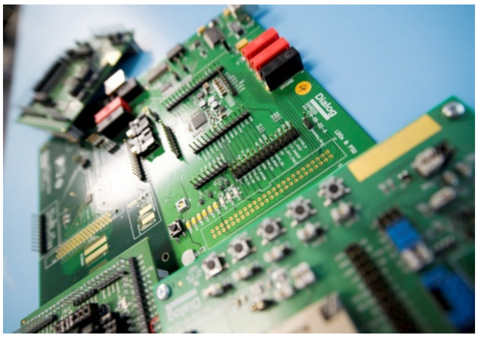
dialog SEMICONDUCTOR

Energy management excellence

Interim Report as of 1 October 2010

Making it happen!

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Press Release – 26 October 2010

DIALOG SEMICONDUCTOR ANNOUNCES ITS RESULTS FOR THE THIRD QUARTER OF 2010

Record third quarter revenues of $79.5 million, representing 35% Year on Year and 16% sequential quarterly revenue growth

Kirchheim/Teck, Germany, 26 October 2010 – Dialog Semiconductor plc (FWB: DLG), a leading provider of high integrated innovative Power Management Semiconductor solutions, today reports results for its third quarter ending 1 October 2010.

Q3 2010 Financial Highlights

- Revenue for Q3 2010 was $79.5 million, representing:
  - an increase of 35% over the corresponding quarter of 2009
  - an increase of 16% over the prior quarter
- Net income in Q3 2010 of $13.3 million or 16.7% of revenue compared to $11.2 million or 16.4% of revenue in prior quarter
- Total cash balance increased in Q3 2010 by $13.7 million to stand at $145.6 million
- Basic and diluted earnings per share of 22 cents and 20 cents respectively
- Expect 2010 revenues to be in the range of $290 and $295 million
  - in line with our 2010 aim to outpace broader market growth
  - representing c.34% year-on-year revenue growth at the mid-point of that range

Q3 2010 Operational Highlights

- Launch of Dialog's second generation Intel Atom power management and clock companion IC, supporting Intel's newly launched E6xx Atom processor with first design win at Congatec for an industrial embedded PC board
- First consumer product based on Dialog's ultra low power audio technology launched in the quarter by a major consumer brand
- Renesas, the number one application processor provider, confirmed as the latest member of Dialog's Processor Partner Program initiative
- Demonstration by TDK of a flexible and transparent OLED display based on Dialog SmartXtend PM-OLED driver technology

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

"I am proud of the contribution that all of our employees have made in achieving what is a record quarter in Dialog's public company history. I am also very pleased with the healthy pipeline of innovative standard and custom products that we intend to release to the market in the coming months, underlying my continued confidence in our strategy to keep on delivering consistent, profitable and long-term growth."

FINANCIAL OVERVIEW

Revenue in Q3 2010 was $79.5 million, an increase of 16.1% over the $68.5 million achieved in the prior quarter and an increase of 34.6% on the $59.0 million of revenue delivered in the corresponding quarter of 2009.

Gross margin for the third quarter was 46.3%, representing a decrease of 2.0 percentage points over that achieved in the prior quarter and an increase of 1.0 percentage point over that achieved in Q3 2009. This reduction in gross margin was a result of the product mix shipped and higher associated manufacturing costs.

Our operating expenses increased in Q3 2010 by $1.9 million over the prior quarter to $22.9 million. However, R&D and SG&A in Q3 2010 stood at 18.1% and 10.8% of revenue respectively, compared to 19.5% and 10.5% in the prior quarter, demonstrating the strong control we continue to exercise within our model over the cost base. The operating expenses included a net charge of $2.4 million for share-based compensation. Excluding the additional charges recorded during the quarter as a result of a higher share price, the underlying share-based compensation for Q3 2010 would have been approximately $1.8 million.

Operating profit or EBIT in Q3 2010 was $13.9 million or 17.4% of revenue compared to the $12.0 million or 17.5% of revenue delivered in the prior quarter and the $9.6 million or 16.3% of revenue delivered in Q3 2009.

Q3 2010 taxable profits continued to benefit from the utilisation of brought forward tax losses resulting in a residual minimum level tax charge mainly applying to taxable profits in Germany. A net tax charge of $1.1 million was recorded for Q3 2010 which included a benefit of $1.0 million or 1.5 cents per diluted and 1.6 cent per basic share, being a further recognition of a proportion of the deferred tax assets principally relating to carried forward losses. Consequently, the effective tax rate in Q3 2010 was 7.8%. As we have previously stated, going forward and on a quarterly basis, we will consider whether it is appropriate to continue to recognise further currently unrecognised deferred tax assets.

Net income for Q3 2010 was $13.3 million or 16.7% of revenue. Earnings per basic and diluted share were 22 cents and 20 cents respectively: These Q3 2010 figures compare to a net income of $11.2 million or 19 cents per basic and 17 cents per diluted share in the prior quarter and to the $8.8 million or 19 cents per basic and 18 cents per diluted share delivered in Q3 2009.

At the end of Q3 2010, Dialog had a cash, cash equivalents and restricted cash balance of $145.6 million. This represents an increase of $13.7 million over the cash, cash equivalents and restricted cash balance at the end of Q2 2010 and an increase of $99.2 million over the cash and cash equivalents balance at the end of Q3 2009. In September 2009 net proceeds of $59.7 million were raised from an international equity offering which contributed to the increase in cash balances over the prior 12 months.

At the end of Q3 2010, our inventory level was $37.7 million, an increase of $11.6 million over the prior quarter, in line with increased lead time from suppliers and sustained seasonal demand as we enter Q4 2010.

