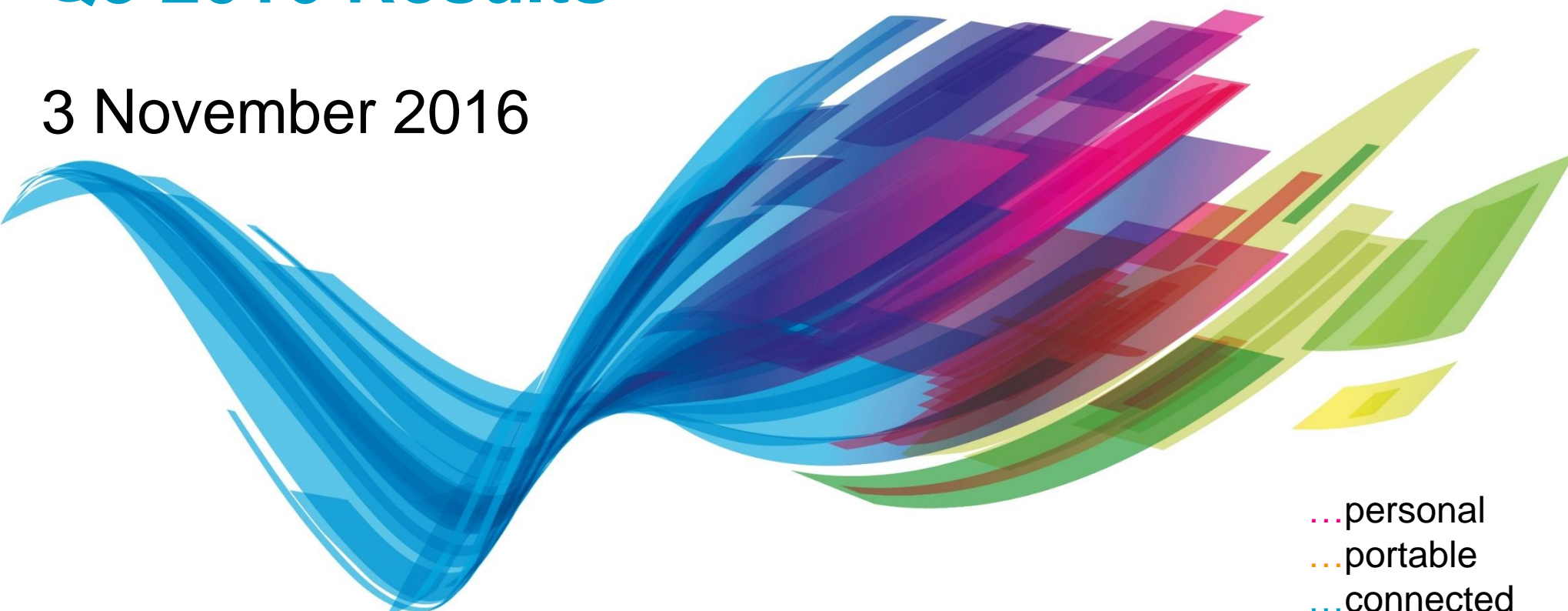

Dialog Semiconductor

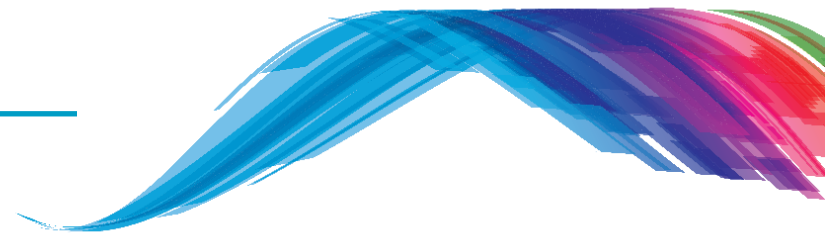
Q2 2016 Results

28 July 2016

A large, abstract graphic consisting of multiple overlapping, semi-transparent, wavy bands in shades of blue, purple, magenta, red, orange, and green, creating a sense of motion and depth.

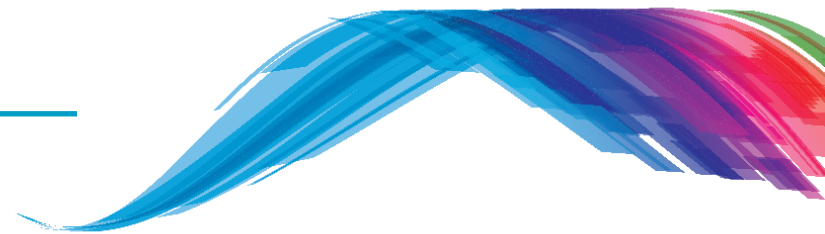
...personal
...portable
...connected

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



Q2 2016 Financial Highlights

Outlook

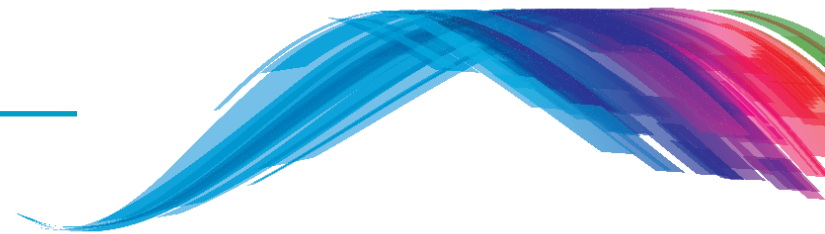
Business Review

Financial Review

Q&A



Dialog at a glance – Q2 2016



\$246m
IFRS
Revenue
(Q2 2015
Actual: \$316m)
-22%

47.1%
Underlying
gross margin
(Q2 2015
Actual: 47.1%)
--

33.6%
Underlying
OPEX %
(Q2 2015
Actual: 24.6%)
+900bps

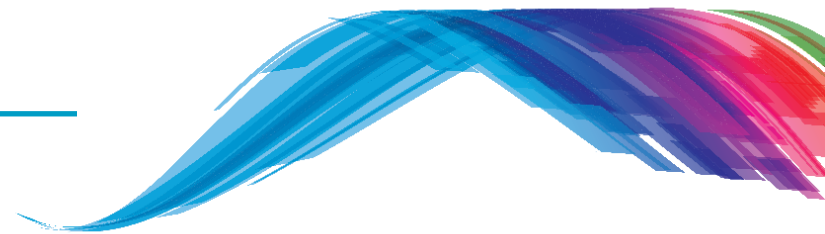
13.5%
Underlying EBIT
margin
(Q2 2015
Actual: 22.5%)
-900bps

