dialog
SEMICONDUCTOR

Making the difference in power management

Interim Report as of 26 September 2008

Contents

Press Release – 21 October 2008

Kirchheim/Teck, Germany, 21 October 2008 – Dialog Semiconductor plc (FWB: DLG), a leading provider of Power Management Semiconductor solutions announces its results for the third quarter of 2008.

THIRD QUARTER 2008 HIGHLIGHTS

Financial Highlights:

Strong cash generation from operations with continued revenue growth and profitability:

- Revenue for the third quarter was $44.0 million, an increase of 28.0% on the prior quarter and 78.0% on Q3 2007
- Cash, cash equivalents and securities increase in Q3 2008 by $4.0million to $31.4 million. Dialog is debt free with unused credit facilities.
- Further improvement in net profitability with net profit of $1.9 million (4.3% of sales): our fourth consecutive profitable quarter
- Quarterly gross margin increased to 40.9%, representing an increase of 5.5 percentage points over the prior quarter
- We remain well positioned for a strong finish to FY 2008 and to continue these trends over the longer term

Operational Highlights:

- Increase in design wins, with existing and new customers: broader customer base
- Continued Tier 1 customer commitments within wireless accounts for Smartphones and 3G/HSDPA cellular platforms
- Offering highest integrated power management SoC (System on Chip) solutions

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

"As expected, we continue to deliver strong revenue growth as a business, both on a sequential quarter and year on year basis, despite the difficult external environment. This growth, coupled with our continuing improvement in gross margin has allowed us to deliver our fourth consecutive profitable quarter: a significant achievement.

"In uncertain times, Dialog enters the fourth quarter of 2008 with increased confidence based upon its increasing market share and its strong cash generation from growing, profitable revenues. Revenues for the full year 2008 will show substantial growth over the prior year, delivering profitability in line with our expectations. The recent design wins achieved from both existing and new customers mean that Dialog is excellently positioned to deliver a continuation of these trends over the longer term."

OPERATIONAL HIGHLIGHTS

During the third quarter, we have remained tightly focused on following our core strategy, namely to add value to our customers' Wireless and Automotive products by delivering to them the highest integrated mixed-signal power management solutions. As our customers' products become ever more sophisticated, and as the general consumer becomes ever more demanding, the need for effective and efficient power management solutions like our own is becoming increasingly clear.

We are particularly pleased with the performance this quarter in our Wireless segment, including increasing revenue from our design wins in Smartphone platforms, the highest forecasted growth sector of the cellular market. Additionally, for 3G/HSDPA, we have now increased the customer base for our standard product to 6 customers and saw strong revenue from a Tier 1 customer during the quarter which we expect will continue to ramp in the fourth quarter. We firmly believe that this product is one of the highest integrated solutions available today and has applications in mainstay products such as cellular phones as well as in growth products such as wireless data cards.

The Consumer area of our business, particularly in the portable hand-held application area remains a growth market for Dialog and we are pleased with the progress we are making in a number of customer opportunities in this area. During the third quarter, as expected, we saw the first revenue contribution from the ramp of a new product for a handheld media player. This ramp should continue to increase in the fourth quarter as the traditional seasonal build in the Consumer segment gains momentum.

Our Automotive and Industrial segment continued to perform in line with our expectations during the third quarter. Automotive manufacturers are placing greater emphasis on energy savings and efficiency, as underlined most clearly by the emergence of hybrid car technologies. We continue to see new opportunities for the application of our power management technologies in this segment, particularly in motor control and sensing technologies. Dialog remains a respected and proven quality supplier to the Tier 1 automotive suppliers in the industry.

Our commitment to developing highly differentiated products for new and emerging 'always-on,' low-power display technologies based on passive matrix OLED technology continues and we are pleased to report further progress in this area. During the third quarter, we sampled our first Smartxtend™ integrated device and, in conjunction with our display partner we also demonstrated a passive matrix OLED solution at the CEATEC show in Japan. We will continue to engage with potential customers in these segments and remain positive on the prospects for our display solutions.

Against this backdrop, during the quarter we launched a new Dialog website as part of our efforts to refine and improve our corporate identity and brand awareness.

FINANCIAL HIGHLIGHTS

We have continued to build in the third quarter on the steady improvement we have seen in our financial position throughout the course of the current financial year. Revenue for the period stands at $44.0 million, a sequential increase of 28.0% on the $34.4 million of revenue delivered in the second quarter of 2008 and an increase of 78.0% over the comparative period last year.

