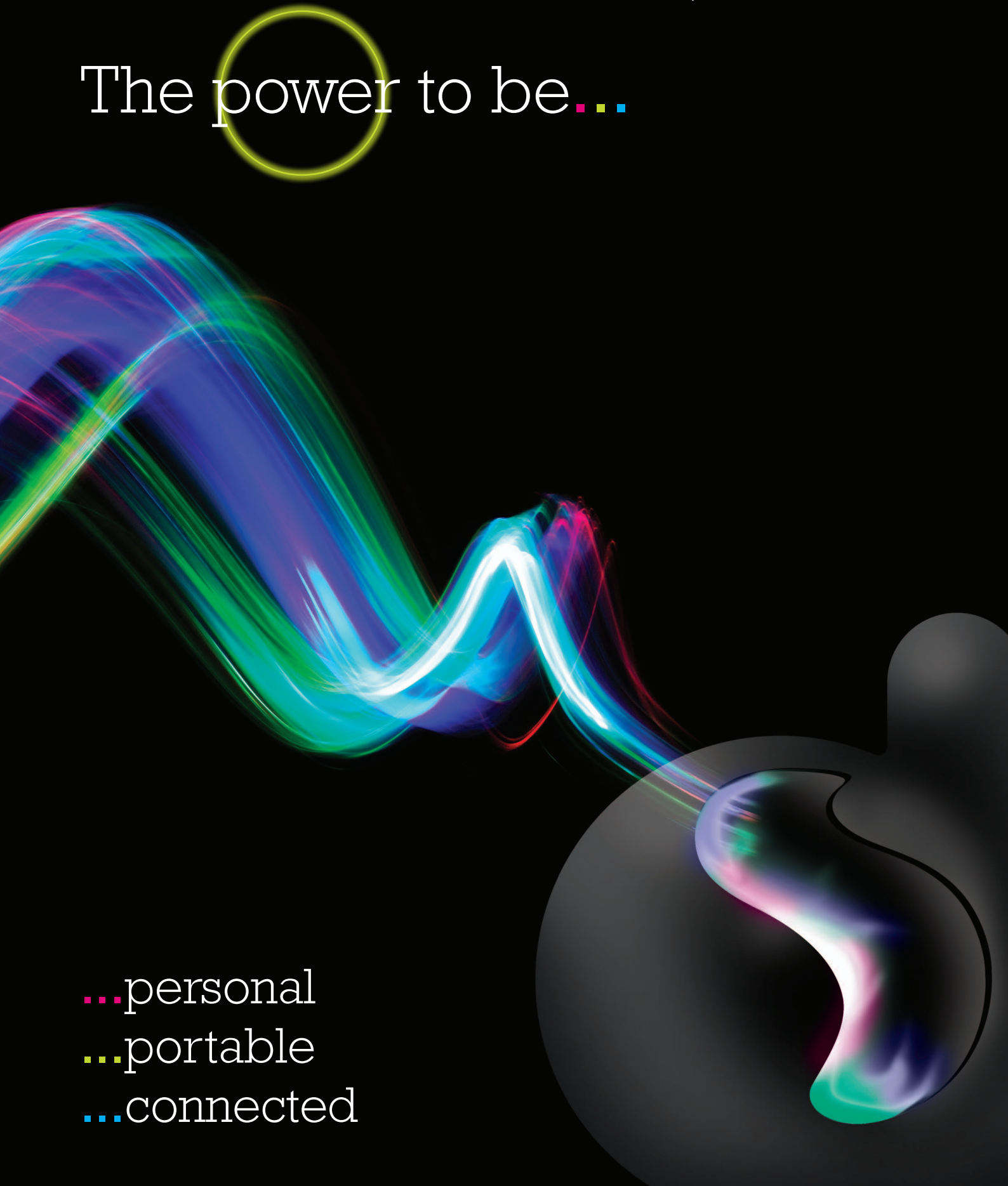


The power to be...

...personal
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Press Release – 31 October 2012

DIALOG SEMICONDUCTOR ANNOUNCES ITS RESULTS FOR THE THIRD QUARTER OF 2012

Company meets upper end of Q3 guidance, reporting a record quarter revenue of \$180 million, representing year-on-year growth of 28%

Kirchheim/Teck, Germany, 31 October 2012 – Dialog Semiconductor plc (FWB: DLG), a provider of highly integrated innovative power management, audio and low energy short range wireless technologies, today reports results for its third quarter ending 28 September 2012.

Q3 2012 Financial Highlights

- Revenue for Q3 2012 was \$180.0 million, an increase of 28.0% over Q3 2011
- Incremental gross margin improvement of 0.5 percentage points achieved in the quarter
- Q3 2012 underlying(*) EBITDA(**) of \$29.2 million or 16.2% of revenue, compared to \$28.0 million or 19.9% in the prior year
- Q3 2012 IFRS operating profit (EBIT) of \$17.5 million or 9.7% of revenue with underlying(*) operating profit of \$21.8 million or 12.1% of revenue
- Q3 2012 underlying(*) diluted earnings per share of 27 cents, compared to 31 cents in Q3 2011 (or 26 cents using current effective tax rate of 27%).
- Revenue outlook for Q4 2012 of \$215m to \$235m, consistent with a full year revenue of \$721m to \$741m

Q3 2012 Operational Highlights

- Quarterly revenue driven by continued revenue growth of Smartphone and Tablet PC products for both custom and standard products at our leading customers
- Several high volume custom PMIC product ramps commenced in quarter to support expected demand for recently launched popular and trend setting portable Smartphone and Tablet products
- New PMIC for Processor Partner Program initiative sampling, targeting a new entrant next generation Application Processor for Tablets and Smartphones
- Sampled new PMIC for an LTE based chipset platform partner for Asia based customers
- Industry's highest current multi-phase buck converters for PMICs sampling at our key accounts, targeting quad-core based Application Processor portable systems, expected revenue contribution in 2013
- Continued customer engagement for our wireless audio solutions, targeting leading brand microphone, gaming and professional headset OEMs.

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

“With another record revenue quarter, Dialog has continued to deliver strong year-over-year growth momentum with our business performing well across all key metrics. We are particularly pleased to have delivered a third successive quarter of incremental gross margin improvement.

Our team is focused on making the Dialog brand synonymous with high integrated PMIC performance delivering leading energy saving capability for portable devices. This enhances our confidence for continued top line growth and allows us to continue to engage with the leading customers in the Smartphone, Tablet PC and Ultrabook markets. ”

FINANCIAL OVERVIEW

Revenue in Q3 2012 was \$180.0 million, representing a sequential increase of 12.8% on the \$159.5 million of revenue delivered in the prior quarter and an increase of 28.0% over the \$140.6 million delivered in the third quarter of 2011.

Gross margin continues, as forecast, to steadily and incrementally improve. In Q3 2012, gross margin stood at 38.0% of revenue, representing an increase of 0.5 percentage points over the 37.5% achieved in the prior quarter and a decrease of 2.8 percentage points over the 40.8% achieved in Q3 2011. The Q3 2012 underlying(*) gross margin was 38.2% compared to 37.5% in Q2 2012. This represents the third successive quarter of incremental gross margin improvement.

R&D in Q3 2012 stood at 18.8% of revenue, compared to 19.1% in the prior quarter and 17.7% in Q3 2011. Underlying(*) R&D in Q3 2012 stood at 18.0% of revenue respectively, compared to 16.9% in Q3 2011. Our on-going investment in R&D underpins our strategic agenda of continuous innovation, extending our product portfolio for portable platforms and broadening of our customer base.

SG&A in Q3 2012 stood at 9.5% of revenue, compared to 10.0% in the prior quarter and 9.7% in Q3 2011. Underlying(*) SG&A in Q3 2012 stood at 8.0% of revenue, compared to 8.4% in Q3 2011.

Operating profitability on an IFRS basis has also continued to improve on a sequential basis. In Q3 2012, Operating Profit was \$17.5 million or 9.7% of revenue. This compares to the \$13.4 million or 8.4% of revenue achieved in the prior quarter and \$19.1 million or 13.6% of revenue achieved in Q3 2011. The underlying(*) operating profit achieved in Q3 2012 was \$21.8 million or 12.1% of revenue, compared with the underlying(*) operating profit of \$16.9 million or 10.6% in the prior quarter and \$22.8 million or 16.2% of revenue in Q3 2011.

In Q3 2012 **underlying(*) EBITDA(**)** was \$29.2 million or 16.2% of revenue compared to \$24.4 million or 15.3% in the prior quarter and \$28.0 million or 19.9% in Q3 2011.

