

Dialog Semiconductor

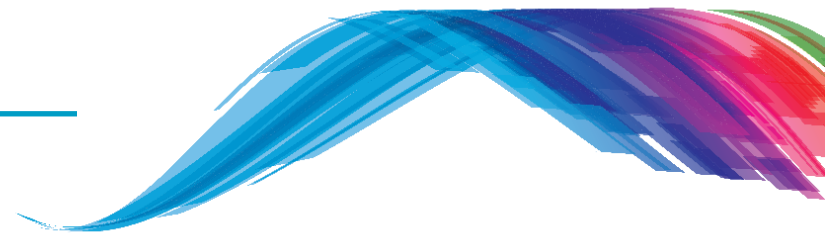
Q2 2017 Results

27 July 2017

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.

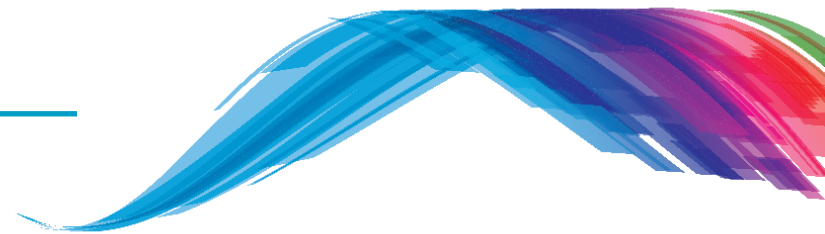
...personal
...portable
...connected

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 “Managing risk and uncertainty” 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 2017 Financial Highlights

Outlook

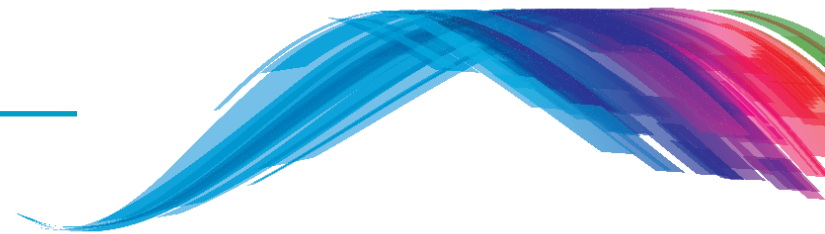
Business Review

Financial Review

Q&A



At a glance – Q2 2017



Revenue

+4% YoY

\$256m

(Q2 2016: \$246m)

Underlying gross margin

+20bps YoY

47.3%

(Q2 2016: 47.1%)

Underlying OPEX %

+120bps YoY

+34.9%

(Q2 2016: 33.7%)

Underlying EBIT %

-120bps YoY

12.3%

(Q2 2016: 13.5%)

Underlying diluted EPS \$

+6% YoY

36 cents

(Q2 2016: 34 cents)

Cash from operating activities

+47% YoY

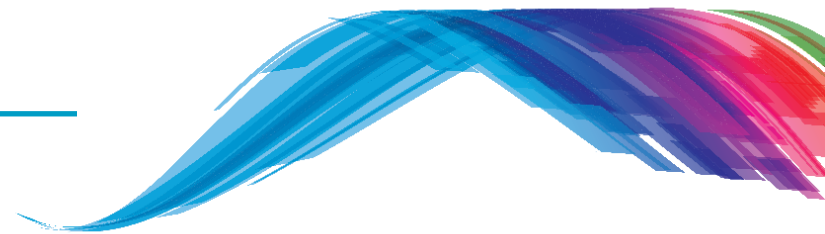
\$20m

(Q2 2016: \$13m)

