

The background is a vibrant, abstract composition. It features a large teal circle on the left side, which overlaps with a yellow-green area on the right. In the lower right, there is a faint, semi-transparent image of a calculator. The overall aesthetic is clean and modern, with a focus on geometric shapes and a color palette of teal, yellow-green, and purple.

Making the difference in power management

Interim Report as of 27 June 2008

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Press Release – 22 July 2008

Kirchheim/Teck, Germany, 22 July 2008 – Dialog Semiconductor plc (FWB: DLG), a leading provider of power management semiconductor solutions announces its results for the second quarter of 2008.

OVERVIEW

Growing revenues and profitability

- Q2 2008 revenue stands at US\$34.4m, up 9.3% on the previous quarter and up 148% on Q2 2007 (Q1 2008: US\$31.5m / Q2 2007: US\$13.9m)
- Net profitability maintained with net profit of US\$271,000 (Q1 2008: US\$68,000 / Q2 2007: US\$6.8m net loss)
- Q2 2008 gross margin increased to 35.4% (Q1 2008: 33.5% / Q2 2007: 21.4%)
- Liquid asset balances stand at US\$27.4m at end of Q2 2008 (Q1 2008: US\$28.6m)
- Dialog remains well positioned to deliver significant revenue growth through H2 2008

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

“I am very pleased to report continued growth momentum at Dialog. We have launched key new products and target new markets. Our improved financial performance is testament to the commitment of our people and is further proof of the importance of mixed signal power management technology in today's personal mobile marketplace.

We have executed to our plans and have now delivered three consecutive profitable quarters. Whilst general economic conditions remain uncertain, we anticipate an acceleration in profitability based upon a significant growth in revenues during H2 2008. Our level of confidence in achieving our expectations for the current year has increased as we continue to grow revenues from our wider customer base”.

OPERATIONAL HIGHLIGHTS

During Q2 2008 we have continued to build on the good momentum demonstrated right across our business in the opening months of the year. We have remained focused on our core strategy, namely: to add value to our customer's products through a commitment to excellence in power management.

This has been particularly evident in our Wireless segment this quarter, where we have further increased our number of new mobile phone design wins, primarily through the deployment of our range of 3G/HSDPA integrated audio and power management chips. During Q2 2008, and as expected, we commenced shipment of a new mixed-signal product for a new, high profile Tier 1 'smart phone' customer for which we expect production volumes to accelerate during the second half of this year.

We are also pleased to have established traction during the period with a number of major customers in Asia. We currently expect to recognise revenue from these customers from Q4 2008 onwards. Asian markets represent an exciting opportunity for Dialog and, to that end, we announced earlier this month our establishment of a new country manager and sales office in Seoul, Korea. We intend to continue growing our business in the Korean marketplace with a dedicated sales and technical support team.

The consumer application area remains a growth target for Dialog and we are pleased with the progress we are making with a number of customer opportunities in this area. In particular, following detailed evaluation, we anticipate our new power management products to be selected for a new generation of hand held consumer applications, scheduled for production in 2H 2008.

Our Automotive and Industrial segment performed in line with our expectations during Q2 2008 and we continue to see new opportunities for our business in smart system on chip (S-O-C) applications for intelligent motor control and sensing applications. In addition, Dialog is making good progress in the development of new technologies that will help us to compete for engagements in the next generation of in-car infotainment products.

As indicated earlier in the year, Dialog is developing highly differentiated products for new and emerging 'always-on,' low-power display technologies. Since the start of 2008 we have promoted heavily our new capability in this space in the shape of an optimised low power driver for Passive Matrix OLED technology. Our low power driver technology has attracted the attention of key display module makers as well as end product equipment manufacturers. We anticipate that our first integrated technology demonstrator chips will commence sampling in Q3 2008.

Our new portfolio of display products including e-paper and MEMS based display drivers remain on track to start contributing early customer revenue in the second half of 2008, with further growth expected through 2009.

