



Leading through  
**innovation**

Interim Report as of  
2 October 2015

## Key products



## Contents

### Section 1: Business Review

Press Release – 28 October 2015.....	1
Financial Review (unaudited).....	6
Other Information (unaudited).....	18
Responsibility statement.....	18

### Section 2: Unaudited interim condensed consolidated financial statements

Independent Review Report to Dialog Semiconductor Plc.....	19
Unaudited interim consolidated statement of financial position.....	20
Unaudited interim consolidated income statement.....	21
Unaudited interim consolidated statement of comprehensive income.....	22
Unaudited interim consolidated statement of cash flows.....	23
Unaudited interim consolidated statement of changes in equity.....	24
Unaudited notes to the interim condensed consolidated financial statements.....	25

# Press Release – 28 October 2015

## DIALOG SEMICONDUCTOR REPORTS RECORD THIRD QUARTER 2015 RESULTS

### *Third quarter year on year revenue growth of 18%, increasing profitability and cash flow generation*

**London, UK, 28 October 2015** - Dialog Semiconductor plc (XETRA: DLG), a provider of highly integrated power management, AC/DC power conversion, solid state lighting and Bluetooth® Smart wireless technology, today reports results for its third quarter ending 2 October 2015.

#### Q3 2015 financial highlights

- IFRS Revenue up 18% over Q3 2014 at \$330 million and up 4% over Q2 2015
- IFRS Gross margin increased year on year to 46.3%
- Underlying (\*) EBITDA (\*\*) at \$80.8 million or 24.5% of revenue
- IFRS Operating profit (EBIT) up 44% over Q3 2014 to \$60.4 million or 18.3% of revenue
- Underlying (\*) basic and diluted EPS up 27% and 28% respectively over Q3 2014. IFRS basic and diluted EPS up 50% and 53% respectively over Q3 2014
- \$52 million of cash generated from operations, up 76% over Q3 2014

#### Q3 2015 operational highlights

- Dialog announced entry into a conditional agreement to acquire Atmel® Corporation (NASDAQ: ATML) a leader in Microcontrollers (MCUs).
- Atmel will release today Q3 2015 results ending 30 September 2015. Dialog shareholders are encouraged to read those results.
- Acquisition to transform Dialog into a global leader in both power management and embedded processing with \$2.7 billion of combined revenues<sup>(1)</sup>
- Increasing design-win momentum in Power Management with custom and standard products in leading smartphone OEMs
- Additional design-wins for our Bluetooth® Smart increasing penetration in Smart Home and gaming markets
- Established early leadership with deployment of Rapid Charge™ power conversion products for smartphone power adapters in China
- Continued success in China smartphone market with sub-PMIC technology through platform integration with MediaTek

(1) Last twelve months revenues

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

*"I am delighted to report a successful third quarter for Dialog with strong revenue growth, increasing year-on-year profitability and even faster earnings growth. We remain focused on successfully delivering the next phase of the steep ramp of new high volume products in Power Management, Bluetooth® Smart and Rapid Charge™ technologies for market leading customers."*

*"We are now awaiting shareholder and regulatory approval for the Atmel acquisition, which we expect to close in the first quarter of 2016. The combined company will significantly broaden our customer base, leveraging the combined world class technologies, talent and distribution channels to offer more complete solutions for the high growth mobility and smart connected devices; a combined market opportunity worth approximately \$20 billion by 2019."*

## Outlook

Given our current visibility we estimate Q4 2015 revenue in the range of \$430 million to \$460 million. At the mid-point, this will result in full year revenue of \$1,402 million, delivering 21% revenue growth over 2014.

We anticipate that underlying gross margin for the full year will be consistent with the level achieved year to date. This will result in significant gross margin improvement for the full year 2015 over 2014.

## Financial overview

IFRS US\$ million	Third Quarter		
	2015	2014	Var.
Revenue	330.4	281.0	+18%
Gross Margin	46.3%	44.8%	+150bps
R&D %	18.0%	19.6%	(160)bps
SG&A % <sup>(1)</sup>	10.0%	10.4%	(40)bps
EBIT	60.4	41.9	+44%
EBIT %	18.3%	14.9%	+340bps
Net income <sup>(2)</sup>	43.0	25.6	+68%
Basic EPS \$ <sup>(2)</sup>	0.57	0.38	+50%
Diluted EPS \$ <sup>(2)</sup>	0.55	0.36	+53%
Cash from operations	51.6	29.3	+76%

Underlying US\$ million	Third Quarter		
	2015	2014	Var.
Gross Margin	47.1%	45.4%	+170bps
EBITDA	80.8	60.8	+33%
EBITDA %	24.5%	21.6%	+280bps
EBIT	70.4	51.7	+36%
EBIT %	21.3%	18.4%	+290bps
Net income	53.2	37.6	+41%
Basic EPS \$	0.71	0.56	+27%
Diluted EPS \$	0.68	0.53	+28%

See underlying definition on page 3.

(1) Including other operating expenses/income.

(2) 2014 IFRS amounts have been adjusted. Please refer to Note 2 of the Q3 2015 Interim Report.

Revenue in Q3 2015 was up 18% to \$330 million with strong revenue performance in Mobile Systems, up 18% on Q3 2014, and Connectivity, up 31% on Q3 2014. Power Conversion revenue was up 3% over Q3 2014 with strong performance in the AC/DC converters segment being offset by softness in the Solid State Lighting LED business.

Q3 2015 IFRS gross margin was 150bps above Q3 2014 and broadly in line with the previous quarter. The year-on-year increase was the result of the following items:

- Higher revenue achieved in the quarter and the subsequent lower allocation per unit of the fixed component of Cost of Goods Sold;
- Positive product mix contribution from the Connectivity Segment and new products in Mobile Systems; and
- Benefits of the ongoing manufacturing cost optimisation, yield and test time improvements in high volume products.

In Q3 2015 underlying (\*) net OPEX as a percentage of revenue was 25.8%, 110bps below Q3 2014 and 120bps above Q2 2015.

Investments in R&D increased through the third quarter as expected. Underlying (\*) R&D investment in Q3 2015 stood at 17.6% of revenue, 100bps below Q3 2014 and 60bps above Q2 2015. We have accelerated several R&D programmes in both, existing product initiatives as well as new initiatives that have the potential to support profitable growth and the diversification of our business.

Underlying (\*) SG&A in Q3 2015 stood at 8.2% of revenue, 20bps below Q3 2014 and 40bps above the previous quarter. We continued to manage our SG&A costs effectively and achieved further year-on-year leverage. Acquisition costs of US\$2.9 million have been expensed in connection with the proposed acquisition of Atmel in the Q3 2015 income statement. These costs are excluded in the calculation of underlying expenses.

In Q3 2015 we achieved IFRS and underlying EBIT of \$60.4 million and \$70.4 million respectively, 44% and 36% over Q3 2014. Underlying EBIT margin in the quarter was 21.3%. The Q3 2015 underlying EBIT increase of 36% was primarily driven by the solid performance of Mobile Systems and the turnaround in the Connectivity segment. On an underlying basis, Connectivity contributed \$1.4 million EBIT profit in Q3 2015 (Q3 2014 EBIT loss: \$1.5 million).

In total, a net tax charge of \$17.1 million was recorded in Q3 2015, resulting from applying an effective tax rate of 28.5% (adjusted Q3 2014: 31.1%). The effective tax rate of 28.5% represents the expected full year effective tax rate excluding any one-off impact of costs relating to the proposed acquisition of Atmel. Such costs may increase the actual IFRS reported tax rate for the full year. The effective tax rate for the year ending 31 December 2014 was 29.0% (excluding one-off non-cash deferred tax credit). The decrease in our group effective tax rate is driven by the on-going exercise to align our Intellectual Property with the commercial structure of the group. This has allowed Dialog to fully recognise previously unrecognised UK trading loss carry forwards and to benefit from the favourable UK tax regime for technology companies. We believe this gradual decrease is sustainable and will now accelerate from 2016, thus continuing to drive further reductions in our effective tax rate in the years to come.

In Q3 2015, underlying net income increased 41% year on year. Underlying diluted EPS in Q3 2015 was 28% higher than in the same quarter of 2014.

At the end of Q3 2015, our total inventory level was \$139 million (or ~71 days), an increase of \$19 million over the prior quarter. This represents a 7 day increase in our days of inventory. We are managing our inventory levels tightly and we feel this level is appropriate in order to service our current customer backlog. During Q4 2015 we expect inventory value and inventory days to decrease from Q3 2015 as we service a number of high volume product launches in the quarter.

At the end of Q3 2015, we had cash and cash equivalents balance of \$478 million. In the third quarter we generated \$52 million of cash from operations, an increase of 76% over the same quarter of 2014. Free cash flow generated in Q3 2015 was \$15.6 million (\*\*\*)

Atmel will release Q3 2015 financial results on Wednesday, 28 October 2015 after the market close. (<http://ir.atmel.com/index.cfm>)

*(\*) Underlying results (net of tax) in Q3-2015 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of US\$4.0 million, excluding US\$0.2 million of amortisation of intangibles associated with the acquisition of SiTel (now Dialog B.V.), excluding US\$0.06 million non-cash effective interest expense related to a licensing agreement, excluding US\$0.2 million acquisition and integration expenses in connection with the purchase of iWatt, excluding US\$2.9 million acquisition expenses in connection with the proposed acquisition of Atmel and excluding US\$3.2 million of amortisation and depreciation expenses associated with the acquisition of iWatt.*

*(\*) Underlying results (net of tax) in Q3-2014 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of US\$4.4 million, excluding US\$0.2 million of amortisation of intangibles associated with the acquisition of SiTel (now Dialog B.V.), excluding US\$2.1 million non-cash effective interest expense in connection with the convertible bond, excluding US\$0.2 million non-cash effective interest expense related to a licensing agreement, US\$0.4 million of expenses associated with the merger discussions with ams AG, excluding US\$1.4 million acquisition and integration expenses in connection with the purchase of iWatt, and excluding US\$3.3 million of amortisation and depreciation expenses associated with the acquisition of iWatt*

*The term "underlying" is not defined in IFRS and therefore may not be comparable with similarly titled measures reported by other companies. Underlying measures are not intended as a substitute for, or a superior measure to, IFRS measures. Underlying results (net of tax) have been fully reconciled to IFRS results (net of tax) above. All other underlying measures disclosed within this report are a component of this measure and adjustments between IFRS and underlying measures for each of these measures are a component of those disclosed above.*

*(\*\*) EBITDA in Q3 2015 is defined as operating profit excluding depreciation for property, plant and equipment, (Q3 2015: US\$6.4 million, Q3 2014: US\$5.4 million), amortisation of intangible assets (Q3 2015: US\$7.6 million, Q3 2014: US\$7.4 million) and losses on disposals and impairment of fixed assets (Q3 2015: US\$0.2 million, Q3 2014: US\$0.0 million).*

*(\*\*\*) Free Cash Flow in Q3 2015 is defined as net income of US\$43.0 million plus amortisation and depreciation of US\$14.0 million, minus net interest income of US\$0.2 million, minus change in working capital of US\$27.8 million and minus capital expenditure of US\$13.4 million.*

## Operational overview

On 20 September 2015, Dialog announced that it had entered into a conditional agreement to acquire Atmel in a cash and stock transaction. Based on the closing price of € 37.19 per Dialog share as of 14 October 2015 and a Euro to U.S. Dollar exchange ratio of 1.114, the value of the consideration to be received by Atmel shareholders for each Atmel share would be the economic equivalent of \$9.41 per Atmel share and would imply a total equity value for Atmel of approximately \$4.1 billion. This acquisition will create a global leader in Power Management and Embedded Processing solutions and the directors believe that the combined company's sellable addressable market has the potential to grow from \$11 billion to \$20 billion in 2019. The transaction is expected to close in the first quarter of calendar year 2016. Dialog intends to fund the transaction with a combination of existing cash, \$2.1 billion of new debt and the issuance to Atmel shareholders of approximately 51 million American Depositary Shares ("ADSs") expected to be listed on The NASDAQ Stock Exchange. The transaction would result in a capital structure with a leverage of approximately 3x Net Debt/Estimated LTM EBITDA at closing. Dialog expects to continue to have a strong cash flow generation profile and have the ability to substantially pay down the transaction debt approximately three years after closing.

