dialog SEMICONDUCTOR

Mobile life, smart connections

Annual report and accounts 2015

Dialog Semiconductor develops and distributes standard and custom highly integrated, mixed signal integrated circuits ("ICs"), optimised for personal, portable, hand-held devices, Internet of Things ("IoT"), Smart Home, LED solid-state lighting ("SSL") and automotive applications. The Company brings expertise to the rapid development of integrated circuits while providing flexible and dynamic support, innovation and the assurance of dealing with an established business partner.

With leading manufacturing partners, Dialog operates a fabless business model and is a socially responsible employer pursuing many programmes to benefit employees, the community, other stakeholders and the environment.

Strategic report

Corporate governance

Financial statements

Additional information

For more information visit:
www.dialog-semiconductor.com

Dialog's power-saving technologies 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.

Mobile Systems

- Power management
- Audio
- Display

Revenue[1]
US$1,119m
of group revenue
82%

p 24–25

Consumer applications

Personal
Portable
Connected

Automotive & Industrial

- Motor control ICs
- Control ASICs

Revenue
US$34m
of group revenue
3%

p 30–31

Connectivity

- Bluetooth® Smart
- Short-range wireless VoIP
- Voice over DECT

Revenue
US$117m
of group revenue
9%

p 26–27

Power Conversion

- AC/DC converters
- Solid-state lighting LED drivers
- AC/DC chargers and adapters
- AC/DC embedded networking converters

Revenue
US$85m
of group revenue
6%

p 28–29

1 Mobile Systems including Corporate revenue of $4.8 million

2015 Performance highlights

Dialog delivered another year of strong financial results in 2015, with strong revenue and earnings growth and robust cash generation. We brought exciting innovation into the market and sustained our investment in R&D to underpin future revenue growth.

We made good progress on the four key pillars of our strategy, which you can see outlined on pages 14 and 15, and continued to build on the foundations for a more diversified business. We believe this will deliver superior returns for our shareholders over the medium term.

2015 Financial highlights

Underlying revenue growth	Underlying gross margin	Underlying operating profit growth	Underlying diluted EPS
+17%	46.7%	+38%	US$3.02
(2014: US$1,156m)	(2014: 45.3%)	(2014: US$230.3m)	(2014: US$2.27)

IFRS revenue growth	IFRS gross margin	IFRS operating profit growth	IFRS diluted EPS
+17%	46.1%	+40%	US$2.29
(2014: US$1,156m)	(2014: 44.5%)	(2014: US$185.9m)	(2014: US$1.93)

Dialog is a growth business and has a track record of delivering profitable growth which, in turn, is the basis for value creation for our shareholders. In 2015, Dialog delivered against all of the key performance measures for the business.

To provide a useful reflection of business performance, measurement is on an underlying (non-IFRS) basis. Full explanations and reconciliations of non-IFRS measures (underlying) to the nearest equivalent IFRS measures can be found in the section entitled "Financial performance measures" on page 149).

Our performance against each of these key financial metrics, together with a range of other performance measures, is set out in greater detail under "2015 performance" on pages 32 and 33.

Strategic highlights

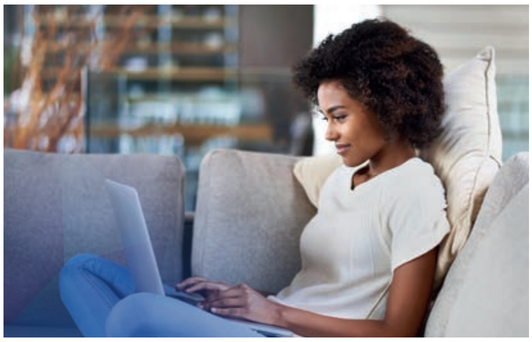
Extending our product portfolio for portable and consumer platforms

- New SSL LED driver platform designed to deliver the ultimate in dimmer performance and compatibility with an ultra-low cost for next-generation LED bulbs.
- Expanding our range of Bluetooth Smart System-on-Chip ("SoC") products with three application-optimised products aimed at high volume, high growth consumer markets.
- Entered white goods sector with expanded Power Conversion product portfolio.

See page 16 for strategy in action

Broader and deeper customer base

- Our AC/DC technology is at the heart of Samsung's Adaptive Fast Charging ("AFC") AC/DC wall adapter. Our custom chipset incorporates Samsung's AFC technology and is designed for use with the Galaxy S6, Galaxy Note 4 and later models of the Galaxy S and Galaxy Note series smartphones.
- Our SmartBond™ technology is at the heart of Xiaomi's new Mi Bluetooth Voice Remote Control. Our Bluetooth® Smart SoC with integrated voice codec delivers high performance, low-latency audio with minimum size, cost and power consumption.
- Global distribution deal with Digi-Key. Dialog's Bluetooth® Smart development kits accelerate development of smallest lowest-power Bluetooth® devices for the IoT.



See page 18 for strategy in action

Continuous innovation

- We launched the world's first Bluetooth® Smart Wearable-on-Chip™. The small, ultra-low power integrated circuit includes key functionalities to create a fully hosted wearable computing product.
- Entered the power management segment for computing systems with the launch of the DA9213, a power management IC that enables the design of smaller, thinner notebook computers and tablets powered by dual cell stacked (2S) Li-ion or Li-Polymer batteries.
- Launched a Bluetooth® Smart development kit with full support for Apple® HomeKit to accelerate development of Smart Home accessories.
- Collaboration with Bosch Sensortec on low-power smart sensor wireless platform for gesture recognition in wearable computing devices, immersive gaming and 3D indoor mapping and navigation.

See page 20 for strategy in action

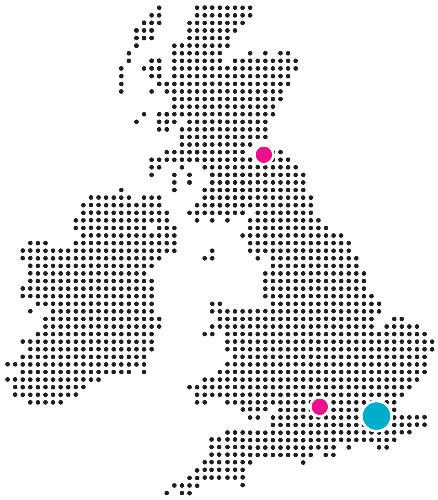
Strategic focus on fast-growing China consumer electronics market

- Extending power management leadership in China through our collaboration with MediaTek. Our sub-PMIC is powering the MediaTek MT6795 processor in HTC One M9+ and E9+ Android-based smartphones.
- Established a strategic partnership with ShunSin Technology (Foxconn Technology Group) and Dyna Image, a Lite-On subsidiary. This partnership will accelerate Dialog's entrance to China's fast-growing consumer market and access advanced sensor capability to provide increased system content for smartphones, wearables and smart digital lighting devices.
- Our Rapid Charge™ technology was selected by Huawei and LeTV. It supports Huawei's proprietary Fast Charger Protocol (FCP) in their latest Honor 7 smartphone model and LeTV's USB Type C smartphone charging adapter.

See page 22 for strategy in action

Dear Shareholder,

2015 has been another year of substantial progress for Dialog. We have delivered strong, double-digit growth, achieving revenue in excess of US$1.35 billion and underlying EBITDA margin of 26.5%.



- Head offices
- Design and Manufacturing
- Sales offices

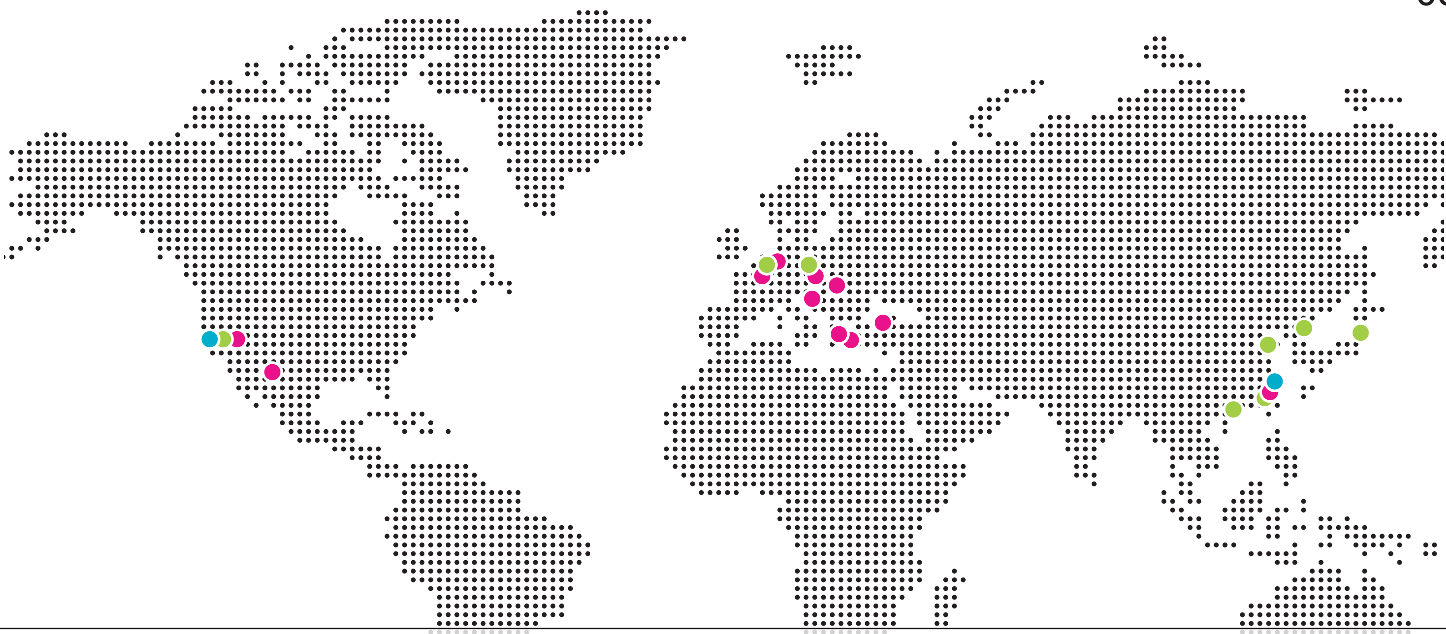
"The performance of our business in 2015 underscores the capability, dedication and commitment of our 1,660 employees across the world."

Richard Beyer, Chairman

Our operating profit grew twice as fast as the top line and we delivered another year of strong cash flow generation, resulting in a strong balance sheet with a net cash position of US$567 million. The performance of our business in 2015 underscores the capability, dedication and commitment of our 1,660 employees across the world.

Throughout 2015, we have also continued to successfully execute against our objective to deliver the next phase of high-volume products for our customers – across Power Management, audio, Bluetooth® Smart, Rapid Charge™ AC/DC and power conversion technologies.

Our proven team, deep portfolio of intellectual property and market-leading innovation, enable us to consistently deliver value for our industry-leading customers and across a range of products. We continue to diversify and add new customers, particularly within the fast-growing IoT segment where we have developed applications for smart watches, fitness bands, Smart Home applications, advanced TV remote controls and wireless gaming accessories. The range of applications for our products is growing and we are excited about the business opportunity at our reach.



We operate from over 31 locations in 14 countries

UK
Edinburgh
London
Reading
Swindon

Netherlands
Hengelo
Hertogenbosch

Germany
Germering
Kirchheim

Austria
Graz

Italy
Livorno

Greece
Athens
Patras

Turkey
Istanbul

Hong Kong

Singapore

Taiwan
Taichung
Taipei
Zhubei

China
Shanghai
Beijing
Shenzhen
Tianjin

Korea
Seoul

Japan
Tokyo

USA
Chandler
Santa Clara
Campbell

We did not complete the proposed acquisition of Atmel announced in September 2015. The unsolicited proposal of Microchip Technologies for Atmel was deemed superior to ours and the Board decided not to revise the terms of our offer. Our goal is to continue to create long-term value for our Shareholders. Throughout 2015 we had the opportunity to engage with our Shareholders and I want to thank all of you for your support and your engagement through the year.

Our Board sets the strategic direction for the business and oversees the execution of that strategy by the management team, ably led by Jalal Bagherli, who, together with his team, has built Dialog into the market-leading company it is today. The Board also ensures that Dialog's corporate governance principles and practices are effective, and we have continued to review and enhance our disclosure and corporate governance practices during 2015.

We welcomed another new independent non-executive Director, Alan Campbell, to the Board during the year. Alan brings a wealth of experience in the semiconductor industry as well as many years' senior experience in a listed company. We are pleased to have a Director of Alan's experience on the Board, and his input has been invaluable since joining.

As set out in my letter last year, we would also recognise the contribution of both John McMonigall and Peter Weber, who retired as Directors at our 2015 AGM. Both played a key role in helping Dialog create substantial value for Shareholders and we were fortunate to have their contributions as Directors over many years.

To conclude, the Board and I are pleased with the progress we have made in 2015 and thank the Executive Team and all of Dialog's employees for their continued commitment to the business.

We would also like to thank you, our Shareholders, for your continued support and the trust you have placed in us as a Board. We look to 2016 and beyond with confidence and are proud of the business we are building, the customers we are serving and the value we are creating for our Shareholders.

Richard Beyer
Chairman

Dear Shareholder,

We can be proud of our achievements during 2015. I am extremely pleased with what we have accomplished. Through the hard work and dedication of all our employees we have continued our strong growth trajectory and laid solid foundations for the future success of the business.

Global Semiconductor Alliance ("GSA") Awards	Most Respected Public Semiconductor Company Achieving $1 billion to $2 billion in Annual Sales Award	Best Financially Managed Semiconductor Company Achieving Greater than $500 million in Annual Sales Award

"We are building a vibrant and innovative mixed signal business which is well positioned for future growth."

Jalal Bagherli, Chief Executive Officer

Financial performance

In 2015, the Company delivered a strong set of financial results. In particular we:

> Delivered 17% year-on-year growth in revenue;
> Delivered a third consecutive year of underlying gross margin improvement, up by 140bps in 2015 from 2014 and increased profitability while maintaining a sustainable level of investment in innovation; and
> Generated US$192 million free cash flow.

In summary, we have – once again – delivered on our objective of high growth together with a solid financial performance.

Progress through innovation

In 2015 we made fantastic progress throughout the business. We launched great new products and continued to seek leadership positions in new markets. These efforts have been underpinned by our strategy to innovate, expand our product portfolio, diversify, and grow into new, fast-growth markets. It is those core strategic tenets which ensure we deliver exceptional value to our customers, and allow us to seek to establish leadership positions in new regions and addressable markets.

Customer concentration is a feature of our business operation which reflects the highly concentrated mobile market. We are delighted to maintain and grow strong relationships with our main customers and during 2015 we broadened and deepened those relationships with multiple new products.

We consider the diversification of our customer base a key strategic objective. In line with our diversification strategy, I want to highlight four significant developments which position us well for future growth.

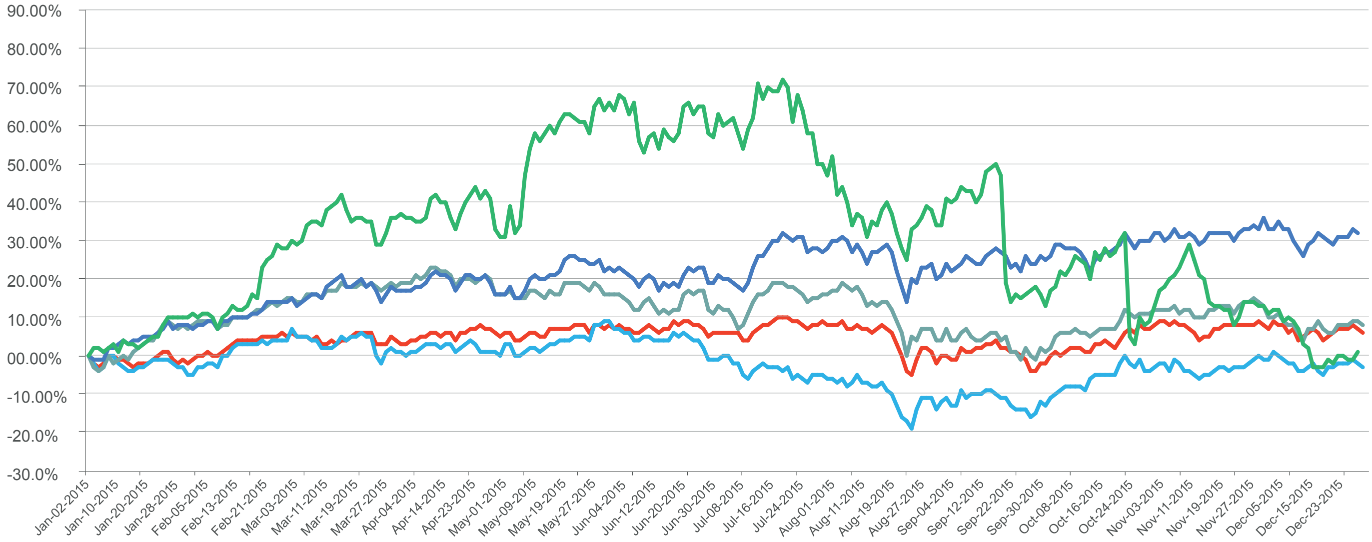
The first of these developments has been within our Power Conversion business. As consumers use their devices more often and screens and processors grow, ensuring long battery life and fast charging is becoming essential for both Original Equipment Manufacturers ("OEMs") and end-users. It has become the fastest growing segment in the smartphone industry and in 2015 we established a leadership position with our Rapid Charge™ technology, gaining a majority share of the smartphone fast charging market. This has helped to **broaden and deepen our customer base.** We will continue to invest in this area to capture the opportunity available.

The next area I want to focus on is our Bluetooth® Smart solution. In 2015, we introduced the world's first single-chip solution for wearables. This is a **landmark innovation** which has helped us gain further traction within wearables as our customers seek to create the next generation of smart watches and fitness bands. We also established a footprint in every leading Smart Home ecosystem. This is one of the fastest growing segments within IoT, and Bluetooth® Smart is now acting as a common technology link across different ecosystems. This provides Dialog with an opportunity to carve out a leadership position in short range connectivity.

We know these market-leading innovations can provide value to customers around the world. We have also talked about our strategy to **extend our product portfolio** and partnerships for portable platforms.

Our strategic partnership with Dyna Image Taiwan was a very exciting step in the diversification of our product portfolio. This is Dialog's first foray into the sensor market, and it will provide us with an opportunity to supply increased content for smartphones, wearables and smart digital lighting devices.
This initiative has also served us well in gaining **market share in China's fast-growing consumer electronics market**.

2015 – The one year view



January 2016 – Full year 2015 share price performance

Dialog Semiconductor Plc (XTRA:DLG) – Share Pricing
Germany TECDAX (Total Return) Index – Index Value
NASDAQ Composite Index (^COMP) – Index Value
PHLX Semiconductor Sector Index (^SOX) – Index Value
EURO STOXX Index (EUR) (^SXXE) – Index Value

To that end, we promoted our sub-PMIC products as part of MediaTek's platforms, now adopted by several Chinese OEMs such as Lenovo and Meizu. Our Mobile Systems business also announced a brand new product, the DA9312, which extends our power management technology to dual-cell computing devices.

Acquisition of Atmel

Our proposed acquisition of Atmel did not reach a successful completion. The Board of Atmel deemed the unsolicited proposal from Microchip to be a superior offer and we decided not to revise the terms of our offer. Even though we are disappointed that it did not come to fruition we remain highly confident in our strategic plan, market opportunities and competitive strengths. We will continue to put the interests of our customers and Shareholders at the forefront of all our decisions. Our focus is to create long-term value for our Shareholders and we are thankful for the support and feedback of our Shareholders throughout 2015.

Around the Company

To help Dialog innovate and respond to consumer demand we need to attract and retain the best global talent. This year we hired an employee almost every day to help grow our talented engineers and take Dialog's global employee base to 1,660 across 14 countries. We have also launched a brand new website, which is attracting more traffic than ever and serves as an excellent shop window for new customers and employees.

To give us a competitive advantage in the employment marketplace, we continue to open new design centres in places where there is strong engineering expertise. This allows us to recruit and retain the best global talent we can access, and build our technical base. In 2015 we expanded all of our design groups, upgrading our design centre in Taiwan and opening a new centre in Phoenix, Arizona. Both of these centres are now up and running and have delivered their first set of products.

Encouragingly, the hard work of all Dialog's employees was recognised when we won two awards at this year's Global Semiconductor Alliance Awards Dinner. We were proud to win the award for the "Most Respected Public Semiconductor Company Achieving $1 Billion to $2 Billion in Annual Sales" as well as the award for the "Best Financially Managed Semiconductor Company Achieving Greater than $500 Million in Annual Sales". On behalf of the Board and the Executive Team I want to thank Dialog's employees for their efforts and dedication, and we are grateful for their continued support.

I would also like to record my appreciation for Jean-Michel Richard, who stepped down as Dialog's Chief Financial Officer and Senior Vice President of Finance in December 2015. Jean-Michel served as our CFO for nine years during which Dialog underwent a significant transformation and delivered outstanding growth in revenue and earnings.

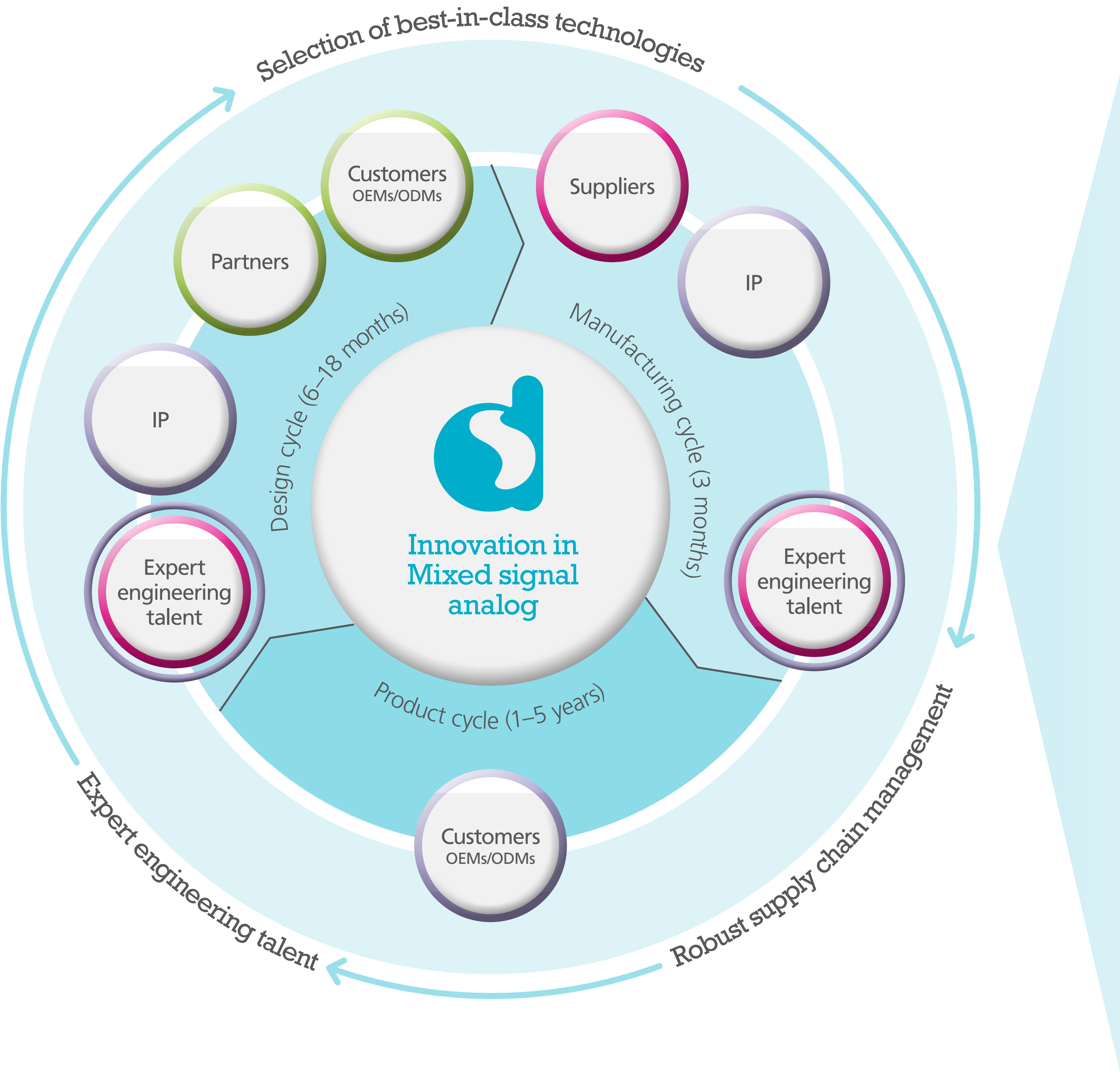
2015 has not been without its challenges. We have been facing some tough macroeconomic trends, and a number of our larger customers have seen sales growth slowing. Despite this, each of our divisions has made fantastic progress, developing new products, diversifying and moving into new, high-growth markets.

As we move into 2016 our ambition is stronger than ever. I believe we are uniquely positioned to capitalise on a new generation of ultra-portable, low-power connected devices. To capture that long-term growth opportunity we are staying agile and maintaining the innovative spirit our customers have come to value. This is the spirit of Dialog. We appreciate the continued support of our Shareholders as we continue building a vibrant and innovative mixed signal business which is positioned for future growth.

Jalal Bagherli
CEO

Our business model

Our partnership approach, operational flexibility and the quality of our products are key sources of value to our customers.



Value creation

Partnerships

1 Reciprocal cooperation with customers and partners enhances our innovation capacity.

Operational flexibility

1 Rapid new product development.
2 Decentralised R&D with 21 hubs.
3 Fabless model provides flexibility on process and capacity.

Quality

1 Inherent design expertise, world-class engineering talent.
2 Best-in-class technology.
3 Highly integrated and power-efficient ICs.
4 Fabless model allows us to deploy the most advanced production processes available.

We design and distribute highly integrated semiconductors using best-in-class manufacturing and packaging technologies. Our business seeks to deliver steep production ramps of new products.

Innovation is at the core of our business. Our highly skilled engineers, their know-how and our intellectual property ("IP") are our key assets. We have implemented a "high-touch" fabless model – meaning we have outsourced production – which allows us to remain flexible and maintain a low capital-intensity business while retaining some core manufacturing and advanced packaging competencies in-house.

Our business model has three dimensions built on innovation:

1. Short and collaborative design cycle.
2. High-touch fabless model with strong production partnerships.
3. Market-leading products.

1. Short and collaborative design cycle

In the consumer electronics market, product development times are short due to rapidly evolving consumer requirements in a highly competitive and changing market.

The design of our customised Application Specific ICs ("ASIC") is well embedded in our customers' design cycle. For the design of ASIC solutions, we engage with our customers as an "extended R&D team", delivering differentiation in short design cycles.

We recruit the best talent we can globally and believe the size and focus of our engineering talent is a sustainable source of competitive advantage. We believe Dialog has one of the biggest R&D engineering teams in the world focused on power management and mixed signal know-how for mobile and connected consumer applications. Through the last 20 years, Dialog has amassed a significant reusable intellectual property portfolio, including more than 620 granted patent families.

2. High-touch fabless model with strong production partnerships

Our foundry, test and packaging partners are amongst the leading companies in their field and we have developed a strong collaboration with them over time.

We outsource production to industry-leading wafer foundries such as TSMC, UMC and Global Foundries. This approach enables flexibility to deploy the most advanced production processes and maintain low capital intensity. Our Global Operations and Quality functions have teams based at our partners' manufacturing sites, enabling a continuous quality improvement process.

Our assembly and test partners are leading companies such as SPIL, ASE and UTAC. We maintain deep expertise on advanced processes, test and packaging development in our own teams. These areas of expertise support the development of products which are thin and light – features which consumers value highly in portable devices. In order to meet our stringent product quality and qualification requirements, all test programmes are developed and maintained by our Test and Product teams and deployed to our back-end partners.

Dialog has built a robust supply chain management approach which seeks to ensure the delivery of a high volume of products for global consumer electronics launches.

3. Market-leading products

Dialog's focus and expertise in power management and power efficiency semiconductors contributes to better energy efficiency and lower power consumption for a range of portable devices and applications in the consumer products market.

Our integrated design approach helps to reduce component size and number, meaning our customers can reduce costs and maximise performance.

Our customers are attracted by the quality and performance of our products and our focus on high-growth portable platforms and consumer devices. A business model based on high Tier 1 customer penetration results in high volumes and strong cash generation. Examples of a range of market-leading innovative products, launched in 2015, are set out in the segment review on pages 24 to 31.

Sustainability

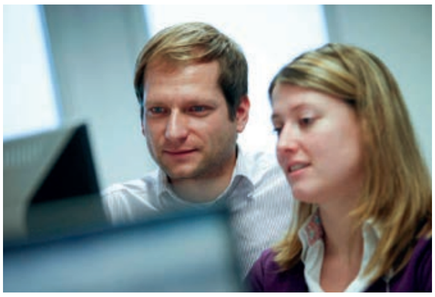
Corporate responsibility and a commitment to sustainable business practices are important to Dialog. Dialog's commitment to sustainability is outlined in greater detail on page 42 and also in our annual sustainability report, which is available on our website.

Aligned interests

Dialog is committed to the continuing development of market-leading innovative products which we believe will generate profitable revenue streams and create long-term value for our Shareholders. We achieve this by setting stretching performance targets, which align with Shareholders' interests, and then motivating our executives to achieve those targets with appropriate incentive arrangements. Dialog's remuneration policy is set out in greater detail within the Directors' remuneration policy report on pages 68 to 81.

Our people

1,660 people worldwide, 62 nationalities across 14 countries



"Our employees are highly engaged and are the key contributors to our success."

Martin Powell, Senior Vice President, Human Resources

Employees by region

Our performance

	2015	2014
Employee retention (%)		
Manager retention rate	**95.0**	93.3
Overall employee retention rate	**93.1**	94.3
Diversity (%)		
Women overall	**15.8**	15.8
Part-time employees	**3.5**	3.9
Number of nationalities	**62**	58

Engaging our employees – the Voice of Dialog

In 2015, we conducted our second annual "Voice of Dialog" employee survey, working with our external partner to ensure employees' responses are anonymous, confidential and accurate.

Compared to last year, our overall employee engagement score is up from 64% to 66%. This is significantly above CEB benchmarks for companies in our sector, or of our size.

From the 2014 survey, we identified three key action areas for improvement: 1) involving employees more in decision-making, 2) stronger encouragement of work-life balance, and 3) improved leadership communication, especially of the direction of the Company. We are pleased to report that our scores in each of these areas have increased over the last 12 months. We will, however, strive for further improvements.

Listening to and involving our people in shaping the business contributes to the performance and success of the Company. Our employees are highly engaged and are the key contributors to our success.

Recognising and rewarding performance

In 2015 we continued to operate consistent ways of rewarding our employees through a global annual base salary review, short and long-term incentive plans, and the provision of employee welfare benefits. Recognition of employee performance and contribution remains one of our top priorities. In addition to providing a cash recognition award programme, we have also focused on recognition training for managers and will continue to strengthen our capabilities in this area.

Developing employees to support growth

We help our employees to achieve their full potential through training and development. Employees are actively encouraged to take up learning opportunities in the form of technical and professional training, management and leadership training, on-the-job learning, virtual learning environments and mentoring. In 2015 we are delighted to have surpassed our training quality targets in both Training Course Evaluation and Training Competency Gain. In 2015 we also rationalised our training suppliers to provide better value for money while offering more training courses than ever before. Looking forward to 2016 we will continue to develop our Management and Leadership portfolio to support the ever-growing organisation.

Valuing diversity

At the end of the year we employed 1,660 people worldwide, a 21% increase on the prior year. We now operate from 31 locations in 14 countries and our global workforce continues to increase in diversity. Dialog's workforce comprises 62 different nationalities. We continue to recruit globally for the most talented people, identify centres of engineering talent and build our business around them. In 2015, we continued expanding our existing design centres in Europe, Asia and North America.

Women comprise 15.8% of the overall workforce, unchanged from 2014. There is currently no female representation on our Board of Directors or Senior Management team.

One of Dialog's strategic sustainability aims is to encourage women into engineering and during 2015 we ran a number of events and programmes designed to do so.

See our corporate responsibility and sustainability section on pages 42 to 47.

Smart connected devices interact with our environment using connectivity and sensing technologies. Effective power management and increasing energy efficiency remain at the core of these devices.

Market trends

PMIC

12% CAGR

Million US$	
2018	4,819
2016	4,385
2014	3,844

Bluetooth® Smart

65% CAGR

Million US$	
2018	863
2016	347
2014	118

Wireless, USB audio

45% CAGR

Million US$	
2018	85
2016	35
2014	19

Source: Gartner 2015, Juniper 2014, Dialog Semiconductor

Sales of smartphones with larger screens (5"+) grew 180% in 2014, and contributed significantly to growth in 2015. Almost half of all smartphones sold in Q1-2015[1] fell into this 5"+ category and it is predicted to reach 70% of total smartphone unit demand in 2015. This growth trend has been visible across all regions and price levels. According to Nielson's Mobile Insights Report[2], nearly a quarter (24%) of purchasers cite large screen size as their top reason for purchasing compared with about 12% for brand or operating system.

Dialog's R&D investment in power management allows our Mobile Systems business to be well positioned for mid/high-end models as it enables both OEMs and Platform Customers to produce lighter and thinner smart devices with higher power efficiency and longer battery life.

In the period 2014-2018, units of smartphones are estimated to grow at 9% CAGR while tablets are expected to decline at 4% CAGR over the same period. Smartphone shipments within key emerging markets are predicted to more than double[3] by 2018.

Increasing processing capabilities in mobile devices coupled with more powerful telecommunications networks like 4G being rolled out across the world are enabling consumers to increase the intensity of use of their mobile devices and the volume of data processed. This increase in data processing has an energy cost. In this context, the need to increase the power efficiency of portable devices will continue to be at the core of consumer electronics.

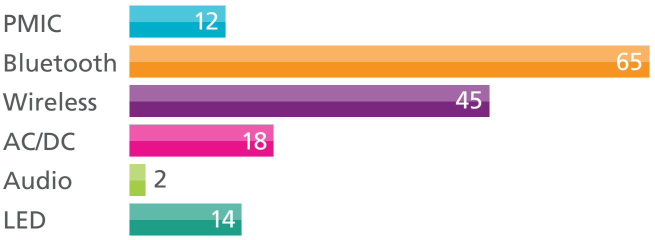
The number of smart connected devices continues to increase. In 2020 we expect to have 4.5 billion smartphones and smart vehicles, ten "appcessories" per person and 50 billion wireless connections. Smartphones and tablets are the central mobile gateways and all major mobile platforms, iOS, Android and Windows 10, have adopted Bluetooth® Smart as a core connectivity technology. We anticipate Bluetooth® Smart will also have a key role in connecting IoT nodes into the cloud. The Bluetooth® Smart market is expected to grow 65% CAGR in the period 2014-2018.

A key fast-growing market for wireless headsets is Unified Communication ("UC"). New generation headsets support Hi-Fi audio music listening with low-latency microphone features. Dialog is a leading supplier into wired and wireless headsets in the UC market. The 1.9GHz wireless link is enabling high density wireless networks in the enterprise environment without the risk of interference with the overcrowded 2.4GHz frequency space. Our products excel in audio performance, integrated power management and interfacing to various UC devices.

The vast majority of the world's electronic devices that plug into an electric wall outlet require the conversion of high voltage AC power to low voltage DC. Portable devices continue to ship with larger batteries to support more and more powerful processors and large screen sizes. These devices require additional power to charge them and even more power to charge them quickly. With consumers demanding feature-rich mobile devices that can charge faster than ever before, rapid charging has become the

1 GFK, Trends and Forecasting 2015
2 http://www.nielsen.com/us/en/insights/news/2015/super-size-me-large-screen-mobile-sees-growth-in-the-midst-of-a-small-screen-surge.html

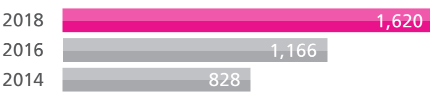
Market CAGR 2014-2018 (%)



AC/DC converters

18% CAGR

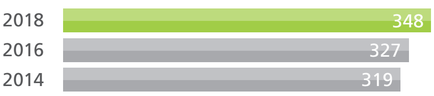
Million US$



Audio Codec

2% CAGR

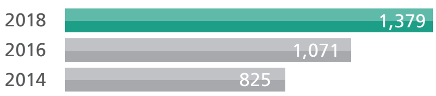
Million US$



LED Solid State Lighting and LED Backlight

14% CAGR

Million US$



fastest-growing segment in the highest volume power market – smartphones – with a 2014-2018 CAGR estimated at 300%[4].

Dialog leads the way in rapid charging with the widest customer base and AC/DC adapter IC solutions that support virtually all fast charge protocols, including the latest Qualcomm® Quick Charge™ 3.0 technology, MediaTek's second-generation Pump Express Plus™, Huawei's fast charger protocol ("FCP"), Samsung's Adaptive Fast Charging ("AFC") technology and other proprietary OEM protocols.

The served available market ("SAM") for Dialog's SSL LED drivers is estimated to grow 14% CAGR from US$825 million in 2014 to approximately US$1,379 million in 2018. This represents a large opportunity requiring millions of SSL LED driver ICs. Dialog addresses this market with a broad range of SSL LED driver ICs that embed our exclusive technologies to enable high performance dimming, seamless dimmer compatibility and high quality of light, all with a very low bill of materials ("BOM") cost. We support dimmable and non-dimmable bulbs across a wide range of residential and commercial applications. Our solutions include strong dimming intellectual property, as well as smart lighting driver and Bluetooth® Smart ICs to address wireless lighting control and sensing via the IoT.

The influence of consumer electronics in the development of traditional computing products is pervasive. The market continues to evolve towards a convergence of features between the next generation of computing devices such as all-in-one PCs, hybrids and Ultrabooks™ and consumer electronics.

Our key customers

Our customers want our focused innovation, technical expertise, high integration and fast product development and support. Given the speed of technological change in our markets, our focus is to develop and retain long-term relationships with all our major customers, adopting a true partnership approach.

Customers with a significant contribution to revenue include Apple, Panasonic, Bosch, Gigaset and Xiaomi.

These top five customers represented 85% of Dialog revenue in 2015. We recognise there is a risk associated with this level of customer concentration (see details on pages 48 and 49 of the Risk section) and the revenue derived from our largest customer is shown on page 137, note 29. We are delighted to have such a strong relationship and during 2015 we have broadened and deepened our interactions based upon our innovative products, excellent programme execution and product delivery. The diversification of our business is a key strategic objective. In 2015 we have welcomed new customers across multiple business segments.

3 Source: IDC Worldwide Mobile Phone Tracker, May 28, 2014 http://www.idc.com/getdoc.jsp?containerId=prUS24857114
4 Combination of Gartner and dialog data

We made great progress in 2015 and continue to power ahead with solid initiatives in each of the four pillars of our strategy which aim to generate sustainable long-term shareholder value.

Strategic priorities

Extending our product portfolio

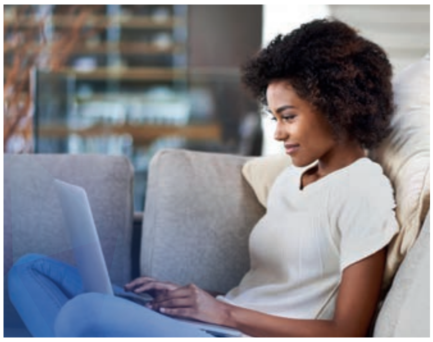
We aim to continuously extend our product portfolio of highly integrated mixed signal, lower power products. This helps us to diversify, open up new addressable markets and stay ahead of the competition.

Case study: Dyna Image strategic partnership, pages 16–17

Broader and deeper customer base

The quality and performance of our products have attracted the leading brands in each of our markets. We want to maintain and grow those strong relationships while further diversifying our customer base by launching new products and opening up new addressable markets.

Case study: The next wave: Smart Home, pages 18–19



Continuous innovation

Innovation is at the core of our business. Our top talent and technology, paired with an innovative-product development philosophy and sustained engineering investment enables Dialog to provide industry-leading solutions which consistently deliver extraordinary value for our customers.

Case study: Expanding our market leadership in fast charge, pages 20–21

Establish regional engagements

A core strategic objective is to establish regional engagements using highly integrated analog and power technologies. In particular, we are building innovative partnerships with leading semiconductor companies in Greater China. During 2015, we collaborated with MediaTek and established the Dyna Image strategic partnership. We also welcomed Xiaomi, one of the leading Chinese OEMS in our top five customers.

Case study: Expanding our presence in the Chinese market, pages 22–23

2015 progress	Forward focus
> Expanded Bluetooth® Smart range with three products aimed at high-volume, high-growth consumer markets. > Entered white goods sector with expanded power conversion product portfolio. > New SSL dimmable LED drivers compatible with ultra-low cost for next-generation LED bulbs. > Established strategic partnership with ShunSin Technology and Dyna Image, a Lite-On subsidiary.	> Expand low latency wireless audio activity towards microphones and headset brands. > Exploit high-voltage, high-power density technology to address broader footprint within multicell mobile segment. > Expand SSL LED driver solutions for commercial, professional, wireless and smart lighting markets.
> Xiaomi adopted Dialog's Bluetooth® Smart SoC for its innovative voice remote control unit. > Global distribution deal with Digi-Key to accelerate development of small low-power Bluetooth devices for IoT. > AC/DC technology gained majority share of the global smartphone fast charging market.	> Diversify Mobile Systems design-in activity on new customers within the computing segment. > Increase content in power adapters, replacing passive components with Dialog active digital solutions. > Deliver next-generation Rapid Charge™ adapter solutions to smartphone, tablet and portables markets.
> Launched world's first Bluetooth® Smart Wearable-on-Chip™ which enables the creation of fully hosted wearables. > Entered computing systems with power management IC enabling design of smaller, thinner notebooks and tablets. > Launched Bluetooth® Smart development kit to accelerate development of Smart Home accessories. > Collaboration with Bosch Sensortec for gesture recognition in wearables, immersive gaming and 3D indoor mapping navigation.	> Invest in Bluetooth® Smart platform to increase market footprint. > Invest in novel power-optimised products for IoT, Smart Home and wearable applications.
> Sub-PMIC powering MediaTek MT6795 processor in HTC One M9+ and E9+ Android-based smartphones. > Rapid Charge™ technology selected by Samsung, Huawei and LeTV. > The Dyna Image strategic partnership has provided good opportunities to partner with local Chinese businesses.	> Deepen our collaboration with strategic partners. > Establish new partners and grow dynamic engineering design community.

Sustainability vision and values

Our vision is to embed sustainable and responsible practices into the way we act internally and engage externally

Applicable external standards

> United Nations Global Compact
> ISO14001 environmental management system standard
> ISO9001 quality management system standard
> Global Reporting Initiative and G4 Sustainability Reporting Guidelines

Dyna Image strategic partnership

Establishing a new advanced sensor capability

Dialog Semiconductor, Foxconn Technology Group's ShunSin Technology ("SST") and Lite-On established a sensor strategic partnership via the investment in Dyna Image Taiwan. This investment represents Dialog's first foray into the sensor market. We have become closely involved with technologies that complement our power management, audio and Bluetooth® Smart expertise in smartphone, IoT and smart lighting applications.

We are working closely with Dyna Image on the development of sensors and sensor solutions for smartphones and IoT applications

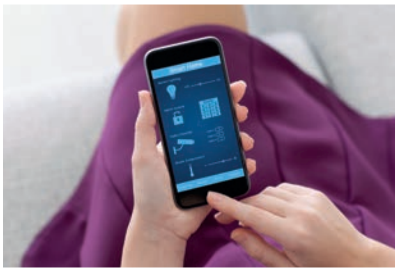
It also represents another important step in our strategy to gain market share in the fast-growing Greater China smartphone and IoT markets through innovative local business partnerships. We'll continue to bring our customers best-in-class technology and help them integrate it quickly and reliably into their designs to improve performance, cut costs and reduce time-to-market.

Dyna Image 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.

We are working closely with Dyna Image 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.



The next wave: Smart Home

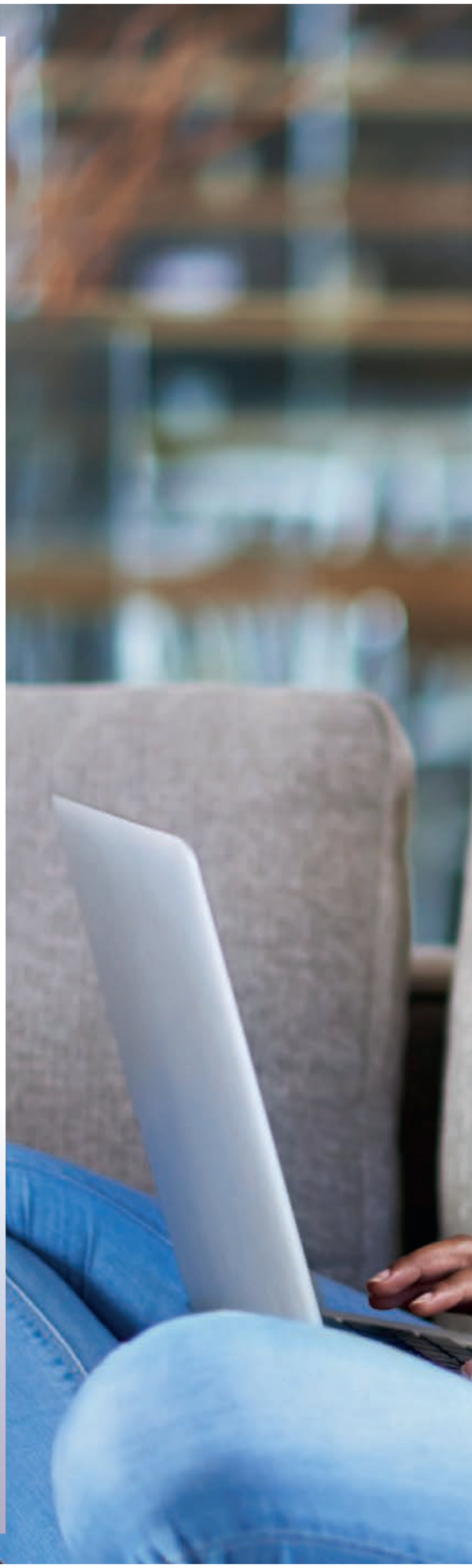
Unlocking the door to a connected future

The Smart Home market is one of the fastest-growing segments within the Internet of Things. The major ecosystem shapers Google, Apple and Samsung have entered the Smart Home market and are pushing forward. The Smart Home market for Bluetooth® Smart is expected to grow to 19% CAGR (2015-2019)[1]. Bluetooth® Smart will have a central role in the Smart Home wireless technology space.

Dialog has a footprint in all leading Smart Home ecosystems:

- We are a member of the Thread Group and actively developing a solution for the "Works with Nest" initiative.
- In collaboration with Apple, Dialog has released a development kit for their HomeKit ecosystem.
- Samsung has adopted Dialog's Bluetooth® Smart solution in their Artik Smart Home modules.

Bluetooth® Smart is a common link across the different ecosystems. It is already in millions of smartphones and devices. It is well designed to be an access technology: fast, extreme low power and IPv6 capable. Dialog's best-in-class SmartBond™ product portfolio is already enabling customers to develop innovative products for this rapidly growing segment.



1 Bluetooth Technology's role in the Internet of Things, IHS, May 2015

Expanding our market leadership in fast charge

Rapid Charge™ powering the next generation of mobile devices

Dialog's Rapid Charge™ technology supports virtually all fast charge protocols and addresses efficiency and power density issues.

Portable devices are shipping with larger batteries supporting more powerful processors and larger screens. These devices need more power to charge and even more to charge faster, making rapid charging the fastest-growing segment in the largest power market – smartphones.

Many smartphone platform vendors and OEMs have developed and implemented various rapid charging protocols to support the size, maximum current and other design parameters of the batteries designed into their phones.

Manufacturers are reluctant to ship their latest smartphones with bigger adapters to accommodate the higher power. As a result, rapid charging means they need to pack more power (high power density) in the same size adapter. Higher power density necessitates smaller components and much higher efficiency to ensure that manufacturers' specified thermal requirements for the adapter case are not exceeded.

Dialog's competitive advantages

Scalability: We use an external power switch that enables one controller IC to provide an optimised solution in power adapters from 15W to as high as 36W.

System partitioning: We quickly and cost effectively support additional protocols by modifying the secondary-side interface IC with no changes to the complex controller IC on the primary side.

Higher efficiency for higher power density: Our Rapid Charge™ solutions provide efficiency as high as 88%.

SmartDefender™ for safer charging: Our SmartDefender™ technology is available with most of our Rapid Charge™ solutions. It helps protect mobile devices from heat damage caused by short circuits in dirty or damaged charging ports, or by worn USB cables and connectors – all with no additional components or cost.

Support for virtually all fast charge protocols: Our Rapid Charge™ solutions are compliant with the Qualcomm® Quick Charge™ 3.0 and Quick Charge 2.0 technologies, MediaTek's Pump Express™ and second-generation Pump Express Plus™, Huawei's FCP, Samsung's AFC technology and other proprietary OEM protocols.

Qualcomm® Quick Charge™ is a product of Qualcomm Technologies, Inc.

Rapid Charge™ leader

In 2015, we established a leadership position with a majority share of the smartphone fast charging segment, the widest rapid charge customer base and AC/DC adapter chipsets supporting virtually all fast charge protocols from platform vendors and mobile OEMs.

rapidcharge

Expanding our presence in the Chinese market

Developing deeper customer engagements

One of our objectives is to establish regional engagements using highly integrated analog and power technologies. As part of this, we are building innovative partnerships with leading technology companies in Greater China to develop deeper customer engagements in the region.

We have collaborated with MediaTek since 2014. Together, we have delivered intelligent, precision control of power to their latest LTE platforms.

Customers such as Lenovo, Meizu, Oppo and LeTV are launching new smartphones with our power management IC.

As a result, phone users experience better multi-tasking and extended battery life. It strengthens the consumer appeal of the devices, making it easier for users to use simultaneously data-intensive applications.

The collaboration with MediaTek also includes the support of their PumpExpress™ and PumpExpress™Plus fast charging protocols by our AC/DC power conversion product lines, thus reducing the charging time of mobile devices by up to 50%.

> "China will account for almost a third of smartphone shipments by 2018 according to IDC[1]."

1 Source: IDC Worldwide Mobile Phone Tracker, May 28, 2014 http://www.idc.com/getdoc.jsp?containerId=prUS24857114

Mobile Systems

Consumer expectations for mobile devices continue to increase as the devices are used interchangeably. Accommodating such requirements and maintaining battery life adds complexity to power management solutions and increases its value-add.

Revenue (US$ million) **+18%**

Udo Kratz, Senior Vice President and General Manager, Mobile Systems Business Group

Our markets

- System and battery management ICs for large-screen smartphones and tablets (5″-11″ category).
- Audio CODECs for smartphones and tablets.
- High voltage power management for Ultrabooks™, convertible tablets and Ultraslims. Multi-touch sensors supporting the broader computing market.
- Automotive-grade PMICs for in-vehicle infotainment, electronic instrument cluster, and driver-assisted displays.
- Low-power and highly integrated power management for smart wearable devices.
- Low quiescent, low-cost power management for Smart Home and other embedded IoT applications.

