Making the difference in power management

Interim Report as of 28 March 2008

Press Release – 6 May 2008

OVERVIEW

Momentum maintained with break even Q1 2008

- Q1 2008 revenues stand at US$31.5m up 132% on Q1 2007 (Q1 2007: US$13.6m) resulting in net profit of US$68,000 (Q1 2007: US$8.1m net loss)
- Q1 2008 gross margin stands at 33.5% in traditionally quietest trading period
- New customer opportunities position Dialog for significant revenue growth in H2 2008
- Liquid asset balances stood at US$28.6m at end of Q1 2008 (Q4 2007: US$35.8m) and Dialog remains debt free

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

"It is a significant achievement for us to have delivered a breakeven Q1, given this is seasonally the quietest period in our business, and this achievement further validates the investments we have made in our new products and business platform. Whilst general economic conditions remain uncertain, we continue to be confident that we will deliver substantial growth in the second half of 2008 and that at this early stage we remain on track to meet our expectations for the full year."

OPERATIONAL HIGHLIGHTS

FY 2007 saw Dialog invest heavily in building a newer, more efficient platform for future growth. The benefits of that platform have already begun to flow through in FY 2008 to our bottom line, as evidenced by our breakeven this quarter. We continue to fine tune our platform and make best use of our fabless operation model and in this period we further improved our efficiency by completing our move to a worldwide customer drop-ship delivery model direct from our manufacturing sub-contractors in the Far East. This supply chain model will further reduce our delivery cycle time to customers and offer a much enhanced service compared to our previous European-based logistics operation.

In our Wireless segment, we continued this quarter to increase our number of design wins in this segment through the use of our 3G/HSDPA integrated audio and power management chips. This traction with major customers in Asia we anticipate should lead to the recognition of new revenue in H2 2008. We have also completed during the period our preparation for the volume ramp into production of a new product for a new, Tier 1 brand 'smart phone' customer. We expect this ramp to occur during Q2 2008.

Our Automotive and Industrial segment performed strongly in Q1 and we have seen a healthy flow of opportunities in smart system on chip (S-O-C) applications in intelligent motor control and sensing. In addition, Dialog continues to focus on developing technology appropriate for engagements in the next generation of infotainment products; leveraging its strong position in core power management and audio technology. In the case of audio technology, Dialog has made excellent progress this quarter in the development of advanced audio technology offerings. Through these offerings we are currently targeting the introduction of new world class products in FY 2009.

In the Consumer arena, Dialog remains focused on developing further products for consumer applications and we anticipate shipment of such products to commence in H2 2008. This combination of new design wins, combined with further business wins secured this quarter from within our existing wireless customer base allows us to remain confident in the growth prospect for this area of our business.

Looking ahead, Dialog continues to invest in the development of new, highly differentiated products for new and emerging 'always-on,' low-power display technologies. In Q1 2007, Dialog began promoting its optimised low drivers for Passive Matrix OLED technology to customers and anticipates that the first products will begin sampling in Q3 2008. As previously guided, our portfolio of display products including e-paper and MEMS based display drivers should start contributing revenue in 2008.

FINANCIAL PERFORMANCE

Q1 2008 revenue stands at US$31.5m: some 132% higher than Q1 2007 and 8.8% lower than Q4 2007, in line with the typical and expected seasonality levels associated with our business. Even though this quarter is traditionally our quietest period, we have moved further along with our turnaround strategy and delivered a Q1 2008 net profit of US$68,000: a significant achievement.

As expected and as is typical at this stage in our Financial Year, our Q1 2008 revenue contains proportionally less consumer and cell phone product revenue relative to Q4 2007. As a result our gross margins have reduced in Q1 from their particularly high level in Q4 2007 (Q4 2007: 41.5%). However, with gross margin for the quarter standing at 33.5%, we continue to operate within the average gross margin range of 33.0% recorded for FY 07 and are working to deliver greater gross margin improvements.

Dialog's cash and securities balance decreased to US$28.6m in Q1 2008 from US$35.8m at the year end. This decrease was primarily a timing effect driven by an increase in Trade Receivables close to the end of the period and should be viewed against the backdrop of a particularly low balance as at the end of the 2007 financial year.