Completion of the acquisition is subject, among other things, to the approval by a majority of shareholders of a resolution to authorise the directors to allot new Dialog shares in connection with the acquisition ("The Resolution"). A circular which gives details of the acquisition and which contains a Notice of General Meeting in respect of the general meeting of shareholders (the "General Meeting") has been sent to all our shareholders as defined in Dialog's articles of association. The General Meeting will be held at Reynolds Porter Chamberlain LLP, Tower Bridge House, St Katharine's Way, London E1W 1AA on 19 November 2015 at 12.00 noon GMT.

During the quarter we successfully delivered our latest highly integrated Power Management IC for tier 1 customers. In several next generations mobile projects our technology is gaining traction beyond classic Power Management and this will allow us to increase our content share for smartphones and tablets, primarily for products entering production in 2017.

Our sub-PMIC MediaTek companion products continue to win China based customers in smartphone and more recently multiple tablet products. Revenues are expected to ramp by Q1 2016.

Further progress was made in successfully penetrating the Smart Home market segment with our Bluetooth® Smart technology providing full support for Apple® HomeKit accelerating the development of Smart Home internet connected accessories. The Smart Home market is expected to grow at an annual rate of 67% between now and 2019, resulting in 1.8 billion<sup>2</sup> accessories shipping annually by the end of that period.

This development is a key part of our strategy to capture opportunities within the high growth segment of smart connected IoT devices. Our recently announced strategic collaboration with [Bosch Sensortec](#) is a prime example where together we created an ultra-low power smart sensor platform combining Bosch Sensortec's 12 Degrees-of-Freedom (DoF) sensors with Dialog's low power Bluetooth® Smart technology. Together we bring leading Bluetooth® Smart, power management and sensor technologies that enable our customers to develop high-performance, innovative products with exceptionally long battery life.

Our growing range of Bluetooth® Smart products continue to gain market penetration throughout Q3 with success in a range of exciting new customers in growing market segments including smart watches and fitness bands, smart home applications, advanced TV remote controls and wireless gaming accessories which are scheduled to start production over the next six months.

Dialog continues to lead the industry in Rapid Charge™ power conversion IC's in the worldwide smartphone market enjoying increased market shares estimated at 70 percent. During the quarter we announced two additional wins:

- Huawei's new Honor 7 smartphones use Dialog's Rapid charge adapter chipset to enable Huawei's Fast Charger Protocol (FCP).
- LeTV & Information Technology (Beijing) an emerging trend-setting Chinese Smartphone manufacturer recently launched smartphones, the Le Max and Le 1 Pro.

(2) BI Intelligence Home Automation report October 2014

Dialog Semiconductor invites you today at 09.00 am (London) / 10.00 am (Frankfurt) to take part in a live conference call and to listen to management's discussion of the Company's Q3 2015 performance, as well as guidance for Q4 2015. Participants will need to register using the link below labelled 'Online Registration'. A full list of dial in numbers will also be available.

**Online registration:**

<http://members.meetingzone.com/selfregistration/registration.aspx?booking=hgjbWbbUktOwcXbBq3f9DLPhly8bm8CYbXThCKd4Nqc=&b=d58ae4ab-80e5-47f2-8295-e04d92bbba83>

**Conference Number:** +44 (0) 20 7073 8804

**Conference ID:** 3579145#

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

**For further information please contact:****Dialog Semiconductor**

Jose Cano

Head of Investor Relations

T: +44 (0)1793 756 961

[jose.cano@diasemi.com](mailto:jose.cano@diasemi.com)

**FTI Consulting London**

Matt Dixon

T: +44 (0)20 7269 7214

[matt.dixon@fticonsulting.com](mailto:matt.dixon@fticonsulting.com)

**FTI Consulting Frankfurt**

Anja Meusel

T: +49 (0) 69 9203 7120

[Anja.Meusel@fticonsulting.com](mailto: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® Smart, Rapid Charge™ AC/DC power conversion and multi-touch.

Dialog Semiconductor plc is headquartered in London with a global sales, R&D and marketing organisation. In 2014, it had \$1.16 billion in revenue and was one of the fastest growing European public semiconductor companies. It currently has approximately 1,500 employees worldwide. The company is listed on the Frankfurt (FWB: DLG) stock exchange (Regulated Market, Prime Standard, ISIN GB0059822006) and is a member of the German TecDax index.

**Forward Looking Statements**

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

## Financial Review (Unaudited)

The following tables detail the interim consolidated statements of the operations of Dialog for the three and nine months ended 2 October 2015 and 26 September 2014:

	Three months ended 2 October 2015		Three months ended 26 September 2014 *)		Change %
	US\$000	% of revenues	US\$000	% of revenues	
<b>Revenues</b>					
Mobile Systems	266,687	80.8	225,553	80.4	18.2
Automotive / Industrial	9,053	2.7	10,806	3.8	(16.2)
Connectivity	31,045	9.4	23,700	8.4	31.0
Power Conversion	21,511	6.5	20,934	7.4	2.8
Corporate	2,109	0.6	33	0.0	>100
<b>Revenues</b>	<b>330,405</b>	<b>100.0</b>	<b>281,026</b>	<b>100.0</b>	<b>17.6</b>
Cost of sales	(177,425)	(53.7)	(155,262)	(55.2)	14.3
<b>Gross profit</b>	<b>152,980</b>	<b>46.3</b>	<b>125,764</b>	<b>44.8</b>	<b>21.6</b>
Selling and marketing expenses	(15,669)	(4.7)	(15,640)	(5.6)	0.2
General and administrative expenses	(17,523)	(5.3)	(13,403)	(4.8)	30.7
Research and development expenses	(59,413)	(18.0)	(54,983)	(19.6)	8.1
Other operating income	–	0.0	171	0.1	(100.0)
<b>Operating profit</b>	<b>60,375</b>	<b>18.3</b>	<b>41,909</b>	<b>14.9</b>	<b>44.1</b>
Interest income and other financial income	595	0.2	88	0.0	576.1
Interest expense and other financial expense	(416)	(0.1)	(3,423)	(1.2)	(87.8)
Foreign currency exchange gains and losses, net	(382)	(0.1)	(1,398)	(0.5)	(72.7)
<b>Result before income taxes</b>	<b>60,172</b>	<b>18.2</b>	<b>37,176</b>	<b>13.2</b>	<b>61.9</b>
Income tax expense	(17,149)	(5.2)	(11,565)	(4.1)	48.3
<b>Net profit</b>	<b>43,023</b>	<b>13.0</b>	<b>25,611</b>	<b>9.1</b>	<b>68.0</b>
thereof net loss attributable to non-controlling interests	(551)	(0.2)	–	0.0	-
thereof net profit attributable to shareholders of Dialog Semiconductor Plc	<b>43,574</b>	<b>13.2</b>	<b>25,611</b>	<b>9.1</b>	<b>70.1</b>

\*) Certain amounts shown here do not correspond to the Q3 2014 interim financial statements and reflect an adjustment made, for further information please refer to Note 2 of the interim consolidated statements.



	Nine months ended 2 October 2015		Nine months ended 26 September 2014 *)		Change
	US\$000	% of revenues	US\$000	% of revenues	%
<b>Revenues</b>					
Mobile Systems	780,251	81.5	565,889	78.5	37.9
Automotive / Industrial	28,124	2.9	31,715	4.4	(11.3)
Connectivity	86,998	9.1	64,492	8.9	34.9
Power Conversion	59,844	6.2	59,004	8.2	1.4
Corporate	2,865	0.3	38	0.0	>100
<b>Revenues</b>	<b>958,082</b>	<b>100.0</b>	<b>721,138</b>	<b>100.0</b>	<b>32.9</b>
Cost of sales	(514,561)	(53.7)	(407,617)	(56.5)	26.2
<b>Gross profit</b>	<b>443,521</b>	<b>46.3</b>	<b>313,521</b>	<b>43.5</b>	<b>41.5</b>
Selling and marketing expenses	(45,927)	(4.8)	(44,454)	(6.2)	3.3
General and administrative expenses	(50,807)	(5.3)	(39,561)	(5.5)	28.4
Research and development expenses	(169,289)	(17.7)	(151,404)	(21.0)	11.8
Other operating income	969	0.1	2,705	0.4	(64.2)
<b>Operating profit</b>	<b>178,467</b>	<b>18.6</b>	<b>80,807</b>	<b>11.2</b>	<b>120.9</b>
Interest income and other financial income	937	0.1	296	0.0	216.6
Interest expense and other financial expense	(4,812)	(0.5)	(10,714)	(1.5)	(55.1)
Foreign currency exchange gains and losses, net	(194)	0.0	(848)	(0.1)	(77.1)
<b>Result before income taxes</b>	<b>174,398</b>	<b>18.2</b>	<b>69,541</b>	<b>9.6</b>	<b>150.8</b>
Income tax expense	(49,704)	(5.2)	(5,080)	(0.7)	878.4
<b>Net profit</b>	<b>124,694</b>	<b>13.0</b>	<b>64,461</b>	<b>8.9</b>	<b>93.4</b>
thereof net loss attributable to non-controlling interests	(716)	(0.1)	-	0.0	-
thereof net profit attributable to shareholders of Dialog Semiconductor Plc	125,410	13.1	64,461	8.9	94.6

\*) Certain amounts shown here do not correspond to the Q3 2014 interim financial statements and reflect an adjustment made, for further information please refer to Note 2 of the interim consolidated statements.

### Conditional agreement to acquire Atmel® Corporation

On 20 September 2015, Dialog announced that it had entered into a conditional agreement to acquire Atmel in a cash and stock transaction. Based on the closing price of € 37.19 per Dialog share as of 14 October 2015 and a Euro to U.S. Dollar exchange ratio of 1.114, the value of the consideration to be received by Atmel shareholders for each Atmel share would be the economic equivalent of \$9.41 per Atmel share and would imply a total equity value for Atmel of approximately \$4.1 billion. The transaction is expected to close in the first quarter of calendar year 2016. Dialog intends to fund the transaction with a combination of existing cash, \$2.1 billion of new debt and the issuance to Atmel shareholders of approximately 51 million American Depositary Shares ("ADSs") expected to be listed on The NASDAQ Stock Exchange.

This acquisition will create a global leader in Power Management and Embedded Processing solutions and the directors believe that the combined company's sellable addressable market has the potential to grow from \$11 billion to \$20 billion in 2019.

Acquisition costs of US\$2.9 million have been expensed in connection with this transaction so far and are included in general and administrative expenses in the Q3 2015 income statement. These costs are excluded in the calculation of underlying expenses.

## Results of Operations

### Segment Reporting

Revenues for the **Mobile Systems segment** (see Note 4 - Segment Reporting included in the interim consolidated financial statements) were US\$266.7 million for the three months ended 2 October 2015 (Q3 2014: US\$225.6 million) comprising 80.8% of our total revenues (Q3 2014:

80.4%). The increase in revenues of 18.2% is fuelled by a number of high volume product launches during the third quarter of 2015. For the first nine months of 2015, revenues in this segment were US\$780.3 million compared to US\$565.9 million in the same period of 2014, an

increase of 37.9%. The increase in this sector is primarily driven by the success of our growing range of highly integrated and increasingly more complex power management solutions for portable devices such as smartphones, wearables and tablets.

The operating profit in the Mobile Systems Segment increased from US\$58.0 million for the three months ended 26 September 2014 to US\$79.3 million for the three months ended 2 October 2015. For the first nine months of 2015, the operating profit in this segment was US\$228.8 million compared to US\$123.0 million in the same period of 2014, an increase of 86.0%. This was mainly a result of higher revenues, a richer product mix and improved product margins.

Revenues from our **Automotive / Industrial Applications segment** were US\$9.1 million for the three months ended 2 October 2015 (Q3 2014: US\$10.8 million) representing 2.7% of our total revenues (Q3 2014: 3.8% of total revenues). For the first nine months of 2015, revenues in this segment were US\$28.1 million compared to US\$31.7 million in the same period of 2014, a decrease of 11.3%.

The operating profit was US\$2.3 million for the three months ended 2 October 2015 (Q3 2014: US\$3.0 million). For the first nine months of 2015, operating profit decreased from US\$9.1 million for the first nine months of 2014 to US\$7.8 million for the first nine months of 2015 mainly due to the lower revenues and consequently lower fix cost coverage.

Revenues from our **Connectivity segment** were up 31.0% on Q3 2014 to US\$31.0 million (Q3 2014: US\$23.7), representing 9.4% of total revenues (Q3 2014: 8.4% of total revenues).