Revenue

US$1,114.5m

(2014: US$942.6m)

Our products

Dialog replaces discrete power management components with highly integrated, single-chip solutions that reduce energy usage, provide design simplicity at a lower cost and improve the overall power density of mobile products.

Our Power Management Integrated Circuits ("PMICs") are unique in that they are fully configurable. This allows them to be factory-tailored to meet the exact voltage and current needs of every component on the board.

This flexibility serves two purposes. First, it is equally attractive to platform vendors as it is to end customers. Platform vendors can validate one PMIC and use it in multiple platform variants, and end customers who wish to differentiate against other platform customers can modify some peripheral functions.

Second, it also means our platform partners are well prepared for transformational trends in the smartphone industry. This year we saw the rapid upgrade of Graphics Processor Units ("GPUs") to support larger smartphone displays, but the inherent flexibility of the PMIC meant our platform partners knew they could adapt quickly.

Diversification of customers, especially in China, and indeed end applications remains a key focus. At Computex Taipei, Dialog announced a new product DA9312 which extends our technology to multicell-powered PMICs.

The notebook market has demonstrated that higher currents and larger screens are more efficiently served by multicell batteries as higher power may be delivered at reduced current with lower losses. Dialog's Computex announcement marked our expansion into the exciting convergence area of convertible/hybrid tablets and increases our PMIC SAM by an estimated US$800 million by 2018.

The complexity of PMICs continues to increase with the continued market adoption of the Internet of Things.

Always-on sensing combined with increased context awareness in a wide range of smart devices has the effect of exponentially increasing the number of use cases that customers wish to support.

"The flexibility of our sub-PMIC prepares our customers for the next generation of smart devices."

Strategies to manage leakage and quiescent current are now evolving in parallel with new topologies to deliver higher power density to support the next level of "full power" benchmark performance.

Accommodating such diverse requirements while maintaining battery life is one reason why customers continue to turn to Dialog to support their next power challenge. With such powerful market dynamics at play in high-volume segments, the stage is set for the next wave of innovation in smart power management – Dialog is well positioned to deliver.

Our audio technology allows the capture of speech and audio with high quality and low power consumption while enabling speaker playback at maximum voltage and power efficiency. Dialog's audio CODECs provide full range, high-fidelity audio capture and playback to a variety of portable devices and audio accessories. They feature programmable Digital Signal Processors (DSPs) that offload audio software from the host processor including DTS SRS™ advanced echo cancellation and microphone beamforming.

Dialog was one of the first companies to combine a fully configurable PMIC with a low-power audio CODEC, stacked in a single package to deliver board space and cost savings to customers.

Forward focus

> Diversify our design-in activity with new customers within the computing segment.
> Exploit our high-voltage, high-power density technology to address a broader footprint within the multicell mobile segment.
> Deepen our collaboration with strategic partners
> Invest in novel power management for the Internet of my Things, Smart Home and wearable applications.

2015 progress

> Announced sampling of DA9312 PMIC with 20 amp delivery and world-beating 98% peak efficiency in just $80mm^2$ board space.
> Successfully added two brand new platform vendors to Dialog's platform partner programme.
> Ramped up mass production of a low-power audio-solution for a flagship gaming customer.
> Expanded our MediaTek partnership to several smart device platforms shipping to multiple customers.
> Sampled our third-generation sub-PMIC delivering up to 20A processor core power with high accuracy.

Key drivers

> Market growth of Ultrabooks™, hybrid tablets and 2-in-1 convertibles in thinner form factors accelerating demand for higher performance power management combined with reduction in board area.
> Industry-wide calls for PMIC vendors to increase the achievable power density to address ever-tighter thermal budgets.
> Broader adoption and reliance upon platform reference designs for lower customer development cost and faster time to market.
> For existing markets such as smartphones, the challenge to balance high-end flagship performance against "just good enough" performance at lower price points.

Connectivity

Since the development of SmartBond™ in 2013, Dialog has grown from a single Bluetooth® Smart product to a complete portfolio in 2015.

Revenue (US$ million) **+27%**

Sean McGrath, Senior Vice President and General Manager, Connectivity, Automotive & Industrial Business Group

Revenue

US$117.0m

(2014: US$92.1m)

Our markets

> Single chip transceivers for DECT-based cordless telephones, wireless microphones, headsets and gaming consoles.

> SmartBond™ single chip wireless ICs, certified to the Bluetooth® Smart standard, for enabling IoT node connectivity to the cloud.

> SmartPulse™ short-range wireless ICs, based on the ultra-low energy DECT standard, for Smart Home applications.

> Energy-efficient multicore Voice-over IP ("VoIP") processors, audio CODECs and amplifiers, interfacing with Bluetooth®, Wi-Fi and DECT, to enable headset and handset connectivity.

> SmartBeat™ provides a platform for robust, low-power wireless audio over DECT. This platform offers a highly integrated solution for high quality and fixed low-latency wireless audio applications supporting sample frequencies up to 48kHz.

Our products

Dialog's SmartBond™ family is the simplest route to delivering the most power-friendly and flexible Bluetooth® Smart connected products to the market. SmartBond™ DA14580 is still the lowest power, highest integration Bluetooth® Smart SoC, covering a broad range of applications. Based on this world-leading product we extended our portfolio with optimised solutions targeting dedicated applications: DA14581 for wireless charging, DA14582 with an integrated voice codec and DA14583 which has on-board flash memory.

In 2015 we introduced the first single-chip solution for wearables: DA14680. Customers can now create next-generation Bluetooth® Smart wearables without compromising on functionality, battery lifetime or system size.

With a solid partner ecosystem, an increasing portfolio of reference designs and a daily growing online SmartBond™ engineering community, Dialog has a strong base for further growth.

Dialog's SmartBeat™ products can be found in leading brands of semi-professional wireless audio products. Leading headset brands use our solution to bring products on the market with best-in-class voice and audio capabilities, excellent quality of service and interference-free radio links. Our solutions can also be found in the new generations of wireless microphones and in wireless public address systems.

"Our product portfolio and roadmap targeting the IoT market provides a solid basis for continued revenue growth."

By enabling voice and data to run over a single network, VoIP technology can enable businesses to increase bandwidth efficiencies, reduce costs and migrate away from traditional copper wire-switched telephone systems. Dialog works with the leading global VoIP phone manufacturers with our energy-efficient Green VoIP solution to address the large enterprise, small to medium business and hotel markets.

Dialog offers high-performance, energy-saving VoIP chipsets that integrate the building blocks for best-in-class audio, security and graphics functionality. They use acoustic echo cancellation and active noise reduction to deliver crystal-clear conversations, with the option of video calling or phone number directories on a high resolution, colour touchscreen LCD, and banking-grade levels of security authentication.

Forward focus

- Continue to invest in the Bluetooth® Smart platform and increase market footprint.
- Focus on wearables and Smart Home Bluetooth® Smart market segments.
- Expand our low latency wireless audio activity towards microphones and headset brands.
- Continue to establish new partners and grow a dynamic engineering design community.

2015 progress

- Growing market share for Bluetooth® Smart product portfolio.
- Extended SmartBond™ portfolio with four new products targeting specific applications.
- Announcing a number of Bluetooth® Smart design wins: Xiaomi, Samsung, SMK and MediaTek.
- Launched the new USB-Audio product in Jabra's Unified Communication headsets.

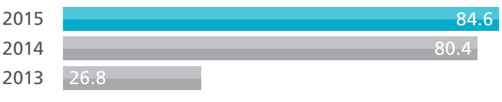
Key drivers

- Rapid market expansion of Bluetooth® Smart fuelled by connectivity needs of the Internet of Things.
- Increasing trend to use the proven DECT standard in new applications such as Smart Home and low latency audio.
- Maturity of DECT handset market, DECT 1.9GHz terminals also has growth areas such as the new wireless 1.9GHz HD-voice terminals for IP-telephony via broadband modems.
- Focusing on the fast-growing Unified Communication products segment with 1.9GHz DECT audio and USB-audio headsets.

Power Conversion

Rapid charging is the fastest-growing segment in the highest volume power market – smartphones. With our ability to support virtually all fast charging protocols, Dialog was able to quickly build a majority market share in 2015.

Revenue (US$ million) **+5%**



Davin Lee, Senior Vice President and General Manager of the Power Conversion Business Group

Revenue
US$84.6m
(2014: US$80.4m)

Our markets

- AC/DC converter solutions – digital intelligence for smaller, faster-charging power adapters for smartphones and tablets.
- LED drivers for solid-state lighting – innovating to solve our customers' design challenges.
- LED drivers for display backlighting for LED TVs.

Our products

AC/DC power conversion: Consumers are demanding feature-rich mobile devices, with more powerful processors and larger screens that can charge faster than ever before. This means rapid charging has become the fastest growing segment in the highest volume power market – smartphones, with a 2014-2018 CAGR estimated at 300%[1].

In addition to AC/DC adapters for smartphones, there is also a growing market for standalone adapters that can be used to charge a variety of devices over USB. This drives demand for more power-efficient AC/DC adapters that can charge quickly and safely, without increasing the adapter size.

In 2015, we established our position as market leader with: a majority share of the smartphone fast charging segment, the widest rapid charge customer base, and AC/DC adapter chipsets which support virtually all fast charge protocols. Our Rapid Charge™ solutions are compliant with the newest Qualcomm® Quick Charge™ 3.0 technology, MediaTek's second-generation Pump Express Plus™, Huawei's FCP, Samsung's AFC technology and other proprietary OEM technologies.

Our fast charging chipsets can be found in adapters for leading smartphone brands in China, South Korea and Japan, including Huawei, LeTV, Hosiden and many more.

We further expanded our power conversion product portfolio in 2015 with the release of our second-generation synchronous rectifier IC (iW673) that works with our rapid charge devices to improve efficiency, enabling smaller form-factor higher power adapters.

Our AC/DC converter ICs can also be found in power supplies for white goods, networking devices (set top boxes, routers) and industrial control products. They enable optimisation for high operating efficiency and low standby power to meet or exceed the most stringent worldwide energy standards for external power supplies.

1 Combination of Gartner and Dialog data

"Our LED drivers deliver a high performance with a low cost."

LED solid-state lighting: Dialog offers a broad range of SSL LED driver ICs, embedding our exclusive technologies to enable high-performance dimming, seamless dimmer compatibility and high quality of light, all with a low BOM cost. We support both dimmable and non-dimmable bulbs across a wide range of residential and commercial applications.

With consumers demanding lower cost dimmable SSL bulbs, our customers are constantly challenging us to provide high-performance LED drivers that reduce BOM in SSL bulbs. In 2015, we saw strong market adoption of our iW3688 dimmable SSL LED driver due to its exceptional dimmer compatibility and low BOM cost. We also developed our next-generation dimmable driver, which will provide an even lower IC BOM cost solution.

Fundamental to our dimmable SSL product line is our strong dimming intellectual property that uses advanced digital analytics to enable compatibility with a wider range of dimmers, providing superior TRIAC and digital dimming performance.

Our SSL solutions also include our iW6401 smart lighting driver designed for digitally controlled lighting systems. The iW6401 pairs with Dialog's Bluetooth® Smart technology to put it at the heart of our smart lighting platform, enabling complete, turnkey system solutions for multi-room wireless lighting control via a smartphone or tablet.

In 2015, we also expanded our smart lighting product line with our high-power iW3627 SSL LED driver, which is uniquely suited to the needs of smart lighting applications where the ability to change colour and hue is required.

Forward focus

- Continue to deliver next-generation Rapid Charge™ adapter solutions for the smartphone, tablet and portables markets.
- Increase our semiconductor content in power adapters, replacing energy-wasting passive components with Dialog active digital solutions.
- Continue addressing the LED driver market for mainstream retrofit SSL bulbs and expanding our SSL LED driver solutions for commercial and professional LED lighting.
- Expand our SSL LED driver solutions for the wireless and smart lighting markets.

2015 progress

- Majority share of rapid charging market supporting more protocols than any other vendor.
- Delivered three-chip Rapid Charge™ solution for Huawei's new Honor 7 smartphone charging adapters, and a Qualcomm® Quick Charge™ 2.0-compliant adapter chipset for LeTV's flagship smartphone charging adapters.
- Released second-generation synchronous rectifier IC, addressing demand for higher power density without increasing adapter size.
- Developed complete ecosystem to support our wireless controlled lighting that combines Dialog LED drivers with Dialog Bluetooth® Smart technology.
- Developed SSL LED driver uniquely suited to smart lighting market, where ability to change colour and hue is required.

Key drivers

- More powerful smartphone processors and larger screens require larger phone batteries.
- Consumers want faster-charging smartphones, necessitating higher power adapters.
- Consumers expect these higher power adapters to remain small; driving need for higher power density.
- Need to support smartphone OEMs and platform vendors' fast charge technologies.
- Consumers demanding lower cost SSL bulbs and regulation is phasing out inefficient incandescent and compact fluorescent lamp ("CFL") bulbs.
- Emerging smart lighting market fuelled by wireless technologies and IoT.

Automotive & Industrial

Dialog is an automotive-certified company addressing the mid to high-end European segment. In 2015, revenue from our Automotive & Industrial segment declined by 16%

Revenue (US$ million) **-16%**

Sean McGrath, Senior Vice President and General Manager, Connectivity, Automotive & Industrial Business Group

Revenue

US$34.4m

(2014: US$41.0m)

Our markets

- Custom motor control ICs for windscreen wipers and companion processor integrated power management for automotive infotainment systems.
- Electronic ballasts for fluorescent or high-intensity industrial lighting and energy-efficient controllers for LED lighting solutions.

Our products

Dialog supplies motor control ICs to a leading European automotive supplier, who in turn delivers Dialog-based windscreen wiper motor products addressing mid to high-end European and Japanese cars.

These devices capitalise on Dialog's expertise and knowledge of technologies ranging from power management systems and mixed signal design, to high voltage circuits and embedded microprocessors on a single integrated circuit in an automotive-qualified CMOS process, including flash memory.

For the industrial market, Dialog develops innovative control ASICs for conventional light sources, such as fluorescent or High-Intensity Discharge ("HID") lamps, and for other industrial applications. Our future development focus is on energy-efficient controllers for LED lighting solutions. These devices seek to deliver optimal control and regulation of light sources, while maximising their service life. Through intelligent control, using advanced digital signal processing, these devices help to minimise energy consumption.

"Our expertise in power management and mixed signal design means we are able to uniquely support our customers."

Forward focus

- Supporting our customers to remain competitive.
- Follow this market with appropriate investments.

2015 progress

- Successful ramp-up of new ASIC LED controller.

Key drivers

- Increasing market for reverse wipers and LED lighting solutions.

Key performance indicators ("KPIs")

The Board uses a range of indicators to assess performance, to ensure performance is aligned to the strategy, and to ensure continued alignment with Shareholder interests. The key performance indicators are set out below. Underlying (non-IFRS) measures are used to comment on business performance. See explanations and reconciliations to the nearest equivalent IFRS measures in the section entitled "Financial performance measures" on page 149).

Revenue growth

Performance indicator		Definition and relevance	2015 performance
IFRS **+17%**	Underlying **+17%**	Actual and prior year's full-year IFRS and underlying revenue measured in our functional currency, US dollars. Monitoring this revenue trend provides a measure of business growth. Underlying revenue is used in order to provide a useful reflection of business performance.	Full-year IFRS revenue in 2015 was 17% above 2014. This growth is the result of volume and average sales price ("ASP") increase, reflecting not just market volume trends but the increased value we continue to bring to our clients.

Gross margin

Performance indicator		Definition and relevance	2015 performance
IFRS **46.1%**	Underlying **46.7%**	Actual and prior year's underlying gross margin. Gross margin is gross profit expressed as a percentage of revenue and shows the economic substance of the Group's products. Monitoring this trend provides a measure of our ability to increase the economic value of our products and manage our manufacturing costs over a period of time. Underlying gross margin provides a useful reflection of the economic value of our products.	Underlying gross margin in 2015 was 140bps above 2014. This increase reflects the higher economic value of our products as a result of the high level of innovation and integration and the level of efficiency of our high-touch fabless model.

Operating expenses as a percentage of revenue

Performance indicator		Definition and relevance	2015 performance
IFRS **27.0%**	Underlying **23.3%**	Actual and prior year's underlying operating expenses ("OpEx") expressed as a percentage of underlying revenue. Underlying OpEx % provides a measure of our effort in innovation and the efficiency of our operating structure over a period of time and it reflects the need for current returns as well as an investment in future revenue growth. Underlying OpEx % provides a useful reflection of the focus and efficiency of our operating structure. OpEx includes Selling & Marketing expenses, General & Administrative expenses and Research & Development expenses.	Underlying OpEx % in 2015 was 23.3%, 220bps below 2014. This level of investment reflects the strategic commitment to innovation in our Research & Development (R&D) effort. It also reflects our commitment to invest and improve the efficiency of our Sales, General & Administrative infrastructure and align it with a growing revenue base. It is important to note that our Research & Development effort is not directly linked to the revenue of the same period. Our R&D programmes represent an investment in future revenue growth.

Operating profit growth

Performance indicator		Definition and relevance	2015 performance
IFRS **+39.7%**	Underlying **+38.0%**	Actual and prior year's full-year underlying operating profit. Monitoring this operating profit trend provides a measure of the economic value of our operating business.	Underlying operating profit in 2015 was 38.0% above 2014. This increase reflects the higher economic value of our business, which is underpinned by the increasing economic value of our products and the efficiencies achieved in our R&D and SG&A structure.

Operating margin

Performance indicator		Definition and relevance	2015 performance
IFRS **19.2%**	Underlying **23.4%**	Actual and prior year's underlying operating margin. Monitoring this trend provides a measure of our ability to increase the economic value of our operating activity over a period of time. Underlying operating margin provides a useful link to our ability to generate cash as we are a low capital intensity business.	Underlying operating margin in 2015 was 350 bps above 2014. This increase reflects the higher economic value of our business which is underpinned by the increasing economic value of our products and the efficiencies achieved in our OpEx structure.

Diluted EPS (US$)

Performance indicator		Definition and relevance	2015 performance
IFRS **$2.29**	Underlying **$3.02**	Actual and prior year's underlying diluted EPS. Monitoring this trend provides a useful measure of our ability to increase the inherent value of our business for our Shareholders over a period of time. Underlying diluted EPS provides a reflection of the inherent value of the business.	Diluted underlying EPS was 33% up over 2014 to US$3.02. This increase reflects the higher inherent value of our business as a whole.

"In 2015, our business delivered high returns and strong cash generation. We closed the year with a solid balance sheet built on the low capital intensity of our fabless business model and rigorous working capital management."

Group summary

	IFRS basis			Underlying basis[1]		
US$ millions unless stated otherwise	**2015**	2014	Change	**2015**	2014	Change
Revenue[2]	**1,355.3**	1,156.1	+17%	**1,355.3**	1,156.1	+17%
Gross profit	**624.8**	514.8	+21%	**632.3**	523.4	+21%
Gross margin %[2]	**46.1%**	44.5%	+160bps	**46.7%**	45.3%	+140bps
R&D % of revenue	**16.5%**	18.5%	-200bps	**15.6%**	17.5%	-190bps
SG&A % of revenue	**10.6%**	10.3%	+30bps	**7.7%**	8.1%	-40bps
EBITDA[1]	**316.6**	241.9	+31%	**359.5**	269.4	+33%
EBITDA margin %[1]	**23.4%**	20.9%	+250bps	**26.5%**	23.3%	+320bps
Operating profit[2]	**259.7**	185.9	+40%	**317.7**	230.3	+38%
Operating margin %[2]	**19.2%**	16.1%	+310bps	**23.4%**	19.9%	+350bps
Profit before tax	**254.8**	169.3	+51%	**317.6**	223.0	+42%
Net income	**177.3**	138.1	+28%	**238.4**	172.2	+38%
Basic EPS (US$)	**$2.42**	$2.05	+18%	**$3.25**	$2.56	+27%
Diluted EPS (US$)[(2)]	**$2.29**	$1.93	+19%	**$3.02**	$2.27	+33%
Cash flow from operating activities	**317.7**	270.5	+17%	**n/a**	n/a	

1 Non-IFRS measures (see explanations and reconciliations to the nearest equivalent IFRS measures in the section entitled "Financial performance measures" on page 149).
2 Key performance indicators.

Basis of preparation

Accounting policies

The Group's financial statements have been prepared in accordance with IFRS as adopted by the EU and those parts of the Companies Act 2006 that are applicable to companies reporting under IFRS. There are no differences between IFRS as adopted by the EU and IFRS as issued by the IASB that affect the Group's financial statements.

The Group's principal accounting policies during 2015 were unchanged compared with 2014.

Recent accounting pronouncements that have not yet been adopted by the Group are outlined in note 2 to the consolidated financial statements.

Critical accounting estimates and judgements

Management considers that the most significant estimates and judgements made in preparing the consolidated financial statements arise in relation to the accounting for business combinations, product development costs, customer-specific R&D contracts, share-based compensation and deferred income taxes, and in assessing the recoverability of goodwill and other intangible assets. An explanation of the significant estimates and judgements made in these areas is provided in note 2 to the consolidated financial statements.

Non-IFRS measures

Management assesses the performance of the Group's businesses using a variety of measures. Certain of these measures are non-IFRS measures because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS or are calculated using financial measures that are not calculated in accordance with IFRS. All measures described as underlying and EBITDA (whether stated on an IFRS or an underlying basis) are non-IFRS measures.

An explanation of the adjustments made to the equivalent IFRS measures in calculating the non-IFRS measures and reconciliations of the non-IFRS measures to the equivalent IFRS measures for each of the periods presented are set out in the section entitled 'Financial performance measures' on page 149.

We report non-IFRS measures because they provide both management and investors with useful additional information about the underlying trading performance of the Group's businesses. We do not regard these non-IFRS measures as a substitute for, or superior to, the equivalent IFRS measures. Non-IFRS measures used by Dialog may not be directly comparable with similarly-titled measures used by other companies.

Investment in Dyna Image

On 4 June 2015, Dialog acquired a 45.7% shareholding in Dyna Image Corporation of Taiwan ("Dyna Image") and was granted a call option over the remaining shares. As a consequence of the call option, Dyna Image is accounted for as a subsidiary of Dialog and therefore its results subsequent to the acquisition are included in the Group's results.

Analysis of results by operating segment

Mobile Systems

Revenue from the Mobile Systems segment was 18.2% higher at $1,114.5 million in 2015 compared with $942.6 million in 2014. Revenue increased mainly because of higher sales volumes from our expanding range of highly integrated and increasingly more complex power management integrated circuits. Classic mobile devices such as smartphones and new connected devices such as smart watches were the main growth drivers. Mobile Systems represented 82.2% (2014: 81.5%) of the Group's revenue.

"Group revenue increased by 17%, recording the ninth consecutive year of revenue growth."

Summary of segment results

US$ millions	Revenue 2015	Revenue 2014	Revenue Change	Operating profit/(loss) 2015	Operating profit/(loss) 2014
Mobile Systems	**1,114.5**	942.6	+18%	**341.9**	244.2
Automotive & Industrial	**34.4**	41.0	-16%	**9.3**	11.2
Connectivity	**117.0**	92.1	+27%	**8.4**	(2.2)
Power Conversion	**84.6**	80.4	+5%	**(20.7)**	(21.1)
Corporate	**4.8**	–	>100%	**(79.2)**	(46.2)
Total	**1,355.3**	1,156.1	+17%	**259.7**	185.9

Operating profit was $341.9 million (2014: $244.2 million) and the operating margin was 30.7% (2014: 25.9%). Underlying operating profit was $343.7 million in 2015 compared with $247.0 million in 2014, an increase of 39.2%. Underlying operating profit increased principally because of higher revenue and a reduction in R&D expenses. Although R&D expenditure by the Mobile Systems segment increased by $10.2 million in 2015, this was more than offset by UK R&D expenditure credits of $6.1 million and an increase of $11.5 million to $15.3 million in the amount of development costs capitalised compared with 2014. Underlying operating margin improved by 460 basis points to 30.8% (2014: 26.2%).

Underlying operating profit excludes payroll taxes of $1.8 million (2014: $2.8 million) arising on share-based compensation of Mobile Systems employees.

Automotive & Industrial

Revenue from the Industrial & Automotive segment was down 16.1% at $34.4 million in 2015 compared with $41.0 million in 2014. Revenue decreased primarily because of reduced demand for traditional industrial lighting. Industrial & Automotive represented 2.5% (2014: 3.5%) of the Group's revenue.

Operating profit was $9.3 million (2014: $11.2 million). Operating margin remained broadly in line with 2014 at 27.0% (2014: 27.4%) because the effect of lower revenue was largely offset by successful cost reduction initiatives. Underlying operating profit was $9.5 million in 2015 compared with $11.5 million in 2014, a decrease of 17.3%. Underlying operating profit was lower principally because of the decline in sales volumes. Underlying operating margin was broadly in line with 2014 at 27.6% (2014: 28.1%).

Underlying operating profit excludes payroll taxes of $0.2 million (2014: $0.3 million) arising on share-based compensation of Automotive & Industrial employees.

Connectivity

Revenue from the Connectivity segment was 27.0% higher at $117.0 million in 2015 compared with $92.1 million in 2014. Revenue increased primarily because of growth in DECT-based markets with new professional applications such as cordless headsets and microphones and the emerging Bluetooth® Smart segment. Connectivity represented 8.6% (2014: 8.0%) of the Group's revenue.

During 2015, there was a substantial improvement in the results of the Connectivity segment. Connectivity delivered an operating profit of $8.4 million in 2015 compared with an operating loss of $2.2 million in 2014 and achieved an operating margin of 7.1% compared with (2.4)% in 2014. Underlying operating profit was $9.3 million in 2015 compared with an underlying operating loss of $0.3 million in 2014, the turnaround being principally due to higher sales volumes. Although R&D expenditure by the Connectivity segment increased by $5.2 million in 2015, R&D expenses were broadly flat after taking into account the increase of $4.9 million to $7.7 million in the amount of development costs capitalised compared with 2014. Underlying operating margin was 8.0% in 2015 compared with break even in 2014.

Underlying operating profit/loss excludes payroll taxes of $0.2 million (2014: $0.3 million) arising on share-based compensation of Connectivity employees and the additional amortisation expense of $0.8 million (2014: $1.6 million) that arose from the recognition at fair value of identifiable intangible assets on the acquisition of SiTel BV in 2012.

Power Conversion

Revenue from the Power Conversion segment was 5.3% higher at $84.6 million in 2015 compared with $80.4 million in 2014. Whilst revenue increased principally due to the roll out of new rapid charge solutions during the second half of 2015, this was partially offset by softness in the LED market. Power Conversion represented 6.2% (2014: 7.0%) of the Group's revenue.

Power Conversion incurred an operating loss of $20.7 million, slightly lower than the operating loss of $21.1 million incurred in 2014 and the operating margin improved slightly to (24.4)% compared with (26.3)% in 2014. Power Conversion incurred an underlying operating loss of $6.6 million compared with a loss of $2.3 million in 2014, the increase principally reflecting higher R&D expenditure to support the roll out of our Rapid Charge™ technology across several OEMs in Asia. Underlying operating margin was (7.8)% in 2015 compared with (2.9)% in 2014.

Underlying operating loss excludes payroll taxes of $0.3 million (2014: $0.4 million) arising on share-based compensation of Power Conversion employees, additional amortisation and depreciation expenses of $13.6 million (2014: $15.2 million) that arose from the recognition at fair value of assets acquired with iWatt in 2013 and costs of integrating that business of $0.3 million (2014: $3.2 million).

"Revenue from Connectivity was 27% higher at US$117 million building on our Bluetooth® Smart products and solid performance in new DECT-based markets."

Corporate
Corporate activities include emerging market businesses (principally those relating to the development of PMICs for TVs and set top boxes and Dyna Image). Revenue was $4.8 million in 2015 (2014: $Nil), the increase reflecting the inclusion of Dyna Image from June 2015.

Corporate activities also include the costs of operating central corporate functions, and the Group's share-based compensation expense and certain other unallocated costs. Corporate activities made an operating loss of $79.2 million in 2015 compared with a loss of $46.2 million in 2014. Corporate's underlying operating loss was $38.3 million (2014: loss of $25.6 million), the increase principally being due to higher product development costs in our emerging market businesses.

Corporate's underlying operating loss excludes the Group's share-based compensation expense (which is not allocated to operating segments) of $19.2 million (2014: $21.2 million), payroll taxes arising on share-based compensation of Corporate employees of $0.1 million (2014: $0.1 million), an expense of $3.4 million (2014: credit of $1.9 million) on the remeasurement of the contingent consideration payable for the purchase of iWatt and aborted merger costs of $17.6 million (2014: $1.3 million).

Components of operating profit

Revenue	Dialog primarily derives revenue from the sale of goods, but a small amount of revenue comes from royalty payments.
+ Cost of sales	Cost of sales consists of material costs, the costs of outsourced production and assembly, related personnel costs (including share-based compensation), applicable overhead and depreciation of test and other equipment.
= Gross profit	
– Selling and marketing expenses	Selling and marketing expenses consist primarily of personnel costs (including share-based compensation), travel expenses, sales commissions, advertising and other marketing costs, together with amortisation expenses in relation to identifiable intangible assets such as customer relationships, key customers and order backlog acquired in business combinations.
– General and administrative expenses	General and administrative expenses consist primarily of personnel costs (including share-based compensation) and support costs for our finance, human resources and other management departments.
– R&D expenses	R&D expenses consist principally of personnel costs (including share-based compensation) and other design and engineering-related costs associated with the development of new ASICs and Application Specific Standard Products (ASSPs).
+ Other operating income	Other operating income consists of income from customer-specific R&D contracts and other income that is not classified as revenue, less other operating expenses.
= Operating profit	

Analysis of the Group's results

Revenue
Revenue was 17.2% higher at $1,355.3 million in 2015 compared with $1,156.1 million in 2014. Revenue rose primarily because of higher sales volumes and an increase in the average selling price of Dialog's more complex devices in the Mobile Systems segment and strong sales in its Connectivity segment, driven by solid performance of DECT and Bluetooth® Smart products.

Dialog's revenue, particularly in its Mobile Systems segment, is dependent on the life cycle of its customers' products and the seasonal nature of the spending pattern in the consumer markets in which they operate. As a result, Dialog's business may fluctuate seasonally with lower revenue in the first half of the year, since many of its larger consumer-focused customers tend to have stronger sales later in the year as they prepare for the major holiday selling seasons.

Cost of sales
Cost of sales was 13.9% higher than in 2014 at $730.5 million (2014: $641.3 million). Cost of sales increased in response to higher sales volumes but the extent of the increase was mitigated by significant material cost reductions and improved efficiencies resulting from Dialog's ongoing collaboration with its foundry and back-end partners.

Gross profit
Gross profit was $624.8 million in 2015 compared with $514.8 million in 2014, an increase of 21.4%.

Gross margin improved by 160 basis points to 46.1% in 2015 (2014: 44.5%), principally due to higher sales volumes and an improvement in gross margins resulting from ongoing cost reduction initiatives and efficiency improvements in the manufacturing process. Reflecting these factors, underlying gross profit was 20.8% higher at $632.3 million (2014: $523.4 million) and the underlying gross margin improved by 140 basis points to 46.7% (2014: 45.3%).

Operating expenses
Summary
Operating expenses totalled $366.2 million in 2015 (2014: $333.3 million) and represented 27.0% of revenue (2014: 28.8%). Underlying operating expenses totalled

"We balance careful management of operating expenses with the need to invest in innovation."

$315.8 million in 2015 (2014: $295.6 million). Underlying operating expenses decreased as a percentage of revenue from 25.6% in 2014 to 23.3% in 2015.

Selling, general and administrative expenses (SG&A)

SG&A expenses totalled $143.0 million in 2015 compared with $119.5 million in 2014, an increase of 19.7%.

Selling and marketing expenses increased by 3.5% in 2015 to $62.2 million (2014: $60.1 million), primarily as a reflection of Dialog's investment in sales and marketing efforts in its Power Conversion and Connectivity segments to support growth in new markets.

General and administrative expenses were $80.9 million in 2015 compared with $59.4 million in 2014, an increase of 36.1%. Whilst the increase was largely a reflection of Dialog's ongoing growth strategy and efforts to scale up its support functions, it was accentuated by professional fees and other costs totalling $17.6 million incurred in 2015 in relation to the proposed merger with Atmel that was terminated in January 2016. Also during 2015, Dialog recognised an expense of $3.4 million within general and administrative expenses in relation to the full and final settlement of the contingent consideration payable for the purchase of iWatt.

Underlying SG&A expenses were $103.9 million in 2015 compared with $93.4 million in 2014, an increase of 11.3%. Underlying SG&A expenses decreased as a percentage of revenue from 8.1% in 2014 to 7.7% in 2015.

Research and development expenses (R&D)

Dialog has an extensive R&D engineering team focused on mixed signal semiconductor power saving technologies. Dialog believes that its R&D activities are critical to support its strategy of growth and product diversification. We continued to hire engineers during 2015 and our engineering headcount has now more than quadrupled since 2010. During 2015, our R&D activities focused on PMIC, both Application Specific IC (ASIC) and standard products for mobile and TVs, Bluetooth®, AC/DC chargers and LED Solid State Lighting.

R&D expenditure increased by 14.5% to $254.1 million in 2015 (2014: $221.7 million). R&D expenses were $223.2 million ($213.8 million) after taking into account UK R&D expenditure credits of $6.1 million (2014: $1.2 million) and capitalised development costs of $24.8 million (2014:$6.7 million).

Capitalised development costs were significantly higher than in 2014 due an increase in the number of products under development that had satisfied both technical and commercial feasibility conditions at a stage in the development process beyond which significant further development costs were still to be incurred, reflecting Dialog's increasing product portfolio and the complexity of the development activities being undertaken.

Underlying R&D expenses were $211.9 million in 2015 compared with $202.2 million in 2014, an increase of 4.8%. Underlying R&D expenses decreased as a percentage of revenue from 17.5% in 2014 to 15.6% in 2015.

Other operating income

Dialog recognised other operating income of $1.2 million in 2015 compared with $4.4 million in 2014. During 2015, income from customer-specific R&D contracts amounted to $1.2 million (2014: $1.5 million). Additionally, in 2014, other operating income included the receipt of an insurance claim of $0.9 million and a reduction of $1.9 million in the provision for contingent consideration payable for the purchase of iWatt.

In the first quarter of 2016, Dialog will recognise as other operating income the fee of $137.3 million paid to Dialog on the termination of the proposed acquisition of Atmel in January 2016.

Operating profit

Operating profit was $259.7 million in 2015 compared with $185.9 million in 2014, an increase of 39.7%. Operating margin improved by 310 basis points to 19.2% in 2015 (2014: 16.1%).

Underlying operating profit was 38.0% higher than in 2014 at $317.6 million (2014: $230.3 million). Underlying operating margin improved by 350 basis points to 23.4% (2014: 19.9%), due to higher sales volumes and gross margins, lower R&D expenses (net of capitalised development costs and UK R&D expenditure credits) and tight control of SG&A expenses.

Interest income

Interest income increased to $1.2 million (2014: $0.4 million), reflecting the improved management of surplus cash and higher market interest rates.

Interest expense

Interest expense was $8.4 million lower than in 2014 at $6.4 million (2014: $14.8 million), principally due to the conversion by the bondholders of the $201 million 1% Convertible Bonds 2017 in April 2015 and the phased repayment during 2014 of the remaining $105 million of debt that was drawn on the Base Currency Term Loan facility that was used to finance the acquisition of iWatt in 2013. During 2015, Dialog incurred commitment fees of $1.2 million in relation to the $2.1 billion term facility that was arranged to finance in part the proposed acquisition of Atmel. In the first quarter of 2016, Dialog will recognise additional commitment fees of $1.9 million that were incurred prior to the cancellation of the facility in January 2016.

Excluding the above items, interest expense was $4.1 million (2014: $3.4 million) in relation to amounts drawn under the Group's receivables financing facilities, and hire purchase arrangements and finance leases.

Other finance income and expense

Dialog is exposed to foreign currency translation risk in relation to monetary assets and liabilities that are denominated in currencies other than the functional currencies of the entities by which they are held (principally, the Euro, Pound Sterling and Japanese Yen). During 2015, the Group recognised a related net currency translation gain of $0.4 million (2014: net loss of $2.2 million).

During 2015, Dialog recognised an expense of $0.1 million representing the reduction in the fair value of its call option over the non-controlling interests in Dyna Image since its investment in that business.

Income tax expense

The Group's income tax expense for 2015 was $77.6 million (2014: $31.2 million), which resulted in an effective tax rate of 30.4% (2014: 18.5%).

"Earnings grew twice as fast as revenue."

Management monitors the Group's effective tax rate excluding one-off items that hinder comparison from year to year. Costs of $18.8 million relating to the proposed acquisition of Atmel were excluded in 2015 and the one-off non-cash deferred tax credit of $17.8 million resulting from an intra-group reorganisation of certain Intellectual Property was excluded in 2014.

Excluding these one-off items, the Group's effective tax rate for 2015 was 28.4% (2014: 29.0%) with the reduction having been driven by the ongoing exercise to align the ownership of the Group's Intellectual Property with its commercial structure. As a consequence, Dialog has been able to recognise in full previously unrecognised UK trading loss carry forwards and to benefit from the favourable UK tax regime for technology companies. We believe the gradual decrease in our effective tax rate is sustainable and will continue in the years to come.

Net income

Net income was $177.3 million (2014: $138.1 million), of which a loss of $1.5 million (2014: $nil) was attributable to the non-controlling interest in Dyna Image for the period since Dialog invested in the business. Underlying net income was $238.4 million compared with $172.2 million in 2014, an increase of 38.5%.

Earnings per share

Basic earnings per share were $2.42 (2014: $2.05) based on the weighted average of 73.8 million shares (2014: 67.3 million shares) that were in issue during the year. Diluted earnings per share were $2.29 (2014: $1.93). Diluted earnings per share additionally reflects the weighted average number of 3.5 million (2014: 2.7 million) dilutive employee share options and awards and 2.4 million shares (2014: 6.8 million shares) that would have been issued on conversion of the $201 million convertible bond that was redeemed in April 2015.

Underlying basic earnings per share were $3.25 (2014: $ 2.56), an increase of 27.0% reflecting the Group's further profitable growth during 2015. Underlying diluted earnings per share were $3.02 (2014: $2.27).

Cash flow

Summary

Cash flows during the year may be summarised as follows:

US$ millions	**2015**	2014
Cash generated from operations	**362.5**	308.7
Interest paid, (net)	**(2.5)**	(4.3)
Income taxes paid	**(42.3)**	(33.9)
Cash flows from operating activities	**317.7**	270.5
Purchase of property, plant and equipment	**(33.0)**	(23.8)
Purchase of intangible assets	**(11.7)**	(12.1)
Capitalised development expenditure	**(24.8)**	(6.7)
Purchase of businesses, net of cash acquired	**(2.6)**	–
Repayment of borrowings	**–**	(105.0)
(Purchase)/sale of Dialog shares by employee benefit trusts, net	**(2.4)**	15.9
Exchange and other movements	**(0.3)**	(0.4)
Increase in cash and cash equivalents	**243.5**	138.4

Cash flows from operating activities

Cash generated from operations before movements in working capital was $74.4 million higher than in 2014, reflecting the increase in the Group's operating profit. Working capital was $20.6 million lower at the end of 2015 compared with the end of 2014. Cash generated from operations was therefore $53.8 million higher at $362.5 million compared with $308.7 million in 2014.

As a fabless business, Dialog commits to purchase inventory from its suppliers in advance in order to satisfy expected demand for its products. Payables were $34.4 million higher at the end of 2015 compared with the end of 2014, principally due to higher purchases of inventory to satisfy the sales volumes that were expected in the fourth quarter of 2015. At the end of 2015, payables also included $16.7 million of professional fees and other costs payable in relation to the proposed acquisition of Atmel.

Whilst the market for Dialog's products was particularly strong in the fourth quarter of 2014, sales were lower than expected in the fourth quarter of 2015. As a result, inventory was $42.6 million higher but receivables were $29.7 million lower at the end of 2015 compared with the end of 2014.

Net interest paid

Net interest paid decreased to $2.5 million (2014: $4.3 million), principally due to the conversion of the $201 million convertible bond in April 2015 and the repayment during 2014 of the remaining $105 million of debt that was drawn to finance the acquisition of iWatt in 2013.

Income taxes paid

Income taxes paid increased by $8.5 million to $42.4 million in 2015 compared with $33.9 million in 2014. Since tax payments largely comprise payments on account in respect of current year taxable profits, the increase in income taxes paid largely reflects the year-on-year increase in the Group's taxable profits.

Cash flows from investing activities

Purchase of property, plant and equipment

Cash paid for purchases of property, plant and equipment amounted to $33.0 million (2014: $23.8 million).

Purchase of intangible assets

Cash paid for purchases of intangible assets amounted to $11.7 million (2014: $12.1 million) and consisted primarily of spending on patent applications, purchased software and licences and software development for internal business applications.

"We remain a highly cash generative business and cash generated from operations in 2015 stood at US$362.5 million, an increase of US$53.9 million."

Capitalised development expenditure

Payments related to capitalised development expenditure amounted to $24.8 million in 2015 compared with $6.7 million in 2014, the increase reflecting the higher number of products under development whose costs qualify for capitalisation.

Acquisitions

On 4 June 2015, Dialog acquired a 45.7% shareholding in Dyna Image for $13.6 million in cash, of which $12.9 million was paid on completion and $0.7 million was deferred for 12 months. At the time of the acquisition, the parties agreed on a call option that allows Dialog to acquire the outstanding shares in Dyna Image that it does not already own in one or more tranches at any time over a period of three years after the closing date. Dialog considers that the call option gives it the power to direct the activities of Dyna Image. Accordingly, Dialog's acquisition of a minority shareholding in Dyna Image was accounted for as a business combination and Dyna Image is accounted for as a subsidiary of Dialog.

Dialog recognised goodwill of $6.6 million on the acquisition and initially recognised the call option at its fair value on the acquisition date of $1.0 million. Further information about the acquisition of Dyna Image is presented in note 4 to the consolidated financial statements.

Also during 2015, Dialog paid $3.4 million in settlement of the contingent consideration payable on the purchase of iWatt (this was reflected in cash generated from operations).

Cash flows from financing activities

Borrowings

During 2015, the Group had no amounts drawn under its borrowing facilities. During 2014, the Group repaid the remaining $105 million of debt that was drawn against the Base Currency Term Loan facility for financing the acquisition of iWatt in 2013.

Employee share schemes

During 2015, Dialog employee benefit trusts bought 0.4 million (2014: 0.2 million) Dialog shares in the market at a cost of $14.0 million (2014: $6.2 million) to hedge their obligations under the Group's employee share schemes. Additionally, during 2014, Dialog issued 3.0 million shares to the employee benefit trusts for $0.5 million (there was no effect on the Group's cash position except for the settlement of issue costs). During 2015, the Group received proceeds of $11.6 million (2014: $22.1 million) on the exercise of share options awarded under employee share schemes.

Liquidity and capital resources

Financial risk management

Dialog is exposed to financial risks including counterparty credit risk, liquidity risk and market risks, which include foreign exchange risk and interest rate risk. Disclosures about these risks and the ways in which they are managed by Dialog are presented in note 29 to the consolidated financial statements.

Dialog has a centralised Treasury function whose principal role is to ensure that adequate liquidity is available to meet the Group's funding requirements as they arise and that financial risks arising from the Group's operations are identified and effectively managed. Treasury operations are conducted in accordance with policies that are approved by the Board and are reviewed on a regular basis.

Dialog hedges certain foreign exchange risks using derivative financial instruments. Dialog does not hold derivative financial instruments for speculative purposes.

Cash and cash equivalents

Cash is managed in line with Treasury policy to ensure there is no significant concentration of credit risk in any one financial institution. Credit risk is measured using counterparty credit ratings. As a minimum, a counterparty must have a long-term public rating of at least 'single A'. Counterparty limits are based on a rating matrix and closely monitored. Similar consideration is given to the Group's portfolio of derivative financial instruments.

At the end of 2015, cash and cash equivalents amounted to $566.8 million (end of 2014: $324.3 million), which comprised cash at bank and other short-term highly liquid investments with a maturity of three months or less.

Borrowing facilities

At the beginning of 2014, the Group had a Base Currency Term Loan and a committed revolving credit facility that were entered into at the time of the acquisition of iWatt in 2013.

During 2014, in addition to repaying the balance of the term loan, Dialog voluntarily reduced the commitment under the revolving credit facility from $25 million to $10 million. During 2015, the revolving credit facility remained undrawn until it was voluntarily cancelled in June 2015.

At the end of 2015, Dialog had no committed borrowing facilities.

Net funds

Net funds comprised:

US$ millions	2015	2014
Cash and cash equivalents	**566.8**	324.3
Convertible Bonds (including accrued interest)	–	(180.7)
Derivative financial instruments	**(4.6)**	(17.5)
Finance lease obligations	**(8.6)**	(12.1)
Net funds[1]	**553.6**	114.0

1 Net funds/(debt) is defined as cash and cash equivalents less current and non-current financial liabilities.

"At the end of 2015, cash and cash equivalents amounted to US$566.8 million."

Receivables financing facilities

During 2015, Dialog continued to utilise receivables financing facilities provided by two institutions. During 2015, the aggregate amount of these facilities increased from $92 million to $112 million. At the end of 2015, $40.4 million was drawn against the available balance (end of 2014: $41.9 million). We are confident that the receivables financing facilities together with the Group's significant cash balances and strong cash generation will be more than sufficient to satisfy the Group's working capital requirements in the near to medium term.

Conversion of convertible bond

On 16 March 2015, Dialog announced that it would exercise its option to redeem all outstanding $201 million 1% Convertible Bonds 2017 ("the Bonds") on 5 May 2015. By 28 April 2015, all holders of the Bonds had exercised their conversion rights in respect of all outstanding Bonds. On conversion, the carrying amount of the Bonds was $183.1 million. Conversion resulted in the issue of 6,797,025 new ordinary shares in Dialog with an aggregate nominal value of $1.0 million and an increase in additional paid-in capital of $182.1 million.

Derivative financial instruments

Dialog uses forward currency contracts and currency swaps to manage the Group's exposure to currency risk on highly probable forecast cash flows denominated in foreign currencies; principally employment costs, rents and other contractual payments. Derivative financial instruments are measured at fair value that is determined based on market forward exchange rates at the balance sheet date. At the end of 2015, currency derivatives held by the Group were represented by a liability of $4.6 million (end of 2014: liability of $17.5 million). All currency derivatives held were designated as hedging instruments in cash flow hedge relationships. During 2015, a loss of $19.0 million (2014: loss of $23.6 million) was recognised in other comprehensive income representing the change in the fair value of derivatives in effective hedging relationships and a cumulative fair value loss of $32.0 million (2014: loss of $3.8 million) was transferred from other comprehensive income to the income statement on the occurrence of the hedged cash flows.

At the end of 2015, Dialog's call option to acquire the non-controlling interests in Dyna Image was included in non-current assets at its fair value of $0.9 million.

Capital management

Dialog considers that its capital represents total equity (shareholders' equity plus non-controlling interests).

During 2015, shareholders' equity increased by $393.4 million, primarily due to the profit for the year attributable to shareholders in Dialog of $178.8 million. Shareholders' equity stood at $1,017.1 million at the end of 2015 (end of 2014: $623.7 million).

At the end of 2015, non-controlling interests amounted to $7.8 million (end of 2014: $nil) in relation to Dyna Image that was acquired in June 2015.

Dialog monitors its capital by reference to the equity ratio (total equity divided by total assets). Whilst Dialog generally seeks to maintain a high capital ratio it will fund its growth strategy using a mix of equity and debt after giving consideration to prevailing market conditions. At the end of 2015, the equity ratio was 79.6% (end of 2014: 62.0%), the increase largely reflecting the conversion of the $201 million Convertible Bonds in April 2015.

Other assets and liabilities

US$ millions	2015	2014
Assets		
Cash and cash equivalents	**566.8**	324.3
Other current assets	**230.7**	213.8
Total current assets	**797.5**	538.1
Goodwill	**251.1**	244.9
Other intangible assets	**138.6**	131.5
Property, plant and equipment	**68.4**	59.3
Deferred tax assets	**28.5**	28.8
Other non-current assets	**3.8**	3.3
Total non-current assets	**490.4**	467.8
Total assets	**1,287.9**	1,005.9
Liabilities and equity		
Current liabilities	**253.7**	186.7
Convertible Bonds	**–**	180.2
Deferred tax liabilities	**1.6**	5.4
Other non-current liabilities	**7.7**	9.9
Total liabilities	**263.0**	382.2
Shareholders' equity	**1,017.1**	623.7
Non-controlling interests	**7.8**	–
Total liabilities and equity	**1,287.9**	1,005.9

Goodwill

At the end of 2015, the carrying amount of goodwill was $251.1 million (end of 2014: $244.9 million). During 2015, Dialog recognised goodwill of $6.6 million on the acquisition of Dyna Image and there was a reduction in goodwill of $0.4 million due to changes in currency exchange rates.

Goodwill impairment tests carried out during 2015 showed that the recoverable amount of each cash-generating unit to which goodwill is allocated was comfortably in excess of its carrying amount and therefore no impairment was recognised.

Other intangible assets

At the end of 2015, the carrying amount of other intangible assets was $138.6 million (end of 2014: $131.5 million). During 2015, additions amounted to $38.4 million, comprising capitalised product development costs of $24.5 million, developed technology acquired with Dyna Image of $5.6 million and purchased software, licences and patents totalling $8.3 million. During 2015, the amortisation expense was $31.1 million (2014: $33.4 million).

Property, plant and equipment

Since Dialog operates a fabless business model, it does not have any manufacturing facilities but it does occupy R&D facilities and administrative offices. At the end of 2015, Dialog operated in 31 locations worldwide covering a total of 42,500 square metres. Dialog's facilities are all held under operating leases. Management believes that Dialog's facilities are adequate for its current requirements.

Property, plant and equipment principally comprises test equipment, office equipment and leasehold improvements. At the end of 2015, the carrying amount of property, plant and equipment was $68.4 million (end of 2014: $59.3 million). Additions during the year amounted to $34.9 million and the carrying amount of assets disposed of was $1.4 million. During 2015, the depreciation expense was $24.2 million (2014: $22.2 million).

With the exception of assets held under finance leases, which are secured by a lessor's charge over the leased assets, the Group's property, plant and equipment is not subject to any encumbrances.

Income tax assets and liabilities

At the end of 2015, income tax payables were $62.2 million (end of 2014: $29.4 million), the increase reflecting the rise in the Group's taxable profits.

At the end of 2015, the Group had net deferred tax assets of $26.9 million (end of 2014: $23.3 million), comprising deferred tax assets of $28.5 million (end of 2014: $28.8 million) and deferred tax liabilities of $1.6 million (end of 2014: $5.5 million). Net deferred tax assets increased by $3.6 million during 2015, mainly due to the recognition of previously unrecognised deferred tax assets in the UK as a result of the ongoing exercise to align the ownership of the Group's Intellectual Property with its commercial structure.

Going concern

For the reasons set out on page 58, the Directors continue to adopt the going concern basis in preparing the Group's and the Company's financial statements. Management's outlook for 2016 is set out on page 7 and the principal risks and uncertainties that may affect the Group's results, cash flows and financial position during 2016 and into the future are outlined on pages 48 to 52.

