dialog SEMICONDUCTOR

Interim Report as of 30 September 2011

Powering ahead...

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Press Release – 25 October 2011

DIALOG SEMICONDUCTOR ANNOUNCES RESULTS FOR THE THIRD QUARTER OF FY 2011

Record third quarter revenues of $140.6 million, representing 77% Year on Year and 21% sequential quarterly revenue growth

Kirchheim/Teck, Germany, 25 October 2011 – Dialog Semiconductor plc (FWB: DLG), a provider of highly integrated innovative power management, audio and short range wireless technologies, today reports results for its third quarter ending 30 September 2011.

Q3 2011 Financial Highlights

- Revenue for Q3 2011 was $140.6 million, an increase of 21.1% over the prior quarter and 76.9% over the corresponding quarter of 2010
- Q3 2011 IFRS operating profit (EBIT) was $19.4 million or 13.8% of revenue with underlying(*) operating profit of $22.8 million or 16.2% of revenue
- Q3 2011 underlying(*) EBITDA(**) of $28.0 million or 19.9% of revenue, compared to $20.4 million or 17.6% in the prior quarter
- Q3 2011 underlying(*) diluted earnings per share of 31 cents, a 9 cent increase over Q3 2010
- Cash and cash equivalents balance of $94.4 million, an increase of $14.0 million over the prior quarter, with $34.4 million of cash generated from operations during the quarter

Q3 2011 Operational Highlights

- Record revenue driven by continued ramp of Smartphone and Tablet PC products for both custom and standard products at our leading customers
- Launch of SmartPulse®, a new wireless smart sensor technology for home automation type applications and announcement of Panasonic as first SmartPulse® customer
- Shipment during the quarter of first production custom power management and audio devices to a large Asian OEM for Smartphone platform
- Adlink announced as new power management customer for Intel Atom™ based industrial computer systems
- Continued design wins for companion PMICs with Dialog's application processor partners

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

"The increasing demand for personal, portable and connected devices, together with a very necessary focus on energy saving continues to favour Dialog's core strengths in power management and is fuelling the expansion of our product portfolio. We have demonstrated this in this third quarter by continuing our growth in revenue and profit, in addition to generating significant cash from our business, despite a broader economic downturn."

FINANCIAL OVERVIEW

Revenue in Q3 2011 was $140.6 million, an increase of 21.1% over the $116.09 million achieved in the prior quarter and an increase of 76.9% on the $79.5 million of revenue delivered in the corresponding quarter of 2010.

Gross margin for the third quarter was 40.9%, representing an increase of 0.7 percentage points over that achieved in the prior quarter and a decrease of 5.4 percentage points over that achieved in the corresponding quarter of 2010. Dialog also received during the quarter a net cash settlement of $2.1 million mainly against revenues that had not been recognised in 2006 as a result of the insolvency of BenQ Mobile which had a positive effect of 0.8% on the gross margin.

Our **operating expenses** increased in Q3 2011 in absolute terms by $4.5 million over the prior quarter to $38.0 million. However, we have continued to keep tight control over our operating expenses such that R&D and SG&A in Q3 2011 stood at 17.7% and 9.6% of revenue respectively compared to 18.2% and 10.7% in the prior quarter.

Operating profit on an IFRS basis in Q3 2011 was $19.4 million or 13.8% of revenue. This compares to the $13.1 million or 11.3% of revenue delivered in the prior quarter and $13.9 million or 17.4% in Q3 2010. The underlying (*) operating profit achieved in Q3 2011 was $22.8 million or 16.2% of revenue, compared with the underlying (*) operating profit of $17.1 million or 14.7% of revenue in the prior quarter and $15.3 million or 19.2% in Q3 2010. In Q3 2011 Underlying (*) EBITDA (**) was $28.0 million or 19.9% of revenue compared to $17.2 million or 21.7% in the prior year quarter.

The **tax charge** in Q3 2011 continued to benefit from the utilisation of brought-forward tax losses resulting in a residual minimum level current tax charge. In total a net tax charge of $1.7 million was recorded in Q3 2011. Consequently, the overall effective tax rate for Q3 2011 was 8.9%.

In Q3 2011, on an IFRS basis **net profit** was $17.3 million or 28 cents per basic share and 26 cents per diluted share. This compares to 20 cents per basic share and 18 cents per diluted share delivered in the prior quarter and 22 and 20 cents respectively in Q3 2010. The underlying (*) earnings per share (diluted) in Q3 2011 was 31 cents. This compares to 24 cents in the prior quarter and 22 cents in Q3 2010.

At the end of Q3 2011, our total **inventory** level was at 76 days ($70.7 million) a decrease of 4 days over the prior quarter and 3 days compared to Q3 2010. The inventory remains at a level we believe is appropriate to service our demand as we enter the fourth quarter.

At the end of Q3 2011, we had a **cash and cash equivalents** balance of $94.4 million. This represents an increase of $14.0 million over the cash and cash equivalents balance at the end of Q2 2011. During the quarter, $34.4 million of cash was generated from operations and we also repaid $10.0 million of debt from a revolving credit facility, such that Dialog is currently debt free.

The acquired SiTel business in its second full quarter of consolidation recorded $33.2million in revenue for Q3 2011 and contributed an operating profit of $2.9 million to the overall Group performance.

(*) Underlying results are based on IFRS, adjusted to exclude share-based compensation charges in Q3 2011 of $1.3 million, excluding one-time costs of $0.1 million associated with the acquisition of SiTel Semiconductor ("SiTel") incurred during Q3 2011, excluding $1.6 million of amortisation of intangibles associated with the acquisition of SiTel and excluding amortisation expenses of $0.5 million in relation to previously capitalised R&D expenses for close to end of life products from SiTel. The term "underlying" is not defined in IFRS and therefore may not be comparable with similarly titled measures reported by other companies. Underlying measures are not intended as a substitute for, or a superior measure to, IFRS measures.
(**) EBITDA is defined as operating profit excluding depreciation of $2.4 million for property, plant and equipment .and amortisation of $4.8 million for intangible assets in Q3 2011.

OPERATIONAL OVERVIEW

Globally, the transition to Smartphones and the rollout of Tablet PC's continues at a rapid pace. We benefit from this transition through our close collaboration with the leading OEM vendors in these fields. This quarter also saw the launch of new Smartphone models based on our custom power management technology. Additionally, we shipped the first production devices to a major Asian OEM Smartphone and Tablet PC manufacturer of a custom Power Management IC (PMIC), leveraging our expertise in combining audio and power management in a stacked System in Package ("SIP"). We expect to see the first phones from the OEM's use of this platform to be launched in the market before the end of this financial year.

During the quarter, based on the new DECT ULE (ultra low energy) standard, we launched SmartPulse®: a series of wireless sensors and base station devices that enable the easy creation of wireless sensor networks for the home automation, security, healthcare and energy monitoring consumer markets. Furthermore, systems running SmartPulse® sensors self-configure with a home's existing DECT enabled hub or internet gateway, allowing connected systems to be simply managed over the web using a Smartphone, Laptop or Tablet PC. Panasonic was subsequently announced as the first customer for the technology for home security applications.

Our wireless technology is also now seeing increasing traction and adoption at professional headset and wireless microphone companies.

