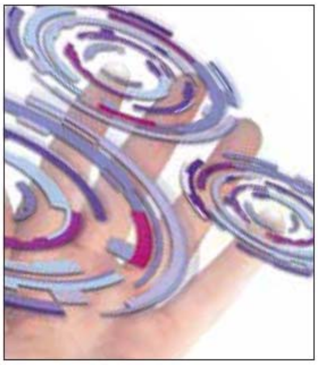
dialog
SEMICONDUCTOR

Leading through **innovation**

Interim Report as of
3 April 2015

Key products

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Press Release – 7 May 2015

DIALOG SEMICONDUCTOR REPORTS FIRST QUARTER RESULTS ENDED 3 APRIL 2015

Company delivers first quarter year on year revenue growth of 41% and record cash generation

London, UK, 7 May 2015 - Dialog Semiconductor plc (FWB: DLG), a provider of highly integrated power management, AC/DC, solid state lighting and Bluetooth® Smart wireless technology, today reports results for its first quarter ending 3 April 2015.

Q1 2015 financial highlights

- Revenue up 41% over Q1 2014 to $311 million
- IFRS gross margin at 46.0%
- Underlying (*) EBITDA (**) up 94% to $80.2 million or 25.8% of revenue
- IFRS operating profit (EBIT) up 142% over Q1 2014 to $55.6 million or 17.9% of revenue
- Underlying (*) basic and diluted EPS up 131% and 109% respectively over Q1 2014. IFRS basic and diluted EPS up 24% and 20% respectively over Q1 2014 [1]
- Record $132 million of cash generated from operations

(1) 2014 IFRS Net Income has been adjusted. Please refer to Note 2 of the Q1 2015 Interim Report.

Q1 2015 operational highlights

- Design win momentum continues for Power Management smartphone and tablet designs
- Bluetooth® Smart product portfolio expansion with launch of four new products, including industry's first Wearable on Chip™
- IoT success continues as our low power Bluetooth Smart technology is broadly adopted
- Mediatek's latest MT6795 Octa-core Application processor powered by Dialog's sub PMIC
- Sub PMIC adopted in HTC's latest 2 smartphones
- LED Solid State Lighting portfolio and market expansion with new products launched
- Sensor Joint Venture announced with DYNA Image

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

"This has been an outstanding first quarter for Dialog and I am extremely pleased that our strong, consistent growth trajectory continues. Our cash generation stands at a record level, underscoring the profitability and operational leverage of our business model."

"Our growth drivers remain aligned to our strategic focus. Momentum in Power Management and Bluetooth® Smart continues to gather pace with new customers and the industry's first Wearable on Chip™. The joint venture with DYNA Image brings complementary sensor technology to our product portfolio."

"This is a strong note on which to start the year and we look forward to the months ahead with confidence in the continued development of our business."

Outlook

Given our current visibility, we expect 2015 to be another year of good growth. As in previous years, revenue performance will be weighted towards the second half of the year.

We expect revenue for Q2 2015 to be in the range of $290 to $310 million.

Gross margin in Q2 2015 will remain broadly in line with Q1 2015 and improve on a year-on-year basis. Gross margin for the full year 2015 is now expected to be slightly above the full year 2014.

Financial overview

IFRS US$ million	First Quarter 2015	2014	Var.
Revenue	311.2	220.9	+41%
Gross Margin	46.0%	42.1%	+390 bps
R&D %	17.3%	20.7%	(340) bps
SG&A % (1)	10.8%	11.0%	(20) bps
EBIT	55.6	23.0	+142%
EBIT %	17.9%	10.4%	+750 bps
Net income (2)	38.8	31.0	+25%
Basic EPS $ (2)	0.57	0.46	+24%
Diluted EPS $ (2)	0.53	0.44	+20%
Operating cash flow	132.4	128.9	+3%

Underlying US$ million	First Quarter 2015	2014	Var.
Gross Margin	46.6%	43.3%	+330 bps
EBITDA	80.2	41.3	+94%
EBITDA %	25.8%	18.7%	+710 bps
EBIT	71.0	32.2	+120%
EBIT %	22.8%	14.6%	+820 bps
Net income	55.5	23.7	+134%
Basic EPS $	0.81	0.35	+131%
Diluted EPS $	0.71	0.34	+109%

(1) Including other operating expenses/income.

(2) 2014 IFRS amounts have been adjusted. Please refer to Note 2 of the Q1 2015 Interim Report.

Revenue in Q1 2015 was up 41% to $311 million. The strong revenue performance was the result of:

- 53% year-on-year revenue growth in Connectivity driven by strong momentum in Bluetooth® Smart and wireless audio (DECT based solutions)
- Mobile Systems – up 46% over Q1 2014

Q1 2015 IFRS gross margin was 46.0%, significantly above Q1 2014 and 30bps below Q4 2014. The year-on-year increase was the result of:

- The lower allocation per unit of the fixed component of Cost of Goods Sold;
- Positive product mix contribution from the latest generation of products in Mobile Systems and Connectivity; and
- The continuing realisation of the benefits of manufacturing cost optimisation.

In Q1 2015 underlying (*) net OPEX as a percentage of revenue was at 23.8%, 490bps below Q1 2014. The value of underlying net OPEX in Q1 2015 increased 17% over Q1 2014.

Investments in R&D increased through the first quarter. On an underlying (*) basis, R&D investment was up 14% over Q1 2014, which is in line with our strategy of continuing innovation and diversification of our product portfolio. As a percentage of revenue, underlying R&D in Q1 2015 decreased to 16.0% (Q1 2014: 19.9%). This reduction was the result of the strong top line growth during the period.

Underlying (*) SG&A in Q1 2015 stood at 8.0% of revenue, 140bps below Q1 2014 primarily as a result of the strong growth of the business. In Q1 2015, the company booked a provision of $3.4 million for the settlement of a claim brought in April 2014 by the former iWatt Inc. shareholders. Subsequent to quarter end, a settlement was reached for that amount without admission of faults, wrong doing or liabilities by Dialog. The Company expects to pay the settlement in May 2015.

In Q1 2015 we achieved IFRS and underlying (*) EBIT of $55.6 million and $71.0 million respectively, 142% and 120% over Q1 2014. Underlying EBIT margin in the quarter was 22.8% (Q1 2014: 14.6%). The Q1 2015 underlying EBIT increase of 120% was primarily driven by good performance in the Mobile Systems segment and the turnaround in the Connectivity segment. On an underlying basis, the Connectivity segment contributed $1.7 million EBIT profit in Q1 2015 (Q1 2014 EBIT loss: $1.2 million).

In total, a net tax charge of US$15.5 million was recorded in Q1 2015. This represents an effective tax rate of 28.5% (adjusted Q1 2014: 32.8% excluding one-off non-cash deferred tax credit). The effective tax rate for the year ending 31 December 2014 was 29.0% (excluding one-off non-cash deferred tax credit). The decrease in our group effective tax rate is driven by the on-going exercise to align our Intellectual Property with the commercial structure of the group. This has allowed Dialog to fully recognise previously unrecognised UK trading loss carry forwards and to benefit from the favourable UK tax regime for technology companies. We believe this gradual decrease is sustainable and will now accelerate from 2016, thus continuing to drive further reductions in our effective tax rate in the years to come.

In Q1 2015, underlying (*) net income and underlying EPS more than doubled from Q1 2014 levels. Underlying diluted EPS in Q1 2015 was 109% higher than in the same quarter of 2014.

At the end of Q1 2015, our total inventory level was $105 million (or ~56 days), an increase of $6 million over the prior quarter and 19% over Q1 2014. This represents an 18 day increase in our days of inventory over the prior quarter. We are managing our inventory levels tightly at an appropriate level to service our current customer backlog. During Q2 2015 we expect inventory value and inventory days to increase from Q1 2015 in anticipation of a number of high volume product launches during the second half of the year.

At the end of Q1 2015, we had cash and cash equivalents balance of $421 million. In the first quarter alone we generated a record $132 million of operating cash and $98 million of free cash flow (***).

Subsequent to the end of the quarter, on 28 April, Dialog Semiconductor announced the total conversion of the $201 million Convertible Bond due 2017. As such, no bonds will be redeemed by Dialog pursuant to the optional redemption notice dated 16 March 2015 (in which Dialog announced its intention to redeem any outstanding Bonds on 5 May 2015) and all Bonds have been cancelled. Dialog has issued 6,797,025 new ordinary shares and the total number of ordinary shares issued by Dialog is now 77,865,955.

(*) Underlying results (net of tax) in Q1-2015 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of US$7.3 million, excluding US$0.2 million of amortisation of intangibles associated with the acquisition of SiTel (now Dialog B.V.), excluding US$2.1 million non-cash effective interest expense in connection with the convertible bond, excluding US$0.2 million non-cash effective interest expense related to a licensing agreement, excluding US$3.7 million acquisition and integration expenses in connection with the purchase of iWatt (of which US$3.4 million correspond to a litigation provision) and excluding US$3.2 million of amortisation and depreciation expenses associated with the acquisition of iWatt.