Corporate responsibility and sustainability

This section provides high-level analysis of our most material sustainability issues, details on how we manage them and selected data on how we have performed. Further detail is available in our 2015 Sustainability Report (which is aligned with the Global Reporting Initiative G4 Sustainability Reporting Guidelines or G4 Guidelines) and on our website.

www.dialog-semiconductor.com/sustainability

Our sustainability vision and applicable standards

Vision	Applicable external standards
To embed sustainable and responsible practices into the way we act internally and engage externally	> United Nations Global Compact > ISO14001 environmental management system standard > ISO 9001 quality management system standard > Global Reporting Initiative and G4 Sustainability Reporting Guidelines

Materiality

We aim to align our sustainability management activities (including reporting) with our most material issues.

We have worked with external advisers to identify and prioritise these issues on the basis of:

- The potential or actual impact of Dialog on its stakeholders; and
- The potential or actual impact of stakeholders on the ability of Dialog to achieve its business objectives.

This process has been informed by our:

- Ongoing stakeholder engagement throughout 2015;
- Targeted stakeholder engagement to directly support our materiality process; and
- Corporate risk management process

A description of the materiality process can be found below.

Materiality assessment process

1 Initial review of sustainability issues facing:

- Dialog
- Dialog's stakeholders
- The semiconductor (and wider electronics) sector

2 Definition of a "Dashboard" of relevant issues for Dialog and its stakeholders.

3 In-depth analysis to prioritise (using a structured, score-based framework) each Dashboard issue based on Dialog's actual and potential impact on its stakeholders – and vice versa.

This included:

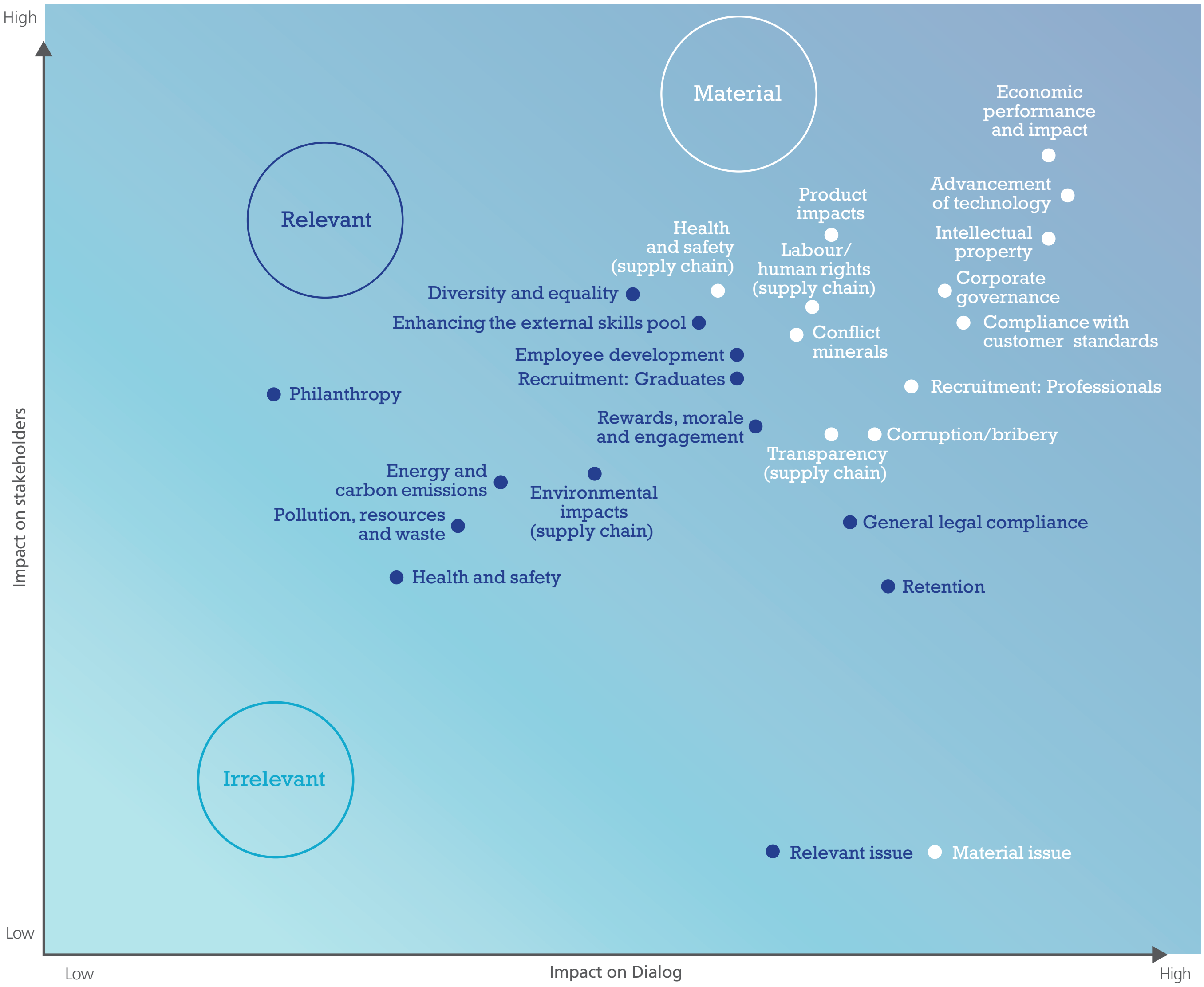
- Analysis of Dialog's activities, locations and business partners.
- Engagement with internal discipline experts.
- A review of existing company management system components.
- A review of Dialog's existing risk assessment and supply chain audit results.
- A review of external analysis and commentary on the semiconductor (and wider electronics) industry.

4 Gathering of feedback on the results from internal discipline experts and external stakeholders – and the appropriate adjustment of scores.

5 "Mapping" of the G4 Guidelines against Dialog's most material issues.

The results of this process are set out in the matrix below. This includes our most material issues, as well as a range of additional relevant issues that we are also proactively managing.

Materiality matrix



Corporate responsibility and sustainability continued

''We are focused on maintaining a sustainable skills pipeline.''

Our people

Materiality

The nature of our business, which relies on the ongoing advancement of cutting-edge semiconductor technology, means we are highly reliant on our ability to recruit, retain and develop high-quality electronic engineering professionals, as well as leading management talent. This is particularly the case given:

> Strong, ongoing competition for skills within the sector.
> An ageing electronics engineering demographic.
> Our strong commercial growth.

In this context, we are focused on maintaining a sustainable skills pipeline – ranging from the identification, development (and ultimate recruitment) of high-potential undergraduates (see below), through to the attraction of experienced experts. We take a holistic view towards both recruitment and retention that looks beyond the provision of highly competitive financial rewards. We also aim to deliver the kind of lifestyle, working environment, development opportunities and inclusive culture that mean people choose to develop high-quality, long-term careers with us.

How we manage our people

We manage our people through:

> The application of national-level Human Resource Policies, tailored to reflect local legal requirements, business priorities and labour markets.
> The application of our corporate Code of Conduct, which sets out our minimum, Group-wide requirements in relation to labour and human rights, health and safety and related issues.
> Ongoing talent planning and gap identification. The Code of Conduct is available online[1].
> Proactive engagement at university level to identify and recruit new talent.
> Ongoing identification and engagement of high-value professionals and leaders.

Responsibility for our performance sits with the Senior Vice President Human Resources who is supported in this role by dedicated regional Human Resource teams.

Relevant performance indicators in relation to our people can be found on pages 10 and 11.

Business ethics

Materiality

Our business relies on the trust of our business partners, including our investors, customers and suppliers. This includes:

> Our strict adherence to our customers' exacting technical, commercial and ethical requirements.
> The protection of both our own intellectual property and that of our business partners, which is fundamental to the technologically innovative nature of our business.
> Our strict compliance with the laws of our host societies – including those relating to anti-bribery and anti-corruption. In addition, we support the aims and objectives of Section 1502 of the United States' Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (relating to conflict minerals).

Any breach of this trust, or of our legal obligations, would have the potential to seriously compromise our business – whether in terms of the loss of valuable commercial relationships, the undermining of our reputation or the application of official sanctions.

How we manage business ethics

We manage business ethics through:

> The application of our corporate Code of Conduct, which addresses issues including anti-corruption, the protection of intellectual property and whistleblowing.
> A range of specific sub-policies addressing issues such as conflict minerals, financial dealings, conflicts of interest and financial crime. Our Conflict Minerals Policy commits us to not knowingly procuring tin, tantalum, tungsten or gold ("3TG") from the Great Lakes region of Africa that has not been certified as "conflict free". We ask our suppliers to undertake reasonable due diligence of their own supply chain to ensure that this is the case.

In 2015, we did not identify:

> Any cases of corruption involving Dialog or its employees.
> Any cases where 3TG integrated into our products may have or did finance or support armed groups in the Great Lakes Region.

Responsibility for our performance sits with our Senior Vice President General Counsel who is supported in this role by the Assistant Company Secretary.

Employees receiving online compliance communications and training in 2015

	Board members	Employees
Total number who received business ethics communications	8	1,660
Proportion who received business ethics communications	100%	100%
Total number who received formal business ethics training[2]	All (then) Board members received business ethics training in 2014. No Board training took place in 2015.	731
Proportion who received formal business ethics training		44%

1 See: www.dialog-semiconductor.com/sites/default/files/csr-aa-001_code-of-conduct.pdf
2 i.e. who started online training

> "We aim to have a positive impact on the environment through the development of energy-saving technology."

Environmental responsibility

Materiality

As we contract out the fabrication of our products (see below), we are primarily focused on office-based research, development and design activities. As such, our direct environmental impacts are relatively limited. Nonetheless, we still seek to minimise what impacts we do have as a matter of good practice. This includes our ongoing efforts to minimise our:

> Energy consumption and carbon emissions.
> Pollution and waste.
> Use of natural resources.

In addition, we aim to have a positive impact on the environment through the development and marketing of energy saving technology (see below).

How we manage environmental responsibility

We manage environmental responsibility through:

> The application of our corporate Code of Conduct, which addresses our emissions to air and water, resource use, the management of hazardous substances and waste management; and
> The application of our environmental management system, which is certified to the ISO14001 environmental management standard. A key element in this management system is our Quality and Environment Manual, which supports our efforts to achieve continuous improvement. This is supported by a body of specific guidance.

Responsibility for our performance (both with respect to our own operations and the fabrication plants that manufacture our products) lies with the Senior Vice President for Global Manufacturing Operations. They are supported in this respect by the Senior Director, Quality and Environment as well as the Environmental Manager, who manage day-to-day processes.

Carbon emissions (tonnes)

	2015	
	Total	Per employee
Scope 1[3]	159.8	0.1
Scope 2	1,890.7	1.1
Scope 3 (travel only)[4]	3,975.1	2.41

Value chain

Materiality

Given the nature of our business model and our commercial relationships, value chain management is a particularly important issue for Dialog. This not only includes operational aspects (including the avoidance and mitigation of supply chain disruption and supply constraints), but also sustainability aspects such as:

> The impact of our business partners on human rights and labour rights.
> Health and safety performance amongst our suppliers.
> The environmental impacts of both our suppliers and the contents of our products.

This reflects:

> Evolving stakeholder expectations, which place ever-growing emphasis on the need for companies to identify, and use their legitimate influence to proactively manage, their indirect sustainability impacts.
> Dialog's duty to help protect its own customers from reputational, contractual or commercial harm.

How we manage our value chain

We manage our value chain through:

> A policy of only dealing with fabrication partners who are accredited to or are compliant with the ISO14001 (environment), OHSAS18001 (health and safety) and ISO9001 (quality) management standards.
> Screening of all new fabrication partners against our Self-Audit Checklist (which covers labour and human rights, health and safety, the environment and business ethics), as well as pre-qualification audits prior to the integration of new fabrication partners into our supply chain.
> Annual auditing (by joint Dialog and third-party auditing teams) of all existing fabrication partners against our Supplier Audit Checklist and Corporate Social Responsibility Checklist. In addition to requirements relating to ISO14001, OHSAS18001 and ISO9001, auditing covers a range of broader corporate social responsibility issues, including those drawn from the SA8000 social accountability standard.

Responsibility in this respect sits with the Senior Vice President Global Manufacturing Operations. They are supported in this role on a day-to-day basis by the Environmental Manager.

3 Scope 1 and 2 emissions from two largest design centres – Nabern and Swindon
4 Includes all air travel and car hire from Nabern office

Corporate responsibility and sustainability continued

159.8 tonnes

Total carbon emissions

100%

Fabrication partners accredited to or compliant with ISO14001. OHSAS18001 and ISO9001

Proportion of major fabrication partners screened/audited for sustainability performance by issue type (new fabrication partners screened[5]/existing fabrication partners audited[6])

	2013	2014	**2015**
Health and safety (%)	100/100	100/100	**100/100**
Environment (%)	100/100	100/100	**100/100**
Labour rights (incl. human rights) (%)	100/100	100/100	**100/100**
Society (%)	100/100	100/100	**100/100**

Type and number of 'major' negative audit findings[7]

	2013	2014	**2015**
Health and safety	0	0	**0**
Environment	0	0	**0**
Labour practices (incl. human rights)	0	2	**0**
Society	0	0	**0**

5 Screening activity is aimed at improving the performance of our fabrication partners where necessary, rather than their exclusion from our supply chain.
6 Includes both documentary auditing and on-site auditing. Approximately 85% of our fabrication partners were subjected to on-site auditing in 2015.
7 i.e., audit findings of sufficient seriousness that Dialog requires immediate correction on the part of the supplier.

Society

Materiality

Dialog is committed to generating positive social impacts, at both a societal and community level. Like many companies, our most important social impact (as well as our raison d'etre) is our generation and redistribution of economic value – amongst our investors, employees, suppliers, host governments and other beneficiaries. Given the ongoing expansion of our business, as well as ever-increasing demand for advanced semiconductor technology, this positive impact is likely to grow.

Furthermore, our position at the very forefront of semiconductor research and development means we are constantly helping advance scientific knowledge in this area – helping lay the ground for future technological innovation, whether by ourselves or others. Likewise, the nature of our products, which are primarily focused on power management, energy efficiency, IoT and wearable products, means we play an integral role in helping millions of end-users access affordable and life-enhancing technology.

We also remain committed to having a positive impact at a local level. Our most material issue in this respect is the enhancement of local skills pools. This not only benefits school and university students by enhancing their engineering skills, but also helps bolster our own ability to recruit talented new graduates and support our long-term skills pipeline (see above). Beyond this, we also carry out community engagement and philanthropy. Although these do not represent material issues, such activity is in line with our values and helps support our corporate reputation.

0
major negative audit findings

How we manage our impacts on society
Full details on how we manage our economic value generation and distribution, as well as our research and development activities, can be found throughout this annual report.

We help promote electronic engineering skills in our local communities through a range of means, including:
> The provision of sponsorship and access bursaries to engineering students at the universities of Edinburgh, London (Imperial College), Southampton, Ulm and Karlsruhe, as well as National Chao Tung University.
> A key partnership with University Technical College Swindon in the United Kingdom.
> Industrial placements for undergraduate students in the United Kingdom, Germany, the Netherlands, Greece, Turkey, Italy, Austria, the United States, Japan and Taiwan.
> Mentoring and support of school students in the United Kingdom, the Netherlands and Germany.

Responsibility sits with our Chief Executive Officer and Chief Financial Officer as a principle (with respect to our economic performance). Meanwhile our Senior Vice President, Engineering is responsible for technological innovation. In addition, our Chief Financial Officer oversees all community investment activity, supported on a day-to-day basis by our Head of Corporate Social Responsibility, Sustainability and University Relations.

Total value generation and distribution by type (US$ millions)

	2013	2014	**2015**
Economic value generated	**901.4**	**1,156.1**	**1,355.3**
Economic value distributed	**844.5**	**1,020.7**	**1,201.1**
Operating costs[8]	659.4	764.0	871.7
Employee wages and benefits[9]	144.2	210.4	224.3
Payments to providers of capital	13.3	14.8	6.6
Payments to government	27.6	31.5	98.5
Community investments	0.5	0.5	0.6
Economic value retained	**56.9**	**135.4**	**154.2**

8 Excluding employee wages and benefits and property tax.
9 Including share-based payments.

Number of United States patents currently held and pending in each given year

	2013	2014	**2015**
Held	36	14	**3**
Pending	46	104	**84**

Number of individuals receiving direct and indirect educational support (by type)

	2013	2014	**2015**
University internships and industrial placements	28	34	55
University scholarships	10	12	15
University bursaries	6	9	9
School-level support (including mentoring, work experience, project support plus UTC Swindon partnership)	108	174	332
Total	**152**	**229**	**411**

Managing risk and uncertainty

This section sets out a description of the principal risks and uncertainties that could have a material adverse effect on the achievement of Dialog's three-year mid-range strategy. Any of these risks could adversely impact the Company's financial situation or reputation and therefore its ability to execute on one or more of the four strategic pillars.

In 2014, the Company established a Risk Management Office, to improve the identification of risk, assessment of probability and impact, and assignment of owners to manage mitigation activities. The Executive Team along with the Board has overall responsibility and oversight of the Risk Management Office. The Risk Management Office comprises members from internal control, purchasing, finance and legal and is led by the Chief Financial Officer. The Risk Management Office meets on a regular basis.

The Risk Management office and the executive team gather information from the business, as well as internal and external auditors. The Risk Management Office has accountability for reporting the key risks that the Company faces, and reporting the status of any mitigating actions or controls to the Executive Team and the Audit Committee.

Key risks are formally identified and recorded in a risk register that is reviewed by the Executive Team and the Audit Committee.
The risk register is used to plan the internal audit activity and assess any potential impact to the Company's strategy.

Principal risks

The Group is affected by a number of risk factors, some of which, including macroeconomic and industry-specific cyclical risks, are outside Dialog's control.

The Company recognises four categories of risks: Strategic, Operational, Financial, and Legal and Compliance. Our principal risks have not changed since last year's report. We made further progress in 2015 introducing new products, expanding our customer base, working closely with our partners and suppliers and introducing new employee initiatives such as "The Spirit of Dialog".

Strategic risks

Dialog management is focused on executing on its four strategic pillars in order to mitigate the current dependencies on key markets and customers.

Risk	Actions	Progress in 2015
Dependency on mobile and consumer electronics Dialog's product portfolio is heavily focused upon the mobile and consumer electronics marketplace. The end device manufacturers demand from their suppliers the best quality product at the lowest price, high degrees of innovation and fast time to market. There is a high level of competition in terms of product offering or price that could persuade a customer of Dialog to switch suppliers.	Dialog invests in R&D to anticipate and respond to new market trends. The Company rapidly implements new designs to meet customer needs and to keep abreast of technological trends.	Continued development of Quick charge AC/DC converters to meet evolving protocols. Release of new PMIC for the multi cell computing market. In addition to SmartBond™ Dialog developed Bluetooth related products for wearables and Smart Home applications. Dialog invested US$223.2 million or 16.5% of revenue in R&D in 2015 across a range of highly targeted areas. This is an increase of 4.4% over 2014.

Strategic risks (continued)

Risk	Actions	Progress in 2015
Dependency on key customers Dialog relies on a relatively small number of customers, within the wireless communication sector, for a substantial proportion of its revenue. The loss of one or more of these customers would be likely to have a material effect on its short-term revenue and profitability.	Dialog is seeking to reduce the risk of its revenues, profitability and growth being affected by a slowdown in those key customers and the wireless communications sector (within mobile and consumer electronics market) by winning customers in other sectors and broadening its product offering to existing and new customers.	While continuing to provide world-class products and services to its existing key customers. Dialog continues with its Greater China strategy in addition to new design wins at MediaTek and Xiaomi. Dialog has won business at HTC, LeTV and WeChat. Dialog has made significant progress with its highly differentiated AC/DC quick charging products, reporting an estimated 70% market share.
Human capital In order to successfully execute its current and future business commitments, Dialog needs to continue to build its organisational capability in two key areas: > continuous innovation in product development, manufacturing and packaging technologies; and > leadership skills in an expanding and increasingly complex global operation. In an increasingly competitive market, a key success factor will come from our ability to recruit and retain high-quality people. There is a risk that competitors may actively target our key people.	Dialog seeks to create a positive working environment that results in low levels of staff turnover. Dialog has developed an effective recruitment process to attract high-calibre staff. Dialog has dedicated human resource managers to drive further development of its personnel and benchmark its employment terms to match industry top performers. Dialog has a decentralised approach to research & development with teams in 12 countries. In a highly competitive talent market we believe this flexible approach is advantageous, allowing us to recruit talent where it resides and as a defence mechanism to stop large scale "poaching" by competition. Regular reviews of remuneration practice and employee value propositions to ensure we are able to attract and retain key people. Our "all-employee" share plan is an important part of this. Dialog has designed and launched a Management and Leadership curriculum available to all new and experienced people managers globally.	In 2015, the number of engineers increased by approximately 23%. Approximately 75% of our total 2015 hires were for engineering-related functions. Emerging talent programmes were expanded in 2015, with our highest ever levels of both Interns and Graduates entering the business. A business focus on Graduate hiring resulted in us doubling our Graduate intake in 2015 compared to 2014, with 40 new Graduates being hired globally – the majority within engineering functions. Staff turnover was 6.9% (2014: 5.7%). In order to minimise staff turnover Dialog has an improved performance management system to ensure that we are able to reward our best employees through appropriate mechanisms, including career development. These activities include: > ongoing market place benchmarking; > the creation of a strong employment proposition to attract people; and > retention and new LTI programme for key employees in 2015. The Company also has a global learning and development strategy and runs an active university partnership programme to attract the brightest and best university graduates to the electronics industry and our Company. In 2015 Dialog launched the "Spirit of Dialog" to document the principles that have contributed to our success. The Spirit is now embedded in Recruitment, Performance Management, Promotions and Development.

Managing risk and uncertainty
continued

Operational risks

Dialog recognises that time to market is a critical factor for the success of its customers. The efficiency of its internal operation is a relevant factor to its performance. We run programmes to drive continuous improvement through all facets of the value chain from design to order fulfilment. Dialog also tests and evaluates the quality of the supporting business functions.

Risk	Actions	Progress in 2015
Third-party suppliers Dialog runs a "high-touch" fabless business model and so outsources the capital intensive production of silicon wafers, packaging and testing of integrated circuits to leading third-party suppliers, mainly in Asia. The manufacturing of products runs over multiple stages with multiple suppliers. The failure of any of these third-party vendors to deliver products or otherwise perform as required could damage the relationships with our customers, decreasing our revenue and limiting our growth. Supplier delivery performance can be adversely affected by multiple issues. For example, if increased demand for these suppliers' products exceeds their production capacity.	Dialog has forged close partnerships with all our suppliers, which help the planning and management of capacity. Dialog's suppliers are mainly highly respected large-scale operations. Dialog strives to source its large volume components via a dual sourcing strategy where applicable and is supported by its customers to mitigate the risk of disruption to supply.	Dialog works with a range of foundries and back-end vendors, mainly in Taiwan, China and Singapore, to mitigate the risk of supply chain disruption and constraints. The geographical spread also helps with disaster recovery planning. Dialog's Mobile Systems, Automotive and Connectivity businesses achieved an "On Time Delivery" performance of 97% in 2015 vs 97% in 2014. This measures performance against delivery dates confirmed by Dialog at date of order. In 2015, Dialog carried out 30 vendor audits vs 30 in 2014. These audits cover a wide range of topics including compliance and product quality (ISO9000 and ISO14000) reviews. This is supported by regular business reviews when Dialog management meets its suppliers to discuss supplier performance and future capabilities.
IT systems Dialog is heavily dependent upon the quality, resilience and security of its information systems. As a global business, operating continuously (24/7) throughout the year, with two key processes: > product design activities using third-party tool and support contracts. These tools require an infrastructure that is resilient and secure; and > the semiconductor supply chain requires complex, reliable and secured information systems, given the multiple processes and plants being utilised.	Dialog's IT systems are managed on a global basis to ensure a unified approach. Dialog continues to invest in state-of-the-art systems, especially its integrated Enterprise Resource System to efficiently manage and scale its global operation. In addition, Dialog is continuously strengthening its internal controls, general IT controls and applying best practice to ensure a robust and secure IT environment.	Within the engineering teams Dialog expanded regional server farms and moved away from standalone machines for individual engineers. As data is stored in multiple locations it significantly reduces the risk of downtime or loss of data. In addition, Dialog continues to invest in gaining real-time information by automating data transfer with its customers and suppliers.
Quality assurance Given the timetables for some key product introductions, Dialog must ensure tight control over the new product introduction process and in particular quality assurance in high-volume product ramps. Dialog needs to avoid releasing faulty products or putting customers on line stop.	Dialog operates a "high-touch" fabless model, with engineers working together with our foundry partners to optimise the manufacturing process. Dialog places a high importance on quality assurance, product validation prior to mass productions, in line controls and monitoring of yields with real-time feed from offshore manufacturing. Dialog continues to evolve its internal processes and procedures to ensure new requirements are assessed and appropriate resources applied to satisfy these requirements.	In 2015 Dialog made significant investments in internal capabilities (test development, failure analysis etc). Dialog worked with key suppliers to achieve the highest possible industry standard yields based upon typical defect density limitation. To support this Dialog has, in total, approximately 30 engineers located at key vendors. Yield performance on key products is monitored monthly during internal operational reviews.

Financial risks

Given the Company's sector and business model, Dialog tends to be highly cash generative, operating across the globe. This exposes the Group to several financial risks including fluctuations in interest and foreign exchange rates and credit risk relating to counterparties the Company transacts with. It also needs to ensure access to liquidity at all times to meet its financial obligations, including investment in future growth. Through strong stewardship and financial discipline we are able to mitigate the impact of these risks on the financial performance of the Group.

Risk	Actions	Progress in 2015
Foreign currency The majority of Dialog's revenue and expense is denominated in US Dollar. Some exposure exists to non USD denominated operating expenditure, primarily Euro and GB Pound Sterling, meaning exchange rate volatility could have an adverse impact on our financial statements. Please refer to note 29 on pages 138 to 143.	Transactional currency exposures are managed using forward currency contracts, hedging no further than 12 months out on a layered approach. These are designated as cash flow hedges and at the year-end approximately US$160 million equivalent were outstanding.	Dialog has currency hedges outstanding at year end of approximately US$160 million equivalent, representing > 70% of forecast non USD expenditure for 2016.
Counter-party Dialog is exposed to counter-party risks with banks, suppliers and customers.	The Company uses receivables financing to manage any risks with selected customers. When executing financial transactions Dialog only deals with reputable financial institutions with a minimum credit rating of single A.	No institutional default on financial transactions.
Funding and liquidity The risk of being unable to continue to meet the financial obligations/requirements of our operations.	Given the business is highly cash generative the Group finances its operations from surplus cash, raising debt when necessary. The policy is to maintain a sufficient level of liquidity appropriate to meet short-term liabilities and longer-term strategy.	Cash flow from operating activities in 2015 was US$318 million. Dialog reports US$567 million of cash and no debt, increasing from US$324 million reported at the end of 2014.

Managing risk and uncertainties
continued

Legal and compliance risks

As Dialog has an increasing global presence the focus on governance and ensuring compliance to local requirements also needs to be enhanced. Dialog recognises the importance of behaving as a good corporate citizen across the globe.

In addition, the Company seeks to utilise the legal protection offered across the globe to protect our assets, specifically our intellectual property rights.

Risk	Actions	Progress in 2015
Compliance with laws and regulations Given Dialog's growth strategy it needs to ensure that it understands and complies with the local laws and customs wherever it operates.	Dialog continues to monitor the legislative changes across key countries to ensure it stays abreast of both global and local legislative changes.	Dialog appointed a General Counsel.
Environmental regulations As Dialog does not manufacture, assemble or freight any of its products it seeks to ensure that its partners act within the law.	Dialog carefully selects its suppliers and regularly audits their activities.	In 2015, we continued our supplier audit programme to fully cover all aspects of their performance in key areas.
IP protection As a highly innovative company Dialog has IP that is attractive to others. Dialog must ensure that this IP is sufficiently protected both legally (via patents) or physically (via security processes).	We seek to protect our current business and our IP from being copied or used by others by appropriate use of patents, copyrights and trademarks on a global basis.	Dialog holds in excess of 640 patent families. In order to strengthen its governance processes, the Patent Committee was established in 2014. The Company strengthened its IT security especially in the Data Leakage Protection (DLP) area. A DLP solution was rolled out to most locations and we started to monitor the first project using defined rules. By rolling out a new IT system in 2015. Dialog improved control over access granted to specific project data for employees and external third parties. A system is available to control the access to design projects and all related documents and specifications. Access can be requested and requires approval by the responsible project manager. Reporting is available to those who had access to the design project at a dedicated point in time.

Strategic Report approved on 8 March 2016.

Jalal Bagherli
CEO

Introduction to governance

Dear Shareholder,

2015 was another year of sustained progress for Dialog. In addition to our strong corporate performance, we have continued to strengthen our Board and review our corporate governance principles against best practice.

We remain committed to a process of ongoing Board refreshment and renewal to ensure that the Company has a Board which comprises the appropriate skills and expertise to drive the continued growth of the business; and, to provide our exceptional leadership team with appropriate direction, support and oversight. During the year, we welcomed Alan Campbell to the Board as an independent, non-executive Director.

Alan brings over 30 years of relevant business and financial expertise to the Board with many years' experience as a Chief Financial Officer in the semiconductor industry. He also has experience of large scale corporate transactions which was invaluable during the course of 2015 when we engaged in a potential transaction with Atmel.

Alan also assumed the role of Chair of the Audit Committee in July 2015 and we are pleased to add another Director with significant financial experience to our Audit Committee alongside Aidan Hughes and Eamonn O'Hare.

John McMonigall and Peter Weber also stepped down from the Board during 2015. Both John and Peter were long-standing members of the Board and they both made a significant contribution to the growth and development of Dialog during their tenure. We are grateful to them for their commitment to Dialog over many years.

Our Chairman of the Remuneration Committee, Mike Cannon has written a letter to shareholders on page 67 of this report. We are proposing a number of changes to shareholders relating to our remuneration structure and systems to better align our practice with those of our closest peers and in line with US practice where virtually all of our peers are based. Given the scale and extent of our business in the US, this represents an important market for comparison – particularly as it relates to recruiting the most talented people to support the growth of the business. However, we recognise that normal practice is usually to align governance practice with your home or "domicile" market and the Committee is also mindful that market practice and shareholder guidelines in the UK, in relation to service contracts and severance arrangements, are different from those in the US. As set out in Mike's letter, and in the AGM Notice of Meeting, we have recommended the adoption of these changes to all shareholders and we welcome your support.

I have now served on the Dialog Board for nine years – a period during which there has been exciting and dramatic change within the business. It is worth noting that nine years is a period beyond which some consider the independence of non-executive Directors as being potentially compromised. While we do not believe that tenure of longer than nine years of itself compromises independence, our policy at Dialog is to put forward any Director who has a tenure of nine years or longer for annual election. This offers shareholders the opportunity to express their view in the form of their vote at each and every AGM and to express their concern or support in a transparent way.

During the next year we will be continuing refreshment and renewal of the Board (including, given my tenure, finding a new Chairman of the Nomination Committee) – a process which is ongoing and which we will update Shareholders on throughout the year as appropriate.

Finally, as we have outlined before, as a Board, we are open to all feedback from Shareholders. All Directors are available at the Group's AGM and we encourage you to take advantage of this opportunity should you wish to meet with and engage in discussion with any member of your Board.

Russ Shaw
Chairman, Nomination Committee

Leadership – Board of Directors

The Board of Dialog currently comprises eight Directors. This includes one Executive Director, and seven independent non-executive Directors (including the Chairman).

From left: Eamonn O'Hare, Mike Cannon, Rich Beyer, Aidan Hughes, Dr Jalal Bagherli, Alan Campbell, Russ Shaw and Chris Burke.

The Board of Directors comprises a mix of the necessary skills, knowledge and experience required to provide leadership, control and oversight of the management of the Company and to contribute to the development and implementation of the Company's strategy.

In particular, the Board combines a group of Directors with diverse backgrounds within the technology sector, in both public and private companies, which combine to provide the Board with a rich resource and expertise to drive the continuing development of Dialog and advance the Company's commercial objectives.

Director biographies are set out below and further details on the composition of the Board, and the Board's sub-committees, are detailed on pages 61 and 65-66.

Rich Beyer

Chairman

Rich joined the Board in February 2013 as an independent non-executive Director and was appointed Chairman in July 2013. Rich has a long-standing career in the technology sector.

He was the Chairman and CEO of Freescale Semiconductor from 2008 to 2012. Prior to this, he held successive positions as CEO and Director of Intersil Corporation, Elantec Semiconductor and FVC.com. He has also held senior leadership positions at VLSI Technology and National Semiconductor Corporation. In 2012, he was Chairman of the Semiconductor Industry Association Board of Directors and served for three years as a member of the US Department of Commerce's Manufacturing Council. He currently serves on the Boards of Analog Devices and Micron Technology Inc and previously served on the Boards of Credence Systems Corporation (now LTX-Credence), XCeive Corporation and Signet Solar.

Rich served three years as an officer in the United States Marine Corps. He earned Bachelor's and Master's degrees in Russian from Georgetown University, and an MBA in marketing and international business from Columbia University Graduate School of Business.

External appointments

Rich currently serves on the Boards of Micron Technology Inc and Analog Devices Inc.

Board experience ● ✚

Dr Jalal Bagherli

Executive Director (Chief Executive Officer)

Jalal joined Dialog as CEO and an executive Board Director in September 2005. He was previously Vice President and General Manager of the Mobile Multimedia business unit for Broadcom Corporation. Prior to that Jalal was the CEO of Alphamosaic, a venture-funded silicon start-up company in Cambridge, focusing on video processing chips for mobile applications. He has extensive experience in the semiconductor industry through his previous professional and executive positions at Sony Semiconductor and Texas Instruments, managing semiconductor product businesses and working with customers in the Far East, Europe and North America.

Jalal has a BSc (Hons) in Electronics Engineering from Essex University, and holds a PhD in Electronics from Kent University, UK.

External appointments

Jalal is a non-executive Director of Lime Microsystems Ltd since 2005 and was the Chairman of the Global Semiconductor Association Europe from 2011 to 2013.

Board experience ● ✚

Chris Burke
Independent non-executive Director
Chris joined the Board in July 2006. He has a career of 30 years in telecommunications and technology. Post his degree in Computer Science in 1982, he spent 15 years in Nortel Research and Development. He was then Chief Technology Officer ("CTO") in Energis Communications (at the time of IPO into the London Stock Exchange), then CTO at Vodafone UK Ltd. Post-Vodafone Chris has made over 20 technology investments from his own investment fund, founded/co-founded a number of start-up companies, and provides a strategy and technology advisory service for some of the biggest technology manufacturers in the industry as well as both private and venture investors.

External appointments
Chris serves on the private company boards of Fly Victor, One Access, MusicQubed, Premium Credit and Navmii.

Committee membership N R
Board experience ● ◆ ✚

Alan Campbell
Independent non-executive Director
Alan joined the Board in May 2015 and was appointed as Chair of the Audit Committee in July 2015. He brings over 30 years of relevant business and financial expertise to Dialog Semiconductor, having extensive experience as a Chief Financial Officer in the semiconductor industry. He began his career in 1979 with Motorola and has spent over 12 years in Europe and 20 years in the USA. In 2004 he guided Freescale through its separation from Motorola and successfully executed to an initial public offering ("IPO") that listed the company on the New York Stock Exchange ("NYSE"). In 2006 he was instrumental in the execution of a Leverage Buy-Out ("LBO") in one of the largest technology financial transactions at that time. In 2011 he successfully led the company back to the public market to be listed on the NYSE.

External appointments
Alan currently serves on the Board and is a member of the Audit Committee of ON Semiconductor

Committee membership A*
Board experience ● ■ ✚

Mike Cannon
Independent non-executive Director
Mike joined the Board in February 2013. His career in the high-tech industry spans 30 years, including over ten years as CEO of two Fortune 500 companies. He was President, Global Operations of Dell from February 2007 until his retirement in 2009. Prior to joining Dell, Mike was the CEO of Solectron Corporation, an electronic manufacturing services company, which he joined as CEO in 2003. From 1996 until 2003 Mike was CEO of Maxtor Corporation, a disk drive and storage systems manufacturer. He successfully led the NASDAQ IPO of Maxtor in 1998. Mike previously held senior management positions at IBM and Control Data Corporation.

Mike studied Mechanical Engineering at Michigan State University and completed the Advanced Management Program at Harvard Business School.

External appointments
Mike currently serves on the Boards of Adobe Systems Inc., Seagate Technology and Lam Research. He is a member of Adobe's Audit Committee and previously served for five years as Chairman of the Compensation Committee. He is also a member of both the Finance Committee and Nominating & Governance Committee at Seagate; and a member of the Nominating & Governance and Audit Committees at Lam Research.

Committee membership R* N
Board experience ● ✚

Aidan Hughes
Independent non-executive Director
Aidan joined the Board in October 2004. He is a Fellow of the Institute of Chartered Accountants in England and Wales and qualified as a chartered accountant with PriceWaterhouse in the 1980s. He has held senior finance roles at Lex Service Plc and Carlton Communications Plc. He was a FTSE 100 finance Director, having held that position at the Sage Group Plc from 1993 to 2000. From December 2001 to August 2004 he was a Director of Communisis Plc.

External appointments
Aidan is a non-executive Director and Chair of Audit Committee for Ceres Power Holdings Plc. He is also an investor and adviser to a number of international private technology companies.

Committee membership A
Board experience ● ■ ✚

Eamonn O'Hare
Independent non-executive Director
Eamonn joined the Board in May 2014 as an independent non-executive Director. He was appointed as Chair of the Audit Committee in December 2014 and was replaced by Alan Campbell in July 2015. Eamonn has spent over two decades as CFO of some of the world's fastest-growing consumer and technology businesses. From 2009 to 2013, he was CFO and main board member of the UK's leading entertainment and communications business, Virgin Media Inc. and led its successful sale to Liberty Global Inc. in 2013. From 2005 to 2009, he served as CFO of the UK operations of one of the world's largest retailers, Tesco plc. Before joining Tesco he was CFO and Board Director at Energis Communications and led the successful turnaround of this high profile UK telecoms company. Prior to this Eamonn spent ten years at PepsiCo Inc. in a series of senior executive roles in Europe, Asia and the Middle East. Eamonn spent the early part of his career in the aerospace industry with companies that included Rolls-Royce PLC and BAE Systems PLC.

External appointments
Eamonn's 20 years of experience as a Chief Financial Officer and Board Director in many leading consumer facing and technology orientated businesses brings a wealth of relevant business and financial expertise as well as extensive knowledge of financial management and accounting principles.

Committee membership A
Board experience ◆ ■ ✚

Russ Shaw
Independent non-executive Director
Russ joined the Board in July 2006 and has over 20 years' senior marketing and brand management experience in the technology, telecoms and financial services sectors. Russ most recently served as Vice President & General Manager for Skype, with responsibilities for its Mobile Division as well as Europe, the Middle East and Africa. Previously, he was at Telefonica, where he was the Global Director of Innovation. Before joining Telefonica, he was the Innovation Director at O2, which he joined as Marketing Director in 2005. Russ is a past Chairman of the Marketing Group of Great Britain, is senior adviser to Ariadne Capital and Founder and Chairman of Tech London Advocates.

External appointments
Russ is currently a non-executive Director for Unwire A.p.S. and LetterOne Telecom.

Committee membership N* R
Board experience ● ◆ ✚

Committee membership
A– Audit Committee
N– Nomination Committee
R – Remuneration Committee

* Denotes Chair of the committee

Board experience
● Technology
◆ Telecommunications
■ Finance
✚ Governance

Leadership – Management team

Dr Jalal Bagherli
Chief Executive Officer

Jalal joined Dialog as CEO and an Executive Board Director in September 2005. He was previously Vice President & General Manager of the Mobile Multimedia business unit for Broadcom Corporation. Prior to that Jalal was the CEO of Alphamosaic, a venture-funded silicon start-up company in Cambridge, focusing on video processing chips for mobile applications. He has extensive experience of the semiconductor industry, through his previous professional and executive positions at Sony Semiconductor and Texas Instruments, managing semiconductor product businesses and working with customers in the Far East, Europe and North America. Jalal is a non-executive Director of Lime Microsystems Ltd since 2005 and was the Chairman of Global Semiconductor Association Europe from 2011 to 2013. He has a BSc (Hons) in Electronics Engineering from Essex University, and holds a PhD in Electronics from Kent University, UK.

Andrew Austin
Senior Vice President, Corporate Projects

Andrew joined Dialog in April 2009 and held the position of Senior Vice President, Worldwide Sales until the end of Q3 2015. He was previously a Sales and Marketing consultant, specialising in the semiconductor and high-performance sports industries. He has extensive experience of the semiconductor industry through his previous professional positions at Texas Instruments and Raytheon Systems. Andrew holds a degree in Electrical and Electronics from Hertford University.

Vivek Bhan
Senior Vice President, Engineering

Vivek joined Dialog in November 2013 and is responsible for the overall engineering and technology direction, including design and product development across the various business groups within Dialog. He brings a wealth of engineering leadership experience in the semiconductor industry including technology and products for advanced cellular systems, connectivity and medical applications within RF, mixed signal and SOC space. He has held senior positions at Freescale, Fujitsu Semiconductor and Motorola. Vivek holds a MS in Electrical Engineering and MBA from Arizona State University.

Christophe Chene
Senior Vice President, Asia

Christophe joined Dialog in November 2011 as Vice President, Asia and is based in Taiwan. He has over 20 years of experience in the semiconductor industry, focusing on building international businesses with a strong Asian footprint. Previously he served as Senior Vice President and General Manager of the TV Business Unit as well as Senior Vice President of worldwide sales for Trident Microsystems. Prior to that, Christophe served in various international executive and managerial positions at Texas Instruments, Sharp and Xilinx. Christophe holds an Electronics Engineering degree from INSA, Toulouse.

Mohamed Djadoudi
Senior Vice President, Global Manufacturing Operations and Quality

Mohamed joined Dialog in March 2007 and is responsible for product engineering, test and assembly development, data automation, software support, offshore manufacturing operations and quality. Mohamed has more than 25 years' experience in the field of semiconductor manufacturing operations, starting initially with IBM in France and the US. He was previously Senior Vice President and Chief Technology Officer of the Unisem group, an assembly and test subcontractor based in Malaysia and China. He also held the position of Vice President of Test Operations at ASAT (Atlantis Technology), based in Hong Kong, before becoming one of the original members of the management buy-out team of ASAT UK, where he served as the Technical Director. Mohamed holds an Electronic and Electrotechnic degree from the Paris University of Technology.

Udo Kratz
Senior Vice President and General Manager, Mobile Systems Business Group

Udo joined Dialog in May 2006. He is responsible for the Audio and Power Management Business Unit. He has over 20 years' experience in the semiconductor industry, gained in general management, senior marketing and engineering at Robert Bosch GmbH, Sony Semiconductor and Infineon Technologies. Udo holds an Electronic Engineering degree from the University for Applied Sciences, Mannheim.

Name	Role Tenure with	Tenure with Dialog (years)
Dr Jalal Bagherli	Chief Executive Officer	10
Andrew Austin	Senior Vice President, Corporate Projects	6
Vivek Bhan	Senior Vice President, Engineering	2
Christophe Chene	Senior Vice President, Asia	4
Mohamed Djadoudi	Senior Vice President, Global Manufacturing Operations and Quality	8
Udo Kratz	Senior Vice President and General Manager, Mobile Systems Business Group	9
Davin Lee	Senior Vice President and General Manager, Power Conversion Business Group	2
Sean McGrath	Senior Vice President and General Manager, Connectivity, Automotive and Industrial Business Group	3
Martin Powell	Senior Vice President, Human Resources	5
Tom Sandoval	Senior Vice President, Worldwide Sales	0
Colin Sturt	Senior Vice President, General Counsel	0
Mark Tyndall	Senior Vice President, Corporate Development and Strategy and General Manager Emerging Products Business Group	7

Davin Lee
Senior Vice President and General Manager, Power Conversion Business Group
Davin joined Dialog in July 2014. He was previously CEO of Scintera Networks. Prior to that Davin was the Vice President and General Manager of the Consumer Business Unit at Intersil Corporation. Prior to that Davin was Vice President of Marketing at Xicor. He previously held senior positions within Altera and National Semiconductor. Davin holds a BSEE from The University of Texas at Austin and an MBA from Kellogg School of Management at Northwestern University.

Sean McGrath
Senior Vice President and General Manager, Connectivity, Automotive and Industrial Business Group
Sean joined Dialog in November 2012. Sean has more than 15 years' experience in RF semiconductor businesses, introducing innovative business models and leading organisations to rapid growth. Prior to Dialog he was General Manager of the Smart Home & Energy group at NXP and General Manager of the RF Power and Base Stations business at NXP/Philips Semiconductors. He previously held senior roles at Philips Semiconductors and Mikron Austria GmbH, focusing on the RFID and connectivity markets. Sean holds an honours degree in Geophysics and Geology from Harvard University and an MBA with distinction from INSEAD.

Martin Powell
Senior Vice President, Human Resources
Martin joined Dialog in July 2010 and is responsible for developing and driving people strategies in support of Dialog's business goals and initiatives worldwide, including fostering an environment where Dialog's teams can thrive. Prior to Dialog, Martin held a variety of senior and executive HR roles with Medtronic Inc., General Electric (GE) and the Dell Corporation. Most recently he was a member of the executive team at C-MAC MicroTechnology, a private equity-backed leader in the high reliability electronics sector. During his career Martin has been located in Asia and continental Europe as well as the UK.

Tom Sandoval
Senior Vice President, Worldwide Sales
Tom joined Dialog in September 2015 and is responsible for the worldwide sales organisation. He has over 25 years of experience in the semiconductor industry and has held executive management positions in sales, marketing and engineering. Prior to joining Dialog, Tom served as Vice President of Sales for the Americas at Xilinx. He previously served as CEO of Calypto Design Systems. Tom holds a BS degree in Electrical Engineering from the University of Southern California.

Colin Sturt
Senior Vice President, General Counsel
Colin Sturt joined Dialog Semiconductor in October 2015 as Senior Vice President, General Counsel. Prior to joining Dialog, Colin held the position of Vice President of Corporate Development, General Counsel and Corporate Secretary at Micrel, Incorporated. He was previously a corporate attorney with Davis Polk & Wardwell LLP. Earlier in his career Colin served in manufacturing management and operational and organisational improvement roles with National Semiconductor Corporation. He holds a Law degree from the Columbia University Law School and a Bachelor's and two Master's degrees from Brigham Young University.

Mark Tyndall
Senior Vice President, Corporate Development and Strategy and General Manager Emerging Products Business Group
Mark joined Dialog Semiconductor in September 2008. Prior to this, Mark was Vice President of Business Development and Corporate Relations at MIPS Technologies. From 1999 to 2006, he held the position of Vice President of Business Development at Infineon and has also served as a board director of a number of start-up companies, several of which were successfully acquired. Earlier in his career, Mark held management positions in marketing at Fujitsu Microelectronics and in design at Philips Semiconductors.

Jean-Michel Richard
Retired CFO, Senior Vice President Finance
Jean-Michel retired from the role of CFO and Senior Vice President Finance in December 2015. He joined the Company in September 2006 to head up its finance department. He was previously Finance Director for the Global Manufacturing and Technology Division of ON Semiconductor, in Phoenix, Arizona, and before that held senior finance and treasury positions at ON and Motorola, in Europe and the US. Jean-Michel holds a Masters in Economics from the University of Geneva, Switzerland.

Emmanuel Walter
Interim CFO
Emmanuel joined Dialog in July 2015 and was appointed Interim CFO in December following Jean-Michel's departure. He has more than 20 years' experience and has previously held senior financial executive positions with multinationals such as General Electric and ABB, specialising in the engineering sector as well as in the Chinese market, where he has worked as a CFO for a power related equipment manufacturing businesses. Emmanuel has an Electrical Engineering degree, a 1st Class BSc, an ACCA 1st pass and a top-tier MBA from Manchester Business School. He is the Chairman of the ACCA Corporate Sector Committee.

Directors' report

The Directors of Dialog Semiconductor Plc ("Dialog" or the "Company") present their annual report and audited financial statements for the year ended 31 December 2015. These accounts have been prepared under IFRS and are available on the Company's website: www.dialog-semiconductor.com

Principal activities and review of the business

Dialog Semiconductor develops and distributes highly integrated, mixed signal ICs, optimised for personal portable, low energy short-range wireless, LED solid-state lighting and automotive applications. The Company provides customers with world-class innovation combined with flexible and dynamic support, and the assurance of dealing with an established business partner.

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. The Company is registered in the UK and the registered number is 3505161. A full list of Company branches outside of the UK is detailed in Dialog's related undertakings set out on pages 160 and 161.

Further information on the principal activities of the business and the factors affecting future developments are detailed in the Group's strategic report set out on pages 1 to 52. Information on treasury policies and objectives is included in note 2 to these financial statements.

Subsequent events

On 20 September 2015 Dialog announced it had agreed to acquire Atmel Corporation for a total consideration of approximately $4.6 billion. Dialog shareholders voted to approve the transaction on 19 November 2015. On 13 January 2016 the Board of Atmel deemed an unsolicited proposal from Microchip Technology Inc. to be a superior offer. The following day the Board of Dialog concluded it was not in the best of interests of Shareholders to increase the offer price for Atmel and decided not to revise the terms of the offer. This resulted in Atmel's termination of the merger agreement with Dialog. Upon termination of the merger agreement by Atmel to accept Microchip's proposal, Atmel was required to pay Dialog a $137.3 million termination fee. On 20 January 2016 the Group received the fee.

Future developments

The Group's stated objective is to be the leading global supplier of highly integrated, mixed signal ICs, optimised for personal portable, low energy short-range wireless, LED solid-state lighting and automotive applications. The key aspects of the Group's strategy are set out in the strategic report on pages 14 and 15.

Research and development R&D

The Group believes that its future competitive position will depend on its ability to respond to the rapidly changing needs of its customers by developing new designs in a timely and cost-effective manner. To this end, the Company's management is committed to investing in R&D of new products and customising existing products.

To date, R&D projects have been in response to key customers' requests to assist in the development of new custom ASICs, and for the development of application specific standard products ("ASSPs"). The Company does not expect any material change to this approach in the foreseeable future.

Greenhouse gases

Corporate responsibility and a commitment to sustainable business practices are important to the Dialog business model and a component of Dialog's strategy to deliver long-term profitable growth. Our commitment to environmentally oriented, sustainable business practices is evidenced in our commitment to continue to reduce CO_2 emissions and minimise the carbon footprint of our business. Further details on the Group's commitment to sustainable and environmentally friendly business practices are set out on pages 42 to 47.

Going concern

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. The Group holds US$567 million of cash at the year end (2014: US$324 million) and at the end of 2015, Dialog had no committed borrowing facilities. The Group expects to continue to deliver revenue and profit growth in the period ahead. For these reasons, the Directors have adopted the going concern basis in preparing the financial statements.