OUTLOOK

We are pleased to have delivered a breakeven Q1 2008 in what is typically the quietest period for our business. We believe this achievement further validates the investments we have made in our new products and business platform during the previous financial year.

Whilst general economic conditions remain uncertain, we continue to be confident that we will deliver substantial growth in the second half of 2008 and that, at this early stage, we remain on track to meet our expectations for the full year.

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Information about Dialog Semiconductor

Dialog Semiconductor develops and supplies power management, audio and display driver technology, targeting the wireless and automotive and industrial segments. The company's expertise in mixed signal design, with products manufactured entirely in CMOS technology, enhances the performance and features of wireless, hand-held and portable electronic products. Its technology is also used in intelligent control circuits in automotive and industrial applications. Dialog Semiconductor plc is headquartered near Stuttgart, Germany with operating facilities in the UK, the USA, Austria, Japan and Taiwan. 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.

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Financial Review

The following table details the historical consolidated statements of the operations of Dialog for the three months ended 28 March 2008 and 30 March 2007.

	Three months ended 28 March 2008		Three months ended 30 March 2007		Change
	US$000	**% of revenues**	US$000	% of revenues	%
Revenues					
Wireless	**21,465**	**68.1**	3,180	23.4	575.0
Automotive / Industrial	**10,046**	**31.9**	10,427	76.6	(3.7)
Revenues	**31,511**	**100.0**	**13,607**	**100.0**	**131.6**
Cost of sales	**(20,953)**	**(66.5)**	(10,976)	(80.7)	90.9
Gross profit	**10,558**	**33.5**	**2,631**	**19.3**	**301.3**
Selling and marketing expenses	**(2,012)**	**(6.4)**	(1,529)	(11.2)	31.6
General and administrative expenses	**(2,151)**	**(6.9)**	(2,041)	(15.0)	5.4
Research and development expenses	**(6,943)**	**(22.0)**	(6,585)	(48.4)	5.4
Other operating income	**245**	**0.8**	-	0.0	-
Restructuring and related impairment charges	**121**	**0.4**	(765)	(5.6)	-
Operating loss	**(182)**	**(0.6)**	**(8,289)**	**(60.9)**	**(97.8)**
Interest income, net	**173**	**0.6**	395	2.9	(56.2)
Foreign currency exchange gains and losses, net	**44**	**0.1**	187	1.4	(76.5)
Other financial income (expenses)	**50**	**0.2**	(378)	(2.8)	-
Result before income taxes	**85**	**0.3**	**(8,085)**	**(59.4)**	**0.0**
Income tax expense	**(17)**	**(0.1)**	(1)	0.0	1,600.0
Net income (loss)	**68**	**0.2**	**(8,086)**	**(59.4)**	**0.0**

Results of Operations

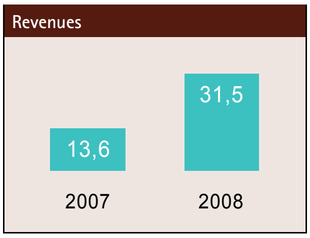
Segment Reporting

Revenues in the **wireless communications sector** were US$21.5 million for the three months ended 28 March 2008 (Q1-2007: US$3.2 million) comprising 68.1% of our total revenues (Q1-2007: 23.4%). The increase in this sector resulted from higher sales volumes in 2008 as a result of introducing new products for consumer portable multimedia players and 3G/HSDPA mobile phones in the second half of 2007. The operating loss in the wireless segment was substantially reduced from US$7.5 million for the three months ended 30 March 2007 to US$0.1 million for the three months ended 28 March 2008.

Revenues from our **automotive / industrial applications sector** were US$10.0 million for the three months ended 28 March 2008 (Q1-2007: US$10.4 million) representing 31.9% of our total revenues (Q1-2007: 76.6%). Operating profit in the sector was US$1.0 million for the three months ended 28 March 2008 (Q1-2007: US$0.6 million).

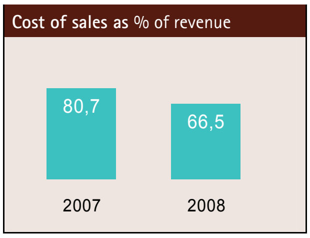
Revenues

Revenues were US$31.5 million for the three months ended 28 March 2008 (Q1-2007: US$13.6 million). The increase of 131.6% in revenues results from higher sales volumes in our wireless communication sector as described above.