OPERATIONAL OVERVIEW

Our design win success with smartphone customers for both custom power management designs and configurable standard products continued to gain momentum through Q3 2010. As cellphones continue to transition to smartphones, in addition to the continued popularity of new portable media devices launched in the quarter and emerging Tablet PC's, the demand for Dialog's high integrated power management technology is becoming steadily more important at our expanding customer base. In the quarter, particularly in Korea and Japan, we experienced an encouraging increase in design-ins of our standard products and demand for new custom power management product engagements for smartphones from large electronics companies.

Renesas, the number one global provider of applications processors was confirmed in Q3 2010 as the latest member of Dialog's Processor Partner Program initiative. Dialog established this initiative through which it partners with industry leading processor vendors to develop configurable standard product companion power management ICs that go on to form part of the processor vendors' design-in platform or eco system. This initiative will, over time, enable us to reach a very broad range of customers with a single standard product.

In Q3 2010, a major recognised consumer brand company shipped the first of a series of consumer portable media products based on Dialog's latest ultra low power audio technology. This represents a significant milestone for Dialog and serves as validation of the quality and features of our leading audio technology, which was only launched to the industry within the past 12 months.

TDK, our strategic display module partner, announced and demonstrated at this month's CEATEC show in Japan a series of transparent and flexible OLED displays based on our SmartXtend Passive Matrix OLED technology. The transparency and flexibility features of these displays are enabling manufacturers to create new phone designs that are more innovative than competing display technologies would allow and are proving to be popular features as we have begun to engage with our early-adopter customers.

During Q3 2010 at the Intel Developers Forum (IDF), coinciding with Intel® launch of its latest Atom™ E6xx processor series, Dialog also launched its second generation companion power management and clock driver IC, the DA6011.

The DA6011 enables the industry's lowest bill of materials for Atom based designs - reducing the cost by up to 50% compared with a discrete solution. It also enables the creation of exceptionally small embedded PC designs and accelerates time to market for our customers' products. Design-in demand for the DA6011 is proving to be very high, with samples now shipped to more than 20 customers across multiple application sectors in the industry, further expanding the addressable market for Dialog's power management technology into the industrial sector.

Congatec, a leader in industrial embedded PC designs was announced as an early design win for the DA6011 and demonstrated a very small 7cm x 7 cm industrial PC board based on the product at the IDF show during the quarter.

OUTLOOK

Q3 2010 represented a record revenue quarter for Dialog, and an early start to the traditionally strong end of year sales season. We anticipate continuing our revenue momentum in Q4 2010 and beyond, despite some continuing market uncertainty and supply chain limitations at our customers, and expect gross margins going forward to remain consistent with Q3 levels. We expect to report full year 2010 revenue within the range of $290 to $295 million: in line with our stated aim to grow revenue at a rate faster than the broader market and, at the mid-point of that range, representing a year-on-year revenue growth rate of approximately 34%.

Dialog Semiconductor invites you today at 08.30 (London) / 09.30 (Frankfurt) to listen in a live conference call to management's discussion of Q3 2010 performance, as well as guidance for financial 2010. To access the call please use the following dial-in numbers: Germany: **0800 101 4960**, UK: **0800 073 1340**, US: **1 866 434 1089**. An instant replay facility will be available for 30 days after the call and can be accessed at **+44 (0)1452 550 000** with access code **14714068**. An audio replay of the conference call will also be posted soon thereafter on the company's website at:

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

Additional information to this adhoc release including the company's consolidated income statement, consolidated balance sheet and consolidated statements of cash flows for the period ending 1st October is available under the investor relations section of the Company's web site.

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Information about Dialog Semiconductor:

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

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

Dialog Semiconductor plc is headquartered near Stuttgart with a global sales, R&D and marketing organisation. In 2009, it recorded $218 million in revenue and was one of the fastest growing European public semiconductor companies. It has approximately 380 employees. The company is listed on the Frankfurt (FWB: DLG) stock exchange.

Forward Looking Statements:

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

Financial Review

The following tables detail the historical consolidated statements of the operations of Dialog for the three and nine months ended 1 October 2010 and 25 September 2009:

	Three months ended 1 October 2010		Three months ended 25 September 2009		Change
	US$000	% of revenues	US$000	% of revenues	%
Revenues					
Audio & Power Management	**68,773**	**86.5**	49,547	83.9	38.8
Display Systems	**357**	**0.4**	1,967	3.4	(81.9)
Automotive / Industrial	**10,634**	**13.4**	7,629	12.9	39.4
Corporate	**(268)**	**(0.3)**	(89)	(0.2)	201.1
Revenues	**79,496**	**100.0**	**59,054**	**100.0**	**34.6**
Cost of sales	**(42,699)**	**(53.7)**	(32,312)	(54.7)	32.1
Gross profit	**36,797**	**46.3**	**26,742**	**45.3**	**37.6**
Selling and marketing expenses	**(4,300)**	**(5.4)**	(3,258)	(5.5)	32.0
General and administrative expenses	**(4,299)**	**(5.4)**	(2,627)	(4.5)	63.6
Research and development expenses	**(14,332)**	**(18.1)**	(11,245)	(19.0)	27.5
Restructuring charges	**(5)**	**0.0**	-	-	-
Operating profit	**13,861**	**17.4**	**9,612**	**16.3**	**44.2**
Interest income and other financial income	**253**	**0.3**	14	0.0	1,707.1
Interest expense and other financial expense	**(29)**	**0.0**	(35)	(0.1)	(17.1)
Foreign currency exchange gains and losses, net	**320**	**0.4**	166	0.3	92.8
Result before income taxes	**14,405**	**18.1**	**9,757**	**16.5**	**47.6**
Income tax expense	**(1,122)**	**(1.4)**	(1,004)	(1.7)	11.8
Net income	**13,283**	**16.7**	**8,753**	**14.8**	51.8

