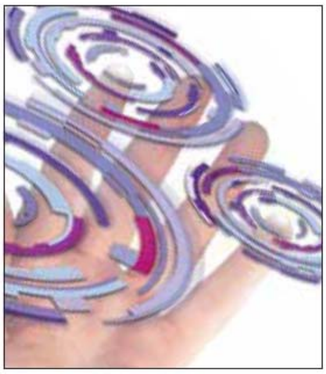
dialog SEMICONDUCTOR

Leading through **innovation**

Interim Report as of
3 July 2015

Key products

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Press Release – 30 July 2015

DIALOG SEMICONDUCTOR REPORTS SECOND QUARTER RESULTS ENDED 3 JULY 2015

Company delivers second quarter year on year revenue growth of 44%

London, UK, 30 July 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 second quarter ending 3 July 2015.

Q2 2015 financial highlights

- Revenue up 44% over Q2 2014 to $316 million
- IFRS gross margin at 46.5%
- Underlying (*) EBITDA (**) up 114% to $81.0 million or 25.6% of revenue
- IFRS operating profit (EBIT) up 292% over Q2 2014 to $62.5 million or 19.7% of revenue
- Underlying (*) basic and diluted EPS up 122% and 113% respectively over Q2 2014. IFRS basic and diluted EPS up 392% and 400% respectively over Q2 2014 [1)]
- $59 million of cash generated from operations, up 171% over Q2 2014

1) 2014 IFRS Net Income has been adjusted. Please refer to Note 2 of the Q2 2015 Interim Report.

Q2 2015 operational highlights

- Design win momentum continues for Power Management smartphone and tablet designs
- Widespread adoption of SmartBond™ across multiple IoT segments
- Sub-PMIC in MediaTek's reference platforms approaching H2 ramp
- Power Conversion quick charge solutions gathered momentum with several Asian OEMs
- Launched our first highly integrated Power Management IC for computing systems

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

"I am extremely pleased with business momentum in the second quarter, delivering exceptionally strong year-on-year revenue growth and solid gross margin. We are now preparing to deliver a ramp up of new, high volume products in the second half with strong demand for our Power Management, Bluetooth® Smart and quick charge technologies.

Dialog continues to invest in R&D and deliver differentiated and highly integrated solutions such as the new Power Management IC for computing systems. Our relentless pursuit of innovative product design has driven the strong numbers we have reported today, and this gives me confidence that we will deliver a strong second half."

Outlook

Given our current visibility, we expect 2015 to be another year of good growth driven by a solid ramp of high volume new products. Revenue performance will be weighted towards the second half of the year.

We expect revenue for Q3 2015 to be in the range of $325 to $355 million.

Gross margin in Q3 2015 will remain broadly in line with H1 2015 and improve on a year-on-year basis. Gross margin for the full year 2015 is expected to be above the full year 2014.

Financial overview

IFRS	Second Quarter			First Half		
US$ million	2015	2014	Var.	2015	2014	Var.
Revenue	316.5	219.3	+44%	627.7	440.1	+43%
Gross Margin	46.5%	43.2%	+330bps	46.2%	42.7%	+350bps
R&D %	17.7%	23.1%	(540)bps	17.5%	21.9%	(440)bps
SG&A % (1)	9.1%	12.8%	(370)bps	10.0%	11.9%	(190)bps
EBIT	62.5	15.9	+292%	118.1	38.9	+204%
EBIT %	19.7%	7.3%	+1.240bps	18.7%	8.9%	+980bps
Net income (2)	42.9	7.8	+447%	81.7	38.9	+110%
Basic EPS $ (2)	0.59	0.12	+392%	1.15	0.58	+98%
Diluted EPS $ (2)	0.55	0.11	+400%	1.08	0.56	+93%
Operating cash flow	58.8	21.7	+171%	191.2	150.6	+27%

Underlying	Second Quarter			First Half		
US$ million	2015	2014	Var.	2015	2014	Var.
Gross Margin	47.1%	44.5%	+260bps	46.9%	43.9%	+300bps
EBITDA	81.0	37.8	+114%	161.2	79.1	+104%
EBITDA %	25.6%	17.2%	+840bps	25.7%	18.0%	+770bps
EBIT	71.2	28.4	+151%	142.1	60.6	+135%
EBIT %	22.5%	12.9%	+960bps	22.6%	13.8%	+880bps
Net income	52.1	21.7	+141%	107.6	45.3	+137%
Basic EPS $	0.71	0.32	+122%	1.51	0.68	+122%
Diluted EPS $	0.66	0.31	+113%	1.37	0.65	+111%

(1) Including other operating expenses/income.

(2) 2014 IFRS amounts have been adjusted. Please refer to Note 2 of the Q2 2015 Interim Report.

Revenue in Q2 2015 was up 44% to $316 million. The strong revenue performance was the result of:

- Mobile Systems – up 56% over Q2 2014
- 25% year-on-year revenue growth in Connectivity driven by strong momentum in Bluetooth® Smart and wireless audio (DECT based solutions)

Q2 2015 IFRS gross margin was 46.5%, significantly above Q2 2014 and 50bps above Q1 2015. 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 Q2 2015 underlying (*) net OPEX as a percentage of revenue was at 24.6%, 700bps below Q2 2014. The value of underlying net OPEX in Q2 2015 increased 13% over Q2 2014.

Investments in R&D increased through the second quarter. On an underlying (*) basis, R&D investment was up 12% over Q2 2014, in line with our strategy of continuing innovation and diversification of our product portfolio. However, as a percentage of revenue, underlying R&D in Q2 2015 decreased to 17.0% (Q2 2014: 21.8%). This reduction was primarily the result of the strong top line growth during the period.

Underlying (*) SG&A in Q2 2015 was in line with Q1 2015 at 7.8% of revenue, but 220bps below Q2 2014 primarily as a result of the strong growth of the business.

In Q2 2015 we achieved IFRS and underlying (*) EBIT of $62.5 million and $71.2 million respectively, 292% and 151% over Q2 2014. Underlying EBIT margin in the quarter was 22.5% (Q2 2014: 12.9%). The Q2 2015 underlying EBIT increase of 151% was primarily driven by good performance in the Mobile Systems segment and the anticipated turnaround in the Connectivity segment. On an underlying basis, the Connectivity segment contributed $4.1 million EBIT profit in Q2 2015 (Q2 2014 EBIT loss: $0.6 million).

In total, a net tax charge of $17.1 million was recorded in Q2 2015, resulting from applying an effective tax rate of 28.5% (adjusted Q2 2014: 38.0%). 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 Q2 2015, underlying (*) net income and underlying EPS more than doubled from Q2 2014 levels. Underlying diluted EPS in Q2 2015 was 113% higher than in the same quarter of 2014.

On 6 May 2015 Dialog Semiconductor acquired a 41% minority stake in Dyna Image for a purchase price with a fair value of $13.6 million of which $12.9 million was paid in cash at the time of acquisition. The parties agreed on a call option that would allow Dialog to acquire some or all of the outstanding non-controlling interests at their fair value at any time over a period of three years. Based on these additional potential voting rights, the Company assessed that effective control of Dyna Image could be obtained if the call option was triggered. On that basis, Management concluded that full consolidation of Dyna Image was appropriate in Q2 2015. For full disclosure please refer to Note 3 of the Q2 2015 Interim Report.

At the end of Q2 2015, our total inventory level was $120 million (or ~64 days), an increase of $15 million over the prior quarter and broadly in line with Q2 2014. This represents an increase of eight days 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 Q3 2015 we expect inventory value and inventory days to increase from Q2 2015 in anticipation of a number of high volume product launches during the second half of the year.

At the end of Q2 2015, we had cash and cash equivalents balance of $448 million. In the second quarter we generated almost three times more operating cash than in Q2 2014 and $15 million of free cash flow (***).

All outstanding Bonds were cancelled on 5 May 2015. The Company 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 Q2-2015 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of US$4.7 million, excluding US$0.2 million of amortisation of intangibles associated with the acquisition of SiTel (now Dialog B.V.), excluding US$0.9 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$0.1 million acquisition and integration expenses in connection with the purchase of iWatt and excluding US$3.2 million of amortisation and depreciation expenses associated with the acquisition of iWatt.

Underlying results (net of tax) in Q2-2014 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of US$6.8 million, excluding US$0.2 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$0.6 million acquisition and integration expenses in connection with the purchase of iWatt, excluding US$3.9 million of amortisation and depreciation expenses associated with the acquisition of iWatt, US$0.8 million of expenses associated with the merger discussions with ams AG and excluding the gain of US$0.7million from the release of an earn out provision in relation to the iWatt acquisition.

Underlying results (net of tax) in H1-2015 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of US$12.0 million, excluding US$0.4 million of amortisation of intangibles associated with the acquisition of SiTel (now Dialog B.V.), excluding US$3.0 million non-cash effective interest expense in connection with the convertible bond, excluding US$0.4 million non-cash effective interest expense related to a licensing agreement, excluding US$3.8 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$6.4 million of amortisation and depreciation expenses associated with the acquisition of iWatt.

Underlying results (net of tax) in H1-2014 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of US$10.6 million, excluding US$0.8 million of amortisation of intangibles associated with the acquisition of SiTel (now Dialog B.V.), excluding US$7.5 million of amortisation and depreciation expenses associated with the acquisition of iWatt, excluding US$4.0 million non-cash interest expense in connection with the convertible bond, US$0.4 million non-cash effective interest expense related to a licensing agreement entered into in Q3-2012, excluding US$0.8 million acquisition and integration expenses associated with the acquisition of iWatt, US$0.8 million of expenses associated with the merger discussions with ams AG and excluding the gain of US$0.7million from the release of an earn out provision in relation to the iWatt acquisition.