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 90.9% from US$11.0 million for the three months ended March 30, 2007 to US$21.0 million for the three months ended 28 March 2008 in line with increased production volume. As a percentage of total revenues cost of sales decreased from 80.7% to 66.5%. This again demonstrated the gains made possible by our ongoing efforts to improve the Company's prod-



uct mix and the efficiency of the restructuring measures undertaken.

Gross profit

Our gross margin increased from 19.3% of revenues for the three months ended March 30, 2007 to 33.5% of revenues for the three months ended 28 March 2008 due to lower cost of sales as a percentage of revenue, as prescribed above.

Selling and marketing expenses

Selling and marketing expenses consist primarily of salaries, travel expenses, sales commissions and advertising and other marketing costs. Selling and marketing expenses increased from US$1.5 million for the three months ended March 30, 2007, to US$2.0 million for the three months ended 28 March 2008, 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 result of a higher revenue base, selling expenses decreased from 11.2% of total revenues to 6.4% of total revenues in those periods.

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$2.2 million for the first quarter 2008 (Q1-2007: US$2.0 million). This amount includes an expense of 0.4 Million US$ which was booked against a partial cash settlement received in connection with BenQ Mobile GmbH already written down receivables. As a result of a higher revenue base, general and administrative expenses decreased from 15.0% of total revenues for the three months ended March 30, 2007 to 6.9% of total revenues in the three months ended 28 March 2008.

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 were US$6.9 million for the three months ended 28 March 2008 (Q1-2007: US$6.6 million). As a percentage of total revenues research and development expenses decreased from 48.4% to 22.0% in those periods, resulting from a higher revenue base in the latter period.

Other operating income

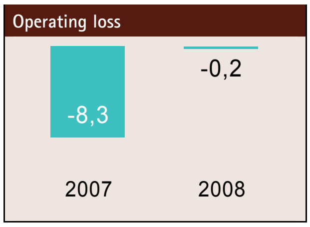
Other operating income includes the release of a liability which the company had booked in 2007 to account for a potential warranty claim of one of its customers. In the first quarter 2008, the company was able to successfully close this issue to the satisfaction of both parties.

Restructuring and related impairment charges

Restructuring and related impairment charges in the first quarter 2008 include a gain of US$ 0.1 million from the release of an accrual for employee termination costs. The amount in 2007 mainly relates to impairment charges and other losses relating to assets that became redundant in connection with the transfer of the company's test operations from Germany to Asia.

Operating loss

We reported an operating loss of US$ 0.2 million for first quarter 2008 (Q1-2007: US$ 8.3 million). The improvement primarily resulted from higher gross profits recognized in 2008.



Interest income, net

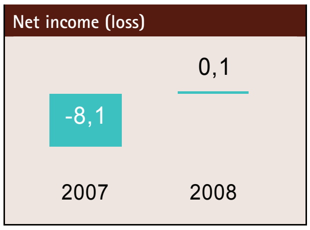
Interest and similar income, net from the Company's investments (primarily short-term deposits and securities) was US$ 0.2 million for the three months ended 28 March 2008 (Q1-2007: US$ 0.4 million). The reduction was primarily the result of a decrease in liquidity.

Other financial income (expenses)

Other financial income in the three months ended 28 March 2008 includes a gain realized on the disposal of a specific available for sale financial asset in connection with the reorganization of the financial assets portfolio. The amount in the three months ended 30 March 2007 includes losses from the disposal of available for sale financial assets.

Net income (loss)

For the reasons described above, we reported a net income of US$0.1 million for the three months ended 28 March 2008 (Q1-2007: net loss of US$ 8.1 million). Income per share was US$ct0.15 for the three months ended 28 March 2008 (Q1-2007: loss per share: US$ct18.0).



Liquidity and capital resources

Cash flows

Cash used for operating activities was US$ 5.7 million for the three months ended 28 March 2008 (Q1-2007: US$ 6.3 million). The cash outflow in 2008 relates primarily to a reduced liquidity financed by our factoring bank and increased trade accounts receivable. This cash outflow was partially offset by a cash inflow from our operating profit (before depreciation and amortization) and a reduction of our inventory balance. The cash outflow in the three months ended 30 March 2007 mainly resulted from operating expenses as well as an overall increase in working capital.

