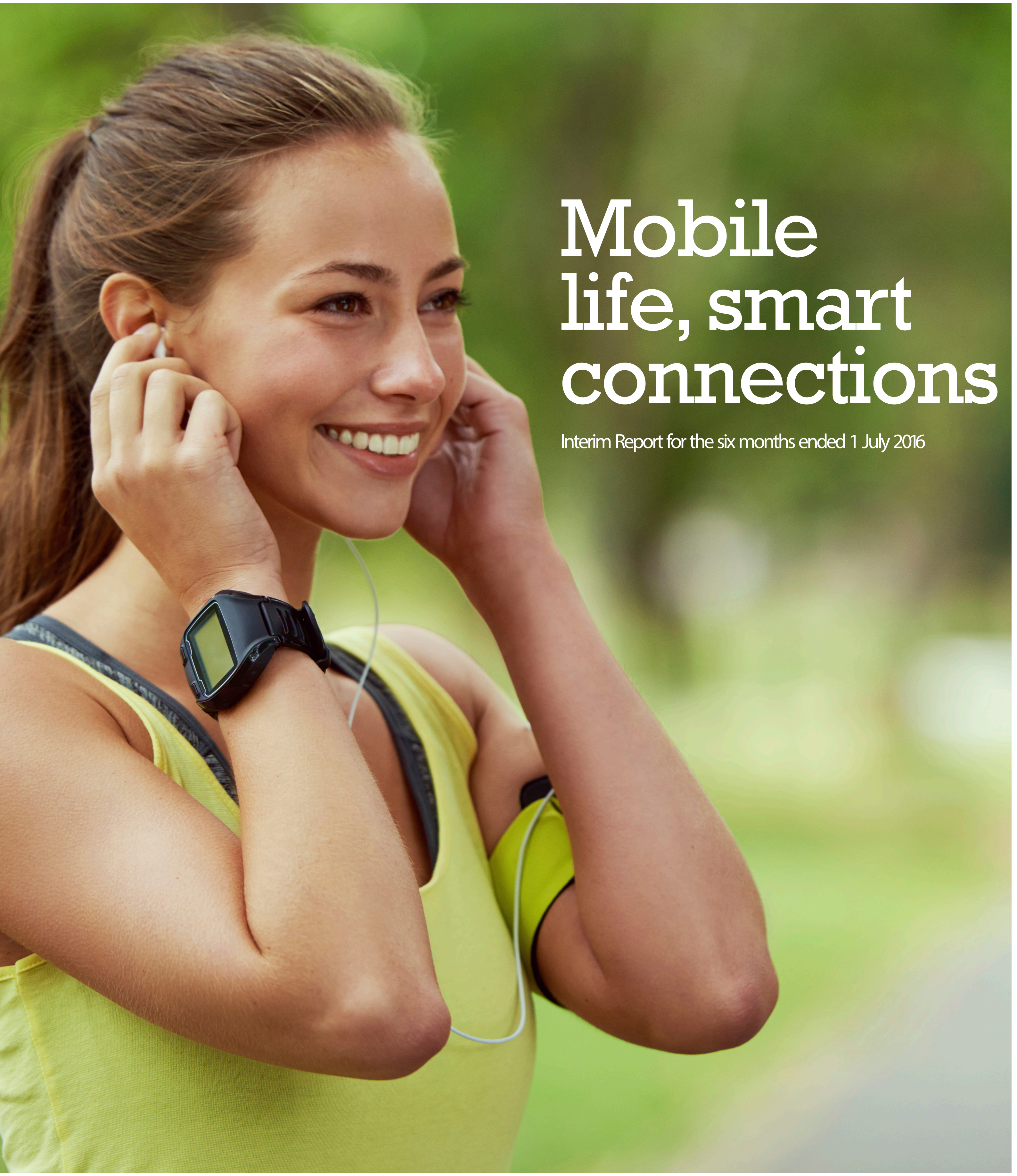

Mobile life, smart connections

Interim Report for the six months ended 1 July 2016

Key products

Contents

Section 1: Business Review

Press Release – 28 July 2016 1

Financial Review 7

Other Information 12

Responsibility statement 12

Section 2: Unaudited interim condensed consolidated financial statements and notes

Independent Review Report to Dialog Semiconductor Plc 13

Unaudited interim condensed consolidated statement of income 14

Unaudited interim condensed consolidated statement of comprehensive income 15

Unaudited interim condensed consolidated balance sheet 16

Unaudited interim condensed consolidated statement of cash flows 17

Unaudited interim condensed consolidated statement of changes in equity 18

Unaudited notes to the interim condensed consolidated financial statements 19

Section 3: Underlying measures

Use of underlying measures 26

Section 4: Glossary of Technical Terms 29

DIALOG SEMICONDUCTOR REPORTS SECOND QUARTER RESULTS ENDED 1 JULY 2016

Company reports revenue in line with guidance, sequential earnings increase and guides to 24% sequential quarter revenue growth at mid-point of the Q3 outlook

London, UK, July 28, 2016 - Dialog Semiconductor plc (FWB: DLG), a provider of highly integrated power management, AC/DC, solid state lighting and Bluetooth® low energy wireless technology, today reports results for the second quarter ended July 1, 2016.

Q2 2016 financial highlights

- Revenue of $246 million in line with May guidance
- Power Conversion revenue up 46% over Q2 2015 to $28.6 million
- Gross margin at 46.3%. Underlying* gross margin at 47.1%
- Operating profit of $22.9 million, a year-on-year reduction of 63%. Underlying* operating profit of $33.2 million, a sequential increase of 11% and a year-on-year reduction of 53%
- All operational business segments profitable on an underlying basis
- Diluted EPS of 22 cents, a year-on-year reduction of 60%. Underlying* diluted EPS of 34 cents, a sequential increase of 21% and a year-on-year reduction of 48%
- Cash flow from operating activities of $13 million (Q2 2015: $46 million). $33 million of free cash flow* generated in Q2 2016, up 113% over Q2 2015. $660 million of cash and cash equivalents, $212 million above Q2 2015
- Subsequent to quarter end, on July 5, 2016 the Company purchased 590,000 ordinary shares at an average price of €27.6429

Q2 2016 operational highlights

- Continued design win momentum for Power Management ICs (PMICs) with both custom and standard products at leading smartphone and computing OEMs
- Innovative new standard products: PMICs, Charging and Audio ICs sampled to the market
- Enhancement of leadership position in the mobile adapter rapid charge market
- Continued Bluetooth design win success at Xiaomi for their Mi Band 2 fitness band
- Expanded our IoT product portfolio and ecosystem with new product offerings within the Home Automation segment
- Continued momentum in China smartphone market with second generation sub-PMIC ASSP
- Good progress in our strategic objective to expand our business footprint in China

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

"During the quarter we have delivered sequential revenue and earnings growth while maintaining focused investment in R&D. The exceptional growth achieved within our Power Conversion and Bluetooth low energy businesses is an indicator of the growth potential these markets offer.

The product pipeline remains strong across our core business groups and we expect to ramp a number of new high volume products in the second half of this year. Looking further ahead, we believe our R&D investments will generate new opportunities with Tier 1 OEMs, increase our share of content in mobile devices and expand our IoT footprint. All of which gives us confidence that our positive momentum will continue through the second half of 2016, and in to 2017 and 2018."

**** Underlying measures*** and free cash flow quoted in this Press Release are non-IFRS measures (see page 3 and 4).

Outlook

Based on our current visibility, we anticipate revenue for Q3 2016 to improve sequentially from Q2 2016 and to be in the range of $290 to $320 million. On the basis of this revenue guidance, gross margin in Q3 2016 will be marginally above H1 2016.

As a result of the continuing softness in smartphone market demand, we now anticipate revenue for the full year 2016 to decline aproximately 15% year-on-year. We expect growth momentum in our Connectivity and Power Conversion products to remain strong through 2016.

In line with the revenue performance, we expect underlying gross margin percentage for the full year to be slightly below the level achieved in 2015. The effect of the lower anticipated revenue in FY 2016 will be partially offset by rigorous control of operating expenses in the period.

Financial overview

IFRS			Second Quarter			First Half
US$ million	**2016**	2015	Var.	**2016**	2015	Var.
Revenue	**245.7**	316.5	-22%	**487.2**	627.7	-22%
Gross Margin	**46.3%**	46.5%	-20bps	**45.4%**	46.2%	-80bps
R&D %[1]	**24.3%**	17.7%	+660bps	**24.1%**	17.5%	+660bps
SG&A %[1]	**12.7%**	9.3%	+340bps	**13.9%**	10.1%	+380bps
Other operating income %[2]	**0.1%**	0.1%	-	**28.3%**	0.2%	nm
Operating profit	**22.9**	62.5	-63%	**174.1**	118.1	+47%
Operating margin	**9.3%**	19.7%	nm	**35.7%**	18.7%	nm
Net income	**16.8**	42.9	-61%	**159.7**	81.7	+96%
Basic EPS $	**0.23**	0.59	-61%	**2.11**	1.15	+83%
Diluted EPS $	**0.22**	0.55	-60%	**2.02**	1.08	+87%
Cash flow from operating activities	**13.5**	45.7	-70%	**120.6**	165.3	-27%

Underlying*			Second Quarter			First Half
US$ million	**2016**	2015	Var.	**2016**	2015	Var.
Revenue	**245.7**	316.5	-22%	**487.2**	627.7	-22%
Gross Margin	**47.1%**	47.1%	-	**46.3%**	46.9%	-60bps
R&D %[1]	**23.1%**	17.0%	+610bps	**22.7%**	16.5%	+620bps
SG&A %[1]	**10.6%**	7.8%	+280bps	**10.7%**	7.9%	+280bps
EBITDA	**44.5**	80.8	-45%	**85.3**	160.9	-47%
EBITDA %	**18.1%**	25.5%	-740bps	**17.5%**	25.6%	-810bps
Operating profit	**33.2**	71.2	-53%	**63.2**	142.1	-56%
Operating margin	**13.5%**	22.5%	-900bps	**13.0%**	22.6%	-960bps
Net income	**26.7**	52.1	-49%	**48.3**	107.6	-55%
Basic EPS $	**0.36**	0.71	-49%	**0.65**	1.51	-57%
Diluted EPS $	**0.34**	0.66	-48%	**0.62**	1.37	-55%

1. R&D and SG&A as a percentage of revenue.
2. First Half Other operating income includes $137.3 million Atmel termination fee.

Revenue in Q2 2016 was down 22% to $246 million. The revenue performance was the result of the anticipated year-on-year volume decline in Mobile Systems (31%) partially offset by 46% growth in Power Conversion. Revenue performance improved sequentially in Connectivity 38%, Power Conversion 19% and Automotive and Industrial 14%.

Q2 2016 gross margin was 46.3%, 20bps below Q2 2015. Q2 2016 Underlying*gross margin was 47.1%, 160bps above Q1 2016 and in line with Q2 2015. Excluding $2.7 million manufacturing costs credit, underlying gross margin in Q2 2016 was 46.0%, 50bps above Q1 2016.

Net OPEX (comprising SG&A and R&D expenses, and other operating income) in Q2 2016 was $90.8 million, or 37.0%. Underlying* net OPEX (comprising SG&A and R&D expenses, and other operating income) in Q2 2016 was $82.6 million, or 33.6% of revenue. On a trailing twelve month basis, underlying* net OPEX in Q2 2016 was 26.8% of revenue (Q2 2015: 23.3%).