This growth in revenue has also fed through into a further improvement in our net profitability during the period. At the period end, net profit was $1.9 million. This compares to net profit of $271,000 delivered in the prior quarter and to the net loss of $5.5 million registered in the third quarter of 2007.

The significant improvement we are now seeing in profitability has been aided by our commitment to deliver better product mix and increased gross margin. We are pleased to report that gross margin at the close of the third quarter was 40.9%. This represents an increase of 5.5 percentage points over the second quarter of 2008 (35.4%) and an increase of 4.5 percentage points over the comparative period last year (36.4%).

We are very encouraged by our ability to generate positive cash flow from our operations. We enter the fourth quarter with a balance of $31.4 million in cash, cash equivalents and securities. This represents an increase of $4.0 million over the prior quarter. We remain debt free and our credit facilities remain untapped.

OUTLOOK

In uncertain times, Dialog enters the fourth quarter of 2008 with increased confidence based upon its increasing market share and its strong cash generation from growing, profitable revenues. Revenues for the full year 2008 will show substantial growth over the prior year, delivering profitability in line with our expectations. The recent design wins achieved from both existing and new customers mean that Dialog is excellently positioned to deliver a continuation of these trends over the longer term.

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Information about Dialog Semiconductor

Dialog Semiconductor creates some of the world's most energy-efficient, highly integrated, mixed-signal integrated circuits. These are optimised for personal mobile and automotive applications. The company provides flexible and dynamic support, world-class innovation, and the assurance of dealing with an established business partner. Customers with a significant contribution to revenue include Sony-Ericsson, Apple, Bosch and Tridonic. With its unique focus and expertise in system power management, Dialog brings decades of experience to the rapid development of integrated circuits for power and motor control, and audio and display processing. Dialog's processor companion chips are essential for enhancing both the performance of hand-held products and the consumers' multimedia experience. Automotive applications include intelligent motor control for comfort and safety systems. Over one billion parts have been shipped to date. With world-class manufacturing partners, Dialog operates a fabless business model. Dialog Semiconductor plc is headquartered near Stuttgart, Germany with operations in Austria, China, Germany, Japan, Korea, Taiwan, UK, and the USA. The company employs approximately 250 worldwide, and 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.

Financial Review

The following tables detail the historical consolidated statements of the operations of Dialog for the three and nine months ended 26 September 2008 and 28 September 2007:

	Three months ended 26 September 2008		Three months ended 28 September 2007		Change
	US$000	% of revenues	US$000	% of revenues	%
Revenues					
Wireless	**35,164**	**80.0**	17,963	72.7	95.8
Automotive / Industrial	**8,845**	**20.1**	6,793	27.5	30.2
Corporate	**(42)**	**(0.1)**	(45)	(0.2)	(6.7)
Revenues	**43,967**	**100.0**	**24,711**	**100.0**	77.9
Cost of sales	**(25,974)**	**(59.1)**	(15,711)	(63.6)	65.3
Gross profit	**17,993**	**40.9**	**9,000**	**36.4**	99.9
Selling and marketing expenses	**(2,732)**	**(6.2)**	(1,887)	(7.6)	44.8
General and administrative expenses	**(3,392)**	**(7.8)**	(2,178)	(8.8)	55.7
Research and development expenses	**(10,801)**	**(24.6)**	(8,226)	(33.3)	31.3
Other operating income	**302**	**0.7**	-	0.0	-
Restructuring and related impairment charges	**30**	**0.1**	133	0.5	(77.4)
Operating profit (loss)	**1,400**	**3.1**	**(3,158)**	**(12.8)**	144.3
Impairment of investment	**-**	**0.0**	(2,662)	(10.8)	100.0
Interest income (expense), net	**(40)**	**(0.1)**	124	0.5	(132.3)
Foreign currency exchange gains and losses, net	**218**	**0.5**	292	1.2	(25.3)
Other financial income (expenses)	**32**	**0.1**	9	0.0	255.6
Result before income taxes	**1,610**	**3.6**	**(5,395)**	**(21.9)**	129.8
Income tax benefit (expense)	**244**	**0.6**	(63)	(0.3)	487.3
Net income (loss)	**1,854**	**4.2**	**(5,458)**	**(22.2)**	134.0

