

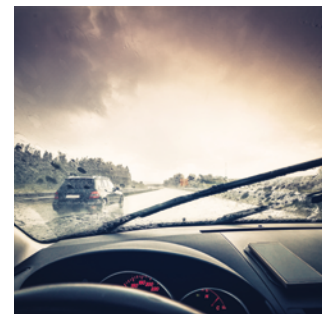
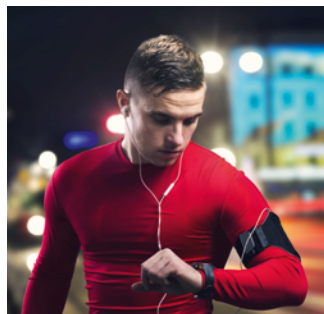
# Innovation for a connected world

Dialog Semiconductor Plc  
Interim report – Q1 2021



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## Interim report – Q1 2021

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## Press release – 12 May 2021

### Dialog Semiconductor reports results for the first quarter ended 2 April 2021

**Q1 2021 revenue at US\$366 million, up 47% year-on-year. Underlying operating profit at US\$79.2 million, more than doubled year-on-year. Revenue excluding legacy licensed PMICs was up 61% year-on-year.**

London, UK, 12 May 2021 – Dialog Semiconductor Plc (XETRA: DLG) today reports unaudited results for the first quarter ended 2 April 2021.

US\$ millions unless stated otherwise	IFRS basis (unaudited)		Underlying basis <sup>1</sup> (unaudited)		
	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Change
Revenue	<b>365.9</b>	248.5	<b>365.9</b>	248.5	+47%
Gross margin	<b>49.7%</b>	49.8%	<b>50.0%</b>	50.4%	-40bps
Operating expenses <sup>2</sup>	<b>146.8</b>	114.8	<b>105.2</b>	95.2	+11%
Operating profit	<b>36.6</b>	17.5	<b>79.2</b>	33.0	+140%
Operating margin	<b>10.0%</b>	7.0%	<b>21.6%</b>	13.3%	+830bps
Diluted EPS	<b>\$0.36</b>	\$0.19	<b>\$0.89</b>	\$0.39	128%
Free cash flow	<b>N/A</b>	N/A	<b>9.9</b>	(59.0)	nm

<sup>1</sup> Underlying measures and free cash flow quoted in this Press Release are non-IFRS measures (see page 31).

<sup>2</sup> Comprising SG&A and R&D expenses.

#### Q1 2021 Financial highlights

- Revenue of US\$366 million, including acquisitions, 47% above Q1 2020.
- Strength across the product portfolio with revenue excluding legacy licensed main Power Management ICs (“PMICs”) up 61% year-on-year.
- Gross margin at 49.7% (Q1 2020: 49.8%), and underlying gross margin at 50.0% (Q1 2020: 50.4%).
- Operating profit of US\$36.6 million (Q1 2020: US\$17.5 million), and underlying operating profit of US\$79.2 million (Q1 2020: US\$33.0 million).
- Diluted EPS of US\$0.36 (Q1 2020: US\$0.19) and underlying diluted EPS of US\$0.89 (Q1 2020: US\$0.39).
- Q1 2021 cash flow from operating activities of US\$26.0 million (Q1 2020: cash outflow US\$49.0 million) which included US\$25 million recoupment of the prepayment relating to the license agreement.
- On 8 February 2021, Dialog reached agreement on the terms of a recommended acquisition by Renesas Electronics Corporation (“Renesas”) of the entire issued and to be issued ordinary share capital of the Company (the “Acquisition”). Under the terms of the Acquisition, Dialog shareholders will be entitled to receive €67.50 in cash per Dialog share at completion.
- Subsequent to quarter end, on 9 April 2021, at the Court Meeting and the Dialog General Meeting in connection with the recommended cash offer made by Renesas, all the resolutions proposed were passed by the requisite majorities.

#### Q1 2021 Operational highlights

- Continued design-in momentum at our largest customers for the development and supply of several mixed-signal integrated circuits. We have made significant progress on a number of designs scheduled for 2022 production.
- Strong operational performance despite evolving lockdown restrictions.
- Revenue from new mixed-signal products in Custom Mixed Signal business segment from our largest customer was up 38% year-on-year.
- Q1 2021 revenue from Advanced Mixed Signal segment up 57% year-on-year driven by strong demand for Configurable Mixed-signal ICs (“CMICs”) and backlighting products.
- In Q1 2021 we expanded our GreenPAK™ family, with the new Nanoamp device the SLG46811, the first GreenPAK IC to incorporate configurable op amp functionality. This device allows designers to create, simulate and prototype their own unique sophisticated analog ICs in minutes at a lower cost than a discrete component implementation.
- Q1 2021 revenue in Connectivity & Audio segment up 64% mostly driven by strong demand for audio products.
- During Q1 2021, industry-wide capacity constraints continued to impact our ability to meet incremental customer demand.

#### Update on COVID-19

Throughout the pandemic, our main focus has been to protect the health and wellbeing of our employees and business partners. As lockdown restrictions continue to evolve and change, we are following applicable Health and Safety guidelines and where appropriate, opening our offices, albeit at a low capacity. We continued to maintain a minimal staff presence in our test labs, where required, and adhered to recommended safe working practices. Our supply chain has remained stable with tightness in supply of certain products and most suppliers continued to operate at full capacity. Customer engagements continued to be effectively managed remotely and we continue to make good progress.

Our business remains resilient. Our fabless business model and the strength of our balance sheet provide us with financial resilience and operational flexibility to navigate the current circumstances.

## Press release – 12 May 2021 continued

### Q1 2021 Financial overview

Revenue increased 47% over Q1 2020 at US\$366 million due to strong performance across the product portfolio. Excluding the contribution of Adesto, revenue was 37% above Q1 2020. In particular, sales growth of PMICs, CMICs, audio, and Bluetooth® low energy (“BLE”) was driven by the continuing strength of consumer demand for headphones, fitness trackers, digital watches, notebooks, and tablets. Group revenue excluding legacy licensed main PMICs was up 61% year-on-year.

Gross margin was 49.7%, 10 bps below Q1 2020 (Q1 2020: 49.8%). Underlying gross margin was 50.0% 40bps below Q1 2020 (Q1 2020: 50.4%). This decrease was mainly the result of revenue mix.

Operating expenses (“OPEX”), comprising SG&A and R&D expenses, in Q1 2021 were 28% higher than in Q1 2020, representing 40.1% of revenue (Q1 2020: 46.2%). The increase in OPEX was mainly due to the acquisition of Adesto, and costs related to the recommended acquisition by Renesas. In Q1 2021, we incurred US\$9.5 million related to the Renesas transaction and US\$0.9 million integration costs related to the acquisition of Adesto. Underlying OPEX in Q1 2021 was 11% above Q1 2020 (Q1 2020: US\$95.2 million), representing 28.8% of revenue (Q1 2020: 38.3%). The increase in underlying OPEX was mainly driven by the additional OPEX from Adesto.

In Q1 2021, the Company continued to make good progress on the execution of the planned cost synergies. This aims to improve efficiency, protect profitability, and strengthen cash flow generation.

R&D expenses were 13% above Q1 2020 representing 22.3% of revenue (Q1 2020: 29.1%). Underlying R&D expenses in Q1 2021 were 9% above Q1 2020 representing 19.1% of revenue (Q1 2020: 25.9%). The increase in R&D and underlying R&D expenses was mainly due to the acquisition of Adesto as well as continuing investment in future growth.

SG&A expenses in Q1 2021 were 54% higher than in Q1 2020, representing 17.8% of revenue (Q1 2020: 17.1%). Underlying SG&A expenses in Q1 2021 were 14% above Q1 2020 representing 9.7% of revenue (Q1 2020: 12.4%). The increase in SG&A and underlying SG&A expenses was mainly the result of additional expenses from the acquisition of Adesto.

In Q1 2021, other operating income and underlying operating income, which comprised income from R&D contracts, were below Q1 2020 at US\$1.5 million (Q1 2020: US\$8.5 million and US\$3.1 million respectively).

Operating profit in Q1 2021 was US\$36.6 million, 109% above Q1 2020 (Q1 2020: US\$17.5 million), mainly due to the higher revenue and partially offset by the incremental operating expenses from the acquisition of Adesto. Underlying operating profit was 140% above Q1 2020, at US\$79.2 million (Q1 2020: US\$33.0 million) driven by the increase in revenue offsetting additional operating expenses from the acquisition of Adesto.

The effective tax rate in Q1 2021 was 29.2% (Q1 2020: 30.4%). Our relatively high effective tax rates for Q1 2021 and Q1 2020 are principally due to the distorting effect on our income tax expense of the tax and accounting treatments of share-based compensation and business combinations. The underlying effective tax rate in Q1 2021 was 19.6%, down 10bps on the Q1 2020 underlying effective tax rate of 19.7%.

In Q1 2021, net income was US\$26.1 million, 92% above Q1 2020 (Q1 2020: US\$13.6 million). This increase was mostly due to the increase in operating profit. Underlying net income was US\$63.9, 128% higher year-on-year mainly driven by the same factor.

Diluted EPS in Q1 2021 was 89% above Q1 2020 at US\$0.36 (Q1 2020: US\$0.19). Underlying diluted EPS in Q1 2021 was 128% higher year-on-year to US\$0.89 (Q1 2020: US\$0.39).

At the end of Q1 2021, our total inventory level was US\$143 million, 10% below the previous quarter. This is equivalent to 70 days of inventory representing a 6-day increase in our days of inventory from Q4 2020, mainly due to the lower revenue.

At the end of Q1 2021, we held cash and cash equivalents of US\$534 million (Q1 2020: US\$965 million). The year-on-year movement was mostly due to the acquisition of Adesto. Cash flow from operating activities in Q1 2021 was US\$26.0 million which was above Q1 2020 (Q1 2020: outflow of US\$49.0 million). The year-on-year movement was mainly due to higher cash generated from operations and working capital. In Q1 2021, the Group generated free cash flow of US\$9.9 million, which was above Q1 2020 (Q1 2020: outflow of US\$59.0 million) due to the higher cash flow from operating activities. At the end of the quarter, the remaining principal amount of the US\$300 million prepayment from our largest customer that is outstanding was US\$50.0 million.

Subject to obtaining the necessary approvals and satisfying the other closing conditions, it is expected that the acquisition of the entire issued and to be issued share capital of the Company by Renesas Electronics Corporation, will become effective during the second half of 2021.

### Q1 2021 Segmental overview

Dialog is a fabless semiconductor company primarily focused on the development of highly integrated mixed-signal products for consumer electronics and other high-growth markets. Our highly skilled engineers, partnership approach, operational flexibility, and the quality of our products are sources of competitive advantage. Our primary end markets are consumer markets such as IoT, Computing, and Mobile. The increasing adoption of standard technologies, such as Bluetooth® low energy or LED lighting, and the expansion of high-performance processors into infotainment systems, have contributed to the expansion of our presence in the automotive segment. The acquisitions of Creative Chips and Adesto have enabled our expansion in the growing Industrial IoT market. Our ambition is to build a vibrant mixed-signal business, with a balanced end market exposure, on innovative low power products which enable our customers to get to market fast.