\$0.34
Underlying Diluted
EPS
(Q2 2015
Actual: \$0.66)
-48%

\$33m
Free cash flow
(Q2 2015
Actual: \$15m)
+113%

Underlying reconciliation table on slide 21

Agenda



Q2 2016 Financial Highlights

Outlook

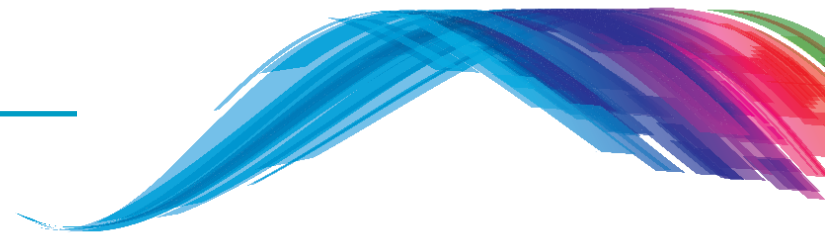
Business Review

Financial Review

Q&A

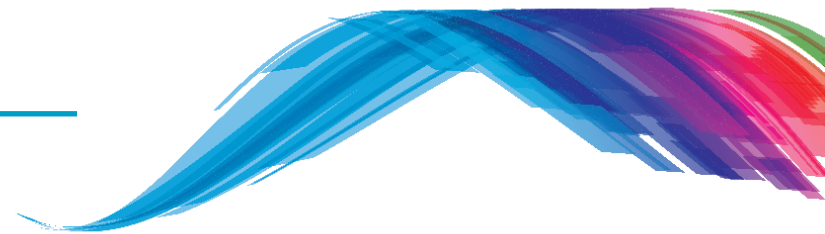


Q3 2016 outlook



- Based on our current visibility, we anticipate revenue for Q3 2016 to improve sequentially from Q2 2016 and to be in the range of \$290 to \$320 million. On the basis of this revenue guidance, gross margin in Q3 2016 will be marginally above H1 2016.
- As a result of the continuing softness in smartphone market demand, we now anticipate revenue for the full year 2016 to decline approximately 15% year-on-year. We expect growth momentum in our Connectivity and Power Conversion products to remain strong through 2016.
- In line with the revenue performance, we expect underlying gross margin percentage for the full year to be slightly below the level achieved in 2015. The effect of the lower anticipated revenue in FY 2016 will be partially offset by rigorous control of operating expenses in the period.

Agenda



Q2 2016 Financial Highlights

Outlook

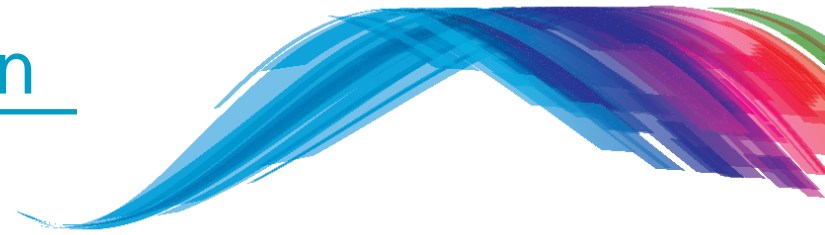
Business Review

Financial Review

Q&A



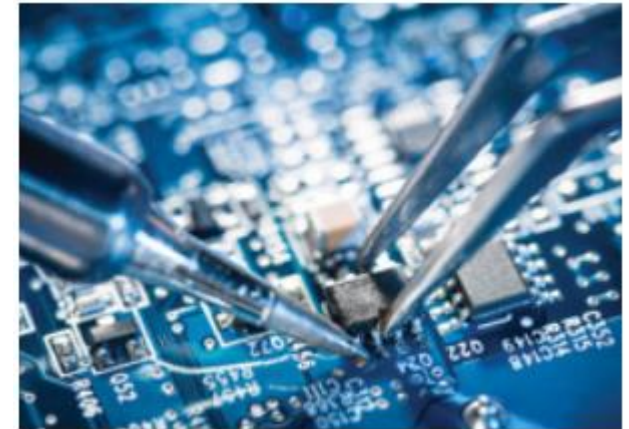
Growing business built on innovation



1	Solid competitive positioning	<ul style="list-style-type: none">• Rooted in deep R&D investment and IP• Technical excellence and highest level of integration compatible with short design cycle• High Tier 1 customer penetration
2	Structural growth	<ul style="list-style-type: none">• Core technical competencies aligned with secular trends in efficient power management in mobility and connected devices
3	High returns Strong cash generation	<ul style="list-style-type: none">• High touch fabless model; low capital intensity• Rigorous working capital management
4	Support organic and in-organic expansion	<ul style="list-style-type: none">• Enhancing the competitive advantage of the business• Expanding technology portfolio and customer base

Focused R&D

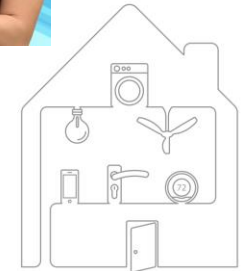
- Increasing content opportunities with Tier 1 OEMs for 2017 and 2018
- Expanding business footprint in greater China
- Accessing adjacent PMIC markets:
 - PMICs for TV and STB
 - Computing systems PMICs
- Extending our portfolio of ASSP products:
 - Next generation Chargers ICs
 - PMICs
 - SmartBeat™ Audio IC enabling a new immersive headset experience
- Increasing our IoT footprint - Bluetooth® low energy, SSL LED drivers, light and colour sensors
- Small form factor and higher power density in Power Conversion



Growth drivers - IoT

Wearables and Home Automation

- Bluetooth low energy, Wearable-on-Chip™ powering Xiaomi Mi Band 2
 - Connectivity
 - Application processing
 - Sensor fusion
 - Advanced power management
- Accelerating the development of connected home products - OpenThread Sandbox Development platform
- A complete smart lighting platform - Smartexite