We have, as planned, completed the integration of SiTel into the wider Dialog group, with all corporate functions now operating as a single organisation. Dialog's strategy includes the pursuit of opportunities in the higher growth and higher profit market segments the business operated in. New R&D product development of the acquired business is now primarily focused on the development of low energy short range wireless and VoIP solutions.

OUTLOOK

We anticipate continuing our strong revenue momentum in Q4 2011 and expect revenue to be in the range of $150.0 million to $157.0 million, resulting in a successful outcome for the full financial year and full year revenue breaking through the $500 million barrier.

As previously indicated, our gross margin remains under pressure in Q4 2011 as Dialog's product mix increasingly reflects the higher volume customer contracts and higher current material costs. However in Q4 2011, we believe our continual focus on managing our operating expenses will lead to increased operating profits. Beyond that, we continue to believe our commitment to reducing costs combined with improving supply chain market conditions will lead to improved gross margins.

Dialog Semiconductor invites you today at 09.30 (London) / 10.30 (Frankfurt) to listen in a live conference call to management's discussion of Q3 2011 performance, as well as guidance for financial 2011. To access the call please use the following dial-in numbers: Germany: 0800 101 4960, UK: 0800 694 0257, US: 1866 966 9439, ROW: +44 (0)1452 555 566. An instant replay facility will be available for 30 days after the call and can be accessed at +44 (0)1452 550 000 with access code **17033252#**.

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 press release including the company's consolidated income statement, consolidated balance sheet and consolidated statements of cash flows for the period ending 30 September 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 one of the fastest growing European public semiconductor companies. It currently has approximately 600 employees. The company is listed on the Frankfurt (FWB: DLG) stock exchange and is a member of the German TecDax index

Forward Looking Statements

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

Financial Review

The following table details the historical consolidated statements of the operations of Dialog for the three and nine months ended 30 September 2011 and 1 October 2010:

	Three months ended 30 September 2011		Three months ended 1 October 2010		Change
	US$000	**% of revenues**	US$000	% of revenues	%
Revenues					
Audio & Power Management	**93,791**	**66.6**	68,773	86.5	36.4
Display Systems	**397**	**0.3**	357	0.4	11.2
Automotive / Industrial	**11,483**	**8.2**	10,634	13.4	8.0
Connectivity	**33,159**	**23.6**	-	-	-
Corporate Sector	**1,785**	**1.3**	(268)	(0.3)	(766.0)
Revenues	**140,615**	**100.0**	79,496	100.0	76.9
Cost of sales	**(83,155)**	**(59.1)**	(42,699)	(53.7)	94.7
Gross profit	**57,460**	**40.9**	36,797	46.3	56.2
Selling and marketing expenses	**(8,575)**	**(6.1)**	(4,300)	(5.4)	99.4
General and administrative expenses	**(4,930)**	**(3.5)**	(4,299)	(5.4)	14.7
Research and development expenses	**(24,833)**	**(17.7)**	(14,332)	(18.1)	73.3
Other operating income	**303**	**0.2**	-	0.0	-
Restructuring and related impairment charges	**-**	**0.0**	(5)	0.0	(100.0)
Operating profit	**19,425**	**13.8**	13,861	17.4	40.1
Interest income and other financial income	**77**	**0.0**	253	0.3	(69.6)
Interest expense and other financial expense	**(63)**	**0.0**	(29)	0.0	117.2
Foreign currency exchange gains and losses, net	**(411)**	**(0.3)**	320	0.3	(228.4)
Result before income taxes	**19,028**	**13.5**	14,405	18.1	32.1
Income tax expense	**(1,698)**	**(1.2)**	(1,122)	(1.4)	51.3
Net profit	**17,330**	**12.3**	13,283	16.7	30.5

	Nine months ended 30 September 2011 US$000	% of revenues	Nine months ended 1 October 2010 US$000	% of revenues	Change %
Revenues					
Audio & Power Management	**236,463**	**66.6**	171,106	81.9	38.2
Display Systems	**1,071**	**0.3**	1,020	0.5	5.0
Automotive / Industrial	**35,895**	**10.1**	37,455	17.9	(4.2)
Connectivity	**80,075**	**22.5**	-	-	-
Corporate Sector	**1,679**	**0.5**	(549)	(0.3)	(405.8)
Revenues	**355,183**	**100.0**	209,032	100.0	69.9
Cost of sales	**(211,035)**	**(59.4)**	(111,102)	(53.2)	89.9
Gross profit	**144,148**	**40.6**	97,930	46.8	47.2
Selling and marketing expenses	**(22,249)**	**(6.3)**	(12,393)	(5.9)	79.5
General and administrative expenses	**(17,535)**	**(4.9)**	(11,710)	(5.6)	49.7
Research and development expenses	**(64,976)**	**(18.3)**	(40,817)	(19.5)	59.2
Other operating income	**303**	**0.1**	-	0.0	-
Restructuring and related impairment charges	**(2)**	**0.0**	(586)	(0.3)	(99.7)
Operating profit	**39,689**	**11.2**	32,424	15.5	22.4
Interest income and other financial income	**281**	**0.1**	938	0.4	(70.0)
Interest expense and other financial expense	**(198)**	**(0.1)**	(93)	0.0	112.9
Foreign currency exchange gains and losses, net	**(239)**	**(0.1)**	(1,465)	(0.7)	(83.7)
Result before income taxes	**39,533**	**11.1**	31,804	15.2	24.3
Income tax expense	**(3,169)**	**(0.9)**	(2,354)	(1.1)	34.6
Net profit	**36,364**	**10.2**	29,450	14.1	23.5

Results of Operations

Segment Reporting

Revenues in the **Audio & Power Management segment** were US$93.8 million for the three months ended 30 September (Q3-2010: US$68.8 million) comprising 66.6% of our total revenues (Q3-2010: 86.5%). For the first nine months of 2011, revenues in this segment were US$236.5 million compared to US$171.1 million in the same period 2010, an increase of 38.2%. 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 decreased from US$18.3 million for the three months ended 1 October 2010 to US$17.6 million for the three months ended 30 September 2011. For the first nine months of 2011, operating profit in this segment was US$44.2 million compared to US$42.6 million in the same period 2010, an increase of 3.6%.

Revenues in the **Display Systems segment** were US$0.4 million for the three months ended 30 September 2011 (Q3-2010: US$0.4 million). For the first nine months of 2011, revenues were US$1.1 million compared to US$1.0 million in the comparison period of 2010. The operating loss in this sector was US$2.8 million for the three months ended 30 September 2011 (Q3-2010 US$3.1 million). For the first nine months of 2011, the operating loss was US$7.7 million (Q1-Q3-2010: US$8.6 million loss). The loss results from our continuous investment in the emerging ultra-low power display technologies.