## Underlying results by segment

US\$ millions unless stated otherwise	Revenue			Operating profit/(loss)		Operating margin	
	Q1 2021	Restated* Q1 2020	Change	Q1 2021	Restated* Q1 2020	Q1 2021	Restated* Q1 2020
Custom Mixed Signal	<b>187.8</b>	147.9	+27%	<b>52.6</b>	29.8	<b>28.0%</b>	20.1%
Advanced Mixed Signal	<b>80.8</b>	51.5	+57%	<b>12.1</b>	0.1	<b>15.0%</b>	0.1%
Connectivity & Audio	<b>57.0</b>	34.7	+64%	<b>8.6</b>	(3.3)	<b>15.1%</b>	(9.3)%
Industrial IoT	<b>31.0</b>	5.5	nm	<b>(0.8)</b>	0.3	<b>(2.6)%</b>	6.2%
Total Segments	<b>356.6</b>	239.6	+49%	<b>72.5</b>	26.9	<b>20.3%</b>	11.2%
Corporate and other unallocated items	<b>9.3</b>	8.9	+5%	<b>6.7</b>	6.1	<b>71.7%</b>	68.4%
Total Group	<b>365.9</b>	248.5	+47%	<b>79.2</b>	33.0	<b>21.6%</b>	13.3%

\* Restated to reflect the segment reorganisation (see page 6).

### Custom Mixed Signal (CMS)

In Q1 2021, underlying revenue was US\$188 million, 27% above Q1 2020 due to growth in new mixed-signal products as well as in certain legacy licensed main PMICs. Revenue in CMS from our largest customer's products excluding legacy licensed PMICs was up 38% year-on-year to US\$102.9 million (Q1 2020: US\$74.4 million). Underlying operating profit for CMS increased 77% year-on-year to US\$52.6 million, mainly due to the higher revenue.

During the quarter, we continued to receive requests for quotations from a range of tier one customers, for new custom designs to be launched in 2022 and beyond in diverse areas of power, battery management, display, and audio technologies.

There is a growing market opportunity for next generation battery management solutions, capable of supporting higher wattage chargers, safe and short charging times, as well as secondary charging from phones to other devices. Dialog is well positioned to capitalise on this opportunity, with a range of products built on our strong expertise in the design of mixed-signal and power-efficient ICs, meeting the requirements of a wide range of customers in mobile and consumer IoT end markets. We are currently engaged with the top mobile OEMs, with standard battery management products shipping since Q3 2020 and we expect revenue from high-volume contracts to begin with new smartphones in the second half of 2021.

In parallel, we continue to leverage our power management technology into new markets and geographies through the expansion of our platform reference designs. The collaborations with Renesas, Xilinx, and Telechips strengthen Dialog's presence in the automotive segment, in particular, Intelligent In-Vehicle Infotainment and ADAS. We have over 100 automotive customer engagements, most of which are expected to go into production over the next three years.

### Advanced Mixed Signal (AMS)

During Q1 2021, underlying revenue increased by 57% from Q1 2020 mainly due to a strong recovery in demand and design-in momentum for backlighting products as well as a strong performance of CMICs. Underlying operating profit was US\$12.1 million (Q1 2020: US\$ 0.1 million) mainly driven by the higher revenue and product mix.

Dialog has successfully maintained a commanding share in the high power delivery rapid charge market through a combination of differentiated technology, speed of execution and wide support of rapid charge products, leading the industry in high power density AC/DC chargers.

Our broad product portfolio, which includes LED backlighting and LED driver ICs, and proprietary digital control technology for power conversion, enables high quality solutions at a low cost. We are engaged with tier one customers in the high-end TV market and we are seeing a gradual expansion of our customer base in mobile and automotive display markets with medium term opportunities.

Dialog's configurable technology, including the highly successful GreenPAK™ product family, has become established as the leading choice in the market. Low power consumption and in-system programming enables customers to rapidly customise and integrate multiple analog, logic, and discrete components into a single chip. Earlier in the year we launched a high-voltage GreenPAK™ product, ideal for consumer and industrial motor applications. In addition, we launched a new update for the GreenPAK™ Designer software package containing simulation capabilities which will further reduce development time and simplify the design process across the entire GreenPAK™ portfolio. During Q1 2021, we launched a new member of the GreenPAK™ family, the SLG46811, the smallest, cost effective GreenPAK device to include an I2C communication interface, allowing engineers to create more complex and compact digital projects. The expansion of the GreenPAK™ product range within the last 12 months will further accelerate its adoption across a wider range of applications, such as automotive as well as smartphone cameras. Our growing range of configurable products gives our customers the flexibility to keep pace with rapidly changing market needs. The CMIC, along with other members of the GreenPAK™ family, replaces dozens of components in a wide range of applications to optimize flexibility, footprint, and a reduction of the bill of materials.

## Press release – 12 May 2021 continued

### Connectivity and Audio (C&A)

During Q1 2021, underlying revenue grew 64% from Q1 2020 mainly due to higher revenue from audio products and BLE. Underlying operating profit in the quarter was significantly above Q1 2020 at US\$8.6 million (Q1 2020: operating loss of US\$3.2 million) and operating margin was 15.1%. We continue to invest in the development of new BLE and audio products to take advantage of market opportunities and position the segment for higher revenue growth and profitability over the coming years.

Revenue from our SmartBond™ BLE System-on-Chip (“SoC”) was 81% above Q1 2020, as a result of increased demand from customers in Asia. Following the launch of SmartBond TINY™ and the SmartBond TINY™ module, we launched our first combo Wi-Fi and BLE module, the DA16200 SoC. This offering was purpose built for battery-powered IoT applications, including connected door locks, thermostats, security cameras and other devices that require an “always on” Wi-Fi connection. Its VirtualZero™ technology enables the industry’s lowest level of power consumption for Wi-Fi connectivity, so that even continuously connected devices can achieve up to five years of battery life in many use cases. Highly integrated, the SmartBond™ SoC family delivers the smallest, most power efficient BLE solutions available – and enables the lowest system costs.

In Q1 2021, the combined revenue from new audio products and Codecs more than quadrupled year-on-year. The C&A Segment is targeting the rapidly-growing consumer wireless headset market with our SmartBeat™ wireless audio IC. This technology enables a new immersive headset experience and supports both wired USB 3.0 Type-C™ and Bluetooth® based consumer headsets. Our product portfolio targeting the headset market also includes a family of highly-integrated audio codec chips that deliver best-in-class active noise cancellation, providing optimal audio performance in any environment.

### Industrial IoT

In Q4 2020, we reorganised the Group’s structure bringing together the businesses from Adesto and Creative Chips into a new segment named Industrial IoT.

In Q1 2021, underlying revenue was US\$31.0 million and there was an underlying operating loss of US\$0.8 million. During the quarter we continued to make good progress on the integration of Adesto and we expect it to be completed by the end of 2021.

Our technology enables seamless connectivity of heterogeneous systems in an industrial environment to the cloud for building and industrial automation. Non-volatile memory (“NVM”) is a key component of many system designs and our wide range of NVM products offer an array of features designed to help tune and optimize our customers’ systems. Together with its mixed-signal and RF design team, as well as world-class technology and intellectual property, we bring an innovative product portfolio to thousands of customers worldwide across the industrial, consumer, medical, and communications markets.

Our SmartServer IoT Partner Program gives Systems Integrators and OEM Solutions Providers access to Dialog’s SmartServer IoT edge server and open software suite, including freely available integration tools and APIs, certified training, and premium support. This accelerates secure, scalable integration of IoT edge devices and networks with cloud platforms and Operational Technologies (OT) found in smart factories, buildings and cities.

On 26 April 2021, we launched the AT25EU family of SPI NOR Flash devices, to support the development of power-conscious, size-constrained connected devices. The AT25EU focuses on achieving the lowest power consumption and the fastest operation in order to achieve the lowest energy.

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The full release including the Company’s unaudited consolidated financial statements for the quarter ended 2 April 2021 is available under the investor relations section of the Company’s website at:

<https://www.dialog-semiconductor.com/investor-relations/results-center>

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## For further information please contact:

### Dialog Semiconductor

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

### FTI Consulting London

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

### FTI Consulting Frankfurt

Katharina Tengler  
T: +49 (0)69 92037 118  
katharina.tengler@fticonsulting.com

## About Dialog Semiconductor

Dialog Semiconductor is a leading provider of integrated circuits (ICs) that power mobile devices and the Internet of Things. Dialog solutions are integral to some of today's leading mobile devices and the enabling element for increasing performance and productivity on the go. From making smartphones more power efficient and shortening charging times, enabling home appliances to be controlled from anywhere, to connecting the next generation of wearable devices, Dialog's decades of experience and world-class innovation help manufacturers get to what's next. Dialog operates a fabless business model and is a socially responsible employer pursuing many programs to benefit employees, the community, other stakeholders and the environment we operate in. Dialog's power saving technologies including DC-DC configurable system power management deliver high efficiency and enhance the consumer's user experience by extending battery lifetime and enabling faster charging of their portable devices. Its technology portfolio also includes audio, Bluetooth® Low Energy, Rapid Charge™ AC/DC power conversion and multi-touch. Dialog Semiconductor Plc is headquartered in London with a global sales, R&D and marketing organisation. It currently has approximately 2,300 employees worldwide. In 2020, it had approximately US\$ 1.38 billion in revenue. The company is listed on the Frankfurt (XETRA: DLG) stock exchange (Regulated Market, Prime Standard, ISIN GB0059822006).

## Forward Looking Statements

Forward Looking Statements This press release contains "forward-looking statements" that reflect management's current views with respect to future events. The words "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "project" and "should" and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties, including, but not limited to: the global effects of the COVID-19 pandemic generally and on the semiconductor markets and supply chain specifically; an economic downturn in the semiconductor and telecommunications markets; changes in currency exchange rates and interest rates, the timing of customer orders and manufacturing lead times, insufficient, excess or obsolete inventory, the impact of competing products and their pricing, political risks in the countries in which we operate or sale and supply constraints. If any of these or other risks and uncertainties occur (some of which are described under the heading "Managing risk and uncertainty" in Dialog Semiconductor's most recent Annual Report) or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. We do not intend or assume any obligation to update any forward-looking statement which speaks only as of the date on which it is made, however, any subsequent statement will supersede any previous statement.



## Financial review

### Basis of preparation

#### Interim financial statements

The interim financial statements of Dialog Semiconductor Plc (“the Company”) and its subsidiaries (together “Dialog” or “the Group”) for the three months ended 2 April 2021 are set out in Section 2 of this Interim Report.

The interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union.

The Group’s significant accounting policies are unchanged compared with the year ended 31 December 2020 (see pages 129 to 136 of our Annual Report and Accounts 2020).

The interim financial statements are unaudited but have been reviewed by the Company’s auditor, Deloitte LLP, whose review report is set out on page 12.

#### Non-IFRS measures

Underlying measures of profitability and free cash flow quoted in the Financial Review are non-IFRS measures.

Reconciliations of these measures to the nearest equivalent IFRS measures on a consolidated basis are presented in Section 3 of this Interim Report.

### Proposed acquisition of Dialog by Renesas

On 8 February 2021, the Directors of the Company and Renesas Electronics Corporation (“Renesas”), a supplier of advanced semiconductor solutions, announced that they have reached agreement on the terms of the acquisition of the entire issued and to be issued share capital of the Company for €67.50 per share in cash, representing a total equity value of approximately €4.9 billion (US\$5.9 billion).

Renesas is incorporated in Japan and its shares are listed on the Tokyo Stock Exchange. With an extensive portfolio of microcontrollers, analog, power and SoC products, Renesas provides the expertise, quality and comprehensive solutions for a broad range of automotive, industrial, home electronics, office automation and ICT applications.

