Dialog Semiconductor
Strategy session

Paris, 3 March 2014
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A quick look back…

Strong track record of revenue and EBIT growth

- 7 years of robust revenue growth underpinned by volume and ASP growth
- Uninterrupted period of continuing profitability every quarter since Q4 07
- Stronger foot print in North America and Asia vs. 3 years ago
- Engaged with leading brands in growth mobile market segments and Solid State Lighting worldwide
Business model aligned to key target markets
What makes us different from other mixed signal companies?

- **Deep investment in R&D and IP**
  
  One of the biggest R&D engineering team focused on Power Management and Mixed Signal know-how for Mobile and Connected consumer applications – “deep moat” vs. competitors

- **Flexibility and speed of design**
  
  Engaged with largest clients as “extended R&D team” delivering exceptional differentiation through custom solutions, with the speed of execution of a start up company

- **“High Touch” fabless model**
  
  Outsourcing production process provides exceptional operational flexibility and low CAPEX while maintaining deep expertise on advanced process, test and packaging development through own teams

- **High Tier 1 client penetration Biz model**
  
  Allowing high volume with lower OPEX resulting in strong cash generative model
Strategic direction 4 pillars

1. **Extending our portfolio of products for portable platforms**
   - Adding ultra-low power audio, new power management functionality, short range wireless connectivity and A/DC power conversion

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, fuel gaging, fast charging together with advanced packaging development

4. **Strategic focus on fast growing China smartphone and tablet market**
   - Leveraging current technologies and establishing innovative partnerships within Greater China
Product portfolio
Increasing diversification

‘Red-hot’ new growth
High Growth Star
Cash Cow

PMIC smartphones
Display Drivers/OLED
PMIC 3G/HSPA cell phones
PMIC MP3 players
Wiper motor
Professional lighting

SSL LED drivers
Bluetooth Smart
Multi-touch
Multi Cell PMIC

PMIC smartphones
PMIC tablets
Integrated PMIC+Audio
AC/DC convertors and chargers
Professional headsets
Mobile and wired audio
ULE DECT

PMIC 3G/HSPA cell phones
PMIC MP3 Players
DECT handsets
Wiper motor
Professional lighting

Now
2 years ago
PMIC tablets
PMIC smartphones
Integrated PMIC+Audio
PMIC 3G/HSPA cell phones
PMIC MP3 Players
DECT handsets
Wiper motor
Professional lighting

4 years ago

What are we trying to achieve?

1. **Diversification**
   - Wider product portfolio enabling more and larger customer opportunities

2. **Medium term revenue Growth** of 20% CAGR
   - TAM growth rate of 42% CAGR
   - TAM expansion coming from recently launched products
     - *Bluetooth Smart*
     - *Multi-touch IC*
     - *AC/DC & LED ICs (iWatt acquisition)*

3. **Medium term Profitability**
   - Gross margin in 40%-45% range
   - EBIT in 15%-20% range
At the forefront of mobile power management innovation
  • Highest PMIC integration in the industry
  • Broad power management IP portfolio including high efficiency power conversion, fast battery charging and advanced packaging

Dialog continues to invest to expand and remain at the forefront of PMIC technology
  • Technology Partnerships essential to maintain leadership position
  • Platform Partnerships to diversify customer base now encompassing Asia chipset vendors

iWatt acquisition enables the power delivery side to be addressed

Expansion strategy into adjacent consumer mobile markets
  • Multicell battery applications, Microprocessor integration leading to Sensor fusion, Wearable tech moving from concept to mass market
Partnership
The China Opportunity

- ≈ 450 million smartphones in 2013
- New Application and Modem semiconductor companies emerging
- Diverse customer base
- Increasingly complex devices
- Competing with low margin companies

Evolution of our traditional partner model to address China

+ New Processor Partners
+ New Customers
+ New Channel Partners
+ Licensing/Re-Branding
Power Conversion Group
Diverse end markets and product portfolio

AC-DC Power Conversion
- AC/DC Converter ICs in chargers and adapters for Portable Devices
- Leading provider of AC/DC intelligent charging solutions to mobile phones and tablets

LED Solid State Lighting
- LED Driver ICs in Solid State Lighting Applications

Select Customers
- Samsung
- Nokia
- Motorola
- HTC

Competitors
- Philips
- Osram
- NXP
- Marvell
- Power Integrations
- Diodes
- Texas Instruments

