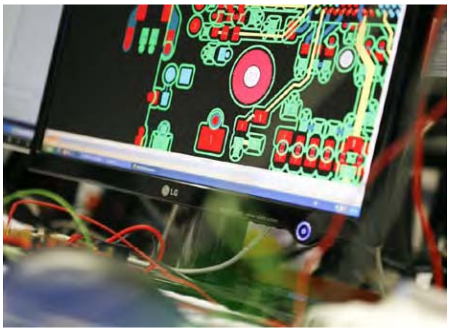
dialog SEMICONDUCTOR

Interim Report as of 29 March **2013**

The power to be...

...personal
...portable
...connected

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Press Release – 8 May 2013

DIALOG SEMICONDUCTOR REPORTS FIRST QUARTER RESULTS ENDED 29 MARCH 2013

Company delivers first quarter year on year revenue growth of 8% and year on year gross margin improvement

Kirchheim/Teck, Germany, 8 May 2013 - 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 first quarter ending 29 March 2013.

Q1 2013 financial highlights

- Revenue up 8% over Q1 2012 at $180 million
- Gross margin up 120bps over Q1 2012 at 38.1%
- Underlying (*) EBITDA (**) at $27.1 million or 15.1% of revenue
- IFRS operating profit (EBIT) up 5% over Q1 2012 to $16.6 million or 9.2% of revenue
- Connectivity segment was near break even on an IFRS basis and profitable on an underlying (*) basis
- IFRS basic and diluted EPS of 15 cents, down 3 and 2 cents respectively on Q1 2012. Underlying (*) basic and diluted EPS of 21 cents, down 5 and 4 cents respectively on Q1 2012
- Cash generated from operations at $20.4 million. Cash and cash equivalents balance as of 29 March 2013 increased by $6,2 million to $318.6 million from Q4 2012

Q1 2013 operational highlights

- Continued power management smartphone and tablet design win momentum, across new platforms and models of our largest clients
- Continued the diversification of our client footprint with a third smartphone platform win with Samsung
- Broadening our product portfolio with the launch of the first multi-touch IC Smartwave TM , enabling multi-touch experience at a price point affordable for UltrabooksTM
- As part of the Partner Processor Programme we expanded our collaboration with Intel for the development of a single-chip power management IC (PMIC) for the Bay Trail platform targeting the tablet market
- New Asia based smartphone chipset partner selected our power-management IC(PMIC) to be part of their reference design targeting the Chinese market
- The migration to 0.13nm BCD technology continued according to plan and we anticipate first products will be available for sampling by Q4 2013

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

"I'm very pleased to report a good set of results delivering year on year revenue growth and gross margin improvement. During the quarter we continued to diversify our customer base and brought exciting innovation to the market. The launch of our first multi-touch IC SmartwaveTM and the collaboration with Intel in the Bay Trail are important milestones in our strategic route map.

"Dialog is in an excellent position to continue its success story in 2013.Our team continues to push the diversification drive through sustained investment in R&D innovation, close collaboration with our partners and customers and through selected acquisitions and strategic co-operations."

Outlook

In Q2 2013, we expect revenue for the quarter to be in the range of $140 to $155 million as a result of unit sales softness.

On the basis of the revenue outlook for Q2 2013 we expect gross margin to be flat to marginally below Q1 2013. However, gross margin is expected to improve incrementally through the second half of 2013 and grow year on year.

Given the visibility we have, we remain confident about the Company's revenue growth for the full year, anticipating a much stronger second half driven by ramp of high volume new products.

Financial overview

IFRS US$ million	First Quarter 2013	2012	% Var.
Revenue	180.0	166.3	8%
Gross Margin	38.1%	36.9%	+120bps
R&D %	20.1%	17.2%	+290bps
SG&A % [1]	8.7%	10.4%	(170)bps
EBIT [1]	16.6	15.7	5%
EBIT % [1]	9.2%	9.5%	(30)bps
Net income [1]	9.9	11.6	(15)%
Basic EPS $ [1]	0.15	0.18	(17)%
Diluted EPS $ [1]	0.15	0.17	(12)%
Operating cash flow [1]	20.4	35.8	(43)%

Underlying US$ million	First Quarter 2013	2012	% Var.
Gross Margin	38.2%	37.3%	+90bps
EBITDA [1]	27.1	27.1	0%
EBITDA % [1]	15.1%	16.3%	(120)bps
EBIT [1]	18.9	21.5	(12)%
EBIT % [1]	10.5%	13.0%	(250)bps
Basic EPS $ [1]	0.21	0.26	(19)%
Diluted EPS $ [1]	0.21	0.25	(16)%

[1] Q1-2012 numbers have been adjusted following a revised treatment of transactions costs for the Convertible Bond. For further information please refer to our Q2-2012 report in which this was reported as prior period adjustment http://www.dialog-semiconductor.com/investor-relations/reports-filings/quarterly-reports

Revenue in Q1 2013 was up 8% at $180 million. This was a very positive performance against a strong Q1 2012, when we saw strong momentum from recently introduced products. Mobile Systems segment revenue was up 14% over Q1 2012.

As previously indicated, Q1 2013 gross margin was marginally below Q4 2012 at 38.1% and 120bps above Q1 2012. This marginal decline is the result of the lower revenue in the quarter and the subsequent higher allocation per unit of the fixed component of Cost of Sales – or Cost of Goods Sold (COGS). The collaboration with our foundry partners to gradually improve our manufacturing process continued throughout the quarter and we made good progress towards our goal to increasing yields and material cost reductions. As a result of these initiatives, we continue to expect gross margin improvement for the full year 2013.

R&D investment in Q1 2013 stood at 20.1% of revenue, 290 bps over Q1 2012 and representing an increase of 4% over Q4 2012. On a trailing twelve months basis R&D was 17.2% of revenue or 50bps above Q1 2012. The strong investment in R&D resources and projects is an important part of the company's strategy to accelerate diversification of its product portfolio, to address new market applications and broaden its customer base. We are confident about our product pipeline and we expect to launch new products through 2013.

SG&A in Q1 2013 stood at 8.7% of revenue, 170bps below Q1 2012. During the quarter we maintained best in class SG&A levels on IFRS and underlying basis. In addition to maintaining this high level of efficiency during the quarter we saw lower amortisation expenses relating to the purchase price allocation from the SiTel acquisition and lower national insurance costs associated with share based payment charges.

EBIT for Q1 2013 was up 5% to $16.6 million, the highest ever first quarter on record. At the end of Q1 2013 the Connectivity segment was near break even on an IFRS basis and was profitable on an underlying basis. This is the positive outcome of all the initiatives we took during 2012 to increase supply chain efficiencies and re-focus on higher margin business opportunities.

A net tax charge of $4.2 million was recorded in Q1 2013. This is in line with our February guidance, representing a 30% effective tax rate. This rate is above the effective tax rate for Q1 2012 of 27%. We expect the tax rate to peak in 2013 at around 30%.