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 Q2 2015 is defined as operating profit excluding depreciation for property, plant and equipment, (Q2 2015: US$5.7 million, Q2 2014: US$6.0 million), amortisation of intangible assets (Q2 2015: US$7.6 million, Q2 2014: US$8.3 million) and losses on disposals and impairment of fixed assets (Q2 2015: US$0.2 million, Q2 2014: US$0.2 million).

EBITDA in H1 2015 is defined as operating profit excluding depreciation for property, plant and equipment (H1 2015: US$11.0 million, H1 2014: US$11.4 million), amortisation for intangible assets (H1 2015: US$15.1 million, H1 2014: US$16.2 million) and losses on disposals and impairment of fixed assets (H1 2015: US$0.3 million, H1 2014: US$0.3 million).

(***) Free Cash Flow in Q2 2015 is defined as net income of US$42.9 million (Q2 2014: US$7.8 million), plus amortisation and depreciation (Q2 2015: US$13.3 million, Q2 2014: US$14.3 million), plus net interest expense (Q2 2015: US$1.1 million, Q2 2014: US$3.5 million), minus change in working capital (Q2 2015: US$19.4 million, Q2 2014: US$14.5 million) and minus capital expenditure (Q2 2015: US$22.6 million, Q2 2014: US$8.8 million).

Operational overview

During the quarter we completed a number of our highly integrated PMIC designs which will be sampled to our customers for products targeting H2 2016 production.

Widespread adoption of SmartBond™ - Bluetooth® Smart – connectivity continued to gain momentum across multiple IoT segments. Our pipeline of customer engagements remained strong across a wide range of applications demanding long battery lifetime, such as wearables, smart home and proximity tags. Following the success of the DA14580 we launched the industry's first Wearable-on-chip™ SoC (DA14680). The second generation of Bluetooth® Smart is currently being evaluated by several customers and we are expecting high volume production to start in Q4.

During the quarter, our efforts to reach out to Asian OEMs progressed on two fronts:

- Firstly, our collaboration with MediaTek continued to move forward and we are expecting a number of customers to ramp in H2 with our sub-PMIC - DA9210 - powering MediaTek's MT6795 octa-core reference platform.

- Secondly, the shift to higher power and faster charging continued as the China and Korean smartphone market transitions through 2015. Our quick charge solutions gained momentum with large ODMs in Asia beginning the ramp of new products which accommodate the latest proprietary quick charge protocols of various companies.

During the quarter, Dialog entered the white goods sector with an expanded Power Conversion product portfolio. We announced two power control integrated circuits that address the most critical reliability issue in white goods while reducing manufacturers' Bills-of-Materials (BOM) costs without compromising power supply performance. The household appliance market is growing at 3.8% annually and will reach 430 million units by 2017 (Market analyst, Freedonia Group, 2014). Dialog's new digital controllers are designed for use in dishwashers, refrigerators, cooking ranges, microwaves and other high volume appliance applications.

In Q2 we also significantly increased the total addressable market for our power saving technologies with the launch of our first highly integrated Power Management IC for computing systems. Adopting this integration approach for computing will replace the discrete power management solutions which have dominated computing systems to date. The DA9312, enables the design of smaller, thinner notebook computers and tablets powered by dual cell stacked (2S) Li-ion or Li-Polymer batteries. The notebook and tablet industries are moving towards designs powered by 2-cell batteries. Dialog is supporting this trend with the most integrated power management solution currently available.

* * * * *

Dialog Semiconductor invites you today at 09.30 am (London) / 10.30 am (Frankfurt) to take part in a live conference call and to listen to management's discussion of the Company's Q2 2015 performance, as well as guidance for Q3 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=1018041&s=1&k=3A4E1C87F8B4404926E522991DCAEF10

Conference Number: +44 (0) 1452 541003
Conference ID: 74853617

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 1,500 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 (Unaudited)

The following tables detail the interim consolidated statements of the operations of Dialog for the three and six months ended 3 July 2015 and 27 June 2014:

	Three months ended 3 July 2015		Three months ended 27 June 2014 *)		Change
	US$000	**% of revenues**	US$000	% of revenues	%
Revenues					
Mobile Systems	**258,954**	**81.8**	166,330	75.9	55.7
Automotive / Industrial	**8,635**	**2.7**	10,518	4.8	(17.9)
Connectivity	**28,563**	**9.0**	22,841	10.4	25.1
Power Conversion	**19,578**	**6.2**	19,566	8.9	0.1
Corporate Sector	**756**	**0.2**	5	0.0	>100%
Revenues	**316,486**	**100.0**	219,260	100.0	44.3
Cost of sales	**(169,154)**	**(53.4)**	(124,475)	(56.8)	35.9
Gross profit	**147,332**	**46.5**	94,785	43.2	55.4
Selling and marketing expenses	**(14,889)**	**(4.7)**	(14,798)	(6.7)	0.6
General and administrative expenses	**(14,394)**	**(4.5)**	(14,630)	(6.7)	(1.6)
Research and development expenses	**(55,920)**	**(17.7)**	(50,672)	(23.1)	10.4
Other operating income	**329**	**0.1**	1,233	0.6	(73.3)
Operating profit	**62,458**	**19.7**	15,918	7.3	292.4
Interest income and other financial income	**210**	**0.1**	166	0.1	26.5
Interest expense and other financial expense	**(1,338)**	**(0.4)**	(3,666)	(1.7)	(63.5)
Foreign currency exchange gains and losses, net	**(1,383)**	**(0.4)**	213	0.1	(749.3)
Result before income taxes	**59,947**	**18.9**	12,631	5.8	374.6
Income tax expense	**(17,085)**	**(5.4)**	(4,798)	(2.2)	256.1
Net profit	**42,862**	**13.5**	7,833	3.6	447.2
thereof net loss attributable to non-controlling interests	**(165)**	**(0.1)**	–	-	-
thereof net profit attributable to shareholders of Dialog Semiconductor Plc	**43,027**	**13.6**	7,833	3.6	449.3

*) Certain amounts shown here do not correspond to the Q2 2014 interim financial statements and reflect an adjustment made, for further information please refer to Note 2 of the Interim Report Q2 2015.

	Six months ended 3 July 2015		Six months ended 27 June 2014 *)		Change
	US$000	**% of revenues**	US$000	% of revenues	%
Revenues					
Mobile Systems	**513,565**	**81.8**	340,335	77.3	50.9
Automotive / Industrial	**19,070**	**3.0**	20,909	4.8	(8.8)
Connectivity	**55,953**	**8.9**	40,793	9.3	37.2
Power Conversion	**38,333**	**6.1**	38,070	8.6	0.7
Corporate Sector	**756**	**0.1**	5	0.0	>100%
Revenues	**627,677**	**100.0**	440,112	100.0	42.6
Cost of sales	**(337,136)**	**(53.7)**	(252,355)	(57.3)	33.6
Gross profit	**290,541**	**46.2**	187,757	42.7	54.7
Selling and marketing expenses	**(30,258)**	**(4.9)**	(28,814)	(6.6)	5.0
General and administrative expenses	**(33,284)**	**(5.3)**	(26,158)	(5.9)	27.2
Research and development expenses	**(109,876)**	**(17.5)**	(96,421)	(21.9)	14.0
Other operating income	**969**	**0.2**	2,534	0.6	(61.8)
Operating profit	**118,092**	**18.7**	38,898	8.9	203.6
Interest income and other financial income	**342**	**0.1**	208	0.0	64.4
Interest expense and other financial expense	**(4,396)**	**(0.6)**	(7,291)	(1.6)	(39.7)
Foreign currency exchange gains and losses, net	**188**	**0.0**	550	0.1	(65.8)
Result before income taxes	**114,226**	**18.2**	32,365	7.4	252.9
Income tax expense	**(32,555)**	**(5.2)**	6,485	1.5	(602.0)
Net profit	**81,671**	**13.0**	38,850	8.8	110.2
thereof net loss attributable to non-controlling interests	**(165)**	**-**	-	-	0.0
thereof net profit attributable to shareholders of Dialog Semiconductor Plc	**81,836**	**13.0**	38,850	8.8	110.6

*) Certain amounts shown here do not correspond to the Q2 2014 interim financial statements and reflect an adjustment made, for further information please refer to Note 2 of the Interim Report Q2.

Results of Operations

Segment Reporting

Revenues in the **Mobile Systems segment** (see Note 4 to the interim consolidated financial statements and notes - Segment Reporting) were US$259.0 million for the three months ended 3 July 2015 (Q2 2014: US$166.3 million) comprising 81.8% of our total revenues (Q2 2014: 75.9%). For the first six months of 2015, revenues in this segment were US$513.6 million compared to US$340.3 million in the same period of 2014, an increase of 50.9%. The increase in this sector 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 tablet PCs.

The operating profit in the Mobile Systems segment in Q2 2015 was US$75.4 million, more than double the amount from the same period last year (Q2 2014:US$30.5 million). For the first six months of 2015, the operating profit in this segment was US$149.5 million compared to US$64.9 million in the same period of 2014, an increase of 130.2%. This was mainly a result of higher revenues, a richer product mix and improved product margins.

Revenues from our **Automotive/Industrial Applications segment** were US$8.6 million for the three months ended 3 July 2015 (Q2 2014: US$10.5 million) representing 2.7% of our total revenues (Q2 2014: 4.8%). For the first six months of 2015, revenues in this segment were US$19.1 million compared to US$20.9 million in the same period 2014, a decrease of 8.8%. The operating profit was US$2.6 million for the three months ended 3 July 2015 (Q2 2014: US$2.9 million). For the first six months of 2015, operating profit decreased from US$6.1 million in H1 2014 to US$5.5 million mainly due to the lower revenues and consequently lower fix cost coverage.