THREAD

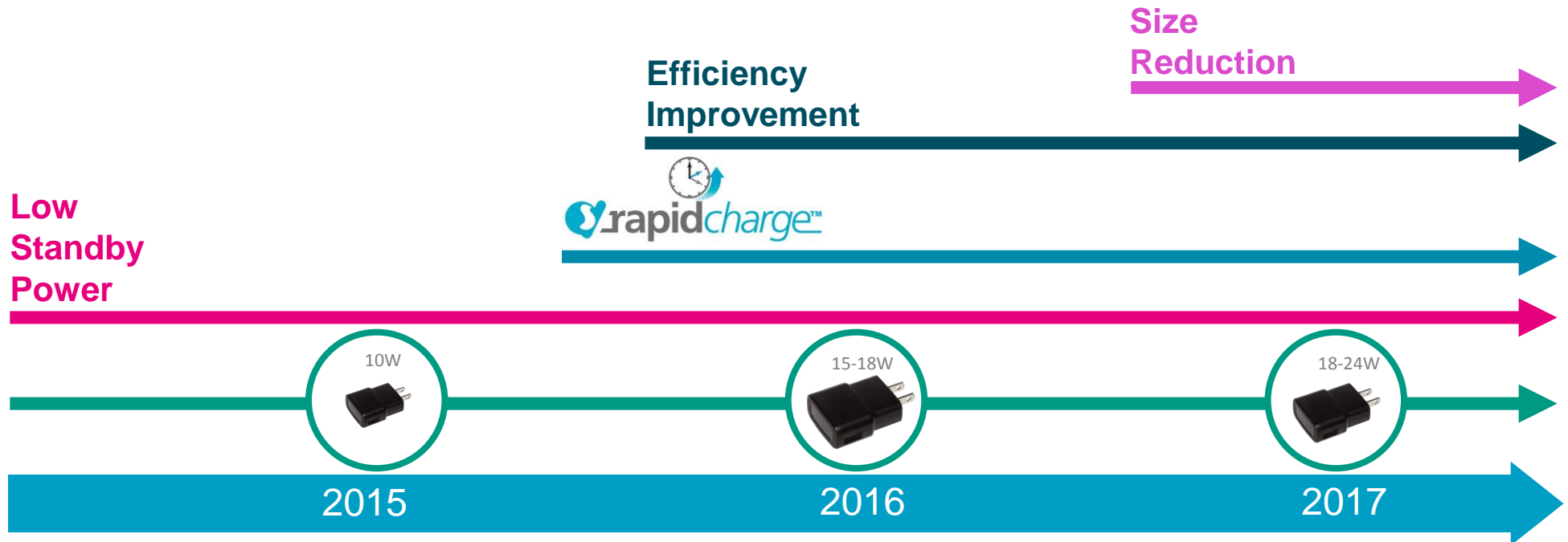


Growth drivers - Power Conversion

Smaller form-factor and higher power density

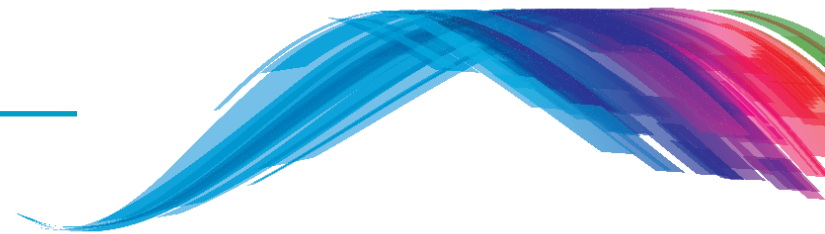
Increasing content opportunity:

- Higher performance smartphones adopting larger batteries
- Driving demand for higher-power adaptors
- Consumers expect smaller adaptors



* Timeline represents mainstream adoption in smartphones

Agenda



Q2 2016 Financial Highlights

Outlook

Business Review

Financial Review

Q&A

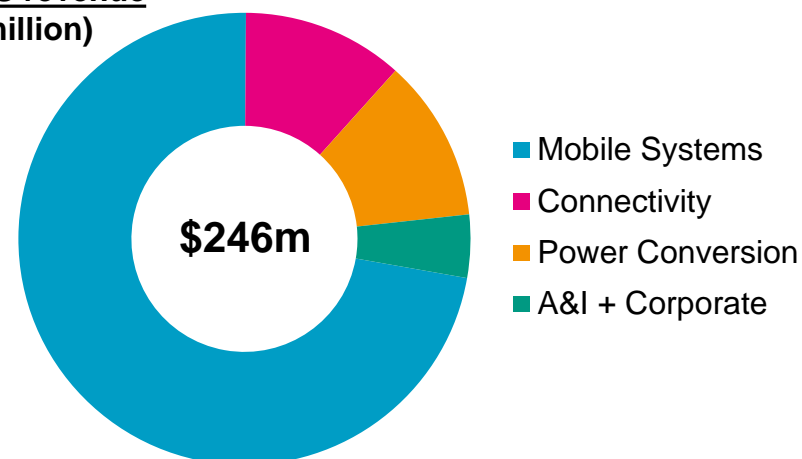


Q2 2016 – In line with guidance

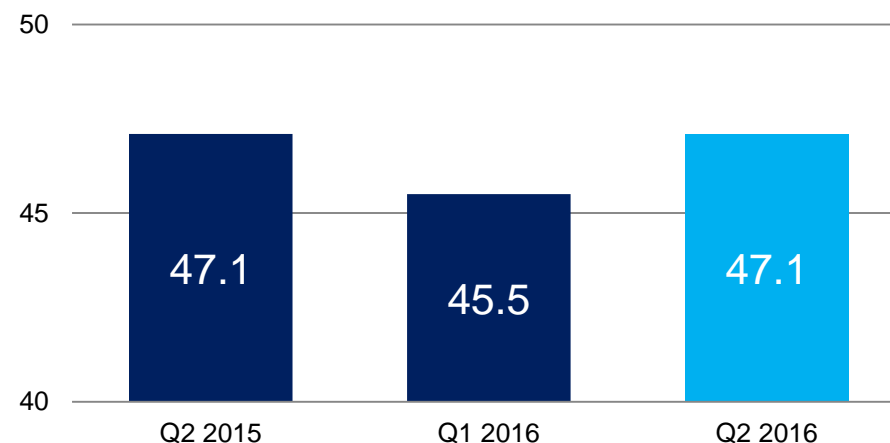
Gross margin increase from Q1 2016

- Q2 2016 revenue in line with May guidance:
 - Robust growth in:
 - Power Conversion supported by rapid charge roll out
 - Bluetooth® low energy
 - Soft demand in Mobile Systems
- Q2 2016 underlying gross margin 47.1% in line with Q2 2015:
 - 46.0% excluding one-off item
 - \$2.7m positive one-off impact