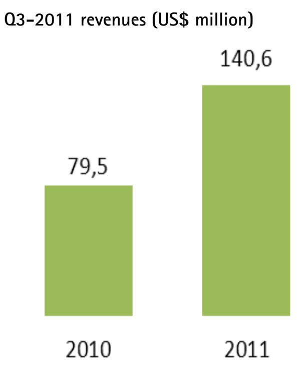
Revenues from our **Automotive / Industrial Applications segment** were US$11.5 million for the three months ended 30 September 2011 (Q3-2010: US$10.6 million) representing 8.2% of our total revenues (Q3-2010: 13.4%). For the first nine months of 2011, revenues in this segment were US$35.9 million compared to US$37.5 million in the same period 2010, a decrease of 4.2%. The total revenues decreased year-on-year, as in the first nine months of 2010 we benefited from a sale of last time buy products in an amount of US$6.4 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 the first nine months of 2010 would have been US$31.1 million. Therefore, without this one-time effect in 2010, our year-on-year revenues have increased by 15.6%. The operating profit in the sector was US$2.7 million for the three months ended 30 September 2011 (Q3-2010: US$0.9 million). For the first nine months of 2011, operating profit was US$8.3 million (Q1-Q3-2011: US$4.9 million). Despite lower revenues in the first nine months in this segment, we recorded an increasing operating profit. This is primarily driven by continuous yield improvements and a reduction of allocated Research and Development expenses to the automotive and industrial segment.

The **Connectivity segment** represents our newly acquired subsidiary SiTel Semiconductor B.V. (SiTel). SiTel was acquired on 10 February 2011; therefore its results are consolidated from this date. Revenues from our Connectivity segment were US$33.2 million for Q3-2011 and US$80.1 million since 10 February 2011. Operating profit in Q3-2011 was US$1.9 million. This profit includes an amount of US$1.6 million amortisation expense resulting from fair value adjustments in connection with the purchase price allocation, US$0.5 million relating to amortisation expenses in relation to capitalised development costs which will be fully amortised during Q1 2012 and US$0.4 million of share-based compensation expenses. For the first nine months 2011 we recorded an operating profit of US$2.4 million.

For further information please refer to note 2 to the Q3-2011 interim consolidated financial statements.

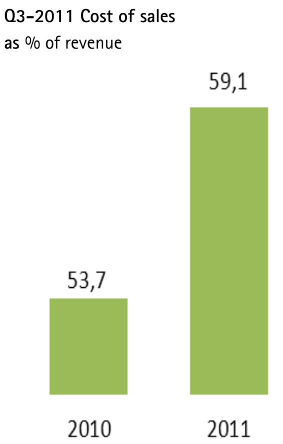
Revenues

Total revenues were US$140.6 million for the three months ended 30 September 2011 (Q3-2010: US$79.5 million, an increase of 76.9%). For the first nine months of 2011, revenues were US$355.2 million compared to US$209.0 million in the same period 2010, an increase of 69.9%. The increase in revenues results mainly from higher sales volumes in our audio & power management sector and the consolidation of SiTel as described above. Excluding the contribution of SiTel, revenues were US$107.5 million for Q3-2011 and US$275.1 million for the first nine months of 2011, still representing increases of 35.2% and 31.6% over the amounts achieved in Q3-2010 and the first nine months of 2010 respectively.



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 94.7% from US$42.7 million for the three months ended 1 October 2010 to US$83.2 million for the three months ended 30 September 2011 in line with increased production volume. As a percentage of revenues, cost of sales increased from 53.7% to 59.1%. The increase in cost of sales as a percentage of revenues can largely be attributed to increased material costs and our inability to extract cost reduction from our suppliers due to the on-going capacity constraints.



For the same reasons, cost of sales as a percentage of revenue increased from 53.2% in the first nine months of 2010 to 59.4% in the first nine months 2011.

Cost of sales, excluding SiTel (please refer to table on pages 9/10), would have been US$63.6 million for Q3-2011 representing 59.2% of revenues, an increase of 48.9% over the cost of sales of US$42.7 million in Q3-2010. For the first nine months 2011, costs of sales excluding SiTel would have been US$162.5 million (59.1% of revenues) compared to US$111.1 million (53.2% of revenues) in the first nine months of 2010.

Gross profit

Our gross margin decreased from 46.3% of revenues in Q3-2010 to 40.9% of revenues in Q3-2011 due to higher cost of sales as a percentage of revenues, as prescribed above. Gross profit for the third quarter of 2011 was US$57.5 million, 56.2% higher than that achieved in the third quarter of 2010 (US$36.8 million). The gross margin for the first nine months of 2011 was 40.6% compared to 46.8% achieved in the comparison period 2010, a decrease of 6.2%. During the first nine months of 2011, the continuous supply constraints in the Company's supply chain continued to inhibit normally expected cost reductions from suppliers. Another reason for the decrease was the favourable impact of the one-time sale of US$6.4 million of last time buy products recorded in the first nine months of 2010. Please see segment reporting paragraph "automotive and industrial" for further information. Gross profit for the first nine months of 2011 was US$144.1 million, 47.2% above the previous year's figures (US$97.9 million).

Gross profit excluding SiTel (please refer to table on pages 9/10) would have been US$43.9 million or 40.8% of revenues for Q3-2011 compared to US$36.8 million or 46.3% of revenues in Q3-2010. Excluding SiTel, gross profit for the first nine months of 2011 would have been US$112.6 million compared to US$97.9 million in the first nine months 2010.

Selling and marketing expenses

Selling and marketing expenses consist primarily of salaries, sales commissions, travel expenses, advertising and other marketing costs and since the acquisition of SiTel amortisation expenses on capitalised amounts for order backlog and customer relationships resulting from the purchase price allocation. Selling and marketing expenses increased from US$4.3 million for the three months ended 1 October 2010 to US$8.6 million for the three months ended 30 September 2011. This increase of 99.4% is principally linked to the acquisition of SiTel. As a percentage of total revenues, selling and marketing expenses increased only from 5.4% of total revenues in Q3-2010 to 6.1% of total revenues in Q3-2011. Similarly, selling and marketing expenses increased from US$12.4 million (5.9% of total revenues) for the first nine months 2010 to US$22.2 million (6.3% of total revenues) for the first nine months 2011.

Selling and marketing expenses excluding SiTel (please refer to table on pages 9/10) were US$4.5 million in Q3-2011, an increase of 4.8% over the US$4.3 million in Q3-2010. For the first nine months of 2011, selling and marketing expenses excluding SiTel would have been US$12.4 million (4.5% of revenues) and in percentage of revenues lower than in the first nine months of 2010 (US$12.4 million or 5.9% of revenues).

General and administrative expenses

General and administrative expenses consist primarily of personnel and support costs for our finance, human resources and other management departments and in 2011 the acquisition related costs in connection with purchase of SiTel. General and administrative expenses were US$4.9 million for the third quarter 2011, an increase of 14.7% over the US$4.3 million in Q3-2010. The increase is predominantly a result of the consolidation of SiTel. As a percentage of total revenues, general and administrative expenses decreased from 5.4% in Q3-2010 to 3.5% in Q3-2011. For the first nine months 2011 and 2010, general and administrative costs were US$17.5 million (or 4.9% of total revenues) and US$11.7 million (or 5.6% of total revenues) respectively. This increase is predominantly attributed to the M&A expenses in connection with the acquisition of SiTel in an amount of US$3.2 million and the general and administrative expenses contributed by SiTel itself since the first consolidation on 10 February 2011 in the amount of US$2.0 million.

General and administrative expenses excluding the SiTel G&A expenses and the SiTel acquisition related costs were US$4.2 million or 3.9% of revenues for Q3-2011 compared to general and administrative expenses of US$4.3 million or 5.4% of total revenues for Q3-2010, a decrease of 2.4%. G&A expenses for the first nine months (excluding expenses booked by SiTel and SiTel acquisition related costs) would have been US$12.3 million (4.5% of revenues) and accordingly an increase of 5.3% over the US$11.7 million (5.6% of revenues) in the first nine months of 2010.