	Nine months ended 1 October 2010		Nine months ended 25 September 2009		Change
	US$000	% of revenues	US$000	% of revenues	%
Revenues					
Audio & Power Management	**171,106**	**81.9**	109,779	78.4	55.9
Display Systems	**1,020**	**0.5**	5,391	3.9	(81.1)
Automotive / Industrial	**37,455**	**17.9**	22,996	16.4	62.9
Corporate	**(549)**	**(0.3)**	1,857	1.3	(129.6)
Revenues	**209,032**	**100.0**	**140,023**	**100.0**	**49.3**
Cost of sales	**(111,102)**	**(53.2)**	(79,517)	(56.8)	39.7
Gross profit	**97,930**	**46.8**	**60,506**	**43.2**	**61.9**
Selling and marketing expenses	**(12,393)**	**(5.9)**	(9,035)	(6.5)	37.2
General and administrative expenses	**(11,710)**	**(5.6)**	(8,013)	(5.7)	46.1
Research and development expenses	**(40,817)**	**(19.5)**	(29,306)	(20.9)	39.3
Other operating income	**-**	**0.0**	333	0.2	(100.0)
Restructuring charges	**(586)**	**(0.3)**	-	-	-
Operating profit (loss)	**32,424**	**15.5**	**14,485**	**10.3**	**123.8**
Interest income and other financial income	**938**	**0.4**	74	0.1	1,167.6
Interest expense and other financial expense	**(93)**	**0.0**	(181)	(0.1)	(48.6)
Foreign currency exchange gains and losses, net	**(1,465)**	**(0.7)**	250	0.2	(686.0)
Result before income taxes	**31,804**	**15.2**	**14,628**	**10.5**	**117.4**
Income tax expense	**(2,354)**	**(1.1)**	(1,789)	(1.3)	31.6
Net income	**29,450**	**14.1**	**12,839**	**9.2**	129.4

Results of Operations

Segment Reporting

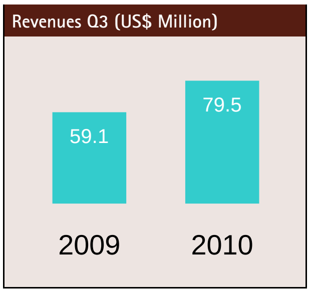
Revenues in the **audio & power management segment** were US$68.8 million for the three months ended 1 October 2010 (Q3-2009: US$49.5 million) comprising 86.5% of our total revenues (Q3-2009: 83.9%). For the first nine months of 2010, revenues in this segment were US$171.1 million compared to US$109.8 million in the same period 2009, an increase of 55.9%. The increase in this sector is primarily driven by the success of our growing range of highly integrated power management solutions for the Smartphone market. The operating profit in the **audio & power management** segment increased from US$14.9 million for the three months ended 25 September 2009 to US$18.3 million for the three months ended 1 October 2010. For the first nine months of 2010, operating profit in this segment was US$42.6 million compared to US$25.5 million in the same period 2009, an increase of 66.9%.

Revenues in the **Display Systems segment** were US$0.4 million for the three months ended 1 October 2010 (Q3-2009: US$2.0 million). For the first nine months of 2010, revenues in this segment were US$1.0 million compared to US$5.4 million in the first nine months of 2009. The decrease is mainly caused by the reduction of customer-funded R&D activities which contributed mainly to the revenues in Q3-2009. The operating loss in this sector was US$3.1 million for the three months ended 1 October 2010 (Q3-2009 US$2.8 million). For the first nine months of 2010, the operating loss was US$8.6 million (Q1-Q3-2009: US$7.3 million loss). The increased loss results from reduced customer funded activities in MEMS technology and our continuous investment in the emerging ultra low power display technologies such as PMOLED.

Revenues from our **automotive / industrial applications segment** were US$10.6 million for the three months ended 1 October 2010 (Q3-2009: US$7.6 million) representing 13.4% of our total revenues (Q3-2009: 12.9%). For the first nine months of 2010, revenues in this segment were US$37.5 million compared to US$23.0 million in the same period 2009, an increase of 62.9%. Operating profit in the sector was US$0.9 million for the three months ended 1 October 2010 (Q3-2009: US$1.4 million operating loss). For the first nine months of 2010, operating profit was US$4.9 million (Q1-Q3-2009: US$3.2 million operating loss). Q1-Q3-2010 year-on-year revenue growth reflects the recovery in the automotive business which started in the fourth Quarter of 2009 and the fact that we also benefited from sales of last time buy products during 2010 in an amount of US$6.4 million. These products were sold as a result of last year's notification of the phasing out of an older manufacturing process from one of our foundry partners.

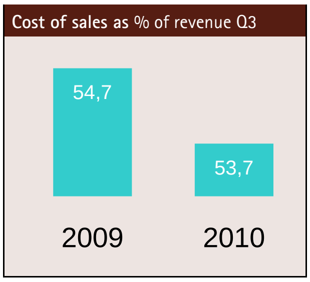
Revenues in the **corporate sector** include sales discounts and in the nine months ended 25 September 2009 also an unexpected cash settlement against revenues which had not been recognized in 2006 as a result of the insolvency of BenQ. For further information please refer to note 27 to 2009 consolidated financial statements.

Revenues



Total revenues were US$79.5 million for the three months ended 1 October 2010 (Q3-2009: US$59.1 million, an increase of 34.6%). For the first nine months of 2010, revenues were US$209.0 million compared to US$140.0 million in the same period 2009, an increase of 49.3%. The increase in revenues results mainly from higher sales volumes in our audio & power management and Automotive and Industrial sector as described above.