	Nine months ended 26 September 2008		Nine months ended 28 September 2007		Change
	US$000	% of revenues	US$000	% of revenues	%
Revenues					
Wireless	**81,700**	**74.3**	25,447	48.7	221.1
Automotive / Industrial	**28,351**	**25.8**	26,897	51.5	5.4
Corporate	**(133)**	**(0.1)**	(117)	(0.2)	13.7
Revenues	**109,918**	**100.0**	**52,227**	**100.0**	110.5
Cost of sales	**(69,180)**	**(62.9)**	(37,615)	(72.0)	83.9
Gross profit	**40,738**	**37.1**	**14,612**	**28.0**	178.8
Selling and marketing expenses	**(7,220)**	**(6.6)**	(5,098)	(9.8)	41.6
General and administrative expenses	**(7,670)**	**(7.0)**	(6,067)	(11.6)	26.4
Research and development expenses	**(25,421)**	**(23.1)**	(20,996)	(40.2)	21.1
Other operating income	**775**	**0.7**	-	0.0	-
Restructuring and related impairment charges	**151**	**0.1**	(882)	(1.7)	117.1
Operating profit (loss)	**1,353**	**1.2**	**(18,431)**	**(35.3)**	107.3
Impairment of investment	**-**	**0.0**	(2,662)	(5.1)	100.0
Interest income (expense), net	**237**	**0.2**	791	1.5	(70.0)
Foreign currency exchange gains and losses, net	**229**	**0.2**	479	0.9	(52.2)
Other financial income (expenses)	**82**	**0.1**	(333)	(0.6)	125
Result before income taxes	**1,901**	**1.7**	**(20,156)**	**(38.6)**	109.4
Income tax benefit (expense)	**291**	**0.3**	(169)	(0.3)	272.2
Net income (loss)	**2,192**	**2.0**	**(20,325)**	**(38.9)**	110.8

Results of Operations

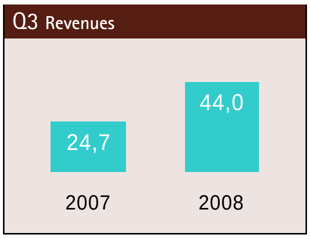
Segment Reporting

Revenues in the **wireless communications sector** were US$35.2 million for the three months ended 26 September 2008 (Q3-2007: US$17.9 million) comprising 80.0% of our total revenues (Q3-2007: 72.7%). The significant 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$4.5 million for the three months ended 26 September 2008 compared to an operating loss of US$0.9 million for the three months ended 28 September 2007. For the reason prescribed above, for the first nine months of 2008, revenues in this sector were US$81.7 million compared to US$25.4 million in the same period 2007, an increase of 221%.

Revenues from our **automotive / industrial applications sector** were US$8.8 million for the three months ended 26 September 2008 (Q3-2007: US$6.8 million) representing 20.1% of our total revenues (Q3-2007: 27.5%). Operating profit in the sector was US$9 thousand for the three months ended 26 September 2008 (Q3-2007: loss US$1.4 million). Revenues in this sector were US$28.4 for the first nine months 2008 (Q1-3 2007: US$26.9 million).

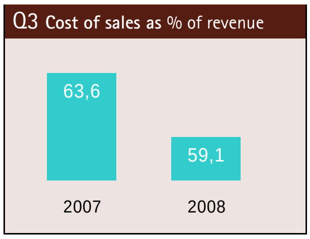
The **corporate sector** includes sales discounts for early payments, the costs of the holding company, stock option expenses, bonus payments for employees and the management, restructuring expenses and in 2008 also expenses for the Management Long Term Incentive Plan (LTIP, for further information please refer to our Q2-2008 report), one time costs for legal obligations in connection with a rented office that the company will vacate in 2009 and an impairment write-down on a test device. The operating loss in the corporate sector was US$3.1 million for the three months ended 26. September 2008 (Q3-2007: US$0.9 million). With US$0.9 million, this increase mainly results from higher bonus payments, US$ 0.2 million relate to the LTIP, US$0.8 million relate to the office expenses as explained above and US$0.3 million relate to the test device impairment write-down. Also, for those reasons, operating loss in this sector increased to US$4.9 million for the first nine months 2008 (Q1-3 2007: US$3.6million).

Revenues



Total revenues were US$44.0 million for the three months ended 26 September 2008 (Q3-2007: US$24.7 million). The increase of 77.9% in revenues results from higher sales volumes in our wireless communication sector as described above. Total revenues increased 111% in the first nine months of 2008 to US$109.9 million against US$52.2 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 65.3% from US$15.7 million for the three months ended 28 September 2007 to US$26.0 million for the three months ended 26 September 2008 in line with increased production volume. As a percentage of total revenues cost of sales decreased from 63.6% to 59.1%, demonstrating the gains made possible by our ongoing efforts to improve the Company's product mix and the efficiency of the restructuring measures previously announced. For the same reasons cost of sales as a percentage of revenue decreased in the first nine months 2008 to 62.9% against 72.0% in the comparison period.