(*) Underlying results (net of tax) in Q1-2014 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of US$3.8 million, excluding US$0.6 million of amortisation of intangibles associated with the acquisition of SiTel (now Dialog B.V.), excluding US$2.0 million non-cash effective interest expense in connection with the convertible bond, excluding US$ 0.2 million non-cash effective interest expense related to a licensing agreement, excluding US$0.3 million acquisition and integration expenses in connection with the purchase of iWatt, excluding US$3.6 million of amortisation and depreciation expenses associated with the acquisition of iWatt and US$17.8 million one-off non-cash deferred tax credit resulting from an intra-group re-organisation of certain intellectual property.

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. Underlying results (net of tax) have been fully reconciled to IFRS results (net of tax) above. All other underlying measures disclosed within this report are a component of this measure and adjustments between IFRS and underlying measures for each of these measures are a component of those disclosed above.

(**) EBITDA in Q1 2015 is defined as operating profit excluding depreciation for property, plant and equipment, (Q1 2015: US$5.3 million, Q1 2014: US$5.4 million), amortisation of intangible assets (Q1 2015: US$7.5 million, Q1 2014: US$7.9 million) and losses on disposals and impairment of fixed assets (Q1 2015: US$0.1 million, Q1 2014: US$0.1 million).

(***) Free Cash Flow in Q1 2015 is defined as net income of US$38.8 million (Q1 2014: US$31.0 million) plus amortisation and depreciation (Q1 2015: US$12.8 million, Q1 2014: US$13.2 million), plus net interest expense (Q1 2015: US$2.9 million, Q1 2014: US$3.6 million), plus change in working capital (Q1 2015: US$57.8 million, Q1 2014: US$88.9 million) and minus capital expenditure (Q1 2015: US$14.3 million, Q1 2014: US$9.0 million).

Operational overview

Dialog is playing its part a global enabler of the Internet of Things (IoT). In Q1 2015, we built on the success of our first DA14580 SmartBond™ Bluetooth Smart System-on-Chip by announcing four new devices in the product family. In 2014, the revolutionary DA14580 offered less than half the power consumption and size of competing solutions and was adopted rapidly across multiple IoT segments by leading consumer companies. Volume shipments started in Q4 2014 and continued to ramp in Q1.

The new 2015 SmartBond™ SoCs are optimised for emerging high volume consumer markets including wireless charging, wearables, smart home and human interface devices. They integrate application specific functionality, and feature even lower system power consumption. Equally important, the high level of functional integration reduces our customers' bill of materials. For smart remote control units, which will replace traditional infrared controls, our latest SmartBond™ device includes ultra-low power audio codecs for voice control, a technology that remote control manufacturers are adopting in growing numbers. For wearables, one of the highest volume opportunities in the IoT, we launched the DA14680 Wearable on Chip™ SmartBond™ SoC. This leverages Dialog's power management expertise to provide all the power management needed for wearable computing products, including those powered using energy harvesting techniques. Dialog is now well placed to capture design wins in all of the major high volume consumer electronics segments of the IoT with innovative Bluetooth Smart solutions.

Our proven success with leading smartphone customers for custom power management IC's (PMICs) continued through Q1 2015 with new design wins. Additionally, during the quarter we continued to ramp several new high volume custom PMIC products for hugely popular smartphone models and recently launched wearable products.
Our sub-PMIC - DA9210 - multi-phase DC-DC converter powers the latest MT6795 MediaTek Octa-core Application Processor and is a key component of MediaTek's reference platform. This is in addition to the MT6595 platform where the DA9210 is already successfully used in many China tier 1 smartphone designs. Post the quarter close, we announced HTC's latest smartphones, the HTC One M9+ and HTC One E9+ have adopted this sub-PMIC technology.

In Q1, we launched two new products from the Power Conversion Business segment. We entered the MR16 – low voltage (12 volt) downlight LED form factor – market segment with an excellent dimming and universal transformer compatibility solution. Additionally, we launched a new dimming platform, delivering the ultimate in dimming performance while eliminating more than 20 external components from the bill of materials. These two devices allow Dialog to continue its market leadership in the dimming segment of the fast growing LED domestic retrofit market.

The shift to higher power and faster charging continues as the China smartphone market transitions through 2015, with our rapid charging technology broadly adopted by the top China smartphone manufacturers.

This week we announced a joint venture (JV) with the Lite-On Group in Taiwan for a strategic investment in Dyna Image a wholly owned subsidiary of Lite-On. Upon closing Dialog will be the largest shareholder with a 40% stake. Additionally, ShunSin Technology (Zhongshan) LTD, part of ShunSin Technology Holdings LTD, a subsidiary company of Foxconn will also hold an equity stake. The focus of the JV will be to accelerate adoption of Dyna Image's sensors technology into the smartphone and IoT markets, leveraging Dialog's broader power saving and Bluetooth® Smart expertise and ShunSin's packaging technology for smart system sensing solutions.

* * * * *

Dialog Semiconductor invites you today at 09.00 am (London) / 10.00 am (Frankfurt) to take part in a live conference call and to listen to management's discussion of the Company's Q1 2015 performance, as well as guidance for Q2 2015. Participants will need to register using the link below labelled 'Online Registration'. A full list of dial in numbers will also be available.

Online Registration:
http://wcc.webeventservices.com/r.htm?e=968560&s=1&k=784D6482B43E6687A925828A6EDD63BD

Conference Number: +44 (0) 2071 928000
Conference ID: 9040952

In synchronicity with the call, the analyst presentation will be webcasted on our website at: http://www.dialog-semiconductor.com/investor-relations. A replay will be posted at the same address four hours after the conclusion of the presentation and will be available for 30 days.

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Note to editors
Dialog Semiconductor provides highly integrated standard (ASSP) and custom (ASIC) mixed-signal integrated circuits (ICs), optimised for smartphone, tablet, IoT, LED Solid State Lighting (SSL) and Smart Home applications. Dialog brings decades of experience to the rapid development of ICs while providing flexible and dynamic support, world-class innovation and the assurance of dealing with an established business partner. With world-class manufacturing partners, Dialog operates a fabless business model and is a socially responsible employer pursuing many programs to benefit the employees, community, other stakeholders and the environment we operate in.

Dialog's power saving technologies including DC-DC configurable system power management deliver high efficiency and enhance the consumer's user experience by extending battery lifetime and enabling faster charging of their portable devices. Its technology portfolio also includes audio, Bluetooth® Smart, Rapid Charge™ AC/DC power conversion and multi-touch.

Dialog Semiconductor plc is headquartered in London with a global sales, R&D and marketing organisation. In 2014, it had $1.16 billion in revenue and was one of the fastest growing European public semiconductor companies. It currently has approximately 1,400 employees worldwide. The company is listed on the Frankfurt (FWB: DLG) stock exchange (Regulated Market, Prime Standard, ISIN GB0059822006) 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 3 April 2015 and 28 March 2014:

	Three months ended 3 April 2015		Three months ended 28 March 2014 adjusted *)		Change
	US$000	% of revenues	US$000	% of revenues	%
Revenues					
Mobile Systems	**254,611**	**81.8**	174,006	78.8	46.3
Automotive / Industrial	**10,435**	**3.4**	10,390	4.7	0.4
Connectivity	**27,390**	**8.8**	17,952	8.1	52.6
Power Conversion	**18,755**	**6.0**	18,504	8.4	1.4
Corporate Sector	**–**	**0.0**	–	0.0	-
Revenues	**311,191**	**100.0**	220,852	100.0	40.9
Cost of sales	**(167,982)**	**(54.0)**	(127,880)	(57.9)	31.4
Gross profit	**143,209**	**46.0**	92,972	42.1	54.0
Selling and marketing expenses	**(15,369)**	**(4.9)**	(14,016)	(6.4)	9.7
General and administrative expenses	**(18,890)**	**(6.1)**	(11,528)	(5.2)	63.9
Research and development expenses	**(53,956)**	**(17.3)**	(45,749)	(20.7)	17.9
Other operating income	**640**	**0.2**	1,301	0.6	(50.8)
Operating profit	**55,634**	**17.9**	22,980	10.4	142.1
Interest income and other financial income	**132**	**0.0**	42	0.0	214.3
Interest expense and other financial expense	**(3,058)**	**(1.0)**	(3,625)	(1.6)	(15.6)
Foreign currency exchange gains and losses, net	**1,571**	**0.5**	337	0.2	366.2
Result before income taxes	**54,279**	**17.4**	19,734	8.9	175.1
Income tax benefit (expense)	**(15,470)**	**(5.0)**	11,283	5.1	(237.1)
Net profit	**38,809**	**12.5**	31,017	14.0	25.1

*) Certain amounts shown here do not correspond to the Q1 2014 interim financial statements and reflect an adjustment made, for further information please refer to Note 2 of the Interim Report Q1 2015.