Established Business
Ramping Business
Delivering more AC/DC power
Rapid charging to reduce charge time

Leading in next-generation rapid charging: End-to-End capability

AC-DC ICs for portable chargers

Communication protocol

Embedded Mobile Power Management ICs

Power Management IC and iWatt AC/DC Communication Protocol

- Rapid-charging standards require charger-to-PMIC communication protocols, now championed by leading OEM’s
- Benefit: Reducing charge time by up to 60%
New products from Power Conversion

- **Dialog Semiconductor enables smallest, low power Ultrabook™ adapters** - 45 Watt ultra-slim and 12 Watt travel-size adapters compatible for use with an Ultrabook™ and which support Intel® Turbo Boost Technology

- **Dialog Semiconductor collaborates with Qualcomm Technologies for higher efficiency rapid smartphone charging** - Qualcomm Quick Charge 2.0-compatible AC/DC adapter solution enables up to 88% efficiency for high power density rapid charge power supplies up to 40W

- **Dialog Semiconductor unveils world’s first rapid charge ac/dc controller compatible with MediaTek Pump Express™** - a single-chip solution with no cost premium over slower conventional charging technologies. “Pump Express” is MediaTek’s proprietary protocol for fast charging enabling up to 45% faster charge times than conventional chargers.
SSL LED Bulb Price Trends Driving Adoption

SSL LED Bulb Shipments Expected to Accelerate

Source: McKinsey, August 2012

LED components  Heatsink  LED Module

Optics

Semiconductor integration enabling broad adoption

LED New Installation
LED Replacement
(Units in millions)

$50
$16
$10

2010 2012 2015

440
2,675
4,828

2012 2016 2020

(Units in millions)
Recent product innovations

Innovative solutions for emerging markets

- Data defined bulb for smart lighting
- On/Off digital switch dimming
- Production line calibration
- Com data interface
- Wide dimming range 1-100%
- Auxiliary Power Supply for wireless or sensor connectivity

Smart Sensors
AC/DC required in all line powered products
- Products addressing the volume markets
- Legislation driving need for higher and higher efficiency
- PrimAccurate technology
  - Eliminates components – reduces size and BOM cost
  - Patented primary-side regulation

Solid State Lighting (SSL) the fastest growing semiconductor market
- Broadest offering of SSL LED driver ICs
- Patented digital dimming technology enables superior compatibility with installed-base of wall dimmers
Diversification initiatives – Connectivity

Q&A
Financial strategy
Closing remarks
Q&A
Entering growing markets

*With a strong technology basis*

- Low latency Audio
- Bluetooth Smart
- DECT
- Legacy

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**Focus**

Quantity

Time
Dialog Semiconductor  Strategy Session, Paris 3 March 2014

**Bluetooth® Smart**

**Accessories and peripherals**

- **Wearables**
  - CAGR 70%

- **Proximity and indoor navigation**
  - CAGR 90%

- **Human Interface Devices (HIDs)**
  - CAGR 109%

- **Smart TV and Gaming remotes**
  - CAGR 105%

- **350m+ Bluetooth Smart ICs to ship by end of 2016** (IHS Inc. forecast, 2013)
A breakthrough solution
World’s lowest power consumption

<½ Power consumption of currently available solutions

- Double the lifetime of your product
- Halve the size of your battery and reduce the size and cost of your system

<½ Package size of currently available solutions

- 2.5x2.5x0.5mm WL-CSP package

<½ Number of external components for complete core solution compared to currently available solutions
Connectivity Business Group

- Build on foundation of Low Power RF and Audio competencies
- Bluetooth Smart breakthrough product confirmed by market
- Increase audio share through partnerships
- Return Connectivity to growth path
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<th>Q&amp;A</th>
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<tr>
<td>Financial strategy</td>
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<td>Closing remarks</td>
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<tr>
<td>Q&amp;A</td>
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The five year view
Robust earnings growth and cash generation

**Revenue**
41% CAGR 2008-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>87</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>162</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>218</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>296</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>527</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>774</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>903</td>
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</table>

**Underlying EBIT**
88% CAGR 2008-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Underlying EBIT</th>
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</thead>
<tbody>
<tr>
<td>2007</td>
<td>-17</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>32</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>56</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>80</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>108</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>140</td>
<td></td>
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</tbody>
</table>