Dividends and share repurchases

The Group has historically been committed to reinvesting all profits into laying the framework for future growth of the Dialog Group. Accordingly, since its initial public offering in 1999, Dialog has not paid any cash dividend or carried out any share repurchases. Directors do not recommend the payment of a dividend for 2015 (2014: nil). At the 2016 Annual General Meeting the Board will be asking shareholders for an authority to put in place a general framework for a share buy-back programme. It should be emphasised that, even if this authority is granted, no decision has yet been made to implement such a programme and implementation will only occur if the board considers this in the best interests of the Company depending on the prevailing circumstances.

Purchase of own shares by Employee Benefit Trust

The Company operates an Employee Benefit Trust, which purchase and sell shares in the Company for the benefit of employees under the Company's share option scheme, Long Term Incentive Plan, Executive Incentive Plan and Employee Share Plan. Since the Company has de facto control of the assets and liabilities of the Trust, they are included in the Company and Group balance sheets. At 31 December 2015, the Trust held 1,879,195 shares, which represented 2.4% of the total called-up share capital, at a nominal value of £187,919.

Share capital

The Company's issued share capital comprised a single class of shares referred to as ordinary shares.

Details of the share capital are set out in note 22 to the consolidated financial statements.

Substantial shareholdings

Details of substantial shareholdings are on page 64 of this annual report.

Directors

The Directors, together with their biographies, are listed on pages 54 and 55 of this report.

Powers of Directors
The Directors are authorised to issue the nominal amount of securities representing the aggregate of approximately one third of the issued share capital of the Company; of that one third they can issue an amount equal to 5% of the issued share capital on a non-pre-emptive basis. The Directors have additional power to issue up to a further third of the issued share capital of the Company, provided it is only applied on the basis of a rights issue.

Directors' remuneration and interests
Directors' remuneration and interests are detailed in the Directors' remuneration policy report on pages 76 to 81 of this report. No Director had a material interest during the year ended 31 December 2015 in any contract of significance with any Group company.

Directors' third-party indemnity provisions
The Company has granted an indemnity to its Directors against proceedings brought against them by third parties, by reason of their being Directors of the Company, to the extent permitted by the Companies Act 2006. Such indemnity remains in force as at the date of approving the Directors' report.

Election and re-election of Directors
In accordance with the Company's Articles of Association, one third of the Directors have to stand for re-election at the Annual General Meeting. Any Director who has been on the Board for more than nine years is subject to annual re-election. The next Annual General Meeting will be held on 28 April 2016 at 9am at Tower Bridge House, St Katharine's Way, London E1W 1AA.

Corporate governance
The Company's corporate governance statement is set out on pages 61 to 66 of this report. We also publish, on our website, our own corporate governance principles which have regard to the UK Corporate Governance Code and other best practice corporate governance policies.

Principal risks and uncertainties
The Company is exposed to a number of risks and uncertainties that could affect the performance of the Company and its prospects. The Board of Directors and the Audit Committee are responsible for the Company's process of internal control and risk management and for reviewing its continuing effectiveness. The Board ensures, to the extent possible, that the system of internal procedures and controls is appropriate to the nature and scale of the Company's activities and that appropriate processes and controls are in place to effectively manage and mitigate strategic, operational, financial and other risks facing the Company. A detailed list of risks and their management is set out on pages 48 to 52 of this report.

Financial instruments
The Group's financial risk management and policies, and exposure to risks, are set out on pages 51 and 52 of this report.

Employee policies
It is our policy to support our people through training, career development and opportunities for promotion. We operate an open management approach and consult with our staff on matters that are of concern to them. We share information with employees on the performance of the Company which, together with profit-related bonuses and stock option awards, encourage staff involvement.

Diversity and equal opportunity
In 2015, Dialog operated from 31 locations in 14 countries with a highly diverse workforce, incorporating employees from 62 nationalities.

Dialog takes equality and equal opportunity for all employees very seriously. We believe diversity among an employee base is an important attribute to a well-functioning business. Diversity spans a range of factors including diversity in terms of geographic origin, background, gender, race, faith, education, experience, viewpoint, interests and technical and interpersonal skills. We also ensure that we offer equal opportunities in all aspects of employment and advancement regardless of age, disability, gender, marital status, nationality, race, religious or political beliefs or sexual orientation.

Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or alternative position and to provide appropriate training to achieve this aim.

Gender diversity is of particular importance. Women comprise 16% of the overall workforce and further details are set out on page 10 of this report. Although this is in line with the industry average, the Company is supporting various initiatives in the areas of STEM education for young women in the UK, US and Taiwan to encourage more women to pursue careers in engineering and electronic engineering.

Disabled persons
Our policy provides for disabled persons, whether registered or not, to be considered for employment, training and career development in accordance with their aptitudes and abilities. We offer equal opportunities in all aspects of employment and advancement regardless of any disability.

Statement on disclosure of information to auditors
The Directors who were members of the Board at the time of approving the Directors' report are listed on pages 54 and 55 of this report. Having made enquiries of fellow Directors each of the Directors affirms that:

> to the best of their knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
> they have taken all reasonable steps to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Capital structure
At 31 December 2015, the Company's issued share capital comprised a single class of shares referred to as ordinary shares. Details of the share capital can be found in note 22 to the consolidated financial statements. On a show of hands at a general meeting of the Company every holder of shares present in person and entitled to vote shall have one vote, and on a poll every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held.

The notice of the general meeting specifies deadlines for exercising voting rights either by proxy notice or by presence in person or by proxy in relation to resolutions to be passed at a general meeting. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the AGM and published on the Company's website after the meeting. There are no securities carrying special rights, nor are there any restrictions on voting rights attached to the ordinary shares.

There are no restrictions on the transfer of shares in the Company other than:

> Certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws); and

> Directors and senior management of the Company are not allowed to trade in shares or exercise options in certain close periods (such close periods normally start two weeks before the end of each quarter and end 48 hours after the release of the financial results).

Details of changes in share capital can be found in note 22 to the consolidated financial statements.

The Company is not aware of any agreements between Shareholders that may result in restrictions on the transfer of securities and for voting rights.

Dialog has an Employee Benefit Trust which holds Dialog shares for the benefit of employees, including for the purpose of satisfying awards made under the various employee and executive share plans. The trustee may vote the shares as it sees fit, and if there is an offer for the shares the trustee is not obliged to accept or reject the offer but will have regard to the interests of the employees and may otherwise take action with respect to the offer it thinks fair.

The agreement between the Company and its Directors for compensation for loss of office is given in the Director's remuneration policy report on pages 78 and 79 of this report.

The Company's Articles of Association may only be amended by a special resolution at a general meeting of Shareholders.

Annual General Meeting
The notice convening the Annual General Meeting will be published separately and posted on the Company's website. The meeting will be held at Tower Bridge House, St Katharine's Way, London E1W 1AA on 28 April 2016 at 9am.

By order of the Board

Dr Jalal Bagherli
Director

8 March 2016

The Board of Dialog Semiconductor is committed to maintaining high corporate governance standards to protect the interests of all stakeholders.

These standards reflect a range of guidelines which apply to the Company given its status as a UK incorporated, Frankfurt Stock Exchange listed company. The Company has published on its website its Corporate Governance principles which have regard to the UK Corporate Governance Code and other best practice corporate governance policies. These have been updated as of December 2015 and are reviewed on an ongoing basis.

Board of Directors – role and responsibilities

As Dialog is incorporated in the UK and follows governance principles which have regard to the UK Corporate Governance Code and other best practice governance principles, it maintains a single Board structure. The Board has overall responsibility for the leadership, control and oversight of the Company. The day-to-day responsibility for the management of the Company has been delegated by the Board to the Chief Executive Officer ("CEO"), who is accountable to the Board. The CEO executes this authority through an executive management team outlined on pages 56 and 57 of this report. In addition, a number of responsibilities of the Board are delegated to sub-committees of the Board; details of which are set out below.

Matters reserved for the Board

While the Board has delegated day-to-day responsibility for the management of the Company to the CEO, certain matters are formally reserved for the Board. The Board has overall responsibility for: Company objectives, strategy, annual budgets, risk management, acquisitions or major capital projects, remuneration policy, and Corporate Governance. It defines the roles and responsibilities of the Chairman, CEO, other Directors and the Board sub-committees. In addition, the Board approves the quarterly financial statements and reviews the Company's systems of internal control. It approves all resolutions and related documentation put before Shareholders at general meetings.

Chairman

Mr Rich Beyer is Chairman of the Board. Rich was appointed on 23 July 2013 and was determined by the Board to be independent on his appointment to the Board. The Chairman is responsible for the effective working of the Board while the CEO, together with the executive management team, is responsible for the day-to-day running of the Company. The functions of Chairman and CEO are not combined and both roles' responsibilities are clearly divided.

The Chairman, CEO and the Company Secretary work together in planning a forward programme of Board meetings and meeting agendas. As part of this process the Chairman ensures that the Board is supplied, in a timely manner, with information in a form and of a quality to enable it to discharge its duties. The Chairman encourages openness, debate and challenge at Board meetings. The Chairman holds a number of other directorships and the Board considers that these do not interfere with the discharge of his duties to the Company. The Chairman is available to meet Shareholders on request.

Board composition

The Board currently comprises eight Directors who are listed below. During 2015, Alan Campbell was appointed to the Board as an independent non-executive Director. Details on his recruitment are set out below.

John McMonigall and Peter Weber also served as Directors during 2015 until their retirement on 30 April 2015.

The Board of Directors comprises a mix of the necessary skills, knowledge and experience required to provide leadership, control and oversight of the management of the Company and to contribute to the development and implementation of the Company's strategy. In particular, the Board combines a group of Directors with diverse backgrounds within the technology sector, in both public and private companies, which combine to provide the Board with a rich resource and expertise to drive the continuing development of Dialog and advance the Company's commercial objectives. In addition, the geographic background of the Board is diverse and it includes Directors who have worked in North America, Europe and Asia. Director biographies are set out on pages 54 and 55.

Director	Status	Independent/non-independent	Tenure (years)	Concurrent tenure* (years)
Rich Beyer	Current	Independent (Chairman)	2	2
Dr Jalal Bagherli	Current	Non-independent (Executive)	10	N/A
Chris Burke	Current	Independent	9	9
Alan Campbell	Current	Independent	0	0
Mike Cannon	Current	Independent	2	2
Aidan Hughes	Current	Independent	11	10
Eamonn O'Hare	Current	Independent	1	1
Russ Shaw	Current	Independent	9	9
John McMonigall	Retired		–	–
Peter Weber	Retired		–	–

* Note: Concurrent tenure means tenure on the Board concurrently with the Company's CEO.

Corporate governance statement continued

Board refreshment and renewal

The Board is committed to a policy of ongoing Board refreshment and renewal. The Nomination Committee continually reviews the composition and diversity, including gender diversity, of the Board and the skills and experience of each of the Directors. The relevant skills and experience of each Director are set out under individual biographies, which are detailed on pages 54 and 55.

Subject to approval at the Annual General Meeting by Shareholders, Directors are appointed for a term of three years. Any Director who has been on the Board for more than nine years is subject to annual re-election. The standard terms of the letter of appointment of non-executive Directors are available, on request, from the Company Secretary. Directors seeking re-election are subject to a performance appraisal, which is overseen by the Nomination Committee. In accordance with its Articles of Association a third of Directors stand for re-election at each Annual General Meeting.

Consistent with a commitment to ongoing Board refreshment and renewal, one new Director, Alan Campbell, was appointed to the Board in 2015. The Nomination Committee engaged in a process to appoint a new Director who would bring specific industry experience to the Board. Candidates were identified through a variety of methods. The Nomination Committee engaged in a process (supported by an external search and recruitment agent) to identify potential candidates. The recruitment agent has no other relationship with Dialog other than in the role to assist in the identification and recruitment of Board Directors. Informal industry contacts were also used. The Committee, which is committed to achieving a greater level of gender diversity on the Board over time, made considerable effort to ensure that gender was a significant consideration factor in the identification of potential candidates in addition to relevant industry and public company board experience.

Following a thorough process, candidates met with Committee members and the Chairman prior to appointment. Alan Campbell was appointed to the Board on the strength of industry experience and skills he can bring to the Board of Directors as a whole for the benefit of all Dialog Shareholders.

During the course of his appointment, the Board considered the prior working relationship between Rich Beyer and Alan Campbell while both served at Freescale. Rich Beyer joined Freescale in March 2008 and held the position of Chairman and CEO through to June 2012. During this period Alan held the position of Chief Financial Officer of Freescale reporting to Rich. The Board noted the three year cooling off period between this prior working relationship and Alan's appointment to the Dialog Board. Having carefully considered all the factors, the Board concluded that Alan Campbell is wholly independent.

During the year, John McMonigall and Peter Weber retired from the Board, having served for 17 and nine years respectively.

As outlined above, the Board remains committed to continuing refreshment and it is expected that more than one new independent, non-executive Directors will be appointed during the course of 2016.

Board size

At the end of 2015, the Board comprised eight Directors. A maximum of ten Directors is allowable under Dialog's Articles of Association. The eight members of the Dialog Board include one Executive Director and seven independent, non-executive Directors (including the Chairman). The Nomination Committee has reviewed the size and performance of the Board during the year. The Committee considered that the Board functions effectively; comprises the skills, knowledge and experience required by Dialog; is not so large as to be unwieldy; and meets corporate governance best practice guidelines on independence.

Board independence

Corporate governance best practice states that at least half the Board, excluding the Chairman, should comprise non-executive Directors determined by the Board to be independent.

The Company has determined that Chris Burke, Alan Campbell, Mike Cannon, Aidan Hughes, Eamonn O'Hare and Russ Shaw are independent. The Chairman, Rich Beyer, was independent on his appointment to the Board. The Company's Chief Executive Officer, Dr Jalal Bagherli, is the only Executive Director on the Board.

Excluding the Chairman, the Board currently comprises six independent non-executive Directors and one Executive Director and is, therefore, compliant with the principle that at least half the Board, excluding the Chairman, should comprise Directors determined by the Board to be independent.

As part of its annual review in 2015, the Board specifically considered the independence of Aidan Hughes given his tenure on the Board. The Board's unanimous view is that Mr Hughes' independence and objectivity, as evidenced by his continuing valuable contribution at Board meetings, has, in no way, been compromised by his length of tenure on the Board. The Board also believes that his industry experience and contribution to the continuing development of Dialog has been of significant benefit to the Board as a whole.

While the Board is satisfied that Mr Hughes is wholly independent, in line with the best-practice principles, as he has been a member of the Board for in excess of nine years, he is subject to annual re-election by Shareholders. Mr Hughes also stepped down from his role as Chairman of the Audit Committee having served as Chairman of that Committee for ten years.

The Board also notes that the concurrent tenure of both Chris Burke and Russ Shaw is now at nine years. While the Board considers both Directors to be wholly independent in judgement and character, it recognises best practice in respect of Board tenure and independence criteria and will factor this into its refreshment policy during 2016. In addition as with Aidan Hughes, both Directors will be subject to annual re-election by shareholders.

2015 Board and sub-committees

Director	Board	Audit	Remuneration	Nomination
Number of meetings in 2015	5	5	5	5
Meetings attended				
Richard Beyer	5			
Dr Jalal Bagherli	5			
Chris Burke	5		5	3
Alan Campbell	4	3		
Michael Cannon	5		5	5
Aidan Hughes	5	5		2
John McMonigall (retired)	1	1		1
Eamonn O'Hare	4	5		
Russ Shaw	5		5	5
Peter Weber (retired)	1	1	1	

Alan Campbell, Chairman of the Audit Committee, Russ Shaw, Chairman of the Nomination Committee and Mike Cannon, Chairman of the Remuneration Committee, are also available to Shareholders should they have specific concerns or issues relevant to their respective committees.

This offers Shareholders the opportunity to express their view in the form of their vote at each and every AGM and to express their concern or support in a transparent way. During the next year we will be continuing refreshment and renewal of the Board (including, given Russ Shaw's tenure, finding a new Chairman of the Nomination Committee) – a process which is ongoing and which we will update shareholders on throughout the year as appropriate.

Senior Independent Director

John McMonigall stepped down from the Board as Senior Independent Director during 2015. The process of finding a new SID is ongoing and we will update Shareholders through the year as appropriate. Rich Beyer is available to Shareholders who have concerns for which contact through the normal channel of CEO has failed to resolve or is inappropriate.

Audit Committee financial expert

Dialog's Audit Committee is comprised of a number of Directors who have recent and relevant financial experience. Alan Campbell, Chairman of the Audit Committee, has long-standing experience as a CFO in the semiconductor industry. Eamonn O'Hare has two decades' experience as CFO at some of the world's fastest-growing consumer and technology businesses. Aidan Hughes has experience as a senior accountant and Finance Director at a number of public companies. Biographies are set out on page 54 and 55.

Company Secretary

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. The Company Secretary seeks to ensure that the Board members receive appropriate induction and ongoing training and development to enable them to discharge their duties. The Company Secretary is also responsible for advising the Board on all Corporate Governance matters.

The appointment and removal of the Company Secretary is a matter for the Board.

Tim Anderson of Reynolds Porter Chamberlain LLP is the Company Secretary and has served in this role for over 15 years.

Board meetings

The Board holds at least five Board meetings each year. The Board may meet more frequently as required. The number of meetings of Board sub-committees each year varies by Committee. There were five Board meetings in 2015. The attendance at Board and sub-committee meetings by the Directors who held office in 2015 is set out on page 62. The Board places considerable importance on attendance at both scheduled Board and sub-committee meetings. During the year, no Director attended less than 75% of scheduled Board or Board sub-committee meetings to which they were entitled to attend. At scheduled Board meetings, the Board also meets without the Executive Director present.

In addition, the non-executive Directors meet annually to review the performance of the Chairman. This process, which commenced in 2015, is an annual process. The 2016 review will be held during the course of the calendar year.

Director induction and continuing development

Following appointment to the Board, new Directors are provided with induction materials and are briefed on the Company, its structure, strategy, technologies, operations, corporate governance practice, and their duties and responsibilities as a Director.

Briefings for all non-executive Directors are held with the executive management at Board meetings. Throughout the year, Directors are also provided with detailed briefing materials on the performance of the Company and market analysis on the performance of, and prospects for, the business.

Director training and development

The Board is committed to a programme of periodic training and development of its Directors. As part of this process, at least one Board meeting is held at the location of one of the Company's international offices each year. During 2015 Board meetings were held in Edinburgh and California.

The Company has also put in place a process of periodic training sessions for Directors which are facilitated by a third party. In 2014, all (then) Board members received business ethics training, in 2015, the Board received investor activism training.

Performance evaluation

The Board recognises the importance of continuing evaluation of the performance of the Board and its Committees and a review of the operation and performance of the Board and its Committees is undertaken annually. An internal review was conducted in December 2015 and follows a similar internally coordinated review process which was undertaken in 2013. It is conducted anonymously and is managed by the Company Secretary. The findings of the 2015 review will be presented to the Board in 2016 for consideration and the implementation of related recommendations.

In 2014, consistent with corporate governance best practice, the Board engaged an independent third party to conduct an evaluation. The evaluation was conducted by Equity Communications Ltd, a company which has no other connection with Dialog. The findings of the evaluation were presented to the Board in February 2015.

The non-executive Directors also meet to review the performance of the Chairman and the 2016 review will be held during the course of the calendar year.

External non-executive directorships

The Board believes that a broadening of the skills, knowledge and experience of non-executive Directors is of benefit to the Company. The Company welcomes the participation of the non-executives on the Boards of other companies. To avoid potential conflicts of interest, non-executive Directors inform the Chairman of the Nomination Committee before taking up any external appointments. Details of the non-executive positions of each Director are set out under individual biographies, which are detailed on pages 54 and 55.

Directors' fees

The annual fee for non-executive Directors in 2015 was £80,000. The annual fee for the Chairman was £110,000. The Chair of the Audit Committee, the Nomination Committee and the Remuneration Committee received an additional fee of £10,000 for their role on that Committee.

The other Committee members receive no additional fee for serving on those Committees. Details of the activities of these Committees during 2015 are set out on pages 65 and 66.

Directors' fees were paid in cash. Non-executive Directors are not eligible to participate in the Company's bonus or share award schemes. In the past, non-executive Directors were awarded share options.

None of the remuneration of the non-executive Directors is performance related. Non-executive Directors' fees are not pensionable and non-executive Directors are not eligible to join any Company pension plans. Non-executive Directors are reimbursed for their reasonable travel and accommodation expenses incurred in connection with attending meetings of the Board or related committees.

The compensation of the executive Director comprises a base salary and variable components. Variable compensation includes an annual bonus linked to, and dependent on, certain business targets as well as long-term incentives. The executive Director's remuneration is inclusive of any Director's fee. Further details are set out in the Directors' report on remuneration which begins on page 67.

It is proposed that non-executive directors fees be increased in 2016 and that, subject to Shareholder approval, fees be paid in the form of cash and shares. Further details are set out in the Remuneration Report on pages 76 to 81.

Committee members

Audit Committee	Nomination Committee	Remuneration Committee
Alan Campbell (Chair)	**Russ Shaw (Chair)**	**Mike Cannon (Chair)**
Aidan Hughes	Chris Burke	Chris Burke
Eamonn O'Hare	Mike Cannon	Russ Shaw
100% independent (3 of 3)	**100% independent (3 of 3)**	**100% independent (3 of 3)**

Share ownership and dealing
Details of Directors' shareholdings are set out on page 71. The Company has a policy on dealing in shares that applies to all Directors and senior management. Under this policy, Directors are required to obtain clearance from the Chief Executive Officer (or in the case of the Chief Executive Officer himself, from the Chairman) before dealing.

Directors and senior management are prohibited from dealing in the Company's shares during designated close periods and at any other time when the individual is in possession of Inside Information as defined by the Market Abuse (Directive 2003/6/EC) Regulations.

Transactions in securities of the Company's own shares carried out by members of the Board of Directors and of their family members will be reported within five business days and published without delay, if the total value of such transactions in any one year exceeds €5,000, pursuant to and in accordance with section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz).

Loans to Directors or senior executives
The Company will not provide or guarantee any loans to Directors or senior executives.

Board sub-committees
The Board has established a number of sub-committees to assist in the execution of its responsibilities. During 2015, these were: Audit Committee, Nomination Committee and Remuneration Committee. Ad hoc committees are formed from time to time to deal with specific matters.

The composition of the Board sub-committees, as at 8 March 2016, is set out on pages 54 and 55. Attendance at meetings held in 2015 is set out in the table on page 62.

Each of the permanent Board Committees has terms of reference under which authority is delegated to them by the Board. These terms of reference are available on the Company's website. The Chairman of each sub-committee attends the Annual General Meeting and is available to answer Shareholder questions. The reports of each of the Board sub-committees are set out on pages 65 and 66 of this report.

Relations with Shareholders
The Company is committed to ongoing and active communication with its Shareholders. Dialog has a Head of Investor Relations who manages communication between the Company, its Shareholders and the broader financial community. The Company also retains independent advisers in the UK and Germany to help manage communication with both English and German speaking Shareholders. Dialog prepares annual and quarterly consolidated financial statements in accordance with generally accepted accounting principles in accordance with IFRS as adopted by the EU.

The Company maintains an investor relations section on its website: dialog-semiconductor.com/investor-relations. This contains copies of investor presentations and annual reports as well as providing other financial statements and corporate press releases.

There is regular discussion between Company management and analysts, brokers and institutional Shareholders, ensuring that the market is appropriately informed on business activities.

In September 2015, Dialog hosted a day of presentations and product displays, for institutional investors and analysts. The event was attended by many of Dialog's senior management team.

Dialog promptly discloses price-sensitive information to all market participants. Notifications are first sent to the Frankfurt Stock Exchange and the Federal Financial Supervisory Authority in Germany (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) and then published via an electronic information system.

Significant Shareholders
The provisions of the UK Disclosure Rules and Transparency Rules ("DTR") require that any person or fund acquiring a direct or indirect interest of 3% or more of a class of shares issued by the Company – with voting rights at the Company's general meeting – must inform the Company of its interest within two working days. If the 3% interest is exceeded, the Shareholder must inform the Company of any increase or decrease of one percentage point in its interest.

In accordance with DTR 5.1.5 with respect to voting rights attached to shares held by investment managers (on behalf of clients), by scheme operators and ICVCs, the first threshold for disclosure is set at 5%, with the next level set at 10% and every percentage above 10%.

Once Dialog is notified, the Company must then notify BaFin and the Frankfurt Stock Exchange. Under S.15a of the German Securities Trading Act (Wertpapierhandelgesetz) transactions in the Company's shares carried out by members of the Board of Directors and their family members are reported and published without delay.

Dialog's shares are listed with Clearstream Germany as legal owner. As far as the Company is aware, based on TR-1 notifications received, those holding a significant beneficial interest (i.e. greater than 3%) in the Company as of 31 December 2015 were:

> 4.38% Deutsche Bank AG

> 3.46% Waddell & Reed

As of 24 February 2016 the Company was aware of the following holdings:

The Bank of New York Mellon SA/NV	9,812,748
Citigroup Global Markets	7,601,310
DeAWM Investment GmbH	5,227,218
BNP Paribas Securities Services	4,458,083
RBC Investor Services Trust	3,091,336
Chase Nominees Ltd. (022)	2,580,121
Nortrust Nominees Limited	2,484,772
Chase Nominees Ltd. (234)	2,203,847

Dialog's free-float is 75,986,760 or 97.6% of the outstanding shares. The free-float is calculated by excluding the 1,879,195 shares held in the Dialog Semiconductor Plc Employee Benefit Trust.

The free-float includes the following shares held on behalf of discretionary clients as per the share register on 31 December 2015:

The Bank of New York Mellon SA/NV	10,241,611
Citigroup Global Markets	8,189,425
BNP Paribas Securities Services	4,652,630
DeAWM Investment GmbH	4,304,493
State Street f. Benefit of Clients	3,937,351
CACEIS Bank Deutschland GmbH	2,316,262
Chase Nominees Ltd.	2,074,432
RBC Investor Services Trust	2,039,203

Internal control and risk management

In accordance with the EU Transparency Directive (DTR 7.2.5), the Board of Directors and Audit Committee acknowledge that they are responsible for the Company's process of internal control and risk management and for reviewing its continuing effectiveness. Such processes are designed to manage rather than eliminate the risk of failure and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board ensures, to the extent possible, that the system of internal procedures and controls is appropriate to the nature and scale of the Company's activities and that appropriate processes and controls are in place to effectively manage and mitigate strategic, operational, financial and other risks facing the Company.

A detailed list of risks and their management is set out on pages 48 to 52.

The Company has an ongoing process of identifying, evaluating and managing risk. This process is reviewed in accordance with the EU Transparency Directive. The process was in place during 2015 and up to the date of the approval of the 2015 annual report and financial statements. The Board and Audit Committee can confirm that necessary actions are being undertaken to remedy any perceived failings or weakness identified from these ongoing process reviews.

Dialog Board sub-committees

As set out in the Corporate Governance report, the Board has established a number of sub-committees to assist in the execution of its responsibilities. During 2015, these were: Audit Committee, Nomination Committee and Remuneration Committee. Reports on the activity of these committees during 2015 are set out on the following pages. There is a standalone report for the Remuneration Committee on page 66.

Audit Committee

The Board of Directors has established an Audit Committee and has delegated authority to the Committee to consider and report to the Board on the Company's financial reporting, internal control and risk management procedures, and the work of the internal and external auditors.

During 2015, the Audit Committee comprised only independent non-executive Directors. Members at the end of 2015 were Alan Campbell, Chairman, Aidan Hughes and Eamonn O'Hare. John McMonigall and Peter Weber retired from the Committee during the year when they retired from the Board.

As set out on page 55, the Board has determined that Alan Campbell, Eamonn O'Hare and Aidan Hughes all have recent and relevant financial experience.

The Audit Committee meets a minimum of four times a year. In 2015, the Committee met five times. Attendance at meetings held is set out in the table on page 62. The Committee also meets privately with the internal and external auditors and separately with the executive management.

The internal audit function is appropriately resourced with the required skills and experience, and is supported by specialist resources where required. The Head of Internal Audit is accountable to the Audit Committee and meets independently with the Committee Chairman regularly during the year. The Committee approves the internal audit plan and receives a report on internal audit activity at each meeting, and monitors the status of findings or improvement actions.

Aidan Hughes stepped down as Chairman of the Committee at the December 2014 Board meeting. Aidan Hughes had served in this role for nine years. Eamonn O'Hare succeeded Aidan Hughes as Chairman but he has stepped down due to the pressure of other commitments, and has been replaced by Alan Campbell.

The Audit Committee's main responsibilities include to:

> Review and advise the Board on the integrity of the financial statements of the Company, including the annual report, quarterly financial statements and other formal announcements relating to the Company's financial performance;

> Review and advise the Board on the effectiveness of the Company's internal controls;

> Make recommendations on the appointment and remuneration of external auditors and to monitor their performance and independence; and

> Approve and monitor the policy for non-audit services provided by the external auditors to ensure that the independence and objectivity of the auditors is not compromised.

In order to fulfil its duties, the Committee receives sufficient, reliable and timely information from the Dialog management team.

The full terms of reference of the Committee are available on our website under the Corporate Governance section of the Investor Relations section.

Activity in 2015

The Audit Committee discharged its obligations during the year as follows:

> Reviewed the 2014 (issued in February 2015) and 2015 (issued in March 2016) full-year results announcement.

> Reviewed the annual report and financial statements – including the report of the external auditor – for the year ended 31 December 2014 (issued in February 2015) and for the year ended 31 December 2015 (issued in April 2016).

> Reviewed the quarterly financial statements issued in May, July and October 2015.

> Conducted a tender for the role of external auditor and appointed a new external auditor.

> Reviewed the external audit plan presented by the external auditor in advance of the audit for the year ended 31 December 2015.

> Approved the annual internal audit plan and received and reviewed internal audit reports including the annual assessment and review of internal controls.

> Reviewed the Atmel F-4 filing as well as the incurred M&A project cost of $18.8 million.

> Reviewed the SOX compliance project linked to the planned US listing linked to the Atmel M&A project.

External Auditor | Appointment

The Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit. This policy assigns oversight responsibility for monitoring the independence, objectivity and compliance with ethical and regulatory requirements to the Audit Committee and day-to-day responsibility to the Chief Financial Officer.

EY were appointed as the Group's external auditor in 2006. Although the Committee was satisfied that EY continued to provide an effective audit service throughout their tenure, during 2015, in line with best practice, the Audit Committee put the external audit out to tender. Following the tender process, which included proposals from three firms, including the incumbent, Deloitte LLP were selected as the Group's new external auditors and their approval will be subject to approval by Shareholders at the 2016 AGM.

Dialog is committed to putting out the statutory audit to tender at least every ten years.

External Auditor | Role

The external auditor audits the Group's consolidated financial statements. Prior to the Audit Committee proposing the appointment or reappointment of the external auditor, the proposed auditor provides details of any professional, financial and other relationship which may exist between the auditor and the Company that could call its independence into question. This includes the extent to which other (non-audit) services were performed for the Company in the past year or which are contracted for the following year.

The external auditor has committed to inform the Chairman of the Audit Committee of any grounds for disqualification or impartiality of the auditor occurring during the audit, unless such grounds are eliminated.

The external auditor has committed to report to the Audit Committee, without delay, on all facts and events of importance that should be brought to the attention of the Board of Directors, which come to light during the performance of the audit, including the Company's financial performance and compliance with the Company's Corporate Governance principles. The external auditor takes part in Audit Committee meetings on the annual consolidated financial statements and reports on the essential results of its audit.

External auditor and non-audit work

The Company has a policy in place governing the conduct of non-audit work by the external auditor. Under this policy the auditor is prohibited from performing services where the auditor:

> may be required to audit his/her own work;
> would participate in activities that would normally be undertaken by management;
> is remunerated through a "success fee" structure; and
> acts in an advocacy role for the Company.

Other than the above, the Company does not impose an automatic ban on the external auditor undertaking non-audit work. The external auditor is permitted to provide non-audit services that are not, or are not perceived to be, in conflict with auditor independence, provided it has the skill, competence and integrity to carry out the work.

Details of the amounts paid to the external auditor during the year for audit and other services are set out on in note 3 on page 103. The Audit Committee has adopted a policy that except in exceptional circumstances with the prior approval of the Audit Committee, non-audit fees paid to the Company's auditor should be capped at a maximum of 100% of audit fees in any one year.

Nomination Committee

The Board of Directors has established a Nomination Committee to review Board structure, size and composition and make recommendations to the Board, and to identify and nominate Board candidates for approval by the Board. The Committee is responsible for succession planning for Directors and ensuring there are appropriate succession plans in place for all key executive positions within the Company to minimise "key-man" risk.

The full terms of reference of the Committee are available on our website under the Corporate Governance section of the Investor Relations section.

At the end of 2015, the Nomination Committee comprised Russ Shaw (Chair), Chris Burke and Mike Cannon. John McMonigall and Aidan Hughes stepped down from the committee during the year. The Committee comprises only independent non-executive Directors. By invitation, other members of the Board may attend the Committee's meetings. The Committee is free to seek its own advice free from management as it deems appropriate.

During the year the Committee used the services of an external search and recruitment agency to assist with the recruitment of new Directors. The firm, Russell Reynolds, is an independent third party and has no other connection with Dialog.

During the year the Committee met formally on five occasions. Attendance at scheduled meetings is set out on page 62.

Activity in 2015

The key activities of the Nomination Committee during the year were to:

> review the composition of the Board to ensure the Directors have the skills and expertise to effectively oversee the implementation of the Group's stated strategy;
> identify and recruit new Directors to the Board: one new Director, Alan Campbell, was recruited during the course of 2015; and
> review succession arrangements for all key executive positions.

Remuneration Committee

The Board of Directors has established a Remuneration Committee to determine the salaries and incentive compensation of the officers of the Company and its subsidiaries, and provide recommendations for other employees and consultants as appropriate.

During 2015, the Remuneration Committee comprised Mike Cannon (Chair), Chris Burke and Russ Shaw. Peter Weber stepped down from the Committee during the year. The Committee comprised only independent non-executive Directors. By invitation, other members of the Board may attend the Committee's meetings. The CEO and the Senior Vice President, Human Resources, may also attend by invitation but take no part in discussions or decisions on matters relating to their own remuneration. The Committee is free to seek its own advice free from management as it deems appropriate.

During the year the Committee sought and received general advice relating to remuneration from independent adviser New Bridge Street and Radford (both part of Aon plc). New Bridge Street is a signatory to the Remuneration Consultants Group Code of Conduct and any advice was provided in accordance with this code. New Bridge Street and Radford provided no other services to Dialog during 2015 and have no other connection with the Company other than as adviser on issues relating to remuneration. Remuneration advice was also provided in 2014 by New Bridge Street. Remuneration advice was also provided by another independent firm, Towers Watson, between 2012 and 2014.

In 2015, the Committee met formally on five occasions. In addition, the Committee Chairman held a number of meetings with adviser. Attendance at scheduled meetings is set out on page 62.

The full terms of reference of the Committee are available on our website under the Corporate Governance section of the Investor Relations section.

A detailed report on the work of the Remuneration Committee during 2015, is set out on pages 68 to 81.

Directors' remuneration report

Annual statement from Mike Cannon, Chairman of the Remuneration Committee

Dear Shareholders,

On behalf of the Remuneration Committee I am pleased to present the Directors' Remuneration Report for 2015. As last year, the report is in two parts: the Directors' Remuneration Policy which describes the policy for the remuneration of executive and non-executive directors, and the annual report on remuneration which sets out the details of and basis for remuneration during 2015.

Dialog is an international semiconductor company whose operations and competitors are largely based in the US. As a result, remuneration in Dialog's sector is heavily influenced by US practice and this is reflected in some aspects of Dialog's Remuneration Policy. Dialog's Remuneration Policy has been designed so that the majority of remuneration is delivered through performance-based, long-term variable remuneration with a large equity component.

Performance and remuneration for 2015

At the 2015 AGM, Dialog shareholders approved a number of changes to the remuneration policy to simplify remuneration and increase the emphasis on rewarding sustained shareholder returns. These changes have been implemented in 2015 and include: the removal of the share matching scheme; the removal of the CEO's profit sharing arrangement; and the introduction of a relative total shareholder return ("TSR") performance measure to the long-term incentive plan ("LTIP").

Dialog has performed very strongly over the last 11 financial years since the current CEO was appointed, having delivered a TSR of 1,705%. This strong performance continued in 2015 and has been reflected in Dialog's financial performance. As a result, an annual bonus award of 79.25% of maximum has been achieved by the CEO for 2015. The portion of bonus above the target level (1x base salary) is deferred into shares for three years with no match. The long-term Executive Incentive Plan ("EIP") for the period 2013-15 is expected to achieve a vesting level of 81.3%, driven by performance relative to the three metrics, which are share price, revenue and EBIT.

Base salary

The Committee reviewed the CEO's base salary in the first half of 2015 with reference to: Dialog's performance; the increased scale of the Group; and, market data for Dialog's competitors. The market data showed that the CEO's base salary was below market median levels. As a result, the Committee awarded the CEO a base salary increase of 5%. His resulting base salary is £440,713 (US$653,062).

The Remuneration Committee is proposing a change to remuneration policy for the Executive Director, and a separate resolution to increase the non-executive director fee capacity.

Changes to executive contract policy:
The change to the remuneration policy relates to our policy on service contracts for Dialog's CEO and any other future executive director appointments. This policy is currently out of line with market practice amongst Dialog's competitors. Remuneration arrangements for Dialog's competitors reflect the US market. The Committee believes it is important to take account of market practice in our sector and to operate a flexible remuneration policy which enables the company to compete in its employment market.

However, the Committee is also mindful that market practice and shareholder guidelines in the UK, in relation to service contracts and severance arrangements, are different from those in the US. The proposed changes to our service contract policy take account of shareholder guidelines for UK companies.

Details of the proposed changes are included in the Directors' Remuneration Policy section of this report.

Changes to non-executive director fee arrangement:
NED fees were last reviewed in 2011. Since that time Dialog has more than doubled in size and there has been an increase in the complexity of the business and NED time commitment. In 2015 and 2016 current fee levels were reviewed against market practice for Dialog's competitors. The review showed that current fee levels at Dialog were around 55% of market median levels. In addition, the review showed that Dialog's practice of paying fees entirely in cash was out of line with market practice; in its sector, fees are typically paid in a mix of cash and shares. At the 2016 AGM, the Board is submitting a separate resolution to shareholders to allow Dialog to increase the maximum aggregate fees of non-executive directors to enable market median levels to be paid. Following this increase, Dialog will pay the majority of fees in shares with no performance or service conditions. The total fees paid in cash will be lower than currently. The fee levels for 2016 are set out in the annual report on remuneration.

In addition, non-executive directors will be required to retain the shares (net of any requirement to pay tax) until they have fulfilled a minimum shareholding requirement.

Conclusions

Remuneration earned by Dialog executives in 2015 continues to be aligned with the outstanding performance achieved over the last 11 years. The changes proposed to remuneration for 2016 will bring our policy for contracts closer in line with market practice taking account of shareholder guidelines for UK companies. Non-executive director fees will be brought to market median levels with a substantial percentage in shares to enhance alignment with shareholders.

The Committee would welcome your support for the proposed changes to the Directors' Remuneration Policy and the annual report on remuneration.

Mike Cannon
Chairman, Remuneration Committee
8 March 2016

Audited information

Incumbent	Year	Total salary US$[1]	Benefits US$	Pension US$[8]	Total fixed pay US$[2]	Annual bonus US$[3]	LTI award US$[4]	Total variable pay US$[5]	Total excluding LTI awards US$[6]	Total US$[7]
Dr Jalal Bagherli	2015	637,514	19,885	95,627	753,026	1,035,103	4,376,712	5,411,815	1,788,129	6,164,841
Dr Jalal Bagherli	2014	620,838	22,390	0	643,227	1,167,616	2,710,299	3,877,915	1,810,843	4,521,143

Notes:
1 Base salary earned during the financial year ending 31 December 2014 excludes US$4,466 sacrificed into pension.
2 The sum of basic salary, benefits and pension.
3 Annual bonus cash element and deferred share element awarded in relation to the financial year ending 31 December.
4 LTI reflects the gain on options and EIP awards which vested for the performance year. For the 2014 performance year 65,332 EIP options vested and were valued at a price of €26.80 in the 2014 annual report. The figure has been updated based on the actual market close price at vesting of €34.25. For the 2015 performance year, assuming the share price measure is not met, Revenue targets are partially met and EBIT targets are met, 114,373 EIP options will vest. Value is based on a price of €35.25 (average share price over last three months in 2015).
5 The sum of annual bonus (cash and deferred share element) and long-term incentives.
6 The sum of basic salary, benefits, pension and annual bonus (cash and deferred share element).
7 The sum of basic salary, benefits, pension, annual bonus (cash and deferred share element) and long-term incentives which vested during the year.
8 Until March 2014 the CEO participated in a defined benefit pension arrangement, through a Defined Benefit Small Self-Administered Scheme. In 2014 a value of $0 is disclosed for pension because all pension was deemed to have been accrued prior to the beginning of the financial year, and the contributions made during 2014 were in respect of 2013 accrual. From April 2014 to 31 December 2014, no pension benefit was provided for the executive. From 2015 the CEO receives a pension allowance of 15% of base salary.
9 Exchange rates used are: GBP 1 = USD 1.481831; EUR 1 = USD 1.089301

Incumbent	Year	Fees US$	Taxable Benefits US$	Incentives (Annual) US$	Incentives (Long-term) US$	Other remuneration US$	Shares vested[3] US$	Total US$
Chris Burke	2015	118,546	8,885	–	–	–	87,198	214,630
Chris Burke	2014	140,466	–	–	–	–	42,864	183,330
Aidan Hughes	2015	118,117	16,468	–	–	–	98,086	232,671
Aidan Hughes	2014	140,466	–	–	–	–	48,204	188,670
John McMonigall[4]	2015	39,516	1,568	–	–	–	87,198	128,282
John McMonigall	2014	128,858	–	–	–	–	42,864	171,722
Gregorio Reyes[1]	2014	32,255	–	–	–	–	114,718	146,973
Russ Shaw	2015	133,365	5,857	–	–	–	98,086	237,308
Russ Shaw	2014	140,466	–	–	–	–	48,204	188,670
Peter Weber[4]	2015	39,515	9,142	–	–	–	87,198	135,855
Peter Weber	2014	124,858	–	–	–	–	42,864	167,722
Richard Beyer	2015	163,001	17,011	–	–	–	–	180,012
Richard Beyer	2014	171,680	–	–	–	–	–	171,680
Michael Cannon	2015	129,043	17,222	–	–	–	–	146,265
Michael Cannon	2014	124,858	–	–	–	–	–	124,858
Eamonn O’Hare	2015	112,614	9,285	–	–	–	–	121,899
Eamonn O’Hare[2]	2014	101,808	–	–	–	–	–	101,808
Alan Campbell[5]	2015	84,587	8,147	–	–	–	–	92,734
Alan Campbell	2014	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:
1 Gregorio Reyes retired from the Board on 1 May 2014.
2 Eamonn O’Hare joined the Board on 7 March 2014.
3 Shares vested shows the value of the number of shares vested in 2014 and 2015 at the closing share price on the day of vesting. There were no performance conditions attached to the vesting.
4 Peter Weber and John McMonigall retired from the Board on 30 April 2015
5 Alan Campbell joined the Board on 30 April 2015
6 Exchange rates used are: GBP 1 = USD 1.481831; EUR 1 = USD 1.089301

Executive Director

Fixed remuneration

Base salary

The Remuneration Committee reviewed the CEO’s base salary in July 2015 with reference to Dialog’s performance and with reference to remuneration market data at Dialog’s sector. The market data showed that the CEO’s base salary is below mid-market levels. Taking account of Dialog’s sustained strong performance over recent years, including 2015, the CEO was awarded a 5% increase in annual base salary with effect from 1 July 2015. His salary from 1 July 2015 is £440,713 (US$653,062) which is closer to the mid-market level.

Other benefits

The CEO received a cash allowance in lieu of a company car (US$15,115), medical insurance for himself and his spouse and Group life and income protection insurance. The total value of taxable benefits provided was US$19,885 equivalent to 3.04% of his current salary.

Pension

The CEO receives a pension allowance of 15% of base salary which is in line with policy. In 2015 the Company made pension allowance payments of £64,533 (US$95,627) to the CEO.

Variable compensation

For 2015, the CEO was eligible for an annual bonus of 100% of base salary for achieving target performance with up to 200% of base salary for maximum performance, and no awards payable if profit was below threshold. The portion of any bonus awarded above target is deferred into shares which vest after three years. In prior years, the CEO also received an award of matching shares relating to his deferred bonus. This share match has ceased to apply with effect from the bonus for FY 2015 based on the Directors' remuneration policy approved by Shareholders in 2015.

Performance measures used were:

> financial goals (60%) comprising revenue (20%), gross margin (20%), EBIT (20%);
> customer-related measures (20%); and
> personal goals (20%).

Performance against targets set in these areas was as shown in the table below. Performance under gross margin, customer-related, and personal measures is considered by the Board to be commercially sensitive and will be disclosed in the annual report in a future year if it is considered no longer to be commercially sensitive.

Measure	Outcome	Below threshold	Below target	On target	Above target
Revenue	US$1,355 million				✔
EBIT%	19.2%				✔

Revenue is defined as Total Dialog 2015 IFRS Revenue (US$1,355 million). EBIT is defined as Total Dialog 2015 IFRS EBIT.

Accordingly, the Committee determined that a bonus equivalent to 158.5% of base salary should be paid. The amount over 100% will be deferred into shares.

Long-term incentive plans

In 2011, the Group established an equity settled Executive Incentive Plan (EIP) replacing the previous LTIP under which no further grants could be made from 31 May 2011. The EIP was then replaced by the new Long Term Incentive Plan, as no further grants could be made under EIP from 5 May 2015. The first new LTIP Awards were granted on 1 May 2015, after approval of the plan at the 2015 AGM.

Awards granted under the 2013 EIP are capable of vesting in 2016 subject to the satisfaction of Revenue, EBIT and Share Price performance measures. Following the completion of the final performance period in 2015, the Committee has assessed performance against the performance targets set over the performance period and has determined that 81.3% of the share options awarded will vest to participants. This vesting percentage was calculated as follows:

Measure	Maximum capable of vesting (% of award)	Actual vesting outcome (% of award)
Revenue	37.5%	27.1%
EBIT	37.5%	37.5%
Share price	25%	16.7%
Total	100%	81.3%

The Chief Executive was awarded a total of 140,695 EIP share options in 2013, of which 98,084 EIP share options were awarded as performance shares and 42,611 share options were awarded as part of a matching award (invested shares) under the deferred bonus agreement.

As a result of the actual vesting outcome, 114,373 of the total 140,695 EIP share options awarded to the Chief Executive in 2013 (i.e. 81.3%) will vest in 2016. This final vesting outcome reflects Dialog's strong performance over the three-year performance period. The Remuneration Committee believes that the financial targets for the EIP award are commercially sensitive, and as such has not disclosed them in this report. They will be disclosed in the annual report in a future year if they are no longer considered to be commercially sensitive.

As the share price at the date of vesting for the 114,373 share options was not known at the date of publication, they have been valued for the purpose of the single figure using Dialog's average share price over October, November and December 2015 of Euro 35.25. This results in a value of US$4,376,712 as shown in the LTI column of the 2015 single figure table. This figure will be updated next year when the actual share price at the date of vesting is known.

Share awards made during the year

As noted in the policy section, shares awarded are structured as nominal priced options, hence the reference to options throughout. Deferred share and EIP awards were made in line with the policy in force during 2015.

Share awards made during the year continued

Awarded during the year	Date of award	Granted number	Market price at date of grant	Face value of award	% of award that will vest at threshold	Performance period
LTIP – performance shares Dr Jalal Bagherli	01/05/2015	97,329	€40.56	€3,947,664	25%	01/01/2015–31/12/2017
Deferred shares Dr Jalal Bagherli	12/02/2015	29,913	€34.84	€1,042,169	n/a No performance conditions	12/02/2015–12/02/2018
EIP – invested shares Dr Jalal Bagherli	12/02/2015	29,913	€34.84	€1,042,169	15%	01/01/2015–31/12/2017

Notes: Face value is calculated as the number of shares, multiplied by the market price at the date of grant.

Dates reflect the service period which must be completed for the award to vest, there are no further performance conditions attached to the deferred bonus.

In 2015, the CEO was awarded 97,329 LTIP shares (in the form of nominal price options), which at the date of grant (1 May 2015) had a value of €3,947,664. Receipt of these shares is subject to achievement of performance conditions as outlined below.

Long-Term Incentive Plan (LTIP – Performance Shares) Performance metrics:
> Dialog TSR performance over the three-year performance period relative to the constituents of the S&P 1500 Select Semiconductor index ($^1/_3$)
> Dialog Revenue in each year of the three-year performance period ($^1/_3$)
> Dialog EBIT in each year of the three-year performance period ($^1/_3$)

EBIT and revenue targets are set annually over the three-year performance period of the award. For each annual period a third of this part of the award is assessed on actual Dialog performance against targets set at the beginning of each year.

Relative Total Shareholder Return is measured at the third anniversary date of the award over the three-year performance period.

Shares accrued during the performance period are released to Executive Directors as soon as practicable after the third anniversary of the award.

Of his 2014 annual bonus (paid in 2015), the CEO deferred 100% of the bonus paid which at the share price on the date of award (€34.84) was equivalent to 29,913 shares. The Deferred Shares for the annual bonus have no further performance conditions.

The Deferred Shares were matched on a one-for-one basis under the EIP. Receipt of these shares is subject to achievement of performance conditions as outlined below but do not vest for three years:

Executive Incentive Plan (EIP – Invested Shares) Performance metrics:
> 75% EBIT and revenue, equally weighted; and
> 25% share price growth.

EBIT and revenue targets are set annually over the three-year performance period of the award. For each annual period a third of this part of the award is accrued based on actual Dialog performance against targets set at the beginning of each year.

Share price growth is measured at the anniversary date of the award over the three-year performance period. Shares subject to share price growth conditions are accrued based on annual share price performance.

Shares accrued during the performance period are released to Executive Directors as soon as practicable after the third anniversary of the award.

As disclosed in the 2012 annual report, share dilution as a result of equity-based incentive awards to all Dialog employees is managed to an average 1% flow rate in order to ensure that it moves over time towards a rolling 10% in ten years.

Non-executive Directors' fees
In 2015, the Chairman's fee was £110,000. Fees for non-executive Directors were £80,000, with an additional £10,000 paid for chairmanship of Board Committees.

Directors' interests in shares

The CEO is expected to establish and hold a shareholding of at least 300% of salary. The CEO currently complies with this requirement.