It is intended that the acquisition will be effected by means of a scheme of arrangement under the UK Companies Act 2006, as set out in the Scheme Document published on 8 March 2021. On 9 April 2021, the transaction was approved by the Company’s shareholders. Completion of the transaction remains subject to approval of the scheme of arrangement by the court in England & Wales, regulatory approvals in a number of jurisdictions and other customary closing conditions. Subject to obtaining the necessary approvals and satisfying the other closing conditions, it is expected that the acquisition will become effective during the second half of 2021.

During Q1 2021, we recognised initial transaction costs totalling US\$9.5 million (within general and administrative expenses). As shown in the Scheme Document, we expect to incur significant additional fees and expenses in relation to the transaction.

### Results of operations

#### Segment reorganisation

We acquired Creative Chips in November 2019 and initially managed it as the Industrial Mixed Signal business unit within Custom Mixed Signal. We acquired Adesto at the beginning of the third quarter of 2020 and initially managed the business on a stand-alone basis and reported its results separately to the Management Team.

During the fourth quarter of 2020, we changed our internal reporting structure, bringing together Adesto and the Industrial Mixed Signal business unit to form a single operating segment that we named Industrial IoT. Details of the changes were set out in note 32 to the consolidated financial statements included in our Annual Report and Accounts 2020.

In the analysis of the Group’s results by reporting segment presented below, comparative information for Q1 2020 has been restated to reflect the segment reorganisation and the comparative amounts for Industrial IoT include no contribution from Adesto.

### Results by reporting segment (unaudited)

US\$ millions unless stated otherwise	Underlying revenue			Underlying operating profit/(loss)	
	Q1 2021	Q1 2020*	Change	Q1 2021	Q1 2020*
Q1 2021 compared with Q1 2020					
Custom Mixed Signal	<b>187.8</b>	147.9	+27%	<b>52.6</b>	29.8
Advanced Mixed Signal	<b>80.8</b>	51.5	+57%	<b>12.1</b>	0.1
Connectivity & Audio	<b>57.0</b>	34.7	+64%	<b>8.6</b>	(3.3)
Industrial IoT	<b>31.0</b>	5.5	nm	<b>(0.8)</b>	0.3
Total segments	<b>356.6</b>	239.6	+49%	<b>72.5</b>	26.9
Corporate and other unallocated items	<b>9.3</b>	8.9	+5%	<b>6.7</b>	6.1
Total Group	<b>365.9</b>	248.5	+47%	<b>79.2</b>	33.0

\* Restated to reflect the segment reorganisation.



## Analysis by reporting segment

**Custom Mixed Signal's** revenue was US\$187.8 million in Q1 2021 compared with US\$147.9 million in Q1 2020, an increase of 27%. Revenue increased principally due to demand for our new mixed-signal products, and also benefited from higher sales of legacy licensed main PMICs used on certain of our largest customer's platforms.

Revenue from our largest customer excluding legacy licensed main PMICs increased by 38% to US\$102.9 million in Q1 2021 compared with US\$74.3 million in Q1 2020.

Custom Mixed Signal's underlying operating profit was US\$52.6 million compared with US\$29.8 million in Q1 2020. Underlying operating profit increased principally due to higher sales volumes and also benefited from lower R&D expenses. Underlying operating margin was 28.0% compared with 20.1% in Q1 2020.

**Advanced Mixed Signal's** revenue was US\$80.8 million in Q1 2021 compared with US\$51.5 million in Q1 2020, an increase of 57%. Revenue increased principally due to higher sales of CMICs and the strong recovery in sales of backlighting ICs compared with Q1 2020.

Advanced Mixed Signal's underlying operating profit was US\$12.1 million in Q1 2021 compared with US\$0.1 million in Q1 2020. Underlying operating profit increased principally due to higher sales volumes, though this was partially offset by higher R&D expenses and lower customer contributions to product development costs. Underlying operating margin was 15.0% compared with 0.1% in Q1 2020.

**Connectivity & Audio's** revenue was US\$57.0 million in Q1 2021 compared with US\$34.7 million in Q1 2020, an increase of 64% that principally reflected higher sales of Bluetooth® low energy and new audio products.

Connectivity & Audio's underlying operating profit was US\$8.6 million compared with a loss of US\$3.3 million in Q1 2020, with the improvement reflecting the higher sales volumes and only a slight increase in operating expenses. Underlying operating margin was 15.1% compared with (9.3)% in Q1 2020.

**Industrial IoT's** revenue was US\$31.0 million in Q1 2021 compared with US\$5.5 million in Q1 2020, with the increase principally reflecting the addition of Adesto.

Industrial IoT incurred an underlying operating loss of US\$0.8 million compared with a profit of US\$0.3 million in Q1 2020. Underlying operating margin was (2.6)% compared with 6.2% in Q1 2020.

**Corporate and other unallocated items** comprise the costs of operating central corporate functions and certain other unallocated items.

Corporate and other unallocated items represented an underlying operating profit of US\$6.7 million in Q1 2021 compared with US\$6.1 million in Q1 2020, with the improvement reflecting a slight increase to US\$9.3 million in the revenue recognised on the effective IP licence granted to Apple in 2019.

## Analysis of the Group's results

**Revenue** was US\$365.9 million in Q1 2021 compared with US\$248.5 million in Q1 2020, an increase of 47% that reflected a higher demand for our products in each of our established segments and the addition of Adesto in Industrial IoT. Excluding the contribution of Adesto, revenue was 37% higher than in Q1 2020.

**Cost of sales** was US\$184.0 million in Q1 2021 compared with US\$124.7 million in Q1 2020, with the increase principally reflecting higher sales volumes.

**Gross profit** was US\$181.9 million in Q1 2021 compared with US\$123.8 million in Q1 2020. Gross margin was broadly unchanged at 49.7% compared with 49.8% in Q1 2020.

Underlying gross profit was US\$182.9 million compared with US\$125.1 million in Q1 2020, an increase of 46%. Underlying gross margin was 40 basis points lower at 50.0% compared with 50.4% in Q1 2020.

Underlying gross profit excludes share-based compensation and related expenses of US\$1.0 million (Q1 2020: US\$0.6 million) and, in Q1 2020, the consumption of the fair value uplift on acquired inventory of US\$0.7 million.

**Selling and marketing expenses** were US\$29.8 million in Q1 2021 compared with US\$23.2 million in Q1 2020, the increase being principally due to the acquisition of Adesto.

Underlying selling and marketing expenses increased to US\$20.1 million compared with US\$16.8 million in Q1 2020, but declined to 5.5% of the Group's revenue compared with 6.8% in Q1 2020.

Underlying selling and marketing expenses exclude share-based compensation and related expenses totalling US\$2.7 million (Q1 2020: US\$1.6 million) and amortisation of US\$7.0 million (Q1 2020: US\$4.8 million) on the fair value uplift of acquired intangible assets.

## Summary of the Group's results (unaudited)

US\$ millions unless stated otherwise	IFRS basis		Underlying basis*		Change
	Q1 2021	Q1 2020	Q1 2021	Q1 2020	
Revenue	<b>365.9</b>	248.5	<b>365.9</b>	248.5	+47%
Gross margin	<b>49.7%</b>	49.8%	<b>50.0%</b>	50.4%	-40bps
Operating expenses	<b>146.8</b>	114.8	<b>105.2</b>	95.2	+11%
Operating profit	<b>36.6</b>	17.5	<b>79.2</b>	33.0	+140%
Operating margin	<b>10.0%</b>	7.0%	<b>21.6%</b>	13.3%	+830bps
Diluted EPS	<b>\$0.36</b>	\$0.19	<b>\$0.89</b>	\$0.39	+128%
Free cash flow			<b>9.9</b>	(59.0)	

\* Non-IFRS measures (see section 3 of this Interim Report).

## Financial review continued

### General and administrative expenses

were US\$35.4 million in Q1 2021 compared with US\$19.2 million in Q1 2020, the increase being principally due to higher share-based compensation and related expenses and higher transaction costs.

Underlying general and administrative expenses were also higher at US\$15.2 million compared with US\$14.1 million in Q1 2020, but declined to 4.2% of the Group's revenue compared with 5.6% in Q1 2020.

Underlying general and administrative expenses exclude share-based compensation and related expenses totalling US\$9.6 million (Q1 2020: US\$2.7 million), transaction costs of US\$9.5 million (Q1 2020: US\$2.4 million) and, in Q1 2021, integration costs of US\$0.9 million and cost-reduction expenses of US\$0.2 million.

**R&D expenses** were US\$81.6 million in Q1 2021 compared with US\$72.3 million in Q1 2020.

R&D costs totalled US\$90.9 million (Q1 2020: US\$77.2 million), of which US\$7.9 million (Q1 2020: US\$3.9 million) was capitalised and US\$1.4 million (Q1 2020: US\$1.0 million) was offset by R&D expenditure credits. R&D costs were higher principally due to the acquisition of Adesto.

Underlying R&D expenses were also higher at US\$69.9 million compared with US\$64.3 million in Q1 2020 but declined to 19.1% of the Group's revenue compared with 25.9% in Q1 2020.

Underlying R&D expenses exclude share-based compensation and related expenses totalling US\$8.2 million (Q1 2020: US\$5.6 million), amortisation of US\$3.5 million (Q1 2020: US\$2.4 million) on the fair value uplift of acquired technology intangibles.

**Other operating income** was lower at US\$1.5 million in Q1 2021 compared with US\$8.5 million in Q1 2020.

Customer contributions to product development costs were lower and there was no equivalent of the credit of US\$5.3 million that we recognised in Q1 2020 on the change in estimate of the contingent consideration payable for Creative Chips.

**Operating profit** was US\$36.6 million in Q1 2021 compared with US\$17.5 million in Q1 2020.

Underlying operating profit was US\$79.2 million compared with US\$33.0 million in Q1 2020. Underlying operating profit increased principally due the effect of higher sales volumes. Underlying operating margin was consequently higher at 21.6% compared with 13.3% in Q1 2020.

**Interest income** was US\$0.2 million in Q1 2021 compared with US\$3.8 million in Q1 2020, reflecting our reduced average cash balance in Q1 2021 compared with Q1 2020 and lower market interest rates.

**Interest expense** was US\$1.4 million in Q1 2021 compared with US\$3.0 million in Q1 2020, with the decrease principally due to the lower balance outstanding on the prepayment from Apple.

**Other finance income** was US\$1.4 million in Q1 2021 compared with US\$1.2 million in Q1 2020.

We recognised a net currency translation gain on monetary assets and liabilities of US\$1.4 million compared with a gain of US\$0.8 million in Q1 2020. During Q1 2020, we also recognised a credit of US\$0.4 million from the amortisation of the gain on initial recognition of warrants that we held over shares in Energous prior to their expiry in July 2020.

**Income tax expense** was US\$10.8 million (Q1 2020: US\$5.9 million) on profit before tax of US\$36.9 million (Q1 2020: US\$19.5 million), an effective tax rate for the period of 29.2% (Q1 2020: 30.4%).

Our income tax expense for the first three months of the year is calculated by applying the estimated effective tax rate for the full year to the profit before tax for the period excluding specific items that distort the tax rate and then by taking into account the tax effect of those specific items. Our relatively high effective tax rate for both Q1 2021 and Q1 2020 was principally due to the distorting effect on our income tax expense of the tax and accounting treatments of share-based compensation and business combinations.