IFRS revenue
(\$ million)



% Underlying gross margin

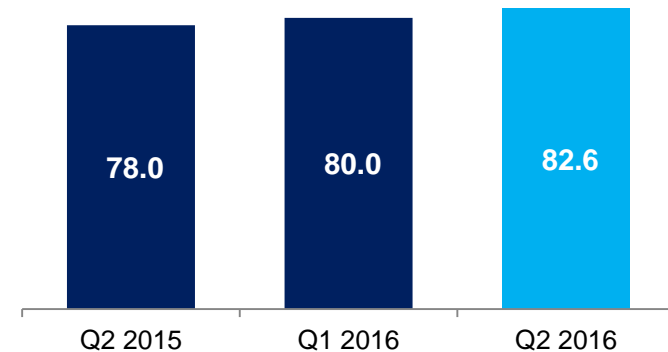


Focused R&D effort

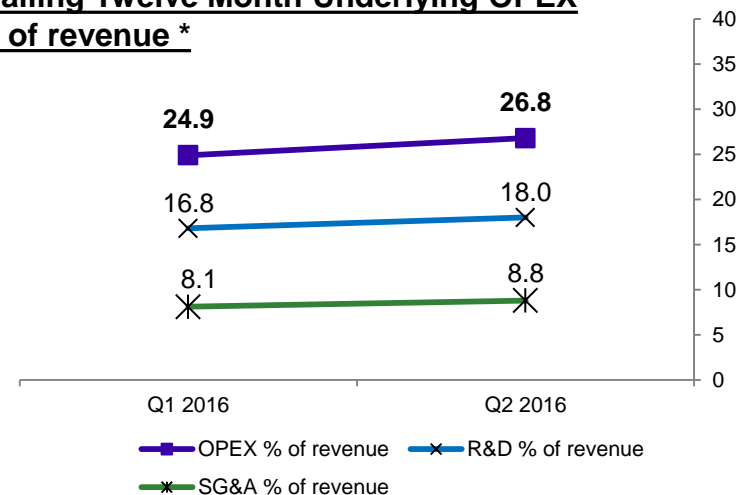
Rigorous OPEX control

- Q2 2016 Underlying OPEX:
 - Up 3% from Q1 2016
 - Up 6% from Q2 2015
- Q2 2016 Underlying OPEX on a Trailing Twelve Month basis 190bps above Q1 2016
 - 120bps increase in R&D
 - Increasing ASIC opportunities for our core technologies with Tier 1 customers

Underlying OPEX
(\$ million)



Trailing Twelve Month Underlying OPEX
% of revenue *



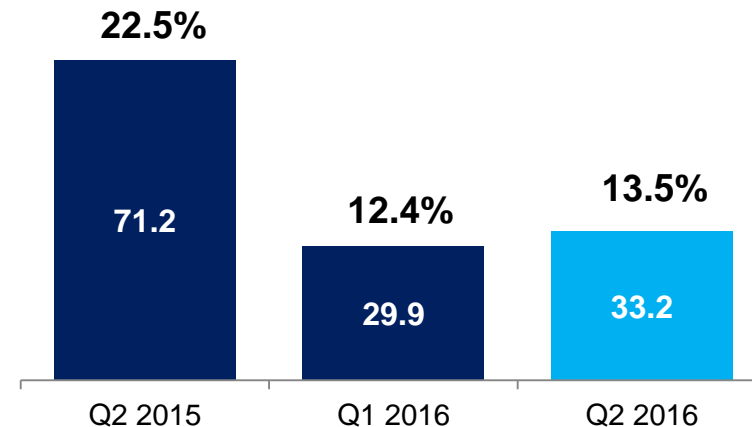
(*) Other operating income and expenses included in SG&A

EBIT and Diluted EPS

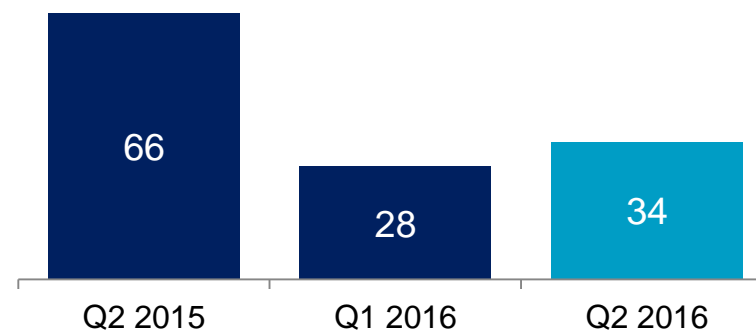
Sequential improvement

- Q2 2016 Underlying EBIT:
 - All operational business segments are profitable on an underlying basis
 - Q2 2016 up 11% over Q1 2016
- Q2 2016 Underlying tax rate of 25%
- H1 2016 tax rate at 24%, 100bps below FY2015 tax rate
- Q2 2016 Underlying diluted EPS:
 - Up 21% over Q1 2016
 - Year-on-year decrease mostly driven by soft demand in Mobile Systems

Total Company
Underlying EBIT and EBIT %
(\$ million)