IFRS net income was $9.9 million, 15% below Q1 2012. This drop was the result of higher interest expenses in connection with the measurement of the financial liability from the convertible bond and the indicated increase in the tax rate to 30% (Q1 2012: 27%). On an underlying basis Q1 2013 net income was below Q1 2012 as a result of the sustained investment in R&D in line with our strategic growth and diversification objectives. IFRS basic and diluted EPS were 15 cents, down 3 and 2 cents respectively over Q1 2012.

At the end of Q1 2013, our total inventory level was below Q4 2012 at $146 million (or ~120 days). We continued to manage our inventory through the product cycle trough. In anticipation of a number of product launches during the coming quarters, the percentage of raw materials out of total inventory value increased to 30%, more than doubling from the end of 2012 and representing approximately 18 days. We expect a further net reduction in inventory value during Q2 2013.

At the end of Q1 2013, we had cash and cash equivalents balance of $318.6 million. In the first quarter we generated $20 million of operating cash. Free cash flow(***) movement in the quarter was an inflow of $1.9 million.

(*) Underlying results in Q1-2013 are based on IFRS unaudited consolidated interim income statement, adjusted to exclude share-based compensation charges and related charges for National Insurance of US$1.3 million, excluding US$1.1 million of amortisation of intangibles associated with the acquisition of SiTel (now Dialog B.V.), excluding US$1.9 million non-cash interest expense in connection with the convertible bond and excluding US$0.3 million non-cash effective interest expense related to a licensing agreement entered into in Q3-2012 and also excluding the related tax effects.

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 (Q1 2013: US$3.9 million, Q1 2012: US$2.7 million), amortisation for intangible assets (Q1 2013: US$5.1 million, Q1 2012: US$4.7 million) and losses on disposals and impairment of fixed assets (Q1 2013: US$0.3 million, Q1 2012: US$0.2 million).

(***) Free Cash Flow is defined as net income of US$9.9 million plus amortisation and depreciation of US$ 9.1 million, minus change in working capital of US$7.5 million, minus capital expenditure of US$12.2 million and plus net interest expense of US$2.6 million.

Operational overview

In Q1 2013 we won additional new custom PMIC designs across new platforms and models at our largest clients. We made good progress in the diversification of our client footprint with a third global smartphone platform win with Samsung. Our power management IC (PMIC) with integrated audio functionality is being used in the new range of entry to mid-level Samsung Galaxy Fame smartphone. This third platform win with Samsung is a powerful endorsement of Dialog's technology and we look forward to furthering our relationship with the addition of more platform wins in the future.

The high level of integration in our power management IC (PMIC) continued to support an increase in the Average Sales Price (ASP).

Building on our innovation effort and as part of our ultrabook strategy we entered the touch screen sensors segment with the launch of our first multi-touch IC (MTIC) Smartwave TM. This solution enables multi-touch experience at a price point affordable for mainstream UltrabooksTM and a new generation of touch enabled display products. Unlike competing technologies, it allows system costs to scale linearly with screen size. Smartwave TM is suitable for today's laptops, All-in-One PCs, UltrabooksTM and monitors and is optimised for display types between 11 and 36 inches. It is also designed to meet Microsoft Windows 8 and Intel's UltrabooksTM touch requirements.

As part of the Partner Processor Programme we expanded our collaboration with Intel for the development of a single-chip power management IC (PMIC). Together with the next generation Intel® Atom™ processor, codename 'Bay Trail', this PMIC delivers outstanding battery life for tablet designs, a critical factor in consumer product choice. This product was optimised to be a system power management device on Intel's reference design vehicle: an 'open bench top' customer reference board/kit for test, measurement and software development as well as an enclosed form-factor reference design that requires minimal additional hardware to complete the rapid development of tablet computers.

Dialog's focus on Asia design-in activity has been building momentum, with a number of customers evaluating our System PMIC, fast charger functions and programmable multi-phase converters. During Q1 2013, one of our highly integrated PMICs has been selected by a new Asia based smart phone chipset partner. Our PMIC will be part of their reference design targeting the high volume smartphone Chinese market. We expect an Asia based Tier 1 customer to begin volume smartphone shipments by end of 2013 based on this reference design.

The transition of our power management IP (intellectual property) to 0.13 micron BCD technology continued according to plan. This smaller geometry allows us to even further increase the level of functionality we can integrate into our PMIC's, including the integration of increased digital power management functionality. Additionally, it gives us access to increased manufacturing capacity at our foundry partners and a future platform to transition to 300 mm wafer manufacturing. We anticipate the first products to be available for sampling by Q4 2013.

* * * * *

Dialog Semiconductor invites you today at 08.30 am (London) / 09.30 am (Frankfurt) to take part in a live conference call and to listen to management's discussion of the Company's Q1 2013 performance, as well as guidance for Q2 2013. 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 #44924030. 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

Full release including the Company's consolidated income statement, consolidated balance sheet, consolidated statements of cash flows and selected notes for the period ending 29 March 2013 is available under the investor relations section of the Company's website at:

http://www.diasemi.com/investor-relations

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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, tablets, 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 fabless business model.

Dialog Semiconductor plc is headquartered near Stuttgart with a global sales, R&D and marketing organisation. In 2012, it had $774 million in revenue and was one of the fastest growing European public semiconductor companies. At the end of 2012 it had approximately 800 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 months ended 29 March 2013 and 30 March 2012:

	Three months ended 29 March 2013		Three months ended 30 March 2012		Change
				adjusted [1]	
	US$000	**% of revenues**	US$000	% of revenues	%
Revenues					
Mobile Systems	**150,127**	**83.4**	132,143	79.4	13.6
Automotive / Industrial	**9,206**	**5.1**	10,117	6.1	(9.0)
Connectivity	**20,621**	**11.5**	24,088	14.5	(14.4)
Corporate Sector	**0**	**0.0**	-	0.0	-
Revenues	**179,954**	**100.0**	**166,348**	**100.0**	**8.2**
Cost of sales	**(111,357)**	**(61.9)**	(104,902)	(63.1)	6.2
Gross profit	**68,597**	**38.1**	**61,446**	**36.9**	**11.6**
Selling and marketing expenses	**(8,534)**	**(4.7)**	(9,289)	(5.7)	(8.1)
General and administrative expenses	**(7,245)**	**(4.0)**	(7,797)	(4.7)	(7.1)
Research and development expenses	**(36,258)**	**(20.1)**	(28,639)	(17.2)	26.6
Operating profit	**16,560**	**9.2**	**15,721**	**9.5**	**5.3**
Interest income and other financial income	**171**	**0.1**	99	0.1	72.7
Interest expense and other financial expense	**(2,829)**	**(1.6)**	(43)	0.0	>1,000
Foreign currency exchange gains and losses, net	**235**	**0.1**	159	0.1	47.8
Result before income taxes	**14,137**	**7.9**	**15,936**	**9.6**	**(11.3)**
Income tax expense	**(4,241)**	**(2.4)**	(4,301)	(2.6)	(1.4)
Net profit	**9,896**	**5.5**	**11,635**	**7.0**	**(14.9)**

1) Please refer to note 2 of the Interim Consolidated Financial Statements

Results of Operations

Segment Reporting

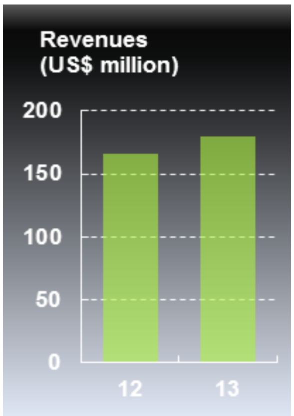
Revenues in the **Mobile Systems** Segment (see Note 3 to the interim consolidated statement of financial position and notes - Segment Reporting) were US$150.1 million for the three months ended 29 March 2013 (Q1-2012: US$132.1 million) comprising 83.4% of our total revenues (Q1-2012: 79.4%). The increase in this sector is again 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.