FINANCIAL HIGHLIGHTS

We have continued to make gains financially as well as operationally during the quarter. At the close of Q2 2008, revenue for the quarter stands at US\$34.4m. This represents a further 9.3% increase on our Q1 revenue performance, as well as a 148% improvement on the comparative performance in Q2 2007 (Q1 2008: US\$31.5m / Q2 2007: US\$13.9m).

Importantly, through ongoing improvements in our product mix and as a result of our continued focus on cost control, we have managed to maintain momentum this quarter in our profit performance, delivering a net Q2 2008 profit of US\$271,000 (Q1 2008: US\$68,000 / Q2 2007: (net loss US\$6.8m)).

As outlined in our Q1 2008 results, we maintain our focus this year on delivering greater gross margin improvements across our business. We are pleased to report gross margin for Q2 2008 of 35.4% which is both an improvement on our Q1 2008 margin performance (Q1 2008: 33.5%) as well as almost 2.0 percentage points higher than the average gross margin range of 33.4% recorded for the prior financial year. We will continue to seek further improvements during the second half of 2008.

Dialog's cash and securities balance stand at US\$27.4m at the end of the period.

OUTLOOK

We are pleased to have delivered three consecutive profitable quarters. Whilst general economic conditions remain uncertain, we anticipate an acceleration in profitability based upon a significant growth in revenues during H2 2008. Our level of confidence in achieving our expectations for the current year has increased as we continue to grow revenues from our wider customer base.

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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 registered in England and is listed on the Frankfurt (FWB:DLG) stock exchange. The company has operating facilities in Germany, the UK, the USA, Austria, Japan, Taiwan and Korea.

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.

Financial Review

The following tables detail the historical consolidated statements of the operations of Dialog for the three and six months ended 27 June 2008 and 29 June 2007:

	Three months ended 27 June 2008		Three months ended 29 June 2007		Change %
	US\$000	% of revenues	US\$000	% of revenues	
Revenues					
Wireless	25,040	72.7	4,289	30.8	483.8
Automotive / Industrial	9,460	27.5	9,638	69.3	(1.8)
Corporate	(60)	(0.2)	(18)	(0.1)	233.3
Revenues	34,440	100.0	13,909	100.0	147.6
Cost of sales	(22,252)	(64.6)	(10,928)	(78.6)	103.6
Gross profit	12,188	35.4	2,981	21.4	308.9
Selling and marketing expenses	(2,476)	(7.2)	(1,682)	(12.1)	47.2
General and administrative expenses	(2,127)	(6.3)	(1,847)	(13.3)	15.2
Research and development expenses	(7,677)	(22.3)	(6,185)	(44.5)	24.1
Other operating income	228	0.7	-	0.0	-
Restructuring and related impairment charges	-	0.0	(250)	(1.8)	-
Operating profit (loss)	136	0.3	(6,983)	(50.3)	0.0
Interest income, net	104	0.4	272	2.0	(61.8)
Foreign currency exchange gains and losses, net	(33)	(0.1)	-	0.0	-
Other financial income (expenses)	-	0.0	36	0.3	-
Result before income taxes	207	0.6	(6,675)	(48.0)	0.0
Income tax benefit (expense)	64	0.2	(105)	(0.8)	0.0
Net income (loss)	271	0.8	(6,780)	(48.8)	0.0