In total a net **tax charge** of \$4.5 million was recorded in Q3 2012. Consequently, the overall effective tax rate for Q3 2012 was 27.0%. By comparison, the effective tax rate in Q3 2011 was 9.1% due to the use of cumulated German tax losses at that point.

In Q3 2012, on an IFRS basis, **net profit** was \$12.1 million or 19 cents per basic share and 18 cents per diluted share. This compares to a net profit of \$8.5 million or 13 cents per basic and 12 cents per diluted share in the prior quarter and a net profit of \$17.0 million or 27 cents per basic and 25 cents per diluted share delivered in Q3 2011. The underlying (*) **earnings per share** (diluted) in Q3 2012 was 27 cents. This compares to 20 cents in Q2 2012 and 31 cents in Q3 2011.

At the end of Q3 2012, our total **inventory** level was \$145.3 million (or ~100 days), an increase of \$42.8 million over the prior quarter and a level which we feel is appropriate in order to service our current customer backlog as well as the expected demand of the business during the next two quarters. 50% of this inventory is related to new products which started production during 2012.

At the end of Q3 2012, we had a **cash and cash equivalents** balance of \$279.1 million. This represents a decrease of \$24.9 million over the cash and cash equivalents in the prior quarter. Free cash flow (***) movement in the quarter was an outflow of \$40.3 million. The decrease in cash is mainly attributed to the costs associated with the increase in inventory necessary to service the expected demand of the business during the next two quarters.

() Underlying results in Q3 2012 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of \$2.9 million, excluding \$1.5 million of amortisation of intangibles associated with the acquisition of Dialog B.V. and excluding \$1.4 million noncash-effective interest and financial expense in connection with the convertible bond and discounted purchase prices.*

The term “underlying” is not defined in IFRS and therefore may not be comparable with similarly titled measure reported by other companies. Underlying measures are not intended as a substitute for, or a superior measure to, IFRS measures.

*(**) EBITDA is defined as operating profit excluding depreciation for property, plant and equipment (Q3 2012: \$3.4 million) and amortisation for intangible assets (Q3 2012: \$5.4 million)*

*(***) Free cash flow is defined as net income plus amortisation and depreciation, plus/minus change in working capital, minus capital expenditure and plus/minus interest expense/income.*

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 2012, driven by increased adoption of 3G and LTE/4G technologies around the world. Additionally, during the quarter we also started to ramp several new high volume custom PMIC products for recently launched popular Smartphone and Tablet models.

During the quarter Dialog again demonstrated that it has met the challenge of developing a new buck - a key building block of PMIC's architecture with integrated FETs capable to supply the industry's highest currents - up to 21 amps - seen so far in a PMIC for portable devices. Dialog engineers pushed the limit of technology with a combination of innovations, including a multiphase architecture, distributed power dissipation, higher efficiency circuits and a higher performance package. Benefits include smaller external inductors and reduced filtering requirements reducing our customer's printed circuit board space in a Smartphone or Tablet design while facilitating increased currents required for the new generation of quad core base application processors now emerging. We expect to announce products for this by early 2013 with designs targeted for volume production in 2013.

As a result of a partnership with a significant new entrant to the Applications Processor market for Smartphones and Tablets, we delivered in the quarter first samples of a new PMIC device. The device will now be sampled to leading industry OEMs with the target to be in production by the end of 2013.

Our existing range of Platform Partner PMIC standard products were also adopted for a number of niche Tablet and other embedded applications around the world.

We have now available our first samples of a high integrated PMIC for an LTE Partner Platform chipset for expected deployment with major Asian based OEMs in 2013.

For wireless audio, we continued our engagement, with additional design wins achieved based on a new DECT based short-range wireless processor at leading microphone, gaming and professional headset global OEMs. Our new products offer low latency and interference-free wireless operation for real-time audio applications. Our combined chipset solutions for DECT and Power Management devices are also gaining traction for the new generation of Android based cordless phones.

OUTLOOK

In Q4 2012, we expect our momentum to continue and to deliver revenue for the quarter in the range of \$215 to \$235 million, resulting in an expected full year revenue performance of between \$721 and \$741 million, meeting current market expectations and representing further significant year on year growth.

We continue to believe that the positive trend of gradual incremental gross margin improvement achieved in the first three quarters of 2012 will continue in Q4, supported by our increasing supply chain visibility.

* * * * *

Dialog Semiconductor invites you today at 09.00 am (London) / 10.00 am (Frankfurt) to listen in a live conference call to management's discussion of Q3 2012 performance, as well as guidance for Q4. To access the call please use the following dial-in numbers: Germany: **0800 101 4960**, UK: **0800 694 0257**, US: **1866 966 9439**, ROW: **+44 (0)1452 555 566**, with no access code required. 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 **38961363#**. An audio replay of the conference call will also be posted soon thereafter on the company's website at:

<http://www.dialog-semiconductor.com/investor-relations>

Additional information to this release including the company's consolidated income statement, consolidated balance sheet and consolidated statements of cash flows for the period ending 28 September 2012 is available under the investor relations section of the Company's website.

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Note to editors

Dialog Semiconductor creates highly integrated, mixed-signal integrated circuits (ICs) optimised for personal portable, low energy short-range wireless, lighting, display and automotive applications. The company provides flexible and dynamic support, world-class innovation and the assurance of dealing with an established business partner.

With its focus and expertise in energy efficient system power management, and with a technology portfolio including audio, short range wireless and VoIP technology, Dialog brings decades of experience to the rapid development of ICs for personal portable applications including Smartphones, Tablet PCs, digital cordless and gaming applications.

Dialog's power management processor companion chips are essential for enhancing both the performance in terms of extended battery lifetime and the consumers' multimedia experience. With world-class manufacturing partners, Dialog operates a fables business model.

Dialog Semiconductor plc is headquartered near Stuttgart with a global sales, R&D and marketing organisation. In 2011, it had approximately \$527 million in revenue and was one of the fastest growing European public semiconductor companies. It currently has approximately 760 employees. The company is listed on the Frankfurt (FWB: DLG) stock exchange and is a member of the German TecDax index.

Forward Looking Statements

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

* * * * *

Financial Review

The following table details the historical consolidated statements of the operations of Dialog for the three and nine months ended 28 September 2012 and 30 September 2011:

	Three months ended 28 September 2012		Three months ended 30 September 2011 ***)		Change %
	US\$000	% of revenue	US\$000	% of revenue	
Revenue					
Mobile Systems	146,782	81.5	94,188	67.0	55.8
Automotive / Industrial	8,765	4.9	11,483	8.2	(23.7)
Connectivity	24,176	13.4	33,159	23.5	(27.1)
Corporate Sector	300	0.2	1,785	1.3	(83.2)
Revenue	180,023	100.0	140,615	100.0	28.0
Cost of sales	(111,533)	(62.0)	(83,278)	(59.2)	33.9
Gross profit	68,490	38.0	57,337	40.8	19.5
Selling and marketing expenses	(9,223)	(5.1)	(8,762)	(6.2)	5.3
General and administrative expenses	(7,938)	(4.4)	(4,930)	(3.5)	61.0
Research and development expenses	(33,868)	(18.8)	(24,821)	(17.7)	36.4
Other operating income	-	0.0	303	0.2	(100.0)
Operating profit	17,461	9.7	19,127	13.6	(8.7)
Interest income and other financial income	467	0.3	77	0.1	506.5
Interest expense and other financial expense	(2,083)	(1.2)	(63)	0.0	3,206.3
Foreign currency exchange gains and losses, net	770	0.4	(411)	(0.4)	(287.3)
Result before income taxes	16,615	9.2	18,730	13.3	(11.3)
Income tax expense	(4,487)	(2.5)	(1,698)	(1.2)	164.3
Net profit	12,128	6.7	17,032	12.1	(28.8)

***) Q3-2011 numbers adjusted for purchase price allocation, please refer to note 1 to the Q3-2012 consolidated interim financial statements