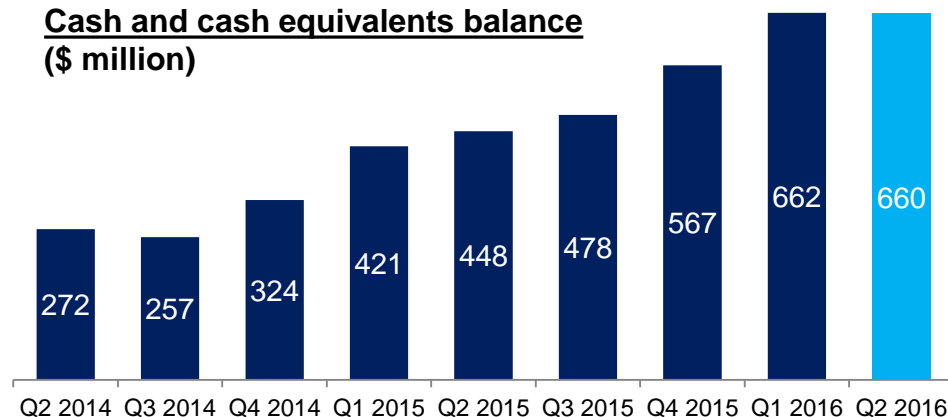
Underlying diluted EPS (\$ cents)



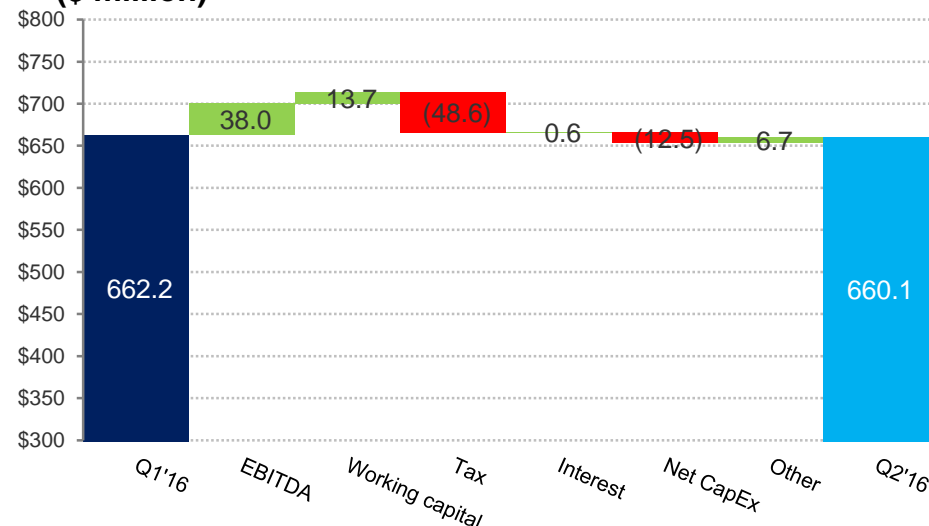
Strong cash flow generation

- \$660 million cash & cash equivalents balance at 1 July 2016
- \$33 million Q2 2016 free cash flow (Q2 2015: \$15 million)
- Significant tax payments during the quarter
- Subsequent to quarter end, on 5 July 2016 the company acquired 590,000 shares at an average price of €27.6429

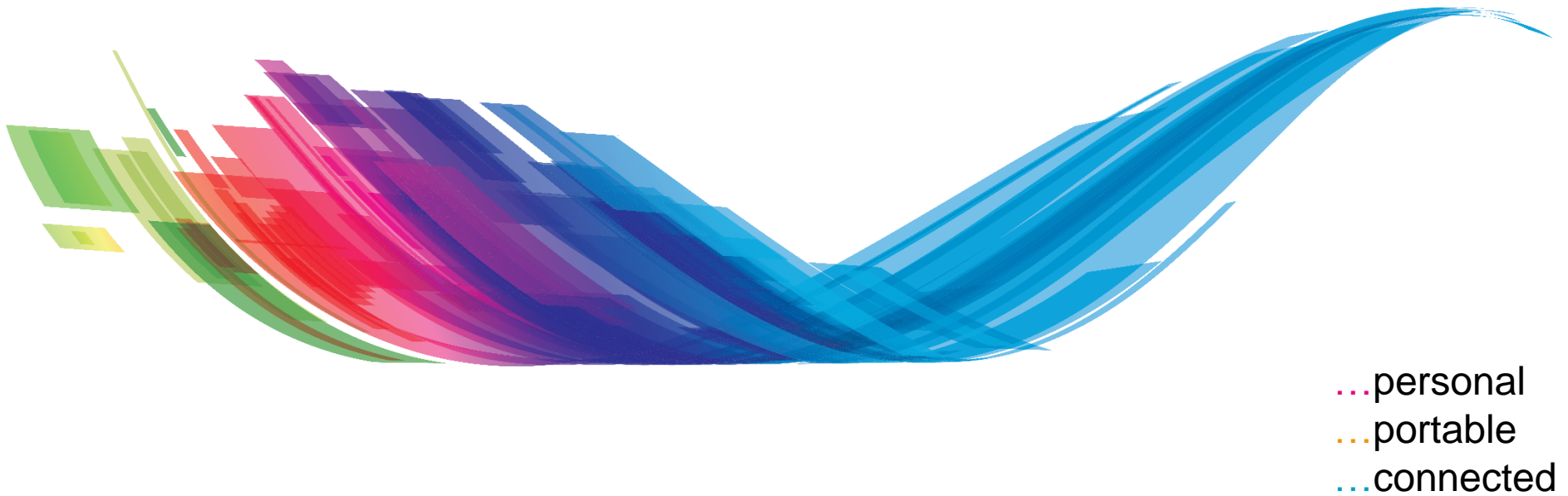
Cash and cash equivalents balance
(\$ million)



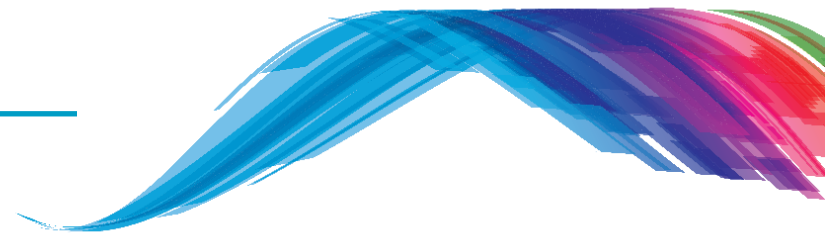
Cash Flow Bridge from Q1'16
(\$ million)