Reconciliation to underlying measures – slides 21 and 22



Agenda



Q2 2017 Financial Highlights

Outlook

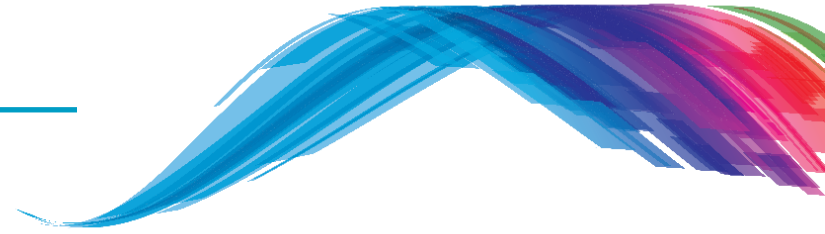
Business Review

Financial Review

Q&A

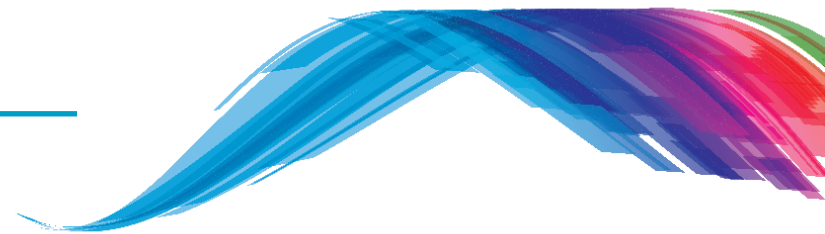


Outlook



- Based on our current visibility, we anticipate revenue for Q3 2017 to be in the range of US\$340-US\$370 million.
- Good business momentum and a strong pipeline of key product launches in the second half of the year, give us confidence in expecting 2017 to be a year of good revenue growth.
- In line with the revenue performance, we expect gross margin for Q3 2017 and the full year 2017 to be broadly in line with the full year 2016.

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Growth drivers



Mobile Systems

- Increasing content with existing customers in 2017
- Strategic partnerships to increase market share
- Broadening portfolio of ASSPs – Charger ICs and PMICs
- Addressing new segments – Computing systems, DSLR cameras, auto-infotainment, TVs and Set-top boxes and WiFi routers

Connectivity

- Expanding Bluetooth® low energy product portfolio
- Bluetooth® low energy SoCs enabling a fast go-to-market
- Addressing consumer headset market with audio DSP product

Power Conversion

- Building on 70% market share of rapid charge smartphone market
- Size reduction combined with energy efficiency improvement
- Higher content gain potential with the introduction of GaN ICs
- Wireless charging

A leader in Power Management

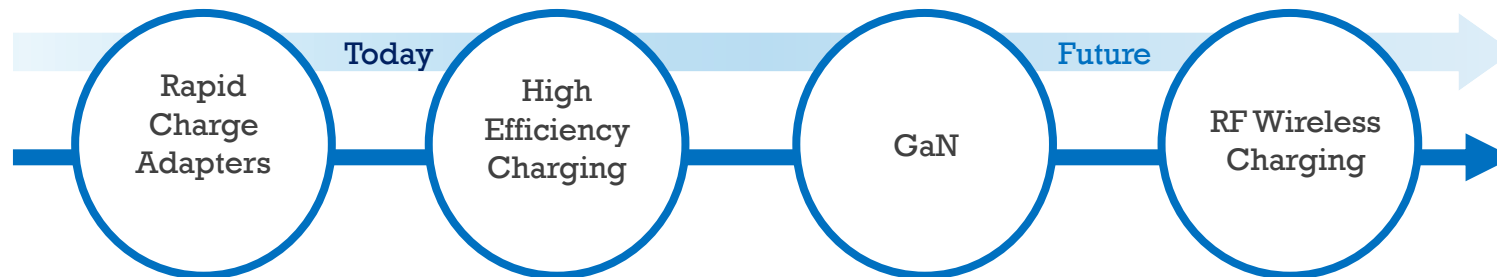
- Ramp of new products with Tier 1 customers - new designs with increasing content
- Substantial progress with new PMIC designs targeting H2 2018 production
- Diversification initiatives within Mobile Systems
 - Leveraging our technology into new areas:
 - Computing systems
 - Automotive
 - DSLR cameras; TVs/STB and WiFi routers
 - High-efficiency smartphone charging
 - Increasing our market share in Asia through our partnership with Spreadtrum