	Six months ended 27 June 2008		Six months ended 29 June 2007		Change %
	US\$000	% of revenues	US\$000	% of revenues	
Revenues					
Wireless	46,536	70.5	7,484	27.2	521.8
Automotive / Industrial	19,506	29.6	20,105	73.1	(3.0)
Corporate	(91)	(0.1)	(73)	(0.3)	24.7
Revenues	65,951	100.0	27,516	100.0	139.7
Cost of sales	(43,205)	(65.5)	(21,904)	(79.6)	97.2
Gross profit	22,746	34.5	5,612	20.4	305.3
Selling and marketing expenses	(4,488)	(6.8)	(3,211)	(11.7)	39.8
General and administrative expenses	(4,278)	(6.5)	(3,889)	(14.1)	10.0
Research and development expenses	(14,620)	(22.2)	(12,770)	(46.4)	14.5
Other operating income	473	0.7	-	0.0	-
Restructuring and related impairment charges	121	0.2	(1,015)	(3.7)	-
Operating profit (loss)	(46)	(0.1)	(15,273)	(55.5)	(99.7)
Interest income, net	277	0.4	667	2.4	(58.5)
Foreign currency exchange gains and losses, net	11	0.0	187	0.7	(94.1)
Other financial income (expenses)	50	0.1	(342)	(1.2)	-
Result before income taxes	292	0.4	(14,761)	(53.6)	0.0
Income tax benefit (expense)	47	0.1	(106)	(0.4)	0.0
Net income (loss)	339	0.5	(14,867)	(54.0)	0.0

Results of Operations

Segment Reporting

Revenues in the **wireless communications sector** were US\$25.0 million for the three months ended 27 June 2008 (Q2-2007: US\$4.3 million) comprising 72.7% of our total revenues (Q2-2007: 30.8%). The increase in this sector resulted from higher sales volumes in 2008 as a result of successfully introducing new products for consumer portable multimedia players and 3G/HSDPA mobile phones in the second half of 2007. The operating profit in the wireless communications sector was US\$0.7 million for the three months ended 27 June 2008 compared to an operating loss of US\$6.7 million for the three months ended 29 June 2007. For the reason prescribed above, for the first six months of 2008, revenues in this sector were US\$46.5 million compared to US\$7.5 million in the same period 2007, an increase of 522%.

Revenues from our **automotive / industrial applications sector** were US\$9.5 million for the three months ended 27 June 2008 (Q2-2007: US\$9.6 million) representing 27.5% of our total revenues (Q2-2007: 69.3%). Operating profit in the sector was US\$0.2 million for the three months ended 27 June 2008 (Q2-2007: US\$0.5 million). Revenues in this sector were US\$19.5 million for the first six months 2008 (Q1-2 2007: US\$20.1 million)

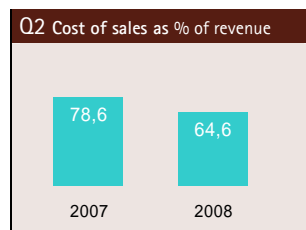
Revenues

Revenues were US\$34.4 million for the three months ended 27 June 2008 (Q2-2007: US\$13.9 million). The increase of 148% in revenues results from higher sales volumes in our wireless communication sector as described above. Total revenues increased 140% in the first six months of 2008 to US\$ 66.0 million against US\$ 27.5 million in the comparison period.



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 104% from US\$10.9 million for the three months ended 29 June 2007 to US\$22.3 million for the three months ended 27 June 2008 in line with increased production volume. As a percentage of total revenues cost of sales decreased from 78.6% to 64.6%, demonstrating the gains made possible by our ongoing efforts to improve the Company's product mix and the efficiency of the restructuring measures undertaken. For the same reasons cost of sales as a percentage of revenue de-



creased in the first six months 2008 to 65.5% against 79.6% in the comparison period.

Gross profit

Our gross margin increased from 21.4% of revenues for the three months ended 29 June 2007 to 35.4% of revenues for the three months ended 27 June 2008 driven by lower cost of sales as a percentage of revenue and the accelerated introduction of new products as prescribed above. Gross profit of the first six months 2008 was US\$ 22.7 million, 305% above the previous year's figure (US\$ 5.6 million).

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\$1.7 million for the three months ended 29 June 2007, to US\$2.5 million for the three months ended 27 June 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 12.1% of total revenues to 7.2% of total revenues in those periods. Similarly, selling and marketing expenses increased in line with higher sales volumes, from US\$ 3.2 million or 11.7% of total revenue for the first six months 2007, to US\$ 4.5 million or 6.8% of total revenue for the first six months 2008.