	Nine months ended 28 September 2012		Nine months ended 30 September 2011 (***)		Change
	US\$000	% of revenue	US\$000	% of revenue	%
Revenue					
Mobile Systems	404,979	80.0	237,534	66.9	70.5
Automotive / Industrial	29,251	5.8	35,895	10.1	(18.5)
Connectivity	71,367	14.1	80,075	22.5	(10.9)
Corporate Sector	299	0.1	1,679	0.5	(82.2)
Revenue	505,896	100.0	355,183	100.0	42.4
Cost of sales	(316,216)	(62.5)	(209,758)	(59.1)	50.8
Gross profit	189,680	37.5	145,425	40.9	30.4
Selling and marketing expenses	(28,006)	(5.5)	(23,024)	(6.5)	21.6
General and administrative expenses	(22,193)	(4.4)	(17,535)	(4.9)	26.6
Research and development expenses	(92,904)	(18.4)	(65,030)	(18.3)	42.9
Other operating income	-	0.0	303	0.0	(100.0)
Restructuring and related impairment charges	-	0.0	(2)	0.0	(100.0)
Operating profit	46,577	9.2	40,137	11.3	16.0
Interest income and other financial income	1,062	0.2	281	0.1	277.9
Interest expense and other financial expense	(3,851)	(0.7)	(198)	(0.1)	1,844.9
Foreign currency exchange gains and losses, net	458	0.1	(239)	(0.1)	(291.6)
Result before income taxes	44,246	8.8	39,981	11.3	10.7
Income tax expense	(11,947)	(2.4)	(3,169)	(0.9)	277.0
Net profit	32,299	6.4	36,812	10.4	(12.3)

***) nine months 2011 numbers adjusted for purchase price allocation, please refer to note 1 to the Q3-2012 consolidated interim financial statements

Results of Operations

Segment Reporting

Revenue in the **Mobile Systems** segment for the three months ended 28 September 2012 was US\$146.8 million (Q3-2011: US\$94.2 million), representing 81.5% of our total revenue (Q2-2011: 67.0%). Revenue in this segment for the first nine months of 2012 was up 70.5% at US\$405.0 million compared to US\$237.5 million in the same period of 2011. The increase in this sector is primarily driven by the success of our growing range of highly integrated power management solutions for portable devices including portable media players, Smartphones and Tablet PCs.

Operating profit in the **Mobile Systems** segment increased from US\$14.8 million for the three months ended 30 September 2011 to US\$22.3 million for the three months ended 28 September 2012. For the first nine months of 2012, operating profit in this segment was up 60.6% at US\$58.5 million compared to US\$36.4 million in the same period of 2011.

Revenue for the three months ended 28 September from our **Automotive / Industrial Applications segment** was US\$8.8 million (Q3-2011: US\$11.5 million) representing 4.9% of our total revenue (Q3-2011: 8.2%). Revenue in this segment for the first nine months of 2012 was down 18.5% at US\$29.3 million (Q3-2011: US\$35.9 million). This decrease is mainly the result of lower sales volumes in the area of professional lighting applications caused by the unfavourable economic climate

in Europe with a decreased level of investments. Operating profit for the three months ended 28 September 2012 in the segment was US\$1.3 (Q3-2011: US\$2.7 million). For the first nine months of 2012, operating profit was US\$5.6 million (Q1-Q3-2011: US\$8.3 million).

The **Connectivity segment** represents our subsidiary Dialog Semiconductor B.V. (Dialog B.V.) which we acquired on 10 February 2011; therefore its results are consolidated from this date. Revenue from our Connectivity segment **in the third quarter of 2012** was US\$24.2 million (Q3-2011: US\$33.2 million). In Q3-2012 the Connectivity segment contributed an operating loss of US\$2.8 million, compared to an operating profit of US\$1.6 million for Q3-2011. The operating loss in Q3-2012 included an amortisation expense resulting from fair value adjustments in connection with the purchase price allocation of US\$1.5 million (Q3-2011 US\$1.7 million). In addition Q3-2011 also included US\$0.6 million for the accelerated amortisation of intangible assets in relation to previously capitalised R&D expenses for close to end of life products. These products were fully amortised by the end of Q1-2012.

Revenue in this segment for the first nine months of 2012 was US\$71.4 million compared to US\$80.1 million in the period from 10 February 2011 to 30 September 2011. For the first nine months 2012 we recorded an operating loss of US\$7.7 million, compared to an operating profit of US\$2.9 million in the period from 10 February 2011 to 30 September 2011.

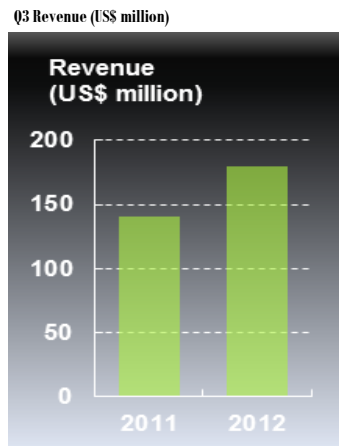
Had the connectivity business been consolidated from the beginning of 2011, the total revenue would have been US\$91.6 million for the first nine months 2011. This compares to revenue of US\$71.4 million achieved in first nine months 2012, a decrease of US\$20.2 million which translates into a reduction of the operating income of approximately US\$7.9 million.

In addition to the above, the first nine months of 2011 benefited from a first time inventory overhead capitalisation of US\$0.5 million to align the local accounting procedures to those of the Group. Another reason for the decline in the first nine months of 2012 was that the Company allocated about US\$0.7 million (Q1-Q3-2011: nil) of overhead costs to this segment for cost associated with the Company's share option program. This amount related mainly to higher National Insurance provisions for UK based employees, associated to share options which had to be provided for by the Company as a direct result of the Dialog share price increase from €12.36 at 31 December 2011 to €15.16 at 28 September 2012. Furthermore, in the first nine months of 2012 a one-time expense of about US\$0.9 million was recorded. It related to the transfer of certain legacy Connectivity products to a new assembly site which will lead to future cost improvements, once the transfer is completed (4Q-2012). Underlying (*) operational loss in the first nine months 2012 was US\$1.9 million compared to a profit of US\$8.7 million in first nine months of 2011.

For further information please refer to note 2 to the Q3-2012 interim consolidated financial statements.

Revenue

Total revenue for the three months ended 28 September 2012 was up 28.0% at US\$180.0 million (Q3-2011: US\$140.6 million). Revenue for the first nine months of 2012 was US\$505.9. It represented a 42.4% increase when compared to US\$355.2 million in the same period of 2011. The increase in revenue is mainly a result of higher sales volumes in our Mobile systems segment

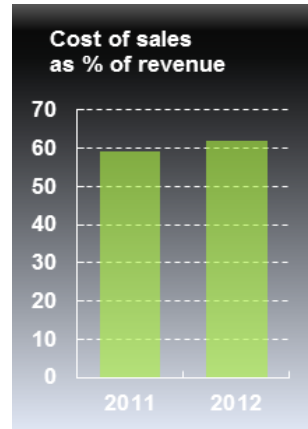


Cost of sales

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 for the three months ended 28 September of 2012 was up 33.9% at US\$111.5 million (Q3-2011: US\$83.3 million). The increase in cost of sales was in line with the increase in production volume.

As a percentage of revenue, cost of sales increased from 59.2% in Q3-

Q3 Cost of sales as % of revenue



2011 to 62.0% in Q3-2012. This increase can largely be attributed to the product mix which reflects higher volume customer contracts together with higher material costs against the backdrop of an on-going constrained supply chain environment. Additionally, very high volume ramps of new products using new manufacturing processes introduced early last year continued to drive lower yields in Q3-2012 although measurable improvements were already visible.

For the same reasons, Cost of sales as a percentage of revenue in the first nine months of 2012 increased to 62.5% from 59.1% in first nine months 2011.

Gross profit

Gross margin of Q3-2012 continued to improve for the third consecutive quarter.

Our gross margin decreased from 40.8% of revenue in Q3-2011 to 38.0% in Q3-2012. This was due to higher cost of sales as a percentage of revenue, as described above. Gross profit for the third quarter of 2012 was US\$68.5 million, 19.5% higher than the amount of US\$57.3 million achieved in the third quarter of 2011.

Gross margin for the first nine months of 2012 was 37.5%. It represented a decrease of 3.4 percentage points compared to 40.9% achieved in the comparison period of 2011. Gross profit for the first nine months of 2012 was US\$189.7 million, an increase of 30.4% over last year's figures (US\$145.4 million).

Gross margins remained under pressure due to the reasons described above and the continuous supply constraints, which inhibited expected cost reductions from suppliers.

Selling and marketing expenses

Selling and marketing expenses consist primarily of salaries, sales commissions, travel expenses, advertising and other marketing costs. In line with our increased sales volume and continuous growth of our business, selling and marketing expenses increased from US\$8.8 million for the three months ended 30 September 2011, to US\$9.2 million for the three months ended 28 September 2012. As a percentage of total revenue, selling and marketing expenses decreased from 6.2% of total revenue in Q3-2011 to 5.1% in Q3-2012. Similarly, selling and marketing expenses increased from US\$23.0 million (6.5% of total revenue) for the first nine months 2011 to US\$28.0 million (5.5% of total revenue) for the first nine months 2012.

