Q4 and Full Year 2014 Results
19 February 2015
Forward looking statement

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.
Agenda

- Q4 2014 Executive Overview
- Outlook
- Business Review
- Q4 and full year 2014 Financial Overview
- Appendix
Dialog at a glance
Q4 2014 – Strong revenue growth and cash flow generation

$435m
IFRS
Revenue
(Q4 2013 Actual: $351m)
+24%

46.6%
Underlying
gross margin
(Q4 2013 Actual: 43.0%)
+360bps

19.5%
Underlying
OPEX %
(Q4 2013 Actual: 21.3%)
(180)bps

27.1%
Underlying EBIT
margin
(Q4 2013 Actual: 21.7%)
+540bps

$1.17
Underlying Diluted
EPS
(Q4 2013 Actual: $0.70)
+67%

$119.3m
Cash flow from
operating activities
(Q4 2013 Actual: $46.2m)
+158%

Underlying definition on slide 21
Q1 2015 Outlook

- Given our current visibility, we expect 2015 to be another year of good growth. As in previous years, revenue performance will be strongly weighted towards the second half of the year.

- Q1 2015 revenue will reflect the expected seasonal pattern and deliver year on year growth. We expect revenue for Q1 2015 to be in the range of $265m to $300 million.

- In line with the seasonal lower revenue, gross margin in Q1 2015 will decline sequentially but improve on a year-on-year basis.

- Gross margin for 2015 is expected to remain broadly at a similar level to the full year 2014.
Delivering revenue and earnings growth

Revenue and ASP
($ million and $)

20% ASP CAGR
2011-2014

- Revenue growth well above industry average
  - 30% CAGR 2011-2014

- R&D investment supports future and new revenue streams

- SG&A costs at best in class levels

Underlying EBIT and Diluted EPS
($ million and $)

42% EBIT CAGR
2011-2014

- Underlying EBIT doubled from 2012
Broadening our customer base

- Focus on fast growing China consumer electronics – early success in Mobile Systems and Connectivity

- Maintained our technology advantage in Bluetooth Smart and started high volume shipments in Q4 2014

- Strengthened our leadership position in the LED SSL dimmable segment and fast charging AC/DC converters

Number of trading customers

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>127</td>
</tr>
<tr>
<td>2013</td>
<td>308</td>
</tr>
<tr>
<td>2014</td>
<td>357</td>
</tr>
</tbody>
</table>

+16%
Well positioned for future growth

■ Exposed to high growth markets with differentiated power management and low power connectivity solutions

■ Broadening our customer base in new addressable markets

■ Establishing strategic collaborations to focus on fast growing China consumer electronics market

■ Strong cash generative business capable of funding new strategic initiatives
Agenda

Q4 and Full Year 2014 Financial Overview

Appendix
Dialog at a glance
Full year 2014 – Solid growth and earnings acceleration

$1,156m
IFRS
Revenue
(FY 2013
Actual: $901m)
+28%

45.3%
Underlying
gross margin
(FY 2013
Actual: 40.5%)
+480bps

25.4%
Underlying
OPEX %
(FY 2013
Actual: 25.1%)
+30bps

19.9%
Underlying EBIT
margin
(FY 2013
Actual: 15.4%)
+450bps

$2.27
Underlying Diluted
EPS
(FY 2013
Actual: $1.44)
+58%

$270.5m
Cash flow from
operating activities
(FY 2013
Actual: $110.7m)
+144%

*Underlying definition on slide 22*
8th consecutive year of growth

- **Q4 2014 IFRS revenue $435 million**
  - 24% YoY revenue growth
  - 55% sequential increase over Q3 2014

- **H2 2014 IFRS revenue $716 million up 26% on H2 2013**
  - 63% sequential increase over H1 2014

**Quarterly IFRS revenue ($ million)**

**Full year IFRS revenue ($ million)**

40% Revenue CAGR 2009-2014

41% Q4 Revenue CAGR 2009-2014
Q4 2014 Underlying gross margin of 46.6%

- 360 bps improvement over Q4 2013

Full Year 2014 IFRS and Underlying gross margin up on FY 2013

- 550bps IFRS improvement
- 480bps Underlying improvement
Investing in R&D for future growth

**Full year underlying OPEX% at 25.4%**

- R&D 30 bps above FY2013
- Industry leading SG&A flat on FY 2013

**Full year 2014 IFRS OPEX%**

- Investing in future growth: 70 bps increase on R&D% on FY 2013
- SG&A in line with FY2013 at 9.9%

(*) Other operating expenses included in SG&A
Operating Profit (EBIT)
Underlying Q4 2014 EBIT up 54% year on year

■ Q4 Underlying EBIT(*) of $117.9 million or 27.1% of revenue
  • 540bps increase from Q4 2013
  • 180bps year-on-year decrease on OPEX%

■ Full year Underlying EBIT(*) up 65% on previous year to $230 million
  • 450bps increase on EBIT%
  • OPEX% broadly in line with 2013

■ Full year IFRS EBIT up 81% to 185.9 million or 16.1% of revenue
  • 470bps increase on EBIT%
  • 80bps year-on-year increase on OPEX%
**Net Income – Strong earnings acceleration**

**Underlying Net Income ($’m)**

- **FY 2013**: 97.6
- **FY 2014**: 172.2

Net income grew by 76% from 97.6 million to 172.2 million in FY 2014.

- **Q4 2013**: 52.1
- **Q4 2014**: 89.2

Net income growth in Q4 was 71%.

- **Effective tax rate for FY 2014 at 18.5%**, including one-off non-cash deferred tax credit of $17.8 million in 2014.

- **2014 IFRS effective tax rate of 29.0% excluding one-off item**
  - 170bps below 2013

- **Convertible Bond was dilutive in Q4 and full year**

**FY Diluted EPS ($)**

- **IFRS**
  - **FY 2013**: 0.92
  - **FY 2014**: 1.93
  - Growth: +110%

- **Underlying**
  - **FY 2013**: 1.44
  - **FY 2014**: 2.27
  - Growth: +58%
Inventory value decreased as expected

- Inventory value at the end of Q4 2014 down 33% on Q3 2014
- In Q1 2015 we expect inventory value and DIO to increase from Q4 2014

Inventory ($ million) and Days Inventory Outstanding (# days)

- Inventory value at the end of Q4 2014 down 33% on Q3 2014
- In Q1 2015 we expect inventory value and DIO to increase from Q4 2014

Average DIO of 81 days

(1) Calculated using average inventory balance over the period
$324 million cash & cash equivalents balance at 31 December 2014

- After $40 million debt repayment
- No outstanding debt facilities

$119 million cash flow from operating activities in Q4 2014 (Q4 2013: $46 million)

FY 2014 free cash flow of $213 million almost x3 FY 2013 - excluding the outflow relating to the acquisition of iWatt in 2013
The power to be...