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\$2.1 million for the second quarter 2008 (Q2-2007: US\$1.8 million). As a result of a higher revenue base and effective cost control measures, general and administrative expenses decreased from 13.3% of total revenues for the three months ended 29 June 2007 to 6.3% of total revenues in the three months ended 27 June 2008. For the first six months 2008 and 2007 general and administrative expenses were US\$4.3 million and US\$ 3.9 million, respectively.

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\$7.7 million for the three months ended 27 June 2008 (Q2-2007: US\$6.2 million). As a percentage of total revenues research and development expenses decreased from 44.5% to 22.3% in those periods, resulting from a higher revenue base in the latter period. For the first six months 2008 research and development expenses were US\$14.6 million (Q1-2 2007: 12.8 million).

Other operating income

Other operating income in the second quarter 2008 includes the release of a reserve that the company had booked in Q1 2006 in conjunction with the spin-off of the Digital imaging business (DIS). In the second quarter 2008, the company was able to release this reserve after having been informed by DIS that the potential liability was no longer justified. Other operating income in the first six months also 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.

Operating profit (loss)

We reported an operating profit of US\$0.1 million for second quarter 2008 (Q2-2007: loss of US\$7.0 million). For the first six months we reported an operating loss US\$46 thousand, 99.7% below the previous year's figure. (Q1-2 2007: loss of US\$15.3 million). The improvement primarily resulted from higher gross profits recognised in the first half of 2008.

	2007	2008
	-7.0	0.1

Interest income, net

Interest and similar income, net from the Company's investments (primarily short-term deposits and securities) was US\$0.1 million for the three months ended 27 June 2008 (Q2-2007: US\$0.3 million). Interest and similar income for the first six months 2008 were US\$0.3 million (Q1-2-2007: US\$0.7 million). The reduction was primarily the result of a decrease in liquidity.

Net income (loss)

For the reasons described above, we reported a net income of US\$0.3 million for the three months ended 27 June 2008 (Q2-2007: net loss of US\$ 6.8 million). Income per share was US\$ct0.6 for the three months ended 29 June 2008 (Q2-2007: loss per share: US\$ct15). Net income for the first six months 2008 amounted to US\$ 0.3 million, compared to a net loss of US\$14.9 million in the previous year.

	2007	2008
	-6.8	0.3

Liquidity and capital resources

Cash flows

Cash provided by operating activities was US\$0.2 million for the three months ended 27 June 2008 (Q2-2007: cash used US\$11.8 million). The cash inflow in 2008 relates primarily to the operating income (adjusted by non cash effective expenses). This cash

inflow was partially offset by cash used to finance the increase in working capital, mainly inventory. The cash outflow in the three months ended 29 June 2007 mainly resulted from operating expenses as well as an overall increase in working capital. Cash used for operating activities decreased in the first six months of 2008 to US\$ 5.4 million, against US\$18.2 million in the comparison period. As shown above, this positive performance is mainly explained by the improvement in the net income. But again, this positive effect was partly compensated by cash used to finance the increased working capital, mainly inventory and trade accounts receivable.

Cash used for investing activities was US\$1.9 million for the three months ended 27 June 2008 (Q2-2007: US\$2.1 million). Cash used for investing activities in 2008 consisted mostly of the purchase of tooling (masks), laboratory equipment, probe cards, load boards and other advanced test equipment for a total of US\$0.9 million (Q2-2007: US\$1.3 million), the purchase of software and licenses of US\$0.3 million (Q2-2007: US\$0.1 million) and payments related to capitalized development costs of US\$0.8 million (Q2-2007: US\$0.5 million). In Q2-2007 we also increased the balance of our available for sale financial assets resulting in a cash outflow of US\$0.9 million. Cash flows used in investing activities for the first six months 2008 amounted to US\$ 3.9 million, compared to US\$ 3.4 million in the comparison period.

Liquidity

At 27 June 2008 we had cash and cash equivalents of US\$7.3 million (31 December 2007: US\$15.9 million) and marketable securities of US\$20.1 million (31 December 2007: US\$20.2 million). The working capital (defined as current assets minus current liabilities) was US\$37.0 million (31 December 2007: US\$36.1 million).