For the first nine months of 2015, revenues in this segment were up 34.9% on the same period last year to US\$87.0 million or 9.1% of total revenues (first nine months of 2014: US\$64.5 million or 8.9% of total revenues).

The strong performance in the first nine months of 2015 was the result of the growth in new markets such as DECT based professional applications (i.e. cordless headsets and microphones) and the emerging Bluetooth@ Smart segment. This strong revenue performance drove the turnaround in operating results to a profit of US\$1.2 million in Q3 2015 (Q3 2014: operating loss of US\$1.7 million).

In the first nine months of 2015, we recorded an operating profit of US\$6.1 million, compared to an operating loss of US\$4.6 million in the first nine months of 2014.

Amortisation expenses relating to the purchase price allocation decreased from US\$1.3 million for the first nine months of 2014 to US\$0.8 million for the first nine months of 2015 after some assets were fully amortised in 2014.

On an underlying (\*) basis, Connectivity booked an operating profit in Q3 2015 of US\$1.4 million and US\$7.2 million for the first nine months of 2015, compared to an operating loss of US\$1.5 million in Q3 2014 and US\$3.2 million for the first nine months of 2014.

### The Connectivity segment's underlying financial performance for Q3 2015 and Q3 2014 is summarised below:

US\$000	Three months ended 2 October 2015			Three months ended 26 September 2014		
	IFRS	Adjustments	Underlying *)	IFRS	Adjustments	Underlying *)
Revenues	<b>31,045</b>	-	<b>31,045</b>	23,700	-	23,700
Operating profit (loss)	<b>1,175</b>	<b>199</b>	<b>1,374</b>	(1,671)	218	(1,453)

\*) Underlying results in Q3 2015 are based on the IFRS interim income, adjusted to exclude US\$0.3 million (Q3 2014: US\$0.3 million) of amortisation expenses related to intangible assets associated with the acquisition of Dialog B.V. and excluding benefits of US\$0.1 million (Q3 2014: benefits of US\$0.05 million) for National Insurance related to share options.

### The Connectivity segment's underlying financial performance for the first nine months 2015 and the first nine months 2014 is summarised below:

US\$000	Nine months ended 2 October 2015			Nine months ended 26 September 2014		
	IFRS	Adjustments	Underlying *)	IFRS	Adjustments	Underlying *)
Revenues	<b>86,998</b>	-	<b>86,998</b>	64,492	-	64,492
Operating profit (loss)	<b>6,146</b>	<b>1,042</b>	<b>7,188</b>	(4,647)	1,423	(3,224)

\*) Underlying results in the first nine months 2015 are based on the IFRS interim income, adjusted to exclude US\$0.8 million (first nine months 2014: US\$1.3 million) of amortisation expenses related to intangible assets associated with the acquisition of Dialog B.V. and excluding expenses of US\$0.2 million (first nine months 2014: US\$0.1 million) for National Insurance related to share options

For the first nine months of 2015, revenues in this segment were US\$59.8 million or 6.2% of total revenues, compared to US\$59.0 million or 8.2% of total revenues for the same period 2014.

The operating loss in this segment was US\$5.5 million in Q3 2015 (Q3 2014: operating loss of US\$5.6 million). In the first nine months of 2015,

we recorded an operating loss of US\$16.5 million (first nine months 2014: operating loss of US\$15.0 million).

Underlying (\*) operating loss for the first nine months of 2015 was US\$5.7 million (first nine months of 2014: operating loss of US\$0.7 million) excluding US\$10.2 million (first nine months 2014: US\$11.9 million) of depreciation and amortisation expenses related to the acquisi-

tion accounting, one-time expenses of US\$0.3 million (first nine months of 2014: US\$2.2 million) related to the acquisition and integration of

iWatt and US\$0.3 million (first nine months of 2014: US\$0.2 million) for UK National Insurance expenses related to UK share options.

### The Power Conversion segment's underlying financial performance for Q3 2015 and Q3 2014 is summarised below:

US\$000	Three months ended 2 October 2015			Three months ended 26 September 2014		
	IFRS	Adjustments	Underlying *)	IFRS	Adjustments	Underlying *)
Revenues	21,511	-	21,511	20,934	-	20,934
Operating profit (loss)	(5,472)	3,053	(2,419)	(5,606)	4,813	(793)

\*) Underlying results in Q3 2015 are based on the IFRS interim income, adjusted to exclude US\$3.4 million (Q3 2014: US\$3.5 million) of amortisation expenses related to intangible assets associated with the acquisition of iWatt Inc. and excluding benefits of US\$0.2 million (Q3 2014: benefits of US\$0.1 million) for National Insurance related to share options as well excluding benefits of US\$0.2 million for acquisition and integration (Q3 2014: costs of US\$1.4 million).

### The Power Conversion segment's underlying financial performance for the first nine months 2015 and the first nine months 2014 is summarised below:

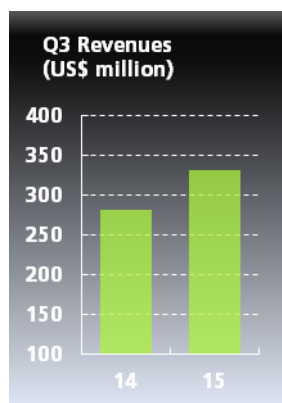
US\$000	Nine months ended 2 October 2015			Nine months ended 26 September 2014		
	IFRS	Adjustments	Underlying *)	IFRS	Adjustments	Underlying *)
Revenues	59,844	-	59,844	59,004	-	59,004
Operating profit (loss)	(16,470)	10,794	(5,676)	(14,953)	14,255	(698)

\*) Underlying results in the first nine months 2015 are based on the IFRS interim income, adjusted to exclude US\$10.2 million (first nine months 2014: US\$11.9 million) of amortisation expenses related to intangible assets associated with the acquisition of iWatt Inc. and excluding expenses of US\$0.3 million (first nine months 2014: US\$0.2 million) for National Insurance related to share options as well excluding acquisition and integration costs of US\$0.3 million (first nine months 2014: US\$2.2 million).

The revenues shown in the **Corporate segment** of US\$2.1 million in Q3 2015 and US\$2.9 million in the first nine months of 2015 include the consolidation of Dyna Image. (For further information please refer to note 3 to the interim consolidated financial statements and notes.

#### Revenues

Total revenues were US\$330.4 million for the three months ended 2 October 2015 (Q3 2014: US\$281.0 million). For the first nine months of 2015, revenues were US\$958.1 million compared to US\$721.1 million in the same period of 2014. The increase of 32.9% in revenues results mainly from higher sales volumes and an increase in the average sales price (ASP) of our more complex devices in Mobile Systems and the market strength of our Connectivity business.



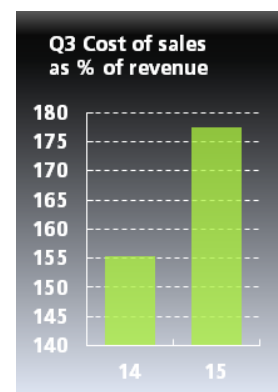
#### Cost of sales

Cost of sales consists of material costs, the costs of outsourced production and assembly, related personnel costs, applicable overhead and depreciation of test and other equipment. IFRS cost of sales increased by 14.3% from US\$155.3 million for the three months ended 26 September 2014 to US\$177.4 million for the three months ended 2 October 2015, resulting mainly from increased revenues. As a percentage of revenues, IFRS cost of sales decreased from 55.2% for Q3 2014 to 53.7% for Q3 2015. This decrease can largely be attributed to significant material cost reductions and the on-going collaboration with our foundry and backend partners to gradually improve our manufacturing efficiencies. For the same reasons IFRS cost of sales as a percentage of revenues decreased

from 56.5% for the first nine months 2014 to 53.7% for the first nine months 2015.

IFRS cost of sales in Q3 2015 include depreciation and amortisation expenses related to the acquisition accounting of iWatt Inc., share options and related National Insurance expenses in a total amount of US\$2.7 million (Q3 2014: US\$1.7 million) and in the first nine months 2015 of US\$6.4 million (first nine months 2014: US\$7.2 million). These costs are excluded in the calculation of underlying cost of sales.

For the first nine months of 2015, underlying (\*) cost of sales were US\$508.2 million (53.0% of underlying revenues) compared to US\$400.4 million (55.5% of total revenues) in the same period 2014.



#### Gross profit

IFRS gross margin increased from 44.8% of revenues in Q3 2014 to 46.3% of revenues in Q3 2015 driven by lower cost of sales as a percentage of revenues. On an underlying (\*) basis the gross margin improved from 45.4% in Q3 2014 to 47.1% in Q3 2015. IFRS gross profit

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

for the third quarter of 2015 was up 21.6% on the third quarter of 2014 to US\$153.0 million (Q3 2014: US\$125.8 million).

The IFRS gross margin in the first nine months 2015 was 46.3% compared to 43.5% achieved in the first nine months 2014, an increase of 280 basis points. IFRS gross profit for the first nine months of 2015 was US\$443.5 million, 41.5% above the previous year's figures of US\$313.5 million.

IFRS gross margin improved as a result of the following key elements:

- The realisation of the benefits of manufacturing cost optimisation over the last nine months.
- Positive product mix contribution from the Connectivity Segment and new products in Mobile Systems.
- Higher revenue in the quarter and the subsequent lower allocation per unit of the fixed component of Cost of Sales – or Cost of Goods Sold (COGS).

Underlying (\*) gross profit for the third quarter of 2015 was US\$155.6 million, 22.1% above the amount in the third quarter of 2014 of US\$127.5 million. Underlying gross profit for the first nine months of 2015 was US\$450.0 million, 40.3% above the previous year's figures of US\$320.7 million. The underlying gross margin in the first nine months 2015 was 47.0% compared to 44.5% achieved in the first nine months 2014, an increase of 250 basis points.

### Selling and marketing expenses

Selling and marketing expenses consist primarily of salaries, travel expenses, sales commissions, advertising and other marketing costs. Also included are amortisation expenses for intangible assets such as customer relationships, key customers and order backlog resulting from the purchase price allocation related to the acquisition of iWatt Inc. in the third quarter of 2013 and SiTel B.V. in 2011.

For the three months ended 2 October 2015, selling and marketing expenses were US\$15.7 million, almost flat to a year ago quarter (Q3 2014: US\$15.6 million). Hence, as a percentage of total revenues, selling and marketing expenses decreased from 5.6% of total revenues in Q3 2014 to 4.7% of total revenues in Q3 2015.

For the first nine months of 2015, selling and marketing expenses increased to US\$45.9 million compared to US\$44.5 million for the year ago equivalent period. This increase is mainly driven by our investment made post acquisition in Power Conversion and in Connectivity to support our growth in new markets. However, as a percentage of total revenues, selling and marketing expenses decreased from 6.2% of total revenues in the first nine months 2014 to 4.8% of total revenues in the first nine months of 2015.

Underlying (\*) selling and marketing expenses increased from US\$12.8 million (4.6% of total revenues) for the three months ended 26 September 2014 to US\$13.7 million (4.2% of total revenues) for the three months ended 2 October 2015. Underlying (\*) selling and marketing expenses increased from US\$35.5 million (4.9% of total revenues) for

the first nine months of 2014 to US\$38.3 million (4.0 % of total revenues) for the first nine months of 2015.

### General and administrative expenses

General and administrative expenses consist primarily of personnel and support costs for our finance, human resources and other management departments. IFRS general and administrative expenses were US\$17.5 million (5.3% of total revenues) for the third quarter of 2015, an increase of 30.7% compared to the US\$13.4 million (4.8% of total revenues) recorded in Q3 2014.

IFRS General and administrative expenses recorded in Q3 2015 included US\$2.9 million acquisition and integration costs related to the proposed acquisition of Atmel and US\$2.1 million of stock option costs; these costs are excluded in the calculation of underlying expenses. As a percentage of total revenues general and administrative expenses increased from 4.8% for the three months ended 26 September 2014 to 5.3% for the three months ended 2 October 2015.

For the first nine months of 2015 and 2014, IFRS general and administrative costs were US\$50.8 million (or 5.3% of total revenues) and US\$39.6 million (or 5.5% of total revenues) respectively. IFRS general and administrative expenses recorded in the first nine months of 2015 included US\$2.9 million acquisition and integration costs related to the proposed acquisition of Atmel, US\$3.6 million of iWatt acquisition and integration cost, US\$4.1 million of stock option cost and US\$1.7 million of UK National Insurance cost associated with UK share based payment charges; these costs are excluded in the calculation of underlying expenses. As a percentage of total revenues IFRS general and administrative expenses decreased from 5.5% for the nine months ended 26 September 2014 to 5.3% for the nine months ended 2 October 2015.