Results of Operations

Segment Reporting

Revenues in the **Mobile Systems** segment were US$254.6 million for the three months ended 3 April 2015 (Q1 2014: US$174.0 million) comprising 81.8% of our total revenues (Q1 2014: 78.8%). The increase in this segment is primarily driven by the success of our growing range of highly integrated and increasingly more complex power management solutions for portable devices such as smartphones, wearables and tablets.

The operating profit in the Mobile Systems segment increased from US$34.5 million for the three months ended 28 March 2014 to US$74.1 million for the three months ended 3 April 2015. This was mainly a result of higher revenues, richer product mix and improved product margins through continuous manufacturing yield improvements and cost efficiency gains.

Revenues from our **Automotive/Industrial Applications** segment were unchanged compared to the previous year period at US$10.4 million representing 3.4% of our total revenues (Q1 2014: 4.7%). The operating profit decreased marginally from US$3.2 million for Q1 2014 to US$3.0 million for the three months ended 3 April 2015 due to a slight increase in R&D investments.

Revenues from our **Connectivity** segment were up 52.6% over Q1 2014 to US$27.4 million (Q1 2014: US$18.0 million). The strong performance in the quarter is the result of the growth in new markets such as DECT based professional applications (i.e. cordless headsets and microphones) and the emerging Bluetooth® Smart segment. This strong revenue performance drove the turnaround in operating profit to US$1.2 million in Q1 2015 (Q1 2014: loss of US$2.0 million). The amortisation expenses relating to the purchase price allocation decreased from US$0.8 million for Q1 2014 to US$0.3 million for Q1 2015 after some assets were fully amortised in 2014.

From an underlying (*) point of view, Connectivity booked an operating profit in Q1 2015 of US$1.7 million, compared to an operating loss of US$1.2 million in Q1 2014.

The Connectivity segment's underlying financial performance for Q1 2015 and Q1 2014 is summarised below:

	Three months ended 3 April 2015			Three months ended 28 March 2014		
US$000	**IFRS**	**Adjustments**	**Underlying *)**	IFRS	Adjustments	Underlying *)
Revenues	**27,390**	**-**	**27,390**	17,952	-	17,952
Operating profit (loss)	**1,180**	**492**	**1,672**	(2,010)	811	(1,199)

*) Underlying results in Q1 2015 are based on the IFRS interim income, adjusted to exclude US$0.3 million (Q1 2014: US$ 0.8 million) of amortisation expenses related to intangible assets associated with the acquisition of Dialog B.V. and excluding expenses of US$0.2 million (Q1 2014: US$0.05 million) for National Insurance related to share options.

Revenues from our **Power Conversion** segment were up 1.4% over Q1 2014 to US$18.8 million or 6.0% of revenue (Q1 2014: US$18.5 million or 8.4% of total revenues). The operating loss in this segment was US$6.0 million in Q1 2015 (Q1 2014: operating loss of US$4.8 million).

On an underlying (*) basis the operating loss increased slightly by US$1.7 million to US$1.9 million in Q1 2015 (Q1 2014: operating loss of US$0.2 million) as we continue to invest in R&D and bring new products to market. Q1 2015 underlying (*) operating results do not include depreciation and amortisation expenses related to the acquisition accounting in the amount of US$3.4 million, one-time expenses of US$0.4 million related to the acquisition and integration of iWatt and US$0.4 million for UK National insurance expenses related to UK share options.

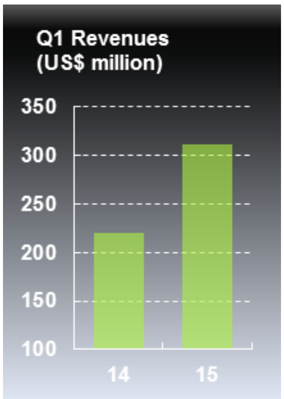
The Power Conversion segment's underlying financial performance for Q1 2015 and Q1 2014 is summarised below:

	Three months ended 3 April 2015			Three months ended 28 March 2014		
US$000	**IFRS**	**Adjustments**	**Underlying *)**	IFRS	Adjustments	Underlying *)
Revenues	**18,755**	**-**	**18,755**	18,504	-	18,504
Operating profit (loss)	**(6,019)**	**4,108**	**(1,911)**	(4,751)	4,521	(230)

*) Underlying results in Q1 2015 are based on the IFRS interim income, adjusted to exclude US$3.4 million (Q1 2014: US$ 4.2 million) of amortisation expenses related to intangible assets associated with the acquisition of iWatt Inc. and excluding expenses of US$0.4 million (Q1: 2014: US$0.07 million) for National Insurance related to share options as well excluding acquisition and integration costs of US$0.4 million (Q1 2014: US$0.3 million).

Revenues

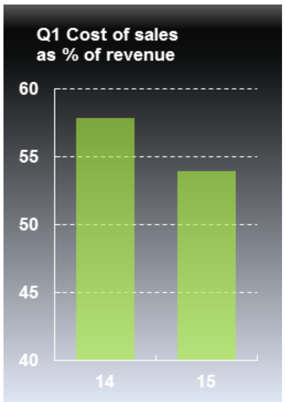
Total IFRS revenues were up 40.9% over Q1 2014 to US$311.2 million for the three months ended 3 April 2015 (Q1 2014: US$220.9 million). This strong performance was the result of higher sales volumes and an increase in the average sales price (ASP) of our more complex devices in Mobile Systems and the market strength of our connectivity business.



Cost of sales

Cost of sales consists of material costs, the costs of outsourced production and assembly, related personnel costs and applicable overhead, depreciation of test and other equipment and the amortization of capitalized development costs. IFRS Cost of sales increased by 31.4% from US$127.9 million for the three months ended 28 March 2014 to US$168.0 million for the three months ended 3 April 2015, resulting mainly from increased revenues compared to Q1 2014. Additionally, cost of sales in Q1 2015 include US$1.5 million amortisation expenses (Q1 2014: US$2.3 million) relating to the purchase price allocation in connection with the acquisition of iWatt in Q3 2013. As a percentage of revenues, IFRS cost of sales decreased from 57.9% for Q1 2014 to 54.0% for Q1 2015. This decrease can largely be attributed to material cost reductions as well as the on-going collaboration with our foundry partners to gradually improve our manufacturing process and efficiency.

Underlying (*) cost of sales was US$166.1 million in Q1 2015 (53.4% of underlying revenues) compared to US$125.2 million in Q1 2014 (56.7% of underlying revenues).



Gross profit

Our IFRS gross margin increased from 42.1% of revenues for the three months ended 28 March 2014 to 46.0% of revenues for the three months ended 3 April 2015 driven by lower cost of sales as a percentage of revenues. Q1 2015 underlying (*) gross margin was 46.6% of revenues; 330 basis points over the prior year period (Q1 2014: 43.3%). The improvement of the gross margin reflects our efforts in rigorous cost management and the higher value added of our new products.

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 amortisation expenses for intangible assets such as customer relationship, key customers and order backlog coming from the purchase price allocation relating to the acquisition of iWatt Inc. in the third quarter of 2013 and SiTel B.V. in 2011. IFRS selling and marketing expenses increased from US$14.0 million for the three months ended 28 March 2014 to US$15.4 million for the three months ended 3 April

2015 (9.7% year on year increase). This increase is mainly driven by our investment made post acquisition in Power Conversion and in Connectivity to support our growth in new markets.

Underlying (*) selling and marketing expenses were US$12.3 million (4.0% of total revenues) in Q1 2015 compared to US$11.0 million (5.0% of total revenues) in Q1 2014. Selling and marketing expenses as a % of total revenues will significantly improve in the second half of 2015 given the weighted nature of our revenues during 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. IFRS general and administrative expenses were US$18.9 million for the first quarter 2015, an increase of 63.9% over the US$11.5 million recorded in Q1 2014. This increase was the result of higher share compensation expenses (options expenses and related social charges) of US$2.6 million for Q1 2015 (Q1 2014: US$1.4 million) and a provision of US$3.4 million for the settlement of a claim brought in April 2014 by the former iWatt Inc. shareholders (for further information we refer to note 10 of the Q1 2015 Interim Report). General and administrative expenses in Q1 2015 also include US$0.4 million acquisition and integration expenses related to the acquisition of iWatt (Q1 2014: US$0.3 million). As a percentage of total revenues general and administrative expenses increased from 5.2% for the three months ended 28 March 2014 to 6.1% for the three months ended 3 April 2015.