Research and development expenses

Research and development expenses consist principally of design and engineering-related costs associated with the development of new Application Specific Integrated Circuits ("ASICs") and Application Specific Standard Products ("ASSPs"). Research and development expenses (net of customer funded projects) were US$24.8 million for the three months ended 30 September 2011 (Q3-2010: US$14.3 million), an increase of 73.3%. 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 18.1% to 17.7% in those periods. For the first nine months of 2011, our R&D expenses were US$65.0 million (18.3% of revenues) compared to US$40.8 million (19.5% of revenues) in the first nine months of 2010.

Excluding the impact of SiTel acquisition, research and development expenses would have been US$18.9 million or 17.6% of revenues, compared to US$14.3 million or 18.0% in Q3-2010. For the first nine months of 2011, R&D expenses excluding SiTel would have been US$50.0 million (18.2% of revenues) compared to US$40.8 (19.5% of revenues) million in the first nine months of 2010.

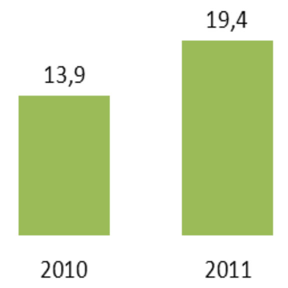
Other operating income

Other operating income of US$0.3 million in the third quarter 2011 is related 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 9 to the Q3-2011 consolidated interim financial statements.

Operating profit

We reported an operating profit of US$19.4 million for the third quarter 2011 (Q3-2010: US$13.9 million). For the first nine months of 2011, we reported an operating profit of US$39.7 million. This compares to an operating profit of US$32.4 million in the previous year. This improvement primarily resulted from a wider revenue base in 2011 especially in relation to the acquisition of SiTel.

Q3-2011 operating profit (US$ million)



Excluding the results contributed by SiTel (please refer to table on pages 9/10) and excluding the M&A costs in relation to the SiTel acquisition, the operating profit in Q3-2011 would have been US$16.6 million compared to US$13.9 million achieved in Q3-2010. For the first nine months of 2011, the operating profit excluding these items would have been US$38.3 million compared to US$32.4 million in the first nine months of 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$77 thousand for the three months ended 30 September 2011 (Q3-2010: US$253 thousand). For the first nine months of 2011, we recorded interest income and other financial income of US$281 thousand compared to US$938 thousand in the same period of 2010. The decrease was primarily the result of lower cash held during the first nine months of 2011, due to the cash outflow in connection with the acquisition of SiTel and lower interest rates on deposits.

Interest expense and other financial expense

Interest expense and other financial expense consist primarily of expenses for a US$10 million short-term bank loan which the company used in 2011 in connection with the SiTel acquisition, from capital leases, hire purchase agreements and the Group's factoring arrangement. Q3-2011 interest and other financial expenses were US$63 thousand (Q3-2010: US$29 thousand). For the first nine months of 2011, interest expenses and other financial expenses were US$198 thousand compared to US$93 thousand in the first nine months of 2010. The increase is primarily related to the short-term loan mentioned above.

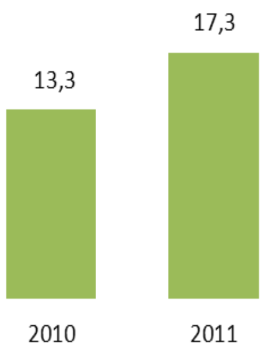
Income tax expense

For the three months ended 30 September 2011, a net income tax charge of US$1.7 million was recorded (Q3-2010: US$1.1 million). The amount in Q3-2011 consists of a current tax expense of US$1.9 million and a net deferred tax benefit of US$0.2 million mainly as a result of the recognition of previously unrecognised deferred tax assets. For the first nine months 2011, we recorded a net tax charge of US$3.2 million (first nine months of 2010: US$2.4 million).

Net profit

For the reasons described above, we reported a net profit of US$17.3 million for the three months ended 30 September 2011 (Q3-2010: US$13.3 million). Basic earnings per share in Q3-2011 were US$0.28 (Q3-2010: US$0.22) while diluted earnings per share were US$0.26 (Q3-2010: US$ 0.20).

Q3-2011 net profit (US$ million)



For the first nine months of 2011, net profit reached US$36.4 million compared to US$29.5 million in the comparison period 2010 with basic earnings per share at US$0.58 (2010: US$0.49) and diluted earnings per share at US$0.54 (2010: US$0.45).

Net profit excluding the results contributed by SiTel (please refer to table on pages 9/10) and excluding the M&A costs in relation to the SiTel acquisition was US$15.5 million in Q3-2011 representing an increase of US$2.2 million or 16.5% over the US$13.3 million achieved in Q3-2010. For the first nine months of 2011, net profit excluding these items was US$37.5 million compared to US$29.5 million achieved in the first nine months of 2010.

Liquidity and capital resources

Cash flows

Cash generated from operating activities was US$34.1 million for the three months ended 30 September 2011 (Q3-2010: cash generated from operating activities of US$13.0 million). The cash inflow for the three months ended 30 September 2011 mainly resulted from our net profit adjusted by depreciation, amortisation and other non-cash effective expenses and higher trade accounts payable.

Cash used for investing activities was US$10.7 million for the three months ended 30 September 2011 (Q3-2010: US$3.1 million). Cash used for investing activities in Q3 2011 predominantly consisted of US$7.8 million (Q3-2010: US1.7 million) for the purchase of tooling (masks), laboratory equipment, probe cards, load boards and other advanced test equipment, the purchase of intangible assets of US$2.2 million (Q3-2010: US$1.2 million) and payments related to capitalised development costs of US$0.6 million (Q3-2010: US$0.2 million).

Liquidity

At 30 September 2011 we had cash and cash equivalents of US$94.4 million (31 December 2010: US$158.2 million). The working capital (defined as current assets minus current liabilities) was US$133.8 million (31 December 2010: US$169.2 million).

As of 30 September 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 30 September 2011 no amounts were outstanding under one of these facilities. In addition, we have a factoring agreement which provides the Group with up to US$25.0 million of readily-available cash. Accordingly, we believe the funding available from these and other sources will be sufficient to satisfy our working capital requirements in the near to medium term if needed.