Revenues from our **Connectivity segment** were up 25.1% on Q2 2014 to US$28.6 million (Q2 2014: US$22.8 million), representing 9.0% of total revenues (Q2 2014: 10.4%). For the first six months of 2015, revenues in this segment were up 37.2% on the same period last year to US$56.0 million or 8.9% of total revenues (H1 2014: US$40.8 million or 9.3% of total revenues). The strong performance in the first half of 2015 was 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 results to a profit of US$3.8 million in

Q2 2015 (Q2 2014: operating loss of US$1.0 million). In H1 2015, we recorded an operating profit of US$5.0 million, compared to an operating loss of US$3.0 million in H1 2014.

Amortisation expenses relating to the purchase price allocation decreased from US$1.0 million for H1 2014 to US$0.5 million for H1 2015 after some assets were fully amortised in 2014.

From an underlying (*) point of view, Connectivity booked an operating profit in H1 2015 of US$5.8 million, compared to an operating loss of US$1.8 million in H1 2014.

The Connectivity segment's underlying financial performance for Q2 2015 and Q2 2014 is summarised below:

US$000	**Three months ended 3 July 2015**			Three months ended 27 June 2014		
	IFRS	**Adjustment**	**Underlying *)**	IFRS	Adjustment	Underlying *)
Revenues	**28,563**	**-**	**28,563**	22,841	-	22,841
Operating profit (loss)	**3,791**	**351**	**4,142**	(965)	394	(571)

*) Underlying results in Q2 2015 are based on the IFRS interim income, adjusted to exclude US$0.3 million (Q2 2014 US$0.3 million) of amortisation expenses related to intangible assets associated with the acquisition of Dialog B.V. and excluding expenses of US$0.1 million (Q2 2014: US$0.1 million) for National Insurance related to share options.

The Connectivity segment's underlying financial performance for H1 2015 and H1 2014 is summarised below:

US$000	**Six months ended 3 July 2015**			Six months ended 27 June 2014		
	IFRS	**Adjustment**	**Underlying *)**	IFRS	Adjustment	Underlying *)
Revenues	**55,953**	**-**	**55,953**	40,793	-	40,793
Operating profit (loss)	**4,971**	**843**	**5,814**	(2,976)	1,205	(1,771)

*) Underlying results in H1 2015 are based on the IFRS interim income, adjusted to exclude US$0.5 million (H1 2014: US$1.0 million) of amortisation expenses related to intangible assets associated with the acquisition of Dialog B.V. and excluding expenses of US$0.3 million (H1 2014: US$0.2 million) for National Insurance related to share options.

Revenues from our **Power Conversion segment** in Q2 2015 were US$19.6 million or 6.2% of total revenues, flat on the same period last year (Q2 2014: US$19.6 million or 8.9% of total revenues). Q2 2015 revenues were only marginally up compared to prior quarter reflecting the delayed products introductions in SSL (LED) and delayed ramp to revenue from Asia Tier 1 customers for our Quick Charge technology solutions. However, going into Q3 2015, multiple large Tier 1 Asian customers are now ramping production on the back of significant customer adoption which will lead to meaningful growth in 2H2015.

For the first six months of 2015, revenues in this segment were US$38.3 million or 6.1% of total revenues compared to US$38.1 million or 8.6% of total revenues in the same period 2014.

The operating loss in this segment was US$5.0 million in Q2 2015 (Q2 2014: operating loss of US$4.6 million). In H1 2015, we recorded an operating loss of US$11.0 million (H1 2014: operating loss of US$9.3 million).

Underlying (*) operating loss of H1 2015 was US$3.3 million (H1 2014: US$0.1 million profit) excluding US$6.8 million (H1 2014: US$8.3 million) of depreciation and amortisation expenses related to the acquisition accounting, one-time expenses of US$0.5 million (H1 2014: US$0.8 million) related to the acquisition and integration of iWatt and US$0.5 million (H1 2014: US$0.3 million) for UK National Insurance expenses related to UK share options.

The Power Conversion segment's underlying financial performance for Q2 2015 and Q2 2014 is summarised below:

US$000	**Three months ended 3 July 2015**			Three months ended 27 June 2014		
	IFRS	**Adjustment**	**Underlying *)**	IFRS	Adjustment	Underlying *)
Revenues	**19,578**	**-**	**19,578**	19,566	-	19,566
Operating profit (loss)	**(4,979)**	**3,633**	**(1,346)**	(4,595)	4,921	326

*) Underlying results in Q2 2015 are based on the IFRS interim income, adjusted to exclude US$3.4 million (Q2 2014: US$4.2 million) of amortisation expenses related to intangible assets associated with the acquisition of iWatt Inc. and excluding expenses of US$0.1 million (Q2 2014: US$0.2 million) for National Insurance related to share options as well excluding acquisition and integration costs of US$0.1 million (Q2 2014: US$0.6 million).

The Power Conversion segment's underlying financial performance for H1 2015 and H1 2014 is summarised below:

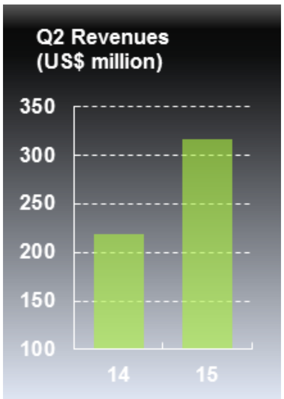
US$000	Six months ended 3 July 2015			Six months ended 27 June 2014		
	IFRS	**Adjustment**	**Underlying *)**	IFRS	Adjustment	Underlying *)
Revenues	**38,333**	**-**	**38,333**	38,070	-	38,070
Operating profit (loss)	**(10,998)**	**7,741**	**(3,257)**	(9,347)	9,442	95

*) Underlying results in H1 2015 are based on the IFRS interim income, adjusted to exclude US$6.8 million (H1 2014: US$8.3 million) of amortisation expenses related to intangible assets associated with the acquisition of iWatt Inc. and excluding expenses of US$0.5 million (H1 2014: US$0.3 million) for National Insurance related to share options as well excluding acquisition and integration costs of US$0.5 million (H1 2014: US$0.8 million).

The revenues shown in the **Corporate segment** of US$0.8 million both in Q2 2015 and H1 2015 include the consolidation of Dyna Image. (For further information please refer to note 3 to the interim consolidated financial statements and notes.)

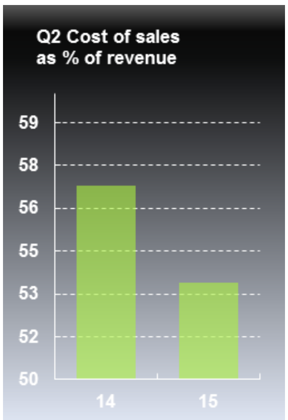
Revenues

Total revenues were US$316.5 million for the three months ended 3 July 2015 (Q2 2014: US$219.3 million). For the first six months of 2015, revenues were US$627.7 million compared to US$440.1 million in the same period 2014. The increase of 42.6% in revenues from H1 2014 to H1 2015 results mainly from 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 and depreciation of test and other equipment. IFRS Cost of sales increased by 35.9% from US$124.5 million for the three months ended 27 June 2014 to US$169.2 million for the three months ended 3 July 2015, resulting mainly from increased revenues compared to Q2 2014. As a percentage of revenues, IFRS cost of sales decreased from 56.8% to 53.4%. This decrease can largely be attributed to material cost reductions and the on-going collaboration with our foundry and backend partners to gradually improve our manufacturing efficiencies. For the same reason IFRS Cost of Sales as a percentage of revenue decreased from 57.3% in H1 2014 to 53.7% in H1 2015.



IFRS cost of sales in Q2 2015 include depreciation and amortisation expenses related to the acquisition accounting of iWatt Inc., share options and related National Insurance expenses in the amount of US$1.8 million (Q2 2014: US$2.8 million) and in H1 2015 US$3.7 million (H1 2014: US$5.5 million). These costs are excluded in the calculation of underlying cost of sales.

Underlying (*) cost of sales increased from US$121.6 million in Q2 2014 (55.5% of underlying revenues) to US$167.3 million in Q2 2015 (52.9% of underlying revenues). For the first six months of 2015 underlying cost of sales were US$333.4 million (53.1% of underlying revenues) compared to US$246.8 million (56.1% of underlying revenues) in the same period 2014.

Gross profit

IFRS gross margin increased from 43.2% of revenues in Q2 2014 to 46.5% of revenues in Q2 2015 driven by lower cost of sales as a percentage of revenues. On an underlying basis the gross margin improved from 44.5% in Q2 2014 to 47.1% in Q2 2015.

IFRS gross profit for the second quarter of 2015 was up 55.4% on the second quarter of 2014 to US$147.3 million (Q2 2014: US$94.8 million).

The IFRS gross margin for H1 2015 was 46.2% compared to 42.7% achieved in H1 2014, an increase of 350 basis points. IFRS Gross profit for the first six months of 2015 was US$290.5 million, 54.7% above the previous year's figures (US$187.8 million). The improvement of gross margin reflects our efforts in rigorous cost management and the higher value added of our new products.

Underlying (*) gross profit for the second quarter of 2015 was US$149.2 million, 52.8% above the amount in the second quarter of 2014 (US$97.6 million). Underlying gross profit for the first six months of 2015 was US$294.3 million, 52.3% above the previous year's figures (US$193.3 million). The underlying gross margin for H1 2015 was 46.9% compared to 43.9% achieved in H1 2014, an increase of 300 basis points.