Gross profit

Gross profit for the third quarter 2008 was US$18.0 million; twice that of the comparative period last year. (Q3-2007: US$9.0 million). Our gross margin increased from 36.4% of revenues for the three months ended 28 September 2007 to 40.9% of revenues for the three months ended 26 September 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 nine months 2008 was US$40.7 million, 178.8% above the previous year's figure (US$ 14.6 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$1.9 million for the three months ended 28 September 2007, to US$2.7 million for the three months ended 26 September 2008, in line with increased production volume and as a result of the company's investment in creating value by increasing staff in strategic marketing functions. However, given increased revenues, selling expenses decreased from 7.6% of total revenues to 6.2% of total revenues in those periods. Similarly, selling and marketing expenses increased in line with higher sales volumes, from US$ 5.1 million or 9.8% of total revenue for the first nine months 2007, to US$7.2 million or 6.6% of total revenue for the first nine 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. In the third quarter 2008 general and administrative expenses also include one time costs for legal obligations in connection with a rented office that the company will vacate in 2009 for an amount of US$0.8 million. These costs are the main reason for the increase of general and administrative expenses to US$3.4 million for the third quarter 2008 (Q3-2007: US$2.2 million). Despite that increase, as a result of a higher revenue base and effective cost control measures, general and administrative expenses decreased from 8.8% of total revenues for the three months ended 28 September 2007 to 7.8% of total revenues in the three months ended 26 September 2008. For the first nine months 2008 and 2007 general and administrative expenses were US$7.7 million and US$6.1 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$10.8 million for the three months ended 26 September 2008 (Q3-2007: US$8.2 million). As a percentage of total revenues research and development expenses decreased from 33.3% to 24.6% in those periods, resulting from a higher revenue base in the latter period. For the first nine months 2008 research and development expenses increased 21.1% to US$25.4 million (Q1-3 2007: US$21.0 million). This increase was primarily driven by our continuous and strategic investments in R&D.

Other operating income

Other operating income in the third quarter 2008 includes the unexpected settlement of US$0.3 million against a receivable which had been written down in 2006 as a result of the insolvency of BenQ Mobile GmbH. Other operating income in the first nine months 2008 also includes the release of a liability of US$ 0.2 million which the company had booked in 2007 to account for a potential warranty claim of one of its customers. In Q1 2008, the company was able to successfully close this issue to the satisfaction of both parties. Also other operating income in the first nine months includes the release of a reserve in the amount of US$0.2 million that the company had booked in Q1 2006 in conjunction with the spin-off of the Digital imaging business (DIS). In Q2 2008, the company was able to release this reserve after having been informed by DIS that the potential liability was no longer justified.

Operating profit (loss)

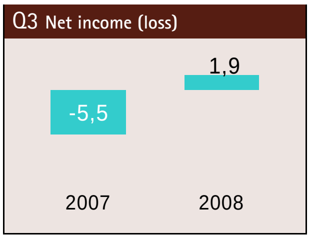
We reported an operating profit of US$1.4 million for third quarter 2008 (Q3-2007: loss of US$3.2 million). For the first nine months we reported an operating profit of US$1.4 million (Q1-3 2007: loss of US$18.4 million). The improvement primarily resulted from higher gross profits recognised in the first nine months of 2008.

Interest income (expense), net

Interest income includes income from the Company's investment (primarily short-term deposits and securities). Interest expense consists primarily of expenses from the company's factoring agreement. Interest expense, net in the third quarter 2008 was US$40 thousand (Q3-2007: Income US$124 thousand). The net decrease is primarily driven by a planned increase in factoring activities. Interest income, net for the first nine months 2008 was US$237 thousand (Q1-3 2007: US$791 thousand).

Net income (loss)

For the reasons described above, we reported a net income of US$1.9 million for the three months ended 26 September 2008 (Q3-2007: net loss of US$ 5.5 million). Income per share was US$ct4 for the three months ended 26 September 2008 (Q3-2007: loss per share: US$ct12). Net income for the first nine months 2008 amounted to US$2.2 million, compared to a net loss of US$20.3 million in the previous year.