R&D expense in Q2 2016 was up 7% from Q2 2015. As a percentage of revenue R&D in Q2 2016 was up 660bps year-on-year to 24.3%. As a percentage of revenue, underlying* R&D in Q2 2016 was up 610bps year-on-year to 23.1% (Q2 2015:17.0%). This increase was predominantly the result of the lower revenue in Q2 2016 and the on-going investment in large application-specific customer opportunities. On a trailing twelve month basis, underlying* R&D was 18.0% of revenue (Q2 2015: 15.9%). On an underlying* basis, R&D expense was up 6% from Q1 2016.

SG&A expense in Q2 2016 was 12.7% of revenue, 340bps above Q2 2015. This increase was predominantly the result of the lower revenue in Q2 2016 and the scaling up of our support functions in 2016. Underlying* SG&A in Q2 2016 was 10.6% of revenue, 30bps below Q1 2016.

In Q2 2016 we achieved IFRS and underlying* operating profit of $22.9 million and $33.2 million, respectively. Operating profit in the quarter was down 63% year-on-year. Underlying* operating profit in the quarter was up 11% sequentially over Q1 2016 and down 53% over Q2 2015. The year-on-year decrease was mainly the result of the revenue decline and higher R&D expenses.

The effective tax rate in H1 2016 was 7.4% (H1 2015: 28.5%). The underlying* effective tax rate in Q2 2016 was 25%, which increased slightly sequentially and is in line with the Q2 2015 rate. The underlying* effective tax rate for H1 2016 was 24.0%, which compares with 25.0% for FY 2015.

In Q2 2016, net income was down 61% year-on-year. Underlying* net income was up 24% sequentially over Q1 2016 and down 49% year-on-year. Underlying* diluted EPS in Q2 2016 was up 21% sequentially over Q1 2016 and down 48% year-on-year.

As indicated in May, at the end of Q2 2016, our total inventory level was down 8% over the prior quarter to $141million (or ~98 days), representing a 5-day decrease in our days of inventory. The decrease in the inventory value was mostly due to the decrease in raw materials. During Q3 2016 we expect inventory value to be broadly at the same level as Q2 2016 and inventory days to decrease from Q2 2016 as we serve our customers backlog.

At the end of Q2 2016, we had a cash and cash equivalents balance of $660 million. In the second quarter we generated $33 million of free cash flow*, more than double what the business generated in Q2 2015 (Q2 2015: $15 million).

Subsequent to the quarter end, the first interim (six weeks) settlement of the first tranche of the buyback programme took place. On 5 July 2016 the Company purchased 590,000 ordinary shares at an average price of €27.6429. The maximum maturity date for the first tranche shall be 15 September 2016 and the maximum total cost of the shares to be purchased by the Company from Barclays Bank PLC shall be €50 million and the minimum cost €37.5 million.

**** Non-IFRS measures***

Underlying measures and free cash flow quoted in this Press Release are non-IFRS measures. Our use of underlying measures is explained on pages 149 to 154 of our 2015 Annual Report. Reconciliations of the underlying measures to the nearest equivalent IFRS measures for Q2 2016, Q2 2015, H1 2016 and H1 2015 are presented in Section 3 of the Q2 2016 Interim Report. For ease of reference, we present below those reconciliations for Q2 2016.

Q2 2016	**IFRS US$000**	Share-based compensation and related payroll taxes US$000	Amortisation of acquired intangible assets US$000	Aborted merger with Atmel US$000	Effective interest US$000	**Underlying US$000**
Revenue	**245,747**	-	-	-	-	**245,747**
Gross profit	**113,737**	326	1,755	-	-	**115,818**
SG&A expenses	**(31,179)**	3,338	1,900	(15)	-	**(25,956)**
R&D expenses	**(59,816)**	2,996	-	-	-	**(56,820)**
Other operating income	**200**	-	-	-	-	**200**
Operating profit	**22,942**	6,660	3,655	(15)	-	**33,242**
Net finance income	**2,497**	-	-	-	138	**2,635**
Income tax expense	**(8,653)**	(250)	(217)	-	(27)	**(9,147)**
Net income	**16,786**	6,410	3,438	(15)	111	**26,730**
EBITDA	**n/a**					**44,527**

EBITDA *is defined as underlying net income of US$26.7 million (Q2 2015: US$52.1 million), before income tax expense of US$9.1 million (Q2 2015: US$17.6 million), depreciation of US$6.6 million (Q2 2015: US$5.7 million), amortisation of US$4.7 million (Q2 2015: US$4.0 million) and net finance (income) expense of US$(2.6) million(Q2 2015: US$1.4 million).*

Free Cash Flow *is defined as net income of US$16.8 million (Q2 2015: US$42.9 million), before depreciation of US$6.6 million (Q2 2015: US$5.7 million), amortisation of US$8.3 million (Q2 2015: US$7.6 million) and the net interest (income) expense of US$(0.6) million (Q2 2015: US$1.1 million),* *plus (minus) the net decrease (increase) in working capital of US$13.7 million (Q2 2015: US$(19.4) million) and minus capital expenditure of US$12.3 million (Q2 2015: US$22.6 million).*

Operational overview

Our latest generation of highly integrated PMICs will begin to ramp in high volume production during Q3 2016. Additionally, during the quarter we completed a number of sophisticated PMIC designs which are now sampling to our customers for products targeting H2 2017 production.

The company made further progress in the strategic objective of expanding its business footprint and deepening customer engagements in Asia:

- Building on the success of our R&D initiatives in Power Management, our next generation Chargers ICs will ship in volume production for a Tier 1 Korean customer´s smartphones and tablets from Q3 2016.

- The on-going initiative to establish further regional strategic partnerships in Greater China and develop deeper customer engagements in the region is well under way, with a first major engagement for 2017 platform.

- The roll-out of our RapidCharge™ solutions continued to gather momentum, enhancing Dialog's estimated 70% market share of the rapid charging adapter market for smartphones, tablets and other devices.

- Our second generation sub-PMIC was shipped during Q2 2016 to leading Chinese smartphones OEMs who entered volume production of their MediaTek based LTE platforms.

Bluetooth low energy continues to be rapidly adopted across a wide range of IoT applications. Our business made solid progress during the quarter in capturing the high-growth opportunity within IoT with our Bluetooth® low energy, smart LED driver ICs and ambient light and colour sensor controls:

- SmartBond™ DA14681 Wearable-on-Chip™ was selected to power Xiaomi's latest activity tracking wrist band, Mi Band 2, one of the most anticipated wearable devices of 2016. The DA14681 provides connectivity, application processing, sensor fusion and advanced power management functionality enabling the Mi Band 2 to be even better positioned to further grow share in the rapidly expanding wearable market.

- Launched the industry-first OpenThread Sandbox Development Platform to support the development of Home Automation applications. It provides Thread ecosystem developers with plug-and-play hardware and OpenThread software released by Nest, enabling development for the connected home. By adding Thread capability to our Bluetooth low energy portfolio, Dialog has created a unique combination of connectivity solutions for IoT and smart home applications.

- Added ambient light and colour sensor controls to our smart lighting platform of advanced LED drivers and Bluetooth controllers. This represents another significant milestone in the joint effort with Dyna Image as both companies continue to combine their core technologies to provide complete platform solutions.

In line with our diversification strategy, during the quarter we expanded into the consumer headset segment with the launch of our SmartBeat™ Audio IC, enabling a new immersive headset experience. Supporting both wired USB 3.0 type C and Bluetooth based headsets, the DA14195 offers a new route to next generation active headphone development. This digital SoC with built in advanced audio processing heightens performance and defines a new standard for headset functionality and sound quality.

We continued to provide effective and efficient Power Management innovation to the market, expanding our range of ASSP solutions with the DA9061 and DA9062 PMICs. These highly efficient, cost-optimized devices can power a broad range of single or dual-core ARM® Cortex® based processors in applications such as handheld consumer, industrial embedded, smart home and automotive systems.

The expansion into the smart TV and set-top box (STB) market continues to progress according to plan with a number of leading customers evaluating our recently released integrated PMICs for volume production in Q1 2017.

* * * * *

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 2016 performance, as well as guidance for Q3 2016. Participants will need to register using the link below labelled 'Online Registration'. A full list of dial in numbers will also be available.

To register for the webcast and receive dial in numbers, the conference PIN and a unique User ID please click on the link below:

http://members.meetingzone.com/selfregistration/registration.aspx?booking=gum7t5ZQcIR91evp5n3Pdmy0gkWFjnVKQSbOVqsTZ5s=&b=d58ae4ab-80e5-47f2-8295-e04d92bbba83

In parallel to the call, the analyst presentation will be webcasted on our website at
http://webcast.openbriefing.com/semiconductor_q2_results_280716/

A replay will be posted on the Dialog website four hours after the conclusion of the presentation and will be available at http://www.dialog-semiconductor.com/investor-relations

Full release including the Company's Interim condensed consolidated income statement, consolidated balance sheet, consolidated statements of cash flows and selected notes for the quarter ended 1 July 2016 is available under the investor relations section of the Company's website at:

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

For further information please contact:

Dialog Semiconductor
Jose Cano
Head of Investor Relations
T: +44 (0)1793 756 961
jose.cano@diasemi.com

FTI Consulting London
Matt Dixon
T: +44 (0)2037 271 137
matt.dixon@fticonsulting.com

FTI Consulting Frankfurt
Anja Meusel
T: +49 (0) 69 9203 7120
Anja.Meusel@fticonsulting.com

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® Low Energy, 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 2015, it had $1.35 billion in revenue and was one of the fastest growing European public semiconductor companies. It currently has approximately 1,660 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

Results of Operations

Summary of segment results

US$ million	Revenue Q2 2016	Revenue Q2 2015	Change	Operating profit/(loss) Q2 2016	Operating profit/(loss) Q2 2015
Q2 2016 compared with Q2 2015					
Mobile Systems	**177.6**	259.0	-31%	**35.8**	75.4
Automotive & Industrial	**8.1**	8.6	-6%	**2.2**	2.6
Connectivity	**28.4**	28.6	-1%	**3.0**	3.8
Power Conversion	**28.6**	19.6	+46%	**(1.4)**	(5.0)
Corporate	**3.0**	0.8	>100%	**(16.7)**	(14.3)
Total	**245.7**	316.5	-22%	**22.9**	62.5

US$ million	Revenue H1 2016	Revenue H1 2015	Change	Operating profit/(loss) H1 2016	Operating profit/(loss) H1 2015
H1 2016 compared with H1 2015					
Mobile Systems	**365.4**	513.6	-29%	**75.6**	149.5
Automotive & Industrial	**15.3**	19.1	-20%	**4.9**	5.5
Connectivity	**49.0**	55.9	-12%	**(0.3)**	5.0
Power Conversion	**52.6**	38.3	+37%	**(7.7)**	(11.0)
Corporate	**4.9**	0.8	>100%	**101.6**	(30.9)
Total	**487.2**	627.7	-22%	**174.1**	118.1

Mobile Systems segment revenue was $365.4 million in H1 2016 compared with $513.6 million in H1 2015, a decrease of 29% that was principally due to reduced demand for our PMICs. Mobile Systems represented 75.0% of our revenue in H1 2016 (H1 2015: 81.8%).