Despite higher revenues the operating profit in the Mobile Systems Segment decreased from US$19.7 million for the three months ended 30 March 2012 to US$18.9 million for the three months ended 29 March 2013. This was mainly a result of higher R&D expenses allocated to this segment to support our strategic long term growth and diversification efforts. Please refer to the sections "Automotive / Industrial Applications segment" and "Research and development expenses" below.

Revenues from our **Automotive / Industrial Applications segment** were US$9.2 million for the three months ended 29 March 2013 (Q1-2012: US$10.1 million) representing 5.1% of our total revenues (Q1-2012: 6.1%). Despite lower revenues in the sector, operating profit increased from US$ 1.6 million for Q1-2012 to US$ 3.1 million for the three months ended 29 March 2013. This was mainly driven by increased product margins from higher manufacturing yields and from allocating R&D and selling resources and attributable overhead expenses from this sector to the mobile system sector.

Revenues from our **Connectivity segment** were US$20.6 million or 11.5% of total revenues for Q1-2013 compared to US$24.1 million or 14.5% of total revenues for Q1-2012. For Q1-2013 the Connectivity segment contributed an operating loss of US$0.2 million, compared to an operating loss of US$2.7 million for Q1-2012. As a percentage of revenue the loss decreased from 11.2% for Q1-2012 to 0.7% for Q1-2013. This positive movement is the result of the following items: Amortisation expenses relating to the purchase price allocation decreased from US$2.1 million for Q1-2012 to US$1.1 million for Q1-2013 after some assets were fully amortised in 2012. The operating loss in Q1-2012 included an expense of US$ 0.5 million that relates to higher National Insurance provisions for UK based employees associated to share options as a result of the share price increase in Q1-12. The operating loss in Q1-2013 included a gain of US$ 0.1 million as a result of the share price decrease in Q1-2013. Furthermore, in Q1-2012 one-time costs of about US$0.7 million were recorded which relate to the transfer of certain legacy Connectivity products to a new assembly site. From an underlying (*) point of view, Connectivity operating profits were US$0.9 million in Q1 2013, compared to an operating loss of US$0.1 million in Q1 2012. See table on page 9.

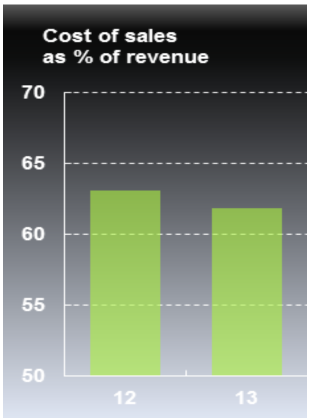
Revenues



Total revenues were US$180.0 million for the three months ended 29 March 2013 (Q1-2012: US$166.3 million). The increase of 8.2% in revenues results mainly from 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 increased by 6.2% from US$104.9 million for the three months ended 30 March 2012 to US$111.4 million for the three months ended 29 March 2013, resulting from increased revenues during the quarter. As a percentage of revenues, cost of sales decreased from 63.1% to 61.9%. This decrease can largely be attributed to material cost reductions , the on-going collaboration with our foundry partners to gradually improve our manufacturing process and the transfer of certain Connectivity legacy products to a new assembly site which helped us to improve efficiency and reduce back-end cost.



Gross profit

Our gross margin increased from 36.9% of revenues for the three months ended 30 March 2012 to 38.1% of revenues for the three months ended 29 March 2013 driven by lower cost of sales as a percentage of revenues. The improvement of gross margin reflects our efforts in rigorous cost management. However, compared to Q4-2012, gross margin decreased by 40 basis points (Q4-2012: 38.5%). This marginal decline is the result of the lower revenue achieved in Q1-2013 compared to the last quarter of 2012 and the subsequent higher allocation per unit of the fixed component of COGS.

Selling and marketing expenses

Selling and marketing expenses consist primarily of salaries, travel expenses, sales commissions and advertising and other marketing costs. Also included are amortization expenses for intangible assets such as customer relationship, key customers and order backlog coming from the purchase price allocation relating to the acquisition of SiTel B.V. in 2011. As some of these assets were fully amortised in 2012, no expenses are recorded in Q1-2013. Selling and marketing expenses decreased from US$9.3 million for the three months ended 30 March 2012 to US$8.5 million for the three months ended 29 March 2013 (8.1% Year on Year reduction). This decrease is mainly driven by lower amortisation expenses relating to the purchase price allocation which decreased from US$ 1.6 million in Q1-2012 to 0.8 million in Q1-2013 as explained above. Consequently, as a percentage of total revenues, selling and marketing expenses decreased from 5.7% of total revenues in Q1- 2012 to 4.7% of total revenues in Q1-2013. Underlying (*) selling and marketing expenses were US$ 7.4 million in Q1-2012 and Q1-2013 respectively despite revenues increasing by 8.2% over that period.

General and administrative expenses

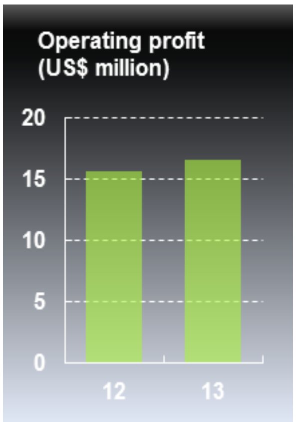
General and administrative expenses consist primarily of personnel and support costs for our finance, human resources and other management departments. General and administrative expenses were US$7.2 million for the first quarter 2013, a decrease of 7.1% over the US$7.8 million recorded in Q1-2012. Of that decrease, US$ 1.5 million was mainly due to movements in the closing share price affecting the National insurance cost associated with share based payment charges. In Q1-2012 the share price increased from €12.36 at 31 December 2011 to €18.32 at 30 March 2012, in Q1-2013 the share price decreased from €13.30 at 31 December 2012 to €10.35 at 29 March 2013. This decrease was offset by higher costs mainly personal costs for support functions reflecting the growth of the company. As a percentage of total revenues General and administrative expenses decreased from 4.7% for the three months ended 30 March 2012 to 4.0% in the three months ended 29 March 2013. Underlying (*) general and administrative expenses increased from US$ 5.9 in Q1-2012 (3.6% of revenues) to US$ 7.2 in Q1-2013 (4.0% of revenues).