Cost of sales



Cost of sales 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 32.1% from US$32.3 million for the three months ended 25 September 2009 to US$42.7 million for the three months ended 1 October 2010 in line with increased production volume. As a percentage of total revenues cost of sales decreased from 54.7% to 53.7%, demonstrating the gains made possible by our continuous efforts to improve the Company's product mix, test time and yields. For the same reasons, cost of sales as a percentage of revenue decreased from 56.8% in the first nine months of 2009 to 53.2% in the same period 2010.

Gross profit

Our gross margin increased from 45.3% of revenues in Q3-2009 to 46.3% of revenues in Q3-2010 due to lower cost of sales as a percentage of revenue, as prescribed above. Gross profit for the third quarter of 2010 was US$36.8 million, 37.6% above the amount in the third quarter of 2009 (US$26.7 million). Gross profit for the first nine months of 2010 was US$97.9 million, 61.9% above the previous year's figures (US$60.5 million). The gross margin in the first nine months of 2010 was 46.8%. Excluding the favourable margin impact from sales of last time buy products (see above), the gross margin in the first nine months 2010 would have been 46.4%.

Selling and marketing expenses

Selling and marketing expenses consist primarily of salaries, sales commissions, travel expenses, advertising and other marketing costs. Selling and marketing expenses increased from US$3.3

million for the three months ended 25 September 2009, to US$4.3 million for the three months ended 1 October 2010, in line with increased production volume and as a result of the company's investment in creating value by increasing staff in strategic marketing and field application engineering functions. As a percentage of total revenues, selling and marketing expenses decreased from 5.5% of total revenues in Q3-2009 to 5.4% of total revenues in Q3-2010. Similarly, selling and marketing expenses increased from US$9.0 million (6.5% of total revenues) for the first nine months 2009 to US $12.4 million (5.9% of total revenues) for the first nine months 2010.

General and administrative expenses

General and administrative expenses consist primarily of personnel and support costs for our finance, human resources and other management departments. General and administrative expenses were US$4.3 million for the third quarter 2010 (Q3-2009: US$2.6 million). General and administrative expenses increased from 4.5% of total revenues for the three months ended 25 September 2009 to 5.4% of total revenues in the three months ended 1 October 2010. For the first nine months 2010 and 2009, general and administrative cost were US$11.7 million (or 5.6% of total revenues) and US$8.0 million (or 5.7% of total revenues). The increase mainly results from higher share based compensation expenses as described below.

Research and development expenses

Research and development expenses consist principally of design and engineering-related costs associated with the development of new Application Specific Integrated Circuits ("ASICs") and Application Specific Standard Products ("ASSPs"). Research and development expenses (net of customer funded projects) were US$14.3 million for the three months ended 1 October 2010 (Q3-2009: US$11.2 million). As a percentage of total revenues research and development expenses decreased from 19.0% in Q3-2009 to 18.1% in Q3-2010. For the first nine months 2010, research and development expenses were US$40.8 million (or 19.5% of total revenues) compared to US$29.3 million (or 20.9% of total revenues) in the first nine months of 2009. The absolute US$ increase was primarily due to an increased headcount of our R&D personnel in connection with our growth strategy.

Restructuring charges

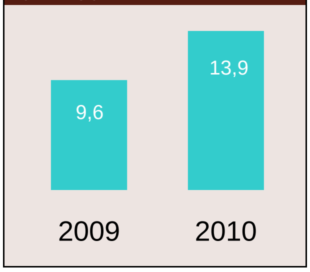
Restructuring charges are related to the closing of our Heidelberg Design Centre. For further information please refer to Note 3 of the Q3-2010 Interim Report.

Share based compensation expenses

Share based compensation expenses consist of option expenses and related social charges. Share based compensation expenses increased from US$0.4 million for the three months ended 25 September 2009 to US$2.4 million for the three months ended 1 October 2010. Share based compensation expenses in the first nine months ended 1 October 2010 were US$ 5.6 million as compared to US$0.9 million in the corresponding period in 2009. This increase is driven by a significant share price increase during 2010.

Operating profit

Operating profit Q3 (US$ Million)



We reported an operating profit of US$13.9 million for the third quarter 2010 (Q3-2009: US$9.6 million). For the first nine months of 2010, we reported an operating profit of US$32.4 million. This compares against an operating profit of US$14.5 million reported in the first nine months of 2009. The improvement resulted from higher gross profits recognised in 2010.

Interest income and other financial income

Interest income and other financial income from the Company's investments (primarily short-term) was US$0.3 million for the three months ended 1 October 2010 (Q3-2009: US$14 thousand). For the first nine months of 2009, interest income was US$0.9 million compared to US$74 thousand in the previous year. The increase is primarily the effect of an increased liquidity and this relates in particular to the Company's capital increase in Q3-2009.

Interest expense and other financial expense

Interest expense and other financial expense consist primarily of expenses of capital leases, hire purchase agreements and the Group's factoring arrangement. Interest and other financial expenses were US$29 thousand (Q3-2009: US$35 thousand). For the nine months 2010 and 2009, interest expenses were US$93 thousand and US$181 thousand respectively. This reflects our planned reduced reliance on factoring.

Income taxes

Income tax expense was US$1.1 million for the third quarter 2010 (Q3-2009: US$1.0 million). Income taxes mainly relate to the minimum level tax charge applying to taxable profits in Germany. The additional recognition of a proportion of deferred tax assets in Q3-2010 principally relating to carried forward losses leads to a reduced effective tax rate in Q3-2010 of 7.8% (Q3-2009: 10.3%). Income tax expense was US$2.4 million for the first nine months 2010 and US$1.8 million for the first nine months of 2009.