Dialog Semiconductor's financial performance for Q3-2011 and Q3-2010 excluding SiTel is summarised below:

US$000	Three months ended 30 September 2011			Three months ended 1 October 2010	Change[1]
	IFRS	**Adjustment**	**IFRS (excluding SiTel)[2]**	IFRS	%
		SiTel P&L Q3-2011	**Dialog Q3-2011 stand-alone**		
Revenue	**140,615**	**33,161**	**107,454**	79,496	35.2
Cost of sales	**(83,155)**	**(19,589)**	**(63,566)**	(42,699)	48.9
Gross profit	**57,460**	**13,572**	**43,888**	36,797	19.3
Selling and marketing expenses	**(8,575)**	**(4,071)**	**(4,505)**	(4,300)	4.8
M&A related general and administrative expenses	**(70)**	**-**	**(70)**	-	-
Other general and administrative expenses	**(4,860)**	**(663)**	**(4,197)**	(4,299)	(2.4)
General and administrative expenses (total)	**(4,930)**	**(663)**	**(4,267)**	(4,299)	(0.7)
Research and development expenses	**(24,833)**	**(5,903)**	**(18,930)**	(14,332)	32.1
Other operating income	**303**	**-**	**303**	-	-
Restructuring and related impairment charges	**-**	**-**	**-**	(5)	(100.0)
Operating profit	**19,425**	**2,936**	**16,490**	13,861	19.0
Interest income and other financial income	**77**	**-**	**77**	253	(69.6)
Interest expense and other financial expense	**(63)**	**3**	**(66)**	(29)	127.6
Foreign currency exchange gains and losses, net	**(411)**	**220**	**(631)**	320	297.2
Result before income taxes	**19,028**	**3,159**	**15,870**	14,405	10.2
Income tax expense	**(1,698)**	**(1,235)**	**(463)**	(1,122)	(58.7)
Net profit	**17,330**	**1,924**	**15,407**	13,283	16.0
Earnings per share (in US$)					
Basic	**0.28**	**0.03**	**0.25**	0.22	11.9
Diluted	**0.26**	**0.03**	**0.23**	0.20	13.5

[1] The column is showing the change between Q3-2011 results for Dialog without the contribution of SiTel and Q3-2010

[2] The 'IFRS (excluding SiTel)' column has been disclosed to illustrate the performance of the Dialog Semiconductor Plc business in 2011 excluding the contribution of SiTel. The performance of SiTel Semiconductor B.V. in the third quarter 2011 is shown in the 'Adjustment' column. The 'IFRS' column represents the total consolidated result of the enlarged Dialog Semiconductor Plc group for three months ended 30 September 2011.

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

US$000	Nine months ended 30 September 2011			Nine months ended 1 October 2010	Change[1]
	IFRS	Adjustment	IFRS (excluding SiTel)[2]	IFRS	%
		SiTel P&L Q1-Q3-2011	Dialog Q1-Q3-2011 stand-alone		
Revenue	**355,183**	**80,077**	**275,106**	209,032	31.6
Cost of sales	**(211,035)**	**(48,577)**	**(162,458)**	(111,102)	46.2
Gross profit	**144,148**	**31,500**	**112,648**	97,930	15.0
Selling and marketing expenses	**(22,249)**	**(9,884)**	**(12,365)**	(12,393)	(0.2)
M&A related general and administrative expenses	**(3,193)**	**-**	**(3,193)**	-	-
Other general and administrative expenses	**(14,342)**	**(2,013)**	**(12,329)**	(11,710)	5.3
General and administrative expenses (total)	**(17,535)**	**(2,013)**	**(15,522)**	(11,710)	32.6
Research and development expenses	**(64,976)**	**(14,999)**	**(49,977)**	(40,817)	22.4
Other operating income	**303**	**-**	**303**	-	-
Restructuring and related impairment charges	**(2)**	**-**	**(2)**	(586)	(99.7)
Operating profit	**39,689**	**4,604**	**35,085**	32,424	8.2
Interest income and other financial income	**281**	**-**	**281**	938	(70.0)
Interest expense and other financial expense	**(198)**	**3**	**(201)**	(93)	116.1
Foreign currency exchange gains and losses, net	**(239)**	**(308)**	**69**	(1,465)	104.7
Result before income taxes	**39,533**	**4,299**	**35,234**	31,804	10.8
Income tax expense	**(3,169)**	**(2,253)**	**(916)**	(2,354)	(61.1)
Net profit	**36,364**	**2,046**	**34,318**	29,450	16.5
Earnings per share (in US$)					
Basic	**0.58**	**0.04**	**0.55**	0.49	11.7
Diluted	**0.54**	**0.03**	**0.51**	0.45	13.5

[1] The column is showing the change between Q1 – Q3 2011 results for Dialog without the contribution of SiTel and Q1 – Q3 2010

[2] The 'IFRS (excluding SiTel)' column has been disclosed to illustrate the performance of the Dialog Semiconductor Plc business in 2011 excluding the contribution of SiTel. The performance of SiTel Semiconductor B.V. in the first nine months of 2011 is shown in the 'Adjustment' column. The 'IFRS' column represents the total consolidated result of the enlarged Dialog Semiconductor Plc group for nine months ended 30 September 2011.

Dialog Semiconductor's underlying financial performance for Q3-2011 and Q3-2010 is summarised below:

US$000	Three months ended 30 September 2011				Three months ended 1 October 2010		
	IFRS	Adjustment		Underlying[1)]	IFRS	Adjustment	Underlying[1)]
		Share Options	SiTel Acquisition[2)]			Share Options	
Revenue	**140,615**	**-**	**-**	**140,615**	79,496	-	79,496
Cost of sales	**(83,155)**	**(197)**	**(478)**	**(82,480)**	(42,699)	(100)	(42,599)
Gross profit	**57,460**	**(197)**	**(478)**	**58,135**	36,797	(100)	36,897
Selling and marketing expenses	**(8,575)**	**(259)**	**(1,363)**	**(6,953)**	(4,300)	(217)	(4,083)
M&A related general and administrative expenses	**(70)**	**-**	**(70)**	**-**	-	-	-
Other general and administrative expenses	**(4,860)**	**57**	**-**	**(4,917)**	(4,299)	(51)	(4,248)
General and administrative expenses (total)	**(4,930)**	**57**	**(70)**	**(4,917)**	(4,299)	(51)	(4,248)
Research and development expenses	**(24,833)**	**(889)**	**(212)**	**(23,732)**	(14,332)	(1,037)	(13,295)
Other operating income	**303**	**-**	**-**	**303**	-	-	-
Restructuring and related impairment charges	**-**	**-**	**-**	**-**	(5)	-	(5)
Operating profit	**19,425**	**(1,288)**	**(2,123)**	**22,836**	13,861	(1,405)	15,266
Interest income and other financial income	**77**	**-**	**-**	**77**	253	-	253
Interest expense and other financial expense	**(63)**	**-**	**-**	**(63)**	(29)	-	(29)
Foreign currency exchange gains and losses, net	**(411)**	**-**	**-**	**(411)**	320	-	320
Result before income taxes	**19,028**	**(1,288)**	**(2,123)**	**22,439**	14,405	(1,405)	15,810
Income tax expense	**(1,698)**	**-**	**-**	**(1,698)**	(1,122)	-	(1,122)
Net profit	**17,330**	**(1,288)**	**(2,123)**	**20,741**	13,283	(1,405)	14,688
Earnings per share (in US$)							
Basic	**0.28**	**0.02**	**0.03**	**0.33**	0.22	0.02	0.24
Diluted	**0.26**	**0.02**	**0.03**	**0.31**	0.20	0.02	0.22
EBITDA[3)]	**26,637**	**(1,288)**	**(70)**	**27,995**	15,832	(1,405)	17,237

[1] Underlying results are based on IFRS, adjusted to exclude share-based compensation charges and costs relating to the acquisition of SiTel Semiconductor B.V. (please refer to footnote [3] below. The term "underlying" is not defined in IFRS and therefore may not be comparable with similarly titled measures reported by other companies. Underlying measures are not intended as a substitute for, or a superior measure to, IFRS measures.