		Share Awards with Performance Conditions		Share Awards without Performance Conditions				
Number at 31 December 2015	10 pence ordinary shares	Performance shares (EIP & LTIP)	EIP – invested shares	Deferred shares	Share options (unvested)	Share options (vested & unexercised)	Options exercised in year	Total
Dr Jalal Bagherli	268,676	354,603	110,461	112,677	0	100,000	150,000	1,096,417
Chris Burke	0	–	–	–	–	–	3,889	3,889
Aidan Hughes	25,000	–	–	–	–	4,374	–	29,374
John McMonigall	50,000	–	–	–	–	–	3,889	53,889
Gregorio Reyes	0	–	–	–	–	–	–	0
Russ Shaw	0	–	–	–	–	4,374	–	4,374
Peter Weber	0	–	–	–	–	–	3,889	3,889
Richard Beyer	0	–	–	–	–	–	–	0
Michael Cannon	0	–	–	–	–	–	–	0
Eamonn O'Hare	0	–	–	–	–	–	–	0
Alan Campbell	0	–	–	–	–	–	–	0

Full Name	Share plan	Grant date	Final vesting date	Lapse date	Exercise price (EUR)	Holding at 31 Dec 2014	Granted	Exercised	Lapsed	Holding at 31 Dec 2015
Jalal Bagherli	Dialog share unapproved –7yr	13/05/09	13/05/13	13/05/16	1.52	–	–	–	–	–
Jalal Bagherli	Dialog share approved – 7yr	13/05/09	13/05/13	13/05/16	1.52	–	–	–	–	–
Jalal Bagherli	Long-term incentive plan	04/02/10	04/02/11	04/02/15	0.11	–	–	–	–	–
Jalal Bagherli	Long-term incentive plan	18/02/11	18/02/11	18/02/17[1]	0.12	250,000	–	150,000	–	100,000
Jalal Bagherli	Executive incentive plan	16/02/12	16/02/15	16/02/18	0.12	65,332	–	–	–	65,332
Jalal Bagherli	Executive incentive plan	16/02/13	16/02/16	16/02/19	0.12	92,985	–	–	–	92,985
Jalal Bagherli	Deferred bonus plan 2013	18/02/13	18/02/16	18/02/20	0.01	42,611	–	–	–	42,611
Jalal Bagherli	Executive incentive plan	18/02/13	18/02/16	18/02/19	0.12	40,395	–	–	–	40,395
Jalal Bagherli	Executive incentive plan	16/02/14	16/02/17	16/02/20	0.12	98,957	–	–	–	98,957
Jalal Bagherli	Deferred bonus plan 2013	18/02/14	18/02/17	18/02/21	0.01	40,153	–	–	–	40,153
Jalal Bagherli	Executive incentive plan	18/02/14	18/02/17	18/02/21	0.12	40,153	–	–	–	40,153
Jalal Bagherli	Deferred bonus plan	12/02/15	12/02/18	12/02/22	0.01	–	29,913	–	–	29,913
Jalal Bagherli	Executive incentive plan	12/02/15	12/02/18	12/02/22	0.12	–	29,913	–	–	29,913
Jalal Bagherli	LTIP nominal cost option	01/05/15	01/03/18	01/03/25	0.15	–	97,329	–	–	97,329
						670,586	157,155	150,000	–	677,741

Notes:
1 The exercise period for this grant was extended by the Board of Directors

Aidan Hughes	NED 06 share option	19/06/06	19/06/10	19/06/13	1.27	–	–	–	–	–
Aidan Hughes	NED 06 share option	10/05/07	10/05/08	10/05/14	1.80	–	–	–	–	–
Aidan Hughes	NED 06 share option	30/04/08	30/04/09	30/04/15	1.35	–	–	–	–	–
Aidan Hughes	NED 06 share option	22/04/09	22/04/10	22/04/16	1.17	–	–	–	–	–
Aidan Hughes	NED 11 share option	21/07/11	21/04/14	01/05/18	0.15	2,293	–	–	–	2,293
Aidan Hughes	NED 11 share option	18/07/12	21/04/15	01/05/19	0.15	2,081	–	–	–	2,081
Christopher Burke	NED 06 share option	12/07/06	12/07/10	12/07/13	1.40	–	–	–	–	–
Christopher Burke	NED 06 share option	10/05/07	10/05/08	10/05/14	1.80	–	–	–	–	–
Christopher Burke	NED 06 share option	30/04/08	30/04/09	30/04/15	1.35	–	–	–	–	–
Christopher Burke	NED 06 share option	22/04/09	22/04/10	22/04/16	1.17	–	–	–	–	–
Christopher Burke	NED 11 share option	21/07/11	21/04/14	01/05/18	0.15	2,039	–	2,039	–	–
Christopher Burke	NED 11 share option	18/07/12	21/04/15	01/05/19	0.15	1,850	–	1,850	–	–
Gregorio Reyes	NED 06 share option	19/06/06	19/06/10	19/06/13	1.27	–	–	–	–	–
Gregorio Reyes	NED 06 share option	10/05/07	10/05/08	10/05/14	1.80	–	–	–	–	–
Gregorio Reyes	NED 06 share option	30/04/08	30/04/09	30/04/15	1.35	–	–	–	–	–

Annual report on remuneration continued

Directors' interests in shares continued

Full Name	Share plan	Grant date	Final vesting date	Lapse date	Exercise price (EUR)	Holding at 31 Dec 2014	Granted	Exercised	Lapsed	Holding at 31 Dec 2015
Gregorio Reyes	NED 06 share option	22/04/09	22/04/10	22/04/16	1.17	–	–	–	–	–
Gregorio Reyes	NED 11 share option	21/07/11	21/04/14	01/05/18	0.15	–	–	–	–	–
Gregorio Reyes	NED 11 share option	18/07/12	21/04/15	01/05/19	0.15	–	–	–	–	–
John McMonigall	NED 06 share option	19/06/06	19/06/10	19/06/13	1.27	–	–	–	–	–
John McMonigall	NED 06 share option	10/05/07	10/05/08	10/05/14	1.80	–	–	–	–	–
John McMonigall	NED 06 share option	30/04/08	30/04/09	30/04/15	1.35	–	–	–	–	–
John McMonigall	NED 06 share option	22/04/09	22/04/10	22/04/16	1.17	–	–	–	–	–
John McMonigall	NED 11 share option	21/07/11	21/04/14	01/05/18	0.15	2,039	–	2,039	–	–
John McMonigall	NED 11 share option	18/07/12	21/04/15	01/05/19	0.15	1,850	–	1,850	–	–
Peter Weber	NED 06 share option	19/06/06	19/06/10	19/06/13	1.27	–	–	–	–	–
Peter Weber	NED 06 share option	10/05/07	10/05/08	10/05/14	1.80	–	–	–	–	–
Peter Weber	NED 06 share option	30/04/08	30/04/09	30/04/15	1.35	–	–	–	–	–
Peter Weber	NED 06 share option	22/04/09	22/04/10	22/04/16	1.17	–	–	–	–	–
Peter Weber	NED 11 share option	21/07/11	21/04/14	01/05/18	0.15	2,039	–	2,039	–	–
Peter Weber	NED 11 share option	18/07/12	21/04/15	01/05/19	0.15	1,850	–	1,850	–	–
Russ Shaw	NED 06 share option	12/07/06	12/07/10	12/07/13	1.40	–	–	–	–	–
Russ Shaw	NED 06 share option	10/05/07	10/05/08	10/05/14	1.80	–	–	–	–	–
Russ Shaw	NED 06 share option	30/04/08	30/04/09	30/04/15	1.35	–	–	–	–	–
Russ Shaw	NED 06 share option	22/04/09	22/04/10	22/04/16	1.17	–	–	–	–	–
Russ Shaw	NED 11 share option	21/07/11	21/04/14	01/05/18	0.15	2,293	–	–	–	2,293
Russ Shaw	NED 11 share option	18/07/12	21/04/15	01/05/19	0.15	2,081	–	–	–	2,081
						20,415	–	11,667	–	8,748

		Share Awards with Performance Conditions		Share Awards without Performance Conditions				
Number at 31 December 2014	10 pence ordinary shares	EIP – performance shares	EIP – unvested shares	Deferred shares	Share options – unvested	Share options – vested (unexercised)	Share options – exercised in year	Total
Dr Jalal Bagherli	268,676	257,274	80,548	82,764	–	250,000	443,343	1,382,605
Chris Burke	12,000	–	–	–	1,850	2,039	–	15,889
Aidan Hughes	25,000	–	–	–	2,081	2,293	–	29,374
John McMonigall	76,000	–	–	–	1,850	2,039	–	79,889
Gregorio Reyes	–	–	–	–	–	–	5,347	5,347
Russ Shaw	–	–	–	–	2,081	2,293	–	4,374
Peter Weber	–	–	–	–	1,850	2,039	–	3,889
Richard Beyer	–	–	–	–	–	–	–	–
Michael Cannon	–	–	–	–	–	–	–	–
Eamonn O'Hare	–	–	–	–	–	–	–	–

Unaudited information

Annual change in CEO pay versus employee pay

The table below compares the average change in base salary, benefits (excluding pension) and bonus awards for the CEO and for an average UK employee over the period 2014 to 2015. The salary increase shown for the CEO is above the average increase for UK employees but in line with salary increases for high performers, which ranged from 3% to 8%. The increase to the CEO's base salary resulted from the annual salary review which showed that the CEO's base salary was below mid-market levels. Taking account of Dialog's sustained strong performance over recent years, including 2015, the Remuneration Committee decided that an increase of 5% to the CEO's base salary was appropriate and it was noted that the resulting base salary remains below mid-market levels.

	Percentage change from 2014 to 2015	
Measure	CEO	Average UK employee
Base salary	5.0	4.5
Taxable benefits	(11.2)	(35.0)
Annual bonus	(11.3)	8.1
Total[1]	(5.7)	4.6

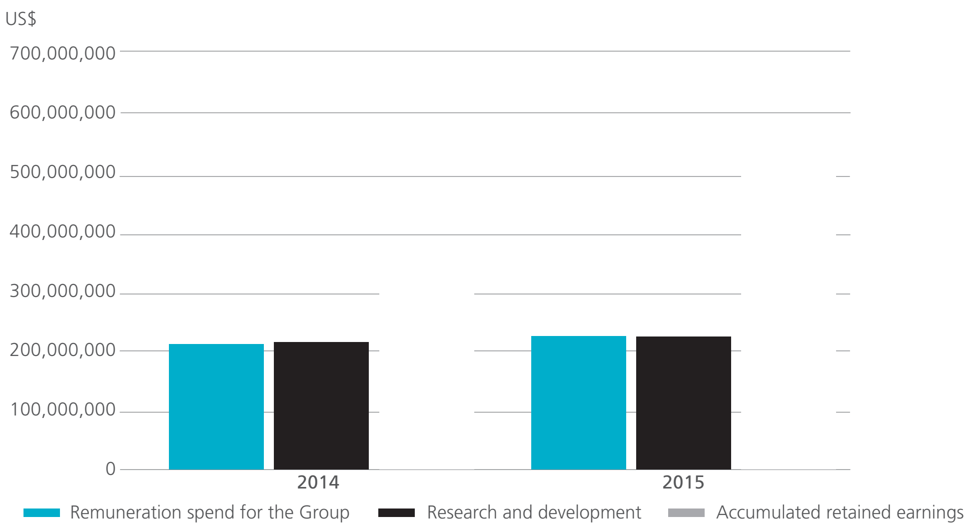
1 Represents the sum of base salary, taxable benefits and bonus

At the time of preparation for this report annual bonuses for the Group had yet to be finalised and the numbers presented reflect expected payouts.

The relevant employee comparator group includes all UK-based Dialog employees and were selected for comparison since they are located in the same market as the CEO and receive similar benefits as described in the policy section above.

Relative importance of spend on pay

As no distributions were made to shareholders the chart below shows the amounts spent in 2014 and 2015 by Dialog on research and development and the Group's accumulated retained earnings at the relevant year end in comparison to spend on employee pay.



Note: the above chart shows that Dialog's retained earnings (in grey) exceeded the spend on research and development, and both of these exceed the remuneration spend for the Group.

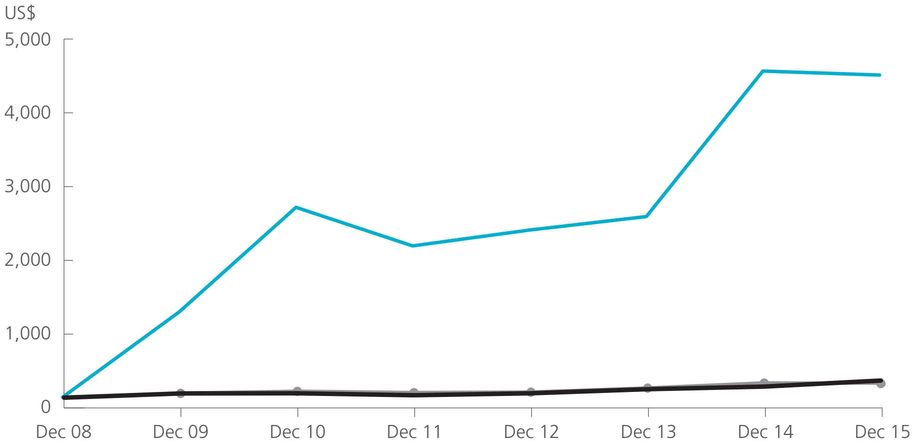
Annual report on remuneration
continued

CEO pay and relative TSR performance

The following graph compares Dialog Semiconductor's TSR performance to that of the same investment in the German TecDAX Index. This comparison has been chosen because it reflects the local market and industry in which Dialog is listed. We also show a comparison to the Philadelphia SE Semiconductor Sector Index (Price return) as an additional industry comparator, recognising that Dialog competes with companies on an international basis.

TSR is the measure of the returns that a company has provided for its shareholders, reflecting share price movements and – where relevant – assuming reinvestment of dividends. Data is averaged over 30 days at the end of each financial year.

Total Shareholder Return



This graph shows the value, by 31 December 2015, of US$100 invested in Dialog Semiconductor Plc on 31 December 2008 compared with the value of US$100 invested in the German TecDAX Index on the same date. Also plotted as the price index for the Philadelphia Semiconductor Sector Index (rebased to 100). Data has been averaged over 30 days at the end of each financial year.

— Dialog Semiconductor — German TecDAX Index — Philadelphia Semiconductor Index

Source: Datastream (Thompson Reuters)

We also present in the table below the annual change in the single figure total remuneration provided to the CEO over the same period.

Financial year ending	31 December 2009	31 December 2010	31 December 2011	31 December 2012	31 December 2013	31 December 2014	31 December 2015
Total remuneration including unrealised gains on options (single figure basis)[1]	US$1,028,853	US$4,809,398	US$30,426,678	US$2,167,224	US$2,046,555	US$4,521,143	US$6,164,841
Annual bonus (% of maximum)[2]	N/A	N/A	N/A	100%	91.94%	89.12%	79.25%
Long-term variable pay (% of maximum)	95%	100%	100%	100%	100%	78%	81.3%

1 The total remuneration for 2010 and 2011 includes awards made under the 2008 LTIP plan approved by Shareholders at the 2008 AGM. The values vested to the CEO from this plan were US$3,593,299 (2010) and US$29,103,138 (2011), resulting from the exceptional performance and share price growth of the Company, as can be seen in the TSR performance chart on page 74. There are no further awards under this plan. Total remuneration includes the value of long-term incentive awards at the time they vest, as required by UK reporting regulations. The actual value realised by the CEO is based on the market value on the date they are permitted (under Directors' trading restrictions) and/or choose to exercise options or sell shares. The value presented does not therefore reflect exactly that received by the CEO.
2 No maximum bonus was defined prior to 2012.

Operation of policy in the following year

In 2016, the remuneration policy for the CEO will be implemented along broadly similar lines to 2015. Remuneration will continue to be comprised of base salary, benefits, pension, annual bonus and a LTIP award. The annual bonus will be based on similar metrics to last year, namely, financial goals (60%), customer goals (20%) and personal goals (20%).

The LTIP award granted to the Chief Executive in 2016 will have a target value of £2m in accordance with the approved policy and, as in 2015, will vest after three years subject to the satisfaction of three performance metrics:
> Dialog TSR performance over the three-year performance period relative to the constituents of the S&P 1500 Select Semiconductor index.
> Dialog Revenue in each year of the three-year performance period.
> Dialog EBIT in each year of the three-year performance period.

Non-executive director fees will be restructured in 2016 to be brought in line with market levels and to increase alignment with Shareholders by paying 60% of the fees in shares (subject to a holding requirement but not a performance condition). The cash element of the fees will reduce and the total fee level, which is comprised of a cash and equity component, will increase. The planned fee levels and the portion paid in cash and shares are set out in the table opposite:

In thousands	2015 Cash	2015 Shares	2016 Cash	2016 Shares
Chairman fee	£110	–	£80	£120
Base fee	£80	–	£58	£87
Committee Chairmanship fee				
Audit	£10	–	£16	–
Remuneration	£10	–	£12	–
Nominations and Governance	£10	–	£5	–
Committee membership fee				
Audit	–	–	£5	–
Remuneration	–	–	£6	–
Nominations and Governance	–	–	£2.5	–

Governance

Remuneration Committee

The Board as a whole is responsible for setting the Company's policy on Directors' remuneration. The Board of Directors has established a Remuneration Committee (the "Committee") and has delegated authority to this Committee to determine and recommend to the Board: the salaries and incentive compensation of the Company's officers and its subsidiaries; and provide recommendations for other employees and consultants as appropriate.

The Committee comprises independent, non-executive Directors. The members are currently Chris Burke, Michael Cannon (Chair) and Russ Shaw. There was a change to the membership of the Committee during the year as Peter Weber retired from the Board on 30 April 2015. The Committee's members have no financial interest in the Company other than as Shareholders and through the remuneration paid to them by the Company.

By invitation, other members of the Board may attend the Committee's meetings. The CEO and the Senior Vice President, Human Resources may also attend by invitation but take no part in discussions or decisions on matters relating to their own remuneration. The Committee is free to seek its own independent advice free from management as it deems appropriate.

During the year, the Committee sought and received general advice relating to remuneration from New Bridge Street and Radford (both part of Aon plc). The Committee is satisfied that the advice received from New Bridge Street and Radford is objective and independent and is not subject to any material conflict of interest.

New Bridge Street and Radford are signatories to the UK Remuneration Consultants Group Code of Conduct and all advice received during the year was provided in accordance with this code. They provide no other services to the Company. Fees paid to New Bridge Street and Radford during the year in respect of advice totalled £146,100 (excluding VAT).

The Committee also received advice from the Senior Vice President, Human Resources and the Company Secretary. During the year the Committee met formally on five occasions; in addition the Committee Chairman held a number of meetings with advisers.

Responsibilities

The Remuneration Committee's main responsibilities include to:
> determine the salaries and incentive compensation of the Company's officers and the officers of the Company's subsidiaries;
> provide recommendations for other employees and consultants as appropriate; and
> administer the Company's compensation, stock and benefits plan.

The key activities of the Committee during the year were to:
> review, plan and approve CEO and Executive Management remuneration;
> review and address Annual General Meeting outcomes;
> consider market trends;
> review changes to disclosure regime in the UK; and
> review the long-term incentive and the structure of the CEO's remuneration package.

Shareholder voting results from 2015 AGM

The table below summarises the number of votes for and against the Directors' remuneration policy and annual report on Remuneration at the 2015 AGM. We also include the number of abstentions (referred to as votes withheld).

Resolution	Votes for[1] No. of shares	Votes for[1] %	Votes against[1] No. of shares	Votes against[1] %	Votes withheld[2]	Total votes cast	% of voting capital instructed[3]
Approval of Directors' Remuneration Policy	31,497,822	88.15%	4,234,656	11.85%	107,417	35,732,478	45.89%
Approval of Directors' Remuneration Report (excluding the Directors' Remuneration Policy)	34,413,262	96.31%	1,318,921	3.69%	107,712	35,732,183	45.89%

1 Votes "For" and "Against" are expressed as a percentage of votes received.
2 A "Vote withheld" is not a vote in law and is not counted in the calculation of the votes "For" or "Against" a resolution.
3 Total number of shares in issue at 5.30 pm BST (6.30 pm (CEST)) on 29 April 2015 was 77,865,955 shares.

Directors' remuneration policy report

Our policy on remuneration

This year the Remuneration Committee is proposing to amend our policy regarding service contracts and separation arrangements for executive Directors. As a result, this Directors' Remuneration Policy is being submitted to a shareholder vote at the 2016 AGM, and if applied, will take effect from the date of the 2016 AGM. The principal amendment to the Directors' Remuneration Policy brings the service contract policy closer in line with market practice, but takes account of UK shareholder guidelines.

Dialog's remuneration policy for Executive Directors is set by the Remuneration Committee. The Committee's primary objective is to ensure that remuneration is structured so as to attract and retain Executive Directors of a high calibre, with the skills and experience necessary to develop and grow the Company successfully. Executives should be rewarded in a way that aligns with Shareholder interests and promotes the creation of sustained value for the Company's Shareholders.

The Committee believes that a simple approach is most effective and the elements of executive remuneration are fixed pay (base salary, benefits and pensions), annual bonus and a long-term incentive. A significant portion of remuneration is linked to, and paid in, Company shares, which enables alignment with Shareholder interests and reinforces our pay-for-performance philosophy. The Committee believes that executives should hold a meaningful number of shares personally. The individual remuneration elements operated for executives are described in more detail in the policy table below. Since there is currently only one Executive Director – the CEO – we refer to remuneration for the Executive Director, Executive Directors and the CEO interchangeably throughout this report.

The Committee reviews the CEO's remuneration package annually both in the context of Company performance and against a range of peer companies. In reviewing the CEO's pay arrangements the Committee takes into account:

- the history and growth profile of the Company;
- the Company's UK incorporation and associated corporate governance expectations;
- the Company's international focus, operations and talent market;
- the general external environment and the market context for executive pay; and
- the pay and employment practices of Dialog employees generally.

Directors' remuneration policy table

The table below summarises Dialog's remuneration policy for Executive Directors and, where indicated, for non-executive Directors. The policy is intended to take formal effect from the 2016 AGM.

Base salary	Executive Directors
Purpose and link to strategy	Facilitate recruitment and retention of the best executive talent globally – executives with the experience and expertise to deliver our strategic objectives at an appropriate level of cost.
Maximum opportunity	Base salary increases will not ordinarily exceed the percentage increases awarded for other UK-based Dialog employees with comparable levels of individual performance and potential. In cases where an Executive Director's base salary lies materially below the appropriate market competitive level and where such positioning is not sustainable in the view of the Remuneration Committee, annual increases may exceed those for other employees described above. The rationale for any such increase will be described in the annual report on remuneration for the relevant year.
Operation	Salary is reviewed annually, with any increases normally taking effect in July. A number of factors are considered including, but not limited to, market pay levels among international industry peers of comparable size, and base salary increases for other Dialog employees.
Performance framework	n/a
Changes in policy since 2015	No change.

Retirement benefits	Executive Directors
Purpose and link to strategy	Provide market competitive retirement benefits which help foster loyalty and retention.
Maximum opportunity	Employer contribution of 15% of base salary.
Operation	Executive Directors are provided with a defined contribution to pension or equivalent cash allowance arrangement.
Performance framework	n/a
Changes in policy since 2015	No change.

Other benefits	Executive Directors
Purpose and link to strategy	Provide market competitive benefits at an appropriate cost which help foster loyalty and retention. Relocation benefits may also be provided based on business need, individual circumstances and location of employment.
Maximum opportunity	There is no maximum for benefits, but they represent a small percentage of remuneration. In the case of relocation, additional benefits may be provided including, but not limited to, the cost of relocation expenses, real estate fees, tax equalisation to home country and tax return filing assistance, temporary housing and schooling. The Remuneration Committee has discretion to determine the value of such benefits and details of any such benefits provided will be disclosed in the annual report on remuneration covering the year in which they were provided.
Operation	Executive Directors are eligible to receive benefits including, but not limited to, a cash allowance in lieu of a company car, medical insurance for the Executive Director and his/her immediate family members, life and disability insurance, holiday (25-30 days a year, based on length of service) and pay in lieu thereof where applicable, and services to assist with preparation of a tax return or returns where necessary due to the international nature of work completed. Any reasonable business related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit. Executive Directors are eligible for other benefits and all-employee share plans which are introduced for the wider workforce on broadly similar terms.
Performance framework	n/a
Changes in policy since 2015	Flexibility to include benefits provided for the wider workforce.

Annual bonus plan	Executive Directors
Purpose and link to strategy	Motivate Executive Directors to achieve stretching financial and commercial objectives consistent with and supportive of Dialog's growth plans. Create a tangible link between annual performance and individual pay opportunity.
Maximum opportunity	Annual opportunity of up to 200% of base salary. The Committee retains discretion to adjust the overall bonus outcome to take account of performance outside the normal bounds. This discretion cannot be used to raise the bonus outcome above 200% of base salary.
Operation	The portion of any award up to 100% of base salary is paid in cash, and the portion of any award above 100% of base salary is awarded in deferred shares. Deferred shares normally vest after three years, and are subject to the plan rules in the event of termination or change in control. Dividend equivalents may be paid on any shares which vest. The Committee may vary the performance measures and mix used to adapt to changing Company circumstances. Financial measures will be a significant portion of the total scorecard.
Performance framework	Performance metrics include: > financial goals (which determine a significant portion of bonus every year); > commercial goals; and > organisational and employee-related goals. For financial metrics, performance is set in line with the stretch annual budget.
Changes since 2015	Flexibility to pay dividend equivalents on any shares which vest.

Directors' remuneration policy report
continued

Long term incentive plan ("LTIP")	Executive Directors
Purpose and link to strategy	Motivate Executive Directors to deliver sustainable long-term Shareholder value through long-term profitability and share price growth.
Maximum opportunity	The maximum face value of an annual award is £4 million at the date of grant. This is equivalent to a target award of £2 million.
Operation	Annual award of performance shares (which may also be in the form of nominal/nil-cost options). Performance is measured over three years, based on performance metrics selected by the Remuneration Committee to support the Company's business strategy. Vesting is dependent on continued employment with the Company at the time of vesting. Dividend equivalents may be paid on any shares which vest. Certain "leaver" provisions apply and are described in the section headed "Termination arrangements" below. The Committee has the discretion in certain circumstances to settle an award in cash. In practice this will only be used in exceptional circumstances for Executive Directors.
Performance framework	Performance metrics include suitable Company financial performance metrics and at least one-third on a relative TSR condition measured versus a comparator group. The Committee reviews and selects appropriate measures and their weightings in advance of each award. 25% of the maximum award vests for threshold performance, 50% of the maximum award vests for target performance and 100% of the maximum award vests for maximum performance as defined by the Remuneration Committee under the plan. For the relative TSR condition, Dialog Semiconductor TSR is measured over the three-year performance period and compared to the companies in the comparator group. If Dialog TSR is at the median of the comparator group then 25% of the maximum award vests. If Dialog TSR is at the 60th percentile of the comparator group then 50% of the maximum award will vest. If Dialog TSR is at or above the 75th percentile of the comparator group then 100% of the maximum award will vest. For performance in between these levels vesting is determined on a straight-line basis. If Dialog TSR is negative over the three year performance period, then the maximum number of shares which can vest subject to the relative TSR condition will be capped at 50% of the maximum award, even if relative TSR is above 60th percentile. For the Company financial performance component, targets are normally set annually over the three-year performance period.
Changes since 2015	Discretion to settle an award in cash in exceptional circumstances and inclusion of facility to pay dividend equivalents on any shares which vest.

Termination arrangements	Executive Directors
Purpose and link to strategy	To limit the Company's liability for payments in cases of termination, and to provide a fair and equitable settlement in line with market practice where appropriate.
Maximum opportunity	To limit the Company's liability for payments in cases of termination, and to provide a fair and equitable settlement in line with market practice where appropriate. Notice periods from the company do not exceed 12 months. **Termination not in connection with a change in control** In the case of the current Chief Executive the notice period is 12 months. The maximum termination payment due in the case of termination of employment by the Company without "cause" or termination by the Executive for a pre-defined good reason (see definition below) is: > 1x base salary. > 12 months' continuation of pension and fringe benefits. > Annual bonus pro-rated for the period worked only and subject to the normal performance test at year end. **Termination in connection with a change in control** In the case of the current Chief Executive the notice period from the employee or the company is 12 months. The maximum payment due in the case of termination of employment by the Company without "cause" or termination by the Executive for a pre-defined good reason in connection with a change in control event is: > 1x base salary. > 12 months' continuation of pension and fringe benefits. > Annual bonus time pro-rated for the period worked, and subject to performance.

Termination arrangements	Executive Directors
	Additional points: The above termination payments (both in connection with and not in connection with a change-in-control) would be reduced by the amount of any other contractual payments made to the Executive. Such payments could include a payment in lieu of notice, garden leave payment, and/or a payment in lieu of holiday accrual. Any payment in lieu of notice will be limited to the pro rata value of base salary and the other benefits described under the retirement benefits and other benefits sections above. An Executive can also be placed on garden leave. A pre-defined "good reason" includes: material salary reduction (other than across-the-board reductions of up to 15%) or any reduction on change of control; company required relocation by 50 miles; or material diminution in duties, responsibilities or authority (but a change in reporting line alone does not constitute a good reason). In addition to the above termination payments, the Committee may pay reasonable outplacement and legal fees where considered appropriate and may pay any statutory entitlements or settle any compromise claims in connection with a termination of employment, where considered in the best interests of the Company. Termination provisions for the EIP and LTIP are as follows: **Termination not in connection with a change in control** If an Executive Director is not employed by the Company at the time of vesting, the award will lapse, except in certain circumstances as determined by the Board including death, disability, retirement and any other circumstance as decided by the Board. The portion of any award which vests will be determined by the Board based on a number of factors including performance against targets. Alternatively, the Board may decide that outstanding awards will vest in accordance with the normal vesting schedule. Unless the Board decides otherwise, in all cases the vesting level will be reduced in accordance with time proration. In the case that employment is terminated by the Company without cause or termination by the executive for a pre-defined good reason detailed above, then the outstanding awards will vest subject to time proration and performance against targets. **Termination in connection with a change in control** In the event of a change in control of the Company any award will be rolled over into an award in the new entity but with the Company having discretion for time pro-rated vesting, subject to performance, with the balance rolled over. Performance-based awards, after application of performance test, will roll over into to time-based awards. Any awards rolled over will ordinarily vest at the nominal vesting date. However in the case that employment is terminated by the Company without cause, or termination by the executive for a pre-defined good reason detailed above in connection with a change in control, then outstanding awards will vest immediately without time proration.
Changes in policy since 2015	Termination provisions brought closer in line with market practice, but taking account of UK shareholder guidelines.

Termination arrangements	Non-executive Directors
Purpose and link to strategy	Supports recruitment and retention of a non-executive Director with the experience and skills that will make a major contribution to the Dialog Board.
Maximum opportunity	Aggregate fees are subject to the limit set out in the Articles of Association or any such higher amount as determined by ordinary resolution.
Operation	Fees are normally reviewed annually. Fees may be paid in a combination of cash and shares subject to any requirements of the Articles of Association of the Company or shareholder resolution. Non-executive Directors' fees are not eligible for any incentive awards or share options. The Chairman's fee is determined by the Executive Directors with input from the Remuneration Committee. Other non-executive Directors may be reviewed annually by the Chairman and Executive Directors. Non-executive Directors may also receive tax advice. In addition to the fees referred to above, non-executive Directors are also reimbursed for the costs of travel relating to the performance of their duties, and these costs may be grossed-up if treated as a taxable benefit in the applicable jurisdiction.
Performance framework	Fee reviews take account of individual performance and contribution, company size, growth and complexity, level of experience and market profile and time committed.
Changes in policy since 2015	No change.

Directors' remuneration policy report
continued

Remuneration of Directors on recruitment and appointment
Dialog is an international company and competes for executive talent on a global basis. In order to recruit and retain Directors of the calibre needed to execute the Company's growth objectives it may be necessary to provide remuneration and benefits taking account of practice among other global semiconductor companies.

The following principles apply in the case of the external recruitment of Directors and the appointment of internal candidates who may be promoted to the Board:
> as far as possible, the remuneration of new Directors will be set in accordance with the existing Directors' remuneration policy described in this report;
> the Remuneration Committee will seek to pay no more than is necessary while ensuring that it can attract the best candidates on a global basis;
> the remuneration package provided will take account of a range of factors, including but not limited to, the calibre of a candidate, the level of existing remuneration, the jurisdiction the candidate is recruited from, and the individual's skills and experience;
> the remuneration package will take account of internal relativities and appropriate international market comparisons;
> the Remuneration Committee has the discretion to determine the fixed elements of a remuneration package (comprising base salary, retirement and other benefits) as it deems necessary and in Shareholders' interests. Exercise of such discretion may be necessary, for example in the event of a new appointment to the Board following an acquisition or where commitments have been made as part of a transaction;
> the Remuneration Committee will in all cases be guided by reasonable market practice and will take appropriate advice where necessary.

The table below outlines policy in respect of recruitment where it differs from that outlined above. Policy in respect of other components of pay is unchanged in recruitment situations from that outlined above. Note that only the references to fees apply to non-executive Directors.

Pay component	Approach in application to recruitment situations
Annual base salary or fee	The following factors will be taken into account when determining appropriate base salary/fee: > the candidate's existing salary/fee, location of employment, skills and experience and expected contribution to the new role; > the previous incumbent's salary/fee for the same role; > the current salaries/fees of other Dialog Directors; > current relevant market pay data for the role; and > the value of other elements of remuneration to be provided and the combined value of the total package.
Other benefits	The Company recruits executives on a global basis and recruitment is a case in which the Remuneration Committee may choose to exercise the discretion described in the policy table above to provide relocation benefits. In cases where the Committee believes that the Company and its Shareholders' interests will be served best by provision of relocation benefits the Committee will seek to limit these benefits both in terms of their value and the period over which they are provided. Benefits provided may include relocation allowances and global mobility benefits such as housing or schooling as described in the policy table, which may be provided on consideration of family size and business need.
Long-term incentive	The Committee has discretion to provide awards under the LTIP which exceed the maximum outlined in the policy table above in cases where it considers it necessary in order to facilitate recruitment of high-calibre executives. Such awards may be provided as compensation for remuneration foregone at a previous employer as described in the row below. The Committee also has discretion to provide such awards in other circumstances where it considers them necessary to secure an executive's appointment. In cases other than compensation for or "buy-out" of previous awards, LTIP target awards in addition to normal policy levels will be limited to 100% of a target executive's Dialog salary.
Compensation for forfeited remuneration	The Committee may choose to compensate for forfeited remuneration when recruiting an external candidate by providing replacement awards. Where a replacement award is deemed to be necessary, the structure and level will be carefully designed in accordance with the recruitment principles above. Such awards would be designed to take account of the vesting period and where applicable, the performance conditions of the awards they replace. They may include "clawback" provisions. An explanation of the basis of any "buy-out" will be provided as soon as practicably possible after appointment.
Service contracts	Notice periods offered to new Executive Directors will not normally exceed 12 months. However, if it is necessary to offer an executive Director a longer notice period at recruitment, then the length of the notice period will reduce on a rolling basis until it is no greater than 12 months.
Changes in policy since 2015	No change.

Clawback and malus policy
Under the rules of the deferred bonus plan, the LTIP and the previous EIP, the Remuneration Committee is entitled to cancel or clawback some or all of a participant's awards in the event that the Audit Committee of the Company determines that the financial accounts of the Company were misstated to a material extent (such determination must be made within two years of the award date or six years if in relation to fraud or reckless behaviour by an executive). Such clawback may be applied through direct repayment or a reduction in unvested awards or future grants, or a reduction in such other payments as might otherwise be due from the Company to the individual.

Shareholding requirement
The Committee will set a shareholding requirement for Executive Directors. The requirement for the current CEO was increased from 200% to 300% of base salary with effect from 2015. The Committee reviews the level of shareholding requirement from time to time and has authority to amend it as necessary.

Share options for non-executive Directors
Until 2012, non-executive Directors received part of their fees in the form of options over Dialog shares. This practice was felt to align their interests with those of Shareholders. Use of options was stopped ahead of the 2013 financial year and the last awards made (in 2012) vested in 2015. No further options have been awarded since 2012 and none will be awarded in future years. Provision of share options is not included in the policy table above as options are not part of the Company's forward-looking remuneration policy. According to UK regulations however, reference to options must be made in the policy section of the Directors' remuneration report, in order to permit payments under outstanding awards, hence the inclusion of this section here.

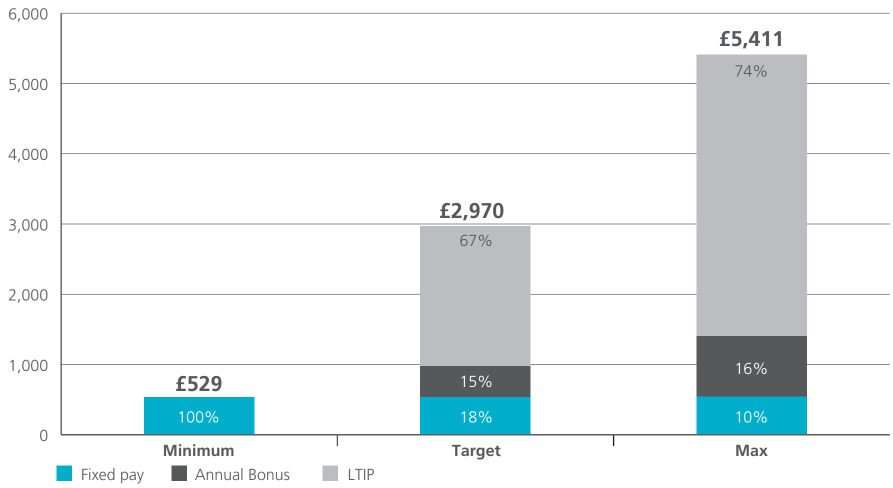
Remuneration policy for Executive Directors compared to that for other employees
The Company's remuneration policy for Executive Directors is similar to that for all other Dialog employees. Differences in policy are outlined below:

> Annual bonus – All Dialog employees participate in annual bonus plans. The nature of those plans varies somewhat by location and employee category. Most employees participate in a profit-sharing plan; a smaller group participates in a plan based on performance against individual objectives.

> LTIP – Participation in the LTIP is limited to employees in senior roles and executives, which currently comprise around 60 Dialog employees. This number may increase over time as the business grows.

> Notice periods – Other UK employees' contracts of employment include three-month notice periods.

Indicative remuneration levels resulting from policy
The charts below represent for the 2016 year the pay mix between the different elements of remuneration for the CEO, assuming threshold, target and maximum performance. Amounts are shown in GBP (000s).



The scenarios shown above are based on the following assumptions:

> minimum performance: fixed pay only (base salary, benefits and pension);

> target performance: fixed pay, annual bonus of half maximum opportunity (100% of salary) and 50% of the maximum value of the LTIP award vesting; and

> maximum performance: fixed pay, maximum annual bonus of 200% of salary and 100% of the maximum value of the LTIP award vesting.

We have assumed that the grant in 2016 under the LTIP will have a target value of £2 million. This could range up to £4 million for achievement of the maximum performance targets. This is in line with the target and maximum value permitted under the policy.

Stakeholder views
Shareholder proxy advisory groups are engaged when the Company is considering material changes to policy, including approval of any new share plans.

There is no formal engagement with employees on matters of executive remuneration but employees are encouraged to provide their view on any aspect of the Company's operations through the Company's intranet-based feedback system SVP Blog.

Mike Cannon
Chairman, Remuneration Committee

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and the Group and parent company financial statements in accordance with the applicable law and regulations. UK company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under the law the Directors are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and have elected to prepare the parent company financial statements on the same basis.

The Group and parent company financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position of the Group and the parent company and the financial performance and cash flows for that period; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of the Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and parent company financial statements, the Directors are required to:

> select suitable accounting policies and then apply them consistently;
> present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
> provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performances;
> state whether they have been prepared in accordance with IFRS as adopted by the EU; and
> make judgements and estimates that are reasonable and prudent.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006 and article 4 of the IAS Regulation.

They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' report and Directors' remuneration report that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislations in other jurisdictions.

Responsibility statement

The Directors confirm, to the best of their knowledge, that:

> the financial statements, prepared in accordance with IFRS as adopted by the European Union and IFRS as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
> the annual report and accounts includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
> the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position, performance, business model and strategy.

The annual report and accounts, taken as a whole, is in line with good corporate governance standards, provides the information necessary for Shareholders to assess the Company's performance, business model and strategy and is fair, balanced and understandable.

Dr Jalal Bagherli
Chief Executive Officer

8 March 2016

Independent Auditor's report

to the members of Dialog Semiconductor Plc

We have audited the financial statements of Dialog Semiconductor Plc for the year ended 31 December 2015 which comprise the Consolidated Statement of Income, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statements of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity and the related notes 1 to 37. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

> the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's profit for the year then ended;

> the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

> the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

> the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the group financial statements, the group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements comply with IFRSs as issued by the IASB.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

> the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and

> the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

> adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

> the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

> certain disclosures of directors' remuneration specified by law are not made; or

> we have not received all the information and explanations we require for our audit.

Alexander Butterworth ACA
(Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor

Reading, UK
8 March 2016

Consolidated statement of income

Year ended 31 December

	Notes	2015 US$000	2014 US$000	2013 US$000
Revenue	3, 28	**1,355,312**	1,156,105	901,380
Cost of sales		**(730,508)**	(641,296)	(549,572)
Gross profit		**624,804**	514,809	351,808
Selling and marketing expenses		**(62,157)**	(60,070)	(49,000)
General and administrative expenses		**(80,878)**	(59,445)	(44,255)
Research and development expenses	28	**(223,182)**	(213,808)	(160,814)
Other operating income	3	**1,159**	4,416	4,921
Operating profit	28	**259,746**	185,902	102,660
Interest income	3	**1,215**	419	565
Interest expense	3	**(6,411)**	(14,829)	(13,345)
Other finance income (expense)	3	**289**	(2,171)	(168)
Profit before income taxes		**254,839**	169,321	89,712
Income tax expense	5	**(77,580)**	(31,242)	(27,508)
Net income		**177,259**	138,079	62,204
Loss attributable to non-controlling interests	23	**(1,507)**	–	–
Profit attributable to shareholders in the Company		**178,766**	138,079	62,204

		2015	2014	2013
Earnings per share (in US$)				
Basic		**2.42**	2.05	0.95
Diluted		**2.29**	1.93	0.92
Weighted average number of shares (in thousands)	6			
Basic		**73,763**	67,329	65,641
Diluted		**79,660**	76,882	67,676

Consolidated statement of comprehensive income

Year ended 31 December

	2015 US$000	2014 US$000	2013 US$000
Net income	**177,259**	138,079	62,204
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods			
Currency translation differences on foreign operations	**(1,884)**	(1,032)	269
Income tax relating to currency translation differences on foreign operations	**(10)**	(265)	(15)
Cash flow hedges:			
- Fair value (loss) gain recognised on effective hedges in the year	**(18,960)**	(23,614)	1,747
- Fair value loss (gain) transferred to profit or loss	**31,980**	3,820	(1,656)
Income tax relating to cash flow hedges	**(3,694)**	5,445	(48)
Other comprehensive income (loss) for the year	**7,432**	(15,646)	297
Total comprehensive income for the year	**184,691**	122,433	62,501
Attributable to:			
- Shareholders in the Company	**186,619**	122,433	62,501
- Non-controlling interests	**(1,928)**	–	–
Total comprehensive income for the year	**184,691**	122,433	62,501

Consolidated balance sheet

As at 31 December

	Notes	2015 US$000	2014 US$000
Assets			
Cash and cash equivalents	7	**566,809**	324,280
Trade and other receivables	8	**72,668**	100,569
Other financial assets	10	**2,086**	3,586
Inventories	9	**134,930**	99,140
Income tax receivables		**129**	64
Other current assets	11	**20,856**	10,491
Total current assets		**797,478**	538,130
Goodwill	13	**251,062**	244,878
Other intangible assets	14	**138,604**	131,505
Property, plant and equipment	12	**68,444**	59,263
Other financial assets	15	**3,758**	3,304
Income tax receivables		**51**	95
Deferred tax assets	5	**28,454**	28,771
Total non-current assets		**490,373**	467,816
Total assets		**1,287,851**	1,005,946
Liabilities and equity			
Trade and other payables	16	**131,553**	90,906
Other financial liabilities	17	**8,245**	22,120
Provisions	18	**1,861**	1,829
Income taxes payable		**62,181**	29,409
Other current liabilities	19	**49,884**	42,473
Total current liabilities		**253,724**	186,737
Convertible bonds	21	**–**	180,207
Other financial liabilities	20	**4,919**	7,916
Provisions	18	**2,725**	1,955
Deferred tax liabilities	5	**1,598**	5,455
Total non-current liabilities		**9,242**	195,533
Ordinary shares		**14,402**	13,353
Additional paid-in capital		**463,725**	274,517
Retained earnings		**571,510**	366,650
Other reserves		**(7,923)**	(15,776)
Dialog shares held by employee benefit trust		**(24,630)**	(15,068)
Equity attributable to shareholders in the Company		**1,017,084**	623,676
Non-controlling interests	23	**7,801**	–
Total equity	22	**1,024,885**	623,676
Total liabilities and equity		**1,287,851**	1,005,946

These financial statements were approved by the Board of Directors on 8 March 2016 and were signed on its behalf by:

Dr Jalal Bagherli
Director

Consolidated statement of cash flows

Year ended 31 December

	Notes	2015 US$000	2014 US$000	2013 US$000
Cash flows from operating activities:				
Net income		**177,259**	138,079	62,204
Non-cash items within net profit:				
Depreciation of property, plant and equipment		**24,010**	22,144	18,581
Amortisation of intangible assets		**31,120**	33,431	28,646
Loss on disposals and impairment of fixed assets		**1,751**	407	1,369
Impairment of inventories		**9,047**	9,828	14,445
Share-based payments expense		**19,215**	21,173	8,487
Interest expense, net	3	**5,196**	14,410	12,780
Income tax expense	5	**77,580**	31,242	27,508
Cash generated from operations before changes in working capital		**345,178**	270,714	174,020
Changes in working capital:				
Trade accounts receivable and other receivables		**29,737**	26,764	(33,418)
Inventories		**(42,624)**	8,570	26,871
Prepaid expenses		**(354)**	(376)	(923)
Trade accounts payable		**34,448**	(7,494)	(19,490)
Provisions		**122**	816	4,135
Other assets and liabilities		**(3,975)**	9,657	4,067
Cash generated from operations		**362,532**	308,651	155,262
Interest paid		**(3,602)**	(4,680)	(3,805)
Interest received		**1,107**	396	587
Income taxes paid		**(42,374)**	(33,909)	(41,365)
Cash flow from operating activities		**317,663**	270,458	110,679
Cash flows from investing activities:				
Purchase of property, plant and equipment		**(32,955)**	(23,842)	(23,173)
Purchase of intangible assets		**(11,678)**	(12,058)	(9,519)
Payments for capitalised development costs		**(24,778)**	(6,670)	(5,974)
Purchase of businesses, net of acquired cash		**(2,636)**	–	(303,851)
Sale (purchase) of other investments		**68**	34	(1,500)
Change in other long term assets		**278**	(474)	(186)
Cash flow used for investing activities		**(71,701)**	(43,010)	(344,203)
Cash flows from financing activities:				
Draw down of borrowings		**–**	–	113,650
Repayment of borrowings		**–**	(105,000)	(10,000)
Share issue costs		**–**	(39)	–
Purchase of Dialog shares by employee benefit trusts		**(14,032)**	(6,172)	–
Sale of Dialog shares by employee benefit trusts		**11,589**	22,114	3,071
Cash flow (used for)/from financing activities		**(2,443)**	(89,097)	106,721
Net increase in cash and cash equivalents		**243,519**	138,351	(126,803)
Cash and cash equivalents at beginning of period		**324,280**	186,025	312,435
Currency translation differences		**(990)**	(96)	393
Cash and cash equivalents at end of period	7	**566,809**	324,280	186,025

Consolidated statement of changes in equity

Year ended 31 December

	Ordinary shares US$000	Additional paid-in capital US$000	Retained earnings US$000	Other reserves: Currency translation reserve US$000	Other reserves: Hedging reserve US$000	Other reserves: Dialog shares held by employee benefit trusts US$000	Equity attributable to shareholders in the Company US$000	Non-controlling interests US$000	Total US$000
As at 1 January 2013	**12,852**	**243,829**	**129,190**	**(1,964)**	**1,537**	**(2,853)**	**382,591**	**–**	**382,591**
Net income	–	–	62,204	–	–	–	62,204	–	62,204
Other comprehensive income	–	–	–	254	43	–	297	–	297
Total comprehensive income	**–**	**–**	**62,204**	**254**	**43**	**–**	**62,501**	**–**	**62,501**
Other changes in equity:									
Sale of Dialog shares by employee benefit trusts	–	2,460	–	–	–	611	3,071	–	3,071
Share-based payments, net of tax	–	–	8,487	–	–	–	8,487	–	8,487
As at 31 December 2013	**12,852**	**246,289**	**199,881**	**(1,710)**	**1,580**	**(2,242)**	**456,650**	**–**	**456,650**
Net income	–	–	138,079	–	–	–	138,079	–	138,079
Other comprehensive income (loss)	–	–	–	(1,297)	(14,349)	–	(15,646)	–	(15,646)
Total comprehensive income (loss)	**–**	**–**	**138,079**	**(1,297)**	**(14,349)**	**–**	**122,433**	**–**	**122,433**
Other changes in equity:									
Dialog shares issued to employee benefit trusts	501	9,780	–	–	–	(10,281)	–	–	–
Share issue costs	–	(39)	–	–	–	–	(39)	–	(39)
Purchase of Dialog shares by employee benefit trusts	–	–	–	–	–	(6,172)	(6,172)	–	(6,172)
Sale of Dialog shares by employee benefit trusts	–	18,487	–	–	–	3,627	22,114	–	22,114
Share-based payments, net of tax	–	–	28,690	–	–	–	28,690	–	28,690
As at 31 December 2014	**13,353**	**274,517**	**366,650**	**(3,007)**	**(12,769)**	**(15,068)**	**623,676**	**–**	**623,676**
Net income	–	–	178,766	–	–	–	178,766	(1,507)	177,259
Other comprehensive income (loss)	–	–	–	(1,473)	9,326	–	7,853	(421)	7,432
Total comprehensive income (loss)	**–**	**–**	**178,766**	**(1,473)**	**9,326**	**–**	**186,619**	**(1,928)**	**184,691**
Other changes in equity:									
Conversion of Convertible Bonds	1,049	182,089	–	–	–	–	183,138	–	183,138
Non-controlling interests in business acquired (note 4)	–	–	–	–	–	–	–	9,729	9,729
Purchase of Dialog shares by employee benefit trusts	–	–	–	–	–	(14,032)	(14,032)	–	(14,032)
Sale of Dialog shares by employee benefit trusts	–	7,119	–	–	–	4,470	11,589	–	11,589
Share-based payments, net of tax	–	–	26,094	–	–	–	26,094	–	26,094
As at 31 December 2015	**14,402**	**463,725**	**571,510**	**(4,480)**	**(3,443)**	**(24,630)**	**1,017,084**	**7,801**	**1,024,885**

1. Background

Description of business

Dialog Semiconductor plc ('the Company') is a public limited company that is incorporated and domiciled in the United Kingdom. The Company's ordinary shares are listed on the Frankfurt Stock Exchange.

Dialog creates and markets highly integrated, mixed signal integrated circuits, optimised for personal, portable, hand-held devices, low energy short-range wireless, LED solid-state lighting and automotive applications. Dialog has four operating segments: Mobile Systems; Automotive & Industrial; Connectivity; and Power Conversion. Segment information is presented in note 28.

Company name and registered office

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

Statement of compliance

The consolidated financial statements of the Company and its subsidiaries (together, "Dialog" or the "Group") set out on pages 84 to 145 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and those parts of the Companies Act 2006 that are applicable to companies reporting under IFRS. From the Group's perspective, there are no applicable differences between IFRS adopted for use in the European Union and IFRS as issued by the International Accounting Standards Board (IASB), and therefore the consolidated financial statements also comply with IFRS as issued by the IASB.

