13,242**	**5,375**

Unaudited consolidated statements of cash flows

For the three and six months ended 2 July 2010

	Three months ended 2 July 2010 US$000	Three months ended 26 June 2009 US$000	**Six months ended 2 July 2010 US$000**	Six months ended 26 June 2009 US$000
Cash flows from operating activities:				
Net income	**11,239**	3,294	**16,167**	4,086
Adjustments to reconcile net income (loss) to net cash used for operating activities:				
Interest income, net	**(316)**	52	**(621)**	86
Income tax expense	**621**	810	**1,232**	785
Impairment of inventories	**299**	(76)	**1,220**	169
Depreciation of property, plant and equipment	**1,156**	1,069	**2,202**	2,146
Amortization of intangible assets	**576**	605	**1,101**	1,131
Losses on disposals of fixed assets and impairment of fixed and financial assets	**10**	415	**42**	572
Expense related to share-based payments	**752**	258	**1,628**	474
Changes in working capital:				
Trade accounts receivable and other receivables	**(1,522)**	(1,768)	**(2,890)**	(7,682)
Factoring	**(1,029)**	(1,133)	**1,268**	4,602
Inventories	**(5,189)**	(1,336)	**(1,171)**	813
Prepaid expenses	**(17)**	(328)	**(905)**	(571)
Trade accounts payable	**1,229**	2,943	**5,166**	3,461
Provisions	**21**	624	**(176)**	732
Other assets and liabilities	**(7,004)**	843	**(2,777)**	493
Cash provided by operations	**826**	**6,272**	**21,486**	**11,297**
Interest paid	**-**	(53)	**-**	(114)
Interest received	**218**	33	**234**	60
Income taxes paid	**(515)**	-	**(540)**	(21)
Cash provided by operating activities	**529**	**6,252**	**21,180**	**11,222**
Cash flows from investing activities:				
Cash transferred to Restricted cash	**-**	3,500	**-**	(3,000)
Purchases of property, plant and equipment	**(2,256)**	(2,490)	**(4,308)**	(3,244)
Purchases of intangible assets	**(907)**	(386)	**(3,571)**	(521)
Payments for capitalised development costs	**(511)**	(145)	**(798)**	(337)
Investments and deposits made	**(9)**	(712)	**(12)**	(712)
Cash used for investing activities	**(3,683)**	**(233)**	**(8,689)**	**(7,814)**
Cash flows from financing activities:				
Cash flow from capital increase	**(2)**	-	**(36)**	-
Sale of employee stock purchase plan shares	**321**	242	**1,968**	253
Purchase of employee stock purchase plan shares	**(2,844)**	-	**(2,844)**	-
Cash flow provided by (used for) financing activities	**(2,525)**	**242**	**(912)**	**253**
Cash flow provided by (used for) operating, investing and financing activities	**(5,679)**	**6,261**	**11,579**	**3,661**
Effect of foreign exchange rate changes on cash and cash equivalents	**(683)**	(102)	**(2,873)**	(95)
Net decrease in cash and cash equivalents	**(6,362)**	**6,159**	**8,706**	**3,566**
Cash and cash equivalents at beginning of period	**135,216**	**34,322**	**120,148**	**36,915**
Cash and cash equivalents at end of period	**128,854**	**40,481**	**128,854**	**40,481**

Unaudited consolidated statement of changes in equity

For the three and six months ended 2 July 2010

				Other reserves			
	Ordinary Shares US$000	Additional paid-in capital US$000	Accumulated deficit 000US$	Currency translation adjustment 000US$	Hedges 000US$	Employee stock purchase plan shares 000US$	Total 000US$
Balance at 31 December 2008 / 1 January 2009	9,328	223,005	(169,759)	(2,037)	(193)	(139)	60,205
Total comprehensive income	-	-	4,086	321	968	-	5,375
Sale of employee stock purchase plan shares	-	206	-	-	-	47	253
Equity settled transactions, net of tax	-	-	474	-	-	-	474
Changes in equity total	**-**	**206**	**4,560**	**321**	**968**	**47**	**6,102**
Balance at 26 June 2009	**9,328**	**223,211**	**(165,199)**	**(1,716)**	**775**	**(92)**	**66,307**
Balance at 31 December 2009 / 1 January 2010	11,825	283,733	(135,667)	(1,730)	(372)	(810)	156,979
Reduction of share premium account		(85,000)	85,000				-
Total comprehensive income (loss)	-	-	16,167	(102)	(2,823)	-	13,242
Capital Increase for employee share option plan (gross proceeds)	555	378	-			(969)	(36)
Sale of employee stock purchase plan shares	-	1,501	-	-	-	(2,377)	(876)
Equity settled transactions, net of tax	-	-	1,628	-	-	-	1,628
Changes in equity total	**555**	**(83,121)**	**102,795**	**(102)**	**(2,823)**	**(3,346)**	**13,958**
Balance at 2 July 2010	**12,380**	**200,612**	**(32,872)**	**(1,832)**	**(3,195)**	**(4,156)**	**170,937**