Cash used for investing activities was US$2.0 million for the three months ended 28 March 2008 (Q1-2007: US$ 1.3 million). Cash used for investing activities in 2008 consisted mostly of the purchase tooling (masks), laboratory equipment, probe cards, load boards and other advanced test equipment for a total of US$0.9 million (Q1-2007: US$0.7 million), the purchase of software and licenses of US$0.8 million (Q1-2007: US$ 9 thousand) and payments related to capitalized development costs of US$0.2 million (Q1-2007: 0). In Q1-2007 we also made a further payment of US$ 0.6 million for our committed investment in Digital Imaging Systems.

Liquidity

At 28 March 2008 we had cash and cash equivalents of US$8.4 million (31 December 2007: US$15.9 million) and marketable securities of US$20.2 million in (31 December 2007: US$20.2 million). The working capital (defined as current assets minus current liabilities) was US$ 36.8 million (31 December 2007: US$36.1 million).

As of 28 March 2008 we had no long-term debt (31 December 2007: 0)

A reduction in customer demand for our products, caused by unfavorable industry conditions or an inability to develop new products in response to technological changes, could materially reduce the amount of cash generated from operations.

If necessary, we have available for use short-term credit facilities of US$10.1 million (€6.4 million) that bears interest at a rate of EURIBOR + 0.75% per annum. At 28 March 2008 we had no amounts outstanding under this facility. In addition, we have a factoring agreement, which provides the Company with up to € 10.0 million (or US$ equivalent) 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

Balance sheet

	At 28 March 2008 US$000	At 31 December 2007 US$000	Change US$000	%
ASSETS				
Cash and cash equivalents and available-for-sale securities	**24,583**	31,844	(7,261)	(22.8)
All other current assets	**29,647**	21,822	7,825	35.9
Total current assets	**54,230**	**53,666**	**564**	**1.1**
Property, plant and equipment, net	**9,858**	10,452	(594)	(5.7)
Intangible assets	**3,054**	2,443	611	25.0
Held-to-maturity securities	**4,000**	4,000	-	0.0
All other non current assets	**719**	662	57	8.6
Total non current assets	**17,631**	**17,557**	**74**	**0.4**
TOTAL ASSETS	**71,861**	**71,223**	**638**	**0.9**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	**17,528**	17,531	(3)	(0.0)
Net Shareholders' equity	**54,333**	53,692	641	1.2
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**71,861**	**71,223**	**638**	**0.9**

Balance sheet total was US$ 71.9 million at 28 March 2008 (31. December 2007: US$71.2 million). Cash and cash equivalents and securities (held as available for sale) decreased by 22% to US$ 24.6 at 28 March 2008 (31 December 2007: US$ 31.8 million). This was mainly caused by an operating cash outflow as prescribed above. Other current assets increased by 36.2% to US$29.7 million (31 December 2007: US$ 21.8 million), mainly driven by higher trade accounts receivable balances.

Total non current assets remained stable. Capital expenditure and investments in property plant and equipment and intangible assets of US$ 1.7 million were mainly offset by depreciation and amortization in the amount of US$ 1.8 million.

Shareholders' equity increased slightly to US$ 54,3 (US$ 53.7 million at 31 December 2007) which is mainly a result of unrealized gains on forward currency exchange contracts designated as hedges which are booked directly to equity and of our net profit (adjusted by expenses for share based payments). The equity ratio was 76% (75% at 31 December 2007).

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, Operations and Quality; 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.

Board of Directors

Gregorio Reyes, Chairman; Dr. Jalal Bagherli, Chief Executive Officer; Michael John Glover; 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 annual report 2007 – section 2. Compared with the risks and opportunities presented here, no significant additional opportunities and risks arose for the Company in the first three months of 2008. 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.