Liquidity and capital resources

Cash flows

Cash provided by operating activities was US$6.5 million for the three months ended 26 September 2008 (Q3-2007: cash outflow of US$3.5 million). The cash inflow in 2008 relates primarily to the operating income (adjusted by non cash effective expenses), the collection of trade accounts receivable and the increase in trade accounts payable. This cash inflow was partially offset by cash used to finance the increase in inventory. The cash outflow in the three months ended 28 September 2007 mainly resulted from operating expenses as well as an overall increase in working capital. Cash provided by operating activities was US$1.1 million in the first nine months of 2008 compared to cash used for operating activities of US$21.6 million in the comparison period 2007. As shown above, this positive performance is mainly explained by the improvement in net income.

Cash provided by investing activities was US$2.8 million for the three months ended 26 September 2008 (Q3-2007: cash outflow US$0.5 million). The cash inflow in the third quarter 2008 resulted from the sale of securities of US$5.0 million. This cash inflow was partially offset by cash outflows in connection with the purchase of tooling (masks), laboratory equipment, probe cards, load boards and other advanced test equipment for a total of US$0.9 million (Q3-2007: US$0.7 million), the purchase of software and licenses of US$0.9 million (Q3-2007: US$0.3 million) and payments related to capitalised development costs of US$0.3 million (Q3-2007: US$0.2 million). Cash flows used for investing activities for the first nine months 2008 amounted to US$1.0 million, compared to US$4.0 million in the comparison period. The decrease in net cash outflow in the first nine months 2008 was a result of a cash inflow from the sale of securities in the third quarter 2008, as mentioned above. Excluding this cash inflow, cash used for investing activities was US$6.0 million for the first nine months 2008, an increase of US$2.0 million over the comparison period.

Liquidity
At 26 September 2008 we had cash and cash equivalents of US$16.1 million (31 December 2007: US$15.9 million) and marketable securities of US$15.3 million (31 December 2007: US$20.2 million). The working capital (defined as current assets minus current liabilities) was US$38.7 million (31 December 2007: US$36.1 million).

As of 26 September 2008 we had no long-term debt (31 December 2007: 0)

A reduction in customer demand for our products, caused by unfavourable 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 a short-term credit facility of US$9.3 million (€6.4 million) that bears interest at a rate of EURIBOR + 0.75% per annum. At 26 September 2008 we had no amounts outstanding under this facility. In addition, we have a factoring agreement, which provides the Company with up to US$30 million of readily-available cash (up US$17 million compared 31 December 2007). 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 26 September 2008 US$000	At 31 December 2007 US$000	Change US$000	%
ASSETS				
Cash and cash equivalents and available-for-sale securities	**27,365**	31,844	(4,479)	(14.1)
All other current assets	**36,575**	21,822	14,753	67.6
Total current assets	**63,940**	**53,666**	**10,274**	19.1
Property, plant and equipment, net	**8,453**	10,452	(1,999)	(19.1)
Intangible assets	**4,373**	2,443	1,930	79.0
Held-to-maturity securities	**4,000**	4,000	-	0.0
All other non current assets	**725**	662	63	9.5
Total non current assets	**17,551**	**17,557**	**(6)**	(0.0)
TOTAL ASSETS	**81,491**	**71,223**	**10,268**	14.4
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	**25,264**	17,531	7,733	44.1
Net Shareholders' equity	**56,227**	53,692	2,535	4.7
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**81,491**	**71,223**	**10,268**	14.4

Balance sheet total was US$81.5 million at 26 September 2008 (31 December 2007: US$71.2 million). Cash and cash equivalents and securities (held as available for sale) decreased by 14.1% to US$27.4 million at 26 September 2008 (31 December 2007: US$31.8 million). This was mainly caused by cash outflows for investing activities of US$6.0 million (net of cash inflows from the sale of securities). Furthermore we used cash to finance the increase in working capital. Other current assets increased by 67.6% to US$36.6million (31 December 2007: US$21.8 million), mainly driven by higher inventory and trade accounts receivable balances.

Total non current assets remained stable. Capital expenditure and investments in property, plant and equipment and intangible assets of US$6.0 million for the nine months ended 26 September 2008 were mainly offset by depreciation and amortization expenses in the amount of US$6.2 million.

Shareholders' equity increased slightly to US$56.2 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 69% (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. On 8 September 2008 the company announced the appointment of Mark Tyndall as Vice President – Business Development and Corporate Strategy.

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 nine 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 21 October 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.