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 iWatt Inc. in the third quarter of 2013 and SiTel B.V. in 2011. IFRS selling and marketing expenses increased marginally from US$14.8 million for the three months ended 27 June 2014 to US$14.9 million for the three months ended 3 July 2015 (0.6% year on year increase). As a percentage of total revenues, selling and marketing expenses decreased from 6.7% of total revenues in Q2 2014 to 4.7% of total revenues in Q2 2015. Selling and marketing expenses increased from US$28.8 million (6.6% of total revenues) for the first six months 2014 to US$30.3 million (4.9% of total revenues) for the first six months 2015. 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 increased from US$11.6 million for the three months ended 27 June 2014 (5.3% of total revenues) to US$12.2 million for the three months ended 3 July 2015 (3.9% of total revenues). Underlying (*) selling and marketing expenses increased from US$22.6 million for the first six months of 2014 (5.1% of total revenues) to US$24.5 million for the first six months of 2015 (3.9% of total revenues). This increase as a percentage of total revenues is driven by our strategy to scale up our sales and distribution network to support the anticipated success of our new products in Power Conversion and Connectivity.

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$14.4 million (4.5% of total revenues) for the second quarter 2015, a slight decrease of 1.6% over the US$14.6 million (6.7% of total revenues) recorded in Q2 2014. IFRS General and administrative expenses recorded in Q2 2015 included US$0.1 million of iWatt acquisition and integration cost, US$1.0 million of stock option cost and US$0.9 million of UK National Insurance cost associated with UK share based payment charges; these costs are excluded in the calculation of underlying expenses. As a percentage of total revenues general and administrative expenses decreased from 6.7% for the three months ended 27 June 2014 to 4.5% for the three months ended 3 July 2015.

For the first six months of 2015 and 2014, general and administrative costs were US$33.3 million (or 5.3% of total revenues) and US$26.2 million (or 5.9% of total revenues) respectively. IFRS General and administrative expenses recorded in H1 2015 included US$3.8 million of iWatt acquisition and integration cost, US$2.1 million of stock option cost and US$2.4 million of UK National Insurance cost associated with UK share based payment charges; these costs are excluded in the calculation of underlying expenses. As a percentage of total revenues general and administrative expenses decreased from 5.9% for the six months ended 27 June 2014 to 5.3% for the six months ended 3 July 2015.

Underlying (*) general and administrative expenses increased from US$20.2 million in H1 2014 (4.6% of revenues) to US$25.0 million in H1 2015 (4.0% of revenues). This increase is driven by our strategy to scale up our support functions as part of our on-going growth strategy. General and administrative expenses increased at a slower pace than the increase in revenues, leading to a decrease of general and administrative expenses as a percentage of total revenues. On an underlying basis we expect general and administrative expenses as a percentage of revenues to improve in the second half of 2015 in line with higher expected revenues during that same 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$55.9 million for the three months ended 3 July 2015 (Q2 2014: US$50.7 million), representing a year on year increase of 10.4%. However, as a percentage of total revenues research and development expenses decreased from 23.1% to 17.7% in those periods. R&D cost incurred during the quarter typically lead to revenue 6 to 18 months out.

For the first six months of 2015, our R&D expenses were US$109.9 million (17.5% of total revenues) compared to US$96.4 million (21.9% of total revenues) in the first six months of 2014. Of that increase, an amount of US$4.4 million (H1 2014: US$9.8 million) was primarily due to the continuous increase in R&D headcount in support of our on-going growth strategy. Following a similar trend we saw in 2014 R&D investment as a percentage of revenues is expected to improve in the second half of the year in line with the seasonality of our business.

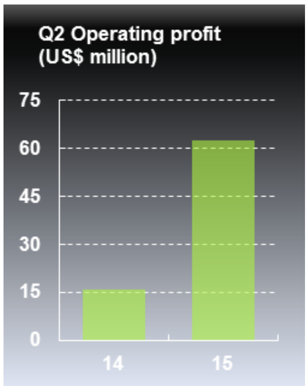
Underlying (*) research and development expenses increased from US$91.7 million in H1 2014 (20.8% of revenues) to US$103.5 million in H1 2015 (16.5% of revenues). But as these expenses increased at a slower pace than our revenue increased, research and development expenses decreased as a percentage of total revenues.

Other Operating Income

Other Operating Income in Q2 2015 was US$0.3 million (Q2 2014: US$1.2 million). For the first six months of 2015 other operating income was US$1.0 million (H1 2014: US$2.5 million). The amount in 2015 comprises income from customer-specific research and development contracts.

Operating profit

We reported an IFRS operating profit of US$62.5 million for the second quarter 2015 (Q2 2014: US$15.9 million). For the first six months of 2015, we reported an operating profit of US$118.1 million (18.7% of total revenues). This is compared to an operating profit of US$38.9 million in the prior year six months period (or 8.9% of total revenues). The year-on-year increase resulted from the robust revenue growth, gross margin improvement and the OPEX leverage.



Q2 2015 underlying (*) operating profit was US$71.2 million or 22.5% of total revenues compared to US$28.4 million or 12.9% in Q2 2014. H1 2015 underlying (*) operating profit was US$142.1 million or 22.6% of total revenues compared to US$60.6 million or 13.8% in H1 2014.

Interest income and other financial income

Interest income and other financial income from the company's investments (primarily short-term deposits) were US$210 thousand for the three months ended 3 July 2015 (Q2 2014: US$166 thousand). For the first six months of 2015, we recorded interest income and other financial income of US$342 thousand compared to US$208 thousand in the same period of 2014. This 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 arrangement and the interest charges for the convertible bond up until Q2 2015.

In Q2 2015, interest and other financial expenses continued to reduce to US$1.3 million (Q2 2014: US$3.7 million). The decrease in Q2 2015 was the result of the early redemption of the convertible bond in May 2015. The interest expense in Q2 2015 mainly included an amount of US$0.9 million (Q2 2014: US$2.0 million) related to the convertible bond representing the interest expense (non-cash) in connection with the measurement of the financial liability from the bond using the effective interest method. In addition, the amount in Q2 2014 included an amount of US$0.5 million relating to a one percent coupon payable on a semi-annual basis to the bond holders.

For the first six months of 2015, interest expenses and other financial expenses were US$4.4 million compared to US$7.3 million for the first six months of 2014. With an amount of US$1.6 million this decrease relates to the early redemption of the convertible bond and with an amount of US$1.2 million to the repayment of loan facilities at the end of 2014 which were drawn in connection with the iWatt acquisition.

Income tax expense

For the three months ended 3 July 2015, a net income tax charge of US$17.1 million was recorded (adjusted Q2 2014: US$4.8 million tax charge). The effective tax rate in Q2 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.

For the six months ended 3 July 2015, a net income tax charge of US$32.6 million was recorded (adjusted H1 2014: US$6.5 million tax benefit) resulting in an effective tax rate of 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.

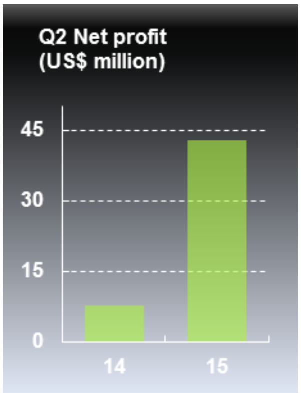
The decrease in our group effective tax rate is driven by the on-going exercise to align our Intellectual Property with the commercial structure of the group. This has allowed Dialog to fully recognise previously unrecognised UK trading loss carry forwards and to benefit from the favourable UK Tax regime 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 effective tax rates applied in both periods represent the expected full year effective tax rates. 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 tax benefit of US$6.5 million for the first half in 2014 represents the previously reported IFRS tax charge of US$9.2 million adjusted to reflect the US$17.8 million deferred tax credit which arose at the time of the reorganisation in Q1 2014, with this credit also reduced by US$2.1 million to reflect the on-going impact of the reorganisation.

The adjusted tax charge and effective tax rate for the first half in 2014, excluding the one-off non-cash deferred tax credit of US$17.8 million, were US$11.3 million and 34.8% respectively.

Net profit

For the reasons described above, we reported a net profit of US$42.9 million for the three months ended 3 July 2015 (adjusted Q2 2014: US$7.8 million).



Underlying (*) net profit increased from US$21.7 million in Q2 2014 (9.9% of total revenues) to US$52.1 million in Q2 2015 (16.5% of total revenues).

Basic and diluted earnings per share in Q2 2015 were US$0.59 and US$0.55, respectively, compared to basic and diluted earnings per share (adjusted) of US$0.12 and US$0.11 in Q2 2014. Underlying (*) diluted earnings per share in Q2 2015 increased by 112.9% compared to Q2 2014.

For the first six months of 2015, net profit reached US$81.7 million compared to US$38.9 million (adjusted) in the comparison period 2014 with basic earnings per share at US$1.15 (adjusted H1 2014: US$0.58) and diluted earnings per share at US$1.08 (adjusted H1 2014: US$0.56).

Liquidity and capital resources

Cash flows

Cash generated from operating activities was US$45.7 million for the three months ended 3 July 2015 (Q2 2014: US$11.6 million). With an amount of US$77.0 million (Q2 2014: US$38.5 million) the cash inflow before working capital changes in the three months ended 3 July 2015 mainly resulted from the operating income (before depreciation, amortisation and other non-cash effective expenses). In Q2 2015 this cash inflow was decreased by cash outflows from increased working capital needs of US$18.3 million (in Q2 2014: cash outflow of US$16.8 million). In addition in Q2 2015, the Company paid US$12.0 million for income taxes (Q2 2014: US$8.5 million). The amount paid in Q2 2015 mainly represents advanced payments for corporate income taxes.

Cash used for investing activities was US$22.6 million for the three months ended 3 July 2015 (Q2 2014: US$8.8 million). Cash used for investing activities in Q2 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$10.9 million (Q2 2014: US$6.0 million), the purchase of intangible assets of US$3.1 million (Q2 2014: US$2.7 million) and payments related to capitalised development costs of US$5.9 million (Q2 2014: US$0.2 million). Cash used for investing activities in Q2 2015 included also a net cash outflow of US$2.6 million in connection with the investment in Dyna Image.