Mobile Systems' operating profit declined by 49% to $75.6 million in H1 2016 (H1 2015: $149.5 million). Operating profit declined in response to the reduction in revenue but also reflected the increase in our R&D activities compared with H1 2015. Operating margin declined to 20.7% (H1 2015: 29.1%), principally reflecting the lower contribution to fixed costs.

Mobile Systems' underlying operating profit was $76.0 million in H1 2016 compared with $153.0 million in H1 2015, a decline of 50%. Underlying operating margin was also lower at 20.8% in H1 2016 (H1 2015: 29.8%).

Mobile Systems' underlying operating profit excludes payroll taxes arising on share-based compensation of its employees, which amounted to $0.4 million in H1 2016 and $3.5 million in H1 2015.

Automotive and Industrial segment revenue was $15.3 million in H1 2016 compared with $19.1 million in H1 2015, a decrease of 20%. Revenue declined primarily because of reduced demand for traditional industrial lighting and certain automotive applications but the deterioration was less severe in Q2 2016 than it was in Q1 2016. Automotive & Industrial represented 3.1% of our revenue in H1 2016 (H1 2015: 3.0%).

Automotive & Industrial's operating profit declined by 11% to $4.9 million (H1 2015: $5.5 million) largely due to the reduction in revenue but its operating margin increased to 32.0% (H1 2015: 28.8%) reflecting tight control over costs and more selective investment in R&D projects.

Automotive & Industrial's underlying operating profit was $4.9 million in H1 2016 compared with $5.8 million in H1 2015, a decline of 16%. Underlying operating margin was higher at 32.0% in H1 2016 (H1 2015: 30.4%).

Automotive & Industrial's underlying operating profit excludes payroll taxes arising on share-based compensation of its employees, which amounted to <$0.1 million in H1 2016 and $0.3 million in H1 2015.

Connectivity segment revenue was $49.0 million in H1 2016 compared with $55.9 million in H1 2015, a decrease of 12%. Revenue declined principally due to the expected decline in the legacy (DECT) business, though this was partially offset by growth in Bluetooth ® Smart that came through strongly during Q2 2016. Connectivity represented 10.0% of our revenue in H1 2016 (H1 2015: 8.9%).

Connectivity incurred an operating loss of $0.3 million in H1 2016 compared with an operating profit of $5.0 million in H1 2015, with the deterioration due largely to the overall reduction in sales volumes. Connectivity returned from an operating loss in Q1 2016 to an operating profit in Q2 2016 primarily due to increased sales volumes.

Connectivity incurred an underlying operating loss of $0.3 million in H1 2016 compared with an underlying operating profit of $5.8 million in H1 2015. Underlying operating margin was (0.6)% in H1 2016 compared with 10.4% in H1 2015.

Underlying measures quoted in this Financial Review are non-IFRS measures. Reconciliations of the underlying measures to the nearest equivalent IFRS measures are presented in Section 3 of the Q2 2016 Interim Report.

Connectivity's underlying operating result excludes payroll taxes arising on share-based compensation of its employees, which were <$0.1 million in H1 2016 and $0.3 million in H1 2015, and, in H1 2015, the additional amortisation expense of $0.5 million that arose from the recognition at fair value of identifiable intangible assets acquired with Sitel BV in 2011.

Power Conversion segment revenue increased by 37% to $52.6 million in H1 2016 compared with $38.3 million in H1 2015 due to the successful roll out of our Rapid Charge™ solutions with several Asian OEMs. Power Conversion represented 10.8% of our revenue in H1 2016 (H1 2015: 6.1%).

Power Conversion incurred an operating loss of $7.7 million in H1 2016 compared with a loss of $11.0 million in H1 2015, an improvement of 30%. Power Conversion's operating result had worsened slightly in Q1 2016 but it improved significantly during Q2 2016 as the effect on profitability of higher sales came to outweigh the higher expenses arising from our increased investment in R&D and manufacturing support activities in the second half of 2015. Operating margin improved to (14.6)% in H1 2016 compared with (28.7)% in H1 2015.

Power Conversion's underlying operating loss was reduced to $0.9 million in H1 2016 compared with a loss of $3.3 million in H1 2015. Underlying operating margin improved to (1.7)% in H1 2016 (H1 2015: (8.6)%).

Power Conversion's underlying operating result excludes payroll taxes arising on share-based compensation of its employees, which amounted to <$0.1 million in H1 2016 and $0.5 million in H1 2015, the additional amortisation expense of $6.8 million (H1 2015: $6.8 million) that arose from the recognition at fair value of identifiable intangible assets acquired with iWatt in 2013 and, in H1 2015, further costs of integrating that business of $0.5 million.

Corporate activities include emerging market businesses (principally Dyna Image and those involved in the development of PMICs for TVs and set top boxes). Corporate's revenue of $4.9 million (H1 2015: $0.8 million) was attributable to Dyna Image, in which we invested in June 2015.

Corporate activities also include the costs of operating central corporate functions, and the share-based compensation expense and certain other unallocated costs.

Corporate showed an operating profit of $101.6 million in H1 2016 but this was because it included the termination fee of $137.3 million that we received from Atmel in January 2016. Corporate incurred an operating loss of $30.9 million in H1 2015.

Excluding the termination fee and certain other items, Corporate's underlying operating loss was $16.6 million compared with $19.2 million in H1 2015, the improvement principally being due to lower business incubation expenses and a reduction in central corporate costs.

Corporate's underlying operating result excludes the Group's share-based compensation expense (which is not allocated to operating segments) of $14.9 million (H1 2015: $8.1 million) and payroll taxes arising on share-based compensation of Corporate employees, which amounted to <$0.1 million in H1 2016 and $0.2 million in H1 2015. Additionally, Corporate's underlying operating result excludes, in H1 2016, the Atmel termination fee of $137.3 million less related transaction costs of $3.6 million and the additional amortisation expense of $0.5 million on intangible assets acquired with Dyna Image and, in H1 2015, an expense of $3.4 million on the remeasurement of the contingent consideration payable for the acquisition of iWatt (that was settled in May 2015).

Analysis of the Group's results

Revenue was $487.2 million in H1 2016 compared with $627.7 million in H1 2015, a decrease of 22%. Revenue declined principally due to reduced demand for our PMICs in Mobile Systems and was largely unaffected by price movements.

Cost of sales was $265.8 million in H1 2016 compared with $337.1 million in H1 2015, a decrease of 21% that principally reflected lower sales volumes.

Gross profit was $221.4 million in H1 2016 compared with $290.5 million in H1 2015, a decrease of 24%.

Gross margin declined by 80 basis points to 45.4% in H1 2016 (H1 2015: 46.2%). Gross margin held up reasonably well because improved margins on our more complex products partially offset the lower absorption of fixed costs due to reduced volumes. Reflecting these factors, underlying gross profit was 24% lower at $225.7 million in H1 2016 (H1 2015: $294.3 million) and the underlying gross margin declined by 60 basis points to 46.3% (H1 2015: 46.9%).

Selling, general and administrative expenses (SG&A) totalled $67.6 million in H1 2016 compared with $63.5 million in H1 2015, an increase of 6%.

Selling and marketing expenses were broadly unchanged at $30.6 million (H1 2015: $30.3 million). We continued to invest in our sales and marketing efforts in our Connectivity and Power Conversion segments, but maintained tight control over our overall costs.

General and administrative expenses were $37.0 million in H1 2016 compared with $33.3 million in H1 2015, an increase of 10% that largely reflected the scaling up of our support functions during 2015.

Underlying SG&A expenses were $52.4 million in H1 2016 compared with $49.6 million in H1 2015, an increase of 6%. Underlying SG&A expenses increased as a percentage of revenue to 10.8% in H1 2016 compared with 7.9% in H1 2015.

R&D expenses were $117.3 million in H1 2016 compared with $109.9 million in H1 2015, an increase of 7%. R&D expenditure was $130.0 million in H1 2016 (H1 2015: $122.3 million), of which $9.9 million (H1 2015: $11.3 million) was capitalised, and we recognised R&D expenditure credits of $2.8 million (H1 2015: $1.0 million).

Underlying R&D expenses were $110.6 million in H1 2016 compared with $103.5 million in H1 2015, an increase of 7%. Underlying R&D expenses were 22.7% of revenue in H1 2016 compared with 16.5% in H1 2015.

Other operating income was $137.7 million in H1 2016 compared with $1.0 million in H1 2015. In H1 2016, other operating income included the fee of $137.3 million paid to us on the termination of the proposed acquisition of Atmel in January 2016.

Operating profit was $174.1 million in H1 2016 compared with $118.1 million in H1 2015. Excluding the Atmel termination fee of $137.3 million and related transaction costs of $3.6 million, operating profit was $40.4 million in H1 2016, a decline of $77.7 million compared with H1 2015 that was principally due to the reduction in gross profit and higher R&D expenses.

Underlying operating profit was also significantly lower at $63.2 million in H1 2016 compared with $142.1 million in H1 2015 and the underlying operating margin was 13.0% in H1 2016 compared with 22.6% in H1 2015.

Interest income increased to $1.7 million in H1 2016 compared with $0.3 million in H1 2015, reflecting an increase in market interest rates and higher cash balances.

Interest expense was $2.7 million in H1 2016 compared with $4.4 million in H1 2015. Although interest expense was reduced by $3.4 million in H1 2016 as a result of the conversion of our $201 million Convertible Bonds in April 2015, this benefit was partially offset by commitment fees of $1.9 million that were incurred in relation to the borrowing facility that was arranged to finance the proposed acquisition of Atmel prior to the cancellation of the facility in January 2016.

We incurred interest of $0.8 million (H1 2015: $0.9 million) in relation to amounts drawn under our receivables financing facilities, hire purchase arrangements and finance leases.

Other finance income (expense) comprises foreign currency translation gains (losses) that arise on monetary assets and liabilities that are denominated in currencies other than the functional currencies of the entities by which they are held. We recognised a net currency translation loss of $0.8 million in H1 2016 compared with a net gain of $0.2 million in H1 2015.

Income tax expense was $12.7 million in H1 2016 compared with $32.6 million in H1 2015, which resulted in an effective tax rate of 7.4% (H1 2015: 28.5%). Our income tax expense for the first half is calculated by applying the expected full year effective tax rate to the profit before tax for the period after adjusting for specific items that distort the rate including, in Q1 2016, the Atmel termination fee of $137.3 million. We have obtained advice that the termination fee should not be taxable in the UK. We have therefore concluded that no tax liability should arise and have not recognised a tax expense in relation to the termination fee.

Our underlying income tax expense for H1 2016 was $15.2 million (H1 2016: $34.0 million). Our underlying effective tax rate for H1 2016 was 24.0%, which compares with 25.0% for FY 2015. The reduction in our underlying effective tax rate is driven by the ongoing exercise to align the ownership of the Group's Intellectual Property with its commercial structure. As a consequence, we have been able to recognise in full previously unrecognised UK trading loss carry forwards and to benefit from the favourable UK tax regime for technology companies.

Net income was $159.7 million (H1 2015: $81.7 million), of which a loss of $1.6 million (H1 2015: $0.2 million) was attributable to the non-controlling interest in Dyna Image. Underlying net income was significantly lower at $48.3 million in H1 2016 compared with $107.6 million in H1 2015.