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$36.3 million for the three months ended 30 March 2013 (Q1-2012: US$28.6 million), representing a year on year increase of 26.6%. Of that increase, an amount of US$ 3.0 million was primarily due to the continuous increase in R&D headcount in support of our on-going growth strategy, US$ 1.0 million of the increase relate to higher engineering costs spent for new products, US$1.0 million relate to higher design software costs, US$ 0.9 million relate to the amortisation of a license agreement the company entered into in Q3-2012 and US$ 0.8 million relate to increased external service costs. Consequently, as a percentage of total revenues research and development expenses increased from 17.2% in Q1 2012 to 20.1% in Q1 2013. During the first half of the year, R&D expenses expressed as a % of revenue will remain high due to the seasonality of our business. Following the same trend we saw in 2012 these are expected to improve significantly in the second half of the year in line with higher revenue contribution. Research and development cost incurred during the quarter typically lead to revenue 6 to 18 months out.

Operating profit

We reported an operating profit of US$16.6 million for the first quarter 2013 (Q1-2012: US$15.7 million). This increase primarily resulted from an improved gross margin, lower share option and related expenses and lower amortizsation expenses related to the purchase price allocation. Underlying (*) operating profit in Q1-2013 was US$ 18.9 million or 10.5% of revenues compared to US$21.5 million or 13.0% in Q1-2012.



Interest income and other financial income

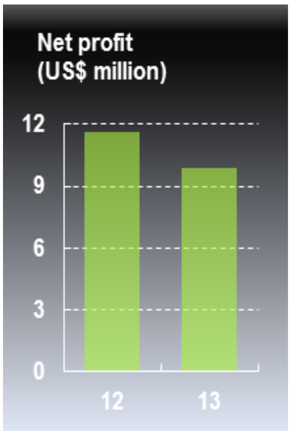
Interest income and other financial income from the Company's investments (primarily short-term deposits and securities) was US$171 thousand for the three months ended 29 March 2013 (Q1-2012: US$99 thousand. The increase is associated with the placement of the proceeds of the Convertible Bond on interest bearing accounts starting from the second quarter of 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 starting from the second quarter 2012 also the interest expense in relation to the convertible bond. In Q1-2013 interest and other financial expenses were US$2.8 million (Q1-2012: US$43 thousand). The amount in Q1-2013 mainly included two components relating to the convertible bond: US$ 0.5 million relating to a one per cent coupon payable on a semi-annual basis to the bond holders and US$1.9 million representing the interest expense in connection with the measurement of the financial liability from the bond using the effective interest method.

Income tax expense

For the three months ended 29 March 2013, a net income tax charge of US$4.2million was recorded (Q1-2012: US$4.3 million). The effective tax rate in Q1-2013 was 30% compared to 27% in Q1-2012. The main reason for the increase of the effective tax rate was that in 2013 a lower amount of previously unrecognised deferred tax assets was recognised. The 30% effective tax rate applied in Q1 2013 represents the expected full year 2013 effective tax rate.



Net profit

For the reasons described above, we reported a net profit of US$9.9 million for the three months ended 29 March 2013 (Q1-2012: US$11.6 million).

Basic and diluted earnings per share in Q1-2013 were US$0.15 compared to basic and diluted earnings per share of US$0.18 and US$0.17 in Q1-2012 respectively

Liquidity and capital resources

Cash flows

Cash generated from operating activities was US$18.4 million for the three months ended 29 March 2013 (Q1-2012 US$30.8 million). With an amount of US$31.8 million (Q1-2012 USD 26.3 million) the cash inflow in the three months ended 29 March 2013 mainly resulted from the operating income (before depreciation amortisation and other non-cash effective expenses). In Q1-2013 this cash inflow was partly offset by cash outflows for investments into the working capital of US$11.4 million (In Q1-2012 a further cash inflow of US$9.5 million relating to a reduction of working capital was recorded). In addition in Q1-2013, the company paid US$2.0 million for income taxes (Q1-2012 5.1 million).

Cash used for investing activities was US$12.2 million for the three months ended 29 March 2013 (Q1-2012: US$10.5 million). Cash used for investing activities in Q1-2013 consisted primarily of the purchase of tooling (masks), laboratory equipment, probe cards, load boards and other advanced test equipment for a total of US$7.9 million (Q1-2012: US$7.9 million), the purchase of intangible assets of US$2.1 million (Q1-2012: US$1.7 million) and payments related to capitalised development costs of US$0.8 million (Q1-2012: US$1.0 million). Furthermore an amount of US$1.5 million was spent for an equity investment.

Cash flow from financing activities was US$0.3 million for Q1-2013 and US$2.2 million for Q1-2012. The cash inflow in Q1-2013 and Q1-2012 relates to proceeds resulting from share option exercises in connection with the Company's employee share option program.

Liquidity

At 29 March 2013 we had cash and cash equivalents of US$318.6 million (31 December 2012: US$312.4 million). The working capital (defined as current assets minus current liabilities) was US$429.7 million (31 December 2012: US$420.9 million).

With an amount of US$166.0 million, long-term debt as of 29 March 2013 represents mainly the fair value of the liability from the convertible bond (31 December 2012: US$164,2 million).

If necessary, we have available for use a three-year (2011-2014) revolving credit facility of US$35.0 million that bears interest at a rate of LIBOR +140bp. At 29 March 2013 and 31 December 2012 we had no amounts outstanding under this facility. In addition, we have two factoring agreements which provide the Company with up to US$60.0 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 financial performance for Q1-2013 and Q1-2012

US$000	Three months ended 29 March 2013 IFRS	Adjustments	Underlying *)	Three months ended 30 March 2012 IFRS [1]	Adjustments	Underlying *)
Revenues	**179,954**	**-**	**179,954**	166,348	-	166,348
Cost of sales	**(111,357)**	**(227)**	**(111,130)**	(104,902)	(556)	(104,346)
Gross profit	**68,597**	**(227)**	**68,824**	**61,446**	**(556)**	**62,002**
Selling and marketing expenses	**(8,534)**	**(1,118)**	**(7,416)**	(9,289)	(1,929)	(7,360)
General and administrative expenses	**(7,245)**	**(11)**	**(7,234)**	(7,797)	(1,871)	(5,926)
Research and development expenses	**(36,258)**	**(1,027)**	**(35,231)**	(28,639)	(1,471)	(27,168)
Operating profit	**16,560**	**(2,383)**	**18,943**	**15,721**	**(5,827)**	**21,548**
Interest income and other financial income	**171**	**-**	**171**	99	-	99
Interest expense and other financial expense	**(2,829)**	**(2,177)**	**(652)**	(43)	-	(43)
Foreign currency exchange gains and losses, net	**235**	**-**	**235**	159	-	159
Result before income taxes	**14,137**	**(4,560)**	**18,697**	**15,936**	**(5,827)**	**21,763**
Income tax expense	**(4,241)**	**469**	**(4,710)**	(4,301)	524	(4,825)
Net profit	**9,896**	**(4,091)**	**13,987**	**11,635**	**(5,303)**	**16,938**
Earnings per share (in US$)						
Basic	**0.15**	**(0.06)**	**0.21**	0.18	(0.08)	0.26
Diluted	**0.15**	**(0.06)**	**0.21**	0.17	(0.08)	0.25
EBITDA **)	**25,902**	**(1,247)**	**27,149**	**23,361**	**(3,732)**	**27,093**

1) Please refer to note 2 – Q1-2012 adjustment

*) Underlying results in Q1-2013 are based on IFRS consolidated interim income statement, adjusted to exclude share-based compensation charges and related charges for National Insurance of US$1.3 million, excluding US$1.1 million of amortisation of intangibles associated with the acquisition of SiTel (now Dialog B.V.), excluding US$ 1.9 million non-cash interest expense in connection with the convertible bond and excluding US$ 0.3 million non-cash effective interest expense related to a licensing agreement entered into in Q3-2012 and also excluding the related tax effects.