Net profit

For the reasons described above, we reported a net profit of US$13.3 million for the three months ended 1 October 2010 (Q3-2009: US$8.8 million). Basic and diluted earnings per share were US$0.22 and US$0.20 for the three months ended 1 October 2010 (Q3-2009: basic US$0.19 and diluted US$0.18).

For the first nine months 2010 and 2009, net profit reached US$29.5 million (14.1% of total revenues) and US$12.8 million (9.2% of total revenues) respectively. Basic and diluted earnings per share were US$0.49 and US$0.45 for the nine months ended 1 October 2010.

Liquidity and capital resources

Cash flows

Cash generated from operating activities was US$13.0 million for the three months ended 1 October 2010 (Q3-2009: US$4.5 million). The cash inflow in the three months ended 1 October 2010 mainly resulted from the operating income (before depreciation, amortisation and other non-cash effective expenses). This cash inflow was partly offset by cash outflows in connection with the increase in working capital (excluding cash) of US$1.8 million, mainly in relation to a higher inventory balance. Cash provided by operating activities was US$34.2 million for the first nine months of 2010 compared to US$15.7 million in the comparison period.

Cash used for investing activities was US$3.1 million for the three months ended 1 October 2010 (Q3-2009: US$1.9 million). Cash used for investing activities in Q3-2010 was primarily for the purchase of tooling (masks), laboratory equipment, probe cards, load boards and other advanced test equipment for a total of US$1.7 million (Q3-2009: US$1.3million), the purchase of intangible assets of US$1.2 million (Q3-2009: US$0.6 million) and payments related to capitalised development costs of US$0.2 million (Q3-2009: US$0.1 million). Cash used for investing activities was US$11.8 million for the first nine months of 2010 compared to US$9.7 million in the comparison period.

Liquidity

At 1 October 2010 we had cash and cash equivalents and restricted cash of US$145.6 million (31 December 2009: US$123.1 million). The working capital (defined as current assets minus current liabilities) was US$160.0 million (31 December 2009: US$134.4 million).

If necessary, we have available for use a short-term credit facility of US$5.0 million which bears interest at a rate of LIBOR +0.9% per annum. At 1 October 2010 we had no amounts outstanding under this facility. In addition, we have a factoring agreement which provides the Company with up to US$30.0 million of readily-available cash. Accordingly, we believe the funding available from these and other sources will be sufficient to satisfy our working capital requirements in the near to medium term if needed.

Statement of Financial Position

	At 1 October 2010 US$000	At 31 December 2009 US$000	Change US$000	%
ASSETS				
Cash and cash equivalents and restricted cash	**145,574**	123,148	22,426	18.2
All other current assets	**61,472**	45,663	15,809	34.6
Total current assets	**207,046**	**168,811**	**38,235**	**22.6**
Property, plant and equipment, net	**12,279**	9,807	2,472	25.2
Intangible assets	**8,669**	5,005	3,664	73.2
All other non current assets	**10,352**	8,688	1,664	19.2
Total non current assets	**31,300**	**23,500**	**7,800**	**33.2**
TOTAL ASSETS	**238,346**	**192,311**	**46,035**	**23.9**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities	**47,071**	34,380	12,691	36.9
Non-current liabilities	**1,060**	952	108	11.4
Net Shareholders' equity	**190,215**	156,979	33,236	21.2
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**238,346**	**192,311**	**46,035**	**23.9**

Balance sheet total was US$ 238.3 million at 1 October 2010 (31 December 2009: US$192.3 million). Cash and cash equivalents and restricted cash increased by 18.2% to US$145.6 million at 1 October 2010 (31 December 2009: US$123.1 million). This was mainly caused by an operating cash inflow as prescribed above. Other current assets increased by 34.6% to US$61.5 million (31 December 2009: US$45.7 million), mainly as a result of a higher inventory balance to support anticipated Q4 revenue.

Total non-current assets increased from US$23.5 million at 31 December 2009 by 33.2% to US$31.3 million at 1 October 2010; this increase is mainly due to higher balances of property, plant and equipment and intangible assets, as capital expenditure and investments in property plant and equipment and intangible assets of US$11.5 million were higher than depreciation, amortisation and impairment charges in the amount of US$5.4 million.

Shareholders' equity increased to US$190.2 million (US$157.0 million at 31 December 2009) which is mainly a result of our net profit. The equity ratio decreased slightly from 81.6% at 31 December 2009 to 79.8% at 1 October 2010.

Other Information

Members of the Management and the Board of Directors

Management

Dr. Jalal Bagherli, Chief Executive Officer; Andrew Austin, Vice President, Sales; Gary Duncan, Vice-President, Engineering; Jürgen Friedel, Vice President, General Manager Automotive and Industrial Business Unit; Peter Hall, Vice-President, Supply Operations and Facilities; Udo Kratz, Vice President, General Manager Audio and Power Management Business Unit; Martin Powell, Vice President, Human Resources; Jean-Michel Richard, CFO, Vice President Finance; Manoj Thanigasalam, Vice President, General Manager Display Systems Business Unit; Mark Tyndall, Vice President Business Development and Corporate Strategy; Mohamed Djadoudi, Vice President Global Manufacturing Operations and Quality.

Board of Directors

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

Risks, risk management and opportunities

The risk management, our business risks and opportunities are described in our 2009 annual report – section 2. Compared with the risks and opportunities presented here, no significant additional opportunities and risks arose for the Company in the first nine months of 2010. There are currently no identifiable risks that, individually or collectively, could endanger the continued existence of the Company.