General and administrative expenses

General and administrative expenses consist primarily of personnel and support costs for our finance, human resources and other management departments and in 2011 the acquisition related costs in connection with purchase of SiTel. General and administrative expenses for the third quarter of 2012 were up 61.0% at US\$7.9 million (Q3-2011 US\$4.9 million). General and administrative expenses as a percentage of total revenue increased from 3.5% in Q3-2011 to 4.4% in Q3-2012. Approximately US\$ 1.1 million of this increase related to higher National Insurance provisions for UK based employees associated to share options which needed to be provided for by the Company partly as a direct result of the Dialog share price increase from €14.27 at the beginning of the quarter to €15.16 at 28 September 2012 and partly related to new share options granted. US\$ 1.1 million related to increased personal costs including salary, bonus accruals and pension costs.

For the first nine months of 2012 and 2011, general and administrative costs were US\$22.2 million (or 4.4% of total revenue) and US\$17.5 million (or 4.9% of total revenue) respectively. The first nine months of 2011 included one-time M&A expenses in connection with the acquisition of Dialog B.V. totalling US\$3.2 million. Excluding these one-time costs General and administrative expenses were US\$14.3 million for the first nine months 2011. Comparing the US\$14.4 million with the amount in the first nine months 2012 we saw an increase of 7.9 million or 54.7% over the first nine months 2011.

US\$ 3.2 million of this increase relates to higher National Insurance provisions for UK based employees associated to share options which needed to be provided for by the Company mainly as a direct result of the Dialog share price increase from €12.36 at 31 December 2011 to €15.16 at 28 September 2012, as well as new share options granted in 2012. The remaining increase related to higher costs, mainly personal costs, for support functions reflecting the growth of the Company. Underlying (*) general and administrative expenses in the first nine months 2012 were US\$18.1 million or 3.6% of revenue compared to US\$13.2 million or 3.7% in first nine months of 2011.

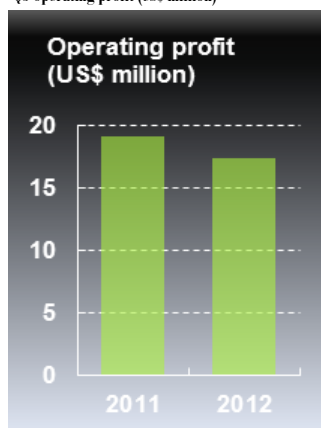
Research and development expenses

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\$33.9 million for the three months ended 28 September 2012 (Q3-2011: US\$24.8 million), an increase of 36.4%. The increase was primarily due to an increased headcount of our R&D personnel in support of our growth strategy. As a percentage of total revenue, research and development expenses increased from 17.7% in Q3-2011 to 18.8% in Q3-2012. For the first nine months of 2012, our R&D expenses were US\$92.9 million (18.4% of total revenue) compared to US\$65.0 million (18.3% of total revenue) in the first nine months of 2011.

Operating profit

We reported an operating profit of US\$17.5 million for the third quarter of 2012 (Q3-2011: US\$19.1 million). For the first nine months of 2012, we reported an operating profit of US\$46.6 million. This compares to an operating profit of US\$40.1 million in the previous year.

Q3 Operating profit (US\$ million)



This improvement primarily resulted from a wider revenue base in 2012 underpinned by our Mobile Systems segment. Underlying (*) operating profit in the first nine months 2012 was US\$60.3 million or 11.9% of revenue compared to US\$53.7 million or 15.1% of revenue in first nine months of 2011.

Interest income and other financial income

Interest income and other financial income from the Company's investments (primarily short-term

deposits and securities) was US\$467 thousand for the three months ended 28 September 2012 (Q3-2011: US\$77 thousand). The increase is associated with the placement of the proceeds of the Convertible Bond on interest bearing accounts. For the same reason, interest income and other financial income increased from US\$281 thousand in the first nine months of 2011 to US\$1.062 thousand in the first nine months 2012.

Interest expense and other financial expense

Interest expense and other financial expense consist primarily of expenses from capital leases, hire purchase agreements, the Group's factoring arrangement and in 2012 also the interest expense in relation to the convertible bond. Q3-2012 interest and other financial expenses were US\$2.1 million (Q3-2011: US\$63 thousand). The amount in Q3-2012 mainly included two components relating to the convertible bond: US\$ 0.5 million relating to a one per cent coupon payable on a semi-annual basis to the bond holders and US\$1.0 million representing the interest expense in connection with the measurement of the financial liability from the bond using the effective interest method. Interest expenses and other financial expenses for the first nine months of 2012 were US\$3.9 million, up on US\$198 thousand incurred in the first nine months of 2011. The increase is mainly related to the convertible bond as mentioned above.

Income tax expense

For the three months ended 28 September 2012, a net income tax charge of US\$4.5 million was recorded (Q3-2011: US\$1.7 million). The amount in Q3-2012 consists of a current tax expense of US\$3.2 million (Q3-2011: US\$ 1.9 million) and a net deferred tax expense of US\$1.3 (Q3-2011: benefit of US\$ 0.2 million). The tax charge in both periods continued to benefit from the utilization of brought forward tax losses resulting in a residual minimum current tax level.

For the first nine months 2012, a net tax charge of US\$11.9 million was recorded (first nine months of 2011: US\$3.2 million) resulting in an effective tax rate of 27.0% (Q1-Q3-2011 7.9%). The main reason for the increase of the effective tax rate was that in 2012 a lower amount of previously unrecognised deferred tax assets was recognised. The amount in 2012 was: US\$3.0 million compared to US\$9.6 million in 2011 resulting in a change of the effective tax rate of 16.5%. Higher non-tax-deductible expenses recorded in the first nine months of 2012 compared to the same period in 2011 contributed to a further increase in the 2012 effective tax rate.

Net profit

For the reasons described above, we reported a net profit of US\$12.1 million for the three months ended 28 September 2012 (Q3-2011: US\$17.0 million). Basic earnings per share in Q3-2012 were US\$0.19 (Q3-2011: US\$0.27) while diluted earnings per share were US\$0.18 (Q3-2011: US\$ 0.25).

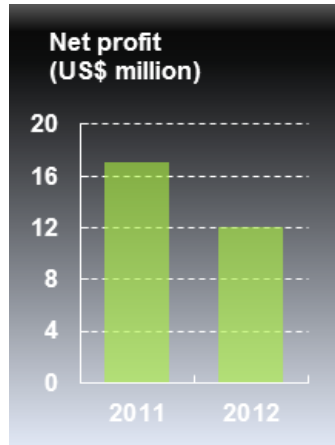
For the first nine months of 2012, net profit reached US\$32.3 million compared to US\$36.8 million in the comparison period 2011 with basic earnings per share at US\$0.50 (2011: US\$0.59) and diluted earnings per share at US\$0.48 (2011: US\$0.55).

Liquidity and capital resources

Cash flows

Cash used for operating activities was US\$21.5 million for the three months ended 28 September 2012 (Q3-2011: cash generated from operating activities of US\$34.1 million). The cash outflow for the three months ended 28 September 2012 includes an amount of US\$50.7 million for investments in working capital, mainly investments in the company's inventories in support of Q4 backlog and business demand for the first half of 2013. This cash outflow was only partly offset by the company's net profit adjusted by depreciation, amortisation and other non-cash effective expenses.

Q3 Net profit (US\$ million)



Cash used for investing activities was US\$14.2 million for the three months ended 28 September 2012 (Q3-2011: US\$10.7 million). Cash used for investing activities in Q3 2012 predominantly consisted of US\$5.5 million (Q3-2011: US\$7.8 million) for the purchase of tooling (masks), laboratory equipment, probe cards, load boards and other advanced test equipment. US\$6.0 million (Q3-2011: nil) were paid as an instalment for a new licensing agreement, for further information please refer to note 6 to the Q3-2012 interim consolidated financial statements. US\$ 1.5 million (Q3-2011: US\$2.2 million) relate the purchase of other intangible assets. Payments related to capitalised development costs were US\$1.2 million (Q3-2011: US\$0.6 million).

Liquidity

At 28 September 2012 we had cash and cash equivalents of US\$279.1 million (31 December 2011: US\$113.6 million). The working capital (defined as current assets minus current liabilities) was US\$378.7 million (31 December 2011: US\$150.8 million).