15 October 2008

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

Unaudited consolidated income statement

For the three and nine months ended 26 September 2008

	Notes	**Three months ended 26 September 2008 US$000**	Three months ended 28 September 2007 US$000	**Nine months ended 26 September 2008 US$000**	Nine months ended 28 September 2007 US$000
Revenues	3	**43.967**	24.711	**109.918**	52.227
Cost of sales		**(25,974)**	(15,711)	**(69,180)**	(37,615)
Gross profit		**17,993**	**9,000**	**40,738**	**14,612**
Selling and marketing expenses		**(2,732)**	(1,887)	**(7,220)**	(5,098)
General and administrative expenses		**(3,392)**	(2,178)	**(7,670)**	(6,067)
Research and development expenses		**(10,801)**	(8,226)	**(25,421)**	(20,996)
Other operating income		**302**	-	**775**	-
Restructuring and related impairment charges		**30**	133	**151**	(882)
Operating profit (loss)	**3**	**1,400**	**(3,158)**	**1,353**	**(18,431)**
Impairment of investment		**-**	(2,662)	**-**	(2,662)
Interest income		**209**	146	**649**	818
Interest expense		**(249)**	(22)	**(412)**	(27)
Foreign currency exchange gains and losses, net		**218**	292	**229**	479
Other financial income (expenses)		**32**	9	**82**	(333)
Result before income taxes		**1,610**	**(5,395)**	**1,901**	**(20,156)**
Income tax benefit (expense)		**244**	(63)	**291**	(169)
Net Income (loss)		**1,854**	**(5,458)**	**2,192**	**(20,325)**

	Three months ended 26 September 2008	Three months ended 28 September 2007	**Nine months ended 26 September 2008**	Nine months ended 28 September 2007
Earnings (Loss) per share (in US$)				
Basic	**0.04**	(0.12)	**0.05**	(0.45)
Diluted	**0.04**	(0.12)	**0.05**	(0.42)
Weighted average number of shares (in thousands)				
Basic	**45,116**	44,940	**45,082**	44,908
Diluted	**45,500**	44,940	**45,700**	44,908

Unaudited consolidated balance sheet

As at 26 September 2008

	Notes	At 26 September 2008 US$000	At 31 December 2007 US$000
ASSETS			
Cash and cash equivalents		**16,091**	15,923
Available-for-sale financial assets	5	**11,274**	15,921
Trade accounts receivable, net		**8,247**	2,569
Inventories	6	**25,500**	17,051
Other financial assets		**102**	336
Other current assets		**2,726**	1,866
Total current assets		**63,940**	**53,666**
Property, plant and equipment, net	7	**8,453**	10,452
Intangible assets	8	**4,373**	2,443
Held to maturity securities		**4,000**	4,000
Deposits		**262**	209
Assets for current tax		**463**	453
Total non-current assets		**17,551**	**17,557**
TOTAL ASSETS		**81,491**	**71,223**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Financial liabilities		**197**	-
Trade and other payables		**19,932**	14,735
Provisions		**1,260**	978
Income taxes payable		**-**	40
Other current liabilities		**3,875**	1,778
Total current liabilities		**25,264**	**17,531**
Ordinary Shares		**9,328**	9,328
Additional paid-in capital		**222,966**	222,914
Accumulated deficit		**(174,636)**	(177,844)
Other reserves		**(1,252)**	(501)
Employee stock purchase plan shares		**(179)**	(205)
Net Shareholders' equity		**56,227**	**53,692**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**81,491**	**71,223**