Our underlying income tax expense was US\$15.6 million (Q1 2020: US\$6.9 million) on underlying profit before tax of US\$79.5 million (Q1 2020: US\$34.9 million). Our underlying effective tax rate for Q1 2021 was therefore 19.6%, which compares with 19.7% for Q1 2020.

**Net income** was US\$26.1 million in Q1 2021 compared with US\$13.6 million in Q1 2020. Underlying net income was US\$63.9 million compared with US\$28.0 million in Q1 2020.

Basic earnings per share were US\$0.38 (Q1 2020: US\$0.20) based on the weighted average of 67.9 million shares (Q1 2020: 68.5 million shares) that were in issue during the period, excluding the weighted average of 3.4 million shares (Q1 2020: 0.8 million shares) held by employee benefit trusts and the weighted average of 5.4 million shares (Q1 2020: 7.1 million shares) that were held in treasury. Underlying basic earnings per share were US\$0.94 (Q1 2020: US\$0.41).

Diluted earnings per share were US\$0.36 (Q1 2020: US\$0.19). Diluted earnings per share additionally reflect the weighted average of 4.3 million (Q1 2020: 3.8 million) dilutive employee share options. Underlying diluted earnings per share were US\$0.89 (Q1 2020: US\$0.39).

## Cash flows

### Cash flow from operating activities

During Q1 2021, there was a cash inflow from operating activities of US\$26.0 million compared with an outflow of US\$49.0 million in Q1 2020.

Cash flow from operations before changes in working capital was US\$72.2 million in Q1 2021 compared with US\$37.0 million in Q1 2020, with the increase principally reflecting higher sales volumes.

Movements in working capital absorbed cash of US\$37.3 million in Q1 2021 compared with US\$62.6 million in Q1 2020. During Q1 2021, receivables of US\$25.0 million (Q1 2020: US\$50.0 million) were settled by recoupment against the prepayment received from Apple rather than in cash. If those invoices had been settled in cash, movements in working capital would have absorbed cash of US\$12.3 million in Q1 2021 compared with US\$12.6 million in Q1 2020.

Demand for our products is typically higher in the third and fourth quarters of the year and lower in the first and second quarters. During the first quarter, we typically see the settlement of receivables built up in the fourth quarter of the previous year and a reduction in inventory and payables as we make lower purchases from our suppliers. While we experienced an unusually strong start to the year, movements in working capital during Q1 2021 were broadly consistent with this pattern.

## Summary cash flow statement (unaudited)

US\$ millions	Q1 2021	Q1 2020
Cash generated from/(absorbed by) operations	35.0	(25.6)
Interest (paid)/received, net	(0.5)	3.4
Income taxes paid	(8.5)	(26.8)
Cash inflow/(outflow) from operating activities	26.0	(49.0)
Purchase of property, plant and equipment	(4.8)	(2.5)
Purchase of intangible assets	(0.7)	(1.6)
Capitalised development expenditure	(7.9)	(3.9)
Capital element of lease payments	(2.7)	(2.0)
Free cash flow	9.9	(59.0)
Purchase of businesses	(0.1)	(0.5)
Other cash flows, net	(0.2)	(0.1)
Net cash inflow/(outflow) during the period	9.6	(59.6)
Currency translation differences	0.2	–
Increase/(decrease) in cash and cash equivalents	9.8	(59.6)

Movements in trade and other receivables during Q1 2021 absorbed cash of US\$11.7 million. At the end of Q1 2021, trade and other receivables represented 26 days' sales in the preceding quarter (end of 2020: 25 days' sales).

Inventories decreased during Q1 2021, releasing cash of US\$15.6 million. At the end of Q1 2021, inventories represented 70 days' cost of sales in the preceding quarter (end of 2020: 64 days' cost of sales).

Trade and other payables decreased during Q1 2021, absorbing cash of US\$29.0 million. At the end of Q1 2021, trade and other payables represented 60 days' cost of sales in the preceding quarter (end of 2020: 61 days' cost of sales).

Movements on other working capital items had the effect of absorbing cash of US\$12.2 million during Q1 2021.

Net interest paid was US\$0.5 million in Q1 2021 compared with a net receipt of US\$3.4 million in Q1 2020.

Net income tax payments were US\$8.5 million in Q1 2021 compared with US\$26.8 million in Q1 2020. Income tax cash flows comprise payments on account in respect of current year taxable profits and adjusting payments or receipts in respect of earlier years.

### Cash flow from investing activities

During Q1 2021, the cash outflow from investing activities was US\$13.4 million compared with US\$8.4 million in Q1 2020.

Capital expenditure comprising cash outflows in relation to the purchase of property, plant and equipment and intangible assets and capitalised development expenditure totalled US\$13.3 million in Q1 2021 compared with US\$7.9 million in Q1 2020.

During Q1 2021, there was a cash outflow of US\$0.1 million (Q1 2020: US\$0.5 million) on settlement of deferred consideration on the purchase of businesses.

### Cash flow from financing activities

During Q1 2021, the cash outflow from financing activities was US\$2.9 million compared with US\$2.1 million in Q1 2020, principally representing the capital element of lease payments.

## Liquidity and capital resources

### Cash and cash equivalents

At the end of Q1 2021, cash and cash equivalents amounted to US\$533.7 million (end of 2020: US\$523.9 million), which principally comprised investments in money market funds and bank deposits with a maturity of three months or less.

### Prepayment from Apple

At the end of Q1 2021, the remaining principal amount of the initial US\$300.0 million prepayment outstanding was US\$50.0 million, which is scheduled to be settled in quarterly instalments by April 2022.

We account for the prepayment as a financial liability at amortised cost. At the end of Q1 2021, the carrying amount of the liability was US\$48.8 million.

### Revolving credit facility

Since July 2017, we have had a US\$150 million revolving credit facility provided by four financial institutions that is committed and available for general corporate purposes.

We have not made any drawings under the facility and retain the option to increase the amount of the facility by US\$75 million subject to certain conditions.

The facility will mature on 28 July 2022.

### Receivables financing facilities

We utilise non-recourse receivables financing facilities that until recently were provided by two financial institutions. During Q1 2021, the smaller facility matured and was not replaced, leaving a facility of US\$220 million that is currently due to mature on 31 October 2021.

Gross receivables sold decreased by US\$35.1 million to US\$52.2 million at the end of Q1 2021 compared with US\$87.3 million at the end of 2020.

At the end of Q1 2021, cash and cash equivalents included US\$44.4 million (end of 2020: US\$74.2 million) in relation to receivables sold.

### Share buyback programme

Shareholder authority for a share buyback programme was first granted to the Directors at the Company's 2016 AGM and has been renewed at each subsequent AGM.

While there is no prospect of any further share purchases unless the proposed acquisition of the Company by Renesas does not proceed to completion, the Directors sought and were granted at the Company's 2021 AGM a new authority to purchase up to 10,690,303 of the Company's ordinary shares, representing approximately 15% of the issued ordinary share capital of the Company as at 18 March 2021. Such authority shall (unless previously renewed, varied or revoked) expire on the day before the next AGM of the Company or on 30 June 2022, whichever is the earlier.



# Financial review continued

## Balance sheet

### Summary balance sheet (unaudited)

US\$ millions	As at 2 April 2021	As at 31 December 2020
<b>Assets</b>		
Cash and cash equivalents	533.7	523.9
Other current assets	289.2	320.2
Total current assets	822.9	844.1
Goodwill	756.4	756.8
Other intangible assets	381.9	391.0
Property, plant and equipment – owned	59.2	60.7
Property, plant and equipment – leased	40.3	40.6
Other non-current assets	35.2	28.3
Total non-current assets	1,273.0	1,277.4
Total assets	2,095.9	2,121.5
<b>Liabilities and equity</b>		
Current liabilities	291.2	343.8
Non-current liabilities	101.1	123.2
Total liabilities	392.3	467.0
Total equity	1,703.6	1,654.5
<b>Total liabilities and equity</b>	<b>2,095.9</b>	<b>2,121.5</b>

**Non-current assets** totalled US\$1,273.0 million at the end of Q1 2021 compared with US\$1,277.4 million at the end of 2020, a decrease of US\$4.4 million.

Goodwill and other intangible assets decreased by US\$9.5 million to US\$1,138.3 million, principally due to the amortisation of acquired intangible assets.

Deferred tax assets increased by US\$4.4 million to US\$23.2 million.

**Current assets** totalled US\$822.9 million at the end of Q1 2021 compared with US\$844.1 million at the end of 2020, a decrease of US\$21.2 million.

Cash and cash equivalents increased by US\$9.8 million to US\$533.7 million. Other current assets decreased by US\$31.0 million to US\$289.2 million principally reflecting seasonally lower receivables and lower inventories.

**Current liabilities** totalled US\$291.2 million at the end of Q1 2021 compared with US\$343.8 million at the end of 2020, a decrease of US\$52.6 million.

Trade and other payables decreased by US\$28.5 million to US\$123.3 million. Lease and other current financial liabilities decreased by US\$12.9 million to US\$48.8 million, principally due to the reduction in the current portion of the prepayment from Apple.

Income taxes payable decreased by US\$0.9 million to US\$7.3 million.

Other current liabilities decreased by US\$10.4 million to US\$111.7 million, principally reflecting the payment of accrued employee bonuses.

**Non-current liabilities** totalled US\$101.1 million at the end of Q1 2021 compared with US\$123.2 million at the end of 2020, a decrease of US\$22.1 million.

Lease and other non-current financial liabilities decreased by US\$12.0 million to US\$45.7 million, principally due to the reduction in the non-current portion of the prepayment from Apple.

Deferred tax liabilities decreased by US\$0.5 million to US\$11.6 million.

Other non-current liabilities decreased by US\$9.6 million to US\$43.9 million, principally reflecting the reduction in the non-current portion of the deferred revenue on the effective IP licence granted to Apple.

**Total equity** was US\$1,703.6 million at the end of Q1 2021 compared with US\$1,654.5 million at the end of 2020.

#### Wissam Jabre

Chief Financial Officer  
Senior Vice President, Finance

## Other information

### Directors and Management Team

#### Board of Directors

Rich Beyer, Chairman

Dr Jalal Bagherli

Alan Campbell

Mike Cannon

Mary Chan

Joanne Curin

Nick Jeffery

Eamonn O'Hare

#### Management Team

Dr Jalal Bagherli, *Chief Executive Officer*

Vivek Bhan, *Senior Vice President and General Manager, Custom Mixed Signal*

Wissam Jabre, *Chief Financial Officer, Senior Vice President, Finance*

Davin Lee, *Senior Vice President and General Manager, Advanced Mixed Signal*

Alex McCann, *Senior Vice President, Global Operations*

Sean McGrath, *Senior Vice President and General Manager, Connectivity & Audio*

Julie Pope, *Senior Vice President, Human Resources*

Tom Sandoval, *Senior Vice President, Automotive*

Colin Sturt, *Senior Vice President, General Counsel*

John Teegan, *Senior Vice President, Worldwide Sales*

Mark Tyndall, *Senior Vice President, Corporate Development & Strategy and General Manager, Industrial IoT Business Group*

### Principal risks and uncertainties

We described the principal risks and uncertainties that could adversely impact the Group's ability to execute its strategic objectives on pages 78 to 83 of our Annual Report and Accounts 2020. In the opinion of the Directors, there has been no fundamental change in the principal risks and uncertainties facing the Group since the approval of the Annual Report and Accounts 2020.