With an amount of US\$162.4 million, long-term debt as of 28 September 2012 represents mainly the fair value of the liability from the convertible bond (31 December 2011: 0), please refer to note 7 to the Q3-2012 interim consolidated financial statements.

If necessary, we have available for use a multi-currency 3 years (2010-2013) revolving credit line facility of £10.0 million at a rate of LIBOR +150bp and a 3 year (2011-2014) revolving credit facility of US\$35.0 million that bears interest at a rate of LIBOR +140bp. At 28 September 2012 and we had an amount of US\$10.0 million (31 December 2011: nil) outstanding under one of these facilities. In addition, we have two factoring agreements which provide the Company with up to US\$42.0 million of readily available cash. Accordingly, we believe the funding available from these and other sources will be sufficient to satisfy our working capital requirements in the near to medium term if needed.

Dialog Semiconductor's underlying financial performance for Q3-2012 and Q3-2011 is summarised below:

US\$000	Three months ended 28 September 2012			Three months ended 30 September 2011 ***)		
	IFRS	Adjustment	Underlying *)	IFRS	Adjustment	Underlying *)
Revenue	180,023	-	180,023	140,615	-	140,615
Cost of sales	(111,533)	(280)	(111,253)	(83,278)	(798)	(82,480)
Gross profit	68,490	(280)	68,770	57,337	(798)	58,135
Selling and marketing expenses	(9,223)	(1,535)	(7,688)	(8,762)	(1,809)	(6,953)
General and administrative expenses	(7,938)	(1,190)	(6,748)	(4,930)	(13)	(4,917)
Research and development expenses	(33,868)	(1,375)	(32,493)	(24,821)	(1,089)	(23,732)
Other operating income	-	-	-	303	-	303
Operating profit	17,461	(4,380)	21,841	19,127	(3,709)	22,836
Interest income and other financial income	467	-	467	77	-	77
Interest expense and other financial expense	(2,083)	(1,445)	(638)	(63)	-	(63)
Foreign currency exchange gains and losses, net	770	-	770	(411)	-	(411)
Result before income taxes	16,615	(5,825)	22,440	18,730	(3,709)	22,439
Income tax expense	(4,487)	-	(4,487)	(1,698)	-	(1,698)
Net profit	12,128	(5,825)	17,953	17,032	(3,709)	20,741
Earnings per share (in US\$)						
Basic	0.19	(0.09)	0.28	0.27	(0.06)	0.33
Diluted	0.18	(0.09)	0.27	0.25	(0.06)	0.31
EBITDA **)	26,319	(2,920)	29,239	26,637	(1,358)	27,995

*) Underlying results in Q3-2012 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of US\$2.9 million, excluding US\$1.5 million of amortisation of intangibles associated with the acquisition of Dialog B.V., excluding US\$1.0 million non-cash effective interest expense in connection with the convertible bond and excluding US\$0.4 million non-cash effective interest expense related to the new licensing agreement (please refer to note 6 to the Q3-2012 interim consolidated financial statements).

Underlying results in Q3-2011 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of US\$1.3 million, excluding US\$2.3 million of amortisation of intangibles associated with the acquisition of Dialog B.V. and excluding 0.1 million one-time transaction costs related to the purchase of Dialog B.V.

The term "underlying" is not defined in IFRS and therefore may not be comparable with similarly titled measures reported by other companies. Underlying measures are not intended as a substitute for, or a superior measure to, IFRS measures.

**) EBITDA is defined as operating profit excluding depreciation for property, plant and equipment (Q3-2012: US\$3.4 million, Q3-2011: US\$2.4 million), and amortisation for intangible assets (Q3-2012: US\$5.4 million, Q3-2011: US\$5.1 million)

***) Q3-2011 numbers adjusted for purchase price allocation, please refer to note 1 to the Q3-2012 interim consolidated financial statements

The connectivity segment's underlying financial performance for Q3-2012 and Q3-2011 is summarised below:

US\$000	Three months ended 28 September 2012			Three months ended 30 September 2011 ***)		
	IFRS	Adjustment	Underlying *)	IFRS	Adjustment	Underlying *)
Revenue	24,176	-	24,176	33,159	-	33,159
Operating profit (loss)	(2,757)	(1,649)	(1,108)	1,558	(2,301)	3,859

*) Underlying results in Q3-2012 are based on IFRS, adjusted to exclude charges for National Insurance of US\$0.2 million related to share options and excluding US\$1.5 million of amortisation of intangibles associated with the acquisition of Dialog B.V.

Underlying results in Q3-2011 are based on IFRS, adjusted to US\$2.3 million of amortisation of intangibles associated with the acquisition of Dialog B.V.

***) Q3-2011 numbers adjusted for purchase price allocation, please refer to note 1 to the Q3-2012 interim consolidated financial statements

Dialog Semiconductor's underlying financial performance for the first nine months of 2012 and 2011 is summarised below:

US\$000	Nine months ended 28 September 2012			Nine months ended 30 September 2011 ***)		
	IFRS	Adjustment	Underlying *)	IFRS	Adjustment	Underlying *)
Revenue	505,896	-	505,896	355,183	-	355,183
Cost of sales	(316,216)	(840)	(315,376)	(209,758)	(1,993)	(207,765)
Gross profit	189,680	(840)	190,520	145,425	(1,993)	147,418
Selling and marketing expenses	(28,006)	(5,265)	(22,741)	(23,024)	(4,043)	(18,981)
General and administrative expenses	(22,193)	(4,059)	(18,134)	(17,535)	(4,337)	(13,198)
Research and development expenses	(92,904)	(3,556)	(89,348)	(65,030)	(3,223)	(61,807)
Other income and expenses	-	-	-	301	-	301
Operating profit	46,577	(13,720)	60,297	40,137	(13,596)	53,733
Interest income and other financial income	1,062	-	1,062	281	-	281
Interest expense and other financial expense	(3,851)	(3,130)	(721)	(198)	-	(198)
Foreign currency exchange gains and losses, net	458	-	458	(239)	-	(239)
Result before income taxes	44,246	(16,850)	61,096	39,981	(13,596)	53,577
Income tax expense	(11,947)	-	(11,947)	(3,169)	-	(3,169)
Net profit	32,299	(16,850)	49,149	36,812	(13,596)	50,408
Earnings per share (in US\$)						
Basic	0.50	(0.26)	0.76	0.59	(0.22)	0.81
Diluted	0.48	(0.25)	0.73	0.55	(0.20)	0.76
EBITDA **)	70,448	(8,576)	79,024	57,683	(7,815)	65,498

*) Underlying results in the first nine months 2012 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of US\$8.6 million, excluding US\$5.1 million of amortisation of intangibles associated with the acquisition of SiTel, excluding US\$2.7 million non-cash effective interest expense in connection with the convertible bond and excluding US\$0.4 million non-cash effective interest expense related to the new licensing agreement (please refer to note 6 to the Q3-2012 interim consolidated financial statements).

Underlying results in the first nine months 2011 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of US\$4.6 million, excluding one-time transaction costs of US\$3.2 million associated with the acquisition of Dialog B.V., excluding US\$5.8 million of amortisation of intangibles associated with the acquisition of Dialog B.V.

The term "underlying" is not defined in IFRS and therefore may not be comparable with similarly titled measures reported by other companies. Underlying measures are not intended as a substitute for, or a superior measure to, IFRS measures.

**) EBITDA is defined as operating profit excluding depreciation for property, plant and equipment (Q1-Q3 2012: US\$9.1 million, Q1-Q3 2011: US\$6.1 million), amortisation for intangible assets (Q1-Q3 2012: US\$14.4 million, Q1-Q3 2011: US\$11.5 million) and losses on disposals and impairment of fixed assets (Q1-Q3 2012: US\$0.3 million, Q1-Q3 2011: US\$0.0 million).

***) 2011 numbers adjusted for the purchase price allocation, please refer to note 1 to the Q3-2012 interim consolidated financial statements

The connectivity segment's underlying financial performance for the first nine months of 2012 and 2011 is summarised below:

US\$000	Nine months ended 28 September 2012			Nine months ended 30 September 2011 ***)		
	IFRS	Adjustment	Underlying *)	IFRS	Adjustment	Underlying *)
Revenue	71,367	-	71,367	80,075	-	80,075
Operating profit (loss)	(7,664)	(5,808)	(1,856)	2,886	(5,774)	8,660

*) Underlying results in the first nine months 2012 are based on IFRS, adjusted to exclude charges for National Insurance of US\$0.7 million related to share options and excluding US\$5.1 million of amortisation of intangibles associated with the acquisition of Dialog B.V.