Underlying (\*) general and administrative expenses increased from US\$31.0 million (4.3% of revenues) in the first nine months 2014 to US\$38.5 million (4.0% of revenues) in the first nine months 2015. This increase is driven by our strategy to scale up our support functions as part of our on-going growth strategy. General and administrative expenses increased at a slower pace than the increase in revenues, leading to a decrease of general and administrative expenses as a percentage of total revenues.

### Research and development expenses

Research and development expenses consist principally of design and engineering-related costs associated with the development of new Application Specific Integrated Circuits ("ASICs") and Application Specific Standard Products ("ASSPs"). IFRS research and development expenses were US\$59.4 million for the three months ended 2 October 2015 (Q3 2014: US\$55.0 million), representing a year over year increase of 8.1%. However, as a percentage of total revenues, research and development expenses decreased from 19.6% to 18.0% in those periods. R&D cost incurred during the quarter typically lead to revenue 6 to 18 months out.

For the first nine months of 2015, our R&D expenses were US\$169.3 million (17.7% of total revenues) compared to US\$151.4 million (21.0% of total revenues) in the first nine months of 2014. Of that increase, an amount of US\$6.8 million was primarily due to the continuous increase in R&D headcount in support of our on-going growth strategy.

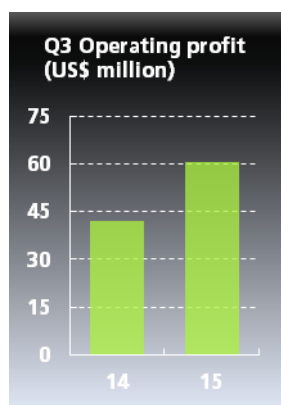
Underlying (\*) R&D investment in Q3 2015 stood at 17.6% of revenue, 100bps below Q3 2014 and 60bps above Q2 2015. We have accelerated several R&D programmes in both, existing product initiatives as well as new initiatives that have the potential to support profitable growth and the diversification of our business.

### Other operating income

Other operating income in Q3 2015 was US\$ nil (Q3 2014: US\$0.2 million). For the first nine months of 2015 other operating income was US\$1.0 million (Q1-Q3 2014: US\$2.7 million). The amount in 2015 comprises only income from customer-specific research and development contracts.

### Operating profit

We reported an operating profit of US\$60.4 million for the third quarter of 2015 compared to US\$41.9 million for the same period of 2014. For the first nine months of 2015, we reported an operating profit of US\$178.5 million (18.6% of total revenues). This is compared to an operating profit of US\$80.8 million in the prior year nine months period (or 11.2% of total revenues). The year-on-year increase resulted from the robust revenue growth, gross margin improvement and the OPEX leverage.



Q3 2015 underlying (\*) operating profit was US\$70.4 million or 21.3% of total revenues compared to US\$51.7 million or 18.4% of underlying revenues in Q3 2014. Underlying (\*) operating profit in the first nine months of 2015 was US\$212.5 million or 22.2% of underlying revenues compared to US\$112.3 million or 15.6% of underlying revenues in the same period of 2014.

### Interest income and other financial income

Interest income and other financial income from the company's investments (primarily short-term deposits) were US\$595 thousand for the three months ended 2 October 2015 (Q3 2014: US\$88 thousand). For the first nine months of 2015, we recorded an interest income and other financial income of US\$937 thousand compared to US\$296 thousand in the same period of 2014. This increase primarily resulted from higher cash balances earning interest income.

### Interest expense and other financial expense

Interest expense and other financial expense consist primarily of expenses from capital leases, hire purchase agreements and the group's factoring arrangement.

In Q3 2015, interest and other financial expenses continued to reduce to US\$0.4 million (Q3 2014: US\$3.4 million). The decrease in Q3 2015 compared to prior year quarter was the result of the early redemption of the convertible bond in May 2015. The comparable amount in Q3 2014 mainly includes two components related to the convertible bond: US\$0.5 million for a one percent coupon payable on a semi-annual basis to the bond holders and US\$2.1 million for the interest expense in connection

with the measurement of the financial liability from the bond using the effective interest method.

For the first nine months of 2015, interest expenses and other financial expenses were US\$4.8 million compared to US\$10.7 million for the first nine months of 2014. With an amount of US\$4.2 million this decrease relates to the early redemption of the convertible bond and with an amount of US\$1.5 million to the repayment of loan facilities at the end of 2014 which were drawn in connection with the iWatt acquisition.

### Income tax expense

For the three months ended 2 October 2015, a net income tax charge of US\$17.1 million was recorded (adjusted Q3 2014: US\$11.6 million tax charge). The effective tax rate in Q3 2015 was 28.5% compared to 29.0% (excluding a one-off non-cash deferred tax credit of US\$17.8 million) for the year ending 31 December 2014.

For the nine months ended 2 October 2015, a net income tax charge of US\$49.7 million was recorded (adjusted first nine months of 2014: US\$5.1 million tax charge) resulting in an effective tax rate of 28.5% compared to 29.0% (excluding a one-off non-cash deferred tax credit of US\$17.8 million) for the year ending 31 December 2014.

The decrease in our group effective tax rate is driven by the on-going exercise to align our Intellectual Property with the commercial structure of the group. This has allowed Dialog to fully recognise previously unrecognised UK trading loss carry forwards and to benefit from the favourable UK Tax regime for technology companies. We believe this gradual decrease is sustainable and will accelerate from 2016, thus continuing to drive further reductions in our effective tax rate in the years to come.

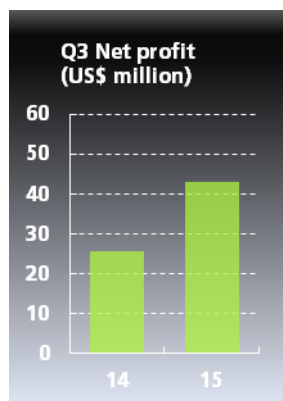
The effective tax rates applied in both periods represent the expected full year effective tax rate excluding any one-off impact of costs relating to the proposed acquisition of Atmel. Such costs may increase the actual IFRS reported tax rate for the full year. The one-off non-cash deferred tax credit of US\$17.8 million in 2014 was discussed in pages 29-30 of the 2014 Annual Report (see also Note 2: Recognition of a reduction in deferred tax liability in 2014). The tax charge of US\$5.1 million for the first nine months in 2014 represents the previously reported IFRS tax charge of US\$19.8 million adjusted to reflect the US\$17.8 million deferred tax credit which arose at the time of the reorganisation in Q1 2014, with this credit also reduced by US\$3.0 million to reflect the on-going impact of the reorganisation.

The adjusted tax charge and effective tax rate for the first nine months in 2014, excluding the one-off non-cash deferred tax credit of US\$17.8 million, were US\$22.9 million and 32.8% respectively.

## Net profit

For the reasons described above, we reported a net profit under IFRS of US\$43.0 million for the three months ended 2 October 2015 (adjusted Q3 2014: US\$25.6 million).

Underlying (\*) net profit increased from US\$37.6 million in Q3 2014 (13.4% of total revenues) to US\$53.2 million in Q3 2015 (16.1% of total revenues).



## Liquidity and capital resources

### Cash flows

**Cash generated from operations** was US\$51.6 million for the three months ended 2 October 2015 (Q3 2014: US\$29.3 million). With an amount of US\$80.0 million (Q3 2014: US\$61.4 million) the cash inflow before working capital changes in the three months ended 2 October 2015 mainly resulted from the operating income (before depreciation, amortisation and other non-cash effective expenses). In Q3 2015 this cash inflow was decreased by cash outflows from increased working capital needs of US\$28.6 million (Q3 2014: US\$32.4 million). In addition in Q3 2015, the Company paid US\$8.7 million for income taxes (Q3 2014: US\$8.7 million). The amount paid in Q3 2015 mainly represents advanced payments for corporate income taxes.

**Cash used for investing activities** was US\$13.4 million for the three months ended 2 October 2015 (Q3 2014: US\$12.7 million). Cash used for investing activities in Q3 2015 consisted primarily of the purchase of tooling (masks), laboratory equipment, probe cards, load boards and other advanced test equipment for a total of US\$5.9 million (Q3 2014: US\$7.5 million), the purchase of intangible assets for a total of US\$2.3 million (Q3 2014: US\$3.4 million) and payments related to capitalised development costs of US\$5.4 million (Q3 2014: US\$1.9 million). Cash used for investing activities included in the first nine months 2015 also a net cash outflow of US\$2.6 million in connection with the investment in Dyna Image.

IFRS basic and diluted earnings per share in Q3 2015 were US\$0.57 and US\$0.55 respectively, compared to basic and diluted earnings per share (adjusted) of US\$0.38 and US\$0.36 in Q3 2014. Underlying (\*) diluted earnings per share in Q3 2015 increased by 28.3% compared to Q3 2014.

For the first nine months of 2015, IFRS net profit reached US\$124.7 million (adjusted first nine months 2014: US\$64.5 million) with basic earnings per share at US\$1.72 (first nine months of 2014: US\$0.96) and diluted earnings per share at US\$1.63 (first nine months of 2014: US\$0.92).

**Cash flow from financing activities** was US\$1.2 million for the three months ended 2 October 2015 (Q3 2014: US\$23.3 million cash outflow). The cash inflow from financing activities in Q3 2015 results from share option exercises in connection with the Company's employee share option program. The cash outflow in Q3 2014 includes the redemption of loan facilities with an amount of US\$25.0 million which was partly offset by US\$1.7 million cash inflows resulting from share option exercises in connection with the company's employee share option program.

### Liquidity

At 2 October 2015 we had cash and cash equivalents of US\$478.0 million (31 December 2014: US\$324.3 million). The working capital (defined as current assets minus current liabilities) was US\$492.2 million (31 December 2014: US\$351.4 million).

Total non-current financial liabilities as of 2 October 2015 were US\$5.6 million (31 December 2014: US\$188.1 million). The decrease in non-current financial liabilities resulted from the early redemption of the convertible bond in Q2 2015.

In addition, the Company has three factoring agreements which provide the Company with up to US\$112.0 million of readily available cash. Accordingly, we believe the funding available from these and other sources will be sufficient to satisfy our working capital requirements in the near to medium term if needed.

**Dialog Semiconductor's underlying financial performance for Q3 2015 and Q3 2014**

US\$000	Three months ended 2 October 2015			Three months ended 26 September 2014 ***)		
	IFRS	Adjustments	Underlying *)	IFRS	Adjustments	Underlying *)
Revenues	<b>330,405</b>	-	<b>330,405</b>	281,026	-	281,026
Cost of sales	<b>(177,425)</b>	<b>2,657</b>	<b>(174,768)</b>	(155,262)	1,692	(153,570)
<b>Gross profit</b>	<b>152,980</b>	<b>2,657</b>	<b>155,637</b>	125,764	1,692	127,456
Selling and marketing expenses	<b>(15,669)</b>	<b>1,943</b>	<b>(13,726)</b>	(15,640)	2,791	(12,849)
General and administrative expenses	<b>(17,523)</b>	<b>4,031</b>	<b>(13,492)</b>	(13,403)	2,654	(10,749)
Research and development expenses	<b>(59,413)</b>	<b>1,390</b>	<b>(58,023)</b>	(54,983)	2,700	(52,283)
Other operating income	-	-	-	171	-	171
<b>Operating profit</b>	<b>60,375</b>	<b>10,021</b>	<b>70,396</b>	41,909	9,837	51,746
Interest income and other financial income	<b>595</b>	-	<b>595</b>	88	-	88
Interest expense and other financial expense	<b>(416)</b>	<b>180</b>	<b>(236)</b>	(3,423)	2,337	(1,086)
Foreign currency exchange gains and losses, net	<b>(382)</b>	-	<b>(382)</b>	(1,398)	-	(1,398)
<b>Result before income taxes</b>	<b>60,172</b>	<b>10,201</b>	<b>70,373</b>	37,176	12,174	49,350
Income tax expense	<b>(17,149)</b>	<b>(53)</b>	<b>(17,202)</b>	(11,565)	(198)	(11,763)
<b>Net profit</b>	<b>43,023</b>	<b>10,148</b>	<b>53,171</b>	25,611	11,976	37,587
thereof net loss attributable to non-controlling interests	<b>(551)</b>	-	<b>(551)</b>	-	-	-
thereof net profit attributable to shareholders of Dialog Semiconductor Plc	<b>43,574</b>	<b>10,148</b>	<b>53,722</b>	25,611	11,976	37,587
<b>Earnings per share (in US\$)</b>						
for profit attributable to shareholders of Dialog Semiconductor Plc						
Basic	<b>0.57</b>	<b>0.13</b>	<b>0.71</b>	0.38	0.18	0.56
Diluted	<b>0.55</b>	<b>0.13</b>	<b>0.68</b>	0.36	0.17	0.53
<b>EBITDA **)</b>	<b>74,497</b>	<b>6,333</b>	<b>80,830</b>	54,727	6,051	60,778

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

\*\*\*) IFRS EBITDA is defined as operating profit excluding depreciation for property, plant and equipment (Q3 2015: US\$6.4 million, Q3 2014: US\$5.4 million), amortisation for intangible assets (Q3 2015: US\$7.6 million, Q3 2014: US\$7.4 million) and losses on disposals and impairment of fixed assets (Q3 2015: US\$0.2 million, Q3 2014: US\$0.0 million).