Cash flow from financing activities was US$3.0 million for the three months ended 3 July 2015 (Q2 2014: US$17.2 million cash outflow). The cash inflow from financing activities in Q2 2015 results from share option exercises in connection with the Company's employee share option program. The cash outflow in Q2 2014 includes the redemption of loan facilities with an amount of US$25.0 million which was partly offset by US$7.8 million cash inflows resulting from share option exercises in connection with the company's employee share option program.

Liquidity

At 3 July 2015 we had cash and cash equivalents of US$447.7 million (31 December 2014: US$324.3 million). The working capital (defined as current assets minus current liabilities) was US$435.0 million (31 December 2014: US$351.4 million).

Total non-current financial liabilities as of 3 July 2015 were US$6.2 million (31 December 2014: US$188.1 million). The decrease in non-current liabilities resulted from the early redemption of the convertible bond in Q2 2015.

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 underlying financial performance for Q2 2015 and Q2 2014

	Three months ended 3 July 2015			Three months ended 27 June 2014 ***)		
US$000	**IFRS**	**Adjustment**	**Underlying *)**	IFRS	Adjustment	Underlying *)
Revenues	**316,486**	**-**	**316,486**	219,260	-	219,260
Cost of sales	**(169,154)**	**1,820**	**(167,334)**	(124,475)	2,827	(121,648)
Gross profit	**147,332**	**1,820**	**149,152**	94,785	2,827	97,612
Selling and marketing expenses	**(14,889)**	**2,662**	**(12,227)**	(14,798)	3,167	(11,631)
General and administrative expenses	**(14,394)**	**2,014**	**(12,380)**	(14,630)	4,272	(10,358)
Research and development expenses	**(55,920)**	**2,235**	**(53,685)**	(50,672)	2,859	(47,813)
Other operating income	**329**	**-**	**329**	1,233	(689)	544
Operating profit	**62,458**	**8,731**	**71,189**	15,918	12,436	28,354
Interest income and other financial income	**210**	**-**	**210**	166	-	166
Interest expense and other financial expense	**(1,338)**	**1,063**	**(275)**	(3,666)	2,284	(1,382)
Foreign currency exchange gains and losses, net	**(1,383)**	**-**	**(1,383)**	213	-	213
Result before income taxes	**59,947**	**9,794**	**69,741**	12,631	14,720	27,351
Income tax expense	**(17,085)**	**(517)**	**(17,602)**	(4,798)	(900)	(5,698)
Net profit	**42,862**	**9,277**	**52,139**	7,833	13,820	21,653
thereof net loss attributable to non-controlling interests	**(165)**	**-**	**(165)**	-	-	-
thereof net profit attributable to shareholders of Dialog Semiconductor Plc	**43,027**	**-**	**43,027**	7,833	13,820	21,653
Earnings per share (in US$) for profit attributable to shareholders of Dialog Semiconductor Plc						
Basic	**0.59**	**0.13**	**0.71**	0.12	0.21	0.32
Diluted	**0.55**	**0.11**	**0.66**	0.11	0.20	0.31
EBITDA **)	**75,899**	**5,075**	**80,974**	30,432	7,360	37,792

*) 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 (Q2 2015: US$5.7 million, Q2 2014: US$6.0 million), amortisation for intangible assets (Q2 2015: US$7.6 million, Q2 2014: US$8.3 million) and losses on disposals and impairment of fixed assets (Q2 2015: US$0.2 million, Q2 2014: US$0.2 million).

***) Certain amounts shown here do not correspond to the Q2 2014 interim financial statements and reflect an adjustment made, for further information please refer to Note 2.

Dialog Semiconductor's underlying adjustments for Q2 2015

US$000	Option expenses	Accrual National Insurance	PPA BV	Convertible Bond	License agreement	Acquisition and integration costs	PPA iWatt	TOTAL
Revenues	-	-	-	-	-	-	-	-
Cost of sales	(276)	(54)	-	-	-	-	(1,490)	(1,820)
Selling and marketing expenses	(656)	(106)	-	-	-	-	(1,900)	(2,662)
General and administrative expenses	(1,048)	(862)	-	-	-	(104)	-	(2,014)
Research and development expenses	(1,650)	(319)	(266)	-	-	-	-	(2,235)
Other operating income	-	-	-	-	-	-	-	-
Operating profit	**(3,630)**	**(1,341)**	**(266)**	**-**	**-**	**(104)**	**(3,390)**	**(8,731)**
Interest expense and other financial expense	-	-	-	(870)	(193)	-	-	(1,063)
Result before income es	**(3,630)**	**(1,341)**	**(266)**	**(870)**	**(193)**	**(104)**	**(3,390)**	**(9,794)**
Income tax expense	-	272	66	-	-	-	179	517
Net profit	**(3,630)**	**(1,069)**	**(200)**	**(870)**	**(193)**	**(104)**	**(3,211)**	**(9,277)**

Dialog Semiconductor's underlying financial performance for the first six months of 2015 and 2014

	Six months ended 3 July 2015			Six months ended 27 June 2014 ***)		
US$000	**IFRS**	**Adjustment**	**Underlying *)**	IFRS	Adjustment	Underlying *)
Revenues	**627,677**	**-**	**627,677**	440,112	-	440,112
Cost of sales	**(337,136)**	**3,710**	**(333,426)**	(252,355)	5,509	(246,846)
Gross profit	**290,541**	**3,710**	**294,251**	187,757	5,509	193,266
Selling and marketing expenses	**(30,258)**	**5,710**	**(24,548)**	(28,814)	6,209	(22,605)
General and administrative expenses	**(33,284)**	**8,282**	**(25,002)**	(26,158)	5,925	(20,233)
Research and development expenses	**(109,876)**	**6,355**	**(103,521)**	(96,421)	4,716	(91,705)
Other operating income	**969**	**-**	**969**	2,534	(689)	1,845
Operating profit	**118,092**	**24,057**	**142,149**	38,898	21,670	60,568
Interest income and other financial income	**342**	**-**	**342**	208	-	208
Interest expense and other financial expense	**(4,396)**	**3,379**	**(1,017)**	(7,291)	4,529	(2,762)
Foreign currency exchange gains and losses, net	**188**	**-**	**188**	550	-	550
Result before income taxes	**114,226**	**27,436**	**141,662**	32,365	26,199	58,564
Income tax expense	**(32,555)**	**(1,472)**	**(34,027)**	6,485	(19,713)	(13,228)
Net profit	**81,671**	**25,964**	**107,635**	38,850	6,486	45,336
thereof net loss attributable to non-controlling interests	**(165)**	**-**	**(165)**	-	-	-
thereof net profit attributable to shareholders of Dialog Semiconductor Plc	**81,836**	**-**	**81,836**	38,850	6,486	45,336
Earnings per share (in US$) for profit attributable to shareholders of Dialog Semiconductor Plc						
Basic	**1.15**	**0.37**	**1.51**	0.58	0.10	0.68
Diluted	**1.08**	**0.29**	**1.37**	0.56	0.09	0.65
EBITDA **)	**144,450**	**16,744**	**161,194**	66,765	12,296	79,061

*) 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 (H1 2015: US$11.0 million, H1 2014: US$11.4 million), amortisation for intangible assets (H1 2015: US$15.1 million, H1 2014: US$16.2 million) and losses on disposals and impairment of fixed assets (H1 2015: US$0.3 million, H1 2014: US$0.3 million).

***) Certain amounts shown here do not correspond to the Q2 2014 interim financial statements and reflect an adjustment made, for further information please refer to Note 2.

Dialog Semiconductor's underlying adjustments for H1 2015

	Six months ended 3 July 2015								
US$000	Option expenses	Accrual National Insurance	PPA BV	Convertible Bond	License agreement	Acquisition and integration costs	Merger costs	PPA iWatt	TOTAL
Revenues		-	-	-	-	-	-	-	-
Cost of sales	(599)	(132)	-	-	-	-	-	(2,979)	(3,710)
Selling and marketing expenses	(1,546)	(363)	-	-	-	-	-	(3,801)	(5,710)
General and administrative expenses	(2,052)	(2,427)	-	-	-	(3,807)	4	-	(8,282)
Research and development expenses	(3,895)	(1,927)	(533)	-	-	-	-	-	(6,355)
Other operating income	-		-	-	-	-	-	-	-
Operating profit	**(8,092)**	**(4,849)**	**(533)**	**-**	**-**	**(3,807)**	**4**	**(6,780)**	**(24,057)**
Interest expense and other financial expense	-	-	-	(2,980)	(399)	-	-	-	(3,379)
Result before income taxes	**(8,092)**	**(4,849)**	**(533)**	**(2,980)**	**(399)**	**(3,807)**	**4**	**(6,780)**	**(27,436)**
Income tax expense	-	982	133	-	-	-	-	357	1,472
Net profit	**(8,092)**	**(3,867)**	**(400)**	**(2,980)**	**(399)**	**(3,807)**	**4**	**(6,423)**	**(25,964)**

Statement of Financial Position

	At 3 July 2015 US$000	At 31 December 2014 US$000	Change US$000	%
Assets				
Cash and cash equivalents	**447,686**	324,280	123,406	38.1
All other current assets	**175,007**	213,850	(38,843)	(18.2)
Total current assets	**622,693**	538,130	84,563	15.7
Property, plant and equipment, net	**65,790**	59,263	6,527	11.0
Goodwill	**253,932**	244,878	9,054	3.7
Intangible assets	**132,407**	131,505	902	0.7
Other investments	**1,456**	1,446	10	0.7
All other non-current assets	**2,397**	1,953	444	23
Deferred tax assets	**36,517**	28,771	7,746	26.9
Total non-current assets	**492,499**	467,816	24,683	5.3
Total assets	**1,115,192**	1,005,946	109,246	10.9
Liabilities and Shareholders' equity				
Current liabilities	**187,732**	186,737	995	0.5
Non-current liabilities	**13,119**	195,533	(182,414)	(93.3)
Equity attributable to shareholders of Dialog Semiconductor Plc	**907,962**	623,676	284,286	45.6
Non-controlling interests	**6,379**	-	6,379	100.0
Net Shareholders’ equity	**914,341**	623,676	290,665	46.6
Total liabilities and Shareholders' equity	**1,115,192**	1,005,946	109,246	10.9

The balance sheet total was US$1,115.2 million at 3 July 2015 (31 December 2014: US$1,005.9 million). Cash and cash equivalents increased by US$123.4 million or 38.1% to US$447.7 million at 3 July 2015 (31 December 2014: US$324.3 million). This increase was caused by the cash inflows from operating activities which were partly offset by cash outflows for investing activities.