Underlying results in the first nine months 2011 are based on IFRS, adjusted to US\$5.8 million of amortisation of intangibles associated with the acquisition of Dialog B.V.

***) 2011 numbers adjusted for the purchase price allocation, please refer to note 1 to the Q3-2012 interim consolidated financial statements

Statement of Financial Position

	At 28 September 2012 US\$000	At 31 December 2011 US\$000	Change US\$000	%
Assets				
Cash and cash equivalents	279,063	113,590	165,473	145.7
All other current assets	245,732	117,685	128,047	108.8
Total current assets	524,795	231,275	293,520	126.9
Property, plant and equipment, net	49,399	28,404	20,995	73.9
Intangible assets	52,340	38,361	13,979	36.4
Goodwill	27,358	27,358	-	-
All other non-current assets	1,449	1,684	(235)	(14.0)
Deferred tax assets	12,844	17,382	(4,538)	(26.1)
Total non-current assets	143,390	113,189	30,201	26.7
Total Assets	668,185	344,464	323,721	94.0
Liabilities and Shareholders' equity				
Current liabilities	146,095	80,440	65,655	81.6
Non-current liabilities	174,434	909	173,525	19,089.7
Net Shareholders' equity	347,656	263,115	84,541	32.1
Total Liabilities and Shareholders' equity	668,185	344,464	323,721	94.0

Balance sheet total was US\$668.2 million at 28 September 2012 (31 December 2011: US\$344.5 million). Cash and cash equivalents increased by US\$165.5 million or 145.7% to US\$279.1 million at 28 September 2012 (31 December 2011: US\$113.6 million).

This increase was mainly caused by the net cash inflow from the convertible bond in the amount of US\$196.7 million, a cash inflow of US\$10.0 million from the use of one of the credit line facilities and cash inflows from the sale of employee stock purchase plan shares in the amount of US\$3.8 million. The cash inflows were partly offset by cash outflows for investing activities in the amount of US\$43.7 million and cash outflows for operating activities in the amount of US\$1.1 million.

Other current assets increased from US\$117.7 million at 31 December 2011 by US\$128.0 million to US\$245.7 million at 28 September 2012. The increase of 108.8% is mainly driven by higher inventory balances (+US\$ 82.6 million) and higher trade receivables (+US\$ 28.5 million).

Total non-current assets increased 26.7% to US\$143.4 million; investments into tangible and intangible assets were US\$58.3 million these

were partly offset by depreciation and amortisation charges in the amount of US\$23.5 million. Deferred tax assets decreased by US\$4.5 million due to the usage of net loss carry forwards.

Current liabilities increased by net US\$65.7 million of which US\$47.6 million relate to increased trade and other payables which mainly stand in relation to the increase inventory balance.

Non-current liabilities increased by US\$173.5 million. The amount at 28 September 2012 mainly includes US\$162.4 million (31. December 2011: nil) which represents the fair value of the convertible bond liability and US\$11.2 million (31. December 2011: nil) financing costs relating to the new license agreement, for further information please refer to note 7 and note 6 to the Q3-2012 interim consolidated financial statements respectively.

Shareholders' equity increased from US\$263.1 million at 31 December 2011 by US\$84.5 million to US\$347.7 million at 28 September 2012. US\$36.6 million of this increase relate to the convertible bond. US\$37.4 million relate to our net profit (adjusted by expenses for share based payments). The equity ratio was 52.0% (76.4% at 31 December 2011).

Other information

Members of the Management and the Board of Directors

Management

Dr Jalal Bagherli, Chief Executive Officer; Andrew Austin, Vice President, Sales; Mohamed Djadoudi, Vice President Global Manufacturing Operations and Quality; Gary Duncan, Vice-President, Engineering; Christophe Chene, Vice President, Asia; Dr Asmund Tielens, Vice President and General Manager Connectivity, Automotive and Industrial Group; Udo Kratz, Senior Vice President, General Manager Mobile Systems Business Group; Martin Powell, Vice President, Human Resources; Jean-Michel Richard, CFO, Vice President Finance; Mark Tyndall, Vice President Business Development and Corporate Strategy.

Board of Directors

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

Risks, risk management and opportunities

The risk management, our business risks and opportunities are described in our 2011 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 2012. 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 asso-

ciated with the expected development of the group for the remaining months of the financial year.

31 October 2012

Dr Jalal Bagherli
CEO

Jean-Michel Richard
CFO, Vice President Finance

Unaudited consolidated statement of financial position

As at 28 September 2012

	Notes	At 28 September 2012 US\$000	At 31 December 2011 US\$000
Assets			
Cash and cash equivalents	7	279,063	113,590
Trade accounts receivable and other receivables		75,233	46,729
Inventories	4	145,285	62,637
Income tax receivables		121	58
Other financial assets		2,538	25
Other current assets		22,555	8,236
Total current assets		524,795	231,275
Property, plant and equipment	5	49,399	28,404
Intangible assets	6	52,340	38,361
Goodwill		27,358	27,358
Deposits		1,257	1,445
Income tax receivables		192	239
Deferred tax assets		12,844	17,382
Total non-current assets		143,390	113,189
Total assets		668,185	344,464
Liabilities and Shareholders' equity			
Trade and other payables		98,087	50,457
Other financial liabilities		11,917	7,213
Provisions		1,438	1,040
Income taxes payable		5,026	5,178
Other current liabilities		29,627	16,552
Total current liabilities		146,095	80,440
Provisions		594	536
Other non-current financial liabilities	7	173,840	373
Total non-current liabilities		174,434	909
Ordinary shares		12,852	12,380
Additional paid-in capital		243,553	203,911
Accumulated profit		95,612	58,233
Other reserves		(1,493)	(8,251)
Employee stock purchase plan shares		(2,868)	(3,158)
Net Shareholders' equity		347,656	263,115
Total liabilities and Shareholders' equity		668,185	344,464

Unaudited consolidated income statement

For the three and nine months ended 28 September 2012

	Notes	Three months ended 28 September 2012	Three months ended 30 September 2011 Adjusted 1)	Nine months ended 28 September 2012	Nine months ended 30 September 2011 Adjusted 1)
		US\$000	US\$000	US\$000	US\$000
Revenue	2	180,023	140,615	505,896	355,183
Cost of sales		(111,533)	(83,278)	(316,216)	(209,758)
Gross profit		68,490	57,337	189,680	145,425
Selling and marketing expenses		(9,223)	(8,762)	(28,006)	(23,024)
General and administrative expenses		(7,938)	(4,930)	(22,193)	(17,535)
Research and development expenses		(33,868)	(24,821)	(92,904)	(65,030)
Other operating income		–	303	–	303
Restructuring and related impairment charges		–	–	–	(2)
Operating profit	2	17,461	19,127	46,577	40,137
Interest income and other financial income		467	77	1,062	281
Interest expense and other financial expense		(2,083)	(63)	(3,851)	(198)
Foreign currency exchange gains and losses, net		770	(411)	458	(239)
Result before income taxes		16,615	18,730	44,246	39,981
Income tax expense		(4,487)	(1,698)	(11,947)	(3,169)
Net profit		12,128	17,032	32,299	36,812

		Three months ended 28 September 2012	Three months ended 30 September 2011 Adjusted 1)	Nine months ended 28 September 2012	Nine months ended 28 September 2012 Adjusted 1)
Earnings per share (in US\$)					
Basic		0.19	0.27	0.50	0.59
Diluted	7	0.18	0.25	0.48	0.55
Weighted average number of shares (in thousands)					
Basic		64,984	62,865	64,453	62,422
Diluted	7	67,551	67,035	67,042	66,754

[1] Please refer to "Adjustment purchase price allocation" in note 1.