Unaudited consolidated statements of cash flows

For the three and nine months ended 26 September 2008

	Three months ended 26 September 2008 US$000	Three months ended 28 September 2007 US$000	**Nine months ended 26 September 2008 US$000**	Nine months ended 28 September 2007 US$000
Cash flows from operating activities:				
Net income (loss)	**1,854**	(5,458)	**2,192**	(20,325)
Adjustments to reconcile net income (loss) to net cash used for operating activities:				
Interest income, net	**40**	(124)	**(237)**	(791)
Other income tax expense	**(244)**	63	**(291)**	169
Impairment of inventories	**85**	363	**185**	911
Impairment of investment	**-**	2,662	**-**	2,662
Depreciation of property, plant and equipment	**1,720**	1,411	**4,643**	4,045
Amortization of intangible assets	**635**	234	**1,563**	574
Losses (gains) on disposals of fixed assets and impairment of fixed and financial assets	**(48)**	23	**59**	382
Expense related to share-based payments	**419**	260	**1,016**	850
Restructuring and related impairment charges	**(86)**	(208)	**(207)**	421
Changes in working capital:				
Trade accounts receivable and other receivables	**2,006**	(212)	**(1,345)**	(5,309)
Factoring	**999**	-	**(4,333)**	-
Inventories	**(6,691)**	(5,680)	**(8,632)**	(8,679)
Prepaid expenses	**220**	4	**(256)**	(369)
Trade and other payables	**4,407**	3,320	**5,288**	4,468
Provisions	**896**	58	**489**	(862)
Other assets and liabilities	**590**	(193)	**1,394**	(802)
Cash provided by (used for) operations	**6,802**	**(3,477)**	**1,528**	**(22,655)**
Interest paid	**(249)**	(3)	**(412)**	(6)
Interest received	**18**	38	**48**	1,074
Income taxes paid	**(34)**	(23)	**(43)**	(51)
Cash provided by (used for) operating activities	**6,537**	**(3,465)**	**1,121**	**(21,638)**
Cash flows from investing activities:				
Sale of property, plant and equipment	**15**	258	**48**	936
Purchases of property, plant and equipment	**(917)**	(688)	**(2,768)**	(2,696)
Purchases of intangible assets	**(965)**	(285)	**(2,063)**	(380)
Payments for capitalised development costs	**(320)**	(159)	**(1,261)**	(616)
Investments and deposits made	**(5)**	(444)	**(5)**	(1,053)
Purchase securities	**-**	-	**(3,050)**	(26,621)
Sale of securities	**5,010**	782	**8,055**	26,471
Cash provided by (used for) investing activities	**2,818**	**(536)**	**(1,044)**	**(3,959)**
Cash flows from financing activities:				
Bank loan received (paid back)	**(544)**	-	**-**	-
Sale of employee stock purchase plan shares	**16**	17	**79**	42
Cash provided by (used for) financing activities	**(528)**	**17**	**79**	**42**
Cash provided by (used for) operating, investing and financing activities	**8,827**	**(3,984)**	**156**	**(25,555)**
Effect of foreign exchange rate changes on cash and cash equivalents	**(49)**	26	**12**	23
Net increase (decrease) in cash and cash equivalents	**8,778**	**(3,958)**	**168**	**(25,532)**
Cash and cash equivalents at beginning of period	**7,313**	**10,458**	**15,923**	**32,032**
Cash and cash equivalents at end of period	**16,091**	**6,500**	**16,091**	**6,500**

Unaudited interim consolidated statement of changes in Shareholders' Equity

For the nine months ended 26 September 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	-	-	(20,325)	-	-	-	-	(20,325)
Other comprehensive income (loss)	-	-	-	152	273	536	-	961
Total comprehensive loss	-	-	(20,325)	152	273	536	-	(19,364)
Sale of employee stock purchase plan shares	-	31	-	-	-	-	12	43
Equity settled transactions, net of tax	-	-	850	-	-	-	-	850
Changes in equity total	-	31	(19,475)	152	273	536	12	(18,471)
Balance at 28 September 2007	**9,328**	**222,812**	**(179,239)**	**(871)**	**273**	**114**	**(220)**	**52,197**
Balance at 31 December 2007	9,328	222,914	(177,844)	(902)	89	312	(205)	53,692
Net income	-	-	2,192	-		-	-	2,192
Other comprehensive income (loss)	-	-	-	(265)	(184)	(302)	-	(751)
Total comprehensive loss	-	-	2,192	(265)	(184)	(302)	-	1,441
Sale of employee stock purchase plan shares	-	52	-	-		-	26	78
Equity settled transactions, net of tax	-	-	1,016	-		-	-	1,016
Changes in equity total	-	52	3,208	(265)	(184)	(302)	26	2,535
Balance at 26 September 2008	**9,328**	**222,966**	**(174,636)**	**(1,167)**	**(95)**	**10**	**(179)**	**56,227**

Notes to the interim consolidated financial statements (Unaudited)

For the three an nine months ended 26 September 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 ("Dialog" or the "Company") creates some of the world's most energy-efficient, highly integrated, mixed-signal integrated circuits. These are optimised for personal mobile and automotive applications. The company provides flexible and dynamic support, world-class innovation, and the assurance of dealing with an established business partner. Customers with a significant contribution to revenue include Sony-Ericsson, Apple, Bosch and Tridonic. With its unique focus and expertise in system power management, Dialog brings decades of experience to the rapid development of integrated circuits for power and motor control, and audio and display processing. Dialog's processor companion chips are essential for enhancing both the performance of hand-held products and the consumers' multimedia experience. Automotive applications include intelligent motor control for comfort and safety systems. Over one billion parts have been shipped to date. With world-class manufacturing partners, Dialog operates a fabless business model. Dialog Semiconductor plc is headquartered near Stuttgart, Germany with operations in Austria, China, Germany, Japan, Korea, Taiwan, UK, and the USA. The company employs approximately 250 worldwide, and is listed on the Frankfurt (FWB: DLG) stock exchange.