Strategic focus on charging technologies

Broadening our customer base

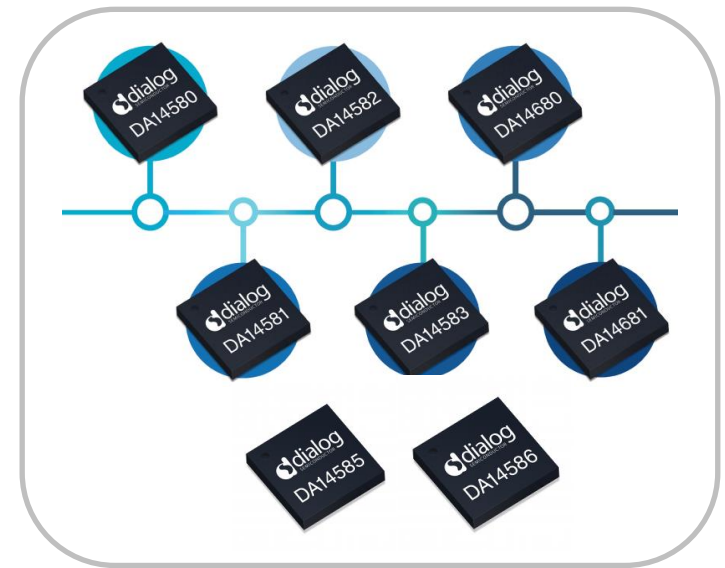
- Increasing interest in innovative charging technologies to differentiate in a highly-competitive market
- Expanding our range of products:
 - Introduction of new USB-PD IC
 - First company to offer a complete wall-to-battery fast charging solution – DA9318



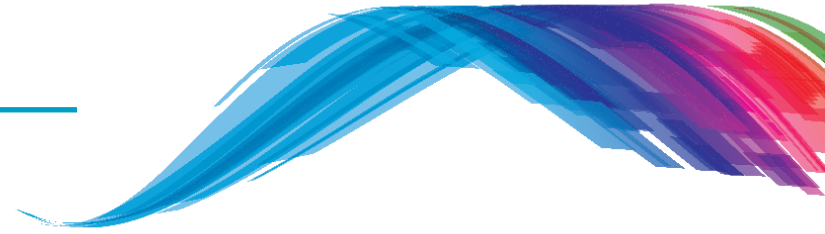
SmartBond™ – Bluetooth® low energy

Surpassed 100 million units since launch in H2 2014

- Bluetooth Smart continues to be adopted in a multitude of **high volume** applications resulting in a **rapidly growing** market
- Since the introduction of the first IC, we have:
 - Developed a complete product portfolio
 - Established a solid module ecosystem enabling fast time to market and long tail of customers
 - Built a wider sales distribution network
- Looking ahead:
 - Good momentum in new areas such as consumer medical devices, Home Automation and automotive
 - Expansion of product portfolio

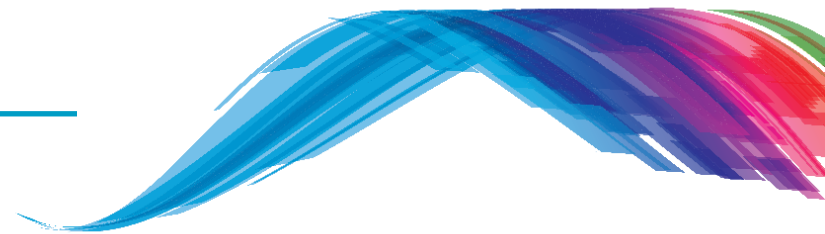


Key takeaways



- The company is well positioned for growth in the Mobility and IoT markets
 - Deep and focused R&D investments
 - Leveraging technical excellence into new segments
 - Capitalising on a trend for custom mixed signal power content
- Increasing interest in differentiated and innovative charging technologies
 - To meet consumer requirements
 - To differentiate in highly competitive markets
- Revenue growth momentum is strong into the second half of the year