As of 27 June 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 27 June 2008 we had no amounts outstanding under this facility. In addition, we have a factoring agreement, which provides the Company with up to US\$23 million of readily-available cash (up \$10 million compared to Q1 2008). 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 27 June 2008 US\$000	At 31 December 2007 US\$000	Change US\$000	%
ASSETS				
Cash and cash equivalents and available-for-sale securities	23,406	31,844	(8,438)	(26.5)
All other current assets	33,056	21,822	11,234	51.5
Total current assets	56,462	53,666	2,796	5.2
Property, plant and equipment, net	9,198	10,452	(1,254)	(12.0)
Intangible assets	3,557	2,443	1,114	45.6
Held-to-maturity securities	4,000	4,000	-	0.0
All other non current assets	714	662	52	7.9
Total non current assets	17,469	17,557	(88)	(0.5)
TOTAL ASSETS	73,931	71,223	2,708	3.8
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	19,432	17,531	1,901	10.8
Net Shareholders' equity	54,499	53,692	807	1.5
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	73,931	71,223	2,708	3.8

Balance sheet total was US\$73.9 million at 27 June 2008 (31 December 2007: US\$71.2 million). Cash and cash equivalents and securities (held as available for sale) decreased by 26.5% to US\$23.4 million at 27 June 2008 (31 December 2007: US\$31.8 million). This was mainly caused by an operating cash outflow of US\$5.4 million and cash used for investing activities of US\$3.9 million for the six months ended 27 June 2008. Other current assets increased by 51.5% to US\$33.1 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\$3.9 million for the six months ended 27 June 2008 were mainly offset by depreciation and amortization in the amount of US\$3.9 million.

Shareholders' equity increased slightly to US\$54.5 million (US\$53.7 million at 31 December 2007) which is mainly a result of our net profit (adjusted by expenses for share based payments). The equity ratio was 74% (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 six months of 2008. There are currently no identifiable risks that, individually or collectively, could endanger the continued existence of the Company.

Outlook

Regarding the outlook we refer to our press release of 22 July 2008 with is included in this report.

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.

16 July 2008

Dr. Jalal Bagherli
CEO

Jean-Michel Richard
CFO, Vice President Finance

Unaudited consolidated income statement

For the three and six months ended 27 June 2008

		Three months ended 27 June 2008	Three months ended 29 June 2007	Six months ended 27 June 2008	Six months ended 29 June 2007
	Notes	US\$000	US\$000	US\$000	US\$000
Revenues	3	34,440	13,909	65,951	27,516
Cost of sales		(22,252)	(10,928)	(43,205)	(21,904)
Gross profit		12,188	2,981	22,746	5,612
Selling and marketing expenses		(2,476)	(1,682)	(4,488)	(3,211)
General and administrative expenses		(2,127)	(1,847)	(4,278)	(3,889)
Research and development expenses		(7,677)	(6,185)	(14,620)	(12,770)
Other operating income		228	-	473	-
Restructuring and related impairment charges		-	(250)	121	(1,015)
Operating profit (loss)	3	136	(6,983)	(46)	(15,273)
Interest income		230	275	440	672
Interest expense		(126)	(3)	(163)	(5)
Foreign currency exchange gains and losses, net		(33)	-	11	187
Other financial income (expenses)		-	36	50	(342)
Result before income taxes		207	(6,675)	292	(14,761)
Income tax benefit (expense)		64	(105)	47	(106)
Net Income (loss)		271	(6,780)	339	(14,867)

		Three months ended 27 June 2008	Three months ended 29 June 2007	Six months ended 27 June 2008	Six months ended 29 June 2007
Earnings (Loss) per share (in US\$)					
Basic		0.01	(0.15)	0.01	(0.33)
Diluted		0.01	(0.15)	0.01	(0.42)
Weighted average number of shares (in thousands)					
Basic		45,079	44,912	45,065	44,908
Diluted		45,711	44,912	45,669	44,908