Accounting policies
The accompanying interim consolidated financial statements have been prepared on the basis of the recognition and measurement requirements of IFRS and its interpretation adopted by the EU. As permitted by IAS 34, Management has decided to publish a condensed version compared to the consolidated financial statements at 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 and nine months ended 26 September 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 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. 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 2008 US$399,000 were charged against that provision and US$207,000 were reversed. The reversal arises from lower than expected employee termination costs. In the income statement the gain from the reversal is netted with further restructuring and related impairment charges of US$56,000.

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 26 September 2008 US$000	Three months ended 28 September 2007 US$000	**Nine months ended 26 September 2008 US$000**	Nine months ended 28 September 2007 US$000
Revenues				
Wireless	**35,164**	17,963	**81,700**	25,447
Automotive / Industrial	**8,845**	6,793	**28,351**	26,897
Corporate 1)	**(42)**	(45)	**(133)**	(117)
Total Revenues	**43,967**	**24,711**	**109,918**	**52,227**
Operating profit (loss)				
Wireless	**4,484**	(863)	**5,118**	(14,708)
Automotive / Industrial	**9**	(1,413)	**1,187**	(131)
Corporate	**(3,093)**	(882)	**(4,952)**	(3,592)
Total operating profit (loss) 2) 3)	**1,400**	**(3,158)**	**1,353**	**(18,431)**

[1] Corporate revenues consist of sales discounts for early payment.
[2] Certain overhead costs are allocated mainly based on sales and headcount.
[3] In 2008 management decided to show the option expense under corporate. 2007 numbers were adjusted accordingly.

b) Geographical Segments – Revenues by shipment destination

	Three months ended 26 September 2008 US$000	Three months ended 28 September 2007 US$000	**Nine months ended 26 September 2008 US$000**	Nine months ended 28 September 2007 US$000
Germany	**1,959**	1,428	**5,777**	4,791
Austria	**2,917**	2,826	**9,965**	11,057
Hungary	**4,534**	2,125	**12,744**	9,370
Other European countries	**758**	678	**3,180**	2,926
China	**29,568**	4,046	**63,090**	5,198
Taiwan	**364**	9,823	**955**	10,156
Other Asian countries	**1,777**	2,223	**8,210**	5,122
Other countries	**2,090**	1,562	**5,997**	3,607
Total Revenues	**43,967**	**24,711**	**109,918**	**52,227**

4. Stock-Based Compensation

Stock option plan activity for the period ended 26 September 2008 was as follows:

	Nine months ended 26 September 2008		Nine months ended 28 September 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	**635,760**	**1.82**	422,320	2.24
Exercised	**(136,274)**	**0.54**	(59,354)	0.71
Forfeited	**(90,361)**	**2.53**	(615,585)	2.57
Outstanding at period end	**5,781,131**	**2.68**	**5,249,162**	**2.74**
Options exercisable at period end	**3,138,356**	**2.96**	**2,351,063**	**2.98**

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 26 September 2008 the Trust held 910,113 shares.

5. Available-for-sale financial assets

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

	At 26 September 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	**11,264**	**11,274**	**10**	**15,609**	**15,921**	**312**

6. Inventories

Inventories consisted of the following:

	At 26 September 2008 US$000	At 31 December 2007 US$000
Raw materials	**265**	1,490
Work-in-process	**11,418**	5,321
Finished goods	**13,817**	10,240
	25,500	**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 26 September 2008 US$000	At 31 December 2007 US$000
Gross carrying amount	**92,867**	91,674
Accumulated depreciation	**(84,414)**	(81,222)
Net carrying amount	**8,453**	**10,452**

8. Intangible assets

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

	At 26 September 2008 US$000	At 31 December 2007 US$000
Gross carrying amount	**17,790**	14,396
Accumulated depreciation	**(13,417)**	(11,953)
Net carrying amount	**4,373**	**2,443**

9. Commitments

The Company has contractual commitments for the acquisition or property, plant and equipment in 2008 of US$118,000 and for the acquisition of intangible assets of US$380,000.

10. Transactions with related parties

As prescribed in the Company's annual report 2007, note 26 at 31. December 2007 the related parties of the Company were comprised of eight Non-executive members of the board of directors and seven members of the executive management. In 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 our Q2-2008 report. In addition, effective 1 September 2008 the company announced the appointment of Mark Tyndall as Vice President – Business Development and Corporate Strategy. Transactions with Mark Tyndall for the period ended 26 September 2007 only comprise his normal compensation for one month.

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