Unaudited statement of comprehensive income

For the three and nine months ended 28 September 2012

	Three months ended 28 September 2012	Three months ended 30 September 2011 adjusted US\$000	Nine months ended 28 September 2012	Nine months ended 30 September 2011 adjusted US\$000
	US\$000		US\$000	
Net profit	12,128	17,032	32,299	36,812
Exchange differences on translating foreign operations	(323)	(3,386)	(162)	(3,636)
Cash flow hedges	4,124	(7,550)	7,238	(3,804)
Income tax relating to components of other comprehensive income	(852)	3,323	(318)	3,524
Other comprehensive income for the year, net of tax	2,949	(7,613)	6,758	(3,916)
Total comprehensive income for the year	15,077	9,419	39,057	32,896

Unaudited consolidated statements of cash flows

For the three and nine months ended 28 September 2012

	Three months ended 28 September 2012	Three months ended 30 September 2011 PPA adjusted US\$000	Nine months ended 28 September 2012 US\$000	Nine months ended 30 September 2011 PPA adjusted US\$000
	Notes	US\$000		
Cash flows from operating activities:				
Net profit		12,128	17,032	32,299
Interest income, net		1,616	(14)	2,789
Income tax expense		4,487	1,698	11,947
Impairment of inventories		2,074	61	3,631
Depreciation of property, plant and equipment		3,423	2,391	9,096
Amortization of intangible assets		5,397	5,119	14,428
Losses on disposals of fixed assets and impairment of fixed and financial assets		38	442	347
Expense related to share-based payments		1,925	1,552	5,080
Expense related to acquisition of SiTel Semiconductor		–	70	–
Changes in working capital:				
Trade accounts receivable and other receivables		(17,123)	(8,122)	(17,022)
Factoring		(7,606)	274	(11,482)
Inventories		(51,866)	(8,907)	(93,279)
Prepaid expenses		57	1,104	675
Trade accounts payable		27,055	19,496	47,525
Provisions		275	211	433
Other assets and liabilities		(1,507)	1,953	653
Cash generated from operations		(19,627)	34,360	7,120
Interest paid		(1,064)	(94)	(1,064)
Interest received		510	74	773
Income taxes paid		(1,339)	(215)	(7,879)
Cash flow generated from (used for) operating activities		(21,520)	34,125	(1,050)
Cash flows from investing activities:				
Purchases of property, plant and equipment		(5,472)	(7,788)	(30,123)
Purchases of intangible assets		(7,518)	(2,223)	(10,305)
Payments for capitalized development costs		(1,179)	(610)	(3,405)
Purchase of SiTel Semiconductor B.V.		–	(70)	–
Change in other long term assets		(61)	12	101
Cash flow used for investing activities		(14,230)	(10,679)	(43,732)
Cash flows from financing activities:				
Convertible Bond	7	(66)	–	196,724
Sale of employee stock purchase plan shares		1,050	449	3,805
Financial liabilities		10,000	(10,000)	10,000
Cash flow generated from (used for) financing activities		10,984	(9,551)	210,529
Cash flow from (used for) operating, investing and financing activities		(24,766)	13,895	165,747
Net foreign exchange difference		(124)	65	(274)
Net increase (decrease) in cash and cash equivalents		(24,890)	13,960	165,473
Cash and cash equivalents at beginning of period		303,953	80,474	113,590
Cash and cash equivalents at end of period		279,063	94,434	279,063

Unaudited consolidated statement of changes in equity

For the three and nine months ended 28 September 2012

	Ordinary Shares US\$000	Additional paid-in capital US\$000	Accumulated profit US\$000	Other reserves		Employee stock purchase plan shares US\$000	Total US\$000
				Currency translation adjustment US\$000	Cash Flow Hedges 000US\$		
Balance at 31 December 2010 / 1 January 2011	12,380	202,416	(3,961)	(1,717)	69	(3,915)	205,272
Total comprehensive income (loss)	–	–	36,812	(112)	(3,804)	–	32,896
Sale of employee stock purchase plan shares	–	943	–	–	–	602	1,545
Equity settled transactions, net of tax	–	–	4,660	–	–	–	4,660
Changes in Equity total	–	943	41,472	(112)	(3,804)	602	39,101
Balance at 30 September 2011	12,380	203,359	37,511	(1,829)	(3,735)	(3,313)	244,373
Balance at 31 December 2011 / 1 January 2012	12,380	203,911	58,233	(1,879)	(6,372)	(3,158)	263,115
Total comprehensive income (loss)	–	–	32,299	134	6,624	–	39,057
Convertible Bond	–	37,393	–	–	–	–	37,393
Convertible Bond transaction cost	–	(796)	–	–	–	–	(796)
Capital Increase for employee share option plan (gross proceeds)	472	2,647	–	–	–	(3,119)	–
Transaction cost of capital increase - employee share option plan	–	(33)	–	–	–	–	(33)
Sale of employee stock purchase plan shares	–	431	–	–	–	3,409	3,840
Equity settled transactions, net of tax	–	–	5,080	–	–	–	5,080
Changes in Equity total	472	39,642	37,379	134	6,624	290	84,541
Balance at 28 September 2012	12,852	243,553	95,612	(1,745)	252	(2,868)	347,656

Notes to the Interim Consolidated Financial Statements (Unaudited)

For the three and nine months ended 28 September 2012

1. General

Company name and registered office

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

Description of Business

Dialog Semiconductor creates highly integrated, mixed-signal integrated circuits (ICs) optimised for personal portable, short-range wireless, lighting, display and automotive applications. The company provides flexible and dynamic support, world-class innovation and the assurance of dealing with an established business partner.

With its focus and expertise in energy-efficient system power management, and the addition during 2011 of low energy short-range wireless and VoIP technology to the portfolio, Dialog brings decades of experience to the rapid development of ICs for personal portable applications, including smartphones, tablet PCs, digital cordless phones and gaming applications.

Dialog's power management processor companion chips are for enhancing both the performance in terms of extended battery lifetime and the consumers' multimedia experience. With world-class manufacturing partners, Dialog operates a fabless business model.

Dialog Semiconductor Plc is headquartered near Stuttgart, with a global sales, R&D and marketing organisation. In 2011, it had US\$527 million in revenue and is one of the fastest growing European public semiconductor companies. At 28 September 2012, the Company had 742 employees. The Company is listed on the Frankfurt (FWB: DLG) stock exchange and is a member of the German TecDax index.

Accounting policies

The accompanying interim consolidated financial statements have been prepared on the basis of the recognition and measurement requirements of IFRS and its interpretation adopted by the EU. As permitted by IAS 34, Management has decided to publish a condensed version compared to the consolidated financial statements at 31 December 2011.

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 2011 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 28 September 2012 are not necessarily indicative of the results to be expected for the full year ending 31 December 2012.

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 revenue 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.

Adjustment purchase price allocation

On 10 February 2011, Dialog Semiconductor Plc acquired 100% of the voting shares of SiTel Semiconductor B.V. (Now Dialog B.V.), an unlisted company headquartered and incorporated in the Netherlands and a leader in short-range wireless, digital cordless and VoIP technology.

Given the timing of the transaction, at the end of Q3-2011 it was not possible to provide all disclosures required by IFRS 3 (R) as the acquisition accounting including the purchase price allocation ("PPA") was still in the process of being finalised. The Company completed this during the remainder of 2011. Therefore in the consolidated interim financial statements for the first, second and third quarter 2011 Dialog reported the results of the PPA on the basis of provisional figures. The final results led to changes to the PPA and numbers for Q1, Q2 and Q3-2011 have been retrospectively adjusted. The table below shows the adjustments:

	Three months ended 30 September 2011 as previously reported US\$000	PPA adjustment US\$000	Three months ended 30 September 2011 adjusted US\$000	Nine months ended 30 September 2011 as previously reported US\$000	PPA adjustment US\$000	Nine months ended 30 September 2011 adjusted US\$000
Revenue	140,615	–	140,615	355,183	–	355,183
Cost of sales	(83,155)	(123)	(83,278)	(211,035)	1,277	(209,758)
Gross profit	57,460	(123)	57,337	144,148	1,277	145,425
Selling and marketing expenses	(8,575)	(187)	(8,762)	(22,249)	(775)	(23,024)
General and administrative expenses	(4,930)	–	(4,930)	(17,535)	–	(17,535)
Research and development expenses	(24,833)	12	(24,821)	(64,976)	(54)	(65,030)
Other operating income	303	–	303	303	–	303
Restructuring and related impairment charges	-	–	–	(2)	–	(2)
Operating profit	19,425	(298)	19,127	39,689	448	40,137
Interest income and other financial income	77	–	77	281	–	281
Interest expense and other financial expense	(63)	–	(63)	(198)	–	(198)
Foreign currency exchange gains and losses, net	(411)	–	(411)	(239)	–	(239)
Result before income taxes	19,028	(298)	18,730	39,533	448	39,981
Income tax expense	(1,698)	–	(1,698)	(3,169)	–	(3,169)
Net profit	17,330	(298)	17,032	36,364	448	36,812
				30 September 2011 as previously reported US\$000	PPA adjustment US\$000	30 September 2011 adjusted US\$000
Goodwill				27,358	–	27,358
Intangible assets				39,331	448	39,779
Net Shareholders' equity				243,925	448	244,373

2. Segment Reporting

The 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

Dialog has changed the structure of its internal organisation which drove a change in the composition of its reportable segments. For further information please see below. Following this change the Group's operating segments are:

Mobile Systems

This segment includes our power management and audio chips especially designed to meet the needs of the wireless systems markets and a range of advanced driver technologies for low power display applications – from PMOLEDs, to electronic paper and MEMS displays. This segment was newly created in Q1-2012 and includes our former Audio and Power Systems segment and our former Display Systems segment. For further information, see below.