Notes to the Interim Consolidated Financial Statements (Unaudited)

For the three and six months ended 2 July 2010

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 energy-efficient, highly integrated, mixed-signal circuits optimised for personal mobile, lighting & display and automotive applications. The company provides flexible and dynamic support, world-class innovation and the assurance of dealing with an established business partner.

With its unique focus and expertise in system power management, Dialog brings decades of experience to the rapid development of integrated circuits for power management, audio, display processing and motor control. Dialog's processor companion chips are essential for enhancing both the performance of hand-held products and the consumers' multimedia experience. With world-class manufacturing partners, Dialog operates a fabless business model.

Dialog Semiconductor plc is headquartered near Stuttgart with a global sales, R&D and marketing organisation. In 2009, it recorded $218 million in revenue and was one of the fastest growing European public semiconductor companies. It currently has approximately 370 employees. The company is listed on the Frankfurt (FWB: DLG) stock exchange.

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, 2009.

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, 2009 for the accounting policies applied for the Company's financial reporting.

The accompanying interim consolidated financial statements reflect all adjustments (consisting of only normal recurring adjustments) which, in the opinion of management, are necessary for a fair statement of the results of the interim periods presented. Operating results for the six months ended 2 July 2010 are not necessarily indicative of the results to be expected for the full year ending 31 December 2010.

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. 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.

a) Operating Segments

	Three months ended 2 July 2010 US$000	Three months ended 26 June 2009 US$000	Six months ended 2 July 2010 US$000	Six months ended 26 June 2009 US$000
Revenues				
Audio & Power Management	**54,734**	34,663	**102,332**	60,233
Display Systems [1]	**468**	1,594	**663**	3,424
Automotive / Industrial	**13,431**	6,754	**26,822**	15,367
Corporate	**(182)**	1,952	**(281)**	1,945
Total Revenues	**68,451**	**44,963**	**129,536**	**80,969**
Operating profit				
Audio & Power Management	**13,769**	7,611	**24,316**	11,186
Display Systems [2]	**(2,251)**	(2,631)	**(5,538)**	(4,328)
Automotive / Industrial	**2,254**	(1,978)	**4,008**	(2,010)
Corporate	**(1,803)**	923	**(4,223)**	25
Total operating profit [3]	**11,969**	**3,925**	**18,563**	**4,873**

[1] Revenue in 2009 primarily generated from funded research and development activity.
[2] The loss reflects the investment in the emerging display technology.
[3] Certain overhead costs are allocated mainly based on sales and headcount.

	At 2 July 2010 US$000	At 31 December 2009 US$000
ASSETS		
Audio & Power Management	**52,636**	43,605
Display Systems	**4,581**	4,308
Automotive / Industrial	**11,775**	13,366
Corporate	**140,466**	131,032
TOTAL ASSETS	**209,458**	**192,311**

b) Geographic information

	Three months ended 2 July 2010 US$000	Three months ended 26 June 2009 US$000	Six months ended 2 July 2010 US$000	Six months ended 26 June 2009 US$000
Hungary	**8,632**	2,525	**16,582**	6,330
Other European countries	**7,481**	6,451	**14,994**	11,350
China	**37,911**	27,509	**74,390**	49,545
Korea	**144**	5,265	**2,168**	5,940
Other Asian countries	**6,758**	1,878	**12,112**	3,298
Other countries	**7,525**	1,335	**9,290**	4,506
Total Revenues	**68,451**	**44,963**	**129,536**	**80,969**