Unaudited consolidated balance sheet

As at 27 June 2008

	Notes	At 27 June 2008 US\$000	At 31 December 2007 US\$000
ASSETS			
Cash and cash equivalents		7,313	15,923
Available-for-sale financial assets	6	16,093	15,921
Trade accounts receivable, net		11,252	2,569
Inventories	7	18,894	17,051
Other financial assets		53	336
Other current assets		2,857	1,866
Total current assets		56,462	53,666
Property, plant and equipment, net	8	9,198	10,452
Intangible assets	9	3,557	2,443
Held to maturity securities		4,000	4,000
Deposits		219	209
Assets for current tax		495	453
Total non-current assets		17,469	17,557
TOTAL ASSETS		73,931	71,223
LIABILITIES AND SHAREHOLDERS' EQUITY			
Financial liabilities		544	-
Trade and other payables		15,617	14,735
Provisions		450	978
Income taxes payable		22	40
Other current liabilities		2,799	1,778
Total current liabilities		19,432	17,531
Ordinary Shares		9,328	9,328
Additional paid-in capital		222,963	222,914
Accumulated deficit		(176,908)	(177,844)
Other reserves		(693)	(501)
Employee stock purchase plan shares		(191)	(205)
Net Shareholders' equity		54,499	53,692
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		73,931	71,223

Unaudited consolidated statements of cash flows

For the three and six months ended 27 June 2008

	Three months ended 27 June 2008 US\$000	Three months ended 29 June 2007 US\$000	Six months ended 27 June 2008 US\$000	Six months ended 29 June 2007 US\$000
Cash flows from operating activities:				
Net income (loss)	271	(6,780)	339	(14,867)
Adjustments to reconcile net income (loss) to net cash used for operating activities:				
Interest income, net	(104)	(272)	(277)	(667)
Other income tax expense	(64)	105	(47)	106
Impairment of inventories	100	-	100	548
Depreciation of property, plant and equipment	1,463	1,337	2,923	2,634
Amortization of intangible assets	536	172	928	340
Losses (gains) on disposals of fixed assets and impairment of fixed and financial assets	57	179	107	359
Expense related to share-based payments	315	250	597	590
Restructuring and related impairment charges	-	134	(121)	629
Changes in working capital:				
Trade accounts receivable and other receivables	241	(3,901)	(3,351)	(5,097)
Factoring	(619)	-	(5,332)	-
Inventories	(3,062)	(656)	(1,941)	(2,999)
Prepaid expenses	28	146	(476)	(373)
Trade and other payables	740	(3,051)	881	1,148
Provisions	(81)	(124)	(407)	(920)
Other assets and liabilities	535	440	803	(609)
Cash provided by (used for) operations	356	(12,021)	(5,274)	(19,178)
Interest paid	(126)	(2)	(163)	(3)
Interest received	19	193	30	1,036
Income taxes paid	(9)	-	(9)	(28)
Cash provided by (used for) operating activities	240	(11,830)	(5,416)	(18,173)
Cash flows from investing activities:				
Sale of property, plant and equipment	33	678	33	678
Purchases of property, plant and equipment	(902)	(1,348)	(1,851)	(2,008)
Purchases of intangible assets	(272)	(86)	(1,098)	(95)
Payments for capitalised development costs	(768)	(457)	(941)	(457)
Investments and deposits made	(2)	14	-	(609)
Purchase securities	-	(7,000)	(3,050)	(26,621)
Sale of securities	-	6,056	3,045	25,689
Cash used for investing activities	(1,911)	(2,143)	(3,862)	(3,423)
Cash flows from financing activities:				
Bank loan received	544	-	544	-
Sale of employee stock purchase plan shares	37	27	63	26
Cash flow from financing activities	581	27	607	26
Cash flow used for operating, investing and financing activities	(1,090)	(13,946)	(8,671)	(21,570)
Effect of foreign exchange rate changes on cash and cash equivalents	11	(15)	61	(4)
Net decrease in cash and cash equivalents	(1,079)	(13,961)	(8,610)	(21,574)
Cash and cash equivalents at beginning of period	8,392	24,419	15,923	32,032
Cash and cash equivalents at end of period	7,313	10,458	7,313	10,458