Automotive and Industrial

In the automotive and industrial market our products address the safety, management and control of electronic systems in cars and for industrial applications.

Connectivity

The activities of this segment include short-range wireless, digital cordless and VoIP technology. The new Connectivity segment includes the operating segment of our subsidiary SiTel Semiconductor B.V. now Dialog Semiconductor B.V. ("Dialog B.V."). Dialog B.V. was acquired on 10 February 2011; therefore its results are consolidated from this date.

	Three months ended 28 September 2012	Three months ended 30 September 2011 adjusted	Nine months ended 28 September 2012	Nine months ended 30 September 2011 adjusted
	US\$000	US\$000	US\$000	US\$000
Revenue				
Mobile Systems	146,782	94,188	404,979	237,534
Automotive/Industrial	8,765	11,483	29,251	35,895
Connectivity	24,176	33,159	71,367	80,075
Corporate	300	1,785	299	1,679
Total revenue	180,023	140,615	505,896	355,183
Operating profit (loss) ¹⁾				
Mobile Systems	22,293	14,771	58,492	36,422
Automotive/Industrial	1,263	2,686	5,581	8,296
Connectivity ²⁾	(2,757)	1,558	(7,664)	2,886
Corporate	(3,338)	112	(9,832)	(7,467)
Total operating profit	17,461	19,127	46,577	40,137

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

[2] The operating result recorded for the connectivity segment includes additional amortisation charges resulting from fair value adjustments in connection with the purchase price allocation

Change of Segmental Reporting structure

Following the acquisition of Dialog B.V. in February 2011, the Company initiated a review of the business segments. The first outcome was the creation of the Connectivity Segment in 1Q-2011 to encapsulate all the activities of former SiTel. During Q1-2012, the Company went on to review its display activities.

Low market traction of the Company's display products in the last two years which resulted in minimal revenue drove the Company's decision to re-allocate its scarce R&D resources away from these products and onto higher priority projects. Therefore already in Q1-2012 the Company indicated that it would no longer invest R&D activities in the development of next generation display products unless it sees traction in the market and capacity investment in display glass modules from its business partners in Asia. Nevertheless, the Company continues to engage with major tier 1 OEMs and module display manufacturers to secure their adoption of this technology.

Due to high synergy of end markets and customers in mobile products between audio & power management and display products, the Company then decided to merge the two marketing and support organisations.

These decisions meant that it was no longer meaningful to report the display activity as a separate business segment. As a result in Q1-2012 the Company has decided to merge the former Audio & Power Management Segment and the former Display Systems Segment under the newly created segment called Mobile Systems Business Group.

The following table shows for 2011 the Company's former Audio & Power Management Segment, the former Display Segment and the combination of both into the new Mobile Systems Segment:

	Three months ended 30 September 2011			Nine months ended 30 September 2011		
	Audio & Power Management	Display Systems	Mobile Systems	Audio & Power Management	Display Systems	Mobile Systems
	US\$000	US\$000	000US\$	US\$000	US\$000	000US\$
Revenue ¹⁾	93,791	397	94,188	236,463	1,071	237,534
Operating profit (loss)	17,603	(2,832)	14,771	44,163	(7,741)	36,422

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

b) Geographical information

	Three months ended	Three months ended	Nine months ended	Nine months ended 30
	28 September 2012	30 September 2011	28 September 2012	September 2011
	US\$000	US\$000	US\$000	US\$000
Revenue				
United Kingdom	694	1,410	1,900	2,706
Other European countries	16,603	22,985	54,984	63,568
China	135,830	87,046	372,756	210,169
Other Asian countries	25,421	25,299	70,704	62,665
Other countries	1,475	3,875	5,552	16,075
Total revenue	180,023	140,615	505,896	355,183

	At 28 September	At 31 December 2011
	2012	US\$000
	US\$000	
Assets		
Germany	367,808	236,561
Japan	2,480	2,925
United Kingdom	188,367	8,052
Netherlands	86,416	93,763
Other	23,114	3,163
Total assets	668,185	344,464

Revenue 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. Stock-Based Compensation

Stock option plan activity for the period ended 28 September 2012 was as follows:

	Options	2012 Weighted average exercise price €
Outstanding at beginning of year	6,160,579	5.48
Granted	1,346,561	10.92
Exercised	(1,539,124)	1.83
Forfeited	(205,461)	8.83
Outstanding at end of period	5,762,555	7.63
Options exercisable at period end	2,655,296	3.71

The Company established an employee benefit trust (the "Trust"). The Trust purchases shares in the Company for the benefit of employees under the Group's share option scheme. At 28 September 2012 the Trust held 2,725,510 shares.

4. Inventories

Inventories consisted of the following:

	At 28 September 2012 US\$000	At 31 December 2011 US\$000
Raw materials	21,602	4,031
Work-in-process	82,399	22,496
Finished goods	41,284	36,110
	145,285	62,637

5. Property, plant and equipment

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

	At 28 September 2012 US\$000	At 31 December 2011 US\$000
Gross carrying amount	146,715	118,275
Accumulated depreciation	(97,315)	(89,871)
Net carrying amount	49,399	28,404

The Company has contractual commitments for the acquisition of property, plant and equipment of US\$4,402,000.

6. Intangible assets

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

	At 28 September 2012 US\$000	At 31 December 2011 US\$000
Gross carrying amount	99,865	71,621
Accumulated depreciation	(47,525)	(33,260)
Net carrying amount	52,340	38,361

The Company has contractual commitments for the acquisition of intangible assets of US\$2,746,000.

In addition the company has a contingent liability of US\$400,000 in connection with the purchase of intangible assets. This liability is contingent to certain milestones being met which is expected to occur within the next 3 months.

As part of our on-going strategy to invest in R&D, during the third quarter 2012, Dialog entered into a US\$26.4 million, 6 years licensing agreement with a third party which allows Dialog to access patents in the area of portable power management and battery charging technology.

Dialog paid an initial amount of US\$6 million in Q3-2012. In addition to this payment 24 subsequent quarterly payments of US\$850,000 will be made by Dialog amounting to a total investment of US\$26.4 million. The license agreement was capitalized with its net present value of US\$20.791. The discount rate used for this calculation represents Dialogs weighted average cost of capital (WACC). The useful life has been determined being 6 years.

7. Convertible bond

During Q1-2012, the Company launched a 5 year Convertible Bond Offering yielding gross proceeds of US\$201 million. The offering closed on 12 April. The bonds, which are listed on the Luxembourg Stock Exchange's Euro MTF market, will be convertible into ordinary shares of Dialog Semiconductor Plc., listed on the Regulated Market of the Frankfurt Stock Exchange. The Bonds were issued at 100% of their principal amount with a coupon of 1.0% per-annum payable semi-annually in arrear. The conversion price is US\$29.5717 (€22.367), representing a premium of 35 per cent above the volume-weighted average price on XETRA of Dialog Semiconductor Plc.'s ordinary shares to the time of pricing on 8 March 2012. The net proceeds received in 2012 were US\$196,724,000 after transaction costs in the amount of US\$4,319,000 were deducted. In accordance with IAS 32 of the nominal amount of US\$201 million an amount of US\$ 37,393,000 was allocated to equity and an amount of US\$163,607,000 was allocated to financial liabilities.

In Q3-2012 and first nine months in 2012 the potential ordinary shares of the convertible bond were antidilutive as their conversion to ordinary shares would increase earnings per share. For the calculation of diluted earnings per share a conversion was therefore not assumed. Consequently the Convertible bond currently has no impact on diluted earnings per share.

8. Transactions with related parties

As described in the Company's annual report 2011, note 25 the related parties of the Company are comprised of seven Non-Executive members of the Board of Directors and ten members of the executive management. Effective 24 April 2012 one member of the board of directors was replaced by a new director. Besides this the group of related parties has not changed in the first six months of 2012. Transactions with those related parties only comprise their compensation which did not significantly change compared to 2011.

9. Subsequent events

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

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