Q3 2012 Financial Results
Investor Presentation
31 October 2012
This presentation contains “forward-looking statements” that reflect management’s current views with respect to future events. The words “anticipate,” “believe,” “estimate, “expect,” “intend,” “may,” “plan,” “project” and “should” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties, including, but not limited to: an economic downturn in the semiconductor and telecommunications markets; changes in currency exchange rates and interest rates, the timing of customer orders and manufacturing lead times, insufficient, excess or obsolete inventory, the impact of competing products and their pricing, political risks in the countries in which we operate or sale and supply constraints. If any of these or other risks and uncertainties occur (some of which are described under the heading “Risks and their management” in Dialog Semiconductor’s most recent Annual Report) or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. We do not intend or assume any obligation to update any forward-looking statement, which speaks only as of the date on which it is made, however, any subsequent statement will supercede any previous statement.
Fabless provider of mixed signal Integrated Circuits (ICs)
Listed on Frankfurt Stock Exchange (FWB:DLG)
- High Integrated Power Management
- Low Energy Short Range Wireless

Successful today with leading OEMs in high volume, high growth portable devices
- Smartphones & Tablet PCs
- Portable Media devices incl. digital cordless & wireless audio

Record Q3 revenue of $180.0 million
- 28% increase over Q3 2011
- Continuous ASP growth through 2012

Continued Profitability Growth
- Underlying(*) EBITDA of $29.2 million (16.2% of Revenue)
- 27 cents underlying diluted EPS

Delivered on commitment of continuous QoQ gross margin improvement for 3rd successive quarter

Strong Balance Sheet with $279.1 million in cash

Expecting strong seasonal demand in Q4 2012

(*) and (**) definitions provided in the Appendix
**Revenue Growth Track Record**

*Continuing to Outpace the Industry through 2012*

- **Dialog Growth**
  - 2010: +77.8%
  - 2011: +42.4%

- **Semiconductor Industry**
  - 2010: < 1%
  - 2011: ≈ 1.5%

- **Mixed Signal Peers(*)**
  - 2010: -0.1%
  - 2011: IHS Global Semiconductor Revenue forecast for 2012

Source: Barclays Capital February 2012

Q3 2012 Key Financial metrics

Revenue

- $180.0 million Revenue
  - Upper end of revenue guidance of $170-$180 million
  - +28.0% over Q3 2011
  - +12.8% over prior quarter

Cash & Cash Equivalents

- $279.1 million at Q3 quarter end
  - -$21.5 million of cash outflow from operations due to inventory build for the next two quarters
  - -$40.3 million of negative free cash flow in Q3 2012

Gross Margin

- Gross Margin of 38.0% of Revenue
  - -2.8% points down on Q3 2011
  - +0.5% points up on prior quarter

Earnings per Share ($)

- Underlying(*) EPS (diluted) 27 cents
  - compared to 31 cents in Q3 2011
- IFRS basic and diluted EPS of 19 and 18 cents
  - compared to 27 and 25 cents in Q3 2011

(*) Definitions provided in the Appendix
Q3 2012 Operational Highlights

► Quarterly Revenue driven by continued Smartphone & Tablet design win success
  ▪ Several high volume PMIC ramps in Q3 to support launch of recent trend setting Smartphone and Tablet models

► New PMIC for Processor Partner Program initiative sampling, targeting a significant new entrants next generation Application Processor for Tablets and Smartphones

► Sampled new PMIC for an LTE based chipset platform partner for Asia based customers

► Industry’s highest current multi-phase buck converters – key building block for PMICs - sampling at our key accounts – (supporting smaller and thinner smartphones )
  ▪ Targeting quad-core based Application Processor portable systems, expected revenue contribution in 2013

► Continued strong customer engagement for our wireless audio solutions
  ▪ Targeting leading brand microphone, gaming and professional headset OEMs
In Q4 2012, we expect our growth momentum to continue and to deliver revenue for the quarter in the range of $215 to $235 million.

Full year revenue will therefore be in a range of between $721 and $741 million, consistent with us meeting current market expectations and delivering further significant year on year growth.