Basic earnings per share were $2.11 (H1 2015: $1.15) based on the weighted average of 76.3 million shares (H1 2015: 71.1 million shares) that were in issue during the period. Underlying basic earnings per share were $0.65 (H1 2015: $1.51), a decline of 57% that principally reflected our lower sales volumes in H1 2016.

Diluted earnings per share were $2.02 (H1 2015: $1.08). Diluted earnings per share additionally reflects the weighted average number of 3.7 million (H1 2015: 3.0 million) dilutive employee share options and awards and, in H1 2015, 4.7 million shares in relation to the $201 million Convertible Bonds that were converted in April 2015. Underlying diluted earnings per share were $0.62 (H1 2015: $1.37).

Cash flows

Cash and cash equivalents increased by $93.3 million during H1 2016 (H1 2015: increased by $123.4 million). Cash flows may be summarised as follows:

US$ million	H1 2016	H1 2015
Cash generated from operations	**196.4**	191.2
Interest paid, net	**(0.9)**	(1.1)
Income taxes paid, net	**(74.9)**	(24.8)
Cash flow from operating activities	**120.6**	165.3
Purchase of property, plant and equipment	**(11.2)**	(16.6)
Purchase of intangible assets	**(4.6)**	(6.4)
Capitalised development expenditure	**(9.9)**	(11.3)
Investment in Dyna Image, net	**(0.6)**	(2.6)
Sale/(purchase) of Dialog shares by EBTs, net	**(0.5)**	(4.9)
Other cash flows, net	**(0.6)**	-
Net cash inflow during the period	**93.2**	123.5
Currency translation differences	**0.1**	(0.1)
Increase in cash and cash equivalents	**93.3**	123.4

Cash flow from operating activities was $120.6 million in H1 2016 compared with $165.3 million in H1 2015.

Cash flow from operations before changes in working capital was $219.4 million in H1 2016. Excluding the receipt of the Atmel termination fee of $137.3 million, cash flow from operating activities before changes in working capital was $82.1 million in H1 2016 compared with $152.8 million in H1 2015, the reduction principally reflecting our lower sales volumes in H1 2016.

Net working capital increased by $22.9 million in H1 2016. Excluding the payment during H1 2016 of Atmel transaction costs amounting to $16.9 million that were included in payables at the end of 2015, net working capital increased by $6.0 million in H1 2016 compared with a reduction of $38.4 million in H1 2015.

As a fabless business, we commit to purchase inventory from our suppliers in advance in order to satisfy expected demand for our products. During H1 2016, we built up inventory in relation to new product launches that took place in Q2 2016. As a result, inventory increased during H1 2016 absorbing cash of $10.7 million. Trade and other payables were $42.0 million lower at the end of H1 2016 compared with the end of 2015, principally because of lower overall inventory purchases and the settlement of the Atmel transaction costs. Trade and other receivables were $36.6 million lower at the end of H1 2016 compared with the end of 2015, the reduction largely reflecting the decline in revenue during H1 2016.

Interest paid was $2.4 million in H1 2016 compared with $1.4 million in H1 2015, the increase being principally due to the payment in Q1 2016 of commitment fees on the borrowing facility that was arranged to finance the proposed acquisition of Atmel. Interest received was $1.5 million in H1 2016 compared with $0.3 million in H1 2015.

Income taxes paid were $50.1 million higher at $74.9 million in H1 2016 compared with $24.8 million in H1 2015. Tax payments comprise payments on account in respect of current year taxable profits and also payments in respect of earlier years' profits. The increase in income taxes paid reflects the increase in our taxable profits in earlier years.

Cash flow used in investing activities was $26.2 million in H1 2016 compared with $36.9 million in H1 2015.

Purchases of property, plant and equipment amounted to $11.2 million (H1 2015: $16.6 million) and principally comprised tooling (masks), laboratory equipment, probe cards, load boards and other advanced test equipment to support our R&D activities.

Purchases of intangible assets amounted to $4.6 million (H1 2015: $6.4 million) and principally comprised spending on patent applications, purchased software and licences and software development for internal business applications.

Payments related to capitalised development expenditure amounted to $9.9 million in H1 2016 compared with $11.3 million in H1 2015, reflecting the number of products under development whose costs qualify for capitalisation.

During Q2 2015, we paid initial consideration equivalent to $12.9 million to acquire our 45.7% shareholding in Dyna Image, which, net of cash held by Dyna Image at the time of our investment, resulted in a cash outflow of $2.6 million. During Q2 2016, we paid the equivalent of $0.6 million to settle the deferred element of the consideration. We continue to hold a call option over the shares in Dyna Image that we do not already own that expires in June 2018.

Cash flow used in financing activities was $1.2 million in H1 2016 compared with $4.9 million in H1 2015 and in both periods principally comprised transactions in Dialog's shares by employee benefit trusts.

During H1 2016, the trusts purchased 0.1 million (H1 2015: 0.4 million) shares at a cost of $3.1 million (H1 2015: $14.1 million) and received proceeds of $2.6 million (H1 2015: $9.2 million) on the exercise of share options awarded under employee share schemes.

Liquidity

At the end of H1 2016, we had cash and cash equivalents of $660.1 million (end of 2015: $ 566.8 million), which comprised cash at bank and other short-term highly liquid investments with a maturity of three months or less.

We have no committed borrowing facilities, but we utilise receivables financing facilities provided by two institutions. During Q1 2016, the aggregate amount of these facilities was increased from $112.0 million at the end of 2015 to $187.0 million. At the end of H1 2016, $42.8 million was drawn against the available balance (end of 2015: $40.4 million).

We are confident that the receivables financing facilities together with our significant cash balances and cash generation will be more than sufficient to satisfy our working capital requirements in the near to medium term.

Share buy-back programme

At the Company's AGM on 28 April 2016, the Directors were granted the authority to purchase up to 7,786,595 of the Company's ordinary shares (representing approximately 10% of its issued ordinary shares as at 30 March 2016). Such authority shall normally expire on the day which is immediately prior to the next AGM of the Company or on 30 June 2017, whichever is earlier.

On 9 May 2016, the Company announced the first tranche of the buy-back programme under which it has committed to purchase shares with a minimum cost of €37.5 million and a maximum cost of €50 million. Further details of the first tranche are provided in note 9 to the accompanying interim financial statements.

On inception of the first tranche, we recognised a liability of €50 million ($57.0 million) for the maximum cost of the shares to be purchased under the tranche and a corresponding debit to retained earnings. We also recognised transaction costs of $1.0 million as a debit to retained earnings. We have hedged the currency translation exposure on the Euro-denominated liability to purchase the shares using currency forwards and swaps.

On 5 July 2016, we completed the first intermediate settlement, purchasing 590,000 shares at a cost of €16.3 million ($18.3 million).

Balance sheet

Non-current assets totalled $483.3 million at the end of H1 2016, broadly unchanged compared with $490.4 million at the end of 2015.

Current assets totalled $864.9 million at the end of H1 2016 (end of 2015: $797.5 million), an increase of $67.4 million. Cash and cash equivalents increased by $93.3 million to $660.1 million. Other current assets decreased by $25.9 million to $204.8 million, principally due to a decrease of $36.7 million in trade and other receivables to $36.0 million that was partially offset by an increase of $5.7 million in inventories to $140.6 million.

Current liabilities totalled $199.1 million at the end of H1 2016 (end of 2015: $253.7 million), a decrease of $54.6 million. Trade and other payables decreased by $42.0 million to $89.6 million due principally to lower inventory purchases. Other financial liabilities were $57.5 million higher at $65.7 million due to the recognition of the share buy-back liability in Q2 2016. Current tax payable was $61.1 million lower at $1.1 million due to the timing of tax payments to the relevant tax authorities.

Non-current liabilities totalled $7.4 million at the end of H1 2016 (end of 2015: $9.2 million).

Total equity was $1,141.7 million at the end of H1 2016 (end of 2015: $1,024.9 million), comprised of shareholders' equity of $1,135.4 million (end of 2015: $1,017.1 million) and non-controlling interests in Dyna Image of $6.3 million (end of 2015: $7.8 million). Dialog shares held by employee benefit trusts amounted to $25.8 million at the end of H1 2016 (end of 2015: $24.6 million).

We monitor our capital by reference to the equity ratio (total equity divided by total assets). Whilst we generally seek to maintain a high capital ratio, we will fund our growth strategy using a mix of equity and debt after giving consideration to prevailing market conditions. At the end of H1 2016, the equity ratio was 84.7% (end of 2015: 79.6%).

Consequences of Brexit

On 23 June 2016, the UK voted in a referendum to leave the EU. As this result was largely unexpected, it has caused turmoil in the financial markets. Uncertainty about the timing and terms of the UK's exit has raised fears of a significant adverse impact on the UK economy, with particular concerns being the continuing access of UK businesses to markets in the EU and the attractiveness of the UK to overseas investors.

In the short term, we do not expect Brexit will have a significant adverse impact on Dialog because we are a fabless business and only a small amount of our revenue is derived from customers in the UK. Should the weakness of the pound and the euro against the US dollar be sustained, there may be a positive impact on our earnings due to the more favourable translation into US dollars of sterling and euro-denominated operating expenses.

Our operations are spread across the world and we will continue to balance projects and workload effectively and efficiently among them. Approximately two-thirds of our workforce is based in the EU and our teams are typically comprised of several nationalities. We will therefore monitor very closely any plans that the UK Government considers for changes to the current regulations in respect of the rights of EU and other nationals to work in the UK and any likely consequential changes to the rights of UK nationals to work in the EU. In the meantime, we will operate on a business as usual basis within the existing regulations and our continuing focus will be on growing our business.

Other Information

Members of the Management Team and the Board of Directors
Management Team
Dr Jalal Bagherli, Chief Executive Officer; Andrew Austin, Senior Vice President, Corporate Projects (until April 2016); Vivek Bhan, Senior Vice President, Engineering; Christophe Chene, Senior Vice President, Asia; Mohamed Djadoudi, Senior Vice President, Global Manufacturing Operations and Quality; Wissam Jabre, CFO, Senior Vice President Finance (since April 2016); 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; Tom Sandoval, Senior Vice President, Worldwide Sales; Colin Sturt, Senior Vice President, General Counsel; Mark Tyndall, Senior Vice President, Corporate Development and Strategy and General Manager Emerging Products Business Group, Emmanuel Walter, Interim CFO (from July 2015 to May 2016).

Board of Directors
Rich Beyer, Chairman; Dr Jalal Bagherli, Chief Executive Officer; Chris Burke; Alan Campbell; Mike Cannon; Aidan Hughes; Eamonn O'Hare; Nick Jeffrey (appointed 1 July 2016); Russ Shaw.

Going concern
After making enquiries, the Directors have formed a judgement at the time of approving the interim condensed consolidated financial statements that there is a reasonable expectation that the Group has adequate resources to continue for the foreseeable future. At the end of Q2 2016, the Group held $660.1 million of cash and cash equivalents. The Group has no committed borrowing facilities, but it has access to receivables financing facilities totalling $187.0 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 condensed consolidated financial statements for the three- and six-month periods ended 1 July 2016.

Risks, risk management and opportunities
Risk management, our business risks and opportunities are described in our 2015 Annual Report – Strategic report: Managing risk and uncertainty. Compared with the risks and opportunities presented there, no significant additional opportunities and risks arose for the Company in the first six months of 2016.