Underlying results in Q1-2012 are based on IFRS consolidated interim income statement, adjusted to exclude share-based compensation charges and related charges for National Insurance of US$3.7 million, excluding US$1.5 million of amortisation of intangibles associated with the acquisition of SiTel, excluding amortisation expenses of US$0.6 million in relation to previously capitalised R&D expenses for close to end of life products from Dialog B.V. and excluding the related tax effects.

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 2013: US$3.9 million, Q1 2012: US$2.7 million), amortisation for intangible assets (Q1 2013: US$5.1 million, Q1 2012: US$4.7 million) and losses on disposals and impairment of fixed assets (Q1 2013: 0.3 million, Q1 2012: US$0.2 million).

The connectivity segment's underlying financial performance for Q1-2013 and Q1-2012 is summarised below:

US$000	Three months ended 29 March 2013 IFRS	Adjustments	Underlying *)	Three months ended 30 March 2012 IFRS	Adjustments	Underlying *)
Revenues	**20,621**	**-**	**20,621**	24,088	-	24,088
Operating profit (loss)	**(152)**	**(1,062)**	**910**	(2,697)	(2,559)	(138)

*) Underlying results in Q1-2013 are based on IFRS consolidated interim income statement, adjusted to exclude US$1.1 million of amortisation of intangibles associated with the acquisition of Dialog B.V. and excluding a benefit for National Insurance of US$0.1 million related to share options.

Underlying results in Q1-2012 are based on IFRS consolidated interim income statement, adjusted to exclude US$1.5 million of amortisation of intangibles associated with the acquisition of SiTel, excluding amortisation expenses of US$0.6 million in relation to previously capitalised R&D expenses for close to end of life products from SiTel and excluding charges for National Insurance of US$0.5 million related to share options

Statement of Financial Position

	At 29 March 2013 US$000	At 31 December 2012 US$000	Change US$000	%
Assets				
Cash and cash equivalents	**318,647**	312,435	6,212	2.0
All other current assets	**180,751**	251,067	(70,316)	(28.0)
Total current assets	**499,398**	563,502	(64,104)	(11.4)
Property, plant and equipment, net	**53,594**	50,318	3,276	6.5
Goodwill	**32,283**	32,283	-	-
Intangible assets	**48,551**	51,789	(3,238)	(6.3)
Investments	**1,500**	-	1,500	-
All other non-current assets	**1,212**	1,335	(123)	(9.2)
Deferred tax assets	**7,192**	8,913	(1,721)	(19.3)
Total non-current assets	**144,332**	144,638	(306)	(0.2)
Total assets	**643,730**	708,140	(64,410)	(9.1)
Liabilities and Shareholders' equity				
Current liabilities	**69,711**	142,650	(72,939)	(51.1)
Non-current liabilities	**183,175**	182,899	276	0.2
Net Shareholders' equity	**390,844**	382,591	8,253	2.2
Total liabilities and Shareholders' equity	**643,730**	708,140	(64,410)	(9.1)

The balance sheet total was US$643.7 million at 29 March 2013 (31 December 2012: US$708.1 million). Cash and cash equivalents increased by US$6.2 million or 2.0% to US$318.6 million at 29 March 2013 (31 December 2012: US$312.4 million). This increase was caused by the cash inflows from operating activities which were mainly offset by cash outflows for investing activities as prescribed above. Other current assets decreased from US$251.1 million at 31 December 2012 by US$70.3 million to US$180.8 million at 29 March 2013. The decrease of 28.0% is mainly driven by lower trade accounts receivable balances in comparison to 31 December 2012 which is in line with lower revenues compared to fourth quarter 2012. Total non-current assets increased slightly, as investments into tangible, intangible assets and investments of US$12.2 million were largely offset by depreciation and amortization charges in the amount of US$9.1 million. In addition deferred tax assets decreased by US$1.7 million.

Current liabilities decreased by net US$72.9 million of which US$71.4 million relate to decreased trade accounts payables which mainly is a result of lower purchases of inventory compared to Q4-2012.

Shareholders' equity increased to US$390.8 million (US$382.6 million at 31 December 2012) which is mainly a result of our net profit (adjusted by expenses for share based payments). The equity ratio was 60.7% (54.0% at 31 December 2012).

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, Product Development; Christophe Chene, Vice President, Asia; Sean McGrath, 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; Peter Weber; Dr Chang-Bun Yoon; Rich Beyer; Mike Cannon.

Going concern
After making enquiries, the Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Group has adequate resources to continue for the foreseeable future. At 29 March 2013 the Group holds US$318.6 million cash (31 December 2012: US$312.4 million) and has continued access to borrowing facilities of in total US$ 35 million. The Group has profitable forecasts and longer-term plans. For these reasons, the Directors have adopted the going concern basis in preparing the interim consolidated financial statements.

Risks, risk management and opportunities
The risk management, our business risks and opportunities are described in our 2012 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 three months of 2013. 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, as well as a fair review of information on material transactions with related parties and changes since the last annual report 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.

8 May 2013

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

Independent Review Report to Dialog Semiconductor Plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the quarterly financial report for the three months ended 29 March 2013 which comprises the Interim Consolidated Statement of Financial Position, the Interim Consolidated Income Statement, the Interim Consolidated Statement of Comprehensive Income, the Interim Consolidated Statement of Cash Flows, the Interim Consolidated Statement of Changes in Equity and the related explanatory notes. We have read the other information contained in the quarterly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of interim financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The quarterly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the quarterly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority and the German Securities Trading Act (WpHG).

As disclosed in note 2, the annual financial statements of the company are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this quarterly financial report has been prepared in accordance with International Accounting Standards 34, "Interim Financial Reporting," as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the quarterly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the quarterly financial report for the three months ended 29 March 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union, the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority and the German Securities Trading Act (WpHG).

Other matter

As noted in the summary of significant accounting policies note, the corresponding figures for the quarter ended 30 March 2012 are unreviewed.