The positive trend of gradual incremental gross margin improvement will continue in Q4.
Agenda

Strategic Directions

Q3 2012 Financial Overview

Investment Highlights

Financial Appendix
1. **Extending our Portfolio of Products for Portable Platforms**
   - Adding ultra-low power audio, unique display products and new power management functionality

2. **Broader and Deeper at our Customer Base**
   - Developing companion PMICs with leading and emerging application processor vendors to address broader customer base through their sales eco system
   - Diversifying across more platforms for custom PMIC at larger accounts

3. **Continuous Innovation**
   - Innovation on low power differentiating power-saving technologies together with advanced packaging development

4. **Selected Acquisitions**
Smartphones and Tablets increasingly higher PMIC power requirements, while providing smaller packaged solutions including high pin count BGA packages.

BCD technology and a transition to 130 nm and 300 mm wafers in the future (currently 250 nm and 200 mm).

A new Buck Architecture (Core PMIC building block) introduced in Q3.

Investing in a new low energy short range wireless technology.

New Custom highest Integrated PMICs for Smartphones and Tablet for leading OEMs and our trend setting customer.

Continuous new generations of PMICs for our Application Processor Partners.
Successful Product Innovation from our Short Range Wireless R&D Investment

- A smaller SmartPulse™ Wireless sensor
  - Wireless home Plugs
  - Wireless home security
  - Medical applications

- Enterprise & Hotel VOIP solutions

- Wireless Audio
  - Wireless microphones, gaming & professional headsets
  - Digital Audio solutions for smartphones and peripherals
Summary Short Range Wireless Activities
(former SiTel)

Integration of the business complete, with 2012 being the year of business transition.

Transitioning the lower margin segments of the legacy business to higher margin business by end of 2013.

R&D investment refocused (> 75%) on the development of a new generation of short range wireless products to start production in second half of 2013.

Increased design wins for SmartPulse DECT ULE technology with recent success in home security automation and remote power plugs.

Strong customer engagement for our wireless audio products.

Business positioned to benefit from exciting long term market trends in healthcare, home automation, wireless sports and fitness monitoring and digital audio.
Revenue Growth Continues
6th Year of YoY quarterly growth

$180.0 million Revenue in Q3 2012
- 28% growth over Q3 2011
- 12.8% sequential quarter growth

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Revenue ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3'10</td>
<td>80</td>
</tr>
<tr>
<td>Q4'10</td>
<td>88</td>
</tr>
<tr>
<td>Q1'11</td>
<td>98</td>
</tr>
<tr>
<td>Q2'11</td>
<td>116</td>
</tr>
<tr>
<td>Q3'11</td>
<td>141</td>
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<tr>
<td>Q4'11</td>
<td>172</td>
</tr>
<tr>
<td>Q1'12</td>
<td>166</td>
</tr>
<tr>
<td>Q2'12</td>
<td>160</td>
</tr>
<tr>
<td>Q3'12</td>
<td>180</td>
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</table>

Revenue ($ million)

YoY Revenue ($ million)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
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</thead>
<tbody>
<tr>
<td>Q1</td>
<td>13.6</td>
<td>31.5</td>
<td>34.4</td>
<td>45.0</td>
<td>68.5</td>
<td>166.3</td>
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<tr>
<td>Q2</td>
<td>13.9</td>
<td>36.0</td>
<td>45.0</td>
<td>68.5</td>
<td>116.1</td>
<td>159.5</td>
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<tr>
<td>Q3</td>
<td>24.7</td>
<td>44.0</td>
<td>59.1</td>
<td>79.5</td>
<td>140.6</td>
<td>180.0</td>
</tr>
<tr>
<td>Q4</td>
<td>34.5</td>
<td>51.9</td>
<td>77.6</td>
<td>87.6</td>
<td>172.1</td>
<td>172.1</td>
</tr>
</tbody>
</table>

► $180.0 million Revenue in Q3 2012
- 28% growth over Q3 2011
- 12.8% sequential quarter growth
Gross Margin

3rd Consecutive Quarter of Incremental Gross Margin Improvement

- Q3 2012 IFRS Gross Margin of 38.0%
  - Increase of 0.5% over prior quarter
  - Gradual improvement expected to continue in Q4
Managing Tightly our Operating Expenses at ~10%

Sustained Investment in R&D For Future Growth
Q3 Underlying EBIT(*) of $21.8 million or 12.1% of revenue
- Compares with $22.8 million or 16.2% of revenue in Q3 2011