### Going concern

At the time of approving the interim financial statements, the Directors are required to form a judgement as to whether the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. In forming their judgement, the Directors have considered the Group's current financial position, its medium-term plan and its most recent forecast for the current financial year, and the principal risks and uncertainties that it faces. The Directors have also considered the proposed acquisition of the Company by Renesas Electronics Corporation.

At the end of Q1 2021, the Group held cash and cash equivalents of US\$534 million and currently has an undrawn committed revolving credit facility of US\$150 million. Based on the Group's plan and most recent forecast, the Directors expect that the Group will continue to be cash generative over the next 12 months, even in the downside scenario that they considered regarding the impact of the Covid-19 pandemic. For these reasons, the Directors have adopted the going concern basis in preparing the interim financial statements for the three months ended 2 April 2021.

## Responsibility statement

We confirm that, to the best of our knowledge, the interim financial statements for the three months ended 2 April 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union and the interim management report includes a fair review of the development and performance of the Group during the period, a fair review of material transactions with related parties and changes during the period, and fairly describes the principal risks and uncertainties affecting the Group for the remainder of the year ending 31 December 2021.

#### Dr Jalal Bagherli

Chief Executive Officer

#### Wissam Jabre

Chief Financial Officer, Senior Vice President, Finance

12 May 2021

# Independent review report to Dialog Semiconductor Plc

## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim report for the three months ended 2 April 2021 which comprises the condensed consolidated statement of income, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity and the related notes 1 to 15. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

## Directors' responsibilities

The interim report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the disclosure requirements of the German Securities Trading Act ( WpHG).

The condensed set of financial statements included in this interim report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union.

## Our responsibility

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

## Scope of review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim report for the three months ended 2 April 2021 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union and the disclosure requirements of the German Securities Trading Act (WpHG).

## Use of our report

Our report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

## Deloitte LLP

Statutory Auditor  
Reading, UK

12 May 2021



## Condensed consolidated statement of income

For the three months ended 2 April 2021

	Note	Three months ended 2 April 2021 US\$000 (Unaudited)	Three months ended 27 March 2020 US\$000 (Unaudited)
Revenue	3	365,863	248,481
Cost of sales		(184,008)	(124,676)
<b>Gross profit</b>		<b>181,855</b>	123,805
Selling and marketing expenses		(29,867)	(23,206)
General and administrative expenses		(35,390)	(19,205)
Research and development expenses		(81,560)	(72,345)
Other operating income	4	1,530	8,467
<b>Operating profit</b>	14	<b>36,568</b>	17,516
Interest income		245	3,842
Interest expense		(1,359)	(2,992)
Other finance income		1,437	1,176
<b>Profit before income taxes</b>		<b>36,891</b>	19,542
Income tax expense		(10,777)	(5,943)
<b>Net income</b>		<b>26,114</b>	13,599
<b>Earnings per share (US\$)</b>	5		
Basic		0.38	0.20
Diluted		0.36	0.19
<b>Weighted average number of ordinary shares (in thousands)</b>	5		
Basic		67,912	68,545
Diluted		72,175	72,383

# Condensed consolidated statement of comprehensive income

For the three months ended 2 April 2021

	Three months ended 2 April 2021 US\$000 (Unaudited)	Three months ended 27 March 2020 US\$000 (Unaudited)
<b>Net income</b>	<b>26,114</b>	13,599
<b>Other comprehensive income/(expense)</b>		
<b>Items that may be reclassified to profit or loss in subsequent periods</b>		
Currency translation differences on foreign operations:		
– Loss recognised in the period	(1,740)	(4,584)
– Related income tax expense	(182)	(54)
Cash flow hedges:		
– Fair value loss recognised on effective hedges in the period	(3,575)	(3,397)
– Fair value (gain)/loss transferred to profit or loss in the period	(2,599)	1,060
– Related income tax credit	1,173	444
	<b>(6,923)</b>	(6,531)
<b>Items that will not be reclassified to profit or loss</b>		
Equity investments:		
– Fair value gain/(loss) in the period	4,088	(1,705)
<b>Other comprehensive loss for the period</b>	<b>(2,835)</b>	(8,236)
<b>Total comprehensive income for the period</b>	<b>23,279</b>	5,363

## Condensed consolidated balance sheet

As at 2 April 2021

	Note	As at 2 April 2021 US\$000 (Unaudited)	As at 31 December 2020* US\$000 (Audited)
<b>Assets</b>			
Cash and cash equivalents	7	533,734	523,880
Trade and other receivables		107,311	120,629
Other current financial assets		2,173	8,476
Inventories	8	142,910	159,393
Income tax receivables		14,245	13,689
Other current assets		22,482	18,006
<b>Total current assets</b>		<b>822,855</b>	<b>844,073</b>
Goodwill	9	756,431	756,838
Other intangible assets	9	381,940	390,990
Property, plant and equipment – owned	10	59,160	60,728
Property, plant and equipment – leased	10	40,340	40,602
Investments		7,621	3,533
Other non-current financial assets		2,235	2,263
Other non-current assets		2,099	3,701
Deferred tax assets		23,229	18,790
<b>Total non-current assets</b>		<b>1,273,055</b>	<b>1,277,445</b>
<b>Total assets</b>		<b>2,095,910</b>	<b>2,121,518</b>
<b>Liabilities and equity</b>			
Trade and other payables		123,335	151,847
Lease liabilities		10,853	11,767
Other current financial liabilities	11	37,961	49,899
Provisions		5,901	6,945
Income taxes payable		7,313	8,167
Other current liabilities		105,811	115,128
<b>Total current liabilities</b>		<b>291,174</b>	<b>343,753</b>
Lease liabilities		32,848	32,357
Other non-current financial liabilities	11	12,802	25,379
Provisions		3,650	3,590
Net defined benefit liability		149	6
Deferred tax liabilities		11,626	12,142
Other non-current liabilities		40,062	49,763
<b>Total non-current liabilities</b>		<b>101,137</b>	<b>123,237</b>
Ordinary shares		14,253	14,253
Share premium account		403,660	403,660
Retained earnings		1,506,739	1,454,908
Other reserves	13	(219,237)	(216,402)
Dialog shares held by employee benefit trusts		(1,816)	(1,891)
<b>Total equity</b>		<b>1,703,599</b>	<b>1,654,528</b>
<b>Total liabilities and equity</b>		<b>2,095,910</b>	<b>2,121,518</b>

\* Extracted from the Company's audited consolidated financial statements for the year ended 31 December 2020.



# Condensed consolidated statement of cash flows

For the three months ended 2 April 2021

	Note	Three months ended 2 April 2021 US\$000 (Unaudited)	Three months ended 27 March 2020 US\$000 (Unaudited)
<b>Cash flow from operating activities</b>			
Net income		26,114	13,599
Non-cash items within net income:			
– Amortisation of intangible assets		16,650	13,097
– Depreciation of property, plant and equipment		9,006	8,434
– Increase in inventory reserve, net		840	1,294
– Share-based compensation expense		18,897	11,407
– Deferred licence revenue		(9,331)	(8,927)
– Other non-cash items		(1,828)	(7,001)
Interest expense/(income), net		1,114	(850)
Income tax expense		10,777	5,943
<b>Cash generated from operations before changes in working capital</b>		<b>72,239</b>	<b>36,996</b>
Changes in working capital:			
– Increase in trade and other receivables		(11,682)	(11,919)
– Decrease/(increase) in inventories		15,643	(7,839)
– Increase in prepaid expenses		(1,839)	(5,155)
– Decrease in trade and other payables		(29,015)	(20,554)
– Decrease in provisions		(978)	(446)
– Change in other assets and liabilities		(9,400)	(16,646)
<b>Cash generated from/(absorbed by) operations</b>		<b>34,968</b>	<b>(25,563)</b>
Interest paid		(731)	(958)
Interest received		241	4,325
Income taxes paid		(8,486)	(26,834)
<b>Cash inflow/(outflow) from operating activities</b>		<b>25,992</b>	<b>(49,030)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(4,766)	(2,492)
Purchase of intangible assets		(720)	(1,564)
Payments for capitalised development costs		(7,859)	(3,887)
Purchase of businesses	6	(50)	(457)
<b>Cash outflow from investing activities</b>		<b>(13,395)</b>	<b>(8,400)</b>
<b>Cash flows from financing activities</b>			
Capital element of lease payments		(2,719)	(2,028)
Repayment of bank loans		(241)	(132)
Sale of shares by employee benefit trusts		40	27
<b>Cash outflow from financing activities</b>		<b>(2,920)</b>	<b>(2,133)</b>
<b>Net cash inflow/(outflow) during the period</b>		<b>9,677</b>	<b>(59,563)</b>
Cash and cash equivalents at the beginning of the period		523,880	1,024,544
Currency translation differences		177	(86)
<b>Cash and cash equivalents at the end of the period</b>	7	<b>533,734</b>	<b>964,895</b>

## Condensed consolidated statement of changes in equity

For the three months ended 2 April 2021

	Ordinary shares US\$000	Share premium account US\$000	Retained earnings US\$000	Other reserves (note 13) US\$000	Dialog shares held by employee benefit trusts US\$000	Total US\$000
<b>Three months ended 2 April 2021</b>						
<b>(Unaudited)</b>						
As at 31 December 2020	14,253	403,660	1,454,908	(216,402)	(1,891)	1,654,528
Net income	-	-	26,114	-	-	26,114
Other comprehensive loss	-	-	-	(2,835)	-	(2,835)
Total comprehensive income/(loss)	-	-	26,114	(2,835)	-	23,279
Other changes in equity:						
- Sale of shares by employee benefit trusts	-	-	(35)	-	75	40
- Share-based compensation, including tax credit of US\$6,855	-	-	25,752	-	-	25,752
<b>As at 2 April 2021</b>	<b>14,253</b>	<b>403,660</b>	<b>1,506,739</b>	<b>(219,237)</b>	<b>(1,816)</b>	<b>1,703,599</b>

Three months ended 27 March 2020						
(Unaudited)						
As at 31 December 2019	14,204	403,660	1,451,582	(274,729)	(22,133)	1,572,584
Net income	-	-	13,599	-	-	13,599
Other comprehensive loss	-	-	-	(8,236)	-	(8,236)
Total comprehensive income/(loss)	-	-	13,599	(8,236)	-	5,363
Other changes in equity:						
- Share buyback obligation	-	-	(101,149)	-	-	(101,149)
- Sale of shares by employee benefit trusts	-	-	(5,683)	-	5,710	27
- Share-based compensation, net of tax expense of US\$(4,147)	-	-	7,260	-	-	7,260
As at 27 March 2020	14,204	403,660	1,365,609	(282,965)	(16,423)	1,484,085

# Notes to the condensed consolidated financial statements

For the three months ended 2 April 2021

## 1. Background

### Description of business

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

Dialog creates and markets mixed signal integrated circuits, optimised for personal, portable, hand-held devices, low energy short-range wireless, backlighting and LED solid-state lighting, industrial and automotive applications. Dialog has four reporting segments: Custom Mixed Signal; Advanced Mixed Signal; Connectivity & Audio; and Industrial IoT. Segment information is presented in note 14.

### Registered office

The Company's registered office is at Tower Bridge House, St Katharine's Way, London E1W 1AA, United Kingdom.

### Statement of compliance

The interim financial statements of the Company and its subsidiaries (together, "Dialog" or the "Group") on pages 13 to 28 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union and the disclosure requirements of the German Securities Trading Act (WpHG).