Responsibility statement

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

26 October 2010

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

Unaudited consolidated statement of financial position

As at 1 October 2010

	Notes	At 1 October 2010 US$000	At 31 December 2009 US$000
ASSETS			
Cash and cash equivalents		**142,574**	120,148
Restricted cash		**3,000**	3,000
Trade accounts receivable, net		**19,034**	17,486
Inventories	6	**37,705**	26,193
Income tax receivables		**59**	69
Other financial assets		**817**	-
Other current assets		**3,857**	1,915
Total current assets		**207,046**	**168,811**
Property, plant and equipment, net	7	**12,279**	9,807
Intangible assets	8	**8,669**	5,005
Deposits		**1,134**	804
Income tax receivables		**-**	370
Deferred tax assets		**9,218**	7,514
Total non-current assets		**31,300**	**23,500**
TOTAL ASSETS		**238,346**	**192,311**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Trade and other payables		**28,951**	17,304
Other financial liabilities		**432**	679
Provisions		**1,091**	1,784
Income taxes payable		**4,019**	3,305
Other current liabilities		**12,578**	11,308
Total current liabilities		**47,071**	**34,380**
Provisions		**451**	252
Other non-current financial liabilities		**609**	700
Total non-current liabilities		**1,060**	**952**
Ordinary shares		**12,380**	11,825
Additional paid-in capital	9	**201,352**	283,733
Accumulated deficit	9	**(18,305)**	(135,667)
Other reserves		**(1,179)**	(2,102)
Employee stock purchase plan shares		**(4,033)**	(810)
Net Shareholders' equity		**190,215**	**156,979**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**238,346**	**192,311**

Unaudited consolidated income statement

For the three and nine months ended 1 October 2010

	Notes	**Three months ended 1 October 2010 US$000**	Three months ended 25 September 2009 US$000	**Nine months ended 1 October 2010 US$000**	Nine months ended 25 September 2009 US$000
Revenues	2	**79.496**	59.054	**209.032**	140.023
Cost of sales		**(42,699)**	(32,312)	**(111,102)**	(79,517)
Gross profit		**36,797**	**26,742**	**97,930**	**60,506**
Selling and marketing expenses		**(4,300)**	(3,258)	**(12,393)**	(9,035)
General and administrative expenses		**(4,299)**	(2,627)	**(11,710)**	(8,013)
Research and development expenses		**(14,332)**	(11,245)	**(40,817)**	(29,306)
Other operating income		**-**	-	**-**	333
Restructuring charges	3	**(5)**	-	**(586)**	-
Operating profit	**2**	**13,861**	**9,612**	**32,424**	**14,485**
Interest income and other financial income		**253**	14	**938**	74
Interest expense and other financial expense		**(29)**	(35)	**(93)**	(181)
Foreign currency exchange gains and losses, net		**320**	166	**(1,465)**	250
Result before income taxes		**14,405**	**9,757**	**31,804**	**14,628**
Income tax expense	4	**(1,122)**	(1,004)	**(2,354)**	(1,789)
Net profit		**13,283**	**8,753**	**29,450**	**12,839**

	Three months ended 1 October 2010	Three months ended 25 September 2009	**Nine months ended 1 October 2010**	Nine months ended 25 September 2009
Earnings per share (in US$)				
Basic	**0.22**	0.19	**0.49**	0.28
Diluted	**0.20**	0.18	**0.45**	0.27
Weighted average number of shares (in thousands)				
Basic	**60,626**	45,819	**60,278**	45,626
Diluted	**65,589**	48,890	**65,270**	48,053

Unaudited statement of comprehensive income

For the three and nine months ended 1 October 2010

	Three months ended 1 October 2010 US$000	Three months ended 25 September 2009 US$000	**Nine months ended 1 October 2010 US$000**	Nine months ended 25 September 2009 US$000
Net profit	**13,283**	**8,753**	**29,450**	**12,839**
Exchange differences on translating foreign operations	**28**	20	**204**	(153)
Hedges	**3,657**	(687)	**834**	281
Income tax relating to components of other comprehensive income	**163**	(101)	**(115)**	393
Other comprehensive income for the year, net of tax	**3,848**	**(768)**	**923**	**521**
Total comprehensive income for the year	**17,131**	**7,985**	**30,373**	**13,360**