Other current assets decreased from US$213.9 million at 31 December 2014 by US$38.8 million to US$175.0 million at 3 July 2015. The decrease of 18.2% is mainly driven by lower trade accounts receivable balances in comparison to 31 December 2014 which is in line with lower revenues in Q2 2015 compared to the fourth quarter 2014.

Total non-current assets increased from US$467.8 million at 31 December 2014 to US$492.5 million at 3 July 2015. This slight increase can largely be attributed to the goodwill recognized in connection with the acquisition of Dyna Image (see Note 3 to the interim consolidated financial statements and notes - Business Combination) as well as the recognition of additional deferred tax assets relating to tax benefits in connection with share options.

Total current liabilities increased slightly from US$186.7 million at 31 December 2014 to US$187.7 million at 3 July 2015 due to higher trade accounts payables compared to 31 December 2014.

Total non-current liabilities decreased from US$195.5 million at 31 December 2014 to US$13.1 million at 3 July 2015. The decrease of US$182.4 million results mainly from the early redemption of the convertible bond in May 2015.

The non-controlling interests represent 59% of the net assets consolidated in connection with the acquisition of a minority interest of 41% in Dyna Image.

Shareholders’ equity increased to US$914.3 million (US$623.7 million at 31 December 2014) which is mainly a result of our net profit (adjusted by expenses for share based payments) and the equity increase in connection with the early redemption of the convertible bond in Q2 2015. The equity ratio was 82.0% (62.0% at 31 December 2014).

Other Information (Unaudited)

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 30 April 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 July 2015 the Group holds US$447.7 million cash (31 December 2014: US$324.3 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.

Principal risks and uncertainties
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 six 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.

30 July 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 interim financial report for the three and six months ended 3 July 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 interim 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 interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim 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 interim 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 interim financial report for the three and six months ended 3 July 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

30 July 2015

Unaudited interim consolidated statement of financial position

As at 3 July 2015

	Notes	At 3 July 2015 US$000	At 31 December 2014 US$000
Assets			
Cash and cash equivalents		**447,686**	324,280
Trade accounts receivable and other receivable		**38,533**	100,569
Inventories	6	**119,948**	99,140
Income tax receivables		**58**	64
Other financial assets		**3,586**	3,586
Other current assets		**12,882**	10,491
Total current assets		**622,693**	538,130
Property, plant and equipment	7	**65,790**	59,263
Goodwill	3	**253,932**	244,878
Other intangible assets	8	**132,407**	131,505
Other investments	9	**1,456**	1,446
Deposits		**2,308**	1,858
Income tax receivables		**89**	95
Deferred tax assets		**36,517**	28,771
Total non-current assets		**492,499**	467,816
Total assets	4	**1,115,192**	1,005,946
Liabilities and Shareholders' equity			
Trade and other payables		**99,857**	90,906
Other financial liabilities		**16,466**	22,120
Provisions		**8,880**	8,305
Income taxes payable		**30,960**	29,409
Other current liabilities		**31,569**	35,997
Total current liabilities		**187,732**	186,737
Provisions		**1,907**	1,955
Other non-current financial liabilities		**6,246**	188,123
Deferred tax liabilities		**4,966**	5,455
Total non-current liabilities		**13,119**	195,533
Ordinary shares		**14,402**	13,353
Additional paid-in capital		**462,073**	274,517
Retained earnings		**468,913**	366,650
Other reserves		**(12,039)**	(15,776)
Employee stock purchase plan shares		**(25,387)**	(15,068)
Equity attributable to shareholders of Dialog Semiconductor Plc		**907,962**	623,676
Non-controlling interests	3	**6,379**	–
Net Shareholders´ equity		**914,341**	623,676
Total liabilities and Shareholders´ equity		**1,115,192**	1,005,946

Unaudited interim consolidated income statement

For the three and six months ended 3 July 2015

	Notes	**Three months ended 3 July 2015**	Three months ended 27 June 2014 adjusted *)	**Six months ended 3 July 2015**	Six months ended 27 June 2014 adjusted *)
		US$000	US$000	**US$000**	US$000
Revenue	4	**316,486**	219,260	**627,677**	440,112
Cost of sales		**(169,154)**	(124,475)	**(337,136)**	(252,355)
Gross profit		**147,332**	94,785	**290,541**	187,757
Selling and marketing expenses		**(14,889)**	(14,798)	**(30,258)**	(28,814)
General and administrative expenses		**(14,394)**	(14,630)	**(33,284)**	(26,158)
Research and development expenses		**(55,920)**	(50,672)	**(109,876)**	(96,421)
Other operating income		**329**	1,233	**969**	2,534
Operating profit	4	**62,458**	15,918	**118,092**	38,898
Interest income		**210**	166	**342**	208
Interest expense		**(1,338)**	(3,666)	**(4,396)**	(7,291)
Foreign currency exchange gains (losses), net		**(1,383)**	213	**188**	550
Result before income taxes	4	**59,947**	12,631	**114,226**	32,365
Income tax benefit (expense)		**(17,085)**	(4,798)	**(32,555)**	6,485
Net profit		**42,862**	7,833	**81,671**	38,850
thereof net loss attributable to non-controlling interests		**(165)**	–	**(165)**	–
thereof net profit attributable to shareholders of Dialog Semiconductor Plc		**43,027**	7,833	**81,836**	38,850

	Three months ended 3 July 2015	Three months ended 27 June 2014	**Six months ended 3 July 2015**	Six months ended 27 June 2014
Earnings per share (in US$) for profit attributable to shareholders of Dialog Semiconductor Plc				
Basic	**0.59**	0.12	**1.15**	0.58
Diluted	**0.55**	0.11	**1.08**	0.56
Weighted average number of shares (in thousands)				
Basic	**73,420**	67,246	**71,053**	66,800
Diluted	**79,101**	70,325	**78,772**	69,598

*) Certain amounts shown here do not correspond to the Q2 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 and six months ended 3 July 2015

	Three months ended 3 July 2015 US$000	Three months ended 27 June 2014 adjusted *) US$000	**Six months ended 3 July 2015 US$000**	Six months ended 27 June 2014 adjusted *) US$000
Net profit	**42,862**	7,833	**81,671**	38,850
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translating foreign operations	**1,520**	211	**527**	315
Cash flow hedges	**16,446**	(539)	**4,712**	(1,388)
Income tax relating to components of other comprehensive income	**(4,056)**	34	**(1,502)**	252
Other comprehensive income (loss) for the year, net of tax	**13,910**	(294)	**3,737**	(821)
Total comprehensive income for the year	**56,772**	7,539	**85,408**	38,029

*) Certain amounts shown here do not correspond to the Q2 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 and six months ended 3 July 2015

	Notes	**Three months ended 3 July 2015** US$000	Three months ended 27 June 2014 adjusted *) US$000	**Six months ended 3 July 2015** US$000	Six months ended 27 June 2014 adjusted *) US$000
Cash flows from operating activities:					
Net profit		**42,862**	7,833	**81,671**	38,850
Adjustments to reconcile net profit to net cash used for operating activities:					
Interest income, net		**1,128**	3,500	**4,054**	7,083
Income tax expense (benefit)		**17,085**	4,798	**32,555**	(6,485)
Impairment of inventories		**(1,113)**	2,358	**62**	7,502
Depreciation of property, plant and equipment		**5,651**	6,019	**10,975**	11,412
Amortisation of intangible assets		**7,612**	8,330	**15,095**	16,203
Result on disposals of fixed assets and impairment of fixed and financial assets		**178**	165	**288**	252
Expense related to share-based payments		**3,629**	5,519	8,092	8,890
Changes in working capital:					
Trade accounts receivable, other receivables and factoring		**3,440**	(5,079)	**63,894**	79,155
Inventories		**(11,587)**	(33,324)	**(18,658)**	(9,241)
Prepaid expenses		**155**	262	**(1,275)**	296
Trade accounts payable		**7,114**	22,496	**4,294**	(14,597)
Provisions		**(4,806)**	2,018	**(951)**	380
Other assets and liabilities		**(12,597)**	(3,221)	**(8,945)**	10,882
Cash generated from operations		**58,751**	21,674	**191,151**	150,582
Interest paid		**(1,236)**	(1,694)	**(1,430)**	(2,711)
Interest received		**193**	152	**322**	160
Income taxes paid		**(11,991)**	(8,535)	**(24,761)**	(17,146)
Cash flow from operating activities		**45,717**	11,597	**165,282**	130,885
Cash flows from investing activities:					
Purchase of property, plant and equipment		**(10,939)**	(5,974)	**(16,626)**	(10,479)
Purchase of intangible assets		**(3,125)**	(2,703)	**(6,357)**	(5,714)
Purchase of Dyna Image net of consolidated cash	3	**(2,636)**	–	**(2,636)**	–
Payments for capitalised development costs		**(5,889)**	(169)	**(11,343)**	(1,664)
Sale of property, plant and equipment		**2**	30	**2**	30
Change in other long term assets		**(23)**	23	**77**	23
Cash flow used for investing activities		**(22,610)**	(8,793)	**(36,883)**	(17,804)
Cash flows from financing activities:					
Net cash flow from financial liabilities		**–**	(25,000)	**–**	(40,000)
Purchase of employee stock purchase plan shares		**–**	–	**(14,032)**	–
Sale of employee stock purchase plan shares		**3,029**	7,849	**9,180**	12,907
Payment for capital increase		**–**	(39)	**–**	(39)
Cash flow from (used for) financing activities		**3,029**	(17,190)	**(4,852)**	(27,132)
Cash flow from (used for) operating, investing and financing activities		**26,136**	(14,386)	**123,547**	85,949
Net foreign exchange difference		**848**	(49)	**(141)**	50
Net increase (decrease) in cash and cash equivalents		**26,984**	(14,435)	**123,406**	85,999
Cash and cash equivalents at beginning of period		**420,702**	286,459	**324,280**	186,025
Cash and cash equivalents at end of period		**447,686**	272,024	**447,686**	272,024