Responsibility statement

We confirm that, to the best of our knowledge, the interim condensed consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and the interim management report includes a fair review of the development and performance of the Group during the three- and six- month periods ended 1 July 2016, a fair review of material transactions with related parties and changes during the period, and fairly describes the principal risks and uncertainties affecting the Group for the remainder of the financial year.

28 July 2016

Dr Jalal Bagherli	Wissam Jabre
CEO	CFO, Senior Vice President Finance

Independent Review Report to Dialog Semiconductor Plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the quarterly financial report for the three and six months ended 1 July 2016 which comprises the Interim condensed consolidated statement of income, the Interim condensed consolidated statement of comprehensive income, the Interim condensed consolidated balance sheet, the Interim condensed consolidated statements of cash flows, the Interim condensed consolidated statements of changes in equity and the related notes 1 to 10. We have read the other information contained in the quarterly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company 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. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the Company and its subsidiaries 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 Standard 34 “Interim Financial Reporting” as adopted by the European Union.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the quarterly financial report for the three and six months ended 1 July 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority and the disclosure requirements of the German Securities Trading Act (WpHG).

Deloitte LLP

Chartered Accountants and Statutory Auditor

Reading, UK

28 July 2016

Unaudited interim condensed consolidated statement of income

For the three and six months ended 1 July 2016

	Notes	**Three months ended 1 July 2016 US$000**	Second Quarter Three months ended 3 July 2015 US$000	**Six months ended 1 July 2016 US$000**	First Half Six months ended 3 July 2015 US$000
Revenue	3	**245,747**	316,486	**487,155**	627,677
Cost of sales		**(132,010)**	(169,154)	**(265,757)**	(337,136)
Gross profit		**113,737**	147,332	**221,398**	290,541
Selling and marketing expenses		**(15,162)**	(14,889)	**(30,577)**	(30,258)
General and administrative expenses		**(16,017)**	(14,394)	**(37,032)**	(33,284)
Research and development expenses		**(59,816)**	(55,920)	**(117,340)**	(109,876)
Other operating income		**200**	329	**137,678**	969
Operating profit	3	**22,942**	62,458	**174,127**	118,092
Interest income		**988**	210	**1,744**	342
Interest expense		**(407)**	(1,338)	**(2,739)**	(4,396)
Other finance income (expense)		**1,916**	(1,383)	**(787)**	188
Profit before income taxes	3	**25,439**	59,947	**172,345**	114,226
Income tax expense		**(8,653)**	(17,085)	**(12,668)**	(32,555)
Net income		**16,786**	42,862	**159,677**	81,671
Attributable to:					
- Shareholders in the Company		**17,566**	43,027	**161,302**	81,836
- Non-controlling interests		**(780)**	(165)	**(1,625)**	(165)
Net income		**16,786**	42,862	**159,677**	81,671

	Q2 2016	Q2 2015	**First half 2016**	First half 2015
Earnings per share (in US$)				
Basic	**0.23**	0.59	**2.11**	1.15
Diluted	**0.22**	0.55	**2.02**	1.08
Weighted average number of shares (in thousands)				
Basic	**76,437**	73,420	**76,291**	71,053
Diluted	**79,974**	79,101	**79,984**	78,772

Unaudited interim condensed consolidated statement of comprehensive income

For the three and six months ended 1 July 2016

	Three months ended 1 July 2016 US$000	Second Quarter Three months ended 3 July 2015 US$000	Six months ended 1 July 2016 US$000	First Half Six months ended 3 July 2015 US$000
Net income	**16,786**	42,862	**159,677**	81,671
Other comprehensive income				
Items that may be reclassified to profit or loss in subsequent periods				
Currency translation differences on foreign operations	**(194)**	1,520	**596**	527
Income tax relating to currency translation differences on foreign operations	**35**	467	**61**	(135)
Cash flow hedges	**(4,635)**	16,446	**1,288**	4,712
Income tax relating to cash flow hedges	**881**	(4,523)	**(502)**	(1,367)
Other comprehensive income (loss) for the year	**(3,913)**	13,910	**1,443**	3,737
Total comprehensive income for the year	**12,873**	56,772	**161,120**	85,408
Attributable to:				
- Shareholders in the Company	**13,654**	56,937	**162,658**	85,573
- Non-controlling interests	**(781)**	(165)	**(1,538)**	(165)
Total comprehensive income for the year	**12,873**	56,772	**161,120**	85,408

Unaudited interim condensed consolidated balance sheet

As at 1 July 2016

	Notes	At 1 July 2016 US$000	At 31 December 2015 US$000
Assets			
Cash and cash equivalents		**660,093**	566,809
Trade and other receivable		**36,040**	72,668
Other financial assets		**1,346**	2,086
Inventories	4	**140,592**	134,930
Income tax receivables		**269**	129
Other current assets		**26,515**	20,856
Total current assets		**864,855**	797,478
Goodwill		**251,233**	251,062
Other intangible assets	6	**134,952**	138,604
Property, plant and equipment	5	**66,374**	68,444
Other financial assets		**3,688**	3,758
Income tax receivables		**51**	51
Deferred tax assets		**27,011**	28,454
Total non-current assets		**483,309**	490,373
Total assets		**1,348,164**	1,287,851
Liabilities and equity			
Trade and other payables		**89,575**	131,553
Other financial liabilities		**65,741**	8,245
Provisions		**968**	1,861
Income taxes payable		**1,096**	62,181
Other current liabilities		**41,718**	49,884
Total current liabilities		**199,098**	253,724
Other financial liabilities		**2,990**	4,919
Provisions		**2,764**	2,725
Deferred tax liabilities		**1,601**	1,598
Total non-current liabilities		**7,355**	9,242
Ordinary shares		**14,402**	14,402
Additional paid-in capital		**464,353**	463,725
Retained earnings		**689,034**	571,510
Other reserves		**(6,567)**	(7,923)
Dialog shares held by employee benefit trust		**(25,774)**	(24,630)
Equity attributable to shareholders in the Company		**1,135,448**	1,017,084
Non-controlling interests		**6,263**	7,801
Total equity		**1,141,711**	1,024,885
Total liabilities and equity		**1,348,164**	1,287,851

Unaudited interim condensed consolidated statement of cash flows

For the three and six months ended 1 July 2016

	Three months ended 1 July 2016 US$000	Second Quarter Three months ended 3 July 2015 US$000	**Six months ended 1 July 2016 US$000**	First Half Six months ended 3 July 2015 US$000
Cash flows from operating activities:				
Net income	**16,786**	42,862	**159,677**	81,671
Non-cash items within net profit:				
Depreciation of property, plant and equipment	**6,633**	5,651	**13,067**	10,975
Amortisation of intangible assets	**8,307**	7,612	**16,352**	15,095
(Gain) loss on disposals and impairment of fixed assets	**(70)**	178	**197**	288
Impairment of inventories (net of recoveries)	**1,445**	(1,113)	**1,439**	62
Share-based payments expense	**7,894**	3,629	**14,968**	8,092
Interest (income) expense, net	**(581)**	1,128	**995**	4,054
Income tax expense	**8,653**	17,085	**12,668**	32,555
Cash generated from operations before changes in working capital	**49,067**	77,032	**219,363**	152,792
Changes in working capital:				
Trade accounts receivable and other receivables	**(1,221)**	3,440	**36,628**	63,894
Inventories	**7,803**	(11,587)	**(10,701)**	(18,658)
Prepaid expenses	**796**	155	**(1,960)**	(1,275)
Trade accounts payable and other payables	**7,536**	7,114	**(41,995)**	4,294
Provisions	**(63)**	(4,806)	**(854)**	(951)
Other assets and liabilities	**(2,601)**	(12,597)	**(4,088)**	(8,945)
Cash generated from operations	**61,316**	58,751	**196,393**	191,151
Interest paid	**(249)**	(1,236)	**(2,406)**	(1,430)
Interest received	**904**	193	**1,455**	322
Income taxes paid	**(48,473)**	(11,991)	**(74,867)**	(24,761)
Cash flow from operating activities	**13,498**	45,717	**120,575**	165,282
Cash flows used in investing activities:				
Purchase of property, plant and equipment	**(5,528)**	(10,939)	**(11,196)**	(16,626)
Purchase of intangible assets	**(2,139)**	(3,125)	**(4,619)**	(6,357)
Purchase of Dyna Image net of consolidated cash	**(647)**	(2,636)	**(647)**	(2,636)
Payments for capitalised development costs	**(4,136)**	(5,889)	**(9,877)**	(11,343)
Change in other long term assets	**144**	(21)	**169**	79
Cash flow used in investing activities	**(12,306)**	(22,610)	**(26,170)**	(36,883)
Cash flows from financing activities:				
Purchase of Dialog shares by employee benefit trusts	**(3,127)**	–	**(3,127)**	(14,032)
Sale of Dialog shares by employee benefit trusts	**693**	3,029	**2,611**	9,180
Other changes in equity	**(721)**	–	**(721)**	–
Cash flow from (used in) financing activities	**(3,155)**	3,029	**(1,237)**	(4,852)
Net increase (decrease) in cash and cash equivalents	**(1,963)**	26,136	**93,168**	123,547
Cash and cash equivalents at beginning of period	**662,235**	420,702	**566,809**	324,280
Currency translation differences	**(179)**	848	**116**	(141)
Cash and cash equivalents at end of period	**660,093**	447,686	**660,093**	447,686

Unaudited interim condensed consolidated statement of changes in equity

For the six months ended 1 July 2016

	Ordinary Shares US$000	Additional paid-in capital US$000	Retained earnings US$000	Other reserves Currency translation reserve US$000	Hedging reserve US$000	Dialog shares held by employee benefit trusts US$000	Equity attributable to shareholders in the Company US$000	Non-controlling interests US$000	Total US$000
Six months ended 3 July 2015									
As at 1 January 2015	13,353	274,517	366,650	(3,007)	(12,769)	(15,068)	623,676	-	623,676
Net income	-	-	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
Other changes in equity:									
Conversion of Convertible Bond	1,049	182,089	-	-	-	-	183,138	-	183,138
Non-controlling interests from the acquisition of Dyna Image	-	-	-	-	-	-	-	6,544	6,544
Purchase of Dialog shares by employee benefit trusts	-	-	-	-	-	(14,032)	(14,032)	-	(14,032)
Sale of Dialog shares by employee benefit trusts	-	5,467	-	-	-	3,713	9,180	-	9,180
Share-based payments, net of tax	-	-	20,427	-	-	-	20,427	-	20,427
As at 3 July 2015	14,402	462,073	468,913	(2,615)	(9,424)	(25,387)	907,962	6,379	914,341
Six months ended 1 July 2016									
As at 1 January 2016	**14,402**	**463,725**	**571,510**	**(4,480)**	**(3,443)**	**(24,630)**	**1,017,084**	**7,801**	**1,024,885**
Net income	**–**	**–**	**161,302**	**–**	**–**	**–**	**161,302**	**(1,625)**	**159,677**
Other comprehensive income	**–**	**–**	**–**	**570**	**786**	**–**	**1,356**	**87**	**1,443**
Total comprehensive income (loss)	**–**	**–**	**161,302**	**570**	**786**	**–**	**162,658**	**(1,538)**	**161,120**
Other changes in equity:									
Share buy-back obligation (Note 9)	**–**	**–**	**(58,036)**	**–**	**–**	**–**	**(58,036)**	**–**	**(58,036)**
Purchase of Dialog shares by employee benefit trusts	**–**	**–**	**–**	**–**	**–**	**(3,127)**	**(3,127)**	**–**	**(3,127)**
Sale of Dialog shares by employee benefit trusts	**–**	**628**	**–**	**–**	**–**	**1,983**	**2,611**	**–**	**2,611**
Share-based payments, net of tax	**–**	**–**	**14,258**	**–**	**–**	**–**	**14,258**	**–**	**14,258**
As at 1 July 2016	**14,402**	**464,353**	**689,034**	**(3,910)**	**(2,657)**	**(25,774)**	**1,135,448**	**6,263**	**1,141,711**

Unaudited notes to the interim condensed consolidated financial statements

For the three and six months ended 1 July 2016

1. Background

Description of business

Dialog Semiconductor Plc (the Company) and its subsidiaries (together, Dialog or the Group) create and market highly integrated, mixed signal integrated circuits, optimised for personal, portable, hand-held devices, low energy short-range wireless, LED solid-state lighting and automotive applications.