### Basis of preparation

The interim financial statements have been prepared on a going concern basis and in accordance with the historical cost convention, except that certain investments and derivative financial instruments are stated at their fair value. 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. Information about assets and liabilities that are measured at fair value is presented in note 11.

The Group's significant accounting policies are unchanged compared with the year ended 31 December 2020 (see pages 129 to 136 of our Annual Report and Accounts 2020).

The interim financial statements have been prepared using the same principles for recognising assets, liabilities, income and expenses as are used in preparing the Group's annual financial statements, except that, as required by IAS 34, the income tax expense is calculated by applying the estimated effective income tax rate for the current financial year to the year-to-date profit before income taxes excluding specific items that distort the effective income tax rate and then by taking into account the tax effect of those specific items.

### Going concern

At the time of approving the interim financial statements, the Directors are required to form a judgement as to whether the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. In forming their judgement, the Directors have considered the Group's current financial position, its medium-term plan and its most recent forecast for the current financial year, and the principal risks and uncertainties that it faces. The Directors have also considered the proposed acquisition of the Company by Renesas Electronics Corporation.

At the end of Q1 2021, the Group held cash and cash equivalents of US\$534 million and currently has an undrawn committed revolving credit facility of US\$150 million. Based on the Group's plan and most recent forecast, the Directors expect that the Group will continue to be cash generative over the next 12 months, even in the downside scenario that they considered regarding the impact of the Covid-19 pandemic. For these reasons, the Directors have adopted the going concern basis in preparing the interim financial statements.

### Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates and assumptions and affect the Group's results in future periods.

### Presentation currency

The interim financial statements are presented in US dollars ("US\$"), which is the functional currency of the Company. All US dollar amounts are in thousands ("US\$000"), except where stated otherwise.

### Accounting period

We prepare interim financial statements for the first three, six and nine months of each year that are drawn up to a Friday on or around the end of March, June and September.

These interim financial statements cover the period from 1 January 2021 to 2 April 2021 ("three months ended 2 April 2021" or "Q1 2021") with comparative information for the period from 1 January 2020 to 27 March 2020 ("three months ended 27 March 2020" or "Q1 2020").

### Seasonality of operations

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

## 1. Background continued

### Relevant accounting standards adopted during the period

With effect from 1 January 2021, we adopted the *Interest Rate Benchmark Reform – Phase 2* (Amendments to IFRS 9, IFRS 7 and IFRS 16), but this had no immediate impact on the Group's results or financial position.

### Accounting standards issued but not yet adopted

We have not yet adopted the following accounting pronouncements, none of which are expected to have a material impact on the Group's results or financial position:

- *Classification of Liabilities as Current or Non-Current* (Amendments to IAS 1)
- *Onerous Contracts – Cost of Fulfilling a Contract* (Amendments to IAS 37)
- *Definition of Accounting Estimates* (Amendments to IAS 8)
- *Disclosure of Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement 2)
- *Covid-19-Related Rent Concessions beyond 30 June 2021* (Amendment to IFRS 16)

### Review and approval of the interim financial statements

The interim financial statements are unaudited, but have been reviewed by the Company's auditor, Deloitte LLP, whose report can be found on page 12. The interim financial statements do not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006. The Company's audited statutory accounts for the year ended 31 December 2020 have been delivered to the Registrar of Companies in England and Wales. The auditor's report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The interim financial statements were approved by the Board of Directors on 12 May 2021.

## 2. Proposed acquisition of Dialog by Renesas

On 8 February 2021, the Directors of the Company and Renesas Electronics Corporation ("Renesas"), a supplier of advanced semiconductor solutions, announced that they have reached agreement on the terms of the acquisition of the entire issued and to be issued share capital of the Company for €67.50 per share in cash, representing a total equity value of approximately €4.9 billion (US\$5.9 billion).

Renesas is incorporated in Japan and its shares are listed on the Tokyo Stock Exchange. With an extensive portfolio of microcontrollers, analog, power and SoC products, Renesas provides the expertise, quality and comprehensive solutions for a broad range of automotive, industrial, home electronics, office automation and ICT applications.

It is intended that the acquisition will be effected by means of a scheme of arrangement under the UK Companies Act 2006, as set out in the Scheme Document published on 8 March 2021. On 9 April 2021, the transaction was approved by the Company's shareholders. Completion of the transaction remains subject to approval of the scheme of arrangement by the court in England & Wales, regulatory approvals in a number of jurisdictions and other customary closing conditions. Subject to obtaining the necessary approvals and satisfying the other closing conditions, it is expected that the acquisition will become effective during the second half of 2021.

During Q1 2021, we recognised initial transaction costs totalling US\$9,541 (within general and administrative expenses). As shown in the Scheme Document, we expect to incur significant additional fees and expenses in relation to the transaction.

## 3. Revenue

Revenue may be analysed as follows:

	Three months ended 2 April 2021 US\$000	Three months ended 27 March 2020 US\$000
Sale of products:		
– Sales direct to end-customers	211,584	165,108
– Sales to distributors	140,099	74,260
<b>Total sale of products</b>	<b>351,683</b>	<b>239,368</b>
Product and IP development services	2,850	–
Licensing agreements with Apple:		
– Effective licence fee	9,331	8,927
Other licence fees and royalties	1,999	186
<b>Total revenue</b>	<b>365,863</b>	<b>248,481</b>



## Notes to the condensed consolidated financial statements continued

### 4. Other operating income

Other operating income comprised:

	<b>Three months ended 2 April 2021 US\$000</b>	Three months ended 27 March 2020 US\$000
Contributions to product development costs	1,500	2,706
Change in estimate of contingent consideration (note 6)	–	5,347
Rental and other income	30	414
<b>Total</b>	<b>1,530</b>	<b>8,467</b>

### 5. Earnings per share

Basic earnings per share amounts are calculated by dividing the profit for the period attributable to holders of ordinary shares in the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the profit attributable to holders of ordinary shares in the Company by the weighted average number of ordinary shares outstanding during the period 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.

Profit attributable to shareholders in the Company and the weighted average number of ordinary shares for calculating basic and diluted earnings per share were calculated as follows:

		<b>Three months ended 2 April 2021 US\$000</b>	Three months ended 27 March 2020 US\$000
<b>Profit attributable to shareholders in the Company</b>			
<b>For calculating basic and diluted earnings per share</b>	a	<b>26,114</b>	13,599
<b>Weighted average number of ordinary shares</b>			
Average number of shares in issue during the period		<b>76,682,139</b>	76,382,139
Deduct:			
Average number of shares held by employee benefit trusts		<b>(3,356,382)</b>	(760,548)
Average number of treasury shares		<b>(5,413,452)</b>	(7,076,747)
<b>For calculating basic earnings per share</b>	b	<b>67,912,305</b>	68,544,844
Add:			
Average number of dilutive share options and awards		<b>4,262,487</b>	3,838,585
<b>For calculating diluted earnings per share</b>	c	<b>72,174,792</b>	72,383,429
<b>Earnings per share (US\$)</b>			
Basic	a/b	<b>0.38</b>	0.20
Diluted	a/c	<b>0.36</b>	0.19

## 6. Business combinations

### Consideration payable for Adesto

We completed the acquisition of Adesto Technologies Corporation (“Adesto”) on 29 June 2020.

On completion of the acquisition, certain of Adesto’s unvested employee options were converted into deferred cash rights and the fair value of those rights was apportioned between a deferred consideration element and a future compensation element. During Q1 2021, we paid US\$35 in settlement of vested deferred consideration. As at 2 April 2021, we held a liability of US\$117 in relation to the remaining deferred consideration that is payable over the period to July 2024.

### Consideration payable for Creative Chips

We completed the acquisition of Creative Chips GmbH (“Creative Chips”) on 31 October 2019.

On completion, we paid initial consideration of US\$83,722 in cash, including US\$3,722 in respect of Creative Chips’ estimated cash, debt and working capital levels on completion. In February 2020, we paid a purchase price adjustment of US\$84 to the sellers reflecting Creative Chips’ actual cash, debt and working capital levels on completion.

Additional consideration of up to US\$23,000 in cash was payable contingent on Creative Chips’ performance against revenue targets for 2020 and 2021 and the achievement of certain product development targets by the end of 2020. During Q1 2020, we remeasured the fair value based on Creative Chips’ latest forecast revenue for 2020 and recognised a resulting credit of US\$5,347 in profit or loss (within other operating income). Later during 2020, it became apparent that the product development targets would not be met and we therefore reduced the contingent consideration liability to US\$nil and recognised a further credit of US\$1,591 in profit or loss.

### Consideration payable for Silego

We completed the acquisition of Silego Technology Inc. (“Silego”) on 1 November 2017.

On completion of the acquisition, Silego’s unvested employee options were converted into deferred cash rights and the fair value of those rights was apportioned between a deferred consideration element and a future compensation element. During Q1 2021, we paid US\$15 (Q1 2020: US\$373) in settlement of vested deferred consideration. As at 2 April 2021, we held a liability of US\$4 in relation to the remaining deferred consideration that has since been settled.

### Cash flow in relation to business combinations

During the periods presented, the cash outflow on the purchase of businesses was as follows:

	<b>Three months ended 2 April 2021 US\$000</b>	Three months ended 27 March 2020 US\$000
Purchase price adjustment	–	84
Deferred consideration	<b>50</b>	373
<b>Cash outflow on purchase of businesses</b>	<b>50</b>	457

## Notes to the condensed consolidated financial statements continued

### 7. Cash and cash equivalents

Cash and cash equivalents may be analysed as follows:

	As at 2 April 2021 US\$000	As at 31 December 2020 US\$000
Cash at bank	14,845	24,315
Cash available from receivables financing facilities	44,353	74,232
Bank deposits	250,000	170,000
Money market funds	223,300	254,000
Cash held by employee benefit trusts	1,236	1,333
<b>Total</b>	<b>533,734</b>	<b>523,880</b>

As at 2 April 2021 and 31 December 2020, no amounts had been drawn from the cash available from receivables financing facilities.

### 8. Inventories

Inventories were as follows:

	As at 2 April 2021 US\$000	As at 31 December 2020 US\$000
Raw materials	18,503	21,749
Work in progress	69,617	72,426
Finished goods	54,790	65,218
<b>Total</b>	<b>142,910</b>	<b>159,393</b>

### 9. Goodwill and other intangible assets

Movements on goodwill and other intangible assets during Q1 2021 may be summarised as follows:

	Goodwill US\$000	Other intangible assets US\$000
<b>Carrying amount</b>		
As at 31 December 2020	756,838	390,990
Additions	–	8,579
Amortisation charge for the period	–	(16,650)
Currency translation differences	(407)	(979)
<b>As at 2 April 2021</b>	<b>756,431</b>	<b>381,940</b>

Our annual goodwill impairment tests performed during November 2020 showed that, with the exception of Industrial IoT, the recoverable amount of each operating segment to which goodwill is allocated was comfortably in excess of its carrying amount.

We performed our usual quarterly goodwill impairment review at the end of Q1 2021. Our review did not reveal any impairment of goodwill and we estimate that the excess of Industrial IoT's recoverable amount over its carrying amount had increased from US\$105.5 million to US\$150.7 million at the end of Q1 2021, principally due to a decrease in the applicable discount rate during Q1 2021.