Q3 IFRS EBIT of $17.5 million or 9.7% of revenue
- Highest quarter in 2012
- Improvement of $4.1 million and 1.3% percentage points from Q2 2012

SiTel acquisition PPA impact
$1.5 million

Share based compensation expenses impact $2.9 million
Profitability
Q3 2012 vs Q3 2011

► Underlying(*) Net Income of $18.0 million
  - $2.7 million decrease compared to Q3 2011
  - Higher effective tax rate in 2012 - 27% compared to 9% in 2011
  - Financial expenses related to the Convertible Bond of $1.5 million

► IFRS Net Income of $12.1 million
  - $4.9 million below Q3 2011

**Earnings Per Share (Diluted)**

- Q3'11 Underlying Diluted EPS: 20 cents
- Q3'12 Underlying Diluted EPS: 18 cents
- Impact of applying 2012 tax rate of 27% to 2011 EPS: 5 cents
- Q3'11 IFRS Net Income: 26 cents
- Q3'12 IFRS Net Income: 27 cents

Cents

Q3’11 Diluted EPS | Q3’12 Diluted EPS | Q3’11 Underlying Diluted EPS | Q3’12 Underlying Diluted EPS
--- | --- | --- | ---
5 cents | 20 cents | 18 cents | 27 cents
$279.1 million cash & cash equivalents balance at the end of Q3 2012

$24.9 million cash outflow in Q3 2012
- $21.5 million of cash outflow from operations
- $40.3 million of negative free cash flow during the quarter
Inventory Analysis

Building inventory to service demand over the next two quarters

- Continue to build our inventory to service solid backlog and expected demand
- WIP (Work in Process) continued to increase to service H1 2013 demand
- 50% of inventory relates to new products which started production during 2012
- Based on our current view, IDO have broadly reached a peak

**Inventory ($ Million) and Inventory Days Outstanding (# days)**

- Continue to build our inventory to service solid backlog and expected demand
- WIP (Work in Process) continued to increase to service H1 2013 demand
- 50% of inventory relates to new products which started production during 2012
- Based on our current view, IDO have broadly reached a peak

**DOB**

1. Calculated using average inventory balance over the period
### Summary and Investment Highlights

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>1</td>
<td>Positioned for market share gain in Smartphones, Tablets and Ultrabooks</td>
</tr>
<tr>
<td>2</td>
<td>Continuing strong revenue momentum</td>
</tr>
<tr>
<td>3</td>
<td>Strong relationship with Brand-Name, Innovative and Trend Setting Customers</td>
</tr>
<tr>
<td>4</td>
<td>Powerful Customer Power and Board Space Saving Value Proposition</td>
</tr>
<tr>
<td>5</td>
<td>Gross Margin incremental expansion expected to continue</td>
</tr>
<tr>
<td>6</td>
<td>Robust Financial Position currently with $279 million on balance sheet</td>
</tr>
</tbody>
</table>
1. (*) Underlying results in Q3 2012 are based on IFRS, adjusted to exclude share-based compensation charges and related charges for National Insurance of $2.9 million, excluding $1.5 million of amortisation of intangibles associated with the acquisition of Dialog B.V. and excluding $1.4 million noncash-effective interest and financial expense in connection with the convertible bond and discounted purchase prices.

2. The term “underlying” is not defined in IFRS and therefore may not be comparable with similarly titled measure reported by other companies. Underlying measures are not intended as a substitute for, or a superior measure to, IFRS measures. (***) EBITDA is defined as operating profit excluding depreciation for property, plant and equipment (Q3 2012: $3.4 million) and amortisation for intangible assets (Q3 2012: $5.4 million)

3. Free Cash Flow is defined as net income plus amortisation and depreciation, plus/minus change in working capital, minus capital expenditure and plus/minus interest expense/income.
Underlying Financial Performance
Q3 2012 and Q2 2012

Dialog Semiconductor’s underlying financial performance for Q3-2012 and Q3-2011 is summarised below:

<table>
<thead>
<tr>
<th></th>
<th>Three months ended 28 September 2012</th>
<th>Three months ended 30 September 2011 ***</th>
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<tbody>
<tr>
<td></td>
<td>IFRS</td>
<td>Adjustment</td>
</tr>
<tr>
<td>Revenue</td>
<td>180,023</td>
<td>-</td>
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<tr>
<td>Cost of sales</td>
<td>(111,533)</td>
<td>(280)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>68,490</td>
<td>(280)</td>
</tr>
<tr>
<td>Selling and marketing expenses</td>
<td>(9,223)</td>
<td>(1,535)</td>
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<tr>
<td>General and administrative expenses</td>
<td>(7,938)</td>
<td>(1,190)</td>
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<tr>
<td>Research and development expenses</td>
<td>(33,868)</td>
<td>(1,375)</td>
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<tr>
<td>Other operating income</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operating profit</td>
<td>17,461</td>
<td>(4,380)</td>
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<tr>
<td>Interest income and other financial income</td>
<td>467</td>
<td>-</td>
</tr>
<tr>
<td>Interest expense and other financial expense</td>
<td>(2,083)</td>
<td>(1,445)</td>
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<tr>
<td>Foreign currency exchange gains and losses, net</td>
<td>770</td>
<td>-</td>
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<td>Result before income taxes</td>
<td>16,615</td>
<td>(5,825)</td>
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<tr>
<td>Income tax expense</td>
<td>(4,487)</td>
<td>-</td>
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<tr>
<td>Net profit</td>
<td>12,128</td>
<td>(5,825)</td>
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<tr>
<td>Earnings per share (in US$)</td>
<td></td>
<td></td>
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<tr>
<td>Basic</td>
<td>0.19</td>
<td>(0.09)</td>
</tr>
<tr>
<td>Diluted</td>
<td>0.18</td>
<td>(0.09)</td>
</tr>
<tr>
<td>EBITDA **</td>
<td>26,319</td>
<td>(2,920)</td>
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Investor Information
Calendar, events and Analyst Coverage

► Analyst coverage

<table>
<thead>
<tr>
<th>Bank/Company</th>
<th>Analyst Name</th>
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<tbody>
<tr>
<td>Baader Bank</td>
<td>Guenther Hollfelder</td>
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<tr>
<td>Barclays Capital</td>
<td>Andrew Gardiner</td>
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<td>Berenberg Bank</td>
<td>Ali Farid Khwaja</td>
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<td>CBSR AG</td>
<td>Veysel Taze</td>
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<td>Cheuvreux</td>
<td>Bernd Laux</td>
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<tr>
<td>Commerzbank</td>
<td>Thomas Becker</td>
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<tr>
<td>Credit Suisse</td>
<td>Justis McEvilly</td>
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<tr>
<td>Deutsche Bank</td>
<td>Uwe Schupp</td>
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<td>DZ Bank</td>
<td>Harald Schnitzer</td>
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<td>Exane BNP</td>
<td>Jerome Ramel</td>
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<td>H&amp;A</td>
<td>Tim Wunderlich</td>
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<td>HSBC</td>
<td>Christian Rath</td>
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<td>Jefferies</td>
<td>Lee Simpson</td>
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<td>JP Morgan</td>
<td>Chetan Udeshi</td>
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<tr>
<td>Main First Bank</td>
<td>Jürgen Wagner</td>
</tr>
<tr>
<td>Morgan Stanley</td>
<td>Francois Meunier</td>
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<tr>
<td>Natixis</td>
<td>Maxime Mallet</td>
</tr>
</tbody>
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► Financial Calendar

Q4 2012 & FY 2012 Results
February 2013

► Events in Q4

- **Morgan Stanley**
  TMT Conference
  14-16 November, Barcelona

- **J.P. Morgan**
  Asia Pacific TMT Conference
  12 November, Hong Kong

- **HSBC**
  Pan European Small & Mid Cap Conference
  4 December, London

► Investor Relations

**Dialog Semiconductor**
Neue Strasse
D-73230 Kirchheim/Teck
Germany
T: +49 (0)20 7269 7214
matt.dixon@fticonsulting.com
dialog@fticonsulting.com
www.dialog-semiconductor.com

**FTI Consulting London**
Matt Dixon
T: +44 (0)20 7269 7214
matt.dixon@fticonsulting.com

dialog@fticonsulting.com

**FTI Consulting Frankfurt**
Thomas M. Krammer
T: +49 (0) 69 9203 7183
thomas.krammer@fticonsulting.com

**TMT Conference**
14-16 November, Barcelona

**Pan European Small & Mid Cap Conference**
4 December, London

**Events in Q4**
The power to be...