Appendix



Dialog at a glance – H1 2016



\$487m
IFRS
Revenue
(H1 2015
Actual: \$628m)
-22%

46.3%
Underlying
gross margin
(H1 2015
Actual: 46.9%)
-60bps

33.3%
Underlying
OPEX %
(H1 2015
Actual: 24.3%)
+900bps

13.0%
Underlying EBIT
margin
(H1 2015
Actual: 22.6%)
-960bps

\$0.62
Underlying Diluted
EPS
(H1 2015
Actual: \$1.37)
-55%

\$142m
Free cash flow
(H1 2015
Actual: \$113m)
+27%

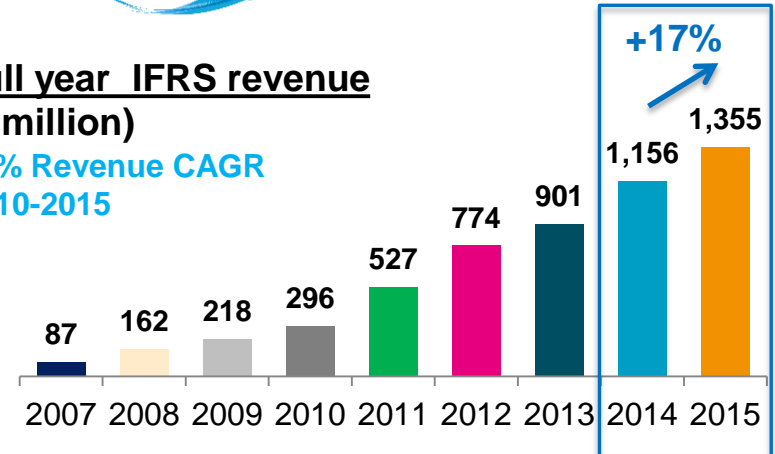
Q2 2016 revenue

Strong growth in Power Conversion and Bluetooth® low energy

- Q2 2016 IFRS revenue \$246 million

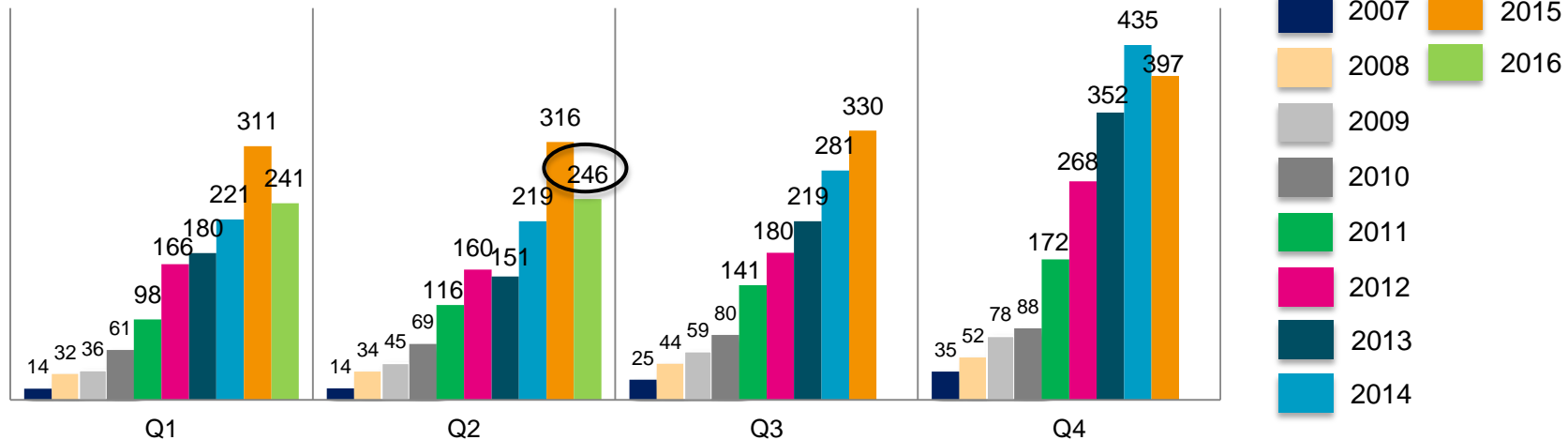
Full year IFRS revenue (\$ million)

36% Revenue CAGR
2010-2015



Quarterly IFRS revenue (\$ million)