29 April 2008

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

Unaudited consolidated income statement

For the three months ended 28 March 2008

	Notes	**Three months ended 28 March 2008 US$000**	Three months ended 30 March 2007 US$000	Year ended 31 December 2007 US$000
Revenues	3	**31,511**	13,607	86,773
Cost of sales		**(20,953)**	(10,976)	(57,812)
Gross profit		**10,558**	**2,631**	**28,961**
Selling and marketing expenses		**(2,012)**	(1,529)	(7,253)
General and administrative expenses		**(2,151)**	(2,041)	(7,945)
Research and development expenses		**(6,943)**	(6,585)	(31,105)
Other operating income		**245**	-	
Restructuring and related impairment charges	2	**121**	(765)	70
Operating loss	**3**	**(182)**	**(8,289)**	**(17,272)**
Impairment of investment		**-**	-	(2,662)
Interest income		**210**	397	1,053
Interest expense		**(37)**	(2)	(84)
Foreign currency exchange gains and losses, net		**44**	187	519
Other financial income (expenses)		**50**	(378)	(403)
Result before income taxes		**85**	**(8,085)**	**(18,849)**
Income tax benefit (expense)		**(17)**	(1)	(136)
Net Income (loss)		**68**	**(8,086)**	**(18,985)**

	Three months ended 28 March 2008	Three months ended 30 March 2007	Year ended 31 December 2007
Loss per share			
Basic	**0.00**	(0.18)	(0.42)
Diluted	**0.00**	(0.18)	(0.42)
Weighted average number of shares (in thousands)			
Basic	**45,044**	44,890	44,938
Diluted	**45,589**	44,890	44,938

Unaudited consolidated balance sheet

As at 28 March 2008

	Notes	At 28 March 2008 US$000	At 31 December 2007 US$000
ASSETS			
Cash and cash equivalents		**8,392**	15,923
Available-for-sale financial assets	5	**16,191**	15,921
Trade accounts receivable, net		**10,874**	2,569
Inventories	6	**15,932**	17,051
Other financial assets		**372**	336
Other current assets		**2,469**	1,866
Total current assets		**54,230**	**53,666**
Property, plant and equipment, net	7	**9,858**	10,452
Intangible assets	8	**3,054**	2,443
Held to maturity securities		**4,000**	4,000
Deposits		**227**	209
Assets for current tax		**492**	453
Total non-current assets		**17,631**	**17,557**
TOTAL ASSETS		**71,861**	**71,223**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Trade accounts payable		**14,888**	14,735
Provisions		**531**	978
Income taxes payable		**56**	40
Other current liabilities		**2,053**	1,778
Total current liabilities		**17,528**	**17,531**
Ordinary Shares		**9,328**	9,328
Additional paid-in capital		**222,937**	222,914
Accumulated deficit		**(177,493)**	(177,844)
Other reserves		**(237)**	(501)
Employee stock purchase plan shares		**(202)**	(205)
Net Shareholders' equity		**54,333**	**53,692**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**71,861**	**71,223**

Unaudited consolidated statements of cash flows

For the three months ended 28 March 2008

	Three months ended 28 March 2008 US$000	Three months ended 30 March 2007 US$000	Year ended 31 December 2007 US$000
Cash flows from operating activities:			
Net income (loss)	**68**	(8,086)	(18,985)
Adjustments to reconcile net income (loss) to net cash used for operating activities:			
Interest income, net	**(173)**	(395)	(969)
Other income tax expense	**17**	1	136
Impairment of inventories	**-**	548	937
Impairment of trade accounts receivable	**-**	-	-
Impairment of investment	**-**	-	2,662
Depreciation of property, plant and equipment	**1,460**	1,297	5,486
Amortization of intangible assets	**392**	168	900
Losses (gains) on disposals of fixed assets and impairment of fixed and financial assets	**50**	180	743
Expense related to share-based payments	**282**	340	905
Restructuring and related impairment charges	**(121)**	495	332
Changes in working capital:			
Trade accounts receivable and other receivables	**(3,592)**	(1,196)	(6,816)
Factoring	**(4,713)**	-	8,913
Inventories	**1,121**	(2,343)	(10,529)
Prepaid expenses	**(504)**	(519)	(321)
Trade and other payables	**141**	4,199	6,290
Provisions	**(326)**	(796)	(461)
Other assets and liabilities	**267**	(1,051)	(496)
Cash used for operations	**(5,631)**	**(7,158)**	**(11,273)**
Interest paid	**(37)**	1	(76)
Interest received	**11**	843	1,153
Income taxes paid	**-**	(28)	(53)
Cash used for operating activities	**(5,657)**	**(6,342)**	**(10,249)**
Cash flows from investing activities:			
Sale of property, plant and equipment	**-**	-	1,081
Purchases of property, plant and equipment	**(948)**	(660)	(4,146)
Purchases of intangible assets	**(826)**	(9)	(1,100)
Payments for capitalised development costs	**(173)**	-	(724)
Investments and deposits made	**2**	(623)	(1,021)
Purchase securities	**(3,050)**	(19,621)	(26,621)
Sale of securities	**3,045**	19,633	26,471
Cash used for investing activities	**(1,950)**	**(1,280)**	**(6,060)**
Cash flows from financing activities:			
Sale of employee stock purchase plan shares	**26**	-	159
Cash flow from financing activities	**26**	**-**	**159**
Cash flow from (used for) operating, investing and financing activities	**(7,581)**	**(7,622)**	**(16,150)**
Effect of foreign exchange rate changes on cash and cash equivalents	**50**	**9**	**41**
Net decrease in cash and cash equivalents	**(7,531)**	**(7,613)**	**(16,109)**
Cash and cash equivalents at beginning of period	**15,923**	**32,032**	**32,032**
Cash and cash equivalents at end of period	**8,392**	**24,419**	**15,923**