**Basic Underlying EPS**
58% CAGR 2008-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Basic Underlying EPS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>-0.41</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>0.15</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>0.73</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>0.88</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>1.18</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>1.24</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>1.49</td>
<td></td>
</tr>
</tbody>
</table>

**Operating cash**
64% CAGR 2008-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating cash</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>-13.5</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>9.3</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>33.1</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>51.9</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>70.1</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>52.4</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>110.7</td>
<td></td>
</tr>
</tbody>
</table>

*IFRS for 2007 and 2008*
Our medium term financial vision
Robust earnings growth and cash generation

- Revenue growth 20% CAGR
- Gross margin 40%-45%
- OPEX% Below 25%
- EBIT 15%-20%
- Pay down M&A debt ahead of maturity
Financial strategic agenda

Our six pillars

- LT sustainable revenue
- Gross margin improvement
- Efficient OPEX management
- Tax optimisation
- Strong cash generation
- BP efficiency and IT investment
#1 Long term sustainable revenue growth

- Medium term business model *Revenue growth 20% CAGR*
- TAM almost to triple in the period 2012-2015
- Continue to develop differentiated products and drive higher ASP
- Wider range of product life-cycle ; 1 to 5 years
- Gradual reduction of customer concentration

**Dialog TAM**

<table>
<thead>
<tr>
<th>Year</th>
<th>Dialog TAM ($ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>2.9</td>
</tr>
<tr>
<td>2015</td>
<td>8.2</td>
</tr>
</tbody>
</table>

~ 42% CAGR

**Total revenue and ASP**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total revenue (LHS)</th>
<th>ASP* (RHS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2010</td>
<td>297</td>
<td>1.38</td>
</tr>
<tr>
<td>FY 2011</td>
<td>527</td>
<td>1.54</td>
</tr>
<tr>
<td>FY 2012</td>
<td>774</td>
<td>1.96</td>
</tr>
<tr>
<td>FY 2013</td>
<td>903</td>
<td>2.30</td>
</tr>
</tbody>
</table>

\*Excluding Power Conversion products
Medium term business model *Gross Margin% range 40%-45%*

- Innovative and differentiated products to generate higher margin
  - Increasing the mix of ASSP products

- Operational excellence; yield and test time improvements

- Gradual transition to 0.13 μ BCD
  - More die per wafer
  - Access to mega-fabs
  - Migration from 8” to 12” wafers

### #2 Gross margin improvement

<table>
<thead>
<tr>
<th></th>
<th>FY 2011</th>
<th>FY 2012</th>
<th>FY 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFRS Gross Margin %</td>
<td>39.5</td>
<td>37.8</td>
<td>39.0</td>
</tr>
<tr>
<td>Underlying Gross Margin %</td>
<td>40.1</td>
<td>38.0</td>
<td>40.4</td>
</tr>
</tbody>
</table>
#3 Efficient OPEX management

- Medium term business model **OPEX% below 25%**
- Continuous innovation is at the core of our business model
- R&D investment aligned to revenue growth
- SG&A at best in class level but will continue to seek opportunities to optimise further

### Full Year Underlying OPEX %

<table>
<thead>
<tr>
<th></th>
<th>FY 2011</th>
<th>FY 2012</th>
<th>FY 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPEX</td>
<td>131</td>
<td>186</td>
<td>228</td>
</tr>
<tr>
<td>OPEX%</td>
<td>25.0</td>
<td>24.1</td>
<td>25.0</td>
</tr>
</tbody>
</table>

### Full year Underlying R&D and SG&A

<table>
<thead>
<tr>
<th></th>
<th>FY 2011</th>
<th>FY 2012</th>
<th>FY 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPEX</td>
<td>16.3</td>
<td>15.9</td>
<td>17.0</td>
</tr>
<tr>
<td>OPEX%</td>
<td>8.7</td>
<td>8.2</td>
<td>8.0</td>
</tr>
</tbody>
</table>
#4 Tax optimisation

*Impact of the evolution of our business*

- Dialog Effective Tax Rate at 31% in 2013
- On-going exercise to align IP ownership with commercial structure of the Group
- Utilise yet unrecognised UK Loss Carry Forward (over $70m)
- Favourable tax regimes in the UK and the NL promoting Technology Companies and creation of IP
- Balancing competitiveness and corporate social responsibility
#5 Strong cash generation