Ernst & Young LLP

Reading

8 May 2013

Unaudited interim consolidated statement of financial position

As at 29 March 2013

	Notes	**At 29 March 2013 US$000**	At 31 December 2012 US$000
Assets			
Cash and cash equivalents		**318,647**	312,435
Trade accounts receivable and other receivable		**21,938**	82,887
Inventories	5	**145,601**	152,455
Income tax receivables		**54**	60
Other financial assets		**2,053**	3,120
Other current assets		**11,105**	12,545
Total current assets		**499,398**	563,502
Property, plant and equipment	6	**53,594**	50,318
Goodwill		**32,283**	32,283
Other intangible assets	7	**48,551**	51,789
Investments	9	**1,500**	–
Deposits		**1,017**	1,137
Income tax receivables		**195**	198
Deferred tax assets		**7,192**	8,913
Total non-current assets		**144,332**	**144,638**
Total assets		**643,730**	708,140
Liabilities and Shareholders' equity			
Trade and other payables		**34,811**	106,216
Other financial liabilities		**7,046**	4,117
Provisions		**992**	1,288
Income taxes payable		**9,786**	9,359
Other current liabilities		**17,076**	21,670
Total current liabilities		**69,711**	**142,650**
Provisions		**581**	603
Other non-current financial liabilities		**177,514**	176,617
Deferred tax liabilities (non-current)		**5,080**	5,679
Total non-current liabilities		**183,175**	182,899
Ordinary shares		**12,852**	12,852
Additional paid-in capital		**244,004**	243,829
Retained earnings		**140,900**	129,190
Other reserves		**(4,135)**	(427)
Employee stock purchase plan shares		**(2,777)**	(2,853)
Net Shareholders´ equity		**390,844**	382,591
Total liabilities and Shareholders´ equity		**643,730**	708,140

Unaudited interim consolidated income statement

For the three months ended 29 March 2013

	Notes	**Three months ended 29 March 2013**	Three months ended 30 March 2012 adjusted 1) unreviewed
		US$000	US$000
Revenue	3	**179,954**	166,348
Cost of sales		**(111,357)**	(104,902)
Gross profit		**68,597**	61,446
Selling and marketing expenses		**(8,534)**	(9,289)
General and administrative expenses		**(7,245)**	(7,797)
Research and development expenses		**(36,258)**	(28,639)
Operating profit	3	**16,560**	15,721
Interest income		**171**	99
Interest expense		**(2,829)**	(43)
Foreign currency exchange gains (losses), net		**235**	159
Result before income taxes	3	**14,137**	15,936
Income tax expense		**(4,241)**	(4,301)
Net profit		**9,896**	11,635
		2013	2012
Earnings per share (in US$)			
Basic		**0.15**	0.18
Diluted		**0.15**	0.17
Weighted average number of shares (in thousands)			
Basic		**65,417**	63,970
Diluted		**67,725**	68,239

1) Please refer to note 2 – Q1-2012 adjustment

Unaudited interim consolidated statement of comprehensive income

For the three months ended 29 March 2013

	Three months ended 29 March 2013	Three months ended 30 March 2012 adjusted 1) unreviewed
	US$000	US$000
Net profit	**9,896**	11,635
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	**(155)**	(67)
Cash flow hedges	**(4,315)**	4,350
Income tax relating to components of other comprehensive income	**762**	394
Other comprehensive income (loss) for the year, net of tax	**(3,708)**	4,677
Total comprehensive income for the year	**6,188**	16,312

1) Please refer to note 2 – Q1-2012 adjustment

Unaudited interim consolidated statement of cash flows

For the three months ended 29 March 2013

	Notes	**Three months ended 29 March 2013**	Three months ended 30 March 2012 adjusted [1] unreviewed
		US$000	US$000
Cash flows from operating activities:			
Net profit		**9,896**	11,635
Adjustments to reconcile net profit to net cash used for operating activities:			
Interest income, net		**2,658**	(56)
Income tax expense		**4,241**	4,301
Impairment of inventories		**3,846**	1,277
Depreciation of property, plant and equipment		**3,920**	2,723
Amortisation of intangible assets		**5,148**	4,716
Losses on disposals of fixed assets and impairment of fixed and financial assets		**274**	201
Expense related to share-based payments		**1,814**	1,514
Changes in working capital:			
Trade accounts receivable, other receivables and factoring		**60,936**	5,195
Inventories		**2,960**	(19,351)
Prepaid expenses		**(285)**	(782)
Trade accounts payable		**(71,180)**	27,818
Provisions		**(284)**	(3,340)
Other assets and liabilities		**(3,528)**	(63)
Cash generated from operations		**20,416**	35,788
Interest paid		**(124)**	–
Interest received		**72**	88
Income taxes paid		**(1,961)**	(5,075)
Cash flow from operating activities		**18,403**	30,801
Cash flows from investing activities:			
Purchase of property, plant and equipment		**(7,865)**	(7,872)
Purchase of intangible assets		**(2,077)**	(1,749)
Payments for capitalised development costs		**(777)**	(988)
Purchase of other investments	9	**(1,500)**	–
Deposits received back (made)		**(5)**	143
Cash flow used for investing activities		**(12,224)**	(10,466)
Cash flows from financing activities:			
Sale of employee stock purchase plan shares		**251**	2,231
Cash flow from financing activities		**251**	2,231
Cash flow from (used for) operating, investing and financing activities		**6,430**	22,566
Net foreign exchange difference		**(218)**	188
Net increase in cash and cash equivalents		**6,212**	22,754
Cash and cash equivalents at beginning of period		**312,435**	113,590
Cash and cash equivalents at end of period		**318,647**	136,344

1) Please refer to note 2 – Q1-2012 adjustment

Unaudited interim consolidated statement of changes in equity

For the three months ended 29 March 2013

	Ordinary Shares US$000	Additional paid-in capital US$000	Retained earnings (Accumulated deficit) US$000	Other reserves Currency translation adjustment US$000	Hedges US$000	Employee stock purchase plan shares US$000	Total US$000
Balance at 1 January 2012	**12,380**	**203,911**	**59,722**	**(1,879)**	**(6,372)**	**(3,158)**	**264,604**
Total comprehensive income adjusted[1)]	–	–	11,635	96	4,581	–	16,312
Convertible Bond transaction cost attributable to conversion right	–	(781)	–	–	–	–	(781)
Capital Increase for employee share option plan (gross proceeds)	472	2,680	–	–	–	(3,152)	-
Transaction cost of capital increase - employee share option plan	–	(19)	–	–	–	–	(19)
Sale of employee stock purchase plan shares	–	2,143	–	–	–	110	2,253
Equity settled transactions, net of tax	–	–	1,514	–	–	–	1,514
Changes in Equity total	**472**	**4,023**	**13,149**	**96**	**4,581**	**(3,042)**	**19,279**
Balance at 30 March 2012 (unreviewed)	**12,852**	**207,934**	**72,871**	**(1,783)**	**(1,791)**	**(6,200)**	**283,883**
Balance at 31 December 2012 / 1 January 2013	**12,852**	**243,829**	**129,190**	**(1,964)**	**1,537**	**(2,853)**	**382,591**
Total comprehensive income (loss)	–	–	9,896	(595)	(3,113)	–	6,188
Sale of employee stock purchase plan shares	–	175	–	–	–	76	251
Equity settled transactions, net of tax	–	–	1,814	–	–	–	1,814
Changes in Equity total	**–**	**175**	**11,710**	**(595)**	**(3,113)**	**76**	**8,253**
Balance at 31 December 2012	**12,852**	**244,004**	**140,900**	**(2,559)**	**(1,576)**	**(2,777)**	**390,844**

1) Please refer to note 2 – Q1-2012 adjustment

Unaudited notes to the interim condensed consolidated financial statements

For the three months ended 29 March 2013

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 and automotive applications. The Company provides its customers with 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, audio, low energy short-range wireless and VoIP technologies, Dialog brings decades of experience to the rapid development of ICs.