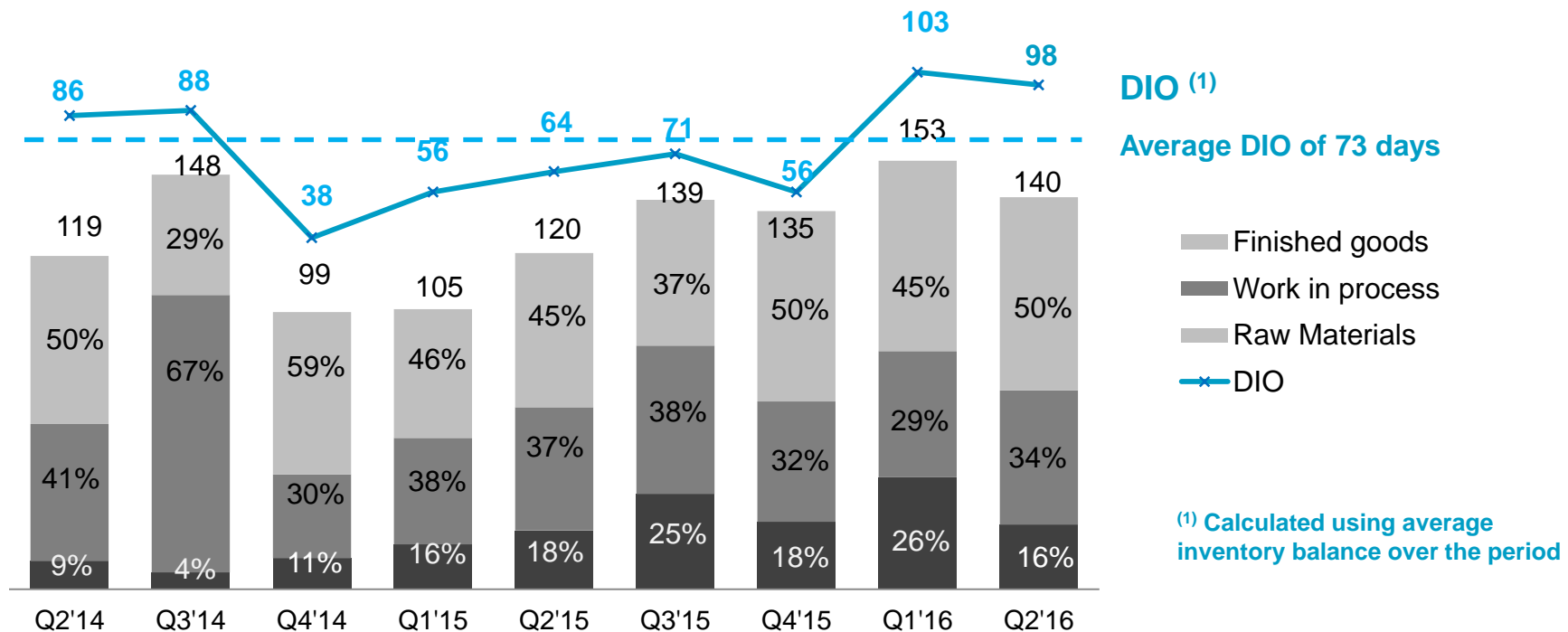
16% Q2 Revenue CAGR 2011-2016



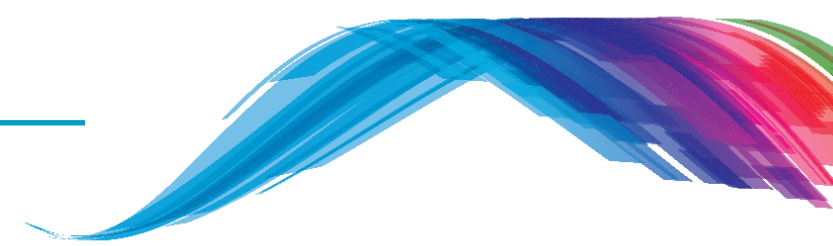
Effective inventory management

- At the end of Q2 2016 inventory value down 8% and DIO down 5 days over Q1 2016
- In Q3 2016 we expect inventory value and inventory days remain broadly in line with Q2 2016 and DIO to decrease from Q2 2016

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



Q2 2016 – Underlying adjustments



Q2 2016	IFRS	Share-based compensation and related payroll taxes	Amortisation of acquired intangible assets	Aborted merger with Atmel	Effective interest	Underlying
Revenue	245,747	-	-	-	-	245,747
Gross profit	113,737	326	1,755	-	-	115,818
SG&A expenses	(31,179)	3,338	1,900	(15)	-	(25,956)
R&D expenses	(59,816)	2,996	-	-	-	(56,820)
Other operating income	200	-	-	-	-	200
Operating profit	22,942	6,660	3,655	(15)	-	33,242
Net finance income	2,497	-	-	-	138	2,635
Income tax expense	(8,653)	(250)	(217)	-	(27)	(9,147)
Net income	16,786	6,410	3,438	(15)	111	26,730
EBITDA	n/a					44,527

EBITDA is defined as underlying net income of US\$26.7 million (Q2 2015: US\$52.1 million), before income tax expense of US\$9.1 million (Q2 2015: US\$17.6 million), depreciation of property, plant and equipment of US\$6.6 million (Q2 2015: US\$5.7 million), amortisation of intangible assets of US\$4.7 million (Q2 2015: US\$4.0 million) and net finance (income) expense of US\$(2.6) million (Q2 2015: US\$1.4 million).

Free Cash Flow is defined as net income of US\$16.8 million (Q2 2015: US\$42.9 million), before depreciation and amortisation of US\$14.9 million (Q2 2015: US\$13.3 million) and the net interest (income) expense of US\$(0.6) million (Q2 2015: US\$1.1 million), plus (minus) the net decrease (increase) in working capital of US\$13.7 million (Q2 2015: US\$(19.4) million) and minus capital expenditure of US\$12.3 million (Q2 2015: US\$22.6 million).

Q2 2016 – Income statement

	Notes	Three months ended 1 July 2016 US\$000	Second Quarter Three months ended 3 July 2015 US\$000	Six months ended 1 July 2016 US\$000	First Half Six months ended 3 July 2015 US\$000
Revenue	3	245,747	316,486	487,155	627,677
Cost of sales		(132,010)	(169,154)	(265,757)	(337,136)
Gross profit		113,737	147,332	221,398	290,541
Selling and marketing expenses		(15,162)	(14,889)	(30,577)	(30,258)
General and administrative expenses		(16,017)	(14,394)	(37,032)	(33,284)
Research and development expenses		(59,816)	(55,920)	(117,340)	(109,876)
Other operating income		200	329	137,678	969
Operating profit	3	22,942	62,458	174,127	118,092
Interest income		988	210	1,744	342
Interest expense		(407)	(1,338)	(2,739)	(4,396)
Other finance income (expense)		1,916	(1,383)	(787)	188
Profit before income taxes	3	25,439	59,947	172,345	114,226
Income tax expense		(8,653)	(17,085)	(12,668)	(32,555)
Net income		16,786	42,862	159,677	81,671
Attributable to:					
- Shareholders in the Company		17,566	43,027	161,302	81,836
- Non-controlling interests		(780)	(165)	(1,625)	(165)
Net income		16,786	42,862	159,677	81,671
		Q2 2016	Q2 2015	First half 2016	First half 2015
Earnings per share (in US\$)					
Basic		0.23	0.59	2.11	1.15
Diluted		0.22	0.55	2.02	1.08
Weighted average number of shares (in thousands)					
Basic		76,437	73,420	76,291	71,053
Diluted		79,974	79,101	79,984	78,772

