

21. Share-based payments continued

The following assumptions were used for stock option grants for the years ended 31 December 2012 and 2011:

	2012	2011
Expected dividend yield	0%	0%
Expected volatility	38%	39% - 46%
Risk free interest rate	0.2%	4.0%
Expected life (in years)	2.0 - 6.0	2.0 - 6.0
Weighted average share price during the year (in €)	15.87	14.36
Weighted average share price for Option grants (in €)	15.68	13.71
Weighted average exercise price (in €)	15.48	13.55
Weighted-average fair value (in €)	4.34	4.80

B) Executives' Long Term Incentive Plan (LTIP)

The Group also operates the Dialog Semiconductor Plc Long Term Incentive Plan (LTIP) which was approved by shareholders at the Annual General Meeting in April 2008. Under the LTIP, key executives are eligible to share in a percentage of the value created for shareholders in excess of an annual return hurdle measured over a four-year performance period (this was originally a three-year period, extended by one year at the Annual General Meeting in April 2009). This value is delivered to a participant in the form of a series of nil-cost options which can be exercised within five years of the date of grant. The first award under the LTIP was made on 8 May 2008.

In 2010 a new award under LTIP was made to selected new and existing members of the executive management. These awards are shown under "Second award" in the table below. In 2012, no further awards under the LTIP plan were made or can be made.

The fair value of the LTIP, where the number of nil-cost options granted to an individual is contingent upon the returns to Shareholders, was calculated using a Monte Carlo simulation model. As a portion of each award is capable of vesting at three separate measurement dates each tranche has been valued separately in accordance with IFRS2.

The following assumptions were used for the fair value calculations:

Inputs	First award				Second award	
	Tranche 1	Tranche 2	Tranche 3	LTIP extension	Tranche 1	Tranche 2
Share price at grant date	€1.40	€1.40	€1.40	€4.08	€10.51	€10.51
Exercise price	£0.10	£0.10	£0.10	£0.10	£0.10	£0.10
Expected life (years)	0.64	1.64	2.64	2.35	0.54	1.54
Expected volatility	40%	40%	40%	42%	42%	42%
Risk-free-interest-rate	4.8202%	4.8202%	4.8202%	1.4900%	0.4820%	0.7040%

Expected volatility has been determined on the same basis as the input into the fair value calculation for share options granted during the year.

Measurement date 31 January 2010

The measurement share price at 31 January 2010 (average share price over the prior 30 days) was €9,8942. As this price was above the return hurdle for January 2010 of €1.82 (prior year return hurdle of €1.62+12.5%), 3,055,064 nil cost option grants were approved by the Board on 4 February 2010, with 25% exercisable from 22 February 2010 and the remaining 75% exercisable for 5 years from 21 February 2011.

Measurement date 31 January 2011 (Last Measurement Date)

The measurement share price at 31 January 2011 (average share price over the prior 30 days) was €17.6632. As this price was above the return hurdle for January 2011 of €11.1310 (prior year return hurdle of €9.8942+12.5%), 1,575,327 nil cost option grants were approved by the Board on 18 February 2011, all exercisable for 5 years from 18 February 2011.

C) Executives Incentive Plan (EIP)

The Group also operates the Dialog Executive Incentive Plan (EIP) which was approved by the shareholders at the Annual General Meeting in May 2010. Under this plan, key executives and other key value drivers of the business are eligible to share in a percentage of the value created for Shareholders. The Remuneration and Nomination Committee may not grant awards under the EIP more than five years after its approval.