- Strong cash generation business
  - Pay down debt
  - Allows further expansion of business
  - Effective working capital management

- Drive low net debt/EBITDA ratio (2013:0.7x)

**Free Cash Flow**

<table>
<thead>
<tr>
<th></th>
<th>FY 2012</th>
<th>FY 2013</th>
</tr>
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<tbody>
<tr>
<td>($ million)</td>
<td>-24</td>
<td>77</td>
</tr>
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</table>

FY2013 excludes iWatt consideration

**Operating Cash Flow**

<table>
<thead>
<tr>
<th></th>
<th>FY 2012</th>
<th>FY 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>($ million)</td>
<td>52</td>
<td>111</td>
</tr>
</tbody>
</table>

FY 2012 FY 2013
#6 Business process efficiency and IT investment

Scale, speed and efficiency

- Collaborative Design through “Synchronicity”
- “Big Data” for modelling and analysing
- Supply Chain
- Finance
- HR
- Intranet
- Supplier customers
- Global Mobility
- Banking
- Purchase Orders
Long term sustainability of our business model

- Sustainable profitable growth and strong cash generation

- Dialog is committed to taking measures to better understand the impact of the business
  - Corporate Governance
  - Supply Chain Management
  - Employee engagement
  - Environmental impact
  - Local Community Investment

- Our first sustainability report was published in 2013
Key Takeaways

Financial Strategy

- Business model underpins **sustainable profitable growth and strong cash generation**
- Medium term financial vision
  - Revenue growth 20% CAGR
  - EBIT 15%-20%
- Tax optimisation: on-going exercise to align IP ownership with commercial structure of the Group
- **Solid balance sheet** underpinned by strong cash generation which supports further organic and in-organic business expansion
## The three year view

### Delivering revenue and earnings growth

**Revenue and ASP**

- **($ million and $)**
- **22% ASP CAGR 2011-2013**
- **2011**: 1.54
- **2012**: 1.96
- **2013**: 2.30

**ASP**

- **2011**: 1.69
- **2012**: 2.10
- **2013**: 2.48

**Underlying EBIT and Diluted EPS**

- **($ million and $)**
- **32% EBIT CAGR 2011-2012**
- **2011**: 1.11
- **2012**: 1.19
- **2013**: 1.44

**Key Points**

- **Revenue growth in the last three years** was well above industry average
  - **31% CAGR 2011-2013**

- **R&D investment** is keeping us ahead of our competition and supporting future revenue streams

- **Brought exciting innovation** to the market and expanded our collaboration with Tier 1 customers with a greater focus on Asian markets

- **Underlying EBIT** has almost doubled from 2011 level
Well positioned for the next growth phase
*Mixed signal analog core competency*

- Core technical competencies in power management and power efficiency
- High volume niche applications that benefit from “More than Moore” technologies and less dependant on ‘bleeding edge’ digital process and software
- Expanded portfolio providing increasing exposure to new high growth markets and new clients
Why invest in Dialog

1. Exposure to high growth mobile markets
   - Continuing rising demand for smartphones, tablets and peripherals

2. Core technical competencies aligned with structural trends towards power management and power efficiency in mobility and connected devices
   - Focus on niche but high volume products
   - Advanced visibility into the design cycle – 6 to 18 months

3. Technology leadership supports high entry barriers and positive financial trends
   - Mixed signal analog R&D pool focused in high growth portable and consumer applications
   - Technology enabling a reduction on power consumption, cost and board space allowing clients to increase product differentiation and reduce costs – increasing ASPs

4. Further potential for market share gains
   - Increasing exposure to Tier 1 clients
   - New addressable markets (Solid State Lighting, Wearables, Touch) open opportunities with new clients

5. Solid balance sheet underpinned by strong cash generation which supports further organic and in-organic business expansion
The power to be...
At the core of smartphone and tablet design

- **Multicore and LTE platforms**
  - Emergence of low-end smartphone
    - 26% CAGR 2012–2015

- **Rapid adoption of tablets**
  - 41% CAGR 2012–2015

- **The Ultrabook™ opportunity**
  - 132% CAGR 2012-2015
  - 40% of notebook market by 2015

- **Source:** Dialog-Gartner September 2013
Evolution of the light bulb

Incandescent Lighting

Tungsten filament
No semiconductor content

LED Lighting - SSL

Greener
Longer Lasting
Smarter

Digital “Brain” inside