Unaudited interim consolidated statement of changes in Shareholders' Equity

For the three months ended 28 March 2008

					Other reserves			
	Ordinary Shares	Share premium	Accumulated deficit	Currency translation adjustment	Derivative financial instruments	Available for sale securities	Employee stock purchase plan shares	Total
	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000
Balance at 31 December 2006	9,328	222,781	(159,764)	(1,023)	-	(422)	(232)	70,668
Net loss	-	-	(8,086)	-	-	-	-	(8,086)
Other comprehensive income (loss)	-	-	-	-	-	422	-	422
Total comprehensive loss	-	-	(8,086)	-	-	422	-	(7,664)
Sale of employee stock purchase plan shares	-	-	-	-	-	-	1	1
Equity settled transactions, net of tax	-	-	340	-	-	-	-	340
Changes in equity total	-	-	(7,746)	-	-	422	1	(7,323)
Balance at 30 March 2007	**9,328**	**222,781**	**(167,510)**	**(1,023)**	**-**	**-**	**(231)**	**63,345**
Balance at 31 December 2007	9,328	222,914	(177,844)	(902)	89	312	(205)	53,692
Net loss	-	-	68	-		-	-	68
Other comprehensive income (loss)	-	-	-	79	283	(98)	-	264
Total comprehensive loss	-	-	68	79	283	(98)	-	332
Sale of employee stock purchase plan shares	-	23	-	-		-	3	26
Equity settled transactions, net of tax	-	-	283	-		-	-	283
Changes in equity total	-	23	351	79	283	(98)	3	641
Balance at 28 March 2008	**9,328**	**222,937**	**(177,493)**	**(823)**	**372**	**214**	**(202)**	**54,333**

Notes to the Interim Consolidated Financial Statements (Unaudited)

For the three months ended 28 March 2008

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 Plc and subsidiaries ("Dialog" or the "Company") is a fabless semiconductor company that develops and supplies power management, audio and display driver technology, delivering innovative mixed signal standard products as well as application specific IC solutions for wireless, automotive and industrial applications. The Company's expertise in mixed signal design, with products manufactured entirely in CMOS technology, enhances the performance and features of wireless, hand-held and portable electronic products. Its technology is also used in intelligent control circuits in automotive and industrial applications. Production of these designs is then outsourced, and the final tested products delivered to the customers.

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, 2007.

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, 2007 for the accounting policies applied for the Company's financial reporting.

The accompanying interim consolidated financial statements reflect all adjustments (consisting of only normal recurring adjustments) which, in the opinion of management, are necessary for a fair statement of the results of the interim periods presented. Operating results for the three months ended 28 March 2008 are not necessarily indicative of the results to be expected for the full year ending 31 December 2008.

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 realizability 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. Restructuring and related impairment charges, net

Restructuring and related impairment charges relate to the Company's transfer of its "Wafer Test", "Final Test" and "Tape&Real" operations from Kirchheim/Teck, Germany to dedicated outsourced assembly and test organizations in Asia.