## 10. Property, plant and equipment

Movements on property, plant and equipment during Q1 2021 may be summarised as follows:

	Owned US\$000	Leased US\$000
<b>Carrying amount</b>		
As at 31 December 2020	60,728	40,602
Additions	4,766	3,233
Depreciation charge for the period	(5,923)	(3,083)
Disposals	(271)	-
Other movements	-	(28)
Currency translation differences	(140)	(384)
<b>As at 2 April 2021</b>	<b>59,160</b>	<b>40,340</b>

## 11. Additional disclosures on financial instruments

### Analysis by class and category

In the following table, the carrying amounts of the financial assets and financial liabilities held by the Group as at 2 April 2021 are analysed by class and category:

	Amortised cost US\$000	At fair value through profit and loss US\$000	At fair value in designated hedges US\$000	At fair value through other comprehensive income US\$000	Carrying amount US\$000	Fair value US\$000
<b>Financial assets</b>						
Cash and deposits	310,434	-	-	-	310,434	310,434
Money market funds	-	223,300	-	-	223,300	223,300
<b>Cash and cash equivalents</b>	<b>310,434</b>	<b>223,300</b>	<b>-</b>	<b>-</b>	<b>533,734</b>	<b>533,734</b>
<b>Trade and other receivables</b>	<b>107,311</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>107,311</b>	<b>107,311</b>
Energous shares	-	-	-	7,220	7,220	7,220
Semitech shares	-	-	-	401	401	401
<b>Investments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,621</b>	<b>7,621</b>	<b>7,621</b>
Currency derivatives	-	-	2,038	-	2,038	2,038
Restricted cash	135	-	-	-	135	135
Rental and other deposits	2,235	-	-	-	2,235	2,235
<b>Other financial assets</b>	<b>2,370</b>	<b>-</b>	<b>2,038</b>	<b>-</b>	<b>4,408</b>	<b>4,408</b>
<b>Total financial assets</b>	<b>420,115</b>	<b>223,300</b>	<b>2,038</b>	<b>7,621</b>	<b>653,074</b>	<b>653,074</b>
<b>Financial liabilities</b>						
<b>Trade and other payables</b>	<b>(123,335)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(123,335)</b>	<b>(123,335)</b>
<b>Lease liabilities</b>	<b>(43,701)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(43,701)</b>	<b>(46,120)</b>
Prepayment from Apple	(48,838)	-	-	-	(48,838)	(49,646)
Bank loans	(833)	-	-	-	(833)	(833)
Currency derivatives	-	-	(971)	-	(971)	(971)
Deferred consideration	(121)	-	-	-	(121)	(121)
<b>Other financial liabilities</b>	<b>(49,792)</b>	<b>-</b>	<b>(971)</b>	<b>-</b>	<b>(50,763)</b>	<b>(51,571)</b>
<b>Total financial liabilities</b>	<b>(216,828)</b>	<b>-</b>	<b>(971)</b>	<b>-</b>	<b>(217,799)</b>	<b>(221,026)</b>



# Notes to the condensed consolidated financial statements continued

## 11. Additional disclosures on financial instruments continued

### Fair value measurement

#### a) Financial instruments carried at fair value

All financial instruments that are carried at fair value are revalued on a recurring basis. We have not designated any financial instruments at fair value through profit or loss on initial recognition.

We measure the fair value of these financial assets using the following methods and assumptions:

- Investments in money market funds – based on the net asset value of the funds;
- Energous shares (listed on NASDAQ) – measured at the quoted bid price at the close of business on the balance sheet date; and
- Semitech shares (unlisted) – measured by reference to the market value of comparable companies as a multiple of their revenues.

We measure the fair value of currency derivatives as the present value of the future contractual cash flows, which is estimated using observable spot exchange rates and by applying a discount rate that is based on the yield curves of the respective currencies and reflects the credit risk of the counterparties.

In the following table, the financial instruments that were carried at fair value as at 2 April 2021 are categorised into one of three levels in a fair value hierarchy according to the nature of the significant inputs to the valuation techniques that are used to determine their fair value as follows:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than Level 1 that are observable either directly (as market prices) or indirectly (derived from market prices).
- Level 3 – Unobservable inputs, such as those derived from internal models or using other valuation methods.

	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
<b>Financial assets carried at fair value</b>				
Cash and cash equivalents				
– Money market funds	223,300	–	–	223,300
Investments:				
– Energous shares	7,220	–	–	7,220
– Semitech shares	–	–	401	401
Derivative financial instruments:				
– Currency derivatives	–	2,038	–	2,038
<b>Total financial assets carried at fair value</b>	<b>230,520</b>	<b>2,038</b>	<b>401</b>	<b>232,959</b>
<b>Financial liabilities carried at fair value</b>				
Derivative financial instruments:				
– Currency derivatives	–	(971)	–	(971)
<b>Total financial liabilities carried at fair value</b>	<b>–</b>	<b>(971)</b>	<b>–</b>	<b>(971)</b>

During Q1 2021, there were no transfers between Level 1 and Level 2 and there was no change in the fair value of the Semitech shares (Level 3).

#### b) Financial instruments not carried at fair value

We have calculated the fair value of the non-interest bearing prepayment from Apple by discounting the future scheduled recoupments based upon the observable yield curve at the balance sheet date for US dollar-denominated debt with an equivalent risk profile (Level 2).

We have calculated the fair value of lease liabilities by discounting the future lease payments at incremental borrowing rates based on observable yield curves at the balance sheet date and, where the lease payments are denominated in a foreign currency, by translating the resulting present values into US dollars using the relevant currency exchange rate at the balance sheet date (Level 2).

Other financial assets and financial liabilities that are not carried at fair value are of short maturity and/or bear interest at floating rates. We therefore consider that their carrying amounts approximate to their fair values (Level 2).

## 12. Share-based compensation

The Company operates a number of share-based compensation plans under which it grants options and awards over its ordinary shares to certain of the Group's employees.

### Development of plans

Movements in the total number of options and conditional share awards outstanding during Q1 2021 were as follows:

	Options	Weighted average exercise price €
Outstanding at the beginning of the period	4,749,039	0.08
Granted	457,999	0.06
Exercised	(574,720)	0.06
Forfeited	(202,886)	0.10
<b>Outstanding at the end of the period</b>	<b>4,429,432</b>	<b>0.08</b>
Options exercisable at the end of the period	557,481	0.14

### Shares held by employee benefit trusts

The Company provides finance to two trusts to purchase its ordinary shares in order to meet its obligations under its share-based compensation plans. As at 2 April 2021, the trusts held 3,055,389 ordinary shares (as at 31 December 2020: 3,630,109 ordinary shares).

Movements in the number of shares held by the trusts during Q1 2021 were as follows:

	Number of shares	Cost US\$000
At the beginning of the period	3,630,109	1,891
Sale or transfer of shares	(574,720)	(75)
<b>At the end of the period</b>	<b>3,055,389</b>	<b>1,816</b>

## Notes to the condensed consolidated financial statements continued

### 13. Other reserves

Movements on other reserves were as follows:

	Capital redemption reserve US\$000	Currency translation reserve US\$000	Fair value reserve US\$000	Hedging reserve US\$000	Treasury shares US\$000	Total US\$000
<b>Three months ended 2 April 2021</b>						
<b>As at 31 December 2020</b>	<b>1,020</b>	<b>1,597</b>	<b>(21,868)</b>	<b>5,866</b>	<b>(203,017)</b>	<b>(216,402)</b>
Other comprehensive income/(expense):						
– Currency translation differences on foreign operations	–	(1,740)	–	–	–	(1,740)
– Fair value gain on equity investments	–	–	4,088	–	–	4,088
– Cash flow hedges:						
Fair value loss recognised on effective hedges	–	–	–	(3,575)	–	(3,575)
Fair value gain transferred to profit or loss	–	–	–	(2,599)	–	(2,599)
– Income tax (expense)/credit	–	(182)	–	1,173	–	991
<b>As at 2 April 2021</b>	<b>1,020</b>	<b>(325)</b>	<b>(17,780)</b>	<b>865</b>	<b>(203,017)</b>	<b>(219,237)</b>
<b>Three months ended 27 March 2020</b>						
<b>As at 31 December 2019</b>	<b>571</b>	<b>(1,376)</b>	<b>(21,921)</b>	<b>(216)</b>	<b>(251,787)</b>	<b>(274,729)</b>
Other comprehensive income/(expense):						
– Currency translation differences on foreign operations	–	(4,584)	–	–	–	(4,584)
– Fair value loss on equity investments	–	–	(1,705)	–	–	(1,705)
– Cash flow hedges:						
Fair value loss recognised on effective hedges	–	–	–	(3,397)	–	(3,397)
Fair value loss transferred to profit or loss	–	–	–	1,060	–	1,060
– Income tax (expense)/credit	–	(54)	–	444	–	390
<b>As at 27 March 2020</b>	<b>571</b>	<b>(6,014)</b>	<b>(23,626)</b>	<b>(2,109)</b>	<b>(251,787)</b>	<b>(282,965)</b>

## 14. Segment information

### Background

Segment information is presented in the financial statements on a basis consistent with the information presented to the Management Team (the “chief operating decision-maker”) for the purposes of allocating resources within the Group and assessing the performance of the Group’s businesses.

The Group’s reporting segments are determined based on the nature of the products that they provide to our customers.

Prior to the acquisition of Adesto at the beginning of the third quarter of 2020, the Group had three reporting segments: Custom Mixed Signal; Advanced Mixed Signal; and Connectivity & Audio. Custom Mixed Signal included our Industrial Mixed Signal business unit. We initially managed Adesto on a stand-alone basis and reported its results separately to the Management Team. During the fourth quarter of 2020, we changed the Group’s internal reporting structure, bringing together Adesto and the Industrial Mixed Signal business unit to form a single operating segment that we named Industrial IoT. The Group therefore now has four reporting segments: Custom Mixed Signal; Advanced Mixed Signal; Connectivity & Audio; and Industrial IoT:

- Custom Mixed Signal provides custom ICs designed to meet the needs of our customers in the mobile, automotive, computing and storage markets;
- Advanced Mixed Signal provides standard products including CMICs, AC/DC converter solutions for smaller, fast charging power adaptors for portable devices as well as LED drivers for backlighting and solid state lighting products;
- Connectivity & Audio provides standard products incorporating short-range wireless, digital cordless, Bluetooth® low energy, audio and low-power Wi-Fi technologies; and
- Industrial IoT provides products enabling smart factory and building automation including non-volatile memory (“NVM”) ICs, industrial communication ICs, custom-designed ASICs and embedded systems, servers and software.

Comparative information for Q1 2020 has been restated to reflect the transfer of the Industrial Mixed Signal business unit from Custom Mixed Signal to Industrial IoT.

Each of the Group’s operating segments has a manager who is responsible for its performance and is accountable to the Chief Executive Officer. Custom Mixed Signal comprises our Custom Mixed Signal business group and our Automotive business unit, both of which meet the definition of an operating segment but have been aggregated because they have similar economic characteristics and each provides custom products to similar types of customers through similar distribution channels. Otherwise, we have not aggregated any operating segments in determining our reporting segments.

The Management Team uses underlying measures as the principal basis for allocating resources to and assessing the financial performance of the Group’s businesses. Underlying revenue is therefore the measure of segment revenue and underlying operating profit/loss is the measure of segment profit/loss that is now presented in the Group’s segment disclosures.

### Segment revenue and profit or loss

Underlying performance measures exclude specific items of income or expense that are recognised in profit or loss reported in accordance with IFRS that we consider hinder comparison of the financial performance of our businesses from one period to another, with each other or with other similar businesses. Details of the items excluded from profit or loss reported under IFRS in arriving at the Group’s underlying profit for each of the periods presented are set out in Section 3 of this Interim Report.