\*\*\*\*) Certain amounts shown here do not correspond to the Q3 2014 interim financial statements and reflect an adjustment made, for further information please refer to Note 2 of the interim consolidated statements.

**Dialog Semiconductor's underlying adjustments for Q3 2015**

US\$000	Q3 2015							TOTAL
	Option expenses	Accrual National Insurance	PPA BV	License agreement	Acquisition and integration costs - other	Acquisition and integration costs - Atmel	PPA iWatt	
Revenues	-	-	-	-	-	-	-	-
Cost of sales	(1,192)	33	(8)	-	-	-	(1,490)	(2,657)
Selling and marketing expenses	(173)	129	-	-	-	-	(1,899)	(1,943)
General and administrative expenses	(2,070)	721	-	-	174	(2,856)	-	(4,031)
Research and development expenses	(1,779)	680	(291)	-	-	-	-	(1,390)
Other operating income	-	-	-	-	-	-	-	-
<b>Operating profit</b>	<b>(5,214)</b>	<b>1,563</b>	<b>(299)</b>	<b>-</b>	<b>174</b>	<b>(2,856)</b>	<b>(3,389)</b>	<b>(10,021)</b>
Interest expense and other financial expense	-	-	-	(180)	-	-	-	(180)
<b>Result before income taxes</b>	<b>(5,214)</b>	<b>1,563</b>	<b>(299)</b>	<b>(180)</b>	<b>174</b>	<b>(2,856)</b>	<b>(3,389)</b>	<b>(10,201)</b>
Income tax expense	-	(317)	75	117	-	-	178	53
<b>Net profit</b>	<b>(5,214)</b>	<b>1,246</b>	<b>(224)</b>	<b>(63)</b>	<b>174</b>	<b>(2,856)</b>	<b>(3,211)</b>	<b>(10,148)</b>



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

US\$000	Nine months ended 2 October 2015			Nine months ended 26 September 2014 ***)		
	IFRS	Adjustments	Underlying *)	IFRS	Adjustments	Underlying *)
Revenues	958,082	-	958,082	721,138	-	721,138
Cost of sales	(514,561)	6,367	(508,194)	(407,617)	7,201	(400,416)
<b>Gross profit</b>	<b>443,521</b>	<b>6,367</b>	<b>449,888</b>	313,521	7,201	320,722
Selling and marketing expenses	(45,927)	7,653	(38,274)	(44,454)	9,000	(35,454)
General and administrative expenses	(50,807)	12,313	(38,494)	(39,561)	8,579	(30,982)
Research and development expenses	(169,289)	7,745	(161,544)	(151,404)	7,416	(143,988)
Other operating income	969	-	969	2,705	(689)	2,016
<b>Operating profit</b>	<b>178,467</b>	<b>34,078</b>	<b>212,545</b>	80,807	31,507	112,314
Interest income and other financial income	937	-	937	296	-	296
Interest expense and other financial expense	(4,812)	3,559	(1,253)	(10,714)	6,866	(3,848)
Foreign currency exchange gains and losses, net	(194)	-	(194)	(848)	-	(848)
<b>Result before income taxes</b>	<b>174,398</b>	<b>37,637</b>	<b>212,035</b>	69,541	38,373	107,914
Income tax expense	(49,704)	(1,525)	(51,229)	(5,080)	(19,911)	(24,991)
<b>Net profit</b>	<b>124,694</b>	<b>36,112</b>	<b>160,806</b>	64,461	18,462	82,923
thereof net loss attributable to non-controlling interests	(716)	-	(716)	-	-	-
thereof net profit attributable to shareholders of Dialog Semiconductor Plc	125,410	36,112	161,522	64,461	18,462	82,923
<b>Earnings per share (in US\$)</b>						
for profit attributable to shareholders of Dialog Semiconductor Plc						
Basic	1.72	0.50	2.22	0.96	0.27	1.23
Diluted	1.63	0.42	2.05	0.92	0.25	1.17
<b>EBITDA **)</b>	<b>218,947</b>	<b>23,077</b>	<b>242,024</b>	121,492	18,347	139,839

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

\*\*) IFRS EBITDA is defined as operating profit excluding depreciation for property, plant and equipment (first nine months 2015: US\$17.4 million, first nine months 2014: US\$16.8 million), amortisation for intangible assets (first nine months 2015: US\$22.7 million, first nine months 2014: US\$23.6 million) and losses on disposals and impairment of fixed assets (first nine months 2015: US\$0.5 million, first nine months 2014: US\$0.3 million).

\*\*\*) Certain amounts shown here do not correspond to the Q3 2014 interim financial statements and reflect an adjustment made, for further information please refer to Note 2 of the interim consolidated statements.

**Dialog Semiconductor's underlying adjustments for the first nine months of 2015**

Nine months ended 2 October 2015									
US\$000	Option expenses	Accrual National Insurance	PPA BV	Convertible Bond	License agreement	Acquisition and integration costs - other	Acquisition and integration costs - Atmel	PPA iWatt	TOTAL
Revenues	-	-	-	-	-	-	-	-	-
Cost of sales	(1,791)	(99)	(8)	-	-	-	-	(4,469)	(6,367)
Selling and marketing expenses	(1,719)	(234)	-	-	-	-	-	(5,700)	(7,653)
General and administrative expenses	(4,122)	(1,706)	-	-	-	(3,629)	(2,856)	-	(12,313)
Research and development expenses	(5,674)	(1,247)	(824)	-	-	-	-	-	(7,745)
Other operating income	-	-	-	-	-	-	-	-	-
<b>Operating profit</b>	<b>(13,306)</b>	<b>(3,286)</b>	<b>(832)</b>	-	-	<b>(3,629)</b>	<b>(2,856)</b>	<b>(10,169)</b>	<b>(34,078)</b>
Interest expense and other financial expense	-	-	-	(2,980)	(579)	-	-	-	(3,559)
<b>Result before income taxes</b>	<b>(13,306)</b>	<b>(3,286)</b>	<b>(832)</b>	<b>(2,980)</b>	<b>(579)</b>	<b>(3,629)</b>	<b>(2,856)</b>	<b>(10,169)</b>	<b>(37,637)</b>
Income tax expense	-	665	208	-	117	-	-	535	1,525
<b>Net profit</b>	<b>(13,306)</b>	<b>(2,621)</b>	<b>(624)</b>	<b>(2,980)</b>	<b>(462)</b>	<b>(3,629)</b>	<b>(2,856)</b>	<b>(9,634)</b>	<b>(36,112)</b>

## Statement of Financial Position

	At 2 October 2015 US\$000	At 31 December 2014 US\$000	Change US\$000	%
<b>Assets</b>				
Cash and cash equivalents	477,975	324,280	153,695	47.4
All other current assets	222,122	213,850	8,272	3.9
<b>Total current assets</b>	<b>700,097</b>	<b>538,130</b>	<b>161,967</b>	<b>30.1</b>
Property, plant and equipment, net	65,327	59,263	6,064	10.2
Goodwill	253,944	244,878	9,066	3.7
Intangible assets	131,127	131,505	(378)	(0.3)
Investments	1,410	1,446	(36)	(2.5)
All other non-current assets	1,631	1,953	(322)	(16.5)
Deferred tax assets	31,123	28,771	2,352	8.2
<b>Total non-current assets</b>	<b>484,562</b>	<b>467,816</b>	<b>16,746</b>	<b>3.6</b>
<b>Total assets</b>	<b>1,184,659</b>	<b>1,005,946</b>	<b>178,713</b>	<b>17.8</b>
<b>Liabilities and Shareholders' equity</b>				
Current liabilities	207,927	186,737	21,190	11.3
Non-current liabilities	14,072	195,533	(181,461)	(92.8)
<b>Equity attributable to shareholders of Dialog Semiconductor Plc</b>	<b>956,826</b>	<b>623,676</b>	<b>333,150</b>	<b>53.4</b>
Non-controlling interests	5,834	-	5,834	100.0
<b>Net Shareholders' equity</b>	<b>962,660</b>	<b>623,676</b>	<b>338,984</b>	<b>54.4</b>
<b>Total liabilities and Shareholders' equity</b>	<b>1,184,659</b>	<b>1,005,946</b>	<b>178,713</b>	<b>17.8</b>

The balance sheet total was US\$1,184.7 million at 2 October 2015 (31 December 2014: US\$1,005.9 million). Cash and cash equivalents increased by US\$153.7 million or 47.4% to US\$478.0 million at 2 October 2015 (31 December 2014: US\$324.3 million). This increase was mainly caused by the cash inflows from operating activities (US\$208.0 million) which were partially offset by cash outflows from investing activities amounting to US\$50.3 million. The financing activities contain a cash inflow of US\$10.4 million in relation to share option exercises which was offset by the purchase of employee stock purchase plan shares in amount of US\$14.0 million.

Other current assets increased by US\$8.3 million from US\$213.9 million at 31 December 2014 to US\$222.1 million at 2 October 2015. The increase of 3.9% is mainly driven by an increase in inventory of US\$40.3 million which is in line with the expected high demand for the fourth quarter of 2015. This increase was partly offset by a reduction in trade accounts receivable balances of US\$36.4 million which is in line with lower revenues in this quarter compared to fourth quarter 2014.

Total non-current assets increased from US\$467.8 million at 31 December 2014 to US\$484.6 million at 2 October 2015. This increase can largely be attributed to the goodwill and assets recognized in connection with the acquisition of Dyna Image (see Note 3 to the interim consolidated financial statements and notes - Business Combination).

Total current liabilities increased by net US\$21.2 million of which US\$24.8 million relate to increased trade and other payables resulting from increased inventory purchases in Q3 2015 compared to the fourth quarter 2014, reflecting the growth in the pipeline. Other financial liabilities decreased by US\$11.9 million of which US\$10.9 million relate to decreased book losses from the revaluation of outstanding foreign exchange hedges compared to 31 December 2014. In addition income tax payables increased by US\$9.8 million.

Total non-current liabilities decreased from US\$195.5 million at 31 December 2014 to US\$14.1 million at 2 October 2015. The decrease of US\$181.5 million results from the early redemption of the convertible bond in May 2015.

The non-controlling interests represent 59% of the net assets consolidated in connection with the acquisition of a minority interest of 41% in Dyna Image. (For further information please refer to note 3 to the interim consolidated financial statements and notes.)

Shareholders' equity increased to US\$962.7 million (US\$623.7 million at 31 December 2014) which is mainly a result of our net profit (adjusted by expenses for share based payments) and the equity increase in connection with the early redemption of the convertible bond in Q2 2015. The equity ratio increased to 81.3% (62.0% at 31 December 2014).

## Other Information (Unaudited)

### Members of the Management and the Board of Directors

#### Management

Dr Jalal Bagherli, Chief Executive Officer; Andrew Austin, Senior Vice President, Corporate Projects; Vivek Bhan, Senior Vice President, Engineering; Christophe Chene, Senior Vice President, Asia; Mohamed Djoudi, Senior Vice President, Global Manufacturing Operations and Quality; Udo Kratz, Senior Vice President and General Manager, Mobile Systems Business Group; Davin Lee, Senior Vice President and General Manager, Power Conversion Business Group; Sean McGrath, Senior Vice President and General Manager, Connectivity, Automotive and Industrial Business Group; Martin Powell, Senior Vice President, Human Resources; Jean-Michel Richard, CFO and Senior Vice President, Finance; Mark Tyndall, Senior Vice President, Corporate Development and Strategy; Tom Sandoval, Senior Vice President, Worldwide Sales (joined the executive management team in September 2015).