Basis of preparation

The consolidated financial statements are prepared on a going concern basis and in accordance with the historical cost convention, except that derivative financial instruments are stated at their fair value.

The Group's significant accounting policies are set out in note 2.

Presentation currency

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

Approval of the financial statements

The consolidated financial statements for the year ended 31 December 2015 were authorised for issued in accordance with a resolution of the Directors on 8 March 2016.

Company financial statements

Separate financial statements for the Company prepared in accordance with IFRS are set out on pages 146 to 149.

2. Summary of significant accounting policies

Changes in accounting policies and presentation

At the beginning of 2015, Dialog adopted the *Annual Improvements to IFRSs* arising from the IASB's 2010-2012 and 2011- 2013, review cycles, which had no impact on the Group's results or financial position. Otherwise, the Group's accounting policies were unchanged compared with the year ended 31 December 2014.

With effect from the fourth quarter of 2015, management changed the balance sheet presentation of deferred revenue and related cost of sales. In prior periods, the net amount of deferred revenue and related cost of sales was presented as a provision but it is now presented within other current liabilities. Management considers that the revised presentation represents more appropriately the degree of certainty as to the amount and timing of deferred revenue and related costs of sales.

Management has restated balance sheets presented for prior periods to reflect this change of presentation which had the following effect on the Group's balance sheet as at 31 December 2014:

	2014 As previously reported US$000	Reclassification US$000	2014 As restated US$000
Consolidated balance sheet			
Provisions	**8,305**	(6,476)	**1,829**
Other current liabilities	**35,997**	6,476	**42,473**

As at 31 December 2015, the net amount of deferred revenue and related cost of sales included within other current liabilities was US$9,994,000.

2. Summary of significant accounting policies continued

Accounting standards issued but not adopted as at 31 December 2015

Outlined below are new or amended accounting pronouncements that have been issued by the IASB and are relevant to Dialog but had not yet been adopted by Dialog as at 31 December 2015. Management has not yet completed its evaluation of financial effect of the pronouncements on revenue recognition, leases and financial instruments.

Revenue Recognition

IFRS 15 *Revenue from Contracts with Customers* provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) the entity satisfies a performance obligation. IFRS 15 introduces extensive new disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improves guidance for multiple-element arrangements. In July 2015, the IASB proposed some targeted amendments to IFRS 15. As some entities may wish to apply these amendments at the same time as they first apply IFRS 15, the IASB deferred the effective date of the standard by one year and it is now effective for annual periods beginning on or after 1 January 2018.

Leases

In January 2016, the IASB issued IFRS 16 *Leases, which* will change the way that lessees will recognise, measure, present and disclose leases. IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

Financial instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Classification and Measurement*. Changes made by IFRS 9 that are relevant to Dialog include the introduction of a new model for classification and measurement of financial assets and financial liabilities, a single, forward-looking 'expected loss' model for measuring impairment of financial assets (including trade receivables) and a new approach to hedge accounting that is more closely aligned with an entity's risk management activities . IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

Other pronouncements

At the beginning of 2016, Dialog adopted Amendments to IAS 1 *Presentation of Financial Statements* - Disclosure Initiative that are designed to assist entities in applying judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that entities may use their judgement in determining where and in what order information is presented in the financial disclosures.

Also at the beginning of 2016, Dialog adopted the *Annual Improvements to IFRSs* arising from the IASB's 2012-14 review cycle, which had no impact on the Group's results or financial position.

In January 2016, the IASB published amendments to IAS 7 *Statement of Cash Flows* that are intended to improve information provided to users of financial statements about an entity's financing activities. In particular, the amendments require that specific changes in liabilities arising from financial activities are disclosed and suggest that this requirement may be fulfilled by way of a reconciliation of the opening and closing balances of liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after 1 January 2017.

2. Summary of significant accounting policies continued

Principles of consolidation

The consolidated financial statements include the Company and its subsidiaries. The Company's subsidiaries as at 31 December 2015 were as follows:

Name	Country of incorporation	Participation
Dialog Semiconductor GmbH	Germany	100.0%
Dialog Semiconductor B.V.	The Netherlands	100.0%
Dialog Semiconductor (UK) Limited	UK	100.0%
Dialog Semiconductor Operations Services Limited [1]	UK	100.0%
Powerventure Semiconductor Limited	UK	100.0%
Dialog Semiconductor Inc. (former iWatt Inc.) [1]	USA	100.0%
iWatt Cayman [1]	Cayman Islands	100.0%
Dialog Semiconductor KK	Japan	100.0%
iWatt MFG (HK) Limited [1]	Hong Kong	100.0%
IKOR Acquisition Corporation [1]	USA	100.0%
iWatt L.L.C. [1]	USA	100.0%
Dialog Argo Holdings Inc.	USA	100.0%
Dialog Argo Holdings L.L.C. [1]	USA	100.0%
iWatt Cooperatief U.A. [1]	The Netherlands	100.0%
Dialog Semiconductor Hong Kong Limited [1]	Hong Kong	100.0%
iWatt B.V. [1]	The Netherlands	100.0%
iWatt HK Limited [1]	Hong Kong	100.0%
Dialog Semiconductor (Shenzhen) Limited [1]	China	100.0%
iWatt Integrated Circuits Technology (Tianjin) Limited [1]	China	100.0%
Dialog Semiconductor (Italy) S.r.l.	Italy	100.0%
Dialog Semiconductor Arastima Gelistirme ve Ticaret AS	Turkey	100.0%
Dialog Semiconductor Hellas Societe Anonyme of Integrated Circuits [1]	Greece	100.0%
Dialog Semiconductor Trading (Shanghai) Limited [1]	China	100.0%
Avengers Acquisition Corporation	USA	100.0%
Dialog Semiconductor Finance L.L.C.	USA	100.0%
Dialog Semiconductor Finance B.V.	The Netherlands	100.0%
Dyna Image Corporation	Taiwan	45.7%

1 Held indirectly

The Company had no other related undertakings as at 31 December 2015.

A subsidiary is an entity that is controlled, either directly or indirectly, by the Company. Control is achieved when Dialog is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, Dialog controls an investee if, and only if, Dialog has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when Dialog has less than a majority of the voting or similar rights of an investee, Dialog considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

Dialog re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when Dialog obtains control over the subsidiary and ceases when Dialog loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date Dialog gains control until the date Dialog ceases to control the subsidiary.

2. Summary of significant accounting policies continued

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Dialog's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Dialog are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Business combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures financial instruments, such as, derivatives (forward contracts and as hedging designated deposits), at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

2. Summary of significant accounting policies continued

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's Board of non-executive Directors and the Chief Financial Officer determine the policies and procedures for both recurring fair value measurement, such as unquoted available-for-sale (AfS) financial assets, and for non-recurring measurement.

External valuation specialists were engaged to assist in the valuation of significant assets, such as investments, significant liabilities, such as contingent consideration and share option expense. Involvement of external valuation specialists is decided upon annually by the Board of non-executive Directors after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Group´s external valuation specialist, which valuation techniques and inputs to use for each case and is responsible for the final valuation. Any material cases are reviewed and approved by the Board of non-executive Directors.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The analysis is then discussed with and approved by the board of directors.

The Board of non-executive Directors, in conjunction with the Group's external valuers, also compares significant changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an interim basis, the Board of non-executive Directors and the Group's external valuers present the valuation results to the Audit Committee. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Foreign exchange

The functional currency for the Group entities is generally the currency in which they primarily generate and expense cash. Each entity in the Group determines its own functional currency. Accordingly, the assets and liabilities of companies whose functional currency is other than the US dollar are included in the consolidation by translating the assets and liabilities into the presentation currency (US$) at the exchange rates applicable at the end of the reporting period. Equity accounts are measured at historical rates. The statements of income and cash flows are translated at the average exchange rates during the year. The exchange differences arising on the translation are directly recognised in equity (other reserves). On disposal of an entity, the component of other comprehensive income relating to that particular entity is recognised in the income statement.

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit and loss with the exception of differences on monetary items that form part of a net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment at which time they are recognised in profit or loss. Tax charges and credits attributable to exchange differences on those monetary items and borrowings are also dealt with in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Foreign currency transaction gains and losses are disclosed separately in the income statement, at each reporting period.

Key exchange rates against US dollars used in preparing the consolidated financial statements were:

Currency	Exchange rate at **31 December 2015** **US$1 =**	31 December 2014 US$1 =	31 December 2013 US$1 =	Annual average exchange rate **2015** **US$1 =**	2014 US$1 =	2013 US$1 =
Pound Sterling	**0.67**	0.64	0.61	**0.65**	0.61	0.64
Japanese Yen	**120.40**	119.29	104.96	**121.10**	105.75	97.54
Euro	**0.92**	0.82	0.73	**0.90**	0.75	0.75

Financial instruments

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another. Financial assets include, in particular, cash and cash equivalents, trade receivables and other loans and receivables, held-to-maturity investments and derivative (accounted for at fair value through profit or loss) and non-derivative financial assets, as well as investments classified as available for sale.

Financial liabilities generally represent claims for repayment in cash or another financial asset. In particular, this includes trade payables, liabilities to banks and derivative financial liabilities.

2. Summary of significant accounting policies continued

Financial assets

Financial assets within the scope of IAS 39 are classified as being at fair value through profit or loss, held-to-maturity investments, loans and receivables or available-for-sale financial assets, as appropriate. When financial assets are first recognised, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group determines the classification of its financial assets on first recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular purchases and sales of financial assets are recognised on the settlement date, which is the date that the Group receives the asset. Regular purchases or sales are classified as purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention of the market place.

At each reporting date, the Group assesses whether a financial asset or group of financial assets is impaired.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, such as trade accounts receivable. Loans and receivables are recorded initially at fair value and do not bear interest. As of 31 December 2015 as well as 31 December 2014, loans and receivables of the Group comprise trade accounts receivable from customers, cash and cash equivalents (except for deposits designated as hedging instruments). After initial recognition, loans and receivables are subsequently carried at amortised cost using the effective interest method, less any allowance for impairment, if necessary. Gains and losses are recognised in the income statement when the loans and receivables are de-recognised or impaired. Interest income and expense on the application of the effective interest method are also recognised in profit or loss.

The Group continuously reviews its allowance for doubtful accounts. Management considers the collectability of a trade account receivable to be impaired when it is probable that the Group will be unable to collect all amounts due according to the sales terms, based on current information and events regarding the customers' ability to meet their obligations. The amount of the impairment loss on loans and receivables is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate of the financial asset. The amount of the impairment loss is recognised in profit or loss.

If, in a subsequent reporting period, the amount of the impairment loss decreases and the decrease can objectively be related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and recognised in profit or loss.

When a trade receivable is considered to be impaired, any credit losses are included in the allowance for doubtful accounts through a charge to bad debt expenses. Account balances are set off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Recoveries of trade receivables previously written-off are recorded as other income when received. Reversals of impairment losses are recognised in profit and loss. The Group does not have any off-balance sheet credit exposure related to its customers.

Receivables from work in process for customer specific development projects according to IAS 11 are recorded in the balance sheet line "trade accounts receivable and other receivables" and are disclosed in note 8.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or as financial assets at fair value through profit or loss.

After initial measurement available-for-sale financial assets are measured at fair value. Unrealised gains and losses, net of the related tax effect, on available-for-sale financial assets are excluded from earnings and are reported as a component of other reserves until realised, or the investment is determined as being impaired.

At each reporting date, the carrying amounts of available-for-sale assets are assessed to determine whether there is objective, significant evidence of impairment as outlined in IAS 39.59. Any impairment losses on available-for-sale financial assets are charged to profit or loss. The Group does not use allowance accounts in order to record the impairment in the consolidated balance sheet but credits the impairment loss directly against the book value of the financial assets. If this impairment relates to losses previously recognised in equity then the impairment loss is transferred from equity to the income statement. Reversals of impairment losses in respect of equity instruments or investment funds that are classified as available-for-sale are not recognised in profit or loss.

The fair value of available-for-sale financial assets actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date.

2. Summary of significant accounting policies continued

For investments in which there is no active market, fair value is determined using valuation techniques, including recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis; or other valuation models. If the fair value of unquoted equity instruments cannot be measured with sufficient reliability, these instruments are measured at cost (less any impairment losses, if applicable).

Derecognition of financial assets

A financial asset is derecognised when:

- the right to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through agreement"; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the derecognition as receivables under factoring agreement.

Financial liabilities

Financial liabilities primarily include trade accounts payable, liabilities due to banks, derivative financial liabilities and other liabilities.

Financial liabilities measured at amortised costs

After initial recognition at fair value, less directly attributable transaction costs, financial liabilities are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Hedging instruments and hedge accounting

The Group uses derivative financial instruments, such as forward contracts, mainly for the purposes of hedging currency risks that arise from its operating activities. Beside the derivative financial instruments the Group designated certain deposits as hedging instruments in order to hedge foreign currency risks as well. Such derivative financial instruments and deposits were initially recognised at fair value on the date on which a derivative contract was entered into or the cash deposit was designated as a hedging instrument and was subsequently remeasured at fair value on each subsequent reporting date. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains and losses arising from changes in the fair value on derivatives and the deposits during the year that do not qualify for hedge accounting are taken directly to profit or loss.

The fair value of derivatives is equal to their positive or negative market value. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of the deposits was measured based on foreign currency market rates at each reporting date.

If the requirements for hedge accounting set out in IAS 39 are met, the Group designates and documents the hedge relationship from the date a derivative contract is entered into or the cash deposit is designated as a hedging instrument, either as a fair value hedge or a cash flow hedge.

The Group did not enter into fair value hedges in 2015 and 2014.

In a cash flow hedge, the variability of cash flows to be received or paid related to a recognised asset or liability, or a highly probable forecast transaction, or a firm commitment (in case of currency risks) is hedged. To hedge a currency risk of an unrecognised firm commitment, the Group makes use of the option to recognise this as a cash flow hedge. The documentation of the hedge relationship includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows, and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

2. Summary of significant accounting policies continued

For cash flow hedges, fair value changes of the effective portion of the hedging instrument are recognised in other reserves, net of applicable taxes, while any ineffective portion of the fair value changes are recognised immediately in profit or loss. Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement, such as when the forecast or committed expenses occur. If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to profit or loss.

If the hedging instrument does not, or no longer, qualifies for hedge accounting because the qualifying criteria for hedge accounting are not or are no longer met, the derivative financial instruments are classified as held for trading and the deposits are classified as loans and receivables. Amounts previously recognised in equity are transferred to profit or loss, if the transaction is no longer expected to occur.

If the hedging instrument expires, or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or the firm commitment occurs.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with original maturity dates of three months or less and are subject to an insignificant risk of changes in value. The cash and cash equivalents also includes deposits designated as hedging instruments.

Inventories

Inventories include assets held for sale in the ordinary course of business (finished goods), in the process of production (work in process) or in the form of materials to be consumed in the production process (raw materials). Inventories are valued at the lower of cost and net realisable value. Cost, which includes direct materials, labour and overhead, plus indirect overhead, is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs to make the sale.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. These include the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets as follows:

Category of assets	Useful life
Test equipment	3 to 5 years
Leasehold improvements	Shorter of useful life or lease term
Office and other equipment	18 months to 13 years

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Intangible assets

Intangible assets acquired separately (primarily licences, software and patents) are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination (primarily customer based intangible assets, technology and marketing related intangible assets) is its fair value as at the date of acquisition. Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses, if any. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets are amortised on a straight-line basis over the estimated useful lives as follows:

Intangible assets	Useful life
Customer related intangible assets	1.5 to 8.5 years
Purchased software, licenses and other	3 to 10 years
Patents	10 years
Intangible assets from internal development	1 to 9.5 years

Amortisation expenses are allocated to the cost of goods sold, selling expenses, research and development expenses or general administration expenses. Other than its goodwill, the Group has no intangible assets with an indefinite useful life.

Self-developed intangible assets are recorded on a cost basis. They are amortised on a straight-line basis over the estimated usefulness of 12-114 months. The costs of internally generated intangible assets comprise all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in a manner intended by management, e.g. costs of materials and services used or consumed in generating the intangible asset, costs of employee benefits or fees to register a legal right. Reference is also made to the accounting policy regarding research and development costs in this section.

2. Summary of significant accounting policies continued

Patents have been granted by the relevant government agency for a certain period, depending on the specific country, with the option of renewal at the end of this period. In most cases the maximum lifetime of the patents is 20 years. They are amortised over the shorter period of expected future benefit, which is principally ten years. Acquisition costs for patents are based on the cost of patent registration.

Impairment of non-monetary assets including Goodwill

Dialog assesses at each reporting date whether there is an indication that an asset may be impaired. Goodwill is tested for impairment annually (as at 30 November) and when circumstances indicate that the carrying value may be impaired. Impairment testing involves comparing the carrying amount of each cash-generating unit including goodwill or item of intangible assets, property, plant or equipment to the recoverable amount, which is the higher of its fair value less costs to sell or its value in use. If the carrying amount exceeds the recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An impairment is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets (cash-generating unit). Dialog considers its operating segments as cash-generating units. If a cash-generating unit is found to be impaired, an impairment loss is first recognised on any goodwill allocated to it. Any remaining impairment amount is then allocated among the other assets of the cash-generating unit, and pro-rated impairment losses are recognised on the carrying amounts of these assets.

Impairment losses of continuing operations are recognised in the income statement in expense categories consistent with the function of the impaired asset, except goodwill. Impairment losses on goodwill are recognised in “other expense”.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. These are forecast on the basis of the Group’s current planning, the planning horizon normally being four years including one year of budgeted and three additional forecast years. In determining the fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Forecasting for the entire planning period involves making assumptions, especially regarding future selling prices, sales volumes and costs. Where the recoverable amount is the fair value less costs to sell, the cash-generating unit or individual asset is measured from the viewpoint of an independent market participant. Where the recoverable amount is the value in use, the cash-generating unit or individual asset is measured as currently used. In either case, net cash flows beyond the planning period are determined on the basis of long-term business expectations using the respective individual growth rates derived from market information.

The net cash inflows are discounted at a pre-tax discount rate. To allow for the different risk and return profiles of the Group’s principal businesses, the discount rate is calculated separately for each strategic business unit (synonymously cash generating unit from impairment test perspective). Furthermore, the specific capital structure is defined by benchmarking against comparable companies in the same industry sector. The cost of equity corresponds to the return expected by stockholders, while the cost of debt is based on the conditions on which comparable companies can obtain long-term financing. Both components are derived from capital market information.

For assets other than goodwill, an assessment is made at each reporting date as to whether any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, an estimation of the recoverable amount is made. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount, however, cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Where the Group is lessee, finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit and loss.

A leased asset is depreciated over the useful life of the asset.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, and other sales taxes or duty. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

2. Summary of significant accounting policies continued

Sale of goods

Revenue from the sale of goods is derived from the sale of products, application specific integrated circuit ("ASIC") and application specific standard product ("ASSP"), to end customers. These products are manufactured and tested in accordance with customers' technical specifications prior to delivery.

Revenue is recognised when title passes, the risks and rewards of ownership have been transferred to the customer, the fee is fixed or determinable, and collection of the related receivable is probable. Revenues are recorded net of sales taxes and customer discounts, if any.

The Group has insurance for product claims and also records a provision for warranty costs as a charge in cost of sales, based on historical trends of warranty costs incurred as a percentage of sales, which management has determined to be a reasonable estimate of the probable costs to be incurred for warranty claims in a period.

Customer returns are permitted only for quality-related reasons within the applicable warranty period and any potential warranty claims are subject to the Group's determination that it is at fault for damages. Such claims must usually be submitted within a short period of the date of sale.

Research and development

Revenue from customer-specific research and development contracts involving the development of new customer-specific technology is recognised on the percentage of completion basis when the outcome of the contract can be estimated reliably. A contract's outcome can be estimated reliably when total contract revenue can equally be estimated, it is probable that economic benefits associated with the contract will flow to the Group and the stage of contract completion can be measured reliably. When the Group is not able to meet those conditions, the policy is to recognise revenues only to the extent the expenses incurred are eligible to be recovered. Completion is measured by reference to costs incurred to date as a percentage of estimated total project costs. The percentage of completion method relies on estimates of total expected contract revenue and costs, as well as the dependable measurement of the progress made towards completing the particular project. Losses on projects in progress are recognised in the period they become probable and can be estimated.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Grants are deducted in reporting the related expense. Specifically, government grants whose primary conditions is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Cost of sales

Cost of sales consists of the costs of outsourced production, assembly and test, personnel costs and applicable overheads and depreciation of equipment. Provisions for estimated product warranties are recorded in cost of sales at the time the related sale is recognised. This item also includes amortisation charges related to capitalised development costs. Impairment charges are shown either in cost of sales when revenues had already been realised or in research and development expenses if not.

Sales and marketing expenses

Sales and marketing expenses consist primarily of salaries, travel expenses, sales commissions and costs associated with advertising and other marketing activities.

General and administrative expenses

General and administrative expenses consist primarily of personnel and support costs for finance, human resources, ERP system and other management departments which are not attributable to development, production or sales functions.

Research and development costs

Costs identified as research costs are expensed as incurred, whereas development costs on an individual project are capitalised as an intangible asset and amortised over the period of expected future benefit if the Group can demonstrate the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset; and
- how the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- The availability of adequate technical, financial and other resources to complete the development and use or sell the intangible asset; and
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

2. Summary of significant accounting policies continued

Interest income/interest expense

Interest income is recognised as interest accrues. Interest income includes interest income from investments in securities, cash and cash equivalents. Income and expense resulting from the allocation of premiums and discounts is also included. Interest expense is generally expensed as incurred.

Foreign currency exchange gains and losses

The foreign currency exchange gains and losses mainly result from foreign currency cash transactions and period end revaluation of foreign currency denominated cash into US dollars. It is the Group's view that these gains and losses are driven by the financing activities of the Group and are therefore shown below operating profit.

Employee benefits – defined contribution plans

Contributions to defined contribution and state-funded pension plans are recognised in the income statement as incurred.

Income taxes

Current income taxes for current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are accounted for using the liability method and are recognised for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities, and their respective tax bases, as well as on the carry-forward of unused tax losses that can be utilised.

Deferred tax assets and liabilities are measured using tax rates that have been enacted, or substantively enacted, by the reporting date and which are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognised in income in the period that includes the date of substantive enactment.

A deferred tax asset is recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset, if and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Share-based payments

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense in the period.

Stock options

The Group has established an equity-settled share option scheme under which employees may be granted stock options to acquire shares of Dialog.

2. Summary of significant accounting policies continued

The fair value of options granted is recognised as a compensation expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the service period during which the employees become unconditionally entitled to the options. In this calculation it is taken into account that the options are subject to graded vesting.

The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions on which the options were granted. Expectations of early exercise are accounted for within the average life of the options.

Executives' Long Term Incentive Plan

The Group operates an equity settled Long-Term Incentive Plan (LTIP). Under this plan, key executives are eligible to share in a percentage of the value created for Shareholders in excess of an annual return hurdle measured over a four year performance period.

Each participant in the LTIP is awarded a number of units which convert into Company shares according to the level of outperformance of the Company's share price over the annual return hurdle. If this hurdle is not reached no units convert into Company shares.

The fair value of the awards is recognised as a compensation expense with a corresponding increase in equity. The fair value is measured at grant date, using a Monte Carlo Model, taking into account the terms and conditions on which awards are granted and is spread over the service period during which the key executives become unconditionally entitled to the awards.

The last measurement date for the LTIP was 31 January 2011, the LTIP was then replaced by the Executive Incentive Plan, see below.

For further information please refer to note 25.B.

Executive Incentive Plan

In 2011 the Group established an equity settled Executives Incentive Plan (EIP). As described above, the EIP replaces the LTIP. Under this plan, key executives and other key value drivers of the business are eligible to share in a percentage of the value created for Shareholders. Vesting is based on share price growth and corporate performance targets.

Each participant in the EIP is awarded a number of units which convert into Company shares according to the level of the Company's share price, EBIT and revenue growth over a term of three years from the date of grant.

The fair value of the awards is recognised as a compensation expense with a corresponding increase in equity. The fair value is measured at grant date, using a Monte Carlo Model, taking into account the terms and conditions on which awards are granted and is spread over the service period during which the key executives become unconditionally entitled to the awards.

The EIP expired on 5 May 2015 and was then replaced by the new Long Term Incentive Plan (LTIP), see below.

For further information please refer to note 25.C.

Long Term Incentive Plan

In 2015 the Group established an equity settled Long Term Incentive Plan (LTIP). As described above, the LTIP replaces the EIP. The first LTIP Awards were granted in 2015 within six weeks following the AGM in April.

Under this plan, the executive Director and others in senior roles will be granted an LTIP Award either in form of a nil cost option, a conditional share award, a market priced option or a cash-settled award linked to the value of the Company´s share price. Awards to executive Directors will vest subject to the achievement of challenging performance conditions. Awards to other employees may be made with or without performance conditions. For 2015 awards, there are three different performance measures, relating to EBIT, Revenue Growth and Relative Total Shareholder Return (TSR). Each of these three performance measures will determine one-third of the vesting. The vesting period will be three years.

The fair value of the awards is recognised as a compensation expense with a corresponding increase in equity. The fair value is measured at grant date, using a Monte Carlo Model, taking into account the terms and conditions on which awards are granted and is spread over the service period during which the key executives become unconditionally entitled to the awards.

For further information please refer to note 25.D.

Employee and non-executive Director benefit trusts – Treasury shares

The Group has an employee benefit trust and a non-executive Director benefit trust. These trusts are separately administrated and are funded by the Group, which consolidates the assets, liabilities, income and expenses in its own accounts. The shares held by the trusts are recorded at cost and are shown under "Employee stock purchase plan shares" in the statement of changes in Shareholders' equity.

2. Summary of significant accounting policies continued

Earnings per share

Basic earnings per share amounts are calculated by dividing net profit (loss) for the year attributable to ordinary equity holders of Dialog by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit (loss) attributable to ordinary equity holders of Dialog by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued if all the securities or other contracts to issue ordinary shares were exercised.

For further information please refer to note 6.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, 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.

Critical judgements in applying accounting policies

Business Combinations

In accordance with business combination accounting, Dialog allocated the purchase price of acquired companies to the tangible and intangible assets acquired and liabilities assumed, based on their estimated fair values. Dialog engaged third-party appraisal firms to assist management in identifying certain intangible assets acquired and in determining the fair values of certain assets acquired and liabilities assumed. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets.

Management makes estimates of fair value based upon assumptions believed to be reasonable. These estimates are based on historical experience and information obtained from the management of the acquired companies and are inherently uncertain. Critical estimates in valuing certain assets acquired and liabilities assumed include but are not limited to: future expected cash flows from the sale of products, engineering service sales, the acquired company's brand awareness and discount rate. Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates or actual results. Subject to these estimates are the fair values recorded as shown and described in note 4 Business Combination.

Goodwill is allocated to cash generating units or groups of cash generating units, that are expected to benefit from the synergies of the business combination, irrespective of whether other assets or liabilities of the acquire are assigned to these units or group of units. The estimates of these synergies include but are not limited to: future cash flows from the sale of products, changes in fair values of cash generating units and discount rate. We refer to note 13 Goodwill for the accounting treatment including applied approach and assumptions related to the current business combination.

Key sources of estimation uncertainty

Impairment of non-financial assets including Goodwill

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. In case of such an indicator, an impairment test is made. Goodwill is tested for impairment annually, whether or not there is any indication that it may be impaired. The impairment test requires the determination of the value in use and the fair value less costs to sell respectively of the assets or cash generating units. Estimating the value in use requires management to make an estimate of the expected future cash flows from the asset and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of such assets at 31 December 2015 was US$593,040,000 (2014: US$534,786,000), please refer to notes 4, 9, 13 and 14 for further information.

Deferred tax assets and liabilities

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised.

Significant management judgement on projected future taxable profits and cash flows is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing of future taxable profits. At year-end 2015, net deferred tax assets amounting to US$26,856,000 were recognised (2014: net deferred tax assets US$23,316,000).

Further information regarding the assessment of future taxable income is disclosed in note 5.

2. Summary of significant accounting policies continued

Share-based employee compensation awards

- Stock options
  Share-based payment transactions for stock options are measured by reference to the fair value at the date on which they are granted. The fair value of share-based payments is determined using the Black-Scholes model, which involves making assumptions about interest rates, volatilities, market conditions, dividend yield, expected life and fluctuation. Due to the nature of these assumptions, such estimates are subject to significant uncertainty. In 2015, the expense related to stock options was US$13,315,0000 (2014: US$13,381,000, 2013 : US$5,642,000). For further information on stock options please refer to note 25.A and 25.E.
- Executives' Long Term Incentive Plan
  The fair value of the awards is recognised as a compensation expense with a corresponding increase in equity. The fair value is measured at grant date, using a Monte Carlo Model, based on standard inputs such as the Company's share price, interest rate, volatility of the Company's share price, dividend yield, expected life and fluctuation. Due to the nature of these assumptions, such estimates are subject to significant uncertainty. In 2015, an expense of US$ nil was booked (2014: nil, 2013 : nil). Further information regarding the LTIP is provided in note 25.B and 25.E.
- Executives Incentive Plan
  The fair value of the awards is recognised as a compensation expense with a corresponding increase in equity. The fair value is measured at grant date, using a Monte Carlo Model, based on standard inputs such as the Company's share price, interest rate, volatility of the Company's share price, dividend yield, expected life and fluctuation. Due to the nature of these assumptions, such estimates are subject to significant uncertainty. In 2015, an expense of US$3,615,000 was booked (2014: US$7,792,000, 2013: US$2,846,000). Further information regarding the EIP is provided in note 25.C and 25.E.
- New Long Term Incentive Plan (LTIP)
  The fair value of the awards is recognised as a compensation expense with a corresponding increase in equity. The fair value is measured at grant date, using a Monte Carlo Model, based on standard inputs such as the Company's share price, interest rate, volatility of the Company's share price, dividend yield, expected life and fluctuation. Due to the nature of these assumptions, such estimates are subject to significant uncertainty. In 2015, an expense of US$2,285,000 was booked. Further information regarding the LTIP is provided in note 25.D and 25.E.

Self-developed intangible assets

Development costs are capitalised in accordance with the accounting policy mentioned above, i.e. they are recorded on a cost basis. However, initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. The amortisation starts when the capitalised product is ready for intended use. In determining the probable future economic benefits of the self-developed intangible asset, management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2015, the carrying amount of capitalised development costs was US$66,206,000 (2014: US$50,401,000), please refer to note 14.

Actual results may differ from all of the above judgements and estimates.

3. Other disclosures to the income statement continued

a) Operating expenses and revenues

	2015 US$000	2014 US$000	2013 US$000
	Deloitte[1]	Ernst & Young	Ernst & Young
Auditors' remuneration			
for the audit of the Group financial statements	**(360)**	(543)	(736)
for the statutory audit of the subsidiaries	**(390)**	(43)	(9)
for other audit related services	**(1,043)**	(187)	(170)
Other fees for auditors			
Tax advisory services	**(48)**	(2,480)	(2,019)
Services related to Corporate Finance transaction	**(555)**	(82)	(335)
	(2,396)	(3,335)	(3,269)
Depreciation of property, plant and equipment	**(24,010)**	(22,144)	(18,581)
Amortisation of intangible assets			
thereof included in cost of sales	**(13,734)**	(12,792)	(10,940)
thereof included in selling and marketing expenses	**(7,847)**	(8,289)	(8,203)
thereof included in general and administrative expenses	**(1,500)**	(1,291)	(983)
thereof included in research and development expenses	**(8,039)**	(11,059)	(8,520)
	(31,120)	(33,431)	(28,646)
Personnel costs			
Wages and salaries	**(174,359)**	(161,405)	(115,913)
Social and security costs	**(21,336)**	(18,522)	(12,055)
Share-based payments	**(19,215)**	(21,173)	(8,487)
Pension costs from defined contribution plans[2]	**(9,505)**	(9,325)	(7,703)
	(224,415)	(210,425)	(144,158)
Included in revenues:			
Revenue from the sale of goods	**1,353,936**	1,155,124	899,660
Revenue from royalties	**1,376**	981	869
Included in revenue from sale of goods income attributable to prior periods from BenQ cash settlement	**–**	–	851
Included in cost of sales:			
Amount of inventory recognised as expense	**(664,355)**	(580,485)	(484,957)
Impairment of inventories recognised as an expense	**(9,047)**	(9,828)	(14,445)
Included in other operating income:			
Revenue from customer specific research and development contracts	**1,159**	1,546	1,527
Release of an earn out provision	**–**	1,939	3,249
Income from insurance benefits and compensation	**–**	931	–
BenQ Settlement	**–**	–	145
	1,159	4,416	4,921
Included in other finance income (expense):			
Gain (loss) currency translation, net	**408**	(2,171)	(168)
Gain (loss) on the remeasurement of the call option	**(119)**	–	–

1 Total fees for prior year auditor Ernst & Young which occurred in 2015 amounted to US$1,498,000.
2 The pension costs from defined contribution plans include costs for the state funded pension plan in Germany of US$3,104,000 (2014: US$3,256,000, 2013: US$2,732,000).

3. Other disclosures to the income statement continued

b) Directors' remuneration

	2015 US$000	2014 US$000	2013 US$000
Aggregate remuneration in respect of qualifying services	**7,654**	5,042	2,849

	2015 No.	2014 No.	2013 No.
Number of Directors who received shares in respect of qualifying services	**1**	1	1
Number of Directors who exercised share options	**4**	1	–

	2015 US$000	2014 US$000	2013 US$000
In respect of the highest paid Director:			
Aggregate remuneration	**6,165**	3,930	1,820
Of which pension contribution for the year	**96**	–	37

The highest paid Director exercised 150,000 (2014: 443,343, 2013: nil) share options during the year.

c) Interest income and interest expense

Interest income and interest expense comprise the following items:

	2015 US$000	2014 US$000	2013 US$000
Interest income	**1,215**	419	565
Interest expense	**(6,411)**	(14,829)	(13,345)
	(5,196)	(14,410)	(12,780)
Of which: from financial instruments relating to categories in accordance with IAS 39			
Loans and receivables	**(828)**	(1,993)	(1,835)
Financial liabilities measured at amortised cost	**(4,368)**	(12,417)	(10,945)
	(5,196)	(14,410)	(12,780)

d) Government grants

The Group receives government grants for research and development activities of its Dutch design centre. Under the condition that technologies are new to the company and performed by the Group's employees, a grant can be received for its development. This grant is based on the hours spent on these R&D activities. In 2015 the Group received grants in the amount of US$586,000 (2014: US$738,284, in 2013: US$1,055,000). In the income statement the grants received were deducted from research and development expenses. In addition the Group´s Dutch design centre has applied for a grant in the form of a tax relief in 2015. An amount of US$1,308,007 (2014: US$2,712,743, 2013: US$3,567,000) is deducted from its taxable profit, resulting in a lower tax charge for the year.

e) Headcount

The average number of persons employed by the Group (including the Executive Director) during the year, analysed by category, was as follows:

	2015	2014	2013
Research and Development	**964**	832	588
Production	**175**	157	127
Sales and Marketing	**218**	199	156
Admin	**147**	131	71
IT	**42**	41	30
	1,546	1,360	972

4. Business combination

Acquisition in 2015

Dyna Image Corporation

On 4 June 2015, Dialog acquired a 45.7% shareholding in Dyna Image Corporation, Taipei, Taiwan ("Dyna") for US$13,601,000 in cash, of which US$12,921,000 was paid on completion and US$680,000 was deferred for 12 months. Dialog's initial interest in Dyna was 41.1% on a fully diluted basis, i.e. taking into account the number of outstanding share options held by directors and employees of Dyna. Prior to the acquisition, Dyna was a majority-owned subsidiary of the Lite-On group of companies ("Lite On"). Dialog purchased existing shares in Dyna from Lite-On and also subscribed for new shares.

Lite-On retains a shareholding in Dyna and the remaining shares are owned by the ShunSin Technology group of companies ("SST") and directors and employees of Dyna. When it acquired its shareholding, Dialog was also granted a call option to acquire the outstanding shares in Dyna that it does not already own in one or more tranches at any time during the three years following the closing date. Dialog considers that the call option gives it the power to direct the activities of Dyna and has therefore accounted for its acquisition of a minority shareholding in Dyna as a business combination. At the acquisition date, the fair value of the call option was estimated to be US$992,000.

Dyna specialises in the design and manufacture of optical, inertia and environmental sensors for consumer electronics applications and is already shipping optical sensors in volume to the China market. Dialog's investment in Dyna underscores Dialog's strategy to diversify its markets and growth opportunities through selecting strategic acquisitions. Collaboration of Dialog with Dyna will be focused on the development of sensors and sensor solutions for smartphones and IoT applications, including those for wearable devices. Such 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. Dialog 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 solutions.

Dyna represents Dialog's first foray into the sensor market. Dyna's sensor technology is complementary to Dialog's power management, audio and Bluetooth expertise in smartphone, IoT and smart lighting applications. It is another important step in Dialog's strategy to gain market share in the fast growing Greater China smartphone and IoT markets through innovative local business partnerships and will also enhance Dialog's position in these markets around the world.

4. Business combination continued

Assets acquired and liabilities assumed

Dialog allocated the purchase consideration to the identifiable assets and liabilities of Dyna and goodwill as follows:

	US$000
Assets acquired	
Cash and cash equivalents	10,285
Trade and other receivables (net of US$14,000 allowance for doubtful debts)	1,836
Inventories	2,212
Other current assets	592
Other intangible assets	5,600
Property, plant and equipment	2,154
Investments	6
Deferred tax assets	859
Total assets acquired	**23,544**
Liabilities assumed	
Trade and other payables	6,205
Other current liabilities	648
Deferred tax liabilities	1,000
Total liabilities	**7,853**
Net identifiable assets acquired	**15,691**
Non-controlling interests	(9,729)
Goodwill arising on acquisition	6,647
Consideration	**12,609**

Purchase consideration was satisfied by:	
Cash paid on completion	12,921
Deferred cash payment	680
Call option over non-controlling interests	(992)
Consideration	**12,609**

Identifiable intangible assets acquired comprised developed technology.

Deferred tax assets recognised mainly represent tax loss carryforwards.

Non-controlling interests in Dyna comprise Common Stock and Convertible Preferred Shares. Dialog measured the non-controlling interests in the Common Stock at their proportionate share of the net identifiable assets acquired. Since the Convertible Preferred Shares are not entitled to a proportionate share of Dyna's net assets in the event of liquidation, the non-controlling interests in the Convertible Preferred Shares were measured at their fair value at the acquisition date that was based on the price at which Dialog purchased and subscribed for shares in Dyna.

For further information on non-controlling interests refer to note 23.

4. Business combination continued

Goodwill recognised on the acquisition of Dyna is attributable to the future strategic growth opportunities arising from the acquisition and the expected synergies with Dialog's existing business in each of its Mobile Systems, Connectivity and Power Conversion segments. None of the goodwill is expected to be deductible for tax purposes.

Dialog will retain the deferred consideration as security for any indemnification claims made by Dialog against the selling shareholders.

During 2015, Dyna contributed US$4,798,000 to the Group's revenue and a loss before tax of US$3,240,000. If Dyna had been acquired on 1 January 2015, the Group's revenue would have been US$2,334,000 higher at US$1,357,646,000 and its profit before tax would have been US$1,685,000 lower at US$253,154,000.

During 2015, costs of US$51,000 relating to the acquisition of Dyna were included in general and administrative expenses.

Acquistion in 2013
iWatt Inc.
On 16 July 2013, Dialog acquired 100% of the voting rights of iWatt Inc. ("iWatt"). Headquartered in Campbell, California, with approximately 180 employees worldwide, iWatt is a leading provider of digital power management integrated circuits with a patent portfolio of more than 110 patents and a strong design and application engineering presence in Asia. Its innovative PrimAccurate™ technology platform enables high performance, energy-efficient, small form-factor and cost-effective solutions for markets such as AC/DC power conversion and LED Solid State Lighting ("SSL"). The Company's solutions are designed into the products of leading global OEMs and it has shipped more than one billion power management ICs since 2007.

Dialog's investment in iWatt underscores its strategy to diversify its markets and growth opportunities through select strategic acquisitions. iWatt's business is highly complementary to Dialog's existing PMIC business and the combined business will be able to extend its offering to emerging power management segments and increase its accessible markets. It diversifies Dialog's product portfolio adding two high growth product families; AC/DC charge adaptor IC and a broad range of LED Solid State Lighting ICs. iWatt's business contributes to the diversification of Dialog's client portfolio by adding new Tier-1 customers and expanding the business opportunities at existing smartphone Tier-1 OEMs.

Purchase consideration
Cash payable on completion of the acquisition amounted to US$306,261,000 and contingent consideration of up to US$35 million was payable dependent on the achievement of revenue targets within two earn out periods, Up to US$17 million was payable dependent on revenue in the six months ended 31 December 2013 and up to a further US$18 million was payable dependent on revenue in the nine months ended 30 September 2014.

Dialog initially recognised a provision of US$5,188,000 in relation to the fair value of the contingent consideration as at the acquisition date. Subsequently, Dialog considered that the revenue target for neither earn out period was achieved and therefore released US$3,249.000 of the provision for contingent consideration at the end of 2013 and the remaining $1,939,000 during 2014. On 9 April 2014, the previous owners of iWatt commenced litigation against Dialog in the Court of Chancery in Delaware seeking damages for alleged breaches of the purchase agreement as it relates to the earn-out payments. During the second quarter of 2015, a settlement agreement was reached pursuant to which Dialog paid US$3,375,000 to the previous owners of iWatt in full and final settlement of the claim without admission of faults, wrong doing or liability by Dialog. Payment of this amount was made in May 2015 and it was included within general and administrative expenses.

Dialog funded the acquisition from both its existing cash resources and additional debt facilities of US$115 million of which US$10 million was repaid in December 2013 and the remaining balance during 2014.

Unvested share options
All unvested options over iWatt shares that were outstanding to employees of iWatt were cancelled on the acquisition date. Instead, cash compensation was offered to employees with unvested options that had an exercise price per lower than the implied share price at the acquisition date, based upon the consideration paid by Dialog. This compensation will be paid out by Dialog over the former vesting period of the cancelled options subject to the employee remaining with the Group and will be recorded as compensation expense in the income statement. The maximum amount of compensation that will be paid out is US$3,175,000.

As at 31 December 2015 the outstanding compensation amounts to US$352,000 and is expected to be settled during second quarter of 2016.

4. Business combination continued

Assets acquired and liabilities assumed

Dialog allocated the purchase consideration to the identifiable assets and liabilities of iWatt and goodwill as follows:

	US$000
Assets acquired	
Cash and cash equivalents	2,410
Trade and other receivables (net of US$Nil allowance for doubtful debts)	11,017
Inventories	13,030
Other current assets	776
Other intangible assets	113,553
Property, plant and equipment	4,866
Deferred tax assets	16,200
Other non-current assets	314
Total assets acquired	**162,166**
Liabilities assumed	
Trade and other payables	(11,585)
Provisions	(3,439)
Income taxes payable	(227)
Other current liabilities	(3,431)
Deferred tax liabilities	(44,630)
Total liabilities	**(63,312)**
Net identifiable assets acquired	98,854
Goodwill arising on acquisition	212,645
Consideration	**311,499**

Purchase consideration was satisfied by:	
Cash paid on completion	306,261
Fair value of contingent consideration (earn out)	5,188
Consideration	**311,449**

Identifiable intangible assets acquired comprised mainly customer and technology (including core technology) related intangible assets.

Deferred tax assets recognised mainly represented tax loss carry forwards, temporary differences relating to intangible assets, other temporary differences and tax credits.

Goodwill recognised on the acquisition of iWatt comprised the value of expected significant synergies, especially with the Mobile Systems segment, and other benefits from combining the assets and activities of iWatt with those of Dialog. None of the goodwill is expected to be deductible for tax purposes.

During 2013, iWatt contributed US$26,768,000 to the Group's revenue (net of US$7,073,000 of deferred revenue which was not accounted for due to acquisition accounting rules) and a loss of US$22,533,000 before tax. If iWatt had been acquired on 1 January 2013, the Group's revenue would have been US$41,140,000 higher at US$942,520,000 but it is not practicable to estimate what the Group's profit before tax would have been because iWatt did not prepare financial information in accordance with IFRS prior to its acquisition by Dialog.

During 2013, costs of US$3,974,000 relating to the acquisition of iWatt were included in general and administrative expenses.

4. Business combination continued

Net cash outflow on acquisitions

Net cash outflow on acquisitions was as follows:

	2015 US$000	2014 US$000	2013 US$000
Cash flow used for investing activities			
Cash consideration paid:			
Acquisition completed in the year	(12,921)	–	(306,261)
Cash and cash equivalents acquired	10,285	–	2,410
Purchase of businesses, net of acquired cash	**(2,636)**	**–**	**(303,851)**
Cash flow from operating activities			
Settlement of contingent consideration	(3,375)	–	–
Transaction costs	(51)	–	(3,974)
Effect on cash flow from operations	**(3,426)**	**–**	**(3,974)**
Net cash outflow in relation to acquisitions	**(6,062)**	**–**	**(307,825)**

5. Income taxes

Income tax benefit (expense) is comprised of the following components:

	2015 US$000	2014 US$000	2013 US$000
Current taxes:			
United Kingdom	**–**	–	–
Foreign	**(78,094)**	(57,565)	(37,172)
Deferred taxes:			
United Kingdom	**(10,976)**	2,558	–
Foreign	**11,490**	23,765	9,664
Income tax expense	**(77,580)**	(31,242)	(27,508)

	2015 US$000	2014 US$000	2013 US$000
Current taxes:			
Current income tax charge	**(77,862)**	(57,559)	(38,449)
Adjustments in respect of current income tax of previous year	**(232)**	(6)	1,277
Deferred taxes:			
Relating to origination and reversal of temporary differences	**(10,014)**	(6,895)	8,656
Relating to the recognition of previously unrecognised deferred tax assets	**8,105**	11,009	1,983
Movement in deferred tax liabilities following intra-group reorganisation *	**1,292**	17,759	–
Adjustments recognised for tax of prior periods	**1,131**	4,450	(975)
Income tax expense	**(77,580)**	(31,242)	(27,508)

* The amount of US$17,759,000 in 2014 relates to an one-off non-cash deferred tax credit resulting from an intra-group reorganisation of certain iWatt Intellectual Property, which impacted the recorded value of purchase price accounting deferred tax liabilities. The amount of US$1,292,000 in 2015 relates to the on-going impact of the reorganisation on the deferred tax liabilities.

5. Income taxes continued

	2015 US$000	2014 US$000	2013 US$000
Tax (charged)/credited directly to other comprehensive income:			
Current tax (charge)/credit	**–**	–	–
Deferred tax (charge)/credit	**(3,704)**	5,180	(63)
Total tax (charged)/credited directly to other comprehensive income	**(3,704)**	5,180	(63)
Deferred tax:			
Items that may be reclassified to profit or loss in subsequent periods	**(3,704)**	5,180	(63)
Total income tax recognised in other comprehensive income	**(3,704)**	5,180	(63)
Tax (charged)/credited directly to equity:			
Current tax (charge)/credit	–	–	–
Deferred tax (charge)/credit	**6,878**	7,517	–
Total tax (charged)/credited directly to equity	**6,878**	7,517	–
Deferred tax:			
Items that will not be reclassified subsequently to profit or loss	**–**	–	–
Tax benefit from share-based payments	**6,878**	7,517	–
Total income tax recognised in equity	**6,878**	7,517	–

Factors affecting the tax expense for the year
A reconciliation of income taxes determined using the UK income tax rate of 20.25% (2014: 21.5%; 2013: 23.25%), is as follows:

	2015 US$000	2014 US$000	2013 US$000
Expected income tax expense	**(51,605)**	(36,404)	(20,858)
Tax rate differential	**(18,131)**	(12,901)	(5,251)
Non-deductible portion of share-based payments	**(5,008)**	(5,120)	(2,276)
Tax benefit from share-based payments	**2,509**	4,267	1,487
Tax free income (non-deductible expenses)	**(1,591)**	(553)	(71)
Benefit from previously unrecognised deferred tax assets that is used to reduce actual income tax expense	**8,105**	11,009	1,983
Additional losses for which no deferred tax asset is recognised	**(2,828)**	(6,495)	(2,827)
Adjustments recognised for tax of prior periods	**899**	4,444	302
Differences arising from differences between functional currency and tax currency	**(12,089)**	(5,426)	(45)
Tax gain on intra-group reorganisation	**–**	(2,445)	–
Movement in deferred tax liabilities following intra-group reorganisation *	**1,292**	17,759	–
Tax impact of Atmel acquisition costs	**(3,798)**	–	–
Tax benefit from intellectual property and R&D incentives	**4,342**	–	–
Other	**323**	623	48
Actual income tax expense	**(77,580)**	(31,242)	(27,508)

* The amount of US$17,759,000 in 2014 relates to an one-off non-cash deferred tax credit resulting from an intra-group reorganisation of certain iWatt Intellectual Property, which impacted the recorded value of purchase price accounting deferred tax liabilities. The amount of US$1,292,000 in 2015 relates to the on-going impact of the reorganisation on the deferred tax liabilities.

5. Income taxes continued

Deferred tax

Analysis of movement in the net deferred tax balance during the year:

	US$000
At 31 December 2013	**(15,698)**
Exchange movements	(6)
Recognised in income	26,323
Recognised in other comprehensive income	5,180
Recognised in equity	7,517
Acquisitions and disposals	–
At 31 December 2014	**23,316**
Exchange movements	(77)
Recognised in income	514
Recognised in other comprehensive income	(3,704)
Recognised in equity	6,878
Acquisitions and disposals	(71)
At 31 December 2015	**26,856**

Deferred income tax assets and liabilities, before offset of balances within countries, are as follows:

	Amount (charged)/credited to income statement		Net recognised deferred tax asset/(liability)	
	2015 US$000	2014 US$000	**At 31 December 2015 US$000**	At 31 December 2014 US$000
Temporary differences relating to intangible assets	**5,219**	30,832	**(5,721)**	(10,818)
Temporary differences relating to share based payment	**(7,679)**	10,508	**11,359**	11,743
Temporary differences relating to license royalties	**3,325**	(9,975)	**(6,650)**	(9,975)
Other temporary differences	**10,051**	(7,853)	**(899)**	6,337
Deferred taxes in relation to tax credits	**594**	429	**3,794**	3,200
Net operating loss carryforwards	**(10,996)**	2,382	**24,973**	22,829
Recognised net deferred tax assets / (liabilities)	**514**	26,323	**26,856**	23,316

Deferred tax assets and liabilities are analysed in the consolidated balance sheet, after offset of balances within countries, as follows:

	At 31 December 2015 US$000	At 31 December 2014 US$000
Deferred tax assets	**28,454**	28,771
Deferred tax liabilities	**(1,598)**	(5,455)
Recognised net deferred tax assets / (liabilities)	**26,856**	23,316

5. Income taxes continued

Tax loss carryforwards, temporary differences and net deferred tax assets are summarised as follows:

	31 December 2015			31 December 2014		
	Tax loss carryforwards US$000	**Temporary differences US$000**	**Net deferred tax assets (liabilities) US$000**	Tax loss carryforwards US$000	Temporary differences US$000	Net deferred tax assets (liabilities) US$000
Germany	**–**	**(5,675)**	**(1,597)**	–	5,206	1,477
UK	**75,100**	**40,611**	**8,286**	106,573	18,236	7,940
Netherlands	**25,820**	**(10,518)**	**3,826**	30,714	(6,146)	6,142
US	**51,081**	**(16,700)**	**14,195**	51,642	(19,134)	7,002
Other	**15,837**	**342**	**2,146**	–	1,883	755
Total	**167,838**	**8,060**	**26,856**	188,929	45	23,316

The amount of deductible temporary differences and unused tax loss carryforwards for which no deferred tax asset is recognised in the balance sheet is US$83,020,000 (2014: US$82,643,000). In addition, no deferred tax asset is recognised in respect of federal and state tax credits of US$5,957,000 (2014: US$4,416,000).