Underlying (*) general and administrative expenses increased from US$9.9 million in Q1 2014 (4.5% of revenues) to US$12.6 million in Q1 2015 (4.1% of revenues). This increase predominantly reflects the growing nature of our business. However, as a % of revenue, we continued to manage this effectively. In line with sales and marketing expenses, general and administrative expenses as a % of total revenues will significantly improve in the second half of 2015 given the weighted nature of our revenues during that period.

Research and development expenses

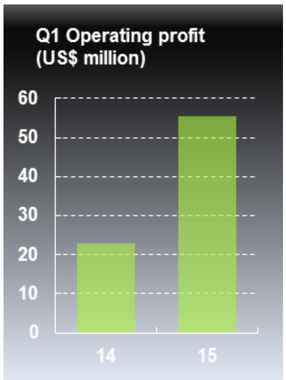
Research and development expenses consist principally of design and engineering-related costs associated with the development of new Application Specific Integrated Circuits ("ASICs") and Application Specific Standard Products ("ASSPs"). IFRS research and development expenses were US$54.0 million for the three months ended 3 April 2015 (Q1 2014: US$45.7 million), representing a year on year increase of 17.9%. This increase can largely be attributed to a higher R&D headcount which contributed US$3.2 million to support continuous innovation, growth and our diversification strategy. However, as a percentage of total revenues research and development expenses decreased from 20.7% in Q1 2014 to 17.3% in Q1 2015. Following the phasing pattern of our business these are expected to decrease in the second half of the year in line with higher revenue contribution. Research and development cost incurred during the quarter typically lead to revenues 6 to 18 months out. As a % of total revenues, underlying (*) research and development expenses also decreased from 19.9% in Q1 2014 to 16.0% in Q1 2015.

Other Operating Income

Other Operating Income in Q1 2015 was US$0.6 million (Q1 2014: US$1.3 million). This amount comprises income from customer-specific research and development contracts.

Operating profit

We reported an IFRS operating profit of US$55.6 million for the first quarter 2015 (Q1 2014: US$23.0 million). The year-on-year increase resulted from the robust revenue growth, gross margin improvement and the OPEX leverage. Underlying (*) operating profit in Q1 2015 was US$71.0 million or 22.8% of revenues compared to US$32.2 million or 14.6% in Q1 2014.



Interest income and other financial income

Interest income and other financial income from the Company's investments (primarily short-term deposits) was US$132 thousand for the three months ended 3 April 2015 (Q1 2014: US$42 thousand). The increase primarily resulted from higher cash balances earning interest income.

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 arrangements and the interest charges for the convertible bond. In Q1 2015 interest and other financial expenses continued to reduce to US$3.1 million (Q1 2014: US$3.6 million). The amount in Q1 2015 mainly includes 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$2.1 million representing the interest expense (non cash) in connection with the measurement of the financial liability from the bond using the effective interest method.

Income tax expense

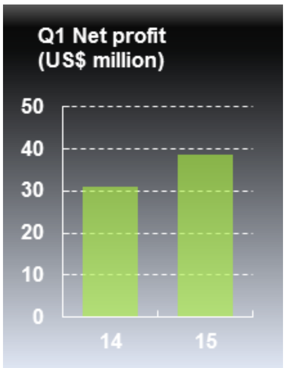
For the three months ended 3 April 2015, a net income tax charge of US$15.5 million was recorded (adjusted Q1 2014: US$11.3 million tax benefit). The effective tax rate in Q1 2015 was 28.5% compared to 29.0% (excluding a one-off non-cash deferred tax credit of US$17.8 million) for the year ending 31 December 2014. The decrease in our group effective tax rate is driven by the on-going exercise to align our Intellectual Property with the commercial structure of the group. This has allowed Dialog to fully recognise previously unrecognised UK trading loss carry forwards and to benefit from the favourable UK Tax regime for technology companies. We believe this gradual decrease is sustainable and will accelerate from 2016, thus continuing to drive further reductions in our effective tax rate in the years to come.

The Q1 2015 effective tax rate represents the expected full year effective tax rate. The one-off non-cash deferred tax credit of US$17.8 million in 2014 was discussed in pages 29-30 of the 2014 Annual Report (see also Note 2: Recognition of a reduction in deferred tax liability in 2014). The Q1 2014 tax benefit of US$11.3 million represents the previously reported IFRS tax charge of US$5.6 million adjusted to reflect the $17.8 million deferred tax credit which arose at the time of the reorganisation , with this credit also reduced by $0.9 million to reflect the on-going impact of the reorganisation.

The adjusted Q1 2014 tax charge and effective tax rate, excluding the one-off non-cash deferred tax credit of US$17.8 million, were US$6.5 million and 32.8% respectively.

Net profit

For the reasons described above, we reported a net profit of US$38.8 million for the three months ended 3 April 2015 (adjusted Q1 2014: US$31.0 million). Underlying (*) net profit more than doubled from US$23.7 million in Q1 2014 (10.7% of total revenues) to US$55.5 million in Q1 2015 (17.8% of total revenues).



Basic and diluted earnings per share in Q1 2015 were US$0.57 and US$0.53 respectively compared to basic and diluted earnings per share (adjusted) of US$0.46 and US$0.44 in Q1 2014. Underlying (*) diluted earnings per share in Q1 2015 were up 108.8% over Q1 2014, more than twice the rate of revenue growth.

Liquidity and capital resources

Cash flows

Cash generated from operating activities was US$119.6 million for the three months ended 3 April 2015 (Q1 2014: US$119.3 million). With an amount of US$75.7 million (Q1 2014: US$44.2 million) the cash inflow in the three months ended 3 April 2015 mainly resulted from the operating income (before depreciation amortisation and other non-cash effective expenses). In Q1 2015 this cash inflow was increased by cash inflows from divestments into the working capital amounting to US$56.6 million (Q1 2014: cash inflow of US$83.7 million). The total cash generated from operations was US$132.4 million for three months ended 3 April 2015 (Q1 2014: US$128.9 million). This cash inflow was partly offset by interests payments of US$0.2 million (Q1 2014: US$1.0 million) and income tax payments of US$12.8 million in Q1 2015 (Q1 2014: US$8.6 million).

Cash used for investing activities was US$14.3 million for the three months ended 3 April 2015 (Q1 2014: US$9.0 million). Cash used for investing activities in Q1 2015 consisted primarily of the purchase of tooling (masks), laboratory equipment, probe cards, load boards and other advanced test equipment for a total of US$5.7 million (Q1 2014: US$4.5 million), the purchase of intangible assets of US$3.2 million (Q1 2014: US$3.0 million) and payments related to capitalised development costs of US$5.5 million (Q1 2014: US$1.5 million).

Cash used for financing activities was US$7.9 million for Q1 2015 (Q1 2014: US$9.9 million). The cash outflow in Q1 2015 includes US$14.0 million for the purchase of employee shares to service the employee share plan. This cash outflow was partly offset by US$6.2 million cash inflow resulting from share option exercises in connection with the Company's employee share option program. The cash outflow in Q1 2014 includes the redemption of loan facilities with an amount of US$15.0 million which was partly offset by US$5.1 million cash inflow resulting from share option exercises in connection with the Company's employee share option program.

Liquidity

At 3 April 2015 we had cash and cash equivalents of US$420.7 million (31 December 2014: US$324.3 million). The working capital (defined as current assets minus current liabilities) was US$378.8 million (31 December 2014: US$351.4 million).

Total non-current financial liabilities as of 3 April 2015 were US$189.2 million (31 December 2014: US$188.1 million) of which US$182.3 million represents the book value of the liability from the convertible bond (31 December 2014: US$180.2 million).

As of 3 April 2015, the Company has a US$10.0 million revolving credit line facility (RCF) which is available until March 2017 and remains untapped (Q1 2014: US$25 million untapped).