Unaudited interim consolidated statement of changes in Shareholders' Equity

For the six months ended 27 June 2008

	Ordinary Shares US\$000	Share premium US\$000	Accumulated deficit US\$000	Currency translation adjustment US\$000	Other reserves		Employee stock purchase plan shares US\$000	Total US\$000
					Derivative financial instruments US\$000	Available for sale securities US\$000		
Balance at 31 December 2006	9,328	222,781	(159,764)	(1,023)	-	(422)	(232)	70,668
Net loss	-	-	(14,867)	-	-	-	-	(14,867)
Other comprehensive income (loss)	-	-	-	58	-	609	-	667
Total comprehensive loss	-	-	(14,867)	58	-	609	-	(14,200)
Sale of employee stock purchase plan shares	-	20	-	-	-	-	7	27
Equity settled transactions, net of tax	-	-	590	-	-	-	-	590
Changes in equity total	-	20	(14,277)	58	-	609	7	(13,583)
Balance at 29 June 2007	9,328	222,801	(174,041)	(965)	-	187	(225)	57,085
Balance at 31 December 2007	9,328	222,914	(177,844)	(902)	89	312	(205)	53,692
Net income	-	-	339	-	-	-	-	339
Other comprehensive income (loss)	-	-	-	40	(36)	(196)	-	(192)
Total comprehensive loss	-	-	339	40	(36)	(196)	-	147
Sale of employee stock purchase plan shares	-	49	-	-	-	-	14	63
Equity settled transactions, net of tax	-	-	597	-	-	-	-	597
Changes in equity total	-	49	936	40	(36)	(196)	14	807
Balance at 27 June 2008	9,328	222,963	(176,908)	(862)	53	116	(191)	54,499

Notes to the Interim Consolidated Financial Statements (Unaudited)

For the three and six months ended 27 June 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") develops innovative mixed signal and system-level integrated circuit solutions for wireless, automotive and industrial applications. The Company supplies standard and customer-specific products to a wide range of the world's leading original equipment manufacturers. The Company's chips and system-level solutions improve the performance and features of wireless, hand-held and portable electronic devices. They facilitate advanced applications – such as multi-media messaging, video, gaming and digital audio players – on mobile phones, while the Company's mixed signal technology enables intelligent solutions – such as comfort, safety and lighting control – to be incorporated into automotive and industrial systems. Dialog Semiconductor plc is registered in England and is listed on the Frankfurt (FWB:DLG) stock exchange. The company has operating facilities in Germany, the UK, the USA, Austria, Japan, Taiwan and Korea.

Accounting policies

The accompanying interim consolidated financial statements have been prepared on the basis of the recognition and measurement requirements of IFRS and its interpretation adopted by the EU. As permitted by IAS 34, Management has decided to publish a condensed version compared to the consolidated financial statements at 31 December 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 31 December 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 21 June 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&Reel" operations from Kirchheim/Teck, Germany to dedicated outsourced assembly and test service providers 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 27 June 2008 US\$000	Three months ended 29 June 2007 US\$000	Six months ended 27 June 2008 US\$000	Six months ended 29 June 2007 US\$000
Revenues				
Wireless	25,040	4,289	46,536	7,484
Automotive / Industrial Corporate 1)	9,460 (60)	9,638 (18)	19,506 (91)	20,105 (73)
Total Revenues	34,440	13,909	65,951	27,516
Operating profit (loss)				
Wireless	721	(6,723)	635	(14,196)
Automotive / Industrial Corporate	199 (784)	518 (778)	1,178 (1,859)	1,188 (2,265)
Total operating profit (loss) 2)	136	(6,983)	(46)	(15,273)

[1] Corporate revenues consist of sales discounts for fast payment.