Dialog's power management processor companion chips enhance the performance of personal portable devices – including smartphones, tablets and Ultrabooks™ – by extending battery play time and supporting increasingly demanding multimedia applications. Our short-range wireless technology provides connectivity to wireless headsets, microphones and gaming consoles and is enabling the emergence of innovative new smart home applications.

Dialog Semiconductor Plc is headquartered near Stuttgart, with a global sales, R&D and marketing organisation. In 2012, it had US$774 million in revenue and continues to be one of the fastest growing European public semiconductor companies. At 31 December 2012, the Company had 806 employees. With world-class manufacturing partners, Dialog operates a fabless business model. The Company is listed on the Frankfurt (FWB: DLG) stock exchange and is a member of the German TecDAX index.

2. Summary of significant 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, 2012.

The quarterly report has been prepared under IAS 34 to meet the prime standards of the Frankfurt stock exchange with regards to quarterly financial reporting and also to cover the requirements with regards to interim management commentaries of the Disclosure and Transparency Rules of the UK Financial Services Authority and the German Securities Trading Act.

The financial information contained in the report is unaudited but has been reviewed by Ernst & Young LLP.

The comparative financial information was not subject to a review by Ernst & Young LLP.

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, 2012 for the accounting policies applied for the Company's financial reporting.

Changes in accounting policies and disclosures

The accounting policies are consistent with those of the previous financial year except for the changes resulting from the adoption of the following amended, revised and new Standards and new IFRIC interpretations during the first quarter 2013:

2. Summary of significant accounting policies continued

IAS 19 Employee Benefits (amended)
The amendments to IAS 19 Employee Benefits were issued in December 2010 and are effective for annual periods beginning on or after 1 January 2013. The amendments especially relate to:

- eliminating an option to defer the recognition of gains and losses, known as the 'corridor method', improving comparability and faithfulness of presentation;
- streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income (OCI), thereby separating those changes from changes that many perceive to be the result of an entity's day-to-day operations;
- enhancing the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

Since the Group does not operate any defined benefit plan, the Group does not expect a material effect on its financial statements resulting from this amendment.

IFRS 13 Fair Value Measurement
The new IFRS 13 was issued in May 2011 and is effective for periods beginning on or after 1 January 2013. The requirements of IFRS 13 do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The initial application of the standard does not lead to significant changes in the measurement of assets and liabilities. Changes are required in the consolidated notes, according to which the disclosures on the fair values of financial instruments and classification of financial instruments, which previously had to be made only in the year-end financial statements, now also have to be made in the interim reports. Further information is provided in Note 8.

IAS 1 Presentation of Financial Statements
The amendments to IAS 1 were issued in June 2011 and are effective for annual periods beginning on or after 1 July 2012. The amendments require companies preparing financial statements in accordance with IFRSs to group together items within Other Comprehensive Income ("OCI") that may be reclassified to the profit or loss section of the income statement in the future. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. The amendment will primarily result in a grouping of OCI items. All OCI items presented by the Group are reclassifiable.

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities Amendments to IFRS 7
The amendment was issued in December 2011 and is effective for periods beginning on or after 1 January 2013 and requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

Presentation of condensed interim financial statements
The accompanying condensed interim consolidated financial statements reflect all adjustments (consisting of only normal recurring adjustments) which, in the opinion of management, are necessary for a fair statement of the results of the interim periods presented. Operating results for the three months ended 29 March 2013 are not necessarily indicative of the results to be expected for the full year ending 31 December 2013.

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.

Q1 2012 adjustment
Following the cash settlement of the Convertible Bond in April 2012 (please refer to Note 7 "convertible bond" in Q2-2012), the transactions cost incurred (US$ 4.2 million in total) are now allocated to the liability and equity component using prevailing market interest rate for debt with similar terms. As a result, the US$3.4 million transaction costs relating to the liability portion of the instrument are now offset against the liability in accord-

ance to IAS 32 and 39 rather than as expense in the income statement as previously reported in Q1-2012. For further information to this adjustment we refer to Note 1 in our Q2 2012 report.

2. Summary of significant accounting policies continued

This adjustment, posted retrospectively in line with IAS8.42, resulted in the following changes in the income statement:

	Three months ended 30 March 2012 as previously reported unreviewed US$000	adjustment US$000	**Three months ended 30 March 2012 adjusted unreviewed US$000**
General and administrative expenses	(11,215)	3,418	**(7,797)**
Operating profit	12,303	3,418	**15,721**
Result before income taxes	12,518	3,418	**15,936**
Income tax expense	(3,380)	(921)	**(4,301)**
Net profit	9,138	2,497	**11,635**

Earnings per share (in US$)	Three months ended 30 March 2012 as previously reported		**Three months ended 30 March 2012 adjusted**
Basic	0.14	0.04	**0.18**
Diluted	0.13	0.04	**0.17**

3. 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

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.

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 Connectivity segment includes the operating results of our subsidiary Dialog Semiconductor B.V.:

	Three months ended 29 March 2013					Three months ended 30 March 2012 (unreviewed)				
	Mobile Systems US$000	**Automotive/ Industrial US$000**	**Connectivity US$000**	**Corporate US$000**	**Total US$000**	Mobile Systems US$000	Automotive/ Industrial US$000	Connectivity US$000	Corporate US$000	Total US$000
Revenues	**150,127**	**9,206**	**20,621**	**-**	**179,954**	132,143	10,117	24,088	-	166,348
Operating profit (loss) [1)]	**18,894**	**3,069**	**(152)**	**(5,251)**	**16,560**	**19,743**	**1,557**	**(2,697)**	**(2,882)**	**15,721**
Financial results	**(300)**	**-**	**-**	**(2,123)**	**(2,423)**	-	-	-	215	215
Result before income taxes	**18,594**	**3,069**	**(152)**	**(7,374)**	**14,137**	**19,743**	**1,557**	**(2,697)**	**(2,667)**	**15,936**

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

3. Segment Reporting continued

b) Geographic information

	Three months ended 29 March 2013	Three months ended 30 March 2012 unreviewed
	US$000	US$000
Revenues		
United Kingdom	**312**	506
Other European countries	**15,099**	20,033
China	**145,226**	124,213
Other Asian countries	**17,665**	19,465
Other countries	**1,652**	2,131
Total revenues	**179,954**	166,348

	At 29 March 2013	At 31 December 2012
	US$000	US$000
Assets		
Germany	**317,466**	461,824
Japan	**1,994**	2,459
United Kingdom	**242,667**	159,978
Netherlands	**55,955**	57,608
Other	**25,648**	26,271
Total assets	**643,730**	708,140

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.