#### Board of Directors

Rich Beyer, Chairman; Dr Jalal Bagherli, Chief Executive Officer; Chris Burke; Alan Campbell, Mike Cannon; Aidan Hughes; Eamonn O'Hare; Russ Shaw.

### Going concern

After making enquiries, the Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Group has adequate resources to continue for the foreseeable future. At 2 October 2015 the Group holds US\$478.0 million cash (31 December 2014: US\$324.3 million). The Group has profitable forecasts and longer-term plans. For these reasons, the Directors have adopted the going concern basis in preparing the interim consolidated financial statements.

### Principal risks and uncertainties

The risk management, our business risks and opportunities are described in our 2014 annual report – Strategic report: Managing risks and uncertainty. Compared with the risks and opportunities presented here, no significant additional opportunities and risks arose for the Company in the first nine months of 2015. There are currently no identifiable risks that, individually or collectively, could endanger the continued existence of the Company.

## Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, as well as a fair review of information on material transactions with related parties and changes since the last annual report together with a descrip-

tion of the principal risks and uncertainties associated with the expected development of the group for the remaining months of the financial year.

28 October 2015

Dr Jalal Bagherli  
CEO

Jean-Michel Richard  
CFO, Senior Vice President Finance

# Independent Review Report to Dialog Semiconductor Plc

## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the three and nine months ended 2 October 2015 which comprises the Interim Consolidated Statement of Financial Position, the Interim Consolidated Income Statement, the Interim Consolidated Statement of Comprehensive Income, the Interim Consolidated Statement of Cash Flows, the Interim Consolidated Statement of Changes in Equity and the related explanatory notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of interim financial statements.

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

## Directors' Responsibilities

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

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

## Our Responsibility

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

## Scope of Review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the three and nine months ended 2 October 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union, the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority and the German Securities Trading Act (WpHG).

Ernst & Young LLP

Reading

28 October 2015

# Unaudited interim consolidated statement of financial position

As at 2 October 2015

	Notes	At 2 October 2015 US\$000	At 31 December 2014 US\$000
<b>Assets</b>			
Cash and cash equivalents		477,975	324,280
Trade accounts receivable and other receivable		64,197	100,569
Inventories	6	139,422	99,140
Income tax receivables		47	64
Other financial assets		4,162	3,586
Other current assets		14,294	10,491
<b>Total current assets</b>		<b>700,097</b>	538,130
Property, plant and equipment	7	65,327	59,263
Goodwill	3	253,944	244,878
Other intangible assets	8	131,127	131,505
Investments	9	1,410	1,446
Deposits		1,580	1,858
Income tax receivables		51	95
Deferred tax assets		31,123	28,771
<b>Total non-current assets</b>		<b>484,562</b>	467,816
<b>Total assets</b>	4	<b>1,184,659</b>	1,005,946
<b>Liabilities and Shareholders' equity</b>			
Trade and other payables		115,730	90,906
Other financial liabilities		10,267	22,120
Provisions		8,240	8,305
Income taxes payable		39,221	29,409
Other current liabilities		34,469	35,997
<b>Total current liabilities</b>		<b>207,927</b>	186,737
Provisions		2,199	1,955
Other non-current financial liabilities		5,589	188,123
Deferred tax liabilities		6,284	5,455
<b>Total non-current liabilities</b>		<b>14,072</b>	195,533
Ordinary shares		14,402	13,353
Additional paid-in capital		462,965	274,517
Retained earnings		513,503	366,650
Other reserves		(9,005)	(15,776)
Employee stock purchase plan shares		(25,039)	(15,068)
<b>Equity attributable to shareholders of Dialog Semiconductor Plc</b>		<b>956,826</b>	623,676
Non-controlling interests		5,834	–
<b>Net Shareholders' equity</b>		<b>962,660</b>	623,676
<b>Total liabilities and Shareholders' equity</b>		<b>1,184,659</b>	1,005,946

# Unaudited interim consolidated income statement

For the three and nine months ended 2 October 2015

	Notes	Three months ended 2 October 2015	Three months ended 26 September 2014 adjusted *)	Nine months ended 2 October 2015	Nine months ended 26 September 2014 adjusted *)
		US\$000	US\$000	US\$000	US\$000
Revenue	4	<b>330,405</b>	281,026	<b>958,082</b>	721,138
Cost of sales		<b>(177,425)</b>	(155,262)	<b>(514,561)</b>	(407,617)
<b>Gross profit</b>		<b>152,980</b>	125,764	<b>443,521</b>	313,521
Selling and marketing expenses		<b>(15,669)</b>	(15,640)	<b>(45,927)</b>	(44,454)
General and administrative expenses		<b>(17,523)</b>	(13,403)	<b>(50,807)</b>	(39,561)
Research and development expenses		<b>(59,413)</b>	(54,983)	<b>(169,289)</b>	(151,404)
Other operating income		–	171	<b>969</b>	2,705
<b>Operating profit</b>	4	<b>60,375</b>	41,909	<b>178,467</b>	80,807
Interest income		<b>595</b>	88	<b>937</b>	296
Interest expense		<b>(416)</b>	(3,423)	<b>(4,812)</b>	(10,714)
Foreign currency exchange gains (losses), net		<b>(382)</b>	(1,398)	<b>(194)</b>	(848)
<b>Result before income taxes</b>	4	<b>60,172</b>	37,176	<b>174,398</b>	69,541
Income tax benefit (expense)		<b>(17,149)</b>	(11,565)	<b>(49,704)</b>	(5,080)
<b>Net profit</b>		<b>43,023</b>	25,611	<b>124,694</b>	64,461
thereof net loss attributable to non-controlling interests		<b>(551)</b>	–	<b>(716)</b>	–
thereof net profit attributable to shareholders of Dialog Semiconductor Plc		<b>43,574</b>	25,611	<b>125,410</b>	64,461
		<b>Three months ended 2 October 2015</b>	Three months ended 26 September 2014	<b>Nine months ended 2 October 2015</b>	Nine months ended 26 September 2014
<b>Earnings per share (in US\$)</b>					
for profit attributable to shareholders of Dialog Semiconductor Plc					
Basic		<b>0.57</b>	0.38	<b>1.72</b>	0.96
Diluted		<b>0.55</b>	0.36	<b>1.63</b>	0.92
<b>Weighted average number of shares (in thousands)</b>					
Basic		<b>76,184</b>	67,550	<b>72,775</b>	67,052
Diluted		<b>79,348</b>	70,782	<b>79,080</b>	69,993

\*) Certain amounts shown here do not correspond to the Q3 2014 interim financial statements and reflect an adjustment made, for further information please refer to Note 2.

# Unaudited interim consolidated statement of comprehensive income

For the three and nine months ended 2 October 2015

	Three months ended 2 October 2015	Three months ended 26 September 2014 adjusted *)	Nine months ended 2 October 2015	Nine months ended 26 September 2014 adjusted *)
	US\$000	US\$000	US\$000	US\$000
<b>Net profit</b>	<b>43,023</b>	25,611	<b>124,694</b>	64,461
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</b>				
Exchange differences on translating foreign operations	<b>(1,660)</b>	(1,386)	<b>(1,133)</b>	(1,071)
Cash flow hedges	<b>6,751</b>	(12,922)	<b>11,462</b>	(14,310)
Income tax relating to components of other comprehensive income	<b>(2,033)</b>	3,886	<b>(3,534)</b>	4,138
<b>Other comprehensive income (loss) for the year, net of tax</b>	<b>3,058</b>	(10,422)	<b>6,795</b>	(11,243)
<b>Total comprehensive income for the year</b>	<b>46,081</b>	15,189	<b>131,489</b>	53,218
attributable to:				
non-controlling interests	<b>24</b>	–	<b>24</b>	–
shareholders of Dialog Semiconductor Plc	<b>46,057</b>	15,189	<b>131,465</b>	53,218

\*) Certain amounts shown here do not correspond to the Q3 2014 interim financial statements and reflect an adjustment made, for further information please refer to Note 2.



# Unaudited interim consolidated statement of cash flows

For the three and nine months ended 2 October 2015

	Three months ended 2 October 2015	Three months ended 26 September 2014  adjusted *)	Nine months ended 2 October 2015	Nine months ended 26 September 2014  adjusted *)
	US\$000	US\$000	US\$000	US\$000
<b>Cash flows from operating activities:</b>				
Net profit	43,023	25,611	124,694	64,461
<b>Adjustments to reconcile net profit to net cash used for operating activities:</b>				
Interest income, net	(179)	3,335	3,875	10,418
Income tax expense	17,149	11,565	49,704	5,080
Impairment of inventories	882	3,503	944	11,005
Depreciation of property, plant and equipment	6,385	5,373	17,360	16,785
Amortisation of intangible assets	7,574	7,420	22,669	23,623
Results on disposals of fixed assets and impairment of fixed and financial assets	163	25	451	277
Expense related to share-based payments	5,224	4,922	13,316	13,812
<b>Changes in working capital:</b>				
Trade accounts receivable, other receivables and factoring	(25,691)	(21,938)	38,203	57,217
Inventories	(20,361)	(32,231)	(39,019)	(41,472)
Prepaid expenses	(604)	(753)	(1,879)	(457)
Trade accounts payable	14,429	22,832	18,723	8,235
Provisions	472	364	(479)	744
Other assets and liabilities	3,117	(701)	(5,828)	10,181
<b>Cash generated from (used for) operations</b>	<b>51,583</b>	<b>29,327</b>	<b>242,734</b>	<b>179,909</b>
Interest paid	(766)	(507)	(2,196)	(3,218)
Interest received	592	112	914	272
Income taxes paid	(8,691)	(8,703)	(33,452)	(25,849)
<b>Cash flow from operating activities</b>	<b>42,718</b>	<b>20,229</b>	<b>208,000</b>	<b>151,114</b>
<b>Cash flows from investing activities:</b>				
Purchase of property, plant and equipment	(5,861)	(7,466)	(22,487)	(17,945)
Purchase of intangible assets	(2,290)	(3,355)	(8,647)	(9,069)
Purchase of Dyna Image net of consolidated cash	(28)	–	(2,664)	–
Payments for capitalised development costs	(5,420)	(1,876)	(16,763)	(3,540)
Sale of property, plant and equipment	–	–	2	30
Change in other long term assets	188	(43)	265	(20)
<b>Cash flow used for investing activities</b>	<b>(13,411)</b>	<b>(12,740)</b>	<b>(50,294)</b>	<b>(30,544)</b>
<b>Cash flows from financing activities:</b>				
Net cash flow from financial liabilities	–	(25,000)	–	(65,000)
Purchase of employee stock purchase plan shares	–	–	(14,032)	–
Sale of employee stock purchase plan shares	1,240	1,749	10,420	14,656
Payment for capital increase	–	–	–	(39)
<b>Cash flow from (used for) financing activities</b>	<b>1,240</b>	<b>(23,251)</b>	<b>(3,612)</b>	<b>(50,383)</b>
<b>Cash flow from (used for) operating, investing and financing activities</b>	<b>30,547</b>	<b>(15,762)</b>	<b>154,094</b>	<b>70,187</b>
Net foreign exchange difference	(258)	1,036	(399)	1,086
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>30,289</b>	<b>(14,726)</b>	<b>153,695</b>	<b>71,273</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>447,686</b>	<b>272,024</b>	<b>324,280</b>	<b>186,025</b>
<b>Cash and cash equivalents at end of period</b>	<b>477,975</b>	<b>257,298</b>	<b>477,975</b>	<b>257,298</b>