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

b) Geographical Segments – Revenues by shipment destination

	Three months ended 27 June 2008 US\$000	Three months ended 29 June 2007 US\$000	Six months ended 27 June 2008 US\$000	Six months ended 29 June 2007 US\$000
Germany	1,950	1,814	3,820	3,363
Austria	3,148	4,086	7,049	8,231
Hungary	4,514	3,487	8,197	7,245
Other European countries	682	1,376	2,453	2,248
China	16,479	583	33,496	1,152
Other Asian countries	4,108	1,250	5,684	2,899
Other countries	3,559	1,313	5,252	2,378
Total Revenues	34,440	13,909	65,951	27,516

4. Stock-Based Compensation

Stock option plan activity for the period ended 27 June 2008 was as follows:

	Options	2008 Weighted average exercise price in \$	Options	2007 Weighted average exercise price in \$
Outstanding at beginning of year	5,372,006	2.77	5,501,781	2.56
Granted	403,792	2.13	125,328	1.69
Exercised	(66,482)	0.92	(668)	0.39
Forfeited	(48,520)	3.39	(122,473)	3.41
Outstanding at period end	5,660,796	2.92	5,503,968	2.54
Options exercisable at period end	2,981,850	3.20	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 27 June 2008 the Trust held 979,905 shares.

5. Executives Long Term Incentive Plan

On 30 April the shareholders of the Company adopted a long term incentive plan (LTIP) for key executives. The aim of the LTIP is to align the interests of key executives with those of shareholders more closely by linking the rewards to the executives with the value returned to shareholders. The LTIP will ensure that executives are focused on delivering value to shareholders for the long term whilst providing executives with appropriate rewards. The LTIP will also act as a strong recruitment tool to attract high calibre candidates to the Company.

The Nomination and Remuneration Committee (the "Committee") the members of which are non-executive directors will supervise the operation of the LTIP in respect of participants. It is intended that the CEO and other key executives will participate in the LTIP. Non-executive directors are not eligible to participate in the LTIP.

Participants in the LTIP will be allocated a number of units from a total pot. The units will be allocated to executives based on the value of their contribution to the Company's objectives. Participants will be required to commit to building and retaining a shareholding in the Company from their own resources, set by reference to current salary levels and the number of units allocated.

The units allocated have no value on grant but give the executives the opportunity to be granted Company share awards in the form of nil-cost options at set dates subject to the level of return to shareholders above a certain annual threshold. For further information on the LTIP, please refer to the company's web page (www.dialog-semiconductor.com under Investor Relations/Annual General Meeting 2008/Notice of Annual General Meeting).

The fair value of the awards is recognized as a compensation expense with a corresponding increase in equity. The fair value is measured at grant date, using a Monte Carlo Model, taking into account the terms and conditions on which awards are granted and is spread over the service period during which the key executives become unconditionally entitled to the awards. In the second quarter 2008 an expense of US\$103,000 was booked for the two months the LTIP was in place.

6. 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 27 June 2008			At 31 December 2007		
	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	16,093	116	15,609	15,921	312

7. Inventories

Inventories consisted of the following:

	At 27 June 2008 US\$000	At 31 December 2007 US\$000
Raw materials	1,190	1,490
Work-in-process	5,753	5,321
Finished goods	11,951	10,240
	18,894	17,051

8. Property, plant and equipment

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

	At 27 June 2008 US\$000	At 31 December 2007 US\$000
Gross carrying amount	92,433	91,674
Accumulated depreciation	(83,235)	(81,222)
Net carrying amount	9,198	10,452

9. Intangible assets

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

	At 27 June 2008 US\$000	At 31 December 2007 US\$000
Gross carrying amount	16,419	14,396
Accumulated depreciation	(12,862)	(11,953)
Net carrying amount	3,557	2,443

10. Commitments

The Company has contractual commitments for the acquisition of property, plant and equipment in 2008 of US\$459,000 and for the acquisition of intangible assets of US\$217,000.

11. 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 six months of 2008. Transactions with those related parties only comprise their compensation which did not significantly change compared to 2007, the yearly option grants to the Non-executive Directors and awards to the executive management under the LTIP as explained in note 5.

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