In assessing whether the deferred tax assets can be used, management considers the probability that some, or all, of the deferred tax assets will not be realised. The utilisation of deferred tax assets depends upon generating taxable profit during the periods in which those temporary differences become deductible or tax-loss carryforwards can be utilised. Management considers the reversal of deferred tax liabilities, projected future taxable income, benefits that could be realised from available tax planning strategies and other positive and negative factors in making this assessment.

No deferred tax assets were recognised for tax loss carryforwards and temporary differences in respect of which there is expected to be insufficient future taxable profit and therefore utilisation is not probable.

The tax loss carryforwards in the US will expire between 2018 and 2035 and in the Netherlands between 2017 and 2023 and in Taiwan between 2023 and 2025; other tax loss carryforwards have no expiration date.

The amount shown under "income tax receivables" in the consolidated balance sheet includes a corporation tax refund claim of the Group's German subsidiary. The total amount the German subsidiary is entitled to receive amounts to €414,000 to be paid out in ten equal amounts during 2008 to 2017. The amount shown within the non-current assets represents the discounted part of the claim that is due after 2016. The amount that will be paid in 2016 is shown within the current assets.

No deferred tax has been recognised in respect of undistributed earnings of subsidiaries because no liability is expected to arise on distribution under applicable tax legislation or because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

6. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit (loss) for the year attributable to ordinary equity holders of Dialog by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit (loss) attributable to ordinary equity holders of Dialog by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued if all the securities or other contracts to issue ordinary shares were exercised.

The weighted average number of shares outstanding is as follows:

	2015	2014	2013
Basic number of shares	**73,763**	67,329	65,641
Effect of dilutive options outstanding	**3,537**	2,746	2,035
Dilutive shares related to the convertible bond	**2,360**	6,807	–
Dilutive number of shares	**79,660**	76,882	67,676
Earnings used in the calculation of basic earnings per share	**178,766**	138,079	62,204
Convertible bond interest expense	**3,483**	10,279	–
Earnings used in the calculation of dilutive earnings per share	**182,249**	148,358	62,204

The number of anti-dilutive share options outstanding was 632,893 in 2015 compared to 950,340 in 2014 and 3,179,646 in 2013.

In May 2015 the Company exercised its option to redeem all outstanding convertible bonds. The full conversion of convertible bonds led to a decrease of earnings per share and therefore it was seen as dilutive. The earnings used for the calculation of basic and dilutive earnings per share differ because the convertible bond interest expense is dilutive in 2015 and 2014.

In 2013 the potential ordinary shares of the convertible bond were antidilutive as their conversion to ordinary shares had increased earnings per share, therefore an amount of 6,806,893 was excluded from the calculation of earnings per share.

7. Cash and cash equivalents

	At 31 December 2015 US$000	At 31 December 2014 US$000
Cash at bank	**135,809**	178,242
Short-term deposits	**431,000**	140,204
Deposits designated as a hedging instrument	**–**	5,834
Cash and cash equivalents	**566,809**	324,280

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group. Deposits designated as a hedging instrument are classified as cash flow hedges to cover firm commitments and forecast transactions in Euros, Pound Sterling and Japanese Yen.

8. Trade accounts receivable and other receivable

	At 31 December 2015 US$000	At 31 December 2014 US$000
Trade accounts receivable	**48,692**	80,594
Receivables from factoring agreement	**23,976**	19,975
	72,668	100,569

Trade receivables are non-interest bearing and are generally on 30 to 60-day terms.

As described in note 29, the Group has three selective factoring agreements, one since 2007, one since 2012 and the other since 2015. The amount shown as receivables from the factoring agreements represents respectively a 15% or 10% retainer kept by the factoring bank against sold receivables. The retainer is released only once the receivable is fully paid by the customer, at the latest, 120 days after the receivable becomes due or if the insurance event occurs. There are no significant risks related to the continuing involvement. The amounts are non-interest bearing and are generally on 30-60-day terms.

The recorded trade accounts receivable, for which an impairment has been recognised, was US$73,000 and US$96,000 at 31 December 2015 and 2014, respectively. The related allowance for doubtful accounts was US$73,000 and US$96,000 at 31 December 2015 and 2014, respectively.

The allowance for doubtful accounts developed as follows:

	At 31 December 2015 US$000	At 31 December 2014 US$000
Allowance for doubtful accounts at beginning of year	**96**	82
Additions charged to bad debt expense	**13**	18
Write-offs charged against the allowance	**(22)**	–
Reductions credited to income	**(14)**	(4)
Effect of movements in foreign currency	**–**	–
Allowance for doubtful accounts at end of year	**73**	96

8. Trade accounts receivable and other receivable continued

As at 31 December 2015 and 2014, the aging analysis of trade accounts receivable is as follows:

	At 31 December 2015 US$000	At 31 December 2014 US$000
Receivables neither past due nor impaired	**47,894**	78,994
Receivables past due, not impaired individually		–
Less than 30 days	**431**	1,566
30 to 59 days	**356**	32
60 to 89 days	**9**	2
90 to 130 days	**2**	–
Total	**48,692**	80,594

9. Inventories

Inventories are comprised of the following:

	At 31 December 2015 US$000	At 31 December 2014 US$000
Raw materials	**23,651**	11,013
Work-in-process	**43,545**	30,047
Finished goods	**67,734**	58,080
	134,930	99,140

10. Other financial assets

Other financial assets comprise:

	At 31 December 2015 US$000	At 31 December 2014 US$000
Deposits for hedging contracts	**2,086**	3,586

The deposits for hedging contracts are an advance settlement for hedging instruments with a negative fair value. The deposits do not bear interests and are offset with amounts due when the hedge is settled.

The Group has clear guidelines as to the use of those derivatives, and compliance is constantly monitored. For further information on the Group's hedging policy please see note 29.

11. Other current assets

Other current assets comprise:

	At 31 December 2015 US$000	At 31 December 2014 US$000
Prepaid expenses	**7,812**	7,459
Other tax receivables	**6,720**	1,253
Other	**6,324**	1,779
	20,856	10,491

12. Property, plant and equipment, net

A summary of activity for property, plant and equipment for the years ended 31 December 2015 and 2014 is as follows:

	Test equipment US$000	Leasehold improvements US$000	Office and other equipment US$000	Construction in progress US$000	Total US$000
Cost					
As at 1 January 2014	**118,154**	**13,219**	**43,883**	**700**	**175,956**
Effect of movements in foreign currency	(119)	(421)	(910)	(63)	(1,513)
Additions	8,640	3,003	11,338	1,412	24,393
Reclassifications	14	199	94	(309)	(2)
Disposals	(2,299)	(488)	(595)	(156)	(3,538)
As at 31 December 2014	**124,390**	**15,512**	**53,810**	**1,584**	**195,296**
Effect of movements in foreign currency	(77)	51	68	2	44
Additions	12,297	2,503	15,443	2,487	32,730
Acquisitions through business combinations	1,600	–	15	539	2,154
Reclassifications	127	942	319	(1,388)	–
Disposals	(206)	(267)	(2,493)	(115)	(3,081)
As at 31 December 2015	**138,131**	**18,741**	**67,162**	**3,109**	**227,143**
Depreciation and impairment losses					
As at 1 January 2014	**(88,857)**	**(4,153)**	**(24,481)**	**–**	**(117,491)**
Effect of movements in foreign currency	12	215	453	–	680
Depreciation charge for the year	(11,007)	(2,147)	(8,997)	–	(22,151)
Reclassifications	(5)	–	5	–	–
Disposals	2,221	161	547	–	2,929
As at 31 December 2014	**(97,636)**	**(5,924)**	**(32,473)**	**–**	**(136,033)**
Effect of movements in foreign currency	30	(37)	(230)	–	(237)
Depreciation charge for the year	(10,978)	(2,624)	(10,552)	–	(24,154)
Reclassifications	21	–	(21)	–	–
Disposals	178	207	1,340	–	1,725
As at 31 December 2015	**(108,385)**	**(8,378)**	**(41,936)**	**–**	**(158,699)**
Net book value					
As at 31 December 2014	**26,754**	**9,588**	**21,337**	**1,584**	**59,263**
As at 31 December 2015	**29,746**	**10,363**	**25,226**	**3,109**	**68,444**

Finance leases

The carrying value of property, plant and equipment held under finance leases at 31 December 2015 was US$256,000 (31 December 2014: US$488,000). Additions during the year were US$ nil (2014: US$614,000). As of the reporting date future minimum lease payments under those finance lease contracts were US$225,000 (2014: US$450,000). The present value of the net minimum lease payments was US$221,000 (2014: US$419,000).

13. Goodwill

A summary of activity for goodwill for the years ended 31 December 2015 and 2014 is as follows:

	2015 US$000	2014 US$000
Carrying amount		
As at 1 January	**244,878**	244,878
Addition relating to the Dyna Image acquisition	**6,647**	–
Effect of movements in foreign currency	**(463)**	–
As at 31 December	**251,062**	244,878

Dialog considers that its operating segments comprise its cash-generating units (CGUs) for the purpose of allocating goodwill. As at 31 December 2015 and 2014, goodwill was allocated as follows:

	2015 US$000	2014 US$000
Carrying amount		
Mobile Systems	**108,091**	107,164
Connectivity	**91,909**	88,199
Power Conversion	**51,061**	49,515
As at 31 December	**251,062**	244,878

As described in note 4, Dialog recognised goodwill of US$6,647,000 in relation to the acquisition Dyna Image, of which management has allocated US$3,988,000 to Connectivity and US$1,662,000 to Power Conversion and US$997,000 to Mobile Systems segment in proportion to the synergies that are expected to accrue to those CGU's from the acquisition.

Impairment tests carried out during the year

Goodwill is tested for impairment annually and whenever there is an indication that it may be impaired. Goodwill is tested for impairment at the level of the CGUs to which it is allocated. Goodwill is impaired if the carrying amount of the CGU to which it is allocated exceeds its recoverable amount. Dialog measures recoverable amount on a value in use basis. Value in use represents the present value of the future cash flows that are expected to be generated by the CGU to which the goodwill is allocated.

Expected future cash flows in the first year were based on the Group's budget and cash flows in the following three years were forecast based on the Group's medium term financial plan. Cash flows beyond the fourth year were estimated by applying a perpetuity growth rate to the forecast cash flow in the fourth year.

Management considers that the key assumptions used in determining value in use are the expected compound annual growth of revenue during the budget/forecast period, the perpetuity growth rate and the discount rate.

Expected future revenue of each CGU is based on external forecasts of the future volume of the end markets for the CGU's products adjusted to reflect factors specific to the CGU such as its customer base and available distribution channels, the possibility of new entrants to the market and future technological developments. Cash flows during the budget/forecast period also reflect the cost of materials and other direct costs, research and development expenditure and selling, general and administrative expenses. Management estimates the cost of materials and other direct and indirect costs based on current prices and market expectations of future price changes.

Following a review during 2015, management increased from 1% per annum to 2% per annum the perpetuity growth rate that it applies in estimating the future cash flows of each CGU to which goodwill is allocated. Management considers that the higher growth rate assumption is more closely aligned with the expected long-term term growth rate for each CGU's products in its end markets. Even if the perpetuity growth rate had remained at 1% per annum, there would have been no impairment of goodwill during 2015.

Discount rates applied to the cash flow projections were determined using a capital asset pricing model and reflected current market interest rates, relevant equity and size risk premiums and the risks specific to the CGU concerned.

13. Goodwill continued

The key assumptions used were as follows:

	Mobile Systems 2015	2014	Connectivity 2015	2014	Power Conversion 2015	2014
Revenue growth (compound annual growth rate)	**5.5%**	13.5%	**28.0%**	27.7%	**21.0%**	24.0%
Perpetuity growth rate	**2.0%**	1.0%	**2.0%**	1.0%	**2.0%**	1.0%
Pre-tax discount rate	**11.9%**	11.3%	**11.6%**	11.3%	**11.4%**	11.3%

Possibility of impairment in the near future

Dialog did not recognise any goodwill impairment during 2015 and the recoverable amount of each CGU to which goodwill is allocated was comfortably in excess of its carrying amount.

Based on its current expectations of future revenue growth, management does not consider that there is a reasonable possibility of impairment of any of the CGUs to which goodwill has been allocated. Management recognises, however, that the speed of technological change in the sector in which the Group operates and the risk of reduced market share due to the loss of key customers and/or new entrants to the market may have a significant impact on the future revenue growth of individual CGUs. Assuming all other factors are held constant, an impairment of the goodwill allocated to the respective CGUs would result if the compound annual revenue growth rate in the budget/forecast period was reduced to 24.4% in Connectivity or 14.8% in Power Conversion, or if revenue was to decline at a compound annual rate of (5.2)% in Mobile Systems.

14. Other intangible assets

A summary of activity for intangible assets for the years ended 31 December 2015 and 2014 is as follows:

	Acquired customer related intangible assets US$000	Purchased software, licenses and other US$000	Patents US$000	Intangible assets from internal development US$000	Total US$000
Cost					
As at 1 January 2014	**77,075**	**57,457**	**8,415**	**86,672**	**229,619**
Effect of movements in foreign currency	–	(205)	(101)	(192)	(498)
Additions	–	7,873	2,153	6,670	16,696
Reclassifications	–	(8)	–	–	(8)
Disposals	–	(118)	(50)	–	(168)
As at 31 December 2014	**77,075**	**64,999**	**10,417**	**93,150**	**245,641**
Effect of movements in foreign currency	–	137	141	(213)	65
Additions	–	4,076	4,257	24,498	32,831
Acquisitions through business combinations	–	–	–	5,600	5,600
Disposals	–	(215)	(1)	(233)	(449)
As at 31 December 2015	**77,075**	**68,997**	**14,814**	**122,802**	**283,688**
Amortisation and impairment losses					
As at 1 January 2014	**(18,309)**	**(29,844)**	**(3,555)**	**(29,320)**	**(81,028)**
Effect of movements in foreign currency	–	164	6	31	201
Amortisation charge for the year	(7,695)	(8,285)	(1,513)	(13,460)	(30,953)
Impairment charges	–	(2,478)	–	–	(2,478)
Disposals	–	119	3	–	122
As at 31 December 2014	**(26,004)**	**(40,324)**	**(5,059)**	**(42,749)**	**(114,136)**
Effect of movements in foreign currency	–	(105)	(11)	(57)	(173)
Amortisation charge for the year	(7,296)	(8,437)	(1,421)	(13,969)	(31,123)
Disposals	–	169	–	179	348
As at 31 December 2015	**(33,300)**	**(48,697)**	**(6,491)**	**(56,596)**	**(145,084)**
Net book value					
As at 31 December 2014	**51,071**	**24,675**	**5,358**	**50,401**	**131,505**
As at 31 December 2015	**43,775**	**20,300**	**8,323**	**66,206**	**138,604**

14. Other intangible assets continued

Intangible assets from internal development represent capitalised development costs of individual projects. We refer to Note 2 for a description of applied accounting policies as well as applied ranges of useful lives for subsequent measurement.

Hire purchase

The carrying value of intangible assets held under hire purchase leases at 31 December 2015 was US$10,703,000 (31 December 2014: US$14,613,000). Additions during the year were US$712,000 (2014: US$2,101,000). As of the reporting date future minimum payments under those hire purchase contracts were US$9,504,000 (2014: US$13,906,000). The present value of the net minimum payments was US$8,597,000 (2014: US$12,114,000).

15. Other non-current financial assets

Other non-current financial assets comprise:

	At 31 December 2015 US$000	At 31 December 2014 US$000
Investment in Arctic Sand	**1,446**	1,446
Dyna call-option [1]	**732**	-
Deposits	**1,580**	1,858
	3,758	3,304

1 Please refer to note 4 Business combinations for further information.

The investment of US$1.4 million (2014: US$1.4 million) relates to a strategic equity investment into Arctic Sand Technologies, Inc., an MIT spin-off commercialising an innovative new approach to power conversion for multiple markets, including smartphones, tablets, Ultrabooks™ and data centres. The investment was part of a Series A funding round, with Dialog participating alongside other venture capital and strategic investors. The investment of US$1.4 million represents a 3.99% share in Arctic Sand on fully diluted position. We refer to note 26 Additional disclosures on financial instruments in terms of fair value determination.

The deposits comprise mainly rent deposits for offices and parking.

16. Trade and other payables

Trade and other payables comprise:

	At 31 December 2015 US$000	At 31 December 2014 US$000
Trade accounts payable	**114,075**	83,303
Other payables	**17,478**	7,603
	131,553	90,906

Terms and conditions of the above trade and other payables:

- trade payables are non-interest bearing and are normally settled on 30-60-day terms; and
- other payables are non-interest bearing and have a term of less than three months.

17. Other financial liabilities

Other financial liabilities comprise:

	At 31 December 2015 US$000	At 31 December 2014 US$000
Hire purchase agreements and finance lease obligations	**3,677**	4,198
Accrued interest and bank liabilities	**–**	452
Fair value of derivative financial instruments	**4,568**	17,470
	8,245	22,120

The Group is exposed to currency risks in the course of its operating activities. These risks are reduced by the use of forward currency exchange contracts. Accrued interest and bank liabilities in the prior year represent the short-term accrued coupon of 1.0% per-annum payable semi-annually in arrears for convertible bond.

18. Provisions

The Group issues various types of contractual product warranties under which it guarantees the performance of products delivered for a certain period or term. The estimated provision is based on historical warranty data. The provision for dilapidation includes costs of dismantling and restoring the offices of the Group to their original condition at end the end of the lease terms. The changes in the provision are summarised as follows:

	Balance at 1 January 2015 US$000	Currency change US$000	Discount US$000	Additions US$000	Used US$000	Released US$000	At 31 December 2015 US$000
Obligations for product warranties	1,483	–	–	1,545	(1,226)	(257)	1,545
Pending legal claims	283	(29)	–	–	–	–	254
Other[1]	63	(1)	–	–	–	–	62
Total current	**1,829**	**(30)**	**–**	**1,545**	**(1,226)**	**(257)**	**1,861**
Dilapidation	875	(38)	39	389	–	(16)	1,249
Lease obligations	470	–	–	530	(132)	–	868
Severance	610	(43)	–	147	(106)	–	608
Total non-current	**1,955**	**(81)**	**39**	**1,066**	**(238)**	**(16)**	**2,725**
Total	**3,784**	**(111)**	**39**	**2,611**	**(1,464)**	**(273)**	**4,586**

1 In 2014, other provisions contained also deferred revenue and related cost of sales which have been reclassified to other current liabilities. For the reclassification of deferred revenue in 2014, please refer to Note 2.

19. Other current liabilities

Other current liabilities comprise:

	At 31 December 2015 US$000	At 31 December 2014 US$000
Obligations for personnel and social expenses	**30,188**	27,131
Advances received in relation to customer specific research and development contracts	**2,701**	2,800
Other	**16,995**	12,542
	49,884	42,473

Terms and conditions of the above other current liabilities:

- obligations for personnel and social expenses have an average term of three months (2014: three months); and
- other payables are non-interest bearing and are normally settled on 30 day terms.

20. Other non-current financial liabilities

Other non-current financial liabilities comprise:

	At 31 December 2015 US$000	At 31 December 2014 US$000
Liabilities relating to hire purchase and finance lease obligations	**4,919**	7,916

21. Convertible bonds

As previously reported in the consolidated financial statements and notes for the years 2012 until 2014, the Company launched during Q1 2012 a 5 year Convertible Bond Offering raising gross proceeds of US$201 million. The offering closed on 12 April 2012. The bonds, which were listed on the Luxembourg Stock Exchange's Euro MTF market, were convertible into ordinary shares of Dialog Semiconductor Plc., listed on the Regulated Market of the Frankfurt Stock Exchange. 1,005 Bonds with a principal amount of US$200,000 each were issued at 100% with a coupon of 1.0% per-annum payable semi-annually in arrears. The initial conversion price is US$29.5717 (€22.367).

Early redemption of US$201,000,000 1 per cent. convertible bonds

On 16 March 2015, Dialog announced that it would exercise its option to redeem all outstanding 1% Convertible Bonds 2017 on 5 May 2015. By 28 April 2015, all holders of the Bonds had exercised their conversion rights in respect of all outstanding Bonds. On conversion, the carrying amount of the bonds was US$183.138 million and led to an increase of common stock by a total of US$1.049 million and an increase of the additional paid in amount of US$182.089 million. The maximum number of new ordinary shares that has been issued was 6,797,025 (which represent 9.56 per cent of the current total number of ordinary shares issued by Dialog) and the total number of ordinary shares issued by Dialog increased from 71,068,930 to 77,865,955.

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

22. Shareholders' equity and other reserves

Ordinary shares

The amount of authorised shares at 31 December 2015 was 104,311,860 (2014: 104,311,860, 2013: 104,311,860) with a par value of £0.10 per share, of which 77,865,955 (2014: 71,068,930, 2013: 68,068,930) shares were issued and outstanding.

	Amount of shares	US$000
At 1 January 2013	**68,068,930**	**12,852**
Issued on 7 March 2014	**3,000,000**	**501**
At 31 December 2014/ 1 January 2015	**71,068,930**	**13,353**
Conversion of Convertible Bonds	**6,797,025**	**1,049**
At 31 December 2015	**77,865,955**	**14,402**

Dialog's stock is issued in the form of registered shares. All shares are fully paid by cash consideration.

Additional paid-in capital

The account comprises additional paid-in capital in connection with the issue of shares. Since the launch of convertible bond in 2012 the conversion rights with a fair value in amount of US$36,579,000 have been classified as equity instruments in accordance with IAS 32 and disclosed as additional paid-in capital. Due to the conversion of the convertible bond (see note 21), the additional paid in capital rose by US$182,089,000 in 2015.

Retained earnings

Retained earnings comprise losses and non-distributed earnings of consolidated Group companies.

Other reserves

Currency translation reserve

The currency translation reserve is used to record exchange differences arising from the translation of the financial statements of subsidiaries and branches whose functional currency is not the US$. At 31 December 2015 and 2014, the negative currency translation reserve was US$4,480,000 and US$3,007,000 respectively, compared to US$1,710,000 at 31 December 2013.

Cash flow hedge reserve

The cash flow hedge reserve is used to record the portion of the gain or loss on a hedging instrument that is determined to be a highly effective cash flow hedge. At 31 December 2015 the negative cash flow hedge reserve was US$3,443,000 compared to a negative cash flow hedge reserve of US$12,769,000 at 31 December 2014, as compared to a positive cash flow hedge reserve of US$1,580,000 at 31 December 2013. Please refer to note 29 for the amounts reclassified from other comprehensive income and recognised in profit and loss statement.

The related tax effects allocated to each component of other reserves for the years ended 31 December 2015, 2014 and 2013 are as follows:

	2015			2014			2013		
	Pre-tax US$000	**Tax effect US$000**	**Net US$000**	Pre-tax US$000	Tax effect US$000	Net US$000	Pre-tax US$000	Tax effect US$000	Net US$000
Currency translation reserve	**(1,884)**	**(10)**	**(1,894)**	(1,032)	(265)	(1,297)	269	(15)	254
Hedging reserve	**13,020**	**(3,694)**	**9,326**	(19,794)	5,445	(14,349)	91	(48)	43
Other comprehensive income (loss)	**11,136**	**(3,704)**	**7,432**	(20,826)	5,180	(15,646)	360	(63)	297

22. Shareholders' equity and other reserves continued

Employee stock purchase plan shares

The employee stock purchase plan shares contain the acquisition cost of the shares held by the employee benefit trust and the non-executive Director benefit trust (the "Trusts"). Please refer to note 25. At 31 December 2015 and 31 December 2014, the Trusts held 1,879,195 and 2,825,412 shares respectively, as compared to 2,097,799 shares as at 31 December 2013. These shares are legally issued and outstanding for accounting purposes and accordingly have been reported in the caption "employee stock purchase plan shares" as a reduction of shareholders' equity.

23. Non-controlling interests

The table below shows details on non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests	Profit (loss) allocated to non-controlling interests US$000	Accumulated non-controlling interests US$000
Dyna Image Corporation	Taipei, Taiwan	45.7% [1]	(1,507)	7,801

1 41.1% on fully diluted basis as described in Note 4.

Summarised financial information in respect of the Group´s subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations

	At 31 December 2015 US$000
Total current assets	**9,609**
Total non-current assets	**7,237**
Total current liabilities	**4,702**
Total non-current liabilities	**–**
Equity attributable to shareholders in the Company	**4,343**
Non-controlling interests	**7,801**

23. Non-controlling interests continued

	2015 US$000
Revenues	4,798
Expenses	(7,352)
Loss for the year	**(2,554)**
Loss attributable to owners of the Company	(1,047)
Loss attributable to the non-controlling interests	(1,507)
Loss for the year	**(2,554)**
Other comprehensive income attributable to owners of the Company	(292)
Other comprehensive income attributable to the non-controlling interests	(421)
Other comprehensive income for the year	**(713)**
Total comprehensive income attributable to owners of the Company	(1,339)
Total comprehensive income attributable to the non-controlling interests	(1,928)
Total comprehensive income for the year	**(3,267)**
Cash flow (used for)/from operating activities	(5,740)
Cash flow used for investing activities	(1,043)
Cash flow (used for)/from financing activities	8,721
Cash flow from operating, investing and financing activities	**1,938**

24. Pension scheme

The Group operates defined contribution pension schemes. The pension cost charge for the year represents contributions payable by the Group to the funds and amounted to US$6,401,000 (2014: US$6,069,000, 2013: US$4,971,000). At 31 December 2015, contributions amounting to US$1,505,000 (2014: US$916,000, 2013: US$772,000) were payable to the funds and are included in other current liabilities. Pension costs also include payments to the state funded pension plan in Germany in the amount of US$3,104,000 (2014: US$3,256,000, 2013: US$2,732,000).

25. Share-based payments

A) Stock option plans (SOP) and Employee Share plans (ESP)

On 7 August 1998, the Group adopted a stock option plan (the "Plan") under which employees, the executive management and the Executive Directors may be granted from time to time, at the discretion of the Board, stock options to acquire up to 3,840,990 shares of the Group's authorised but unissued ordinary shares. On 16 May 2002 the Shareholders of the Group approved a resolution increasing the maximum amount of unexercised stock options which may be granted by the Group at any time, to 15% of Dialog's issued share capital, from time to time on a diluted basis. At 31 December 2015, 13,741,051 shares could be issued (2014: 12,541,576 shares). Notwithstanding the foregoing the Company has determined that dilution will be managed using an average annual flow rate of 1% per annum such that the Company will move dilution towards a rolling 10% in 10 years.

Unless otherwise determined by the Board, stock options granted to employees before 31 December 2013, were granted with an exercise price not less than the quoted price at the date of grant, and vest during the service period of the employee without any further vesting conditions. Stock options granted before 31 October 2006 have terms of ten years and vest over periods of one or five years from the grant date. After an amendment of the stock option plan grants made on or after 31 October 2006 had a seven-year life and vest monthly over a period of one to 48 months. These stock options may not be exercised until they have been held for one calendar year from the grant date.

At the 2013 Annual General Meeting, Shareholders approved the new Dialog Semiconductor Plc Employee Share Plan 2013 (ESP) which will be operated alongside, and within the same aggregate dilution limit detailed above, the existing share option plan. In 2014 the first options were granted under the ESP.

At the 2011 Annual General Meeting, Shareholders approved a change of the fee structure for non-executive Directors. 2/3 of the total fees are delivered in cash and 1/3 of the non-executive Directors' annual total fees are delivered in Company equity. The number of shares is calculated using the average 30 day share price preceding the date of the Annual General Meeting. Shares are delivered in the form of conditional shares or options (an exercise price has been attached at Euro 15 cents). Each individual shall be entitled to sell their shares, or exercise their options, if any, no earlier than the day preceding the third AGM following the grant (unless specific circumstances such as a change of control apply). At the 2013 Annual General Meeting, Shareholders resolved that all non-executive Directors fees be paid in cash only. Accordingly no stock options were granted to non-executive Directors in 2014 and 2015.

25. Share-based payments continued

The fair value of all grants in the two-year period ended 31 December 2015 was estimated using the Black-Scholes option pricing model. Expectations of early exercise are considered in the determination of the expected life of the options. The expected volatility is based on the historical share price volatility over the remaining life of Dialog Semiconductor Plc shares which is based on information provided by Bloomberg. The expected volatility is based on the assumption that future trends can be concluded from the historical volatility. Therefore, the actual volatility may differ from these assumptions.

The following assumptions were used for stock option grants for the years ended 31 December 2015, 2014 and 2013:

	2015	2014	2013
Expected dividend yield	**0%**	0%	0%
Expected volatility	**46%**	36%	46%
Risk free interest rate	**0.1%**	0.2%	0.8%
Expected life (in years)	**3.0 - 6.0**	2.0 - 5.0	2.0 - 6.0
Weighted average share price during the year (in €)	**39.42**	20.83	12.66
Weighted average share price for Option grants (in €)	**39.22**	18.40	13.56
Weighted average exercise price (in €)	**0.10**	0.10	13.56
Weighted-average fair value (in €)	**33.38**	18.31	4.41

B) Executives' Long Term Incentive Plan (LTIP)

The Group also operates the Dialog Semiconductor Plc Long Term Incentive Plan (LTIP) which was approved by shareholders at the Annual General Meeting in April 2008. Under the LTIP, key executives are eligible to share in a percentage of the value created for shareholders in excess of an annual return hurdle measured over a four-year performance period (this was originally a three-year period, extended by one year at the Annual General Meeting in April 2009). This value is delivered to a participant in the form of a series of nil-cost options which can be exercised within five years of the date of grant. The first award under the LTIP was made on 8 May 2008.

In 2010 a second award under LTIP was made to selected new and existing members of the executive management. In 2014 and 2015, no further awards under the LTIP plan were made or can be made.

The fair value of the LTIP, where the number of nil-cost options granted to an individual is contingent upon the returns to Shareholders, was calculated using a Monte Carlo simulation model. As a portion of each award is capable of vesting at three separate measurement dates each tranche has been valued separately in accordance with IFRS2.

Measurement date 31 January 2010

The measurement share price at 31 January 2010 (average share price over the prior 30 days) was €9.8942. As this price was above the return hurdle for January 2010 of €1.82 (prior year return hurdle of €1.62+12.5%), 3,055,064 nil cost option grants were approved by the Board on 4 February 2010, with 25% exercisable from 22 February 2010 and the remaining 75% exercisable for 5 years from 21 February 2011.

Measurement date 31 January 2011 (Last Measurement Date)

The measurement share price at 31 January 2011 (average share price over the prior 30 days) was €17.6632. As this price was above the return hurdle for January 2011 of €11.1310 (prior year return hurdle of €9.8942+12.5%), 1,575,327 nil cost option grants were approved by the Board on 18 February 2011, all exercisable for 5 years from 18 February 2011.

C) Executives Incentive Plan (EIP)

The Group also operates the Dialog Executive Incentive Plan (EIP) which was approved by the shareholders at the Annual General Meeting in May 2010. Under this plan, key executives and other key value drivers of the business are eligible to share in a percentage of the value created for Shareholders. The Remuneration Committee may not grant awards under the EIP more than five years after its approval. Therefore, the EIP expired on 5 May 2015.

Under the EIP, up to 0.75% of the issued share capital at the date of grant will be made available for the Remuneration Committee to grant to participants in the EIP on an annual basis. It is envisaged that these shares will be granted to approximately 10 – 15 key executives. A portion of the total number of shares which can be awarded each year would be reserved for grants to new recruits. However, there is no requirement for the Remuneration Committee to allocate all available shares on an annual basis.

Continuity of Employment Condition

25% of the EIP Award will be banked in equal annual instalments (1/3 of 25% each year) based on the achievement of a share price hurdle measured at the end of each year (Continuity Award). The hurdle is such that the Company's share price at each measurement point (being the anniversary of the date of grant – the first grant was on 16 February 2012) must be greater than the higher of the share price on the date of grant or previous measurement points. Where the share price hurdle has not been achieved at the end of the year, that proportion of the Continuity Award will lapse.

At the end of the three year holding period, the Continuity Award will vest and become exercisable subject to continuity of employment. Individuals have three years with which to exercise vested options.

25. Share-based payments continued

Corporate Performance Conditions

75% of any EIP Award will vest subject to the achievement of challenging performance conditions (Performance Award). The primary performance measure relates to EBIT and Revenue Growth targets. The vesting of 50% of the Performance Award relates to EBIT growth with the other 50% relates to revenue growth targets. The number of shares which vest under the primary performance measure would then be subject to a secondary performance measure (as set out below). The Company believes that these two measures are directly relevant to the Company's strategy at its current stage of development and that the executives should be rewarded on this basis and that focusing on these metrics are critical to driving shareholder value over the medium to long term. Targets are set on an annual basis, rather than over the long-term, to ensure that they remain challenging and relevant. These targets take into consideration budget and market expectations for EBIT and revenue growth for the relevant financial year on the following basis:

Threshold (e.g. an acceptable level of performance growth which must be attained for an award to begin to vest)

Target (e.g. the level of performance for achieving budgeted growth and which ensures that the business is online for achieving its long-term objectives)

Exceptional (e.g. the level of performance which is acknowledged by the Remuneration Committee as exceptional)

At the end of the three year performance period, the Remuneration Committee will determine the level of vesting based on the actual level of growth achieved over the three year period relative to the compounding of the three yearly targets.

Provided that the threshold level of growth has been achieved for both targets, at the end of the performance period, the level of vesting for both metrics will be as follows:

Level of Corporate Performance	% of EIP Award vesting
Threshold [1]	20%
Target [1]	40%
Exceptional [1]	100%

1 Straight-line between points

Where the threshold level of growth has not been achieved for either the EBIT or revenue target the Performance Award will lapse.

Under the secondary performance measure the number of shares vesting at the end of the performance period as determined under the primary performance measure can be adjusted using a downward multiplier of up to 20% against a customer diversification target.

For example, in measuring customer diversity this could be calibrated as the increase in the regional revenues in key strategic market as a percentage of total revenues.

The level of vesting of the Performance Award at the end of the three year period will therefore be based on:

Growth in Revenues (50%) + Growth in EBIT (50%) X - 20% Adjustment Factor

The balance of any Performance Award which does not vest in accordance with the above performance conditions will lapse.

D) New Long Term Incentive Plan

The Group also operates the Dialog Long Term Incentive Plan (LTIP) which was approved by shareholders at the Annual General Meeting on 30 April 2015. This new plan will replace the existing Executive Incentive Plan (EIP) which expired on 5 May 2015. All employees will be eligible to participate in the LTIP but in practice awards will be targeted at the executive Director level and others in senior roles. The LTIP will operate over a ten year period from the date of approval by Shareholders. Participants selected by the Remuneration Committee will be granted an LTIP Award either in the form of:

- a nil cost or nominal cost option;
- a conditional share award;
- a market price option; or
- a cash-settled award linked to the value of the Company´s share price (in the case of jurisdictions where it is not feasible to deliver shares to employees).

The first LTIP Awards were granted to employees in 2015 within six weeks following the AGM in April. Subsequently, it is intended that, other than in exceptional circumstances, LTIP Awards will be granted to participants within six-week period following the date of publication of the results of the Company.

25. Share-based payments continued

Awards to executive Directors will vest subject to the achievement of challenging performance conditions, set at each grant by the Remuneration Committee. Awards to other employees may be made with or without performance conditions. For 2015 awards, the proposed performance condition is as follows: there are three different performance measures, relating to EBIT, Revenue Growth and relative Total Shareholder Return (the TSR). Each of these three performance measures will determine one-third of the vesting.

Relative TSR

The TSR performance measure looks at the total amount returned to Shareholders, whether by way of share price growth or any dividends paid. The Company´s TSR will be compared to the TSR of the constituents of the S&P Select Semiconductor Index. Dialog´s TSR is measured over a three-year performance period and compared to the companies in the comparator group. The Committee may choose to use the average TSR of each company at the start and end of the measurement period, with averaging over not more than three months. If Dialog´s TSR is below the median of the comparator group then none of this TSR-related part of the award vests. If Dialog´s TSR is at the median of the comparator group then 25% of the maximum TSR-related part of the award vests. If Dialog´s TSR is at the 60th percentile of the comparator group then 50% of the maximum TSR-related part of the award will vest. If Dialog´s TSR is at or above the 75th percentile of the comparator group then 100% of the maximum TSR-related part of the award will vest. Straight line interpolation will apply between the 25%, 50% and 100% vesting points referred above. In addition, the level of vesting for the TSR-related component of the award is capped: if the TSR is negative for the performance period, vesting is capped at 50% of the maximum award, irrespective of whether the Company has outperformed the constituents of S&P Select Semiconductor Index against which it is benchmarked.

Financial metrics

The EBIT and revenue growth targets will be measured over a three year period. Targets will be set and measured on an annual basis to ensure that they remain challenging and relevant. These targets will take into consideration budget and market expectations for EBIT and revenue growth for the relevant financial year on the following basis:

Threshold (e.g. an acceptable level of performance growth which must be attained for an award to begin to vest);

Target (e.g. the level of performance for achieving budgeted growth and which ensures that the business is online for achieving its long-term objectives); and

Maximum (e.g. the level of performance which is acknowledged by the Remuneration Committee as exceptional).

Level of Corporate Performance	% of LTIP Award vesting, as a percentage of maximum
Threshold [1)	25%
Target [1)	50%
Maximum [1)	100%

[1] Straight-line between points

At the end of the three-year performance period, the Remuneration Committee will determine the level of vesting based on the actual level of performance achieved over the three years.

Overall performance assessment

The Remuneration Committee may apply a downward adjustment to the total level of vesting if it considers this to be necessary to take account of the overall financial health or performance of the Company. The balance of any LTIP Award which does not vest in accordance with the above performance conditions will lapse.

The vesting period for any awards to executive Directors will be three years. Any awards for other participants that are subject to performance conditions will also have a three-year vesting period. Where awards below the Executive Directors are granted without performance conditions, the Remuneration Committee will determine the appropriate vesting period at the time of grant.

The following assumptions were used for the fair value calculations of the Group´s performance related plans described above (EIP and LTIP):

	Grant in 2015	Grant in 2014	Grant in 2013
Average share price at grant date	**€39.17**	€16.00	€13.61
Exercise price	**€0.12**	€0.12	€0.12
Expected volatility	**46%**	36%	45%
Risk-free-interest-rate	**0%**	0.2%	0.8%
Assumed level of vesting regarding the performance conditions	**70%**	70%	50%
Option lifetime	**6 Years**	6 Years	6 Years

25. Share-based payments continued

E) Development of plans

Stock option plan activity (including stock options granted under the LTIP and the EIP) for the years ended 31 December 2015 and 2014 was as follows:

	2015		2014	
	Options	Weighted average exercise price €	Options	Weighted average exercise price €
Outstanding at beginning of year	**5,148,024**	**5.90**	6,036,051	7.93
Granted	**1,008,344**	**0.10**	1,748,517	0.09
Exercised	**(1,306,386)**	**6.57**	(2,452,916)	6.82
Forfeited	**(139,737)**	**3.70**	(183,628)	4.52
Outstanding at end of year	**4,710,245**	**4.53**	5,148,024	5.90
Options exercisable at year end	**1,660,213**	**10.05**	1,845,756	9.64

The weighted average share price at the date of exercise of options was €39.42 and €21.85 in the years ended 31 December 2015 and 2014 respectively.

Liabilities from share option exercises to employees were US$ nil at 31 December 2015 (2014: US$210,000).

The following table summarises information on stock options outstanding (including stock options granted under the LTIP and the EIP) at 31 December 2015:

	Options outstanding			Options exercisable	
Range of Exercise Prices	Number outstanding at 31 December 2015	Weighted average remaining contractual life (in years)	Weighted average exercise price €	Number exercisable at 31 December 2015	Weighted average exercise price €
€0.0 - 3.00	3,136,787	4.5	0.13	389,431	0.32
€3.00 - 8.00	117,435	0.9	7.15	117,435	7.15
€8.00 - 16.85	1,456,023	3.2	13.81	1,153,347	13.63
€0.0 - 16.85	**4,710,245**	**4.0**	**4.53**	**1,660,213**	**10.05**

F) Employee and non-executive Director benefit trusts

The Group established an employee benefit trust and a non-executive Director benefit trust (the "Trusts"). The Trusts purchase shares in the Group for the benefit of employees and non-executive Directors under the Group's share option schemes. At 31 December 2015 the Trusts held 1,879,195 shares (2014: 2,825,412).

26. Additional disclosures on financial instruments

	Category in accordance with IAS 39	Carrying amount 31 December 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 31 December 2015 US$000
		Amounts recognised in the consolidated balance sheet according to IAS 39					
Assets							
Cash at bank and Short-term deposits	LaR	**566,809**	566,809	–	–	n/a	**566,809**
Trade accounts receivable and other receivable	LaR	**72,668**	72,668	–	–	n/a	**72,668**
Other non-derivative financial assets							
Deposits for hedging contracts	LaR	**2,086**	2,086	–	–	Level 1	**2,086**
Derivative financial assets							
Derivatives without hedging relationship	FVTPL	**732**	–	–	732	Level 2	**732**
Derivatives with hedging relationship	FVTPL	**–**	–	–	–	Level 2	**–**
Investment in Arctic Sand	AfS	**1,446**	–	–	–	n/a	**1,446**
Liabilities							
Trade account payables	FLAC	**114,075**	114,075	–	–	n/a	**114,075**
Other payables	FLAC	**17,478**	17,478	–	–	n/a	**17,478**
Other financial liabilities	FLAC	**440**	440	–	–	n/a	**440**
Hire purchase agreements and finance lease obligations	FLAC	**8,156**	8,156	–	–	Level 2	**7,688**
Derivative financial liabilities							
Derivatives without hedging relationship	FVTPL	**–**	–	–	–	–	**–**
Derivatives with hedging relationship	FVTPL	**4,568**	–	4,568	–	Level 2	**4,568**
Of which aggregated by category in accordance with IAS 39:							
Loans and receivables (LaR)		**641,563**	641,563	–	–	–	**641,563**
Deposits designated as a hedging instrument (LaR)		**–**	–		–	–	**–**
Held-to-maturity investments (HtM)		**–**	–	–		–	**–**
Available-for-sale financial assets (AfS)		**1,446**	–	–	–	–	**1,446**
Derivatives without hedging relationship (FVTPL)		**732**	–	–	732	–	**732**
Derivative financial liabilities with hedging relationship (FVTPL)		**(4,568)**	–	(4,568)	–	–	**(4,568)**
Financial liabilities at amortised cost (FLAC)		**(140,149)**	(140,149)	–	–	–	**(139,681)**

The fair value of derivatives has been determined with reference to available market information (Level 2) applying mark-to-market method. The carrying amounts of the loans and receivables and financial liabilities approximate their fair values due to short-term maturities. Since the market conditions affecting the liability related to long-term finance lease contract have changed, the fair value at 31 December 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. If the carrying amount does not approximate their fair values, the fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

26. Additional disclosures on financial instruments continued

	Category in accordance with IAS 39	Amounts recognised in the consolidated balance sheet according to IAS 39: Carrying amount 31 December 2014 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 31 December 2014 US$000
Assets							
Cash at bank and Short-term deposits	LaR	**318,446**	318,446	–	–	n/a	**318,446**
Deposits designated as a hedging instrument	LaR	**5,834**	–	5,834	–	n/a	**5,834**
Trade accounts receivable and other receivable	LaR	**100,569**	100,569	–	–	n/a	**100,569**
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	FVTPL	**–**	–	–	–	Level2	**–**
Derivatives with hedging relationship	FVTPL	**–**	–	–	–	Level 2	**–**
Investment in Arctic Sand	AfS	**1,446**	–	–	–	n/a	**1,446**
Liabilities							
Trade account payables	FLAC	**83,303**	83,303	–	–	n/a	**83,303**
Other payables	FLAC	**7,603**	7,603	–	–	n/a	**7,603**
Other financial liabilities	FLAC	**836**	836	–	–	n/a	**836**
Hire purchase agreements and finance lease obligations	FLAC	**11,279**	11,279	–	–	Level 2	**10,553**
Convertible Bond	FLAC	**180,659**	180,659	–	–	Level 2	**192,236**
Derivative financial liabilities							
Derivatives without hedging relationship	FVTPL	**–**	–	–	–	–	**–**
Derivatives with hedging relationship	FVTPL	**17,470**	–	17,470	–	Level 2	**17,470**
Of which aggregated by category in accordance with IAS 39:							
Loans and receivables (LaR)		**422,601**	422,601	–	–	–	**422,601**
Deposits designated as a hedging instrument (LaR)		**5,834**	–	5,834	–	–	**5,834**
Held-to-maturity investments (HtM)		**–**	–	–	–	–	**–**
Available-for-sale financial assets (AfS)		**1,446**	–	–	–	–	**1,446**
Derivative financial liabilities with hedging relationship (FVTPL)		**(17,470)**	–	(17,470)	–	–	**(17,470)**
Financial liabilities at amortised cost (FLAC)		**(283,679)**	(283,679)	–	–	–	**(294,531)**

27. Commitments

Operating lease, software and service commitments

The Group leases all its office facilities and vehicles, and some of its office and test equipment, under operating leases. Future minimum lease payments under non-cancellable operating rental and lease agreements and payments for other commitments are as follows:

	Operating leases 2015 US$000	Other commitments and software commitments 2015 US$000	Operating leases 2014 US$000	Other commitments and software commitments 2014 US$000
Within one year	**10,432**	**10,224**	8,444	11,645
Between one and two years	**9,982**	**4,665**	8,186	6,753
Between two and three years	**7,395**	**339**	7,680	3,352
Between three and four years	**6,561**	**49**	5,320	2
Between four and five years	**6,075**	**33**	4,869	–
Thereafter	**17,994**	**–**	8,655	–
Total minimum payments	**58,439**	**15,310**	43,154	21,752

Total payments for operating leases and software commitments, charged as an expense in the income statement, amounted to US$15,434,000 and US$15,547,000 for the years ended 31 December 2015 and 2014 respectively. Of this amount US$6,257,000 and US$8,417,400 was for software commitments for the years ended 31 December 2015 and 2014 respectively.

Finance lease, hire purchase and software commitments

The Group has finance leases and hire purchase contracts for test and IT equipment and has software contracts. The leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease. Future minimum payments under finance leases and hire purchase and software contracts together with the present value of the net minimum payments are as follows:

	2015 US$000	Minimum payments 2014 US$000
Within one year	**4,402**	4,403
Between one and two years	**3,400**	4,403
Between two and three years	**1,700**	3,400
Between three and four years	**–**	1,700
Between four and five years	**–**	–
Thereafter	**–**	–
Total minimum payments	**9,502**	13,906
Less amounts representing finance charges	**(906)**	(1,792)
Present value of minimum payments	**8,596**	12,114

Capital commitments

The Group has contractual commitments for the acquisition of property, plant and equipment in 2015 of US$6,962,000 (2014: US$4,491,000) and for the acquisition of intangible assets of US$1,325,000 (2014: US$4,846,000).

28. Segmental 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 the Group considered as being the Board of Management.

The Group reports on four (2014: four, 2013: 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 & 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.

	2015						2014					
	Mobile Systems US$000	**Automotive/ Industrial US$000**	**Connectivity US$000**	**Power Conversion US$000**	**Corporate US$000**	**Total US$000**	Mobile Systems US$000	Automotive/ Industrial US$000	Connectivity US$000	Power Conversion US$000	Corporate US$000	Total US$000
Revenues [1]	**1,114,495**	**34,367**	**117,014**	**84,636**	**4,800[3]**	**1,355,312**	942,628	40,952	92,120	80,367	38[3]	1,156,105
R&D expenses	**140,066**	**2,488**	**25,747**	**23,282**	**31,599**	**223,182**	141,246	2,392	25,703	22,476	21,991	213,808
Operating profit (loss) [2]	**341,931**	**9,340**	**8,360**	**(20,675)**	**(79,210)**	**259,746**	244,180	11,232	(2,163)	(21,135)	(46,212)	185,902
Depreciation/ amortisation	**31,010**	**719**	**6,467**	**15,754**	**1,327**	**55,277**	29,959	889	7,337	17,064	333	55,582
Inventory impairment and fixed asset disposal losses	**8,146**	**202**	**394**	**1,571**	**485**	**10,798**	6,096	260	212	3,582	85	10,235
Investments	**50,938**	**446**	**7,585**	**5,875**	**8,403**	**73,247[4]**	30,681	167	3,737	4,239	2,231	41,055[5]
	At 31 Dec 2015						At 31 Dec 2014					
Inventories	**97,053**	**8,913**	**13,563**	**12,152**	**3,249**	**134,930**	71,327	6,165	13,678	7,970	–	99,140

1 All revenues are from sales to external customers.
2 Certain overhead costs are predominantly allocated based on sales and headcount.
The Operating loss of the Corporate segment results from Holding and Trust related expenses, share option and business development costs.
The Operating profit (loss) is reconciled to profit before taxation on the face of the Income Statement.
3 The revenue in the corporate column include mainly corporate projects related revenue and starting from 2015 the consolidated contribution of Dyna Image.
4 Including US$34,884,000 additions to PPE, US$38,431,000 additions to intangible assets and US$68,000 sale of other investments.
5 Including US$24,393,000 additions to PPE, US$16,696,000 additions to intangible assets and (US$34,000) currency change of other investments.

28. Segmental reporting continued

	2014						2013					
	Mobile Systems US$000	Automotive/ Industrial US$000	Connectivity US$000	Power Conversion US$000	Corporate US$000	Total US$000	Mobile Systems US$000	Automotive/ Industrial US$000	Connectivity US$000	Power Conversion US$000	Corporate US$000	Total US$000
Revenues [1]	942,628	40,952	92,120	80,367	38[3]	1,156,105	744,869	37,259	91,616	26,768	868[3]	901,380
R&D expenses	141,246	2,392	25,703	22,476	21,991	213,808	118,091	1,749	22,677	8,806	9,491	160,814
Operating profit (loss) [2]	244,180	11,232	(2,163)	(21,135)	(46,212)	185,902	141,242	12,211	(2,121)	(22,533)	(26,139)	102,660
Depreciation/ amortisation	29,959	889	7,337	17,064	333	55,582	25,487	971	10,712	9,853	204	47,227
Inventory impairment and fixed asset disposal losses	6,096	260	212	3,582	85	10,235	11,832	154	2,200	1,504	124	15,814
Investments	30,681	167	3,737	4,239	2,231	41,055[4]	27,199	117	4,220	3,986	938	36,460[5]
	At 31 Dec 2014						At 31 Dec 2013					
Inventories	71,327	6,165	13,678	7,970	–	99,140	93,604	7,460	11,227	4,752	498	117,541

1 All revenues are from sales to external customers.
2 Certain overhead costs are predominantly allocated based on sales and headcount.
The Operating loss of the Corporate segment results from Holding and Trust related expenses, share option and business development costs.
3 The revenue in the corporate column include mainly corporate projects related revenue and in 2013 the BenQ settlement.
4 Including US$24,393,000 additions to PPE, US$16,696,000 additions to intangible assets and (US$34,000) currency change of other investments.
5 Including US$23,115,000 additions to PPE, US$11,844,000 additions to intangible assets and US$1,501,000 purchase of other investments.