In addition, the Company has three factoring agreements which provide the Company with up to US$112.0 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 2015 and Q1 2014

	Three months ended 3 April 2015			Three months ended 28 March 2014 adjusted ***)		
US$000	**IFRS**	**Adjustments**	**Underlying *)**	IFRS	Adjustments	Underlying *)
Revenues	**311,191**	**-**	**311,191**	220,852	-	220,852
Cost of sales	**(167,982)**	**1,890**	**(166,092)**	(127,880)	2,682	(125,198)
Gross profit	**143,209**	**1,890**	**145,099**	92,972	2,682	95,654
Selling and marketing expenses	**(15,369)**	**3,048**	**(12,321)**	(14,016)	3,042	(10,974)
General and administrative expenses	**(18,890)**	**6,268**	**(12,622)**	(11,528)	1,653	(9,875)
Research and development expenses	**(53,956)**	**4,120**	**(49,836)**	(45,749)	1,857	(43,892)
Other operating income	**640**	**-**	**640**	1,301	-	1,301
Operating profit	**55,634**	**15,326**	**70,960**	22,980	9,234	32,214
Interest income and other financial income	**132**	**-**	**132**	42	-	42
Interest expense and other financial expense	**(3,058)**	**2,316**	**(742)**	(3,625)	2,245	(1,380)
Foreign currency exchange gains and losses, net	**1,571**	**-**	**1,571**	337	-	337
Result before income taxes	**54,279**	**17,642**	**71,921**	19,734	11,479	31,213
Income tax benefit (expense)	**(15,470)**	**(955)**	**(16,425)**	11,283	(18,813)	(7,530)
Net profit	**38,809**	**16,687**	**55,496**	31,017	(7,334)	23,683
Earnings per share (in US$)						
Basic	**0.57**	**0.24**	**0.81**	0.46	(0.11)	0.35
Diluted	**0.53**	**0.19**	**0.71**	0.44	(0.10)	0.34
EBITDA **)	**68,551**	**11,669**	**80,220**	36,333	4,936	41,269

*) 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 2015: US$5.3 million, Q1 2014: US$5.4 million), amortisation for intangible assets (Q1 2015: US$7.5 million, Q1 2014: US$7.9 million) and losses on disposals and impairment of fixed assets (Q1 2015: US$0.1 million, Q1 2014: US$0.1 million).

***) Certain amounts shown here do not correspond to the Q1 2014 interim financial statements and reflect an adjustment made, for further information please refer to Note 2.

Dialog Semiconductor's underlying adjustments for Q1 2015

				2015					
US$000	Option expenses	Accrual National Insurance	PPA BV	Convertible Bond	License agreement	Acquisition and integration costs	Merger costs	PPA iWatt	TOTAL
Cost of sales	(323)	(78)	-	-	-	-	-	(1,489)	(1,890)
Selling and marketing expenses	(890)	(257)	-	-	-	-	-	(1,901)	(3,048)
General and administrative expenses	(1,004)	(1,565)	-	-	-	(3,703)	4	-	(6,268)
Research and development expenses	(2,245)	(1,608)	(267)	-	-	-	-	-	(4,120)
Other operating income	-	-	-	-	-	-	-	-	-
Operating profit	**(4,462)**	**(3,508)**	**(267)**	**-**	**-**	**(3,703)**	**4**	**(3,390)**	**(15,326)**
Interest expense and other financial expense	-	-	-	(2,110)	(206)	-	-	-	(2,316)
Result before income taxes	**(4,462)**	**(3,508)**	**(267)**	**(2,110)**	**(206)**	**(3,703)**	**4**	**(3,390)**	**(17,642)**
Income taxes	-	710	67	-	-	-	-	178	955
Net profit	**(4,462)**	**(2,798)**	**(200)**	**(2,110)**	**(206)**	**(3,703)**	**4**	**(3,212)**	**(16,687)**

Statement of Financial Position

	At 3 April 2015 US$000	At 31 December 2014 US$000	Change US$000	%
Assets				
Cash and cash equivalents	**420,702**	324,280	96,422	29.7
All other current assets	**159,332**	213,850	(54,518)	(25.5)
Total current assets	**580,034**	538,130	41,904	7.8
Property, plant and equipment, net	**58,602**	59,263	(661)	(1.1)
Goodwill	**244,878**	244,878	-	-
Intangible assets	**131,026**	131,505	(479)	(0.4)
Investments	**1,370**	1,446	(76)	(5.3)
All other non-current assets	**1,843**	1,953	(110)	(5.6)
Deferred tax assets	**36,278**	28,771	7,507	26.1
Total non-current assets	**473,997**	467,816	6,181	1.3
Total assets	**1,054,031**	1,005,946	48,085	4.8
Liabilities and Shareholders' equity				
Current liabilities	**201,186**	186,737	14,449	7.7
Non-current liabilities	**196,323**	195,533	790	0.4
Net Shareholders' equity	**656,522**	623,676	32,846	5.3
Total liabilities and Shareholders' equity	**1,054,031**	1,005,946	48,085	4.8

The balance sheet total was US$1,054.0 million at 3 April 2015 (31 December 2014: US$1,005.9 million). Cash and cash equivalents increased by US$96.4 million or 29.7% to US$420.7 million at 3 April 2015 (31 December 2014: US$324.3 million). This increase was caused by the cash inflows from operating activities which was partly offset by cash outflows for investing and financing activities.

Other current assets decreased from US$213.9 million at 31 December 2014 by US$54.5 million to US$159.3 million at 3 April 2015. The decrease of 25.5% is mainly driven by lower trade accounts receivable in comparison to 31 December 2014 which is in line with lower revenues compared to fourth quarter 2014.

Total non-current assets increased from US$467.8 million at 31 December 2014 to US$474.0 million at 3 April 2015. This increase can largely be attributed to the recognition of additional deferred tax assets relating to tax benefits in connection with share options.

Total current liabilities increased from US$186.7 million at 31 December 2014 by net US$14.4 million to US$201.2 million at 3 April 2015. This increase can largely be attributed to increased book losses in amount of US$11.1 million from the revaluation of outstanding foreign change hedges.

Total non-current liabilities increased only marginally from US$195.5 million at 31 December 2014 to US$196.3 million at 3 April 2015 of which US$182.3 million (31 December 2014: US$180.2 million) represent the book value of the liability from the convertible bond.

Shareholders' equity increased to US$656.5 million at 3 April 2015 (US$623.7 million at 31 December 2014) which is mainly a result of our net profit (adjusted by expenses for share based payments). The equity ratio was 62.3% (62.0% at 31 December 2014).

Other Information

Members of the Management and the Board of Directors
Management
Dr Jalal Bagherli, Chief Executive Officer; Andrew Austin, Senior Vice President, Sales; Vivek Bhan, Senior Vice President, Engineering; Christophe Chene, Senior Vice President, Asia; Mohamed Djadoudi, Senior Vice President, Global Manufacturing Operations and Quality; Udo Kratz, Senior Vice President and General Manager, Mobile Systems Business Group; Davin Lee, Senior Vice President and General Manager Power Conversion Business Group; Sean McGrath, Senior Vice President and General Manager, Connectivity, Automotive and Industrial Business Group; Martin Powell, Senior Vice President, Human Resources; Jean-Michel Richard, CFO, Senior Vice President Finance; Mark Tyndall, Senior Vice President, Corporate Development and Strategy and General Manager Emerging Products Business Group.

Board of Directors
Rich Beyer, Chairman; Dr Jalal Bagherli, Chief Executive Officer; Chris Burke; Mike Cannon; Aidan Hughes; John McMonigall (until 30 April 2015); Eamonn O'Hare; Russ Shaw; Peter Weber (until 30 April 2015). On 5 May 2015 Alan Campbell was appointed to the Board of Directors as non-executive Director.

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 3 April 2015 the Group holds US$420.7 million cash (31 December 2014: US$324.3 million) and has continued access to other borrowing facilities of in total US$10 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 2014 annual report – Strategic report: Managing risks and uncertainty. Compared with the risks and opportunities presented here, no significant additional opportunities and risks arose for the Company in the first three months of 2015. 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 risks and uncertainties associated with the expected development of the group for the remaining months of the financial year.

7 May 2015

Dr Jalal Bagherli	Jean-Michel Richard
CEO	CFO, Senior 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 3 April 2015 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 3 April 2015 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).

Ernst & Young LLP

Reading

7 May 2015

Unaudited interim consolidated statement of financial position

As at 3 April 2015

	Notes	**At 3 April 2015 US$000**	At 31 December 2014 US$000
Assets			
Cash and cash equivalents		**420,702**	324,280
Trade accounts receivable and other receivable		**40,115**	100,569
Inventories	5	**105,036**	99,140
Income tax receivables		**55**	64
Other financial assets		**3,586**	3,586
Other current assets		**10,540**	10,491
Total current assets		**580,034**	538,130
Property, plant and equipment	6	**58,602**	59,263
Goodwill		**244,878**	244,878
Other intangible assets	7	**131,026**	131,505
Investments		**1,370**	1,446
Deposits		**1,757**	1,858
Income tax receivables		**86**	95
Deferred tax assets		**36,278**	28,771
Total non-current assets		**473,997**	467,816
Total assets		**1,054,031**	1,005,946
Liabilities and Shareholders' equity			
Trade and other payables		**87,911**	90,906
Other financial liabilities		**33,707**	22,120
Provisions		**12,159**	8,305
Income taxes payable		**27,198**	29,409
Other current liabilities		**40,211**	35,997
Total current liabilities		**201,186**	186,737
Provisions		**1,916**	1,955
Other non-current financial liabilities		**189,197**	188,123
Deferred tax liabilities		**5,210**	5,455
Total non-current liabilities		**196,323**	195,533
Ordinary shares		**13,353**	13,353
Additional paid-in capital		**278,218**	274,517
Retained earnings		**417,550**	366,650
Other reserves		**(25,949)**	(15,776)
Employee stock purchase plan shares		**(26,650)**	(15,068)
Net Shareholders´ equity		**656,522**	623,676
Total liabilities and Shareholders´ equity		**1,054,031**	1,005,946