Unaudited interim consolidated statement of changes in equity

For the six months ended 3 July 2015

	Ordinary Shares US$000	Additional paid-in capital US$000	Retained earnings (Accumulated deficit) US$000	Other reserves: Currency translation adjustment US$000	Other reserves: Hedges US$000	Other reserves: Employee stock purchase plan shares US$000	Equity attributable to shareholders of Dialog Semiconductor Plc US$000	Non-controlling interests 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**	**–**	**456,650**
Net profit	–	–	38,850	–	–	–	38,850	–	38,850
Other comprehensive income	–	–	–	173	(994)	–	(821)	–	(821)
Total comprehensive income (loss)	–	–	38,850	173	(994)	–	38,029	–	38,029
Capital Increase for employee share option plan (gross proceeds)	501	9,780	–	–	–	(10,281)	–	–	–
Transaction cost of capital increase - employee share option plan	–	(39)	–	–	–	–	(39)	–	(39)
Sale of employee stock purchase plan shares	–	11,204	–	–	–	1,703	12,907	–	12,907
Equity settled transactions, net of tax	–	–	8,890	–	–	–	8,890	–	8,890
Changes in Equity total	**501**	**20,945**	**47,740**	**173**	**(994)**	**(8,578)**	**59,787**	**–**	**59,787**
Balance at 27 June 2014 (adjusted *)	**13,353**	**267,234**	**247,621**	**(1,537)**	**586**	**(10,820)**	**516,437**	**–**	**516,437**
Balance at 31 December 2014 / 1 January 2015	**13,353**	**274,517**	**366,650**	**(3,007)**	**(12,769)**	**(15,068)**	**623,676**	**–**	**623,676**
Net profit	–	–	81,836	–	–	–	81,836	(165)	81,671
Other comprehensive income	–	–	–	392	3,345	–	3,737	–	3,737
Total comprehensive income (loss)	–	–	81,836	392	3,345	–	85,573	(165)	85,408
Conversion of Convertible Bond	1,049	182,089	–	–	–	–	183,138	–	183,138
Non-controlling interests from the acquisition of Dyna Image (see note 3) **)	–	–	–	–	–	–	–	6,544	6,544
Acquisition of employee stock purchase plan shares	–	–	–	–	–	(14,032)	(14,032)	–	(14,032)
Sale of employee stock purchase plan shares	–	5,467	–	–	–	3,713	9,180	–	9,180
Equity settled transactions, net of tax	–	–	20,427	–	–	–	20,427	–	20,427
Changes in Equity total	**1,049**	**187,556**	**102,263**	**392**	**3,345**	**(10,319)**	**284,286**	**6,379**	**290,664**
Balance at 3 July 2015	**14,402**	**462,073**	**468,913**	**(2,615)**	**(9,424)**	**(25,387)**	**907,962**	**6,379**	**914,341**

*) Certain amounts shown here do not correspond to the Q2 2014 interim financial statements and reflect an adjustment made, for further information please refer to Note 2.

**) 59% of net assets consolidated with Dyna Image.

Unaudited notes to the interim condensed consolidated financial statements

For the three and six months ended 3 July 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 1,500 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 half of 2015:

2. Summary of significant accounting policies continued

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.

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 six months ended 3 July 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 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 on 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 US$0.9 million reduction in this credit to reflect the ongoing impact of the reorganisation. The previously reported Q2 2014 IFRS results have been adjusted by US$1.2 million reduction in the deferred tax credit for the ongoing impact of the reorganisation.

For the three months ended 27 June 2014 an adjusted IFRS total tax expense of US$4.8 million will now be reported (previously an expense of US$3.6 million was reported) leading to an adjusted IFRS net income of US$7.8 million (previously US$9.0 million) and IFRS basic and diluted EPS of US$0.12 and US$0.11 (previously US$0.13).

For the six months ended 27 June 2014 an adjusted IFRS total tax benefit of US$6.5 million will now be reported (previously an expense of US$9.2 million was reported) leading to an adjusted IFRS net income of US$38.9 million (previously US$23.1 million) and IFRS basic and diluted EPS of US$0.58 and US$0.51 (previously US$0.35 and US$0.33).

2. Summary of significant accounting policies continued

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

	Three months ended 27 June 2014 as previously reported	Adjustment	Three months ended 27 June 2014 adjusted	Six months ended 27 June 2014 as previously reported	Adjustment	Six months ended 27 June 2014 adjusted
	US$000	US$000	US$000	US$000	US$000	US$000
Result before income taxes	**12,631**	**–**	**12,631**	**32,365**	**–**	**32,365**
Income tax benefit (expense)	(3,600)	(1,198)	(4,798)	(9,224)	15,709	6,485
Net profit	**9,031**	**(1,198)**	**7,833**	**23,141**	**15,709**	**38,850**

	Three months ended 27 June 2014 as previously reported	Adjustment	Three months ended 27 June 2014 adjusted	Six months ended 27 June 2014 as previously reported	Adjustment	Six months ended 27 June 2014 adjusted
Earnings per share (in US$) for profit attributable to shareholders of Dialog Semiconductor Plc						
Basic	0.13	(0.01)	0.12	0.35	0.23	0.58
Diluted	0.13	(0.02)	0.11	0.33	0.23	0.56

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 and six months ended 27 June 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. Business combination

Acquisition in 2015

On 6 May 2015 Dialog Semiconductor acquired a 41% minority stake in Dyna Image Corporation, Taipei, Taiwan ("Dyna") for a purchase price with a fair value of US$13,601,000 of which US$12,921,000 was paid in cash at the time of acquisition. The parties agreed on a call option that would allow Dialog to acquire some or all of the outstanding non-controlling interests at their fair value at any time over a period of three years after the closing date. Based on these additional potential voting rights, the Company assessed that effective control of Dyna Image could be obtained if the call option was triggered. On that basis, Management concluded that full consolidation of Dyna Image was appropriate in Q2 2015.

Dyna Image used to be a wholly owned subsidiary of Lite-On Semiconductor, a member of Lite-On Group. The deal was closed on 5 June 2015. Based in New Taipei City, Taiwan, Dyna Image was established as a subsidiary of Lite-On Semiconductor in 2011. It 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.

This acquisition underscores Dialog's strategy to diversify its markets and growth opportunities through selecting strategic acquisitions. The collaboration of Dialog Semiconductor with Dyna Image will be focused on the development of sensors and sensor solutions for smartphones and IoT applications, including those for wearable devices. These technologies will initially include sensors for ambient light and proximity as well as colour and gesture analysis. Dialog will build on its market-leading position in power management, Bluetooth® Smart technologies for consumer electronics, and solid state lighting for smart and connected home by providing customers with more system-level solutions. The company will also enhance the competitiveness of its offering by continuing to leverage both Lite-On's manufacturing capabilities in Taiwan and the strategic relationship with SST for advanced packaging that results from the businesses' mutual investment in Dyna Image. This investment represents Dialog's first foray into the sensor market. The sensor technology is complement to Dialog's power management, audio and Bluetooth expertise in smartphone, IoT and smart lighting applications. It's another important step in strategy to gain market share in the fast growing Greater China smartphone and IoT markets through innovative local business partnerships.

3. Business combination continued

The business combination will enhance Dialog's position in the high growth consumer markets for smartphones and IoT applications, including those for wearable devices.

The acquisition has been accounted for using the acquisition method as required by IFRS 3.4. Due to the timing of the acquisition the initial accounting for the business combination is incomplete at the time the financial statements were authorized for issue. The company recognized the assets acquired and liabilities assumed with the net book values and did not yet complete the identification of any further intangibles. The provisional Goodwill recognized on the acquisition therefore represents the difference between purchase price and total identifiable net assets at book value.

Assets acquired and liabilities assumed

The book values at Dyna Image of the identifiable assets and liabilities and the provisional amount of Goodwill as at the date of acquisition were:

	Book values at Dyna US$000
Assets	
Cash and cash equivalents	10,285
Trade accounts receivable and other receivable	1,859
Inventories	2,212
Other current assets	597
Property, plant and equipment	1,615
Other investments	6
Deferred tax assets	859
Other non-current assets	539
Total assets	**17,972**
Liabilities	
Trade and other payables	4,645
Provisions	796
Other current liabilities	1,440
Total liabilities	**6,881**
Total identifiable net assets	**11,091**
Non-controlling interests	(6,544)
Goodwill arising on acquisition	9,054
Purchase price	**13,601**
Fair Value of deferred purchase price	(680)
Purchase consideration transferred	**12,921**

The book value of the trade receivables amounted to US$2,118,000. An amount of US$14,000 of the trade receivables has been impaired. The net book value of inventories amounts to US$1,938,000. The expected step-up to the fair value as a result of finalising the purchase price allocation will have an adverse impact on gross margin and the financial results for the reporting periods after the acquisition date.

The deferred tax assets mainly represent tax loss carryforwards.