Investments comprise additions to property, plant and equipment, and intangible assets.

In 2015, 2014 and 2013 the Group had no inter-segment sales, income, expenses, receivables, payables or provisions.

There are no differences between the measurements of the reportable segments profits and losses, inventories and the Group's profit and losses, assets and liabilities.

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

Since June 2015 the Corporate segment includes the consolidated contribution of Dyna Image (for further information we refer to note 4 Business combination). In 2015 revenues in the Corporate column include US$4,798,000 revenues from Dyna Image (2014: US$38,000 revenue components, 2013: US$851,000 from the BenQ Cash settlement).

R&D expenses in the Corporate column predominantly include stock option expenses and expenses for the Executive Incentive Plan (EIP) and Long-Term Incentive Plan (LTIP) of US$9,518,000 (2014: US$9,761,000, 2013: US$3,564,000). Furthermore, there are US$17,827,000 (2014: US$12,157,000, 2013: US$5,789,000) development expenses for new technology projects and US$2,480,000 from Dyna Image.

The operating losses recorded in the corporate column for the year ended 31 December 2015 of US$79,210,000 (2014: US$46,212,000, 2013: US$26,139,000) are primarily resulting from stock option expenses US$19,215,000 (including EIP and LTIP) (2014: US$21,170,000, 2013: US$8,487,000), the costs of the holding company US$29,762,000, thereof US$17,604,000 costs related to the Atmel acquisition and integration (2014: US$10,941,000, 2013: US$12,838,000) and expenses for developing new technology projects US$22,048,000 (2014: US$16,645,000, 2013: US$8,783,000). In 2015, no NRE revenues were included in other operating income (in 2014: US$600,000 NRE revenues, in 2013: US$996,000 BenQ cash settlement). In 2014 and 2013 another operating income of US$1,939,000, and US$3,249,000 was recorded resulting from the release of earn out provision.

28. Segmental reporting continued

c) Geographic information – Revenues by shipment destination

	2015 US$000	2014 US$000	2013 US$000
Revenues			
United Kingdom	**903**	782	945
Other European countries	**54,859**	60,098	62,628
China	**1,080,488**	983,412	742,324
Hong Kong	**165,645**	53,454	40,201
Other Asian countries	**42,849**	47,213	46,821
Other countries	**10,568**	11,146	8,461
Total revenues	**1,355,312**	1,156,105	901,380

	2015 US$000	2014 US$000
Additions to non-current assets		
Germany	**19,444**	15,042
Japan	**185**	273
United Kingdom	**26,710**	9,751
Netherlands	**9,147**	4,718
USA	**5,988**	6,696
Taiwan	**9,316**	720
Singapore	**5**	18
Other	**2,452**	3,837
Total investments	**73,247**	41,055

	At 31 December 2015 US$000	At 31 December 2014 US$000
Non-current assets		
Germany	**46,518**	47,589
USA	**257,424**	261,565
United Kingdom	**99,992**	80,889
Netherlands	**46,907**	42,025
Japan	**1,011**	990
Other	**10,067**	5,987
Total non-current assets *	**461,919**	439,045

* Total non-current assets excluding deferred tax assets.

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

29. Financial risk management objectives and policies

Vulnerability due to certain significant risk concentrations

The Group's future results of operations involve a number of risks and uncertainties. Factors that could affect the Group's future operating results and cause actual results to vary materially from historical results include, but are not limited to, the highly cyclical nature of both the semiconductor and wireless communications industries, dependence on certain customers and the ability to obtain an adequate supply of sub-micron wafers.

The Group's products are generally utilised in the wireless and automotive industries. The Group generates a substantial portion of its revenue from the Mobile Systems segment, which accounted for 82.2% and 81.5% of its total revenue for the years ended 31 December 2015 and 2014, respectively, as compared to 82.5% of its total revenue for the year ended 31 December 2013.

Changes in foreign currency exchange rates influence the Group's results of operations. The Group's sales, purchases of raw materials and manufacturing services are primarily denominated in US$.

The Group depends on a relatively small number of customers for a substantial portion of its revenues, and the loss of one or more of these customers may result in a significant decline in future revenue.

During 2015, 2014 as well as 2013 one main customer individually accounted for more than 10% of the Group's revenues. Total revenues from this customer were US$1,077,700,696 (2014: US$909,900,903, 2013: US$718,733,000). Net receivables from this customer at 31 December 2015 were US$25,182,182, (2014: US$83,075,043). This customer is part of the Mobile Systems segment.

The Group is performing on-going credit evaluations of its customers' financial condition.

Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise cash, cash equivalents, and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has other financial instruments which mainly comprise trade receivables and trade payables which arise directly from its operations.

The Group also entered into derivative transactions (forward currency contracts). The purpose is to manage the currency risks arising from the Group's operations.

It is, and has been throughout 2015 and 2014, the Group's policy that no trading in derivatives shall be undertaken.

Exposure to currency, interest rate and credit risk arises in the normal course of the Group's business. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments, and derivative financial instruments.

Interest risk

The Group earns interest from deposits and uses money market deposits with highly rated financial institutions. During the year, the Group has held cash on deposit with a range of maturities from one week to one month. This can vary in view of changes in the underlying currency's interest rates and the Group's cash requirements.

The Group pays interest on amounts received in connection with the factoring agreement and for the convertible bond (please refer to note 21) occurred until May 2015.

The Group's policy is to manage its interest income using a mix of fixed and variable interest rate debts. In order to achieve this policy, the Group invests in highly liquid funds having a matching investment strategy. Once the operating business has been financed, short-term excess funds are invested in floating interest rate securities. Only short-term deposits bear fixed interest rates.

29. Financial risk management objectives and policies continued

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax as well as the Group's equity:

	Increase/decrease in basis points	Effect on profit US$000	Effect on equity US$000
2015			
	23	**1,052**	**1,052**
	(23)	**(1,052)**	**(1,052)**
2014			
	2	58	58
	(2)	(58)	(58)
2013			
	31	794	794
	(22)	(565)	(565)

The reasonable possible changes would not affect the other comprehensive income.

Currency risk

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$. The majority of other operating expenses are denominated in Euros and Pounds Sterling. The Group has transactional currency exposures. Such exposure arises from the sales or purchases by an operating unit in currencies other than the unit's functional currency. In 2015, 2014 and 2013 nearly all the Group's sales were denominated in US$.

The following tables demonstrate the foreign currency exposure and the sensitivity to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Group´s profit before tax (resulting from changes in the fair value of financial assets and liabilities) and changes in the Group´s other comprehensive income (resulting from the Group´s hedging activities).

	EUR US$000	GBP US$000	TWD US$000	Other US$000	USD US$000	Total US$000
Financial Assets						
Cash and cash equivalents	11,218	183	3,331	2,545	549,532	566,809
Trade and other receivables	3	1	–	–	72,664	72,668
Other financial assets	134	17	124	951	4,618	5,844
	11,355	**201**	**3,455**	**3,496**	**626,814**	**645,321**
Financial Liabilities						
Other financial liabilities	(440)	–	–	–	(8,156)	(8,596)
Derivative financial instruments	(2,617)	(1,951)	–	–	–	(4,568)
Trade and other payables	(12,278)	(5,943)	(541)	(744)	(112,047)	(131,553)
	(15,335)	**(7,894)**	**(541)**	**(744)**	**(120,203)**	**(144,717)**
At 31 December 2015	**(3,980)**	**(7,693)**	**2,914**	**2,752**	**506,611**	**500,604**
Reasonably possible change against the US$:	**10.4%**	**5.1%**	**4.3%**	**5.8%**	**0.0%**	
Potential impact on net income – gain/(loss)						
increase against US$	(142)	(290)	124	(0)	–	(308)
decrease against US$	142	290	(124)	0	–	308
Potential impact on other comprehensive income – gain/(loss)						
increase against US$	(272)	(99)	–	–	–	(370)
decrease against US$	272	99	–	–	–	370

29. Financial risk management objectives and policies continued

	EUR US$000	GBP US$000	TWD US$000	Other US$000	USD US$000	Total US$000
Financial Assets						
Cash and cash equivalents	26,103	757	5,394	3,683	288,343	324,280
Trade and other receivables	2	374	–	–	100,193	100,569
Other financial assets	149	18	138	1,016	5,569	6,890
	26,254	**1,149**	**5,532**	**4,699**	**394,105**	**431,739**
Financial Liabilities						
Other financial liabilities	(4)	(21)	–	(19)	(192,729)	(192,773)
Derivative financial instruments	(13,240)	(3,607)	–	(623)	–	(17,470)
Trade and other payables	(8,308)	(2,335)	(346)	(676)	(79,241)	(90,906)
	(21,552)	**(5,963)**	**(346)**	**(1,318)**	**(271,970)**	**(301,149)**
At 31 December 2014	**4,702**	**(4,814)**	**5,186**	**3,381**	**122,135**	**130,590**
Reasonably possible change against the US$:	**11.7%**	**5.6%**	**5.9%**	**5.7%**	**0.0%**	
Potential impact on net income – gain/(loss)						
increase against US$	2,101	(67)	305	32	–	2,371
decrease against US$	(2,101)	67	(305)	(32)	–	(2,371)
Potential impact on other comprehensive income – gain/(loss)						
increase against US$	(1,550)	(200)	–	(11)	–	(1,761)
decrease against US$	1,550	200	–	11	–	1,761

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.

It is the Group's policy not to enter into forward contracts nor classify deposits as non-derivative hedging instruments until a firm commitment.

A risk analysis for the Group's securities was done separately, based on the inherent historic volatility of the specific securities, see below.

Credit risk
The Group is exposed to credit risk from its operating activities and certain financing activities. The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis, with the result that the Group's exposure to bad debts is not significant. Regarding the risk concentration please see above "vulnerability due to certain significant risk considerations".

In order to finance its growth the Group entered into three factoring agreements with reputable financial institutions. The maximum amount of cash that can be received under these agreements is US$112,000,000 (2014: US$92,000,000). The agreements, which comprise receivables from selective customers, significantly reduce the underlying credit risk because the financial institutions assume all credit risks associated with the collection of the receivables financed under the programmes.

The Group's exposure to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, would arise from default by counterparty.

Liquidity risk
The Group uses quarterly cash flow forecasts to monitor its liquidity risk. It takes financial investments and financial assets (e.g. trade accounts receivable and other financial assets) into consideration, as well as projected cash flows from operations. The Group's objective is to minimise interest expense by avoiding the use of short-term bank liabilities or bank overdrafts within the Group.

At 31 December 2015, the Group had cash and cash equivalents of US$566,809,000 (2014: US$324,280,000).

29. Financial risk management objectives and policies continued

The Group's policy is to structure its maturities of current financial assets within the Group to meet 100% of the respective maturities of the liabilities. The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2015, based on contractual undiscounted payments:

	Less than 3 months US$000	3 to 12 months US$000	1 to 5 years US$000	Total US$000
Financial year ended 2015				
Trade accounts payable	**114,075**	**–**	**–**	**114,075**
Other payables	**17,478**	**–**	**–**	**17,478**
Other financial liabilities	**4,568**	**3,677**	**4,919**	**13,164**
Other current liabilities	**39,890**	**–**	**–**	**39,890**
	176,011	**3,677**	**4,919**	**184,607**
Financial year ended 2014				
Trade accounts payable	83,303	–	–	83,303
Other payables	7,603	–	–	7,603
Other financial liabilities	17,922	4,198	188,123	210,243
Other current liabilities	35,997	–	–	35,997
	144,825	4,198	188,123	337,146

For the disclosure of maturity profile, the deferred revenue and related cost of sales has been excluded from other current liabilities as presented in the balance sheet.

The non-current other financial liabilities as of 31 December 2015 were US$4.9 million (31 December 2014: US$188.1 million) which are related to liabilities from hire purchase and finance lease obligations (31 December 2014: US$7.9 million). In 2014, US$180.2 million of the non-current financial liabilities represent the book value of the liability from the convertible bond which was early converted in May 2015 (for further details we refer to note 21).

We had a three-year (2011-2014) revolving credit facility of US$35.0 million available for use that bears an interest rate of LIBOR + 140bp. As of 16 July 2013 the facility was cancelled and replaced by a US$25.0 million revolving credit line facility which is available until March 2017. This facility has been used in 2013 in the amount of US$15.0 million in order to finance the iWatt acquisition, US$10 million were repaid in December 2013 and US$5 million in January 2014. As of 31 December 2014, the revolving credit line facility was reduced to US$10.0 million which remained untapped. As of 1 July 2015, this facility was cancelled.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy and strong capital ratios in order to support its business and strategies for growth. The company is considering its total equity as capital.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust its capital structure, the Group may generally issue new shares. Also in 2012 the Group launched a 5 year convertible bond offering amounting to US$201 million which had a significant impact on the capital structure of the Group, amongst others it led to a decrease of the equity ratio in 2013 and 2014. During 2015, the Company exercised its option to redeem all outstanding Bonds on 5 May 2015. Therefore the maximum number of new ordinary shares that has been issued was 6,797,025 (which represented 9.56 per cent of the current total number of ordinary shares issued by the Company) and the total number of ordinary shares issued by Dialog increased from 71,068,930 to 77,865,955. Due to conversions of convertible bonds, ordinary shares rose by a total of US$1.049 million, and the additional paid in capital rose by US$182.089 million. For further information please refer to note 21.

The Group monitors capital using an equity ratio (total equity divided by total assets). The equity ratio as of 31 December 2015 was 79.6% (2014: 62.0%, 2013: 49.2%). The increased equity ratio was mainly the result of the equity increase in connection with the early redemption of the convertible bond in May 2015 which is described in more detail in note 21. Capital includes net Shareholders' equity. The Group's policy is to finance operational business development and growth if at all possible with equity and long-term liabilities. It is, therefore, also its policy to keep a strong equity ratio. This policy will be reconsidered as soon as sustainable profits are earned in order to achieve leverage. However financing of strategic decisions focused on long-term growth is ensured by long-term liabilities.

Hedging activities

At 31 December 2015, the Group held forward exchange contracts and deposits (referred to as the "hedging instruments") designated as hedges of firm commitments and forecast transactions in Euro, Pound Sterling and Japanese Yen.

29. Financial risk management objectives and policies continued

The hedging instruments are being used to hedge the foreign currency risk of contractual cash flows, principally resulting from wages and salaries, and rental payments with the aim of eliminating the currency risk by transforming these cash flows from Euros, Pounds Sterling or Japanese Yen into US Dollars. The fair values of the hedging instruments which equal the book values are as follows:

	At 31 December 2015 Assets US$000	Liabilities US$000	At 31 December 2014 Assets US$000	Liabilities US$000
Fair values				
Forward exchange contracts	**–**	**4,568**	–	17,470
Deposits	**–**	**–**	5,834	–

The critical terms of the deposits have been set to match the terms of the hedged cash flows.

The cash flow hedges of the expected future cash flows in each month from January 2016 to December 2016 and January 2015 to December 2015 respectively were assessed to be highly effective and, at 31 December 2015, a net unrealised loss of US$3,443,000 was included in other comprehensive income in respect of these cash flows (2014: loss of US$12,769,000). The cash flow hedges of the expected future cash flows in each month from January 2014 to December 2014 were assessed to be highly effective as well, and at 31 December 2013, a net unrealised gain of US$1,580,000 was included in other comprehensive income in respect of these cash flows. During the financial year 2015 a loss of US$18,960,163 (2014: loss of US$23,614,000, 2013: gain of US$1,747,000) was recognised in other comprehensive income and a loss of US$31,980,000 (2014: loss of US$3,821,000, 2013: gain of US$1,656,000) was reclassified from other comprehensive income and recognised in profit and loss. The months of occurrence of the cash flows are the same as the month when the income statement is affected.

The following tables show the contractual maturities of the payments for which deposits are used as hedging instruments, i.e., when the hedged item will be recognised in profit or loss.

Maturity	Nominal amount €000	Forward rate US$/€	Nominal amount €000	Historical rate US$/€
	Derivatives		Deposits	
2015				
January 2016	**10,000**	**1.1500**	**–**	**–**
February 2016	**12,000**	**1.1551**	**–**	**–**
March 2016	**16,000**	**1.1381**	**–**	**–**
April 2016	**9,750**	**1.0787**	**–**	**–**
May 2016	**9,750**	**1.0996**	**–**	**–**
June 2016	**8,500**	**1.1071**	**–**	**–**
July 2016	**7,500**	**1.1144**	**–**	**–**
August 2016	**6,500**	**1.1223**	**–**	**-**
September 2016	**6,500**	**1.1236**	**–**	**-**
October 2016	**5,000**	**1.0932**	**–**	**-**
November 2016	**5,000**	**1.0948**	**–**	**-**
December 2016	**5,000**	**1.0964**	**–**	**-**
2014				
January 2015	9,000	1.3344	–	–
February 2015	13,000	1.3232	–	–
March 2015	16,000	1.3280	–	–
April 2015	9,000	1.3333	–	–
May 2015	13,000	1.3231	–	–
June 2015	13,000	1.3235	–	–
July 2015	9,000	1.3343	–	–
August 2015	13,000	1.3244	–	–
September 2015	7,000	1.3062	2,000	1.2724
October 2015	7,000	1.3064	1,800	1.2165
November 2015	9,000	1.2993	1,000	1.2165
December 2015	9,000	1.2994	–	–

29. Financial risk management objectives and policies continued

Hedging instruments for Pound Sterling commitments:

Maturity	Nominal amount £000	Forward rate US$/£
	Derivatives	
2015		
January 2016	**3,000**	**1.5148**
February 2016	**3,000**	**1.5210**
March 2016	**5,500**	**1.5176**
April 2016	**3,000**	**1.5435**
May 2016	**3,000**	**1.5418**
June 2016	**3,000**	**1.5418**
July 2016	**3,000**	**1.5434**
August 2016	**2,000**	**1.5427**
September 2016	**2,500**	**1.5076**
October 2016	**2,000**	**1.5076**
November 2016	**2,000**	**1.5082**
December 2016	**2,000**	**1.5088**
2014		
January 2015	2,700	1.6921
February 2015	2,700	1.6913
March 2015	4,900	1.6672
April 2015	2,700	1.6825
May 2015	2,700	1.6818
June 2015	2,700	1.6809
July 2015	2,700	1.6706
August 2015	2,700	1.6698
September 2015	2,000	1.6465
October 2015	2,000	1.6461
November 2015	2,000	1.6458
December 2015	2,000	1.6455

29. Financial risk management objectives and policies continued

Hedging instruments for Japanese Yen commitments:

Maturity	Nominal amount ¥000	Forward rate ¥/US$
	Derivatives	
2015		
January 2016	**70,000**	**119.3397**
February 2016	**70,000**	**119.3173**
March 2016	**60,000**	**119.3830**
April 2016	**50,000**	**118.4000**
May 2016	**50,000**	**123.2314**
June 2016	**50,000**	**123.1267**
July 2016	**70,000**	**120.8600**
August 2016	**50,000**	**120.3100**
September 2016	**20,000**	**122.1682**
October 2016	**35,000**	**121.9781**
November 2016	**35,000**	**121.8142**
December 2016	**35,000**	**121.6244**
2014		
January 2015	50,000	103.6324
February 2015	50,000	103.6119
March 2015	50,000	103.5811
April 2015	50,000	103.8135
May 2015	50,000	103.8031
June 2015	50,000	103.7618
July 2015	50,000	104.6634
August 2015	50,000	104.6172
September 2015	35,000	108.1300
October 2015	35,000	108.1200
November 2015	35,000	107.9600
December 2015	35,000	107.8500

30. Transactions with related parties

For the relationship between the parent company, Dialog Semiconductor Plc, and its subsidiaries please see note 2.

Related parties are comprised of seven (2014: seven) non-executive members of the Board of Directors and twelve (2014: eleven) members of the executive Management which are named in the management and governance section. These are the only related parties of the Group.

All transactions with related parties are carried out at arm´s length.

Compensation of key management personnel of the Group

For the composition of our key management please see corporate governance section beginning on page 53. Compensation of key management personnel of the Group is as follows:

	2015 US$000	2014 US$000	2013 US$000
Short term employee benefits	**6,055**	5,679	4,283
Post-employment benefits[1]	**262**	203	193
Share based payments	**5,797**	7,942	3,097
	12,114	13,824	7,573

1 The amounts include payments for defined contribution plans.

Compensation of non-executive Directors

The compensation of non-executive Directors was US$1,489,656 (2014: US$1,112,120, 2013: US$1,029,000). As at 31 December 2015 the amount of Board member fees outstanding was US$ nil (2014: US$ nil, 2013: US$ nil). For further information please see the Directors' remuneration report within the corporate governance section on pages 67 to 81.

Other related party transactions

In 2015 and 2014 there were no other transactions with related parties. None of the related parties has a major influence in one of the Group's major suppliers or customers.

31. Subsequent event

Subsequent to the year end, on 20 January 2016 the Company received $137 million termination fees upon termination of the merger agreement with Atmel.

Company balance sheet
As at 31 December

	Notes	2015 US$000	2014 US$000
Assets			
Cash and cash equivalents		**55,100**	93,570
Amounts owed by group undertakings		**268,674**	272,804
Other current assets		**1,172**	246
Total current assets		**324,946**	366,620
Investments	32	**527,657**	514,056
Other intangible assets		**562**	506
Other financial assets		–	254
Total non-current assets		**528,219**	514,816
Total assets		**853,165**	881,436
Liabilities and equity			
Other financial liabilities		**425**	12,931
Amounts owed by group undertakings		**23,548**	184,070
Trade and other payables		**19,071**	1,360
Other payables		378	392
Total current liabilities		**43,422**	198,753
Other non-current financial liabilities		–	180,207
Ordinary Shares		**14,402**	13,353
Additional paid-in capital		**463,725**	274,517
Retained earnings		**356,246**	229,788
Other reserves		–	(114)
Dialog shares held by employee benefit trust		**(24,630)**	(15,068)
Total equity	35	**809,743**	502,476
Total liabilities and equity		**853,165**	881,436

Profit for the financial year
As permitted by Section 408 of the Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. The parent company's profit after taxation was US$126,441,000 (2014: profit of US$32,093,000).

These financial statements were approved by the Board of Directors on 8 March 2016 and were signed on its behalf by:

Dr Jalal Bagherli
Director

Company statement of changes in equity

Year ended 31 December

	Ordinary shares US$000	Additional paid-in capital US$000	Retained earnings US$000	Other reserves: Hedging reserve US$000	Other reserves: Dialog shares held by employee benefit trusts US$000	Total US$000
Balance at 1 January 2014	**12,852**	**246,289**	**261,832**	**–**	**(2,242)**	**518,731**
Net income (loss)	–	–	(32,093)	–	–	(32,093)
Other comprehensive income (loss)	–	–	–	(114)	–	(114)
Total comprehensive income (loss)	**–**	**–**	**(32,093)**	**(114)**	**–**	**(32,207)**
Other changes in equity:						
Dialog shares issued to employee benefit trusts	501	9,780	–	–	(10,281)	–
Share issue costs	–	(39)	–	–	–	(39)
Purchase of Dialog shares by employee benefit trusts	–	–	–	–	(6,172)	(6,172)
Sale of Dialog shares by employee benefit trusts	–	18,487	–	–	3,627	22,114
Share-based payments, net of tax	–	–	49	–	–	49
As at 31 December 2014	**13,353**	**274,517**	**229,788**	**(114)**	**(15,068)**	**502,476**
Net income	–	–	126,441	–	–	126,441
Other comprehensive income (loss)	–	–	–	114	–	114
Total comprehensive income (loss)	**–**	**–**	**126,441**	**114**	**–**	**126,555**
Other changes in equity:						
Conversion of Convertible Bonds	1,049	182,089	–	–	–	183,138
Purchase of Dialog shares by employee benefit trusts	–	–	–	–	(14,032)	(14,032)
Sale of Dialog shares by employee benefit trusts	–	7,119	–	–	4,470	11,589
Share-based payments, net of tax	–	–	17	–	–	17
As at 31 December 2015	**14,402**	**463,725**	**356,246**	**–**	**(24,630)**	**809,743**

Company statement of cash flows

Year ended 31 December

	2015 US$000	2014 US$000
Cash flows from operating activities:		
Net income (loss)	**126,441**	(32,093)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:		
Interest expense (income), net	**(6,407)**	1,586
Share-based payments expense	**17**	49
Changes in working capital:		
Trade accounts payable	**17,711**	(1,205)
Other assets and liabilities	**(1,689)**	(11,788)
Cash generated from (used for) operations	**136,073**	(43,451)
Interest paid	**(1,004)**	(2,010)
Interest received	**10,893**	10,703
Cash flow from (used for) operating activities	**145,962**	(34,758)
Cash flows from investing activities:		
Purchase of intangible assets	**(56)**	(506)
Foundation of other affiliated companies	**(13,601)**	(70,315)
Funds received from (paid to) other group companies	**(156,391)**	226,436
Cash flow from (used for) investing activities	**(170,048)**	**155,615**
Cash flows from financing activities:		
Share issue costs	**–**	(39)
Other non-current financial liabilities	**–**	(75,943)
Cash flow from financial liabilities	**(12,055)**	(7,488)
Sale of Dialog shares by employee benefit trusts	**(14,032)**	(6,172)
Purchase of Dialog shares by employee benefit trusts	**11,589**	22,114
Cash flow used for financing activities	**(14,498)**	(67,528)
Net increase in cash and cash equivalents	**(38,584)**	53,329
Cash and cash equivalents at beginning of period	**93,570**	40,355
Currency translation differences	**114**	(114)
Cash and cash equivalents at end of period	**55,100**	93,570

32. Investments

This represents the investment of the Company in Dialog Semiconductor GmbH, Dialog Semiconductor Ltd, Dialog Semiconductor B.V., in 2012 the incorporated subsidiaries in Italy and Turkey, in 2013 the acquired iWatt Inc. and the subsidiary Dialog KK in Japan. Further, the investments comprise since 2014 the newly incorporated subsidiary Powerventure Semiconductor Ltd and since 2015 a 45.7% stake (41.1% on a fully diluted basis) in Dyna Image Corporation (on all other investments mentioned the proportion of ownership interest is 100%).

Investments in subsidiaries are stated at cost less any provision for impairment in value.

The aggregate amount of capital and reserves and the results of these undertakings were as follows:

	2015 **US$000**	2014 US$000
Capital and reserves	**673,956**	583,282
Net income	**214,399**	153,138

Based on preliminary unaudited results.

33. Guarantees

General guarantees, within the scope of Article 403, Book 2 of the Dutch Civil Code, have been issued by the Company in respect of its subsidiaries in the Netherlands, Dialog Semiconductor B.V. and Dialog Semiconductor Finance B.V.

34. Deferred tax

No deferred tax assets were recognised for tax loss carryforwards and temporary differences of the holding company since there is expected to be insufficient future taxable profits and therefore utilisation is not probable.

35. Share capital and share options

Details of the Company's share capital and share options are set out in notes 22 and 25 to the consolidated financial statements as at 31 December 2015.

36. Headcount and costs

The Company does not have any employees.

37. Events after the reporting period

There are no known events after the date of the Balance sheet that require disclosure.

Financial Performance Measures

Use of non-IFRS measures

Dialog uses a range of measures to assess financial performance, to ensure performance is aligned to strategy and to ensure continued alignment with shareholders' interests. Certain of these measures are considered particularly important and are identified as 'key performance indicators' (KPIs). The KPIs identified by Dialog are revenue growth, gross margin, operating expenses as a percentage of revenue, operating profit growth, operating profit margin and diluted EPS. Dialog monitors these KPIs on both an IFRS basis and an underlying basis.

Underlying measures of profitability are non-IFRS measures because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS or are calculated using financial measures that are not calculated in accordance with IFRS.

We report underlying measures because they provide both management and investors with useful additional information about the underlying trading performance of the Group's businesses. We do not regard these non-IFRS measures as a substitute for, or superior to, the equivalent IFRS measures. Underlying measures used by Dialog may not be directly comparable with similarly-titled measures used by other companies.

Underlying measures exclude items that can have a significant effect on Dialog's profit or loss. Dialog compensates for these limitations by monitoring separately the items that are excluded from the equivalent IFRS measures in calculating these underlying financial measures.

Underlying measures presented by Dialog represent the equivalent IFRS measures adjusted for specific items that are considered by Dialog to hinder comparison of the financial performance of its businesses either from one period to another or with other similar businesses. During the periods presented, Dialog excluded from the underlying measures the following specific items of income and expense that were reported in accordance with IFRS:

- share-based compensation expense and related payroll taxes;
- the costs of aborted mergers with Atmel in 2015 and AMS AG in 2014;
- the costs of integrating acquired businesses;
- the following items arising from accounting for business combinations under IFRS:
    - acquisition-related costs;
    - the amortisation of intangible assets acquired in business combinations;
    - the additional depreciation expense arising from the initial recognition at fair value of the tangible assets held by acquired businesses;
    - the reversal of the increase in cost of sales arising from the initial recognition at fair value of the inventory held by an acquired business (which represents the profit attributable to the production effort embodied in that inventory);
    - the recognition in profit or loss of deferred revenue of acquired businesses and related cost of sales; and
    - changes in the fair value of contingent consideration payable;
- the difference between interest payable and the effective interest expense on financial liabilities;
- in 2014, a deferred tax credit that was recognised following the intra-group reorganisation of certain intellectual property following the acquisition of iWatt; and
- in 2013, receipt of a payment in connection with the insolvency of BenQ Corporation; and
- related income tax effects.

Reconciliations of the measures of underlying profitability used by Dialog to the equivalent IFRS measures for the years ended 31 December 2015, 2014 and 2013 are presented on pages 34 to 41.

Explanation of financial performance measures

Revenue growth

Dialog monitors revenue growth because the change in revenue from one period to another and the trend in revenue over time are important measures of the growth in Dialog's business. Revenue growth on an IFRS basis and on an underlying basis was as follows:

US$'000s unless stated otherwise	**2015**	2014	2013
IFRS measures			
Revenue in the period	**1,355,312**	1,156,105	901,380
Revenue in the comparative period	**1,156,105**	901,380	773,583
Revenue growth	**17.2%**	28.3%	16.5%
Underlying measures			
Revenue in the period	**1,355,312**	1,156,105	907,602
Revenue in the comparative period	**1,156,105**	907,602	773,583
Revenue growth	**17.2%**	27.4%	17.3%

Gross margin

Gross margin is gross profit expressed as a percentage of revenue. Dialog monitors gross margin because it provides a measure of the value added by Dialog to its products. Gross margin on an IFRS basis and on an underlying basis was as follows:

US$'000s unless stated otherwise	**2015**	2014	2013
IFRS measures			
Revenue	**1,355,312**	1,156,105	901,380
Gross profit	**624,804**	514,809	351,808
Gross margin	**46.1%**	44.5%	39.0%
Underlying measures			
Revenue	**1,355,312**	1,156,105	907,602
Gross profit	**632,344**	523,406	367,522
Gross margin	**46.7%**	45.3%	40.5%

Operating expenses as a percentage of revenue

Dialog monitors operating expenses as a percentage of revenue because it provides a measure of Dialog's effort in innovation and the efficiency of our operating structure. Operating expenses comprise selling, general and administrative (SG&A) expenses and research and development (R&D) expenses. Operating expenses as a percentage of revenue on an IFRS basis and on an underlying basis was as follows:

US$'000s unless stated otherwise	**2015**	2014	2013
IFRS measures			
Revenue	**1,355,312**	1,156,105	901,380
Operating expenses	**(366,217)**	(333,323)	(254,069)
Operating expenses as a percentage of revenue	**27.0%**	28.8%	28.2%
Underlying measures			
Revenue	**1,355,312**	1,156,105	907,602
Operating expenses	**(315,847)**	(295,618)	(229,454)
Operating expenses as a percentage of revenue	**23.3%**	25.6%	25.3%

Operating profit growth

Dialog monitors operating growth because the change in operating profit from one period to another and the trend in operating profit over time provides an important measure of the performance of our operations. Operating profit growth on an IFRS basis and on an underlying basis was as follows:

US$'000s unless stated otherwise	**2015**	2014	2013
IFRS measures			
Operating profit in the period	**259,746**	185,902	102,660
Operating profit in the comparative period	**185,902**	102,660	91,032
Operating profit growth	**39.7%**	81.1%	12.8%
Underlying measures			
Operating profit in the period	**317,656**	230,265	139,595
Operating profit in the comparative period	**230,265**	139,595	107,472
Operating profit growth	**38.0%**	65.0%	29.9%

Operating profit margin

Operating profit margin is operating profit expressed as a percentage of revenue. Dialog monitors operating profit margin because it provides a measure of the overall profitability of our operations. Operating profit margin on an IFRS basis and on an underlying basis was as follows:

US$'000s unless stated otherwise	**2015**	2014	2013
IFRS measures			
Revenue	**1,355,312**	1,156,105	901,380
Operating profit	**259,746**	185,902	102,660
Operating profit margin	**19.2%**	16.1%	11.4%
Underlying measures			
Revenue	**1,355,312**	1,156,105	907,602
Operating profit	**317,656**	230,265	139,595
Operating profit margin	**23.4%**	19.9%	15.4%

EBITDA and EBITDA margin

EBITDA is a non-IFRS measure that represents profit or loss for the period before net finance expense, income tax expense, depreciation and amortisation expenses and the gain or loss on the disposal of fixed assets and impairment charges. EBITDA margin is a non-IFRS measure that represents adjusted EBITDA expressed as a percentage of revenue. Dialog presents EBITDA and EBITDA margin because they are widely used by securities analysts, investors and other interested parties to evaluate the profitability of companies. EBITDA on an IFRS basis and on an underlying basis may be reconciled to net income profit as follows:

US$'000s unless stated otherwise	**2015**	2014	2013
IFRS measures			
Net income	**177,259**	138,079	62,204
Net finance expense	**4,907**	16,581	12,948
Income tax expense	**77,580**	31,242	27,508
Depreciation expense	**24,010**	22,144	18,581
Amortisation expense	**31,120**	33,431	28,646
(Gain)/loss on disposals	**1,751**	407	1,369
EBITDA	**316,627**	241,884	151,256
Underlying measures			
Net income	**238,377**	172,169	97,614
Net finance expense	**29**	7,312	4,013
Income tax expense	**79,250**	50,784	37,967
Depreciation expense	**24,010**	20,456	17,152
Amortisation expense	**16,096**	18,302	16,097
(Gain)/loss on disposals	**1,751**	407	1,369
EBITDA	**359,513**	269,430	174,212

EBITDA margin on an IFRS basis and on an underlying basis was as follows:

US$'000s unless stated otherwise	**2015**	2014	2013
IFRS measures			
Revenue	**1,355,312**	1,156,105	901,380
EBITDA	**316,627**	241,884	151,256
EBITDA margin	**23.4%**	20.9%	16.8%
Underlying measures			
Revenue	**1,355,312**	1,156,105	907,602
EBITDA	**359,513**	269,430	174,213
EBITDA margin	**26.5%**	23.3%	19.2%

Earnings per share (EPS)

Dialog monitors basic and diluted EPS on an IFRS basis and on an underlying basis. Dialog believes that underlying EPS measures are useful to investors in assessing the Group's ability to generate earnings and provide a basis for assessing the value of the Company's (for example, by way of price earnings multiples).

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

US$'000s	**2015**	2014	2013
IFRS measures			
Net income	**177,259**	138,079	62,204
Loss attributable to non-controlling interests	**(1,507)**	-	-
Earnings for calculating basic EPS	**178,766**	138,079	62,204
Effective interest on Convertible Bonds	**3,483**	10,279	-
Earnings for calculating diluted EPS	**182,249**	148,358	62,204
Underlying measures			
Net income	**238,376**	172,169	97,614
Loss attributable to non-controlling interests	**(1,507)**	-	-
Earnings for calculating basic EPS	**239,883**	172,169	97,614
Interest payable on Convertible Bonds	**503**	2,010	-
Earnings for calculating diluted EPS	**240,386**	174,179	97,614

Underlying and diluted EPS measures are calculated using the average number of shares that are used in calculating the equivalent measures under IFRS as presented in note 6 to the consolidated financial statements.

Basic and diluted EPS on an IFRS basis and on an underlying basis were as follows:

US$	**2015**	2014	2013
IFRS measures			
Basic EPS	**2.42**	2.05	0.95
Diluted EPS	**2.29**	1.93	0.92
Underlying measures			
Basic EPS	**3.25**	2.56	1.49
Diluted EPS	**3.02**	2.27	1.44

Accounting for business combinations

Dialog excluded from the underlying measures the following specific items arising from business combinations accounting under IFRS:

US$'000	2015	2014	2013
Acquisition-related costs	**18,843**	1,912	3,974
Amortisation of acquired intangible assets	**15,024**	15,129	12,548
Additional depreciation of tangible assets	**-**	1,688	1,429
Reversal of inventory fair value uplift	**-**	-	6,996
Recognition of deferred revenue (net of cost of sales)	**-**	-	3,903
Change in the fair value of contingent consideration payable	**3,375**	(1,939)	(3,249)
Increase in profit before tax	**37,242**	16,790	25,601
Income tax credit	**(1,027)**	(19,542)	(8,200)
Increase in net income	**36,215**	(2,752)	17,401

Reconciliation of underlying measures to equivalent IFRS measures

Reconciliations of the measures of underlying profitability used by Dialog to the equivalent IFRS measures for the years ended 31 December 2015, 2014 and 2013 are presented in the following tables.

Year ended 31 December 2015

US$'000	IFRS basis	Share-based compensation and related payroll taxes	Accounting for business combinations	Aborted merger costs	Integration costs	Effective interest	Underlying basis
Revenue	**1,355,312**	**-**	**-**	**-**	**-**	**-**	**1,355,312**
Gross profit	**624,804**	**940**	**6,600**	**-**	**-**	**-**	**632,344**
SG&A expenses	**(143,035)**	**10,287**	**11,061**	**17,604**	**176**	**-**	**(103,907)**
R&D expenses	**(223,182)**	**10,418**	**824**	**-**	**-**	**-**	**(211,940)**
Operating profit	**259,746**	**21,645**	**18,485**	**17,604**	**176**	**-**	**317,656**
Net finance expense	**(4,907)**	**-**	**-**	**1,153**	**-**	**3,724**	**(30)**
Income tax expense	**(77,580)**	**(492)**	**(1,027)**	**-**	**-**	**(151)**	**(79,250)**
Net income	**177,259**	**21,153**	**17,458**	**18,757**	**176**	**3,573**	**238,376**
EBITDA	**316,627**	**21,645**	**3,461**	**17,604**	**176**	**-**	**359,513**

Year ended 31 December 2014

US$'000	IFRS basis	Share-based compensation and related payroll taxes	Accounting for business combinations	Aborted merger costs	Integration costs	Effective interest	Intellectual property reorganisation	Underlying basis
Revenue	1,156,105	-	-	-	-	-	-	1,156,105
Gross profit	514,809	848	7,749	-	-	-	-	523,406
SG&A expenses	(119,515)	13,700	9,914	1,268	1,253	-	-	93,380
R&D expenses	(213,808)	10,504	1,066	-	-	-	-	202,238
Other operating income	4,416	-	(1,939)	-	-	-	-	2,477
Operating profit	185,902	25,052	16,790	1,268	1,253	-	-	230,265
Net finance expense	(16,581)	-	-	-	-	9,269	-	(7,312)
Income tax expense	(31,242)	-	(1,783)	-	-	-	(17,759)	(50,784)
Net income	138,079	25,052	15,007	1,268	1,253	9,269	(17,759)	172,169
EBITDA	241,884	25,052	(27)	1,268	1,253	-	-	269,430

Appendix to Financial Review
continued

Year ended 31 December 2013

US$'000	IFRS basis	Share-based compensation and related payroll taxes	Accounting for business combinations	Integration costs	Effective interest	BenQ settlement	Underlying basis
Revenue	901,380	-	7,073	-	-	(851)	907,602
Gross profit	351,808	686	15,864	15	-	(851)	367,522
SG&A expenses	(93,255)	4,990	11,923	2,772	-	-	(73,570)
R&D expenses	(160,814)	3,685	1,063	182	-	-	(155,884)
Other operating income	4,921	-	(3,249)	-	-	(145)	1,527
Operating profit	102,660	9,361	25,601	2,969	-	(996)	139,595
Net finance expense	(12,948)	-	-	-	8,935	-	(4,013)
Income tax expense	(27,508)	(1,582)	(8,200)	(638)	(322)	283	(37,967)
Net income	62,204	7,779	17,401	2,331	8,613	(713)	97,614
EBITDA	151,256	9,361	11,623	2,969	-	(996)	174,213

Technical glossary

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

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

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

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

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

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

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

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

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

Chips Electronic integrated circuits.

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

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

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

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

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

Foundry A manufacturing plant where silicon wafers are produced.

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

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

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

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

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

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

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

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

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

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

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

PMIC Power Management IC.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4G Wireless broadband standard.

Financial glossary

AGM Annual General Meeting.

CAGR Compound Annual Growth Rate, a method of assessing the average growth of a value over time.

Cash flow The primary purpose of a statement of cash flow is to provide relevant information about the cash receipts and cash payments of an enterprise during a period. It helps to assess the enterprise's ability to generate positive future net cash flows. A statement of cash flows shall explain the change in cash and cash equivalents during the period by classifying cash receipts and payments according to whether they stem from operating, investing or financing activities.

Cash flow from operating activities includes all transactions and other events that are not defined as investing or financing activities in paragraphs. Operating activities generally involve producing and delivering goods and providing services. Cash flows from operating activities are generally the cash effects of transactions and other events that enter into the determination of net income.

Comprehensive income The purpose of reporting comprehensive income is to report a measure of all changes in equity of an enterprise that results from recognised transactions and other economic events of the period other than transactions with owners such as capital increases or dividends. An example of items affecting comprehensive income is foreign currency translation adjustments resulting from the process of translating an entity's financial statements in a foreign currency into the reporting currency.

Corporate Governance The system by which business corporations are directed and controlled. The Corporate Governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the Board, managers, Shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the Company's objectives are set, and the means of attaining those objectives and monitoring performance.

Deferred taxes Deferred tax assets or liabilities are temporary differences between the tax basis of an asset or liability and its reported amount in the financial statements that will result in taxable or deductible amounts in future years when the reported amount of the asset or liability is recovered or settled, respectively.

Derivative financial instruments A financial instrument that derives its value from the price or expected price of an underlying asset (e.g. a security, currency or bond).

Dividends Payments made by a company to its shareholders. When the company earns a profit, that money can be put to two uses: it can either be reinvested in the business (called retained earnings) or it can be paid to the shareholders of the company as a dividend.

DTR The UK Disclosure and Transparency Rules implementing the provisions of the Transparency Directive.

EURIBOR The Euro Interbank Offered Rate is the rate at which euro interbank term deposits within the euro zone are offered by one prime bank to another prime bank.

Free-float The proportion of an issuer's share capital that is available for purchase in the public equity markets by investors.

Gross margin This is difference between revenues and cost of sales as presented in the statement of operations.

Impairment The condition that exists when the carrying amount of a long-lived asset exceeds its fair value (the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset).

IFRS ('International Financial Reporting Standards') Accounting standards generally to be used for financial years commencing on or after 1 January 2005 by all publicly listed European Union companies in compliance with the European Parliament and Council Regulation adopted in July 2002.

Prime Standard The new segmentation of the equity market of the German Stock Exchange comprises a Prime Standard segment in addition to the General Standard segment that applies the statutory minimum requirements. The Prime Standard segment addresses companies that wish to target international investors. These companies are required to meet high international transparency criteria, over and above those set out by the General Standard.

Restructuring charges Costs associated with an exit or disposal activity, e.g. termination benefits provided to employees that are involuntarily terminated.

Securities Debt securities are instruments representing a creditor relationship with an enterprise and includes government securities, corporate bonds, commercial paper and all securitised debt instruments. Available-for-sale securities are debt securities not classified as held to maturity or trading securities.

Shareholders' equity This reflects the investment of Shareholders in a Company. Shareholders' equity comprises ordinary shares, additional paid-in capital, retained earnings and accumulated other comprehensive income.

Stock option plans This refers to all agreements by an entity to issue shares of stock or other equity instruments to employees. Stock option plans provide employees the opportunity to receive stock resulting in an additional compensation based on future share price performance. The purpose of stock option plans is to motivate employees to increase Shareholder value on a long-term basis.

Total assets All current and non-current assets. Total assets equal total liabilities and Shareholders' equity.

Working capital The excess of current assets over current liabilities and identifies the relatively liquid portion of total enterprise capital that constitutes a margin or buffer for meeting obligations within the ordinary operating cycle of the business.

Advisers and corporate information

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Shares

Information on the Company's shares and on significant shareholdings can be found on page 64.

Registered office

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Website: www.dialog-semiconductor.com

Registered number

3505161

Financial calendar

Annual General Meeting	28 April 2016
Q1 2015 Results	4 May 2016
Q2 2015 Results	28 July 2016
Q3 2015 Results	3 November 2016
Preliminary results for 2016	February 2017

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Related undertakings

The Company's subsidiaries as at 31 December 2015 were as follows:

Name	Registered Address	Country
Avengers Acquisition Corporation	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, DE 19801	United States
Dialog Argo Holdings L.L.C.[1]	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, DE 19801	United States
Dialog Argo Holdings, Inc.	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, DE 19801	United States
Dialog Semiconductor (Italy) S.R.L.	Via Gaetano D'Alesio No.2, 57126, Livorno	Italy
Dialog Semiconductor (Shenzhen) Limited [1] (formerly iWatt Integrated Circuits (Shenzhen) Limited)	Room 1009-10, Chang Hong Science and Technology Building, South 12 Road, Southern District in High-tech Zone, Nan Shan District, Shenzhen	China
Dialog Semiconductor (UK) Limited	Tower Bridge House, St Katharine's Way, London, E1W 1AA	United Kingdom
Dialog Semiconductor Araştırma Geliştirme ve Ticaret Anonim Şirketi	Istanbul Technical University, Ayazaga Campus, ARI 6 Building, Maslak, Istanbul, 34469	Turkey
Dialog Semiconductor B.V.	Het Zuiderkruis 53, 5215 MV's-Hertogenbosch	Netherlands
Dialog Semiconductor Finance B.V.	Het Zuiderkruis 53, 5215 MV's-Hertogenbosch	Netherlands
Dialog Semiconductor Finance L.L.C.	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, DE 19801	United States
Dialog Semiconductor GmbH	Neue Strasse 95, 73230 Kirchheim unter Teck-Nabern	Germany
Dialog Semiconductor Hellas Societe Anonyme of Integrated Circuits[1]	Megaro Xenia, Achilleos 8 & Lambrou Katsoni, Kallithea, Athens, 17674	Greece
Dialog Semiconductor Hong Kong Limited[1]	Level 54, Hopewell Centre, 183 Queen's Road East	Hong Kong
Dialog Semiconductor Inc.	Corporation Trust Centre, 1209 Orange Street, Wilmington, New Castle, DE 19801	United States
Dialog Semiconductor K.K.	Kamiyacho MT Building 16F, 4-3-20 Toranomon, Minato-ku, Tokyo, 105-0001	Japan
Dialog Semiconductor Operations Services Limited	Tower Bridge House, St Katharine's Way, London, E1W 1AA	United Kingdom
Dialog Semiconductor Plc	Tower Bridge House, St Katharine's Way, London, E1W 1AA	United Kingdom
Dialog Semiconductor Trading (Shanghai) Limited [1]	Room 503,505, Building 1, No. 1535, Hongmei Road, Shanghai, 200233	China
Dyna Image Corporation	8F., No.233-2, Baoqiao Rd., Xindian Dist., New Taipei City, 23145	Taiwan
IKOR Acquisition Corporation[1]	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, DE 19801	United States
iWatt B.V. [1]	Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam	Netherlands
iWatt Cayman [1]	PO Box 309, Ugland House, Grand Cayman, KY1-1104	Cayman Islands
iWatt Coöperatief U.A.[1]	Luna Arena, Herikerbergweg 238, 1101 CM Amsterdam	Netherlands
iWatt HK Limited [1]	Units 515-517, 5/F., Building 12W, No.12, Science Park West Avenue, Phase Three, Hong Kong Science Park, Pak Shek Kok, N.T.	Hong Kong
iWatt Integrated Circuits Technology (Tianjin) Limited [1]	Rooms 2701-2, No. 2 Building, TEDA Service Outsourcing Industrial Park, No. 19 XinHuanxi West Road, TEDA, Tianjin, 300457	China
iWatt L.L.C.[1]	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle DE 19801	United States
iWatt MFG HK Limited [1]	Rooms 2702-3, 27th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wan Chai	Hong Kong
Powerventure Semiconductor Limited	Tower Bridge House, St Katharine's Way, London, E1W 1AA	United Kingdom

(1) Held indirectly
All subsidiaries are wholly-owned except Dyna Image Corporation in which the company has a 45.7% shareholding. The Company had no other related undertakings as at December 2015.

Branches and representative offices

Name	Entity Type	Registered Address	Country
Dialog Semiconductor (UK) Limited Korea Branch	Branch Office	6 FL, Deokmyeong Building 625, Teheran-ro, Gangnam-gu, Seoul	Korea
Dialog Semiconductor GmbH Austria Branch	Branch Office	Kärntner Strasse 518, 8054 Graz-Seiersberg	Austria
Dialog Semiconductor GmbH Singapore Branch	Branch Office	51 Anson Road, #12-51 Anson Centre, Singapore 079904	Singapore
Dialog Semiconductor GmbH Taiwan Branch	Branch Office	7F., No.392, Ruiguang Rd., Neihu Dist., Taipei City 114	Taiwan
Dialog Semiconductor Operations Services Limited Korea Branch	Branch Office	6 FL, Deokmyeong Building 625, Teheran-ro, Gangnam-gu, Seoul	Korea
Dialog Semiconductor Operations Services Limited Thailand Representative Office	Representative Office	26th Floor, Sathorn City Tower, 175 South Sathorn Road, Thungmahamek, Sathorn,10120 Bangkok	Thailand
Dialog Semiconductor Operations Services Limited, Taiwan Branch	Branch Office	7F., No.392, Ruiguang Rd., Neihu Dist., Taipei City 114	Taiwan
iWatt HK Limited Korea Branch	Branch Office	6 FL, Deokmyeong Building 625, Teheran-ro, Gangnam-gu, Seoul	Korea
iWatt HK Limited Taiwan Representative Office (de-registered 08/06/2015)	Representative Office		Taiwan
iWatt Integrated Circuits Technology (Tianjin) Limited Beijing Branch	Branch Office	Room 902-904, Zhong Guan Cun Crowne Palza Office Building, No. 106 ZhiChun Road, Haidian District, Beijing 100086	China
Powerventure Semiconductor Limited, Taiwan Branch	Branch Office	7F., No. 1, Taiyuan 1st St., Zhubei City, Hsinchu County 302	Taiwan

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