Unaudited interim consolidated income statement

For the three months ended 3 April 2015

	Notes	**Three months ended 3 April 2015 US$000**	Three months ended 28 March 2014 adjusted *) US$000
Revenue	3	**311,191**	220,852
Cost of sales		**(167,982)**	(127,880)
Gross profit		**143,209**	92,972
Selling and marketing expenses		**(15,369)**	(14,016)
General and administrative expenses		**(18,890)**	(11,528)
Research and development expenses		**(53,956)**	(45,749)
Other operating income		**640**	1,301
Operating profit	3	**55,634**	22,980
Interest income		**132**	42
Interest expense		**(3,058)**	(3,625)
Foreign currency exchange gains (losses), net		**1,571**	337
Result before income taxes	3	**54,279**	19,734
Income tax benefit (expense)		**(15,470)**	11,283
Net profit		**38,809**	31,017

	2015	2014
Earnings per share (in US$)		
Basic	**0.57**	0.46
Diluted	**0.53**	0.44
Weighted average number of shares (in thousands)		
Basic	**68,659**	66,726
Diluted	**78,557**	76,235

*) Certain amounts shown here do not correspond to the Q1 2014 interim financial statements and reflect an adjustment made, for further information please refer to Note 2.

Unaudited interim consolidated statement of comprehensive income

For the three months ended 3 April 2015

	Three months ended 3 April 2015 US$000	Three months ended 28 March 2014 adjusted *) US$000
Net profit	**38,809**	31,017
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	**(993)**	104
Cash flow hedges	**(11,734)**	(849)
Income tax relating to components of other comprehensive income	**2,554**	218
Other comprehensive income (loss) for the year, net of tax	**(10,173)**	(527)
Total comprehensive income for the year	**28,636**	30,490

*) Certain amounts shown here do not correspond to the Q1 2014 interim financial statements and reflect an adjustment made, for further information please refer to Note 2.

Unaudited interim consolidated statement of cash flows

For the three months ended 3 April 2015

	Three months ended 3 April 2015 US$000	Three months ended 28 March 2014 adjusted *) US$000
Cash flows from operating activities:		
Net profit	**38,809**	31,017
Adjustments to reconcile net profit to net cash used for operating activities:		
Interest expense, net	**2,926**	3,583
Income tax expense (benefit)	**15,470**	(11,283)
Impairment of inventories	**1,175**	5,144
Depreciation of property, plant and equipment	**5,324**	5,393
Amortisation of intangible assets	**7,483**	7,873
Result on disposals of fixed assets and impairment of fixed and financial assets	**110**	87
Expense related to share-based payments	**4,463**	3,371
Changes in working capital:		
Trade accounts receivable, other receivables and factoring	**60,454**	84,234
Inventories	**(7,071)**	24,083
Prepaid expenses	**(1,430)**	34
Trade accounts payable	**(2,820)**	(37,093)
Provisions	**3,855**	(1,638)
Other assets and liabilities	**3,652**	14,104
Cash generated from operations	**132,400**	128,909
Interest paid	**(194)**	(1,017)
Interest received	**129**	8
Income taxes paid	**(12,770)**	(8,611)
Cash flow from operating activities	**119,565**	119,289
Cash flows from investing activities:		
Purchase of property, plant and equipment	**(5,687)**	(4,505)
Purchase of intangible assets	**(3,232)**	(3,011)
Payments for capitalised development costs	**(5,454)**	(1,495)
Change in other long term assets	**100**	–
Cash flow used for investing activities	**(14,273)**	(9,011)
Cash flows from financing activities:		
Net cash flow from financial liabilities	**–**	(15,000)
Purchase of employee stock purchase plan shares	**(14,032)**	–
Sale of employee stock purchase plan shares	**6,151**	5,058
Cash flow from (used for) financing activities	**(7,881)**	(9,942)
Cash flow from (used for) operating, investing and financing activities	**97,411**	100,336
Net foreign exchange difference	**(989)**	98
Net increase (decrease) in cash and cash equivalents	**96,422**	100,434
Cash and cash equivalents at beginning of period	**324,280**	186,025
Cash and cash equivalents at end of period	**420,702**	286,459

*) Certain amounts shown here do not correspond to the Q1 2014 interim financial statements and reflect an adjustment made, for further information please refer to Note 2.

Unaudited interim consolidated statement of changes in equity

For the three months ended 3 April 2015

	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 31 December 2013 / 1 January 2014	**12,852**	**246,289**	**199,881**	**(1,710)**	**1,580**	**(2,242)**	**456,650**
Net profit	–	–	31,017	–	–	–	31,017
Other comprehensive income	–	–	–	81	(608)	–	(527)
Total comprehensive income (loss)	–	–	31,017	81	(608)	–	30,490
Capital Increase for employee share option plan (gross proceeds)	501	9,780	–	–	–	(10,281)	-
Transaction cost of capital increase - employee share option plan	–	(4)	–	–	–	–	(4)
Sale of employee stock purchase plan shares	–	4,130	–	–	–	928	5,058
Equity settled transactions, net of tax	–	–	3,371	–	–	–	3,371
Changes in Equity total	**501**	**13,906**	**34,388**	**81**	**(608)**	**(9,353)**	**38,915**
Balance at 28 March 2014 (adjusted *)	**13,353**	**260,195**	**234,269**	**(1,629)**	**972**	**(11,595)**	**495,565**
Balance at 31 December 2014 / 1 January 2015	**13,353**	**274,517**	**366,650**	**(3,007)**	**(12,769)**	**(15,068)**	**623,676**
Net profit	–	–	38,809	–	–	–	38,809
Other comprehensive income	–	–	–	(1,595)	(8,578)		(10,173)
Total comprehensive income (loss)	–	–	38,809	(1,595)	(8,578)	–	28,636
Acquisition of employee stock purchase plan shares	–	–	–	–	–	(14,032)	(14,032)
Sale of employee stock purchase plan shares	–	3,701	–	–	–	2,450	6,151
Equity settled transactions, net of tax	–	–	12,091	–	–	–	12,091
Changes in Equity total	**–**	**3,701**	**50,900**	**(1,595)**	**(8,578)**	**(11,582)**	**32,846**
Balance at 3 April 2015	**13,353**	**278,218**	**417,550**	**(4,602)**	**(21,347)**	**(26,650)**	**656,522**

*) Certain amounts shown here do not correspond to the Q1 2014 interim financial statements and reflect an adjustment made, for further information please refer to Note 2.

Unaudited notes to the interim condensed consolidated financial statements

For the three months ended 3 April 2015

1. General

Company name and registered office
Dialog Semiconductor Plc
Tower Bridge House
St Katharine's Way
London E1W 1AA
United Kingdom

Description of Business
Dialog Semiconductor Plc (Dialog) provides highly integrated standard (ASSP) and custom (ASIC) mixed-signal integrated circuits (ICs), optimised for Smartphone, Tablet, IoT, LED Solid State Lighting (SSL) and Smart Home applications. Dialog brings decades of experience to the rapid development of ICs while providing flexible and dynamic support, world-class innovation and the assurance of dealing with an established business partner. With world-class manufacturing partners, Dialog operates a fabless business model and is a socially responsible employer pursuing many programs to benefit the employees, community, other stakeholders and the environment we operate in.

Dialog's power saving technologies including DC-DC configurable system power management deliver high efficiency and enhance the consumer's user experience by extending battery lifetime and enabling faster charging of their portable devices. Its technology portfolio also includes audio, Bluetooth® Smart, Rapid Charge™ AC/DC power conversion and multi-touch.

Dialog is headquartered in London with a global sales, R&D and marketing organisation. In 2014, it had approximately US$1.16 billion in revenue and was one of the fastest growing European public semiconductor companies. It currently has approximately 1,400 employees worldwide.

The company is listed on the Frankfurt (FWB: DLG) stock exchange (Regulated Market, Prime Standard, ISIN GB0059822006) 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, 2014.

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 this interim statement does not amount to statutory financial statements within the meaning of section 435 of the Companies Act 2006. The financial information contained in this report is unaudited but has been reviewed by Ernst & Young LLP. The financial statements for the year ended 31 December 2014, from which information has been extracted, was prepared under IFRS and has been delivered to the Registrar of Companies. The report of the auditors was unqualified in accordance with sections 495 to 497 of the Companies Act 2006 and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The interim financial statements are presented in US dollars ("US$") and all values are rounded to the nearest thousand (US$000) except when otherwise stated. They are prepared on the historical cost basis except that 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, 2014 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 of 2015:

IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions (amendments to IAS 19)
The amendments made to this standard were issued in November 2013 and are effective for annual periods beginning on or after 1 July 2014 with early application permitted. The narrow-scope amendments apply to contributions from employees or third parties to defined benefit plans.