The provisional goodwill of US$9,054,000 represents the difference between the purchase price and the book values of Dyna Image's assets and liabilities as at the acquisition day attributable to Dialog's interest. Dialog decided not to elect the full goodwill approach. This difference represents synergies with the Company's segments, and other benefits from combining the assets and activities of Dyna Image with those of the Dialog Group as explained above as well as expected fair value adjustments of existing tangible and intangible assets and liabilities and additional intangible assets that may need to be recognised.

Accordingly, initially the Group measures the non-controlling interests in the acquiree based on book values. The purchase price allocation as well as the measurement of the tax impact will be performed within the next couple of months.

3. Business combination continued

From the date of the acquisition, in 2015 Dyna Image has contributed US$756,000 of revenue and a loss of US$337,000 before tax which were presented in the Group's Corporate segment. If Dyna Image had been acquired on 1 January 2015, revenue of the Group in 2015 would have been higher by US$3,392,000 and would have been US$630,313,000 and the profit before tax for the Group would have been lower by US$1,730,000 and would have been US$112,834,000.

Purchase consideration

The total purchase price consideration amounted to US$13,601,000. This amount includes a deferred payment of US$680,000 agreed with the seller resulting in a cash payment at acquisition day of US$12,921,000. Dialog will retain the deferred amount as security for any contractually predefined indemnification claims payable to Dialog.

Analysis of cash flows from acquisition in 2015

	US$000
Total cash outflow for acquisition (included in cash flows from investing activities)	(12,921)
Net cash consolidated with the subsidiary (included in cash flows from investing activities)	10,285
Total cash outflow from investing activities	**(2,636)**
Transaction costs of the acquisition (included in cash flows from operating activities)	(51)
Net cash outflow for the acquisition	**(2,687)**

Acquisition costs of US$51,000 have been expensed and were included in general and administrative expenses in the income statement of 2015.

The acquisition was funded from Dialog's existing cash resources.

4. 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 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.

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.

4. Segment reporting continued

	Three months ended 3 July 2015						Three months ended 27 June 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	**258,954**	**8,635**	**28,563**	**19,578**	**756**	**316,486**	166,330	10,518	22,841	19,566	5	219,260
Operating profit (loss) 1)	**75,393**	**2,556**	**3,791**	**(4,979)**	**(14,303)**	**62,458**	30,475	2,889	(965)	(4,595)	(11,886)	15,918
Financial results	**(193)**	**-**	**-**	**-**	**(2,318)**	**(2,511)**	(243)	-	-	-	(3,044)	(3,287)
Result before income taxes	**75,200**	**2,556**	**3,791**	**(4,979)**	**(16,621)**	**59,947**	30,232	2,889	(965)	(4,595)	(14,930)	12,631

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

	Six months ended 3 July 2015						Six months ended 27 June 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	**513,565**	**19,070**	**55,953**	**38,333**	**756**	**627,677**	340,335	20,909	40,793	38,070	5	440,112
Operating profit (loss) 1)	**149,468**	**5,511**	**4,971**	**(10,998)**	**(30,860)**	**118,092**	64,932	6,114	(2,976)	(9,347)	(19,825)	38,898
Financial results	**(399)**	**-**	**-**	**-**	**(3,467)**	**(3,866)**	(498)	-	-	-	(6,035)	(6,533)
Result before income taxes	**149,069**	**5,511**	**4,971**	**(10,998)**	**(34,327)**	**114,226**	64,434	6,114	(2,976)	(9,347)	(25,860)	32,365

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

b) Geographic information

	Three months ended 3 July 2015 US$000	Three months ended 27 June 2014 US$000	**Six months ended 3 July 2015 US$000**	Six months ended 27 June 2014 US$000
Revenues				
United Kingdom	**340**	172	**658**	350
Other European countries	**14,095**	15,078	**30,133**	29,669
China	**252,749**	176,857	**506,876**	360,062
Hong Kong	**36,722**	11,582	**63,761**	20,013
Other Asian countries	**9,944**	12,398	**19,953**	24,095
Other countries	**2,636**	3,173	**6,296**	5,923
Total revenues	**316,486**	219,260	**627,677**	440,112

4. Segment reporting continued

	At 3 July 2015 US$000	At 31 December 2014 US$000
Assets		
Germany	**525,295**	451,769
USA	**361,167**	359,435
United Kingdom	**152,732**	124,745
Netherlands	**53,730**	51,893
Japan	**2,122**	2,386
Other	**20,146**	15,718
Total assets	**1,115,192**	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.

5. Share-based compensation

Stock option plan activity for the six months ended 3 July 2015 was as follows:

	Six months ended 3 July 2015		Six months ended 27 June 2014	
	Options	**Weighted average exercise price €**	Options	Weighted average exercise price €
Outstanding at beginning of year	**5,148,024**	**5.90**	6,036,051	7.93
Granted	**82,687**	**0.05**	1,462,777	0.11
Exercised	**(1,101,333)**	**6.43**	(1,509,831)	6.51
Forfeited	**(64,243)**	**4.19**	(142,900)	3.67
Outstanding at end of year	**4,065,135**	**5.66**	5,846,097	6.44
Options exercisable at period end	**1,583,797**	**9.42**	2,391,968	8.05

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 July 2015 the Trust held 2,084,248 shares.

6. Inventories

Inventories consisted of the following:

	At 3 July 2015 US$000	At 31 December 2014 US$000
Raw materials	**20,998**	11,013
Work-in-process	**44,066**	30,047
Finished goods	**54,884**	58,080
Total	**119,948**	99,140

The impairment of inventories recognised as expense during the six months ended 3 July 2015 was US$62,000 (H1 2014: US$7,502,000). This expense is included in cost of sales in the income statement.

7. Property, plant and equipment

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

	At 3 July 2015 US$000	At 31 December 2014 US$000
Gross carrying amount	**212,445**	195,296
Accumulated depreciation	**(146,655)**	136,033
Net carrying amount	**65,790**	59,263

The Company has contractual commitments for the acquisition of property, plant and equipment of US$9,632,000.

8. Other intangible assets

Intangible assets subject to amortisation represent licenses, patents, software, customer based intangible assets and capitalized R&D expenses:

	At 3 July 2015 US$000	At 31 December 2014 US$000
Gross carrying amount	**261,669**	245,641
Accumulated depreciation	**(129,262)**	114,136
Net carrying amount	**132,407**	131,505

The Company has contractual commitments for the acquisition of intangible assets of US$3,202,000.

9. Additional disclosures on financial instruments

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

	Category in accordance with IAS 39	Carrying amount 3 July 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 July 2015 US$000
		Amounts recognised in the statement of financial position according to IAS 39					
Assets							
Cash at bank and short-term deposits	LaR	442,355	442,355	–	–	n/a	442,355
Deposits designated as a hedging instrument	n/a	5,331	–	5,331	–	n/a	5,331
Trade accounts receivable and other receivable	LaR	38,533	38,533	–	–	n/a	38,533
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	–	–	–	–	Level 2	–
Investments	AfS	1,456	–	1,456	–	Level 3	1,456
Liabilities							
Trade account payables	FLAC	91,170	91,170	–	–	n/a	91,170
Other payables	FLAC	8,687	8,687	–	–	n/a	8,687
Other financial liabilities	FLAC	1,465	1,465	–	–	n/a	1,465
Hire purchase agreements and finance lease obligations	FLAC	8,989	8,989	–	–	Level 2	9,189
Convertible bond	FLAC	–	–	–	–	Level 2	–
Derivative financial liabilities							
Derivatives without hedging relationship	n/a	–	–	–	–	–	–
Derivatives with hedging relationship	n/a	12,258	–	12,258	–	Level 2	12,258
Of which aggregated by category in accordance with IAS 39:							
Loans and receivables (LaR)		484,474	484,474	–	–	–	484,474
Deposits designated as a hedging instrument		5,331	–	5,331	–	–	5,331
Held-to-maturity investments (HtM)		–	–	–	–	–	–
Available-for-sale financial assets (AfS)		1,456	–	–	–	–	1,456
Derivatives without hedging relationship		–	–	–	–	–	–
Derivatives with hedging relationship		(12,258)	–	(12,258)	–	–	(12,258)
Financial liabilities at amortised cost (FLAC)		(110,311)	(110,311)	–	–	–	(110,511)

The fair value of derivatives has been determined with reference to available market information (interest rate and forward currency translation rate: Level 2) applying the mark-to-market method. The carrying amounts of the loans and receivables and other 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 July 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. Due to the lack of a reliable measurement basis for the fair value of the equity investment this is held at cost of US$1.5 million. Instruments allocated to the column “fair value recognised in other comprehensive income” are derivative financial instruments designated as cash flow hedges.

9. 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$. The majority of other operating expenses are denominated in Euros and Pounds Sterling. The Group has transactional currency exposures. Such exposure arises from the sales or purchases by an operating unit in currencies other than the unit's functional currency. In Q2 2015 as well as the first six months of 2015 and related periods in 2014 nearly all the Group's sales were denominated in US$.

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 with 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 July 2015 the following unrealized effects were recorded in other comprehensive income:

	Forward currency contracts			**Total At 3 July 2015**
	Euro US$000	GBP US$000	JPY US$000	**US$000**
Gain	334	609	–	**943**
Loss	(12,346)	(1,129)	(344)	**(13,819)**
Unrealised net gain (loss) before tax	**(12,012)**	**(520)**	**(344)**	**(12,876)**
Tax effect	3,221	139	92	**3,452**
Unrealised net loss after tax	**(8,791)**	**(381)**	**(252)**	**(9,424)**

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.

10. 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. 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 30 April 2015, Alan Campbell was appointed to the Board as non-executive Director.

11. 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 Interim Report Q1 2015 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.

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 has been issued was 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. Due to conversions of convertible bonds, ordinary shares rose by a total of US$1.049 million, and the additional paid in capital rose by US$182.089 million.

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.

12. Subsequent events

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

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