Dialog Semiconductor Plc is a public limited company that is incorporated and domiciled in the United Kingdom. The address of the Company's registered office is Tower Bridge House, St. Katherine's Way, London, E1W 1AA, United Kingdom. The Company's ordinary shares are listed on the Frankfurt Stock Exchange (Regulated Market, Prime Standard, FWB: DLG, ISIN GB0059822006) and it is a member of the TecDax index, which tracks the performance of 30 of the largest technology companies listed on the Frankfurt Stock Exchange.

Statement of compliance

The interim condensed consolidated financial statements on pages 14 to 18 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the IASB and adopted by the European Union, the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and the disclosure requirements of the German Securities Trading Act (WpHG).

Review and approval of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements are unaudited, but have been reviewed by the Company's auditors, Deloitte LLP, whose report can be found on page 13. The financial information for the year ended 31 December 2015 included in the interim financial statements does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006. The Company's audited statutory accounts for the year ended 31 December 2015 have been delivered to the Registrar of Companies in England and Wales. The auditors' report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The interim condensed consolidated financial statements were approved by the Board of Directors on 28 July 2016.

Basis of preparation

The interim condensed consolidated financial statements are prepared using the same principles for recognising assets, liabilities, income and expenses as are used in preparing the Group's annual financial statements except that, as required by IAS 34, the income tax expense is calculated by applying the estimated effective income tax rate for the current financial year to the year-to-date profit before income taxes. Measurements for each interim reporting period are made on a year-to-date basis, which may involve changes in estimates of amounts reported in prior interim periods of the current financial year.

The interim condensed consolidated financial statements are presented in US dollars (US$) which is the functional currency of the Company, and amounts are rounded to the nearest thousand US dollars (US$000) except where otherwise stated.

Accounting policies

The interim condensed consolidated financial statements have been prepared on a going concern basis under the historical cost convention, modified for the revaluation of certain financial instruments.

The Group's principal accounting policies are unchanged compared with the year ended 31 December 2015.

At the beginning of 2016, the Group adopted Amendments to IAS 1 *Presentation of Financial Statements – Disclosure Initiative* and the *Annual Improvements to IFRSs* arising from the IASB's 2012-2014 review cycle, but neither of these pronouncements had any impact on its results or financial position.

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. Actual outcomes could differ from those estimates and assumptions and affect the Group´s results in future periods.

Management considers that the key sources of estimation uncertainty arise in relation to assessing the recoverability of the long-lived assets (including goodwill), the recognition and measurement of deferred tax assets, the measurement of the share-based compensation expense and the capitalisation of product development costs.

Seasonality of operations

Our business is not highly seasonal but our revenue, particularly in our Mobile Systems operating segment, is dependent on the seasonal nature of the spending pattern in the consumer markets in which our major customers operate. As a result, our revenue tends to be higher in the second half of the year when those customers prepare for the major holiday selling seasons around the turn of the calendar year.

Accounting standards issued but not yet adopted
We have not yet adopted the following new or amended accounting standards that have been issued by the IASB and are relevant to Dialog:

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 16 *Leases*
- Amendments to IAS 7 *Statement of Cash Flows* (issued January 2016)
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* (issued June 2016)

We outlined the changes that will be introduced by the new standards in note 2 to our consolidated financial statements for the year ended 31 December 2015. We have not yet completed our evaluation of the financial effect of these pronouncements.

2. Aborted merger with Atmel
In January 2016, Atmel Corporation Inc. ('Atmel') terminated the merger agreement that existed with Dialog. Under the terms of the agreement, Atmel paid us a termination fee of $137.3 million. We recognised the termination fee as other operating income during the first quarter of 2016.

Also during the first quarter of 2016, we incurred residual transaction costs of $3.6 million (recognised within general and administrative expenses) and commitment fees of $1.9 million on the borrowing facility that was arranged to finance the transaction prior to the cancellation of the facility in January 2016 (recognised within interest expense).

3. Segment reporting
Following the provisions of IFRS 8, reportable operating segments are identified based on the "management approach". The management approach requires external segment reporting based on the Group's internal organisational and management structure and on internal financial reporting to the Chief Operating decision maker, which we consider to be the Board of Management.

We have four reportable operating segments, which are independently managed by bodies responsible for the respective segments depending on the nature of products offered. The identification reportable operating segments is based in particular on the existence of business unit managers who report directly to the Board of Management 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.

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.

b) Corporate
Corporate activities include emerging market businesses (since June 2015, Dyna Image), new technology development activities, the costs of operating central corporate functions, and the Group´s share-based compensation expense and certain other unallocated costs.

3. Segment reporting continued

Second Quarter

	Three months ended 1 July 2016						Three months ended 3 July 2015					
	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 (1)	**177,578**	**8,106**	**28,409**	**28,621**	**3,033**	**245,747**	258,954	8,635	28,563	19,578	756	316,486
Operating profit (loss) (2)	**35,821**	**2,238**	**3,016**	**(1,396)**	**(16,737)**	**22,942**	75,393	2,556	3,791	(4,979)	(14,303)	62,458
Net finance income (expense)	**(138)**	**-**	**-**	**-**	**2,635**	**2,497**	(193)	-	-	-	(2,318)	(2,511)
Profit before income taxes	**35,683**	**2,238**	**3,016**	**(1,396)**	**(14,102)**	**25,439**	75,200	2,556	3,791	(4,979)	(16,621)	59,947

First Half

	Six months ended 1 July 2016						Six months ended 3 July 2015					
	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 (1)	**365,416**	**15,246**	**49,022**	**52,578**	**4,893**	**487,155**	513,565	19,070	55,953	38,333	756	627,677
Operating profit (loss) (2)	**75,665**	**4,892**	**(347)**	**(7,703)**	**101,620**	**174,127**	149,468	5,511	4,971	(10,998)	(30,860)	118,092
Net finance expense	**(291)**	**-**	**-**	**-**	**(1,491)**	**(1,782)**	(399)	-	-	-	(3,467)	(3,866)
Profit before income taxes	**75,374**	**4,892**	**(347)**	**(7,703)**	**100,129**	**172,345**	149,069	5,511	4,971	(10,998)	(34,327)	114,226

(1) Revenue is from sales to external customers (there were no inter-segment sales).

(2) Overhead costs are predominantly allocated based on sales and headcount.

c) Geographic information

	Three months ended 1 July 2016 US$000	Three months ended 3 July 2015 US$000	**Six months ended 1 July 2016 US$000**	Six months ended 3 July 2015 US$000
Revenues				
United Kingdom	**111**	340	**265**	658
Other European countries	**13,285**	14,095	**23,918**	30,133
China	**165,413**	252,749	**346,167**	506,876
Hong Kong	**53,864**	36,722	**93,610**	63,761
Other Asian countries	**9,466**	9,944	**16,819**	19,953
Other countries	**3,608**	2,636	**6,376**	6,296
Total revenues	**245,747**	316,486	**487,155**	627,677

	At 1 July 2016 US$000	At 31 December 2015 US$000
Non-current assets (excluding deferred tax assets)		
Germany	**42,900**	46,518
USA	**254,237**	257,424
United Kingdom	**88,032**	99,992
Netherlands	**49,955**	46,907
Japan	**1,097**	1,011
Other	**20,077**	10,067
Total non-current assets	**456,298**	461,919

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

4. Inventories

Inventories consisted of the following:

	At 1 July 2016 US$000	At 31 December 2015 US$000
Raw materials	**23,181**	23,651
Work-in-process	**48,084**	43,545
Finished goods	**69,311**	67,734
Deposits	**16**	–
Total	**140,592**	134,930

The impairment of inventories recognised as expense during the six months ended 1 July 2016 was US$1,439,000 (H1 2015: US$62,000). This expense is included in cost of sales in the income statement.

5. Property, plant and equipment

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

	At 1 July 2016 US$000	At 31 December 2015 US$000
Gross carrying amount	**238,193**	227,143
Accumulated depreciation	**(171,819)**	(158,699)
Net carrying amount	**66,374**	68,444

As at 1 July 2016, the Group had contractual commitments for the acquisition of property, plant and equipment of US$4,263,000 (as at 31 December 2015: US$6,962,000).

6. Other intangible assets

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

	At 1 July 2016 US$000	At 31 December 2015 US$000
Gross carrying amount	**296,411**	283,688
Accumulated depreciation	**(161,459)**	(145,084)
Net carrying amount	**134,952**	138,604

As at 1 July 2016, the Group had contractual commitments for the acquisition of intangible assets of US$1,413,000 (as at 31 December 2015: US$1,325,000).

7. Additional disclosures on financial instruments

Set out below is an overview of financial instruments held by the Group as at 1 July 2016:

		Amounts recognised in the condensed consolidated balance sheet according to IAS 39					
	Category in accordance with IAS 39	**Carrying amount 1 July 2016 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 1 July 2016 US$000**
Assets							
Cash and cash equivalents	LaR	**660,093**	660,093	–	–	n/a	**660,093**
Trade accounts receivable and other receivable	LaR	**36,040**	36,040	–	–	n/a	**36,040**
Derivative financial assets							
Derivatives without hedging relationship	FVTPL	**752**	–	–	752	Level 2	**752**
Derivatives with hedging relationship	FVTPL	**1,346**	–	1,346	–	Level 2	**1,346**
Investment in Arctic Sand	AfS	**1,446**	–	1,446	–	n/a	**1,446**
Liabilities							
Trade account payables	FLAC	**78,495**	78,495	–	–	n/a	**78,495**
Other payables	FLAC	**11,080**	11,080	–	–	n/a	**11,080**
Other financial liabilities	FLAC	**56,459**	56,459	–	–	n/a	**56,459**
Hire purchase agreements and finance lease obligations	FLAC	**6,227**	6,227	–	–	Level 2	**6,262**
Derivative financial liabilities							
Derivatives with hedging relationship	FVTPL	**6,045**	–	6,045	–	Level 2	**6,045**
Of which aggregated by category in accordance with IAS 39:							
Loans and receivables (LaR)		**696,133**	696,133	–	–	–	**696,133**
Available-for-sale financial assets (AfS)		**1,446**	–	–	–	–	**1,446**
Derivatives without hedging relationship (FVTPL)		**752**	–	–	752	–	**752**
Derivative financial assets with hedging relationship (FVTPL)		**1,346**	–	1,346	–	–	**1,346**
Derivative financial liabilities with hedging relationship (FVTPL)		**(6,045)**	–	(6,045)	–	–	**(6,045)**
Financial liabilities at amortised cost (FLAC)		**(152,261)**	(152,261)	–	–	–	**(152,296)**

The fair value of derivatives has been determined with reference to available market information (Level 2) applying mark-to-market method. The carrying amounts of the loans and receivables and financial liabilities approximate their fair values due to short-term maturities. Since the market conditions affecting the liability related to long-term finance lease contract have changed, the fair value at 1 July 2016 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$1.4 million. Instruments allocated to the column "fair value recognised in other comprehensive income" are derivative financial instruments designated as cash flow hedges. If the carrying amount does not approximate their fair values, the fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

7. 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$. The majority of other operating expenses are denominated in Euros and Pounds Sterling. The Group has transactional currency exposures. Such exposure arises from the sales or purchases by an operating unit in currencies other than the unit's functional currency. In Q2 2016 as well as the first six months of 2016 and in the related periods in 2015 nearly all the Group's sales were denominated in US$.