4. Share-based compensation

Stock option plan activity for the period ended 29 March 2013 was as follows:

	Three months ended 29 March 2013	
	Options	**Weighted average exercise price €**
Outstanding at beginning of year	**5,878,825**	**7.83**
Granted	**189,648**	**14.34**
Exercised	**(72,733)**	**2.63**
Forfeited	**(15,306)**	**8.66**
Outstanding at end of year	**5,980,434**	**8.10**
Options exercisable at period end	**3,117,084**	**4.88**

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 29 March 2013 the Trust held 2,607,035 shares.

5. Inventories

Inventories consisted of the following:

	At 29 March 2013 US$000	At 31 December 2012 US$000
Raw materials	**43,577**	20,686
Work-in-process	**26,040**	51,739
Finished goods	**75,902**	79,942
Deposits	**82**	88
Total	**145,601**	152,455

6. Property, plant and equipment

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

	At 29 March 2013 US$000	At 31 December 2012 US$000
Gross carrying amount	**156,808**	150,418
Accumulated depreciation	**103,214**	100,100
Net carrying amount	**53,594**	50,318

The Company has contractual commitments for the acquisition or property, plant and equipment of US$4,504,000.

7. Intangible assets

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

	At 29 March 2013 US$000	At 31 December 2012 US$000
Gross carrying amount	**105,883**	104,117
Accumulated depreciation	**57,332**	52,328
Net carrying amount	**48,551**	51,789

The Company has contractual commitments for the acquisition of intangible assets of US$627,000.

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 12 months.

8. Additional disclosures on financial instruments

Set out below is an overview of financial instruments held by the Group as at 29 March 2013:

	Category in accordance with IAS 39	**Carrying amount 29 March 2013 US$000**	Amounts recognised in the statement of financial position according to IAS 39 Amortised cost US$000	Cost US$000	Fair value recognised in other comprehensive income US$000	Fair value recognised in profit or loss US$000	Fair value 29 March 2013 US$000
Assets							
Cash at bank and Short-term deposits	LaR	**317,692**	317,692	–	–	–	317,692
Deposits designated as a hedging instrument	n/a	**955**	–	–	955	–	955
Trade accounts receivable and other receivable	LaR	**21,938**	21,938	–	–	–	21,938
Other non-derivative financial assets							
Deposits for hedging contracts	LaR	**1,532**	1,532	–	–	–	1,532
Derivative financial assets							
Derivatives without hedging relationship	n/a	**–**	–	–	–	–	–
Derivatives with hedging relationship	n/a	**521**	–	–	521	–	521
Investments	AfS	**1,500**	–	–	1,500	–	1,500
Liabilities							
Trade account payables	FLAC	**28,016**	28,016	–	–	–	28,016
Other payables	FLAC	**6,795**	6,795	–	–	–	6,795
Other financial liabilities	FLAC	**182,035**	182,035	–	–	–	182,035
Derivative financial liabilities							
Derivatives without hedging relationship	n/a	**–**	–	–	–	–	–
Derivatives with hedging relationship	n/a	**2,525**	–	–	2,525	–	2,525
Of which aggregated by category in accordance with IAS 39:							
Loans and receivables (LaR)		**341,162**	341,162	–	–	–	341,162
Deposits designated as a hedging instrument		**955**	–	–	955	–	955
Held-to-maturity investments (HtM)		**–**	–	–	–	–	–
Available-for-sale financial assets (AfS)		**1,500**	–	–	–	–	–
Derivatives without hedging relationship		**–**	–	–	–	–	–
Derivatives with hedging relationship		**(2,004)**	–	–	(2,004)	–	(2,004)
Financial liabilities at amortised cost (FLAC)		**(216,846)**	(216,846)	–	–	–	(216,846)

The fair value of derivatives has been determined with reference to available market information (Level 2). The carrying amounts of the loans and receivables and financial liabilities approximate their fair values due to short-term maturities. Since the market conditions affecting non-current liability component of convertible bond are unchanged the fair value is equal to the carrying amount.

8. Additional disclosures on financial instruments continued

Risk management activities

Cash flow hedges for currency risks
The main functional currency within the Group and the presentation currency for the consolidated financial statements is the US$. Accordingly, foreign exchange risks arise from transactions, and recognised assets and liabilities, the functional currency of which is not the US$. The currencies giving rise to these exposure risks are primarily the Euro and Pound Sterling. The majority of the Group's revenue and material expenses are denominated in US$. The majority of other operating expenses are denominated in Euros and Pounds Sterling. The Group has transactional currency exposures. Such exposure arises from the sales or purchases by an operating unit in currencies other than the unit's functional currency. In Q1-2013 and Q1-2012 nearly all the Group's sales were denominated in US$.

The Group uses forward currency contracts as well as certain deposits (together referred to as the "hedging instruments") to eliminate the currency exposure of recurring expected payments, such as salaries, wages and office rents non-US$ denominated. The hedging instruments must be the same currency as the hedged item.

The terms of the foreign currency forward contracts have been negotiated to match the terms of the forecasted transactions. Both parties of the contract have fully cash collateralised the foreign currency forward contracts, and therefore, effectively eliminated any credit risk associated to the contracts (both the counterparty's and the Group's own credit risk). Consequently, the hedges were assessed to be highly effective.

As at 29 March 2013 the following unrealized effects were recorded on other comprehensive income:

	Forward currency contracts			Deposits	**Total**
	Euro US$000	GBP US$ 000	JPY US$000	JPY US$000	**At 29 March 2013** **US$000**
Gain	489	20	11	0	**520**
Loss	(165)	(1,573)	(787)	(196)	**(2,721)**
Unrealized net gain (loss) before tax	**324**	**(1,553)**	**(776)**	**(196)**	**(2,201)**
Tax effect	(92)	441	220	56	**625**
Unrealized net gain (loss) after tax	**232**	**(1,112)**	**(556)**	**(140)**	**(1,576)**

Valuation techniques
The foreign currency forward contracts are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies. All contracts are fully cash collateralised, thereby eliminating both counterparty and the Group's own credit risk.

9. Investments
As part of our advanced technology development strategy, on 14 January 2013 the Company announced a strategic equity investment into Arctic Sand Technologies, Inc., an MIT spin-off commercialising an innovative new approach to power conversion for multiple markets, including smartphones, tablets, ultrabooks(TM) and data centres. The investment was part of a Series A funding round, with Dialog participating alongside other venture capital and strategic investors. The investment of US$1.5 million represents a 7.69% share in Arctic Sand on fully diluted position.

10. Transactions with related parties
As described in the Company's annual report 2012, note 26 the related parties of the Company are comprised of eight Non-Executive members of the Board of Directors and ten members of the executive management. The group of related parties has not changed in the first quarter of 2013. Two new members of the board of Directors were appointed on 2 May 2013 at the Company's AGM. Transactions with those related parties only comprise their compensation which did not significantly change compared to 2012.

11. Subsequent events
There are no known events after the date of the Statement of Financial Position that require disclosure.

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