# Unaudited interim consolidated statement of changes in equity

For the nine months ended 2 October 2015

			Other reserves			Employee stock purchase plan shares US\$000	Equity attributable to shareholders of Dialog Semiconductor Plc US\$000	Non-controlling interests US\$000	Total US\$000
	Ordinary Shares US\$000	Additional paid-in capital US\$000	Retained earnings US\$000	Currency translation adjustment US\$000	Hedges US\$000				
<b>Balance at 31 December 2013 / 1 January 2014</b>	<b>12,852</b>	<b>246,289</b>	<b>199,881</b>	<b>(1,710)</b>	<b>1,580</b>	<b>(2,242)</b>	<b>456,650</b>	<b>–</b>	<b>456,650</b>
Net profit	–	–	64,461	–	–	–	64,461	–	64,461
Other comprehensive income	–	–	–	(994)	(10,249)	–	(11,243)	–	(11,243)
Total comprehensive income (loss)	–	–	64,461	(994)	(10,249)	–	53,218	–	53,218
Capital increase for employee share option plan (gross proceeds)	501	9,780	–	–	–	(10,281)	–	–	–
Transaction cost of capital increase - employee share option plan	–	(39)	–	–	–	–	(39)	–	(39)
Sale of employee stock purchase plan shares	–	12,802	–	–	–	1,854	14,656	–	14,656
Equity settled transactions, net of tax	–	–	13,812	–	–	–	13,812	–	13,812
<b>Changes in Equity total</b>	<b>501</b>	<b>22,543</b>	<b>78,273</b>	<b>(994)</b>	<b>(10,249)</b>	<b>(8,427)</b>	<b>81,647</b>	<b>–</b>	<b>81,647</b>
<b>Balance at 26 September 2014 (adjusted *)</b>	<b>13,353</b>	<b>268,832</b>	<b>278,154</b>	<b>(2,704)</b>	<b>(8,669)</b>	<b>(10,669)</b>	<b>538,297</b>	<b>–</b>	<b>538,297</b>
<b>Balance at 31 December 2014 / 1 January 2015</b>	<b>13,353</b>	<b>274,517</b>	<b>366,650</b>	<b>(3,007)</b>	<b>(12,769)</b>	<b>(15,068)</b>	<b>623,676</b>	<b>–</b>	<b>623,676</b>
Net profit	–	–	125,410	–	–	–	125,410	(716)	124,694
Other comprehensive income	–	–	–	(1,542)	8,313	–	6,771	24	6,795
Total comprehensive income (loss)	–	–	125,410	(1,542)	8,313	–	132,181	(692)	131,489
Conversion of Convertible Bond	1,049	182,089	–	–	–	–	183,138	–	183,138
Non-controlling interests from the acquisition of Dyna Image (see note 3) **)	–	–	–	–	–	–	–	6,526	6,526
Acquisition of employee stock purchase plan shares	–	–	–	–	–	(14,032)	(14,032)	–	(14,032)
Sale of employee stock purchase plan shares	–	6,359	–	–	–	4,061	10,420	–	10,420
Equity settled transactions, net of tax	–	–	21,443	–	–	–	21,443	–	21,443
<b>Changes in Equity total</b>	<b>1,049</b>	<b>188,448</b>	<b>146,853</b>	<b>(1,542)</b>	<b>8,313</b>	<b>(9,971)</b>	<b>333,150</b>	<b>5,834</b>	<b>338,984</b>
<b>Balance at 2 October 2015</b>	<b>14,402</b>	<b>462,965</b>	<b>513,503</b>	<b>(4,549)</b>	<b>(4,456)</b>	<b>(25,039)</b>	<b>956,826</b>	<b>5,834</b>	<b>962,660</b>

\*) Certain amounts shown here do not correspond to the Q3 2014 interim financial statements and reflect an adjustment made, for further information please refer to Note 2.

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

# Unaudited notes to the interim condensed consolidated financial statements

For the three and nine months ended 2 October 2015

## 1. General

### Company name and registered office

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

### Description of Business

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

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

Dialog is headquartered in London with a global sales, R&D and marketing organisation. In 2014, it had approximately US\$1.16 billion in revenue and was one of the fastest growing European public semiconductor companies. It currently has approximately 1,500 employees worldwide.

The company is listed on the Frankfurt (FWB: DLG) stock exchange (Regulated Market, Prime Standard, ISIN GB0059822006) and is a member of the German TecDax index.

## 2. Summary of significant accounting policies

The accompanying interim consolidated financial statements have been prepared on the basis of the recognition and measurement requirements of IFRS and its interpretation adopted by the EU. As permitted by IAS 34, Management has decided to publish a condensed version compared to the consolidated financial statements at December 31, 2014.

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

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

The interim financial statements are presented in US dollars ("US\$") and all values are rounded to the nearest thousand (US\$000) except when otherwise stated. They are prepared on the historical cost basis except that derivative financial instruments are stated at their fair value. The accounting policies and methods of computation are consistent with those of the previous financial year.

Please refer to note 2 to the consolidated financial statements as of December 31, 2014 for the accounting policies applied for the Company's financial reporting.

### *Changes in accounting policies and disclosures*

The accounting policies are consistent with those of the previous financial year. There are no changes resulting from the following amended, revised and new Standards and new IFRIC interpretations during the first nine months of 2015:

## 2. Summary of significant accounting policies continued

### *IFRS 15 Revenue from Contracts with Customers: Effective Date of IFRS 15*

The International Accounting Standards Board (IASB) issued an amendment to IFRS 15 Revenue from Contracts with Customers in September 2015. The Effective Date of IFRS 15 is deferred by one year from 1 January 2017 to 1 January 2018.

Dialog continuously analyses the impact of IFRS 15 on its revenue recognition principles. The deferral does not materially impact the work on the analysis itself.

### *IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions (amendments to IAS 19)*

The amendments made to this standard were issued in November 2013 and are effective for annual periods beginning on or after 1 July 2014 with early application permitted. The narrow-scope amendments apply to contributions from employees or third parties to defined benefit plans.

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

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

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

Dialog has analysed the impact of the Annual Improvements Cycles and does not expect an impact on the financial position or the financial performance of the Group.

### *Presentation of condensed interim financial statements*

The accompanying condensed interim consolidated financial statements reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results of the interim periods presented. Operating results for the nine months ended 2 October 2015 are not necessarily indicative of the results to be expected for the full year ending 31 December 2015.

### *Use of Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and judgments include the recoverability of the long-lived assets and assets held for sale, the realisability of deferred income tax assets and inventories, and the fair value of stock-based employee compensation awards. Actual results may differ from those estimates.

### *Recognition of a reduction in deferred tax liability in 2014*

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

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

The previously reported Q1 2014 IFRS results have been adjusted to reflect the US\$17.8 million deferred tax credit which arose at the time of the intra-group reorganisation, and a US\$0.9 million reduction in this credit to reflect the ongoing impact of the reorganisation. The previously reported Q3 2014 IFRS results have been adjusted by US\$1.0 million reduction in the deferred tax credit for the ongoing impact of the reorganisation.

For the three months ended 26 September 2014 an adjusted IFRS total tax expense of US\$11.6 million will now be reported (previously an expense of US\$10.6 million was reported) leading to an adjusted IFRS net income of US\$25.6 million (previously US\$26.6 million) and IFRS basic and diluted EPS of US\$0.38 and US\$0.36 (previously US\$0.39 and US\$0.38).

For the nine months ended 26 September 2014 an adjusted IFRS total tax expense of US\$5.1 million will now be reported (previously an expense of US\$19.8 million was reported) leading to an adjusted IFRS net income of US\$64.5 million (previously US\$49.7 million) and IFRS basic and diluted EPS of US\$0.96 and US\$0.92 (previously US\$0.74 and US\$0.71).

## 2. Summary of significant accounting policies continued

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

	Three months ended 26 September 2014 as previously reported US\$000	Adjustment US\$000	Three months ended 26 September 2014 adjusted US\$000	Nine months ended 26 September 2014 as previously reported US\$000	Adjustment US\$000	Nine months ended 26 September 2014 adjusted US\$000
<b>Result before income taxes</b>	<b>37,176</b>	<b>–</b>	<b>37,176</b>	<b>69,541</b>	<b>–</b>	<b>69,541</b>
Income tax benefit (expense)	(10,595)	(970)	(11,565)	(19,819)	14,739	(5,080)
<b>Net profit</b>	<b>26,581</b>	<b>(970)</b>	<b>25,611</b>	<b>49,722</b>	<b>14,739</b>	<b>64,461</b>

	Three months ended 26 September 2014 as previously reported	Adjustment	Three months ended 26 September 2014 adjusted	Nine months ended 26 September 2014 as previously reported	Adjustment	Nine months ended 26 September 2014 adjusted
<b>Earnings per share (in US\$)</b> for profit attributable to shareholders of Dialog Semiconductor Plc						
Basic	0.39	(0.01)	0.38	0.74	0.22	0.96
Diluted	0.38	(0.02)	0.36	0.71	0.21	0.92

The adjusted IFRS net income has also an impact on the Group's statement of comprehensive income, cash flows as well as of the statement of changes in equity for the three and nine months ended 26 September 2014.

### Seasonality of operations

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

## 3. Business combination

### Acquisition in 2015

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

Dyna Image used to be a wholly owned subsidiary of Lite-On Semiconductor, a member of Lite-On Group. The deal was closed on 5 June 2015. Based in New Taipei City, Taiwan, Dyna Image was established as a subsidiary of Lite-On Semiconductor in 2011. It specialises in the design and manufacture of optical, inertia and environmental sensors for consumer electronics applications and is already shipping optical sensors in volume to the China market.

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

### 3. Business combination continued

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

The acquisition has been accounted for using the acquisition method. The initial accounting for the business combination is incomplete at the time the financial statements were authorized for issue. The company recognized the assets acquired and liabilities assumed with the net book values and did not yet complete the identification of any further intangibles. The provisional Goodwill recognized on the acquisition therefore represents the difference between purchase price and total identifiable net assets at book value. The purchase price allocation and the allocation of Goodwill will be finalized during the measurement period of 12 months subsequently to the acquisition date.

#### Assets acquired and liabilities assumed

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

	Book values at Dyna Image US\$000
<b>Assets</b>	
Cash and cash equivalents	10,257
Trade accounts receivable and other receivable	1,831
Inventories	2,206
Other current assets	590
Property, plant and equipment	2,148
Investments	6
Deferred tax assets	857
Other non-current assets	–
<b>Total assets</b>	<b>17,896</b>
<b>Liabilities</b>	
Trade and other payables	6,189
Provisions	–
Other current liabilities	646
<b>Total liabilities</b>	<b>6,836</b>
<b>Total identifiable net assets</b>	<b>11,061</b>
Non-controlling interests	(6,526)
Goodwill arising on acquisition	9,066
<b>Purchase price</b>	<b>13,601</b>
Fair Value of deferred purchase price	(680)
<b>Purchase consideration transferred</b>	<b>12,921</b>

The book value of the trade receivables amounted to US\$1,831,000. An amount of US\$14,000 of the trade receivables has been impaired. The net book value of inventories amounts to US\$2,206,000. The expected step-up to the fair value as a result of finalising the purchase price allocation will have an adverse impact on gross margin and the financial results for the reporting periods after the acquisition date.

The deferred tax assets mainly represent tax loss carryforwards.

The provisional goodwill of US\$9,066,000 represents the difference between the purchase price and the book values of Dyna Image's assets and liabilities as at the acquisition day attributable to Dialog's interest. Dialog decided not to elect the full goodwill approach. This difference represents synergies with the Company's segments, and other benefits from combining the assets and activities of Dyna Image with those of the Dialog Group as explained above as well as expected fair value adjustments of existing tangible and intangible assets and liabilities and additional intangible assets that may need to be recognised.

Accordingly, initially the Group measures the non-controlling interests in the acquiree based on book values. The purchase price allocation as well as the measurement of the tax impact will be performed within the measurement period of 12 months subsequently to the acquisition date.

### 3. Business combination continued

From the date of the acquisition, in 2015 Dyna Image has contributed US\$2,865,000 of revenue and a loss of US\$1,458,000 before tax which were presented in the Group's Corporate segment. If Dyna Image had been acquired on 1 January 2015, revenue of the Group in 2015 would have been higher by US\$5,502,000 and would have been US\$960,718,000 and the profit before tax for the Group would have been lower by US\$2,850,000 and would have been US\$173,006,000.

#### Purchase consideration

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

#### Analysis of cash flows from acquisition in 2015

	US\$000
Total cash outflow for acquisition (included in cash flows from investing activities)	(12,921)
Net cash consolidated with the subsidiary (included in cash flows from investing activities)	10,257
<b>Total cash outflow from investing activities</b>	<b>(2,664)</b>
Transaction costs of the acquisition (included in cash flows from operating activities)	(51)
<b>Net cash outflow for the acquisition</b>	<b>(2,715)</b>

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

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

#### Conditional agreement to acquire Atmel® Corporation

On 20 September 2015, Dialog announced that it had entered into a conditional agreement to acquire Atmel in a cash and stock transaction. Acquisition costs of US\$2.9 million have been expensed in connection with this transaction so far and are included in general and administrative expenses in the Q3 2015 income statement.