Unaudited consolidated statements of cash flows

For the three and nine months ended 1 October 2010

	Three months ended 1 October 2010 US$000	Three months ended 25 September 2009 US$000	**Nine months ended 1 October 2010 US$000**	Nine months ended 25 September 2009 US$000
Cash flows from operating activities:				
Net income	**13.283**	8.753	**29.450**	12.839
Adjustments to reconcile net income to net cash provided by operating activities:				
Interest income, net	**(224)**	21	**(845)**	107
Income tax expense	**1.122**	1.004	**2.354**	1.789
Impairment/reversal of impairment of inventories	**(421)**	109	**799**	278
Depreciation of property, plant and equipment	**1.271**	1.079	**3.473**	3.225
Amortization of intangible assets	**700**	549	**1.801**	1.680
Losses on disposals of fixed assets and impairment of fixed and financial assets	**47**	255	**89**	827
Expense related to share-based payments	**1.284**	411	**2.912**	885
Changes in working capital:				
Trade accounts receivables, other receivables and factoring	**77**	(10.964)	**(1.545)**	(14.044)
Inventories	**(11.140)**	(7.348)	**(12.311)**	(6.535)
Prepaid expenses	**(549)**	335	**(1.454)**	(236)
Trade accounts payable	**6.507**	8.767	**11.673**	12.228
Provisions	**(255)**	2	**(431)**	734
Other assets and liabilities	**3.673**	1.507	**860**	1.988
Cash provided by operations	**15.375**	**4.480**	**36.825**	**15.765**
Interest paid	**(4)**	(6)	**(10)**	(108)
Interest received	**195**	14	**470**	74
Income taxes paid	**(2.557)**	(28)	**(3.098)**	(49)
Cash provided by operating activities	**13.008**	**4.460**	**34.188**	**15.682**
Cash flows from investing activities:				
Cash transferred to restricted cash		-	**-**	(3.000)
Purchases of property, plant and equipment	**(1.663)**	(1.338)	**(5.971)**	(4.582)
Purchases of intangible assets	**(1.164)**	(634)	**(4.735)**	(1.300)
Payments for capitalised development costs	**(240)**	(123)	**(1.038)**	(315)
Investments and deposits made	**(1)**	213	**(13)**	(499)
Cash used for investing activities	**(3.068)**	**(1.882)**	**(11.757)**	**(9.696)**
Cash flows from financing activities:				
Cash flow used for capital increase	**(1)**	-	**(36)**	-
Sale of employee stock purchase plan shares	**864**	326	**2.832**	579
Purchase of employee stock purchase plan shares	**-**	-	**(2.844)**	-
Cash flow provided by (used for) financing activities	**863**	**326**	**(48)**	**579**
Cash flow provided by operating, investing and financing activities	**10.803**	**2.904**	**22.383**	**6.565**
Effect of foreign exchange rate changes on cash and cash equivalents	**2.917**	(9)	**43**	(104)
Net decrease in cash and cash equivalents	**13.720**	**2.895**	**22.426**	**6.461**
Cash and cash equivalents at beginning of period	**128.854**	**40.481**	**120.148**	**36.915**
Cash and cash equivalents at end of period	**142.574**	**43.376**	**142.574**	**43.376**

Unaudited consolidated statement of changes in equity

For the three and nine months ended 1 October 2010

				Other reserves			
	Ordinary shares US$000	Additional paid-in capital US$000	Accumulated deficit 000US$	Currency translation adjustment 000US$	Hedges 000US$	Employee stock purchase plan shares 000US$	Total 000US$
Balance at 31 December 2008 / 1 January 2009	9,328	223,005	(169,759)	(2,037)	(193)	(139)	60,205
Total comprehensive income	-	-	12,839	240	281	-	13,360
Capital Increase	1,921	57,819					
Sale of employee stock purchase plan shares	-	504	-	-	-	75	579
Equity settled transactions, net of tax	-	-	885	-	-	-	885
Changes in equity total	**1,921**	**58,323**	**13,724**	**240**	**281**	**75**	**74,564**
Balance at 25 September 2009	**11,249**	**281,328**	**(156,035)**	**(1,797)**	**88**	**(64)**	**134,769**
Balance at 31 December 2009 / 1 January 2010	11,825	283,733	(135,667)	(1,730)	(372)	(810)	156,979
Reduction of share premium account	-	(85,000)	85,000	-	-	-	-
Total comprehensive income	-	-	29,450	89	834	-	30,373
Capital Increase for employee share option plan (gross proceeds)	555	378	-	-	-	(969)	(36)
Sale of employee stock purchase plan shares	-	2,241	-	-	-	(2,254)	(13)
Equity settled transactions, net of tax	-	-	2,912	-	-	-	2,912
Changes in equity total	**555**	**(82,381)**	**117,362**	**89**	**834**	**(3,223)**	**33,236**
Balance at 1 October 2010	**12,380**	**201,352**	**(18,305)**	**(1,641)**	**462**	**(4,033)**	**190,215**

Notes to the Interim Consolidated Financial Statements (Unaudited)

For the three and nine months ended 1 October 2010

1. General

Company name and registered office

Dialog Semiconductor Plc
Tower Bridge House
St Katharine's Way
London E1W 1AA
United Kingdom

Description of Business

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

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

Dialog Semiconductor plc is headquartered near Stuttgart with a global sales, R&D and marketing organisation. In 2009, it recorded $218 million in revenue and was one of the fastest growing European public semiconductor companies. It has approximately 380 employees. The company is listed on the Frankfurt (FWB: DLG) stock exchange.

Accounting policies

The accompanying interim consolidated financial statements have been prepared on the basis of the recognition and measurement requirements of IFRS and its interpretation adopted by the EU. As permitted by IAS 34, Management has decided to publish a condensed version compared to the consolidated financial statements at December 31, 2009.

The interim financial statements are presented in US dollars ("US$") except when otherwise stated. They are prepared on the historical cost basis except that financial instruments classified as available-for-sale and derivative financial instruments are stated at their fair value. The accounting policies and methods of computation are consistent with those of the previous financial year.

Please refer to note 2 to the consolidated financial statements as of December 31, 2009 for the accounting policies applied for the Company's financial reporting.

The accompanying interim consolidated financial statements reflect all adjustments (consisting of only normal recurring adjustments) which, in the opinion of management, are necessary for a fair statement of the results of the interim periods presented. Operating results for the nine months ended 1 October 2010 are not necessarily indicative of the results to be expected for the full year ending 31 December 2010.