As Dialog has no defined benefit plans in place, the amendments made to this standard have no impact on the financial position or the financial performance of the Group.

2. Summary of significant accounting policies continued

Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle - a collection of amendments to International Financial Reporting Standards (annual improvements project)

The IASB has also issued a collection of amendments to various IFRSs ("Improvements to IFRSs") in December 2013, which are effective for annual periods beginning on or after 1 July 2014. The Annual Improvements to IFRSs 2010–2012 Cycle is a collection of amendments to IFRSs in response to eight issues addressed during 2010–2012. The Annual Improvements to IFRSs 2011–2013 Cycle is a collection of amendments to IFRSs in response to four issues addressed during 2011–2013.

Dialog has analysed the impact of the Annual Improvements Cycles and does not expect an impact on the financial position or the financial performance of 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 3 April 2015 are not necessarily indicative of the results to be expected for the full year ending 31 December 2015.

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.

Recognition of a reduction in deferred tax liability in 2014

For the period ending 31 December 2014 a net IFRS income tax charge of US$31.2 million was recorded which included a one-off non-cash deferred tax credit of US$17.8 million. This one-off non-cash deferred tax credit arose during the year resulting from of an intra-group reorganisation of certain Intellectual Property, which impacted the recorded value of deferred tax liabilities. This intra-group reorganisation took place in Q1 2014 but the impact of the recorded value of deferred tax liabilities was only identified during the detailed preparation of the year-end financial statements. The one-off non-cash deferred tax credit was therefore recorded in the full year 2014 results, giving an IFRS group effective tax rate for the full year of 18.5%. The group tax rate excluding this one-off impact was 29.0%.

As previously discussed in pages 29-30 of the 2014 Annual Report, published on 27 March 2015, when reporting the 2015 IFRS results and to facilitate quarterly comparisons, the Company adjusts the previously reported quarterly financial statements for the first three, six and nine months of 2014.

The previously reported Q1 2014 IFRS results have been adjusted to reflect the US$17.8 million deferred tax credit which arose at the time of the intra-group reorganisation, and a $0.9 million reduction in this credit to reflect the ongoing impact of the reorganisation. Similar additional on-going adjustments will be included in the adjusted Q2 and Q3 2014 IFRS results.

For the first three months in 2014 an adjusted IFRS total tax benefit of US$11.3 million will now be reported (previously an expense of US$5.6 million was reported) leading to an adjusted IFRS net income of US$31.0 million (previously US$14.1 million) and IFRS basic and diluted EPS of US$0.46 and US$0.44 (previously US$0.21 and US$0.20).

2. Summary of significant accounting policies continued

Therefore, Dialog´s management reports the following affected financial statement lines for the prior period, as follows:

	Three months ended 28 March 2014 as previously reported	Adjustment	Three months ended 28 March 2014 adjusted
	US$000	US$000	US$000
Result before income taxes	**19,734**	**-**	**19,734**
Income tax benefit (expense)	(5,624)	16,907	11,283
Net profit	**14,110**	**16,907**	**31,017**

	Three months ended 28 March 2014 as previously reported	Adjustment	Three months ended 28 March 2014 adjusted
Earnings per share (in US$)			
Basic	0.21	0.25	0.46
Diluted	0.20	0.24	0.44
Weighted average number of shares (in thousands)			
Diluted *)	69,438	6,797	76,235

*) As a result of the increased net income relating to the additional deferred tax benefit, the convertible bond became dilutive for Q1 2014. As a consequence the weighted average number of diluted shares for Q1 2014 increased from 69,437,881 as previously reported by an amount of 6,797,025 to 76,234,906.

The adjusted IFRS net income has also an impact on the Group´s statement of comprehensive income, cash flows as well as of the statement of changes in equity for the three months ended 28 March 2014.

Seasonality of operations

The Dialog group creates highly integrated, mixed-signal ICs, optimized for personal portable, low energy short-range wireless, LED solid state lighting and automotive applications. The majority of the revenue generated in our Mobile Systems segment is dependent on the life cycle of our customers' products and the seasonal nature of the spending pattern in the consumer markets we operate in. Due to this, higher revenues and operating profits are usually expected in the second half of the year compared to the first six months. This information is provided to allow for a better understanding of the results, however, management has concluded that it does not operate in a 'highly seasonal' business in accordance with IAS 34.21.

3. Segment reporting

Following the provisions of IFRS 8, reportable operating segments are identified based on the "management approach". The management approach requires external segment reporting based on the Group's internal organisational and management structure and on internal financial reporting to the chief operating decision maker, which considered the Group as being the Board of Management.

The Group reports on four (2014: four) operating segments, which are independently managed by bodies responsible for the respective segments depending on the nature of products offered. The fourth segment was added in 2013 and represents the acquired iWatt business. The identification of Company components as operating segments is based in particular on the existence of business unit managers who report directly to the Board of Management of Dialog and who are responsible for the performance of the segment under their charge.

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, Bluetooth and VoIP technology. The Connectivity segment includes the operating results of our subsidiary Dialog Semiconductor B.V.

3. Segment reporting continued

Power conversion

This segment includes our AC/DC converter solutions for smaller, fast charging power adaptors for portable devices as well as our LED drivers for solid-state lighting products.

	Three months ended 3 April 2015						Three months ended 28 March 2014					
	Mobile Systems US$000	**Automotive/ Industrial US$000**	**Connectivity US$000**	**Power Conversion US$000**	**Corporate US$000**	**Total US$000**	Mobile Systems US$000	Automotive/ Industrial US$000	Connectivity US$000	Power Conversion US$000	Corporate US$000	Total US$000
Revenues	**254,611**	**10,435**	**27,390**	**18,755**	**-**	**311,191**	174,006	10,390	17,952	18,504	-	220,852
Operating profit (loss) [1]	**74,075**	**2,955**	**1,180**	**(6,019)**	**(16,557)**	**55,634**	34,456	3,224	(2,010)	(4,751)	(7,939)	22,980
Financial results	**(206)**	**-**	**-**	**-**	**(1,149)**	**(1,355)**	(255)	-	-	-	(2,991)	(3,246)
Result before income taxes	**73,869**	**2,955**	**1,180**	**(6,019)**	**(17,706)**	**54,279**	34,201	3,224	(2,010)	(4,751)	(10,930)	19,734

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

b) Geographic information

	Three months ended 3 April 2015 US$000	Three months ended 28 March 2014 US$000
Revenues		
United Kingdom	**318**	179
Other European countries	**16,038**	14,474
China	**254,128**	183,205
Other Asian countries	**37,047**	20,127
Other countries	**3,660**	2,867
Total revenues	**311,191**	220,852

	At 3 April 2015 US$000	At 31 December 2014 US$000
Assets		
Germany	**469,640**	451,769
USA	**356,894**	359,435
United Kingdom	**160,241**	124,745
Netherlands	**52,315**	51,893
Japan	**2,156**	2,386
Other	**12,785**	15,718
Total assets	**1,054,031**	1,005,946

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 3 April 2015 was as follows:

	Three months ended 3 April 2015		Three months ended 28 March 2014	
		Weighted average exercise price		Weighted average exercise price
	Options	**€**	Options	€
Outstanding at beginning of year	**5,148,024**	**5.90**	6,036,051	7.93
Granted	**22,861**	**0.01**	1,231,690	0.12
Exercised	**(852,855)**	**5.59**	(882,549)	4.36
Forfeited	**(13,234)**	**3.49**	(129,832)	2.49
Outstanding at end of year	**4,304,796**	**5.93**	6,255,360	7.01
Options exercisable at period end	**1,660,263**	**9.26**	2,798,164	8.04

The Company established an employee benefit trust and a non-executive Director benefit trust (the "Trusts"). The Trusts purchase shares in the Company for the benefit of employees and non-executive Directors under the Group's share option schemes. At 3 April 2015 the Trusts held 2,322,726 shares (at 28 March 2014: 4,215,250 shares).

5. Inventories

Inventories consisted of the following:

	At 3 April 2015 US$000	At 31 December 2014 US$000
Raw materials	**16,813**	11,013
Work-in-process	**40,183**	30,047
Finished goods	**48,040**	58,080
Total	**105,036**	99,140

The impairment of inventories recognised as an expense during the three months ended 3 April 2015 was US$1,175,000 (three months ended 2014: US$5,144,000). This expense is included in cost of sales in the income statement.