	At 2 July 2010 US$000	At 31 December 2009 US$000
Assets		
Germany	**202,280**	185,656
Japan	**1,198**	854
United Kingdom	**4,460**	5,577
USA	**1,520**	224
Total Assets	**209,458**	192,311

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. Restructuring charges

As part of the engineering re-organisation in the second quarter of 2010 Dialog Semiconductor decided to close its Design Centre in Heidelberg (Germany). The closure is expected to be completed in the fourth quarter 2010. Restructuring charges regarding this closure are comprised of US$514,000 employee termination and other related costs that will be paid to 11 employees affected by the closure and US$67,000 expected costs for dilapidation and rental obligations for the office that the company will vacate.

4. Income taxes

Income tax income (expense) is comprised of the following components:

	Three months ended 2 July 2010 US$000	Three months ended 26 June 2009 US$000	Six months ended 2 July 2010 US$000	Six months ended 26 June 2009 US$000
Current taxes	**(1,346)**	(263)	**(2,237)**	(291)
Deferred taxes	**725**	(547)	**1,005**	(494)
	(621)	**(810)**	**(1,232)**	**(785)**

5. Stock-Based Compensation

Stock option plan activity for the period ended 2 July 2010 was as follows:

	Six months ended 2 July 2010 Options	Weighted average exercise price in €
Outstanding at beginning of year	**4,803,342**	**2.27**
Granted	**3,275,789**	**0.86**
Exercised	**(1,558,503)**	**0.85**
Forfeited	**(80,048)**	**2.22**
Outstanding at period end	**6,440,580**	**1.90**
Options exercisable at period end	**1,800,219**	**1.47**

The Company established an employee share option trust (the "Trust"). The Trust purchases shares in the Company for the benefit of employees under the Company's share option scheme. At 2 July 2010 the Trust held 4,881,486 shares.

In contrast to former reports, the management decided to present the information regarding stock based compensation in Euro as the options and shares are denominated in Euro. Management is of the opinion that the presentation in Euro is providing better transparency.

6. Inventories

Inventories consisted of the following:

	At 2 July 2010 US$000	At 31 December 2009 US$000
Raw materials	**6,407**	4,260
Work-in-process	**8,613**	5,528
Finished goods	**11,124**	16,405
	26,144	**26,193**

7. Property, plant and equipment

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

	At 2 July 2010 US$000	At 31 December 2009 US$000
Gross carrying amount	**99,405**	97,554
Accumulated depreciation	**(87,477)**	(87,747)
Net carrying amount	**11,928**	**9,807**

During the six months ended 2 July 2010, the Company invested an amount of US$4,308,000 in property, plant and equipment.

8. Intangible assets

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

	At 2 July 2010 US$000	At 31 December 2009 US$000
Gross carrying amount	**24,052**	20,158
Accumulated depreciation	**(16,068)**	(15,153)
Net carrying amount	**7,984**	**5,005**

During the six months ended 2 July 2010, the Company invested an amount of US$3,571,000 in intangible assets of which the purchase of power management technology through an asset transaction from Diodes Zetex GmbH is a key element. As part of this transaction, Dialog has acquired specific Diodes intellectual property rights and an employee team located in Munich, Germany. The expected weighted average useful life of the acquired intangible assets is four years.

9. Reduction of share premium account

In order to reduce the Company's accumulated deficit, on 5 May 2010 the board of Directors of Dialog Semiconductor Plc decided to reduce the Company's share premium account in an amount of US$85,000,000 effective 2 June 2010. The reduction of the share premium account was registered with the UK Companies House on 2 June 2010. The amount was then netted with the accumulated deficit.

10.Commitments / Contingent liabilities

The Company has contractual commitments for the acquisition or property, plant and equipment in 2010 of US$1,334,616 and for the acquisition of intangible assets of US$199,560. 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.

11. Transactions with related parties

As described in the Company's annual report 2009, note 26, the related parties of the Company are comprised of seven Non-executive members of the board of directors and nine members of the executive management. The group of related parties has not changed in the first half of 2010. Transactions with those related parties only comprise their compensation which did not significantly change compared to 2009.

12. Subsequent events

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

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