[2] Cost of sales of SiTel includes an amount of US$0.5 million relating to amortisation expenses in relation to capitalised development costs which will be fully amortised during Q1 2012. Consequently, no further amortisation expenses will be recorded for these assets from Q2-2012 onwards. Selling expenses include the amortization on the customer relationship and the order backlog identified as part of the purchase price allocation process. General and administrative expenses include the acquisition costs recorded as an expense in the income statement of the company. research and development expenses include the amortisation on patented and not patented technology identified as part of the purchase price allocation process.

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

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

US$000	Nine months ended 30 September 2011				Nine months ended 1 October 2010		
	IFRS	Adjustment		Underlying[1)]	IFRS	Adjustment	Underlying[1)]
		Share Options	SiTel Acquisition[2)]			Share Options[2)]	
Revenue	**355,183**	**-**	**-**	**355,183**	209,032	-	209,032
Cost of sales	**(211,035)**	**(568)**	**(2,702)**	**(207,765)**	(111,102)	(329)	(110,773)
Gross profit	**144,148**	**(568)**	**(2,702)**	**147,418**	97,930	(329)	98,259
Selling and marketing expenses	**(22,249)**	**(165)**	**(3,103)**	**(18,981)**	(12,393)	(914)	(11,479)
M&A related general and administrative expenses	**(3,193)**	**-**	**(3,193)**	**-**	-	-	-
Other general and administrative expenses	**(14,342)**	**(1,144)**	**-**	**(13,198)**	(11,710)	(1,087)	(10,623)
General and administrative expenses (total)	**(17,535)**	**(1,144)**	**(3,193)**	**(13,198)**	(11,710)	(1,087)	(10,623)
Research and development expenses	**(64,976)**	**(2,745)**	**(424)**	**(61,807)**	(40,817)	(3,856)	(36,961)
Other operating income	**303**	**-**	**-**	**303**	-	-	-
Restructuring and related impairment charges	**(2)**	**-**	**-**	**(2)**	(586)	-	(586)
Operating profit	**39,689**	**(4,622)**	**(9,422)**	**53,733**	32,424	(6,186)	38,610
Interest income and other financial income	**281**	**-**	**-**	**281**	938	-	938
Interest expense and other financial expense	**(198)**	**-**	**-**	**(198)**	(93)	-	(93)
Foreign currency exchange gains and losses, net	**(239)**	**-**	**-**	**(239)**	(1,465)	-	(1,465)
Result before income taxes	**39,533**	**(4,622)**	**(9,422)**	**53,577**	31,804	(6,186)	37,990
Income tax expense	**(3,169)**	**-**	**-**	**(3,169)**	(2,354)	-	(2,354)
Net profit	**36,364**	**(4,622)**	**(9,422)**	**50,408**	29,450	(6,186)	35,636
Earnings per share (in US$)							
Basic	**0.58**	**0.07**	**0.14**	**0.80**	0.49	0.10	0.59
Diluted	**0.54**	**0.07**	**0.14**	**0.75**	0.45	0.09	0.54
EBITDA[3)]	**57,683**	**(4,622)**	**(3,193)**	**65,498**	37,698	(6,186)	43,884

[1] Underlying results are based on IFRS, adjusted to exclude share-based compensation charges and costs relating to the acquisition of SiTel Semiconductor B.V. (please refer to footnote [3] below. The term "underlying" is not defined in IFRS and therefore may not be comparable with similarly titled measures reported by other companies. Underlying measures are not intended as a substitute for, or a superior measure to, IFRS measures.

[2] Cost of sales of SiTel includes an amount of US$2.7 million relating to amortisation expenses in relation to capitalised development costs which will be fully amortised during Q1 2012. Consequently, no further amortisation expenses will be recorded for these assets from Q2-2012 onwards. Selling expenses include the amortisation on the customer relationship and the order backlog identified as part of the purchase price allocation process. General and administrative expenses include the acquisition costs recorded as an expense in the income statement of the company. Research and development expenses include the amortisation on patented and not patented technology identified as part of the purchase price allocation process.

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

Statement of Financial Position

	At 30 September 2011 US$000	At 31 December 2010 US$000	Change US$000	%
Assets				
Cash and cash equivalents	**94,434**	158,200	(63,766)	(40.3)
All other current assets	**116,539**	58,263	58,276	100.0
Total current assets	**210,973**	216,463	(5,490)	(2.5)
Property, plant and equipment, net	**25,855**	14,249	11,606	81.5
Intangible assets	**39,331**	10,727	28,604	266.7
Goodwill	**27,358**	-	27,358	-
All other non-current assets	**2,054**	1,111	943	84.9
Deferred tax assets	**16,680**	10,829	5,851	54.0
Total non-current assets	**111,278**	36,916	74,362	201.4
Total Assets	**322,251**	253,379	68,872	27.2
Liabilities and Shareholders' equity				
Current liabilities	**77,134**	47,218	29,916	63.4
Non-current liabilities	**1,192**	889	303	34.1
Net Shareholders' equity	**243,925**	205,272	38,653	18.8
Total Liabilities and Shareholders' equity	**322,251**	253,379	68,872	27.2

Balance sheet total was US$322.3 million at 30 September 2011 (31 December 2010: US$253.4 million). Cash and cash equivalents decreased by US$63.8 million or 40.3% to US$94.4 million at 30 September 2011 (31 December 2010: US$158.2 million). This decrease was mainly caused by the net cash outflow of US$ 84.2 million in connection with the acquisition of SiTel and cash outflows for investments in other tangible and intangible assets in the amount of US$22.8 million. These cash outflows were partly offset by a net operating cash inflow in the amount of US$42.2 million. Other current assets increased from US$58.3 million at 31 December 2010 by US$58.3 million to US$116.5 million at 30 September 2011. The increase of 100% is mainly driven by the US30.2 million current assets (excluding cash) acquired in connection with the acquisition of SiTel, increased trade accounts receivables and inventories.

Total non-current assets increased 201.4% to US$111.3 million; this increase is mainly due to the goodwill of US$27.4 million recorded in connection with the SiTel acquisition, as well as other non-current assets in the amount of US$36.5 million brought into the group by SiTel.

Current liabilities increased by US$29.9 million of which US$21.9 million relate to current liabilities brought into the group by.

Shareholders' equity increased to US$243.9 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 75.7% (81.0% at 31 December 2010).