6. Property, plant and equipment

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

	At 3 April 2015 US$000	At 31 December 2014 US$000
Gross carrying amount	**198,791**	195,296
Accumulated depreciation	**140,189**	136,033
Net carrying amount	**58,602**	59,263

The Company has contractual commitments for the acquisition of property, plant and equipment of US$9,233,000 (Q1 2014: US$7,928,000).

7. Intangible assets

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

	At 3 April 2015 US$000	At 31 December 2014 US$000
Gross carrying amount	**252,345**	245,641
Accumulated depreciation	**121,319**	114,136
Net carrying amount	**131,026**	131,505

The Company has contractual commitments for the acquisition of intangible assets of US$2,601,000 (Q1 2014: US$1,207,000).

8. Additional disclosures on financial instruments

Set out below is an overview of financial instruments held by the Group as at 3 April 2015:

		Amounts recognised in the statement of financial position according to IAS 39					
	Category in accordance with IAS 39	Carrying amount 3 April 2015 US$000	Amortised cost US$000	Fair value recognised in other comprehensive income US$000	Fair value recognised in profit or loss US$000	Fair-Value-Hierarchy	Fair value 3 April 2015 US$000
Assets							
Cash at bank and Short-term deposits	LaR	**415,508**	415,508	–	–	n/a	**415,508**
Deposits designated as a hedging instrument	n/a	**5,194**	–	5,194	–	n/a	**5,194**
Trade accounts receivable and other receivable	LaR	**40,115**	40,115	–	–	n/a	**40,115**
Other non-derivative financial assets							
Deposits for hedging contracts	LaR	**3,586**	3,586	–	–	Level 1	**3,586**
Derivative financial assets							
Derivatives without hedging relationship	n/a	**–**	–	–	–	–	**–**
Derivatives with hedging relationship	n/a	**–**	–	–	–	–	**–**
Investments	AfS	**1,370**	–	–	–	Level 3	**1,370**
Liabilities							
Trade account payables	FLAC	**79,351**	79,351	–	–	n/a	**79,351**
Other payables	FLAC	**8,560**	8,560	–	–	n/a	**8,560**
Other financial liabilities	FLAC	**1,422**	1,422	–	–	n/a	**1,422**
Hire purchase agreements and finance lease obligations	FLAC	**9,646**	9,646	–	–	Level 2	**9,876**
Convertible Bond	FLAC	**183,271**	183,271	–	–	Level 2	**194,789**
Derivative financial liabilities							
Derivatives without hedging relationship	n/a	**–**	–	–	–	–	**–**
Derivatives with hedging relationship	n/a	**28,565**	–	28,565	–	Level 2	**28,565**
Of which aggregated by category in accordance with IAS 39:							
Loans and receivables (LaR)		**459,209**	459,209	–	–	–	**459,209**
Deposits designated as a hedging instrument		**5,194**	–	5,194	–	–	**5,194**
Held-to-maturity investments (HtM)		**–**	–	–	–	–	**–**
Available-for-sale financial assets (AfS)		**1,370**	–	–	–	–	**1,370**
Derivatives without hedging relationship		**–**	–	–	–	–	**–**
Derivative financial assets with hedging relationship		**–**	–	–	–	–	**–**
Derivative financial liabilities with hedging relationship		**(28,565)**	–	(28,565)	–	–	**(28,565)**
Financial liabilities at amortised cost (FLAC)		**(282,250)**	(282,250)	–	–	–	**(293,998)**

The fair value of derivatives has been determined with reference to available market information (Level 2) applying mark-to-market method. 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 the non-current liability component of the convertible bond and liability related to long-term finance lease contract have changed, the fair value at 3 April 2015 deviates from the carrying amount. Equity investments and securities are recognised at fair value if there is an active market for them with publicly available prices.

8. Additional disclosures on financial instruments continued

Due to the lack of a reliable measurement basis for the fair value of the equity investment this is held at cost of US$1.4 million. Instruments allocated to the column "fair value recognised in other comprehensive income" are derivative financial instruments designated as cash flow hedges.

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$. The majority of other operating expenses are denominated in Euros and Pounds Sterling. The Group has transactional currency exposures. Such exposure arises from the sales or purchases by an operating unit in currencies other than the unit's functional currency. In Q1 2015 and Q1 2014 nearly all the Group's sales were denominated in US$.

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 3 April 2015 the following unrealized effects were recorded in other comprehensive income:

	Forward currency contracts			**Total**
				At 3 April
	Euro	GBP	JPY	**2015**
	US$000	US$000	US$000	**US$000**
Loss	(24,752)	(4,116)	(454)	**(29,322)**
Unrealised net loss before tax	**(24,752)**	**(4,116)**	**(454)**	**(29,322)**
Tax effect	6,732	1,120	123	**7,975**
Unrealised net loss after tax	**(18,020)**	**(2,996)**	**(331)**	**(21,347)**

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. Transactions with related parties

As described in the Company's annual report 2014, note 29, the related parties of the Company are comprised of eight non-executive members of the Board of Directors and eleven members of the executive management. The group related parties has not changed in the first quarter of 2015. Transactions with those related parties only comprise their compensation which did not significantly change compared to 2014. At the 2015 AGM on 30 April 2015, John McMonigall and Peter Weber were retired from the Board of Directors as non-executive Directors. On 5 May 2015, Alan Campbell was appointed to the Board as non-executive Director.

10. Business combination / Earn-out provision

On 16 July 2013 Dialog Semiconductor Plc acquired 100% of the voting rights of iWatt Inc. ("iWatt"). The purchase agreement included a contingent consideration (earn-out payment) of up to US$35 million payable to the previous owners of iWatt subject to the achievement of specific revenue targets to be achieved in two earn-out periods.

On 28 January 2014, Dialog's management informed the previous owners that the targets for the first earn-out period were not achieved and that as a result, no payment will be made for this period.

On 11 November 2014, Dialog's management informed the previous owners that the targets for the second and final earn-out period were also not achieved and that as a result, no payment will be made.

On 9 April 2014, the previous owners of iWatt commenced litigation against Dialog in the Court of Chancery in Delaware seeking damages for alleged breaches of the purchase agreement as it relates to the mentioned earn-out payments.

10. Business combination / Earn-out provision continued

Q1 2015 financials include a provision of US$3,375,000 to provide for the settlement of the claim by the former iWatt Inc. shareholders described above. Subsequent to quarter end, a settlement was reached for that amount without admission of faults, wrong doing or liabilities by Dialog. The company expects to pay the settlement amount in May 2015.

11. Subsequent events

Early redemption of US$201,000,000 1 per cent. Convertible Bonds

On 16 March 2015 the Company announced that it exercises its option to redeem all outstanding Bonds on 5 May 2015 (the Optional Redemption Date). This happened in accordance with the terms and conditions (the Conditions) of its US$201,000,000 1 per cent. convertible bonds due 2017 (the Bonds).

As reported in the announcement the requirements for early redemption of the Bonds at the option of Dialog were fulfilled as a result of the Parity Value (as defined in the Conditions) having exceeded 130 per cent. of the principal amount of a Bond on at least 20 of the 30 consecutive dealing days up to and including 13 March 2015.

As such, on 16 March 2015 Citibank N.A., London Branch (the Paying and Conversion Agent) despatched an optional redemption notice to all the holders of the Bonds.

As an alternative to the redemption of the Bonds, Bondholders had the option under the Conditions to exchange Bonds for ordinary shares in Dialog by delivering a conversion notice to the Paying and Conversion Agent by no later than 5pm (CEST) on 28 April 2015.

By 28 April 2015 all Bondholders exercised at their conversion rights in respect of all outstanding Bonds. Therefore the maximum number of new ordinary shares that will be issued is 6,797,025 (which represent 9.56 per cent of the current total number of ordinary shares issued by Dialog) and the total number of ordinary shares issued by Dialog will increase from 71,068,930 to 77,865,955.

On a full year basis, this early redemption will not result in dilution of Dialog's diluted earnings per ordinary share as the potential maximum number of ordinary shares that would be created by the full conversion of the Bonds were already included on a fully diluted basis in the calculation of the full year 2014 diluted earnings per share.

Joint Venture with DYNA Image

On 6 May 2015 the Company announced that it is to purchase a 40% stake in Dyna Image, New Taipei City, Taiwan, a wholly owned subsidiary of Lite-On Group (Dyna), in a deal that will close in June 2015. Dialog's CEO, Jalal Bagherli and the company's Senior Vice President of Corporate Development, Mark Tyndall, will join the five-member board of Dyna Image.

Dyna specialises in the design and manufacture of optical, inertia and environmental sensors for consumer electronics applications, and is already shipping optical sensors in volume to the China market.

The Company will work closely with Dyna on the development of optical sensors for smartphones and IoT applications, including those for wearable devices.

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