Q2 2016 – Balance sheet

	Notes	At 1 July 2016 US\$000	At 31 December 2015 US\$000
Assets			
Cash and cash equivalents		660,093	566,809
Trade and other receivable		36,040	72,668
Other financial assets		1,346	2,086
Inventories	4	140,592	134,930
Income tax receivables		269	129
Other current assets		26,515	20,856
Total current assets		864,855	797,478
Goodwill		251,233	251,062
Other intangible assets	6	134,952	138,604
Property, plant and equipment	5	66,374	68,444
Other financial assets		3,688	3,758
Income tax receivables		51	51
Deferred tax assets		27,011	28,454
Total non-current assets		483,309	490,373
Total assets		1,348,164	1,287,851
Liabilities and equity			
Trade and other payables		89,575	131,553
Other financial liabilities		65,741	8,245
Provisions		968	1,861
Income taxes payable		1,096	62,181
Other current liabilities		41,718	49,884
Total current liabilities		199,098	253,724
Other financial liabilities		2,990	4,919
Provisions		2,764	2,725
Deferred tax liabilities		1,601	1,598
Total non-current liabilities		7,355	9,242
Ordinary shares		14,402	14,402
Additional paid-in capital		464,353	463,725
Retained earnings		689,034	571,510
Other reserves		(6,567)	(7,923)
Dialog shares held by employee benefit trust		(25,774)	(24,630)
Equity attributable to shareholders in the Company		1,135,448	1,017,084
Non-controlling interests		6,263	7,801
Total equity		1,141,711	1,024,885
Total liabilities and equity		1,348,164	1,287,851



Q2 2016 – Cash flow statement

	Second Quarter		First Half	
	Three months ended 1 July 2016 US\$000	Three months ended 3 July 2015 US\$000	Six months ended 1 July 2016 US\$000	Six months ended 3 July 2015 US\$000
Cash flows from operating activities:				
Net income	16,786	42,862	159,677	81,671
Non-cash items within net profit:				
Depreciation of property, plant and equipment	6,633	5,651	13,067	10,975
Amortisation of intangible assets	8,307	7,612	16,352	15,095
(Gain) loss on disposals and impairment of fixed assets	(70)	178	197	288
Impairment of inventories (net of recoveries)	1,445	(1,113)	1,439	62
Share-based payments expense	7,894	3,629	14,968	8,092
Interest (income) expense, net	(581)	1,128	995	4,054
Income tax expense	8,653	17,085	12,668	32,555
Cash generated from operations before changes in working capital	49,067	77,032	219,363	152,792
Changes in working capital:				
Trade accounts receivable and other receivables	(1,221)	3,440	36,628	63,894
Inventories	7,803	(11,587)	(10,701)	(18,658)
Prepaid expenses	796	155	(1,960)	(1,275)
Trade accounts payable and other payables	7,536	7,114	(41,995)	4,294
Provisions	(63)	(4,806)	(854)	(951)
Other assets and liabilities	(2,601)	(12,597)	(4,088)	(8,945)
Cash generated from operations	61,316	58,751	196,393	191,151
Interest paid	(249)	(1,236)	(2,406)	(1,430)
Interest received	904	193	1,455	322
Income taxes paid	(48,473)	(11,991)	(74,867)	(24,761)
Cash flow from operating activities	13,498	45,717	120,575	165,282
Cash flows used in investing activities:				
Purchase of property, plant and equipment	(5,528)	(10,939)	(11,196)	(16,626)
Purchase of intangible assets	(2,139)	(3,125)	(4,619)	(6,357)
Purchase of Dyna Image net of consolidated cash	(647)	(2,636)	(647)	(2,636)
Payments for capitalised development costs	(4,136)	(5,889)	(9,877)	(11,343)
Change in other long term assets	144	(21)	169	79
Cash flow used in investing activities	(12,306)	(22,610)	(26,170)	(36,883)
Cash flows from financing activities:				
Purchase of Dialog shares by employee benefit trusts	(3,127)	–	(3,127)	(14,032)
Sale of Dialog shares by employee benefit trusts	693	3,029	2,611	9,180
Other changes in equity	(721)	–	(721)	–
Cash flow from (used in) financing activities	(3,155)	3,029	(1,237)	(4,852)
Net increase (decrease) in cash and cash equivalents	(1,963)	26,136	93,168	123,547
Cash and cash equivalents at beginning of period	662,235	420,702	566,809	324,280
Currency translation differences	(179)	848	116	(141)
Cash and cash equivalents at end of period	660,093	447,686	660,093	447,686



Analyst coverage

Bank of America Merrill Lynch	Adithya Metuku
Baader Bank	Guenther Hollfelder
Bankhaus Lampe	Dr. Karsten Iltgen
Barclays Capital	Andrew Gardiner
Berenberg Bank	Tammy Qiu
Bryan, Garnier & Co	Dorian Terral
CA Cheuvreux	Bernd Laux
Close Brothers Seydler	Veysel Taze
Commerzbank	Thomas Becker
Credit Suisse	Achal Sultania
Deutsche Bank	Rob Sanders
DZ Bank	Harald Schnitzer
Exane BNP Paribas	David O'Connor
Hauck & Aufhauser	Tim Wunderlich
HSBC Trinkaus & Burkhardt AG	Christian Rath
Jefferies International	Robert Lamb
JP Morgan Cazenove	Chetan Udeshi
Main First Bank AG	Juergen Wagner
Morgan Stanley	Francois A Meunier
Natixis	Stephane Hourii
RBC	Mitch Steves
Stifel	Lee Simpson

Financial Calendar

Q3 2016 Results 3 November

Key Events

Jefferies Semiconductor, HW and Comms. Infrastructure Summit

30 August 2016, Chicago

Commerzbank Sector Conference

1 September 2016, Frankfurt

DB TMT European Conference

8 September 2016, London

DB TMT Global Conference

13-14 September 2016, Las Vegas

Baader Bank Conference

20 September 2016, Munich

Contacts

Jose Cano

Head of Investor Relations

T: +44 (0)1793 756 961

jose.cano@diasemi.com

Financial PR/IR Advisers:

FTI Consulting – London

Matt Dixon

T: +44 (0)20 7831 3113

matt.dixon@fticonsulting.com

FTI Consulting – Frankfurt

Anja Meusel

T: +49 (0)69 9203 7120

anja.meusel@fticonsulting.com

Powering the Smart Connected Future