Other Information

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

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

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

Responsibility statement

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

25 October 2011

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

Unaudited consolidated statement of financial position

As at 30 September 2011

	Notes	**At 30 September 2011 US$000**	At 31 December 2010 US$000
Assets			
Cash and cash equivalents		**94,434**	158,200
Trade accounts receivable and other receivables		**37,735**	12,556
Inventories	5	**70,672**	40,733
Income tax receivables		**59**	60
Other financial assets		**207**	836
Other current assets		**7,866**	4,078
Total current assets		**210,973**	216,463
Property, plant and equipment	6	**25,855**	14,249
Intangible assets	7	**39,331**	10,727
Goodwill	2	**27,358**	–
Deposits		**1,808**	741
Income tax receivables		**246**	370
Deferred tax assets		**16,680**	10,829
Total non-current assets		**111,278**	36,916
Total assets		**322,251**	253,379
Liabilities and Shareholders´ equity			
Trade and other payables		**53,259**	28,413
Other financial liabilities		**4,576**	845
Provisions		**1,079**	877
Income taxes payable		**3,979**	1,208
Other current liabilities		**14,241**	15,875
Total current liabilities		**77,134**	47,218
Provisions		**661**	428
Other non-current financial liabilities		**531**	461
Total non-current liabilities		**1,192**	889
Ordinary shares		**12,380**	12,380
Additional paid-in capital		**203,359**	202,416
Accumulated profit (deficit)		**37,063**	(3,961)
Other reserves		**(5,564)**	(1,648)
Employee stock purchase plan shares		**(3,313)**	(3,915)
Net Shareholders´ equity		**243,925**	205,272
Total liabilities and Shareholders´ equity		**322,251**	253,379

Unaudited consolidated income statement

For the three and nine months ended 30 September 2011

	Notes	**Three months ended 30 September 2011 US$000**	Three months ended 1 October 2010 US$000	**Nine months ended 30 September 2011 US$000**	Nine months ended 1 October 2010 US$000
Revenue	3	**140,615**	79,496	**355,183**	209,032
Cost of sales		**(83,155)**	(42,699)	**(211,035)**	(111,102)
Gross profit		**57,460**	36,797	**144,148**	97,930
Selling and marketing expenses		**(8,575)**	(4,300)	**(22,249)**	(12,393)
General and administrative expenses		**(4,930)**	(4,299)	**(17,535)**	(11,710)
Research and development expenses		**(24,833)**	(14,332)	**(64,976)**	(40,817)
Other operating income	9	**303**	–	**303**	–
Restructuring and related impairment charges		**–**	(5)	**(2)**	(586)
Operating profit	**3**	**19,425**	13,861	**39,689**	32,424
Interest income and other financial income		**77**	253	**281**	938
Interest expense and other financial expense		**(63)**	(29)	**(198)**	(93)
Foreign currency exchange gains and losses, net		**(411)**	320	**(239)**	(1,465)
Result before income taxes		**19,028**	14,405	**39,533**	31,804
Income tax expense		**(1,698)**	(1,122)	**(3,169)**	(2,354)
Net profit		**17,330**	13,283	**36,364**	29,450

	Three months ended 30 September 2011	Three months ended 1 October 2010	**Nine months ended 30 September 2011**	Nine months ended 1 October 2010
Earnings per share (in US$)				
Basic	**0.28**	0.22	**0.58**	0.49
Diluted	**0.26**	0.20	**0.54**	0.45
Weighted average number of shares (in thousands)				
Basic	**62,865**	60,626	**62,422**	60,278
Diluted	**67,035**	65,589	**66,754**	65,270

Unaudited statement of comprehensive income

For the three and nine months ended 30 September 2011

	Three months ended 30 September 2011 US$000	Three months ended 1 October 2010 US$000	**Nine months ended 30 September 2011 US$000**	Nine months ended 1 October 2010 US$000
Net profit	**17,330**	13,283	**36,364**	29,450
Exchange differences on translating foreign operations	**(3,587)**	28	**(3,636)**	204
Cash flow hedges	**(7,550)**	3,657	**(3,804)**	834
Income tax relating to components of other comprehensive income	**3,524**	163	**3,524**	(115)
Other comprehensive income for the year, net of tax	**(7,613)**	3,848	**(3,916)**	923
Total comprehensive income for the year	**9,717**	17,131	**32,448**	30,373

Unaudited consolidated statements of cash flows

For the three and nine months ended 30 September 2011

	Three months ended 30 September 2011 US$000	Three months ended 1 October 2010 US$000	**Nine months ended 30 September 2011 US$000**	Nine months ended 1 October 2010 US$000
Cash flows from operating activities:				
Net profit	**17,330**	13,283	**36,364**	29,450
Interest income, net	**(14)**	(224)	**(83)**	(845)
Income tax expense	**1,698**	1,122	**3,169**	2,354
Impairment of inventories	**61**	(421)	**1,431**	799
Depreciation of property, plant and equipment	**2,391**	1,271	**6,081**	3,473
Amortization of intangible assets	**4,821**	700	**11,913**	1,801
Losses on disposals of fixed assets and impairment of fixed and financial assets	**442**	47	**690**	89
Expense related to share-based payments	**1,552**	1,284	**4,660**	2,912
Expense related to acquisition of SiTel Semiconductor	**70**	–	**3,193**	–
Changes in working capital:				
Trade accounts receivable and other receivables	**(8,122)**	77	**(33,388)**	(1,545)
Factoring	**274**	–	**20,931**	–
Inventories	**(8,907)**	(11,140)	**(16,522)**	(12,311)
Prepaid expenses	**1,104**	(549)	**(114)**	(1,454)
Trade accounts payable	**19,496**	6,507	**14,740**	11,673
Provisions	**211**	(255)	**(174)**	(431)
Other assets and liabilities	**1,953**	3,672	**(6,118)**	861
Cash generated from operations	**34,360**	15,374	**46,773**	36,826
Interest paid	**(94)**	(4)	**(107)**	(10)
Interest received	**74**	195	**225**	470
Income taxes paid	**(215)**	(2,557)	**(1,492)**	(3,098)
Cash flow generated from operating activities	**34,125**	13,008	**45,399**	34,188
Cash flows from investing activities:				
Purchases of property, plant and equipment	**(7,788)**	(1,663)	**(15,422)**	(5,971)
Purchases of intangible assets	**(2,223)**	(1,164)	**(4,176)**	(4,735)
Payments for capitalized development costs	**(610)**	(240)	**(3,154)**	(1,038)
Purchase of SiTel Semiconductor B.V.	**(70)**	–	**(87,359)**	–
Change in other long term assets	**12**	(1)	**(521)**	(13)
Cash flow used for investing activities	**(10,679)**	(3,068)	**(110,632)**	(11,757)
Cash flows from financing activities:				
Purchase of employee stock purchase plan shares	**–**	–	**–**	(2,844)
Sale of employee stock purchase plan shares	**449**	864	**1,545**	2,832
Costs in connection with capital increase	**–**	(1)	**–**	(36)
Financial liabilities	**(10,000)**	–	**–**	–
Cash flow from (used for) financing activities	**(9,551)**	863	**1,545**	(48)
Cash flow from (used for) operating, investing and financing activities	**13,895**	10,803	**(63,688)**	22,383
Net foreign exchange difference	**65**	2,917	**(78)**	43
Net increase (decrease) in cash and cash equivalents	**13,960**	13,720	**(63,766)**	22,426
Cash and cash equivalents at beginning of period	**80,474**	128,854	**158,200**	120,148
Cash and cash equivalents at end of period	**94,434**	142,574	**94,434**	142,574