The Group uses forward currency contracts (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 forecast transactions. Consequently, the hedges were assessed to be highly effective.

As at 1 July 2016 the following unrealized effects were recorded in other comprehensive income:

	Forward currency contracts				Total
	Euro US$000	GBP US$000	JPY US$000	CNY US$000	**At 1 July 2016 US$000**
Gain	866	–	460	–	**1,326**
Loss	(933)	(3,622)	–	(51)	**(4,606)**
Unrealised net gain (loss) before tax	**(67)**	**(3,622)**	**460**	**(51)**	**(3,280)**
Tax effect	13	687	(87)	10	**623**
Unrealised net gain (loss) after tax	**(54)**	**(2,935)**	**373**	**(41)**	**(2,657)**

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.

8. Share-based compensation

Share option and award plan activity was as follows:

	Six months ended 1 July 2016		Six months ended 3 July 2015	
	Options	**Weighted average exercise price €**	Options	Weighted average exercise price €
Outstanding at beginning of year	**4,710,245**	**4.53**	5,148,024	5.90
Granted	**812,173**	**0.16**	82,687	0.05
Exercised	**(563,083)**	**3.58**	(1,101,333)	6.43
Forfeited	**(342,686)**	**0.65**	(64,243)	4.19
Outstanding at end of year	**4,616,649**	**4.17**	4,065,135	5.66
Options exercisable at period end	**2,021,568**	**8.46**	1,583,797	9.42

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-based compensation plans. As at 1 July 2016, the Trusts held 1,328,366 shares (as at 31 December 2015: 1,879,195 shares).

9. Share buy-back programme

At the Company's AGM on 28 April 2016, the Directors were granted the authority to purchase up to 7,786,595 10p ordinary shares in the capital of the Company (representing approximately 10% of the issued ordinary share capital of the Company as at 30 March 2016). Such authority shall (unless previously renewed, varied or revoked) expire on the day which is immediately prior to the next AGM of the Company or on 30 June 2017, whichever is the earlier.

Purchases made under the authority will be off-market from the perspective of the Company and will be effected by way of contingent forward share purchase contracts entered into with Barclays, HSBC or Merrill Lynch acting as brokers who will purchase interests in the Company's ordinary shares (CIs) on the Frankfurt Stock Exchange.

On 9 May 2016, the Company announced details of the first tranche of the share buy-back programme under which it has committed to purchase shares from the preferred broker with a minimum cost of €37.5 million and a maximum cost of €50 million. Under the terms of the first tranche, the broker is permitted to purchase CIs on the market until 15 September 2016 but may declare its purchases complete at any time on or after 15 July 2016. Intermediate settlements with the broker will take place at approximately six-weekly intervals and final settlement is scheduled to take place 10 business days after the purchases under the tranche have been declared complete.

On inception of the first tranche, we recognised a liability of €50 million ($57.0 million) for the maximum cost of the shares to be purchased under the tranche and a corresponding debit to retained earnings. We have also recognised transaction costs of $1.0 million as a debit to retained earnings. When purchases are settled with the broker, the cost of the shares purchased and the transaction costs will be transferred from retained earnings to a separate treasury shares reserve until such time as the shares are transferred to employee benefit trusts, sold in the market or cancelled. If the aggregate cost of shares purchased under the tranche is less than the maximum cost permitted, the remaining liability will be extinguished and there will be a corresponding credit back to retained earnings.

We have entered into forward currency contracts to hedge the currency exposure on the translation of the Euro-denominated liability into US dollars. As and when settlements with the broker take place, we will enter into currency swaps to close out an equivalent amount of the forward currency position.

As at 1 July 2016, we had not purchased any shares from the broker. On 5 July 2016, we completed the first intermediate settlement, purchasing 590,000 shares from the broker at a cost of €16.3 million ($18.3 million).

10. Transactions with related parties

During the six months ended 1 July 2016, there were no material related party transactions, other than the compensation of the key management personnel (comprised of the Management Team (which includes the executive Directors) and the non-executive Directors, whose names are given on page 12). Compensation of key management personnel will be disclosed in the 2016 Annual Report.

Underlying measures

Use of underlying measures
Our use of underlying measures is explained on pages 149 to 154 of our 2015 Annual Report.

Underlying measures of profitability are non-IFRS measures because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS or are calculated using financial measures that are not calculated in accordance with IFRS. We do not regard these non-IFRS measures as a substitute for, or superior to, the equivalent IFRS measures. Non-IFRS measures are not uniformly defined by all companies and therefore the underlying measures we use may not be directly comparable with similarly-titled measures used by other companies.

During the periods presented, we excluded from the underlying measures the following specific items of income and expense that were reported in accordance with IFRS:

- share-based compensation expense and related payroll taxes;
- the termination fee we received and costs we incurred in relation to the aborted merger with Atmel;
- the following items relating to the accounting for business combinations under IFRS:
  - the additional amortisation expense arising from the recognition at fair value of intangible assets held by acquired businesses; and
  - the remeasurement of contingent consideration payable;
- the costs of integrating acquired businesses;
- the difference between interest payable and the effective interest expense on financial liabilities; and
- the income tax effect of the above items, which is calculated by considering the specific tax treatment of each item and by applying the relevant statutory tax rate to those items that are taxable or deductible for tax purposes.

Reconciliations of underlying measures to IFRS measures
Reconciliations of the measures of underlying profitability used by us to the equivalent IFRS measures for the three- and six- month periods ended 1 July 2016 and 3 July 2015 are presented in the following tables.

Three months ended 1 July 2016

US$000	IFRS basis	Share-based compensation and related payroll taxes	Amortisation of acquired intangible assets	Aborted merger with Atmel	Effective interest	Underlying basis
Revenue	**245,747**	**–**	**–**	**–**	**–**	**245,747**
Cost of sales	**(132,010)**	**326**	**1,755**	**–**	**–**	**(129,929)**
Gross profit	**113,737**	**326**	**1,755**	**–**	**–**	**115,818**
Gross Margin	***46.3%***					***47.1%***
SG&A expenses	**(31,179)**	**3,338**	**1,900**	**(15)**	**–**	**(25,956)**
R&D expenses	**(59,816)**	**2,996**	**–**	**–**	**–**	**(56,820)**
Other operating income	**200**	**–**	**–**	**–**	**–**	**200**
Operating profit	**22,942**	**6,660**	**3,655**	**(15)**	**–**	**33,242**
Operating margin	***9.3%***					***13.5%***
Net finance income	**2,497**	**–**	**–**	**–**	**138**	**2,635**
Profit before income taxes	**25,439**	**6,660**	**3,655**	**(15)**	**138**	**35,877**
Income tax expense	**(8,653)**	**(250)**	**(217)**	**–**	**(27)**	**(9,147)**
Net income[1]	**16,786**	**6,410**	**3,438**	**(15)**	**111**	**26,730**
EBITDA[2]	**n/a**					**44,527**
EBITDA margin	***n/a***					***18.1%***

Three months ended 3 July 2015

US$000	IFRS basis	Share-based compensation and related payroll taxes	Amortisation of acquired intangible assets	Integration costs	Effective interest	Underlying basis
Revenue	316,486	–	–	–	–	316,486
Cost of sales	(169,154)	330	1,490	–	–	(167,334)
Gross profit	147,332	330	1,490	–	–	149,152
Gross Margin	*46.6%*					*47.1%*
SG&A expenses	(29,283)	2,672	1,900	104	–	(24,607)
R&D expenses	(55,920)	1,969	266	–	–	(53,685)
Other operating income	329	–	–	–	–	329
Operating profit	62,458	4,971	3,656	104	–	71,189
Operating margin	*19.7%*					*22.5%*
Net finance (expense) income	(2,511)	–	–	–	1,063	(1,448)
Profit before income taxes	59,947	4,971	3,656	104	1,063	69,741
Income tax expense	(17,085)	(272)	(245)	–	–	(17,602)
Net income(1)	42,862	4,699	3,411	104	1,063	52,139
EBITDA(2)	n/a					80,796
EBITDA margin	*n/a*					*25.5%*

Six months ended 1 July 2016

US$000	IFRS basis	Share-based compensation and related payroll taxes	Amortisation of acquired intangible assets	Aborted merger with Atmel	Effective interest	Underlying basis
Revenue	**487,155**	**–**	**–**	**–**	**–**	**487,155**
Cost of sales	**(265,757)**	**845**	**3,506**	**–**	**–**	**(261,406)**
Gross profit	**221,398**	**845**	**3,506**	**–**	**–**	**225,749**
Gross Margin	***45.4%***					***46.3%***
SG&A expenses	**(67,609)**	**7,851**	**3,800**	**3,591**	**–**	**(52,367)**
R&D expenses	**(117,340)**	**6,739**	**–**	**–**	**–**	**(110,601)**
Other operating income	**137,678**	**–**	**–**	**(137,300)**	**–**	**378**
Operating profit	**174,127**	**15,435**	**7,306**	**(133,709)**	**–**	**63,159**
Operating margin	***nm****					***13.0%***
Net finance (expense) income	**(1,782)**	**–**	**–**	**1,913**	**291**	**422**
Profit before income taxes	**172,345**	**15,435**	**7,306**	**(131,796)**	**291**	**63,581**
Income tax expense	**(12,668)**	**(1,701)**	**(432)**	**(383)**	**(58)**	**(15,242)**
Net income(1)	**159,677**	**13,734**	**6,874**	**(132,179)**	**233**	**48,339**
EBITDA(2)	**n/a**					**85,272**
EBITDA margin	***n/a***					***17.5%***

* Operating margin calculated on an IFRS basis does not give a meaningful portrayal of our trading performance in H1 2016 because it includes the Atmel termination fee of $137.3 million that was received in Q1 2016.