Use of Estimates

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

2. Segment Reporting

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

a) Operating Segments

	Three months ended 1 October 2010 US$000	Three months ended 25 September 2009 US$000	Nine months ended 1 October 2010 US$000	Nine months ended 25 September 2009 US$000
Revenues				
Audio & Power Management	**68,773**	49,547	**171,106**	109,779
Display Systems [1]	**357**	1,967	**1,020**	5,391
Automotive / Industrial	**10,634**	7,629	**37,455**	22,996
Corporate	**(268)**	(89)	**(549)**	1,857
Total Revenues	**79,496**	**59,054**	**209,032**	**140,023**
Operating profit				
Audio & Power Management	**18,311**	14,864	**42,625**	25,538
Display Systems [2]	**(3,066)**	(2,757)	**(8,603)**	(7,258)
Automotive / Industrial	**862**	(1,354)	**4,870**	(3,184)
Corporate	**(2,246)**	(1,141)	**(6,468)**	(611)
Total operating profit [3]	**13,861**	**9,612**	**32,424**	**14,485**

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

	At 1 October 2010 US$000	At 31 December 2009 US$000
ASSETS		
Audio & Power Management	**66,077**	43,605
Display Systems	**4,956**	4,308
Automotive / Industrial	**12,521**	13,366
Corporate	**154,792**	131,032
TOTAL ASSETS	**238,346**	**192,311**

b) Geographic information

	Three months ended 1 October 2010 US$000	Three months ended 25 September 2009 US$000	Nine months ended 1 October 2010 US$000	Nine months ended 25 September 2009 US$000
Hungary	**10,482**	4,648	**27,064**	10,938
Other European countries	**4,614**	3,690	**19,608**	15,079
China	**48,700**	44,483	**123,090**	94,028
Other Asian countries	**5,799**	4,439	**20,079**	13,678
Other countries	**9,901**	1,794	**19,191**	6,300
Total Revenues	**79,496**	**59,054**	**209,032**	**140,023**

	At 1 October 2010 US$000	At 31 December 2009 US$000
Assets		
Germany	**232,219**	185,656
Japan	**1,231**	854
United Kingdom	**3,707**	5,577
USA	**1,189**	224
Total Assets	**238,346**	192,311

Revenues are allocated to countries based on the location of the shipment destination. Segmental assets are allocated based on the geographic location of the asset.

3. Restructuring charges

As part of the engineering re-organisation in the second quarter of 2010 Dialog Semiconductor decided to close its Design Centre in Heidelberg (Germany). The closure is expected to be completed in the fourth quarter 2010. Restructuring charges regarding this closure are comprised of US$564,000 employee termination and other related costs that will be paid to 11 employees affected by the closure and US$49,000 expected costs for dilapidation and rental obligations for the office that the company will vacate.

4. Income taxes

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

	Three months ended 1 October 2010 US$000	Three months ended 25 September 2009 US$000	Nine months ended 1 October 2010 US$000	Nine months ended 25 September 2009 US$000
Current taxes	**(1,936)**	(1,105)	**(4,173)**	(1,396)
Deferred taxes	**814**	101	**1,819**	(393)
	(1,122)	**(1,004)**	**(2,354)**	**(1,789)**

5. Stock-Based Compensation

Stock option plan activity for the period ended 1 October 2010 was as follows:

	Nine months ended 1 October 2010 Options	Weighted average exercise price in €
Outstanding at beginning of year	**4,803,342**	**2.27**
Granted	**3,855,341**	**2.13**
Exercised	**(1,969,530)**	**0.96**
Forfeited	**(89,269)**	**2.09**
Outstanding at period end	**6,599,884**	**2.58**
Options exercisable at period end	**1,657,481**	**1.50**

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 1 October 2010 the Trust held 4,471,668 shares.

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

6. Inventories

Inventories consisted of the following:

	At 1 October 2010 US$000	At 31 December 2009 US$000
Raw materials	**3,320**	4,260
Work-in-process	**10,863**	5,528
Finished goods	**23,522**	16,405
	37,705	**26,193**

7. Property, plant and equipment

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

	At 1 October 2010 US$000	At 31 December 2009 US$000
Gross carrying amount	**100,997**	97,554
Accumulated depreciation	**(88,718)**	(87,747)
Net carrying amount	**12,279**	**9,807**

During the nine months ended 1 October 2010, the Company invested an amount of US$5,865,000 in property, plant and equipment.

8. Intangible assets

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

	At 1 October 2010 US$000	At 31 December 2009 US$000
Gross carrying amount	**25,448**	20,158
Accumulated depreciation	**(16,779)**	(15,153)
Net carrying amount	**8,669**	**5,005**

During the nine months ended 1 October 2010, the Company invested an amount of US$4,629,000 in intangible assets of which the purchase of power management technology through an asset transaction from Diodes Zetex GmbH is a key element. As part of this transaction, Dialog has acquired specific Diodes intellectual property rights and an employee team located in Munich, Germany. The expected weighted average useful life of the acquired intangible assets is four years.

9. Reduction of share premium account

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

10.Commitments / Contingent liabilities

The Company has contractual commitments for the acquisition or property, plant and equipment in 2010 of US$984,728 and for the acquisition of intangible assets of US$798,961. In addition the company has a contingent liability of US$500,000 in connection with the purchase of intangible assets. This liability is contingent to certain milestones being met from which we expect to reach the first milestone in the fourth quarter of 2011.

11. Transactions with related parties

The related parties of the Company are comprised of seven Non-executive members of the board of directors and eleven members of the executive management.

The group of related parties has changed as follows during 2010:

- Effective 1 July 2010, Andrew Austin was appointed Vice President, Sales;
- Effective 1 July 2010, Martin Powell was appointed Vice President, HR.

Transactions with those related parties only comprise the usual compensation and the grant of long-term incentive plan options.

For further information on the long-term incentive plan options, please refer to note 2 and for information on related parties please refer to note 26 to the consolidated financial statements as of December 31, 2009.

12. Subsequent events

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

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