Segment revenue and operating profit/(loss) were as follows:

	Underlying revenue <sup>(1)</sup>		Underlying operating profit/(loss)	
	Three months ended 2 April 2021 US\$000	Restated Three months ended 27 March 2020 US\$000	Three months ended 2 April 2021 US\$000	Restated Three months ended 27 March 2020 US\$000
Custom Mixed Signal	187,691	147,825	52,529	29,744
Advanced Mixed Signal	80,801	51,528	12,130	55
Connectivity & Audio	57,039	34,716	8,607	(3,238)
Industrial IoT	30,998	5,485	(800)	341
<b>Total segments</b>	<b>356,529</b>	<b>239,554</b>	<b>72,466</b>	<b>26,902</b>
Corporate and other unallocated items <sup>(2)</sup>	9,334	8,927	6,693	6,107
<b>Total Group</b>	<b>365,863</b>	<b>248,481</b>	<b>79,159</b>	<b>33,009</b>

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

(2) Unallocated revenue arises from the effective IP licence granted to Apple.



# Notes to the condensed consolidated financial statements continued

## 14. Segment information continued

### Segment revenue and profit or loss continued

#### Reconciliation of underlying revenue to revenue reported under IFRS

During the periods presented, there were no differences between underlying revenue and revenue reported under IFRS.

#### Reconciliation of underlying operating profit to profit before income taxes reported under IFRS

	Three months ended 2 April 2021 US\$000	Three months ended 27 March 2020 US\$000
<b>Underlying operating profit</b>	<b>79,159</b>	33,009
Share-based compensation and related costs	<b>(21,393)</b>	(10,232)
Accounting for business combinations:		
– Acquisition-related costs	–	(2,419)
– Amortisation of acquired intangible assets	<b>(10,461)</b>	(7,163)
– Consumption of the fair value uplift of acquired inventory	–	(712)
– Consideration accounted for as compensation expense	<b>(57)</b>	(260)
– Forfeiture of deferred consideration	–	23
– Remeasurement of contingent consideration	–	5,347
Integration costs	<b>(904)</b>	(77)
Cost-reduction initiatives	<b>(235)</b>	–
Corporate transaction costs	<b>(9,541)</b>	–
<b>Operating profit reported under IFRS</b>	<b>36,568</b>	17,516
Interest income	<b>245</b>	3,842
Interest expense	<b>(1,359)</b>	(2,992)
Other finance income	<b>1,437</b>	1,176
<b>Profit before income taxes</b>	<b>36,891</b>	19,542

## 15. Subsequent event

### Capacity reservation agreement

On 26 April 2021, we entered into a capacity reservation agreement to secure our projected medium-term silicon wafer requirements from one of our foundry suppliers. We committed to take or pay for minimum wafer volumes over the remainder of 2021 and for the following four calendar years at an expected cost of approximately US\$13 million in 2021, increasing to a maximum of approximately US\$35 million each calendar year by 2023.

## Financial performance measures

### Use of non-IFRS measures

Our use of non-IFRS measures is explained on pages 190 to 196 of our 2020 Annual Report and Accounts.

Underlying measures of performance and free cash flow are non-IFRS measures because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS or are calculated using financial measures that are not calculated in accordance with IFRS. We do not regard non-IFRS measures as a substitute for, or superior to, the equivalent IFRS measures. Non-IFRS measures presented by Dialog may not be directly comparable with similarly-titled measures used by other companies.

### Underlying measures of performance

During the periods presented, we excluded from the underlying measures of performance the following specific items of income and expense that were recognised in profit or loss in accordance with IFRS because we consider that they hinder comparison of the financial performance of our businesses from one period to another, with each other or with other similar businesses:

- share-based compensation and related expenses;
- the following items relating to the accounting for business combinations:
  - acquisition-related costs;
  - the amortisation of identifiable intangible assets recognised in business combinations;
  - the recognition in cost of sales of the consumption of the fair value uplift to inventory held by acquired businesses;
  - the element of deferred consideration payable for acquired businesses that is recognised as a compensation expense;
  - credits recognised on the forfeiture of deferred consideration payable for acquired businesses;
  - the effect of changes in estimates of contingent consideration payable for acquired businesses; and
  - the interest expense recognised on the unwinding of the discount on contingent consideration liabilities;
- integration costs incurred in relation to acquired businesses;
- in Q1 2021, an additional expense in relation to the Covid-19-related cost-reduction initiatives that commenced during 2020;
- in Q1 2021, corporate transaction costs incurred in relation to the proposed acquisition of Dialog by Renesas;
- the effect on profit or loss of the remeasurement of the warrants that we held in Energous; and
- the income tax effect of the above items, which is calculated by considering the specific tax treatment of each item and by applying the relevant statutory tax rate to those items that are taxable or deductible for tax purposes.

### Reconciliation of underlying measures to equivalent IFRS measures

Reconciliations of the underlying measures of performance to the equivalent IFRS measures for the three-month periods ended 2 April 2021 and 27 March 2020 are presented in the following tables:

#### Three months ended 2 April 2021

US\$000 unless stated otherwise	IFRS basis	Share-based compensation and related expenses	Accounting for business combinations	Integration costs	Corporate transaction costs	Cost-reduction initiatives	Underlying basis
Revenue	365,863	–	–	–	–	–	365,863
Cost of sales	(184,008)	1,009	9	–	–	–	(182,990)
<b>Gross profit</b>	<b>181,855</b>	<b>1,009</b>	<b>9</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>182,873</b>
<i>Gross margin %</i>	<i>49.7%</i>						<i>50.0%</i>
SG&A expenses	(65,257)	12,205	7,047	904	9,541	235	(35,325)
R&D expenses	(81,560)	8,179	3,462	–	–	–	(69,919)
Other operating income	1,530	–	–	–	–	–	1,530
<b>Operating profit</b>	<b>36,568</b>	<b>21,393</b>	<b>10,518</b>	<b>904</b>	<b>9,541</b>	<b>235</b>	<b>79,159</b>
<i>Operating margin %</i>	<i>10.0%</i>						<i>21.6%</i>
Net finance income	323	–	–	–	–	–	323
<b>Profit before income taxes</b>	<b>36,891</b>	<b>21,393</b>	<b>10,518</b>	<b>904</b>	<b>9,541</b>	<b>235</b>	<b>79,482</b>
Income tax expense	(10,777)	(2,304)	(1,905)	(168)	(365)	(45)	(15,564)
<b>Net income</b>	<b>26,114</b>	<b>19,089</b>	<b>8,613</b>	<b>736</b>	<b>9,176</b>	<b>190</b>	<b>63,918</b>
EBITDA	n/a						94,354
<i>EBITDA margin %</i>	<i>n/a</i>						<i>25.8%</i>

## Financial performance measures continued

### Three months ended 27 March 2020

US\$000 unless stated otherwise	IFRS basis	Share-based compensation and related expenses	Accounting for business combinations	Integration costs	Strategic investments	Underlying basis
Revenue	248,481	–	–	–	–	248,481
Cost of sales	(124,676)	598	712	–	–	(123,366)
Gross profit	123,805	598	712	–	–	125,115
<i>Gross margin %</i>	49.8%					50.4%
SG&A expenses	(42,411)	4,100	7,353	77	–	(30,881)
R&D expenses	(72,345)	5,534	2,466	–	–	(64,345)
Other operating income	8,467	–	(5,347)	–	–	3,120
Operating profit	17,516	10,232	5,184	77	–	33,009
<i>Operating margin %</i>	7.0%					13.3%
Net finance income	2,026	–	218	–	(361)	1,883
Profit before income taxes	19,542	10,232	5,402	77	(361)	34,892
Income tax expense	(5,943)	448	(1,442)	(13)	69	(6,881)
Net income	13,599	10,680	3,960	64	(292)	28,011
EBITDA	n/a					47,377
<i>EBITDA margin %</i>	n/a					19.1%

### Notes

#### (i) Accounting for business combinations

We excluded from the underlying measures of performance the following specific items arising from business combinations accounting under IFRS:

US\$000	Q1 2021	Q1 2020
Acquisition-related costs	–	2,419
Amortisation of acquired intangible assets	10,461	7,163
Consumption of the fair value uplift of acquired inventory	–	712
Consideration accounted for as compensation expense	57	260
Forfeiture of deferred consideration	–	(23)
Remeasurement of contingent consideration	–	(5,347)
<b>Increase in operating profit</b>	<b>10,518</b>	5,184
Unwinding of discount on contingent consideration	–	218
<b>Increase in profit before income taxes</b>	<b>10,518</b>	5,402
Income tax credit	(1,905)	(1,442)
<b>Increase in net income</b>	<b>8,613</b>	3,960

#### (ii) Underlying earnings per share

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

US\$000	Q1 2021	Q1 2020
IFRS measures		
<b>Earnings for calculating basic and diluted EPS</b>	<b>26,114</b>	13,599
Underlying measures		
<b>Underlying net income</b>	<b>63,918</b>	28,011

Underlying earnings per share measures are calculated using the weighted average number of shares that are used in calculating the equivalent measures under IFRS as presented in note 5 to the interim financial statements as follows:

Number	Q1 2021	Q1 2020
<b>Weighted average number of ordinary shares</b>		
Basic	<b>67,912,305</b>	68,544,844
Diluted	<b>72,174,792</b>	72,383,429

Underlying earnings per share measures were therefore as follows:

US\$000	Q1 2021	Q1 2020
<b>IFRS earnings per share</b>		
Basic	<b>0.38</b>	0.20
Diluted	<b>0.36</b>	0.19
<b>Underlying earnings per share</b>		
Basic	<b>0.94</b>	0.41
Diluted	<b>0.89</b>	0.39

### (iii) Underlying EBITDA

Underlying EBITDA may be reconciled to net income determined in accordance with IFRS as follows:

US\$000	Q1 2021	Q1 2020
<b>Net income</b>	<b>26,114</b>	13,599
Net finance income	<b>(323)</b>	(2,026)
Income tax expense	<b>10,777</b>	5,943
Depreciation expense	<b>9,006</b>	8,434
Amortisation expense	<b>16,650</b>	13,097
<b>EBITDA</b>	<b>62,224</b>	39,047
Share-based compensation and related expenses	<b>21,393</b>	10,232
Acquisition-related costs	–	2,419
Consumption of the fair value uplift of acquired inventory	–	712
Consideration accounted for as compensation expense	<b>57</b>	260
Forfeiture of deferred consideration	–	(23)
Remeasurement of contingent consideration	–	(5,347)
Integration costs	<b>904</b>	77
Cost-reduction initiatives	<b>235</b>	–
Corporate transaction costs	<b>9,541</b>	–
<b>Underlying EBITDA</b>	<b>94,354</b>	47,377

### Free cash flow

Free cash flow was calculated as follows:

US\$000	Q1 2021	Q1 2020
Cash flow from operating activities	<b>25,992</b>	(49,030)
Purchase of property, plant and equipment	<b>(4,766)</b>	(2,492)
Purchase of intangible assets	<b>(720)</b>	(1,564)
Payments for capitalised development costs	<b>(7,859)</b>	(3,887)
Capital element of lease payments	<b>(2,719)</b>	(2,028)
<b>Free cash flow</b>	<b>9,928</b>	(59,001)



## Registered office

Dialog Semiconductor Plc  
Tower Bridge House  
St Katharine's Way  
London E1W 1AA  
UK  
[www.dialog-semiconductor.com](http://www.dialog-semiconductor.com)



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