Six months ended 3 July 2015

US$000	IFRS basis	Share-based compensation and related payroll taxes	Amortisation of acquired intangible assets	Change in estimate of contingent consideration	Integration costs	Effective interest	Underlying basis
Revenue	627,677	–	–	–	–	–	627,677
Cost of sales	(337,136)	731	2,979	–	–	–	(333,426)
Gross profit	290,541	731	2,979	–	–	–	294,251
Gross Margin	*46.3%*						*46.9%*
SG&A expenses	(63,542)	6,388	3,801	3,350	453	–	(49,550)
R&D expenses	(109,876)	5,822	533	–	–	–	(103,521)
Other operating income	969	–	–	–	–	–	969
Operating profit	118,092	12,941	7,313	3,350	453	–	142,149
Operating margin	*18.8%*						*22.6%*
Net finance (expense) income	(3,866)	–	–	–	–	3,379	(487)
Profit before income taxes	114,226	12,941	7,313	3,350	453	3,379	141,662
Income tax expense	(32,555)	(982)	(490)	–	–	–	(34,027)
Net income[1]	81,671	11,959	6,823	3,350	453	3,379	107,635
EBITDA[2]	n/a						160,906
EBITDA margin	*n/a*						*25.6%*

Notes:

[1] Earnings per share

Earnings for calculating underlying basic and diluted EPS measures were calculated as follows:

		Second Quarter		First Half
	Three months ended 1 July 2016 US$000	Three months ended 3 July 2015 US$000	**Six months ended 1 July 2016 US$000**	Six months ended 3 July 2015 US$000
Underlying net income	**26,730**	52,139	**48,339**	107,635
Loss attributable to non-controlling interests	**650**	165	**1,367**	165
Earnings for calculating underlying basic EPS	**27,380**	52,304	**49,706**	107,800
Interest payable on Convertible Bonds	**-**	-	**-**	503
Earnings for calculating underlying diluted EPS	**27,380**	52,304	**49,706**	108,303

[2] EBITDA

EBITDA on an underlying basis may be reconciled to underlying net income as follows:

		Second Quarter		First Half
	Three months ended 1 July 2016 US$000	Three months ended 3 July 2015 US$000	**Six months ended 1 July 2016 US$000**	Six months ended 3 July 2015 US$000
Underlying measures				
Net income	**26,730**	52,139	**48,339**	107,635
Net finance (income) expense	**(2,635)**	1,448	**(422)**	487
Income tax expense	**9,147**	17,602	**15,242**	34,027
Depreciation expense	**6,633**	5,651	**13,067**	10,975
Amortisation expense	**4,652**	3,956	**9,046**	7,782
EBITDA	**44,527**	80,796	**85,272**	160,906

Glossary of Technical Terms

Analog A type of signal in an electronic circuit that takes on a continuous range of values rather than only a few discrete values.

ASIC An Application Specific Integrated Circuit is an integrated chip, custom-designed for a specific application.

ASSP An Application Specific Standard Product is a semiconductor device integrated circuit ('IC') dedicated to a specific application and sold to more than one user.

Audio CODEC The interface between analog signals (such as the human voice) and the digital data processing inside a mobile phone, determining voice quality.

BCD process platform The incorporation of analog components ('Bipolar'), digital components ('CMOS') and high-voltage transistors ('DMOS') on the same die to reduce the number of components required in the bill of materials, minimise board space, costs and the parasitic losses in comparison to a non-integrated solution.

Bluetooth® Smart Bluetooth Smart is a wireless personal area network technology designed and marketed by the Bluetooth Special Interest Group aimed at novel applications in the healthcare, fitness, beacons, security, and home entertainment industries.

Buck converter A DC-to-DC buck converter accepts a direct current input voltage and produces a direct current output voltage to a plurality of channels.

CAD Computer Aided Design usually refers to a software tool used for designing electronics hardware or software systems.

CDMA Code Division Multiple Access is an alternative to GSM technology for mobile wireless networks.

Chips Electronic integrated circuits.

CMOS Complementary Metal Oxide Semiconductor: the most popular class of semiconductor manufacturing technology.

Digital A type of signal used to transmit information that has only discrete levels of some parameter ('usually voltage').

Digital Enhanced Cordless Telecommunications ('DECT') is a wireless connectivity standard technology originated in Europe for cordless telephony.

Fabless A company that designs and delivers semiconductors by outsourcing the fabrication ('manufacturing') process.

FET A Field Effect Transistor uses an electric field to control the shape and hence the conductivity of a channel of one type of charge carrier in a semiconductor material.

Foundry A manufacturing plant where silicon wafers are produced.

Hi-Fi High-Fidelity is the reproduction of sound with little or no distortion.

IC Integrated Circuit An electronic device with numerous components on a single chip.

Imaging The capture and processing of images via an image sensor for use by an electronic device to send to a display for viewing by a user.

Internet of Things ('IoT') The Internet of Things is an environment where everyday items, such as smartphones, wearable health meters, light bulbs, and lighting, security and HVAC systems, are all connected via the Internet, allowing them to send and receive data and be controlled wirelessly.

LDO Low dropout voltage regulators are used in battery operated systems, where the output voltage is typically lower than the input voltage.

LED A Light Emitting Diode is a semiconductor device that emits light when charged with electricity, often used for LCD display backlights.

Liquid Crystal Display ('LCD') A display technology found in many portable electronics products, including personal organisers, cellular handsets and notebook computers.

LTE Long-Term Evolution is a standard for wireless communication of high-speed data for mobile phones and data terminals.

Mixed signal A combination of analog and digital signals being generated, controlled or modified on the same chip.

OEM An Original Equipment Manufacturer that builds products or components that are used in products sold by another company.

Original Design Manufacturer ('ODM') An original design manufacturer designs and produces products that are specified and then rebranded by OEMs.

PMIC Power Management IC.

Power Density The maximum amount of power that can be supplied from a given unit of volume. For example, a high power density power adapter can supply a large amount of power in the same size case as a low power density adapter.

Power Management The management of the power requirements of various subsystems, important in handheld and portable electronics equipment.

PrimAccurate™ Dialog's patented control technology that uses digital algorithms on the primary side of an isolated power supply eliminating the need for a secondary side regulator and optical feedback isolator to lower the total BOM cost, reduce the overall solution size and improve reliability.

Rapid Charge™ A Dialog product which enables substantially faster battery charging of portable devices via USB AC/DC power adapters.

Semiconductor A base material halfway between a conductor and an insulator, which can be physically altered by mixing in certain atoms. Semiconductors form the basis for present-day electronics.

Silicon A semi-metallic element used to create a wafer – and the most common semiconductor material – in about 95% of all manufactured chips.

SmartBond™ Dialog's SmartBond™ family is the simplest route to delivering the most power-friendly and flexible Bluetooth Smart connected products to the market. Highly integrated, SmartBond delivers the smallest, most power efficient Bluetooth Smart solutions available – and enables the lowest system costs.

Smart Lighting Dialog defines smart lighting to encompass solid state lighting control ranging from various modes of wired digital dimming via the AC supply line, such as toggle-switch dimming, as well as the emerging Ledotron® (IEC 62756-1) digital dimming standard. Smart lighting also includes wireless lighting control via existing wireless standards such as Bluetooth® Smart, ZigBee®, Z-Wave®, Wi-Fi, and others.

SmartDefender™ Dialog's advanced cycle-by-cycle, hiccup mode technology that addresses soft short circuits in adapter cables and connectors helping to prevent excessive heat build-up and damage.

SmartMirror™ A technology patented by Dialog Semiconductor which simplifies circuit design and provides very low current consumption in Power Management circuits.

Smartphone A mobile phone offering advanced capabilities, often with pc-like functionality ('PC-mobile handset convergence'). A smartphone runs complete operating system software providing a standardised interface and platform for application developers.

SmartPulse™ A series of wireless sensors, actuators and base station devices enables the easy creation of wireless sensor networks for the home automation, security, healthcare and energy monitoring consumer markets.

SmarteXite™ Dialog's brand name for its intelligent LED lighting technology platform.

SmartXtend™ A technology patented by Dialog Semiconductor that extends the life and reduces power consumption of high-resolution, passive matrix OLED displays.

Subcontractor A business that signs a contract to perform part or all of the obligations of another's contract.

Synchronous Rectifier An integrated circuit that can replace diodes to improve efficiency and power density in power conversion applications, such as power supplies.

System-on-Chip An IC that integrates all components of a computer or other electronic system into a single chip. It may contain digital, analog, mixed-signal, and often radio-frequency functions—all on a single chip substrate.

Tablet PC A tablet PC refers to a slate- or tablet-shaped mobile computer device, equipped with a touchscreen or stylus.

TAM Total addressable market, TAM measures the potential market for your product – and your product only – assuming you could reach 100% of your customers.

Ultrabook™ A higher-end, compact sub-notebook that is designed to be compact, thin and light without compromising performance and battery life. Ultrabooks™ typically feature low power processors and solid-state drives.

USB Universal Serial Bus: a universal interface standard to connect different electronics devices.

Voice Over IP Our energy-efficient multicore VoIP processors interact with Bluetooth, Wi-Fi and DECT to enable headset and handset connectivity while combining industry-leading power consumption with the flexibility and processing capacity to handle a wealth of enterprise VoIP applications.

Wafer A slice of silicon from a 4, 5, 6 or 8 inch diameter silicon bar and used as the foundation on which to build semiconductor products.

4G Wireless broadband standard.

Germany
Dialog Semiconductor GmbH
Neue Strasse 95
D-73230 Kirchheim/Teck-Nabern
Germany
Phone: (+49) 7021 805-0
Fax: (+49) 7021 805-100
Email: dialog.nabern@diasemi.com

United Kingdom
Dialog Semiconductor (UK) Ltd
Delta 200
Delta Business Park
Welton Road
Swindon
Wiltshire SN5 7XB
UK
Phone: (+44) 1793 757700
Fax: (+44) 1793 757800
Email: dialog.swindon@diasemi.com

100 Longwater Avenue
Green Park
Reading RG2 6GP
UK
Tel: (+44) 1793 757700
Fax: (+44) 1189 450219

The Netherlands
Dialog Semiconductor B.V.
Het Zuiderkruis 53
5215 MV 's-Hertogenbosch
The Netherlands
Phone: (+31) 73 640 88 22
Fax: (+31) 73 640 88 23
Email: dialog.nl@diasemi.com

North America
Dialog North America
2560 Mission College Boulevard
Santa Clara
California 95054
USA
Phone: (+1) 408 845 8500
Fax: (+1) 408 845 8505
Email: NA_sales_enquiries@diasemi.com

Dialog Semiconductor Inc.
675 Campbell Technology Pkwy Suite 150
Campbell, California 95008
USA

Japan
Dialog Semiconductor K.K.
Kamiyacho MT Bldg 16F
4-3-20 Toranomon
Minato-ku
Tokyo 105-0001
Japan
Phone: (+81) 3 5425 4567
Fax: (+81) 3 5425 4568
Email: dialog.tokyo@diasemi.com

Taiwan & Greater China
Dialog Semiconductor GmbH
Taiwan Branch
9F, No 185, Sec 2, Tiding Blvd
Neihu district
Taipei city 114
Taiwan, R.O.C.
Phone: (+886) 281 786 222
Fax: (+886) 281 786 220
Email: dialog.taiwan@diasemi.com

Singapore
Dialog Semiconductor GmbH
Singapore branch
10 Ang Mo Kio. Street 65.
Unit # 03-11A Techpoint
Singapore 569059
Phone: (+65) 64849929
Fax: (+65) 64843455
Email: dialog.singapore@diasemi.com

Korea
Dialog Semiconductor (UK) Ltd
Korea Branch
501 Dongsung B/D,
158-9, Samsung-Dong
Kangnam-Ku, Seoul
Korea, 135-830
Phone: (+82) 2 569 2301
Fax: (+82) 2 569 2302
Email: dialog.korea@diasemi.com

Registered office
Dialog Semiconductor Plc
Tower Bridge House
St Katharine's Way
London E1W 1AA
UK

www.dialog-semiconductor.com