As at 31 December 2007 a restructuring provision of US$638,000 had been recognised in respect of employee termination costs. In the first quarter of 2008 US$306,000 were charged against that provision and US$169,000 were reversed. The reversal arises from lower than expected employee termination costs. In the income statement the gain from the reversal is shown within the Restructuring and related impairment charges.

3. Segment Reporting

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

a) Business Segments

	Three months ended 28 March 2008				Three months ended 30 March 2007			
	Wireless	Automotive / Industrial	Corporate	Total	Wireless	Automotive / Industrial	Corporate	Total
	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000
Revenues	**21,465**	**10,046**	**-**	**31,511**	3,180	10,427	-	13,607
Operating profit (loss) 1)	**(116)**	**978**	**(1,044)**	**(182)**	(7,488)	630	(1,431)	(8,289)

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

b) Geographical Segments – Revenues by shipment destination

	Three months ended 28 March 2008 US$000	Three months ended 30 March 2007 US$000
Germany	**1,870**	1,549
Austria	**3,901**	4,145
Hungary	**3,683**	3,758
Sweden	**621**	-
Other European countries	**1,150**	872
Japan	**496**	622
China	**17,017**	569
Other Asian countries	**1,080**	1,027
Brazil	**103**	53
USA	**1,581**	1,012
Other countries	**9**	-
Total Revenues	**31,511**	**13,607**

4. Stock-Based Compensation

Stock option plan activity for the period ended 28 March 2008 was as follows:

	Three months ended 28 March 2008		Three months ended 30 March 2007	
	Options	Weighted average exercise price in $	Options	Weighted average exercise price in $
Outstanding at beginning of year	**5,372,006**	**2.77**	5,501,781	2.56
Granted	**130,416**	**2.24**	125,328	1.69
Exercised	**(40,754)**	**0.96**	(668)	0.39
Forfeited	**(40,216)**	**3.45**	(122,473)	3.41
Outstanding at period end	**5,421,452**	**2.97**	**5,503,968**	**2.54**
Options exercisable at period end	**2,741,971**	**3.31**	**2,158,809**	**2.91**

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 28 March 2008 the Trust held 1,031,867 shares.

5. Available-for-sale financial assets

The Company has invested in highly liquid "investment grade" rated debt, equity and currency based funds classified as available for sale. The aggregate costs, fair values and unrealized gains per security class are shown in the table below:

	At 28 March 2008			At 31 December2007		
	Cost	**Fair value**	**Unrealized gain**	Cost	Fair value	Unrealized gain
	US$000	**US$000**	**US$000**	US$000	US$000	US$000
Debt based funds	**15,977**	**16,191**	**214**	**15,609**	**15,921**	**312**

6. Inventories

Inventories consisted of the following:

	At 28 March 2008	At 31 December 2007
	US$000	US$000
Raw materials	**1,308**	1,490
Work-in-process	**7,535**	5,321
Finished goods	**7,089**	10,240
	15,932	**17,051**

7. Property, plant and equipment

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

	At 28 March 2008	At 31 December 2007
	US$000	US$000
Gross carrying amount	**91,691**	91,674
Accumulated depreciation	**(81,833)**	(81,222)
Net carrying amount	**9,858**	**10,452**

8. Intangible assets

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

	At 28 March 2008	At 31 December 2007
	US$000	US$000
Gross carrying amount	**15,396**	14,396
Accumulated depreciation	**(12,342)**	(11,953)
Net carrying amount	**3,054**	**2,443**

During the three months ended 28 March 2008, the Company acquired software and licenses for a total purchase price of US$ 826,000. The expected weighted average useful life of these assets is three years.

9. Commitments

The Company has contractual commitments for the acquisition or property, plant and equipment in 2008 of US$ 422,000 and for the acquisition of intangible assets of US$ 165,000.

10. Transactions with related parties

As prescribed in the Company's annual report 2007, note 26 the related parties of the Company are comprised of eight Non-executive members of the board of directors and seven members of the executive management. The group of related parties has not changed in the first quarter of 2008. Transactions with those related parties only comprise their compensation which did not significantly change compared to 2007.

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