### 4. Segment reporting

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

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

#### a) Operating segments

The Group's operating segments are:

##### Mobile Systems

This segment includes our power management and audio chips especially designed to meet the needs of the wireless systems markets and a range of advanced driver technologies for low power display applications – from PMOLEDs, to electronic paper and MEMS displays.

##### Automotive and Industrial

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

##### Connectivity

The activities of this segment include short-range wireless, digital cordless, Bluetooth and VoIP technology. The Connectivity segment includes the operating results of our subsidiary Dialog Semiconductor B.V.

##### Power conversion

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

#### 4. Segment reporting continued

	Three months ended 2 October 2015						Three months ended 26 September 2014					
	Mobile Systems	Automotive/Industrial	Connectivity	Power Conversion	Corporate	Total	Mobile Systems	Automotive/Industrial	Connectivity	Power Conversion	Corporate	Total
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
Revenues	266,687	9,053	31,045	21,511	2,109	330,405	225,553	10,806	23,700	20,934	33	281,026
<b>Operating profit (loss) <sup>1)</sup></b>	<b>79,289</b>	<b>2,310</b>	<b>1,175</b>	<b>(5,472)</b>	<b>(16,927)</b>	<b>60,375</b>	58,044	3,029	(1,671)	(5,606)	(11,887)	41,909
Financial results	(180)	-	-	-	(23)	(203)	(231)	-	-	-	(4,502)	(4,733)
<b>Result before income taxes</b>	<b>79,109</b>	<b>2,310</b>	<b>1,175</b>	<b>(5,472)</b>	<b>(16,950)</b>	<b>60,172</b>	57,813	3,029	(1,671)	(5,606)	(16,389)	37,176

<sup>1)</sup> Certain overhead costs are allocated mainly based on sales and headcount.

	Nine months ended 2 October 2015						Nine months ended 26 September 2014					
	Mobile Systems	Automotive/Industrial	Connectivity	Power Conversion	Corporate	Total	Mobile Systems	Automotive/Industrial	Connectivity	Power Conversion	Corporate	Total
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
Revenues	780,251	28,124	86,998	59,844	2,865	958,082	565,889	31,715	64,492	59,004	38	721,138
<b>Operating profit (loss) <sup>1)</sup></b>	<b>228,757</b>	<b>7,822</b>	<b>6,146</b>	<b>(16,470)</b>	<b>(47,787)</b>	<b>178,467</b>	122,977	9,142	(4,647)	(14,953)	(31,712)	80,807
Financial results	(579)	-	-	-	(3,490)	(4,069)	(729)	-	-	-	(10,537)	(11,266)
<b>Result before income taxes</b>	<b>228,179</b>	<b>7,822</b>	<b>6,146</b>	<b>(16,470)</b>	<b>(51,277)</b>	<b>174,398</b>	122,248	9,142	(4,647)	(14,953)	(42,249)	69,541

<sup>1)</sup> Certain overhead costs are allocated mainly based on sales and headcount.

#### b) Geographic information

	Three months ended 2 October 2015 US\$000	Three months ended 26 September 2014 US\$000	Nine months ended 2 October 2015 US\$000	Nine months ended 26 September 2014 US\$000
<b>Revenues</b>				
United Kingdom	143	225	801	576
Other European countries	13,906	15,482	44,038	45,152
China	254,962	234,509	762,497	594,569
Hong Kong	50,145	16,132	113,906	36,145
Other Asian countries	10,347	11,984	29,642	36,079
Other countries	902	2,694	7,198	8,617
<b>Total revenues</b>	<b>330,405</b>	<b>281,026</b>	<b>958,082</b>	<b>721,138</b>



#### 4. Segment reporting continued

	At 2 October 2015 US\$000	At 31 December 2014 US\$000
<b>Assets</b>		
Germany	<b>612,703</b>	451,769
USA	<b>357,361</b>	359,435
Japan	<b>1,894</b>	124,745
United Kingdom	<b>137,374</b>	51,893
Netherlands	<b>54,544</b>	2,386
Other	<b>20,783</b>	15,718
<b>Total assets</b>	<b>1,184,659</b>	1,005,946

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

#### 5. Share-based compensation

Stock option plan activity for the nine months ended 2 October 2015 and 26 September 2014 was as follows:

	Nine months ended 2 October 2015		Nine months ended 26 September 2014	
	Options	Weighted average exercise price €	Options	Weighted average exercise price €
Outstanding at beginning of year	<b>5,148,024</b>	<b>5.90</b>	6,036,051	7.93
Granted	<b>545,635</b>	<b>0.12</b>	1,570,292	0.13
Exercised	<b>(1,201,618)</b>	<b>6.63</b>	(1,653,935)	6.75
Forfeited	<b>(103,722)</b>	<b>4.04</b>	(170,476)	4.08
<b>Outstanding at end of year</b>	<b>4,388,319</b>	<b>5.02</b>	5,781,932	6.23
<b>Options exercisable at period end</b>	<b>1,601,481</b>	<b>9.84</b>	2,447,662	8.45

At the 2015 Annual General Meeting Shareholders approved the new Long Term Incentive Plan (LTIP), which replaced the existing Executive Incentive Plan (EIP) which expired on 5 May 2015. In 2015 the first options were granted under the new LTIP.

The Company established an employee benefit trust and a non-executive Director benefit trust (the "Trusts"). The Trusts purchase shares in the Company for the benefit of employees and non-executive Directors under the Group's share option schemes. At 2 October 2015 the Trust held 1,982,663 shares.

#### 6. Inventories

Inventories consisted of the following:

	At 2 October 2015 US\$000	At 31 December 2014 US\$000
Raw materials	<b>34,331</b>	11,013
Work-in-process	<b>52,605</b>	30,047
Finished goods	<b>52,486</b>	58,080
<b>Total</b>	<b>139,422</b>	99,140

The impairment of inventories recognised as expense during the nine months ended 2 October 2015 was US\$994,000 (nine months ended 2014: US\$11,005,000). This expense is included in cost of sales in the income statement.

## 7. Property, plant and equipment

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

	At 2 October 2015 US\$000	At 31 December 2014 US\$000
Gross carrying amount	<b>217,875</b>	195,296
Accumulated depreciation	<b>(152,548)</b>	(136,033)
<b>Net carrying amount</b>	<b>65,327</b>	59,263

The Company has contractual commitments for the acquisition of property, plant and equipment of US\$9,840,000.

## 8. Other intangible assets

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

	At 2 October 2015 US\$000	At 31 December 2014 US\$000
Gross carrying amount	<b>267,725</b>	245,641
Accumulated depreciation	<b>(136,598)</b>	(114,136)
<b>Net carrying amount</b>	<b>131,127</b>	131,505

The Company has contractual commitments for the acquisition of intangible assets of US\$3,283,000.

## 9. Additional disclosures on financial instruments

Set out below is an overview of financial instruments held by the Group as at 2 October 2015:

	Category in accordance with IAS 39	Amounts recognised in the statement of financial position according to IAS 39					
		Carrying amount 2 October 2015 US\$000	Amortised cost US\$000	Fair value recognised in other comprehensive income US\$000	Fair value recognised in profit or loss US\$000	Fair-Value- Hierarchy	Fair value 2 October 2015 US\$000
<b>Assets</b>							
Cash at bank and short-term deposits	LaR	476,859	476,859	–	–	n/a	476,859
Deposits designated as a hedging instrument	n/a	1,116	–	1,116	–	n/a	1,116
Trade accounts receivable and other receivable	LaR	64,197	64,197	–	–	n/a	64,197
Other non-derivative financial assets							
Deposits for hedging contracts	LaR	3,586	3,586	–	–	Level 1	3,586
Derivative financial assets							
Derivatives without hedging relationship	n/a	–	–	–	–	–	–
Derivatives with hedging relationship	n/a	576	–	576	–	Level 2	576
Investments	AfS	1,410	–	1,410	–	Level 3	1,410
<b>Liabilities</b>							
Trade accounts payable	FLAC	102,182	102,182	–	–	n/a	102,182
Other payable	FLAC	13,548	13,548	–	–	n/a	13,548
Other financial liabilities	FLAC	936	936	–	–	n/a	936
Hire purchase agreements and finance lease obligations	FLAC	8,319	8,319	–	–	Level 2	8,490
Convertible bond	FLAC	–	–	–	–	Level 2	–
Derivative financial liabilities							
Derivatives without hedging relationship	n/a	–	–	–	–	–	–
Derivatives with hedging relationship	n/a	6,601	–	6,601	–	Level 2	6,601
Of which aggregated by category in accordance with IAS 39:							
Loans and receivables (LaR)		544,642	544,642	–	–	–	544,642
Deposits designated as a hedging instrument		1,116	–	1,116	–	–	1,116
Held-to-maturity investments (HtM)		–	–	–	–	–	–
Available-for-sale financial assets (AfS)		1,410	–	–	–	–	1,410
Derivatives without hedging relationship		–	–	–	–	–	–
Derivative financial assets with hedging relationship		576	–	576	–	–	576
Derivative financial liabilities with hedging relationship		(6,601)	–	(6,601)	–	–	(6,601)
Financial liabilities at amortised cost (FLAC)		(124,985)	(124,985)	–	–	–	(125,156)

## 9. Additional disclosures on financial instruments continued

The fair value of derivatives has been determined with reference to available market information (interest rate and forward currency translation rate: Level 2) applying the mark-to-market method. The carrying amounts of the loans and receivables and other financial liabilities approximate their fair values due to short-term maturities. Since the market conditions affecting the liability related to long-term finance lease contracts have changed the fair value at 2 October 2015 deviates from the carrying amount. Equity investments and securities are recognised at fair value if there is an active market for them with publicly available prices. Due to the lack of a reliable measurement basis for the fair value of the equity investment this is held at cost of US\$1.4 million. Instruments allocated to the column "fair value recognised in other comprehensive income" are derivative financial instruments designated as cash flow hedges.

### Risk management activities

#### Cash flow hedges for currency risks

The main functional currency within the Group and the presentation currency for the consolidated financial statements is the US\$. Accordingly, foreign exchange risks arise from transactions, and recognised assets and liabilities, the functional currency of which is not the US\$. The currencies giving rise to these exposure risks are primarily the Euro and Pound Sterling. The majority of the Group's revenue and material expenses are denominated in US\$. The majority of other operating expenses are denominated in Euros and Pounds Sterling. The Group has transactional currency exposures. Such exposure arises from the sales or purchases by an operating unit in currencies other than the unit's functional currency. In Q3 2015 as well as the first nine months of 2015 and related periods in 2014 nearly all the Group's sales were denominated in US\$.

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

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

As at 2 October 2015 the following unrealized effects were recorded in other comprehensive income:

	Forward currency contracts			Total
	Euro US\$000	GBP US\$ 000	JPY US\$000	At 2 October 2015 US\$000
Gain	435	141	–	<b>576</b>
Loss	(5,823)	(768)	(112)	<b>(6,702)</b>
<b>Unrealised net gain (loss) before tax</b>	<b>(5,388)</b>	<b>(626)</b>	<b>(112)</b>	<b>(6,126)</b>
Tax effect	1,468	171	31	<b>1,670</b>
<b>Unrealised net gain (loss) after tax</b>	<b>(3,920)</b>	<b>(455)</b>	<b>(81)</b>	<b>(4,456)</b>

#### Valuation techniques

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

## 10. Transactions with related parties

As described in the Company's annual report 2014, note 29, the related parties of the Company are comprised of eight non-executive members of the Board of Directors and eleven members of the executive management. At the 2015 AGM on 30 April 2015, John McMonigall and Peter Weber were retired from the Board of Directors as non-executive Directors. Further on 30 April 2015, Alan Campbell was appointed to the Board as non-executive Director. In September 2015, Tom Sandoval (Senior Vice President, Worldwide Sales) joined the executive management team. Transactions with those related parties only comprise their compensation which did not significantly change compared to 2014.

## 11. Subsequent events

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

**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

**Japan**

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

**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

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

**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

**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

**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

**Dialog Semiconductor Inc.**

675 Campbell Technology Pkwy Suite 150  
 Campbell, California 95008  
 USA

**Registered office**

Dialog Semiconductor Plc

Tower Bridge House

St Katharine's Way

London E1W 1AA

UK

Website: [www.dialog-semiconductor.com](http://www.dialog-semiconductor.com)