Unaudited consolidated statement of changes in equity

For the three and nine months ended 30 September 2011

	Ordinary Shares US$000	Additional paid-in capital US$000	Accumulated deficit US$000	Other reserves: Currency translation adjustment US$000	Other reserves: Cash Flow Hedges 000US$	Employee stock purchase plan shares US$000	Total US$000
Balance at 31 December 2009 / 1 January 2010	11,825	283,733	(135,667)	(1,730)	(372)	(810)	156,979
Reduction of share premium account	–	(85,000)	85,000	–	–	–	–
Total comprehensive income	–	–	29,450	89	834	–	30,373
Capital Increase for employee share option plan (gross proceeds)	555	378	–	–	–	(969)	(36)
Sale of employee stock purchase plan shares	–	2,241	–	–	–	(2,254)	(13)
Equity settled transactions, net of tax	–	–	2,912	–	–	–	2,912
Changes in Equity total	555	(82,381)	117,362	89	834	(3,223)	33,236
Balance at 1 October 2010	12,380	201,352	(18,305)	(1,641)	462	(4,033)	190,215
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)	–	–	36,364	(112)	(3,804)	–	32,448
Sale of employee stock purchase plan shares	–	943	–	–	–	602	1,545
Equity settled transactions, net of tax	–	–	4,660	–	–	–	4,660
Changes in Equity total	–	943	41,024	(112)	(3,804)	602	38,653
Balance at 30 September 2011	**12,380**	**203,359**	**37,063**	**(1,829)**	**(3,735)**	**(3,313)**	**243,925**

Notes to the Interim Consolidated Financial Statements (Unaudited)

For the three and nine months ended 30 September 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 600 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 nine months ended 30 September 2011 are not necessarily indicative of the results to be expected for the full year ending 31 December 2011.

Use of Estimates

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

2. Business combinations

Acquisitions in 2011

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

Assets acquired and liabilities measured

	Fair value recognised on acquisition US$000
Assets	
Cash and cash equivalents	**12,551**
Trade accounts receivable and other receivables	**12,722**
Inventories	**14,849**
Other current assets	**1,798**
Property, plant and equipment	**2,886**
Intangible assets	**32,975**
Income tax receivables	**788**
Deferred tax assets	**4,776**
Other non-current assets	**411**
Total assets	**83,756**
Liabilities	
Trade and other payables	**(10,106)**
Provisions	**(606)**
Income taxes payable	**(40)**
Other current liabilities	**(11,144)**
Total liabilities	**(21,896)**
Total identifiable net assets at fair value	**61,860**
Goodwill arising on acquisition	**27,358**
Purchase consideration transferred	**89,218**

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

The goodwill of US$ 27,358,000 comprises the value of expected synergies arising from the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

From the date of the acquisition, SiTel has contributed US$80,076,000 of revenue and US$8,723,000 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$91,545,000 and the profit would have been US$7,957,000.

Purchase consideration

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

Analysis of cash flows from acquisition

	US$000
Transaction costs of the acquisition	**(3,193)**
Total cash outflow for acquisition	**(89,218)**
Net cash acquired with the subsidiary	**5,052**
Net cash flow on acquisition (included in cash flows from investing activities)	**(87,359)**

Transaction costs of US$3,193,000 have been expensed and are included in administrative expenses.

Contingent consideration

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

This payment has the following terms:

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

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

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

3. Segment Reporting

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

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

a) Operating Segments

	Three months ended 30 September 2011	Three months ended 1 October 2010	**Nine months ended 30 September 2011**	Nine months ended 1 October 2010
	US$000	US$000	**US$000**	US$000
Revenues				
Audio & Power Management	**93,791**	68,773	**236,463**	171,106
Display Systems	**397**	357	**1,071**	1,020
Automotive/industrial	**11,483**	10,634	**35,895**	37,455
Connectivity	**33,159**	-	**80,075**	-
Corporate	**1,785**	(268)	**1,679**	(549)
Total revenues	**140,615**	79,496	**355,183**	209,032
Operating profit (loss)[1)]				
Audio & Power Management	**17,603**	18,311	**44,163**	42,625
Display Systems[2)]	**(2,832)**	(3,066)	**(7,741)**	(8,603)
Automotive/industrial	**2,686**	862	**8,296**	4,870
Connectivity	**1,856**	-	**2,438**	-
Corporate	**112**	(2,246)	**(7,467)**	(6,468)
Total operating profit	**19,425**	13,861	**39,689**	32,424

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

b) Geographical information

	Three months ended 30 September 2011 US$000	Three months ended 1 October 2010 US$000	Nine months ended 30 September 2011 US$000	Nine months ended 1 October 2010 US$000
Revenues				
Hungary	**6,078**	10,482	**24,286**	27,064
Other European countries	**18,317**	4,614	**41,988**	19,608
China	**87,046**	48,700	**210,169**	123,090
Other Asian countries	**25,299**	5,799	**62,665**	20,079
Other countries	**3,875**	9,901	**16,075**	19,191
Total revenues	**140,615**	79,496	**355,183**	209,032

	At 30 September 2011 US$000	At 31 December 2010 US$000
Assets		
Germany	**248,269**	245,828
Japan	**2,455**	1,455
United Kingdom	**7,571**	5,503
Netherlands	**61,897**	–
Other	**2,059**	593
Total assets	**322,251**	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 30 September 2011 was as follows:

	Options	2011 Weighted average exercise price €
Outstanding at beginning of year	**6,098,193**	**2.88**
Granted[1]	**2,341,746**	**4.75**
Exercised	**(2,155,852)**	**0.52**
Forfeited	**(132,493)**	**6.94**
Outstanding at end of period	**6,151,594**	**4.33**
Options exercisable at period end	**3,881,718**	**1.54**

[1] The amount of granted options includes 1,575,327 options granted under the Long-term Incentive Plan (LTIP). For further information please refer to note 20b to the consolidated financial statements as of December 31, 2010. Excluding the LTIP grant, the weighted average exercise price is $14.26.

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 30 September 2011 the Trust held 1,849,274 shares.

5. Inventories

Inventories consisted of the following:

	At 30 September 2011 US$000	At 31 December 2010 US$000
Raw materials	**6,360**	8,298
Work-in-process	**20,190**	7,238
Finished goods	**44,122**	25,197
	70,672	40,733

6. Property, plant and equipment

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

	At 30 September 2011 US$000	At 31 December 2010 US$000
Gross carrying amount	**135,908**	104,406
Accumulated depreciation	**(110,053)**	(90,157)
Net carrying amount	**25,855**	14,249

The Company has contractual commitments for the acquisition or property, plant and equipment of US$2,529,000.

7. Intangible assets

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

	At 30 September 2011 US$000	At 31 December 2010 US$000
Gross carrying amount	**173,145**	28,409
Accumulated depreciation	**(133,814)**	(17,682)
Net carrying amount	**39,331**	10,727

The Company has contractual commitments for the acquisition of intangible assets of US$3,653,000.

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 expected to occur within the next 3 months.

8. Transactions with related parties

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

9. BenQ Settlement

In the second quarter of 2011, the company received an unexpected cash settlement of US$2.1 million. As the allocation of the payment was not confirmed by the paying party, we were only able to allocate it in Q3 to receivables which had been previously written down and revenues that had not been recognised in 2006 as a result of the insolvency of BenQ Mobile. The amount represents 30% of the original claim to BenQ Mobile. Of this amount, US$1.8 million were classified as revenue and US$0.3 million were classified as other operating income. The amount shown as revenue represents prior period revenue. As one of the criteria for revenue recognition under IFRS was not met, for this amount the related revenue was not accounted for in 2006. The amount shown as other operating income was previously recognised as revenue in the periods preceding the insolvency but the underlying receivables were written down against other operating expenses.

10. Subsequent events

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

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