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Financial Review

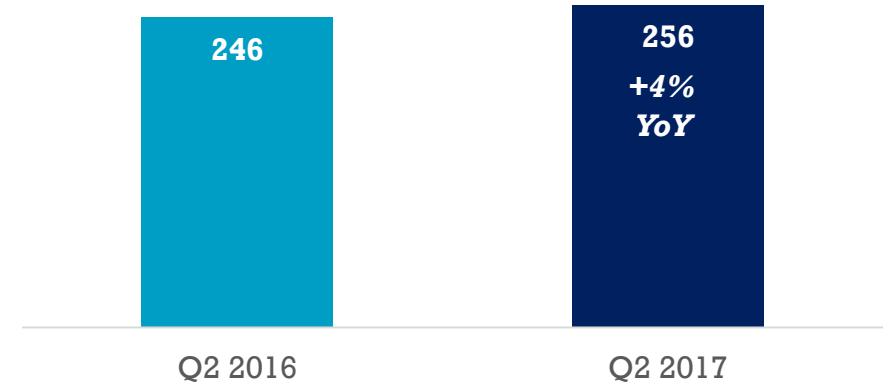
Q&A



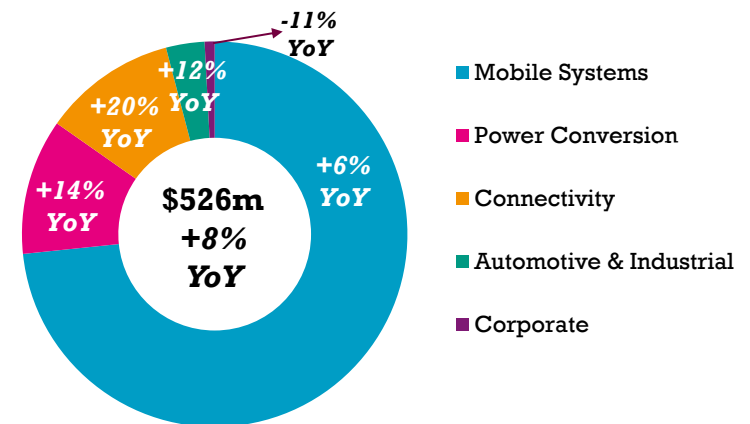
All segments growing year-on-year

- Q2 2017 revenue up 4% year-on-year:
 - Mobile Systems up 2% - higher sales volumes
 - Power conversion up 7% - Rapid Charge™ and LED
 - Connectivity up 14% - Strong performance in Bluetooth® low energy and moderate growth in DECT
 - Automotive & Industrial up 12% - higher sales volumes
- H1 2017 revenue up 8% year-on-year:
 - Good performance in all operational business segments

Revenue (\$m)



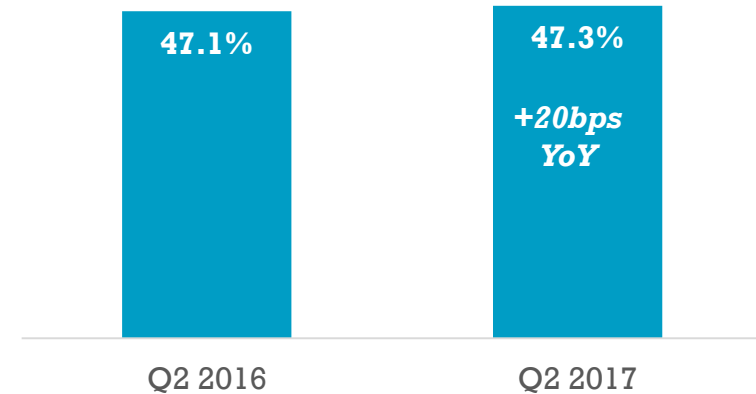
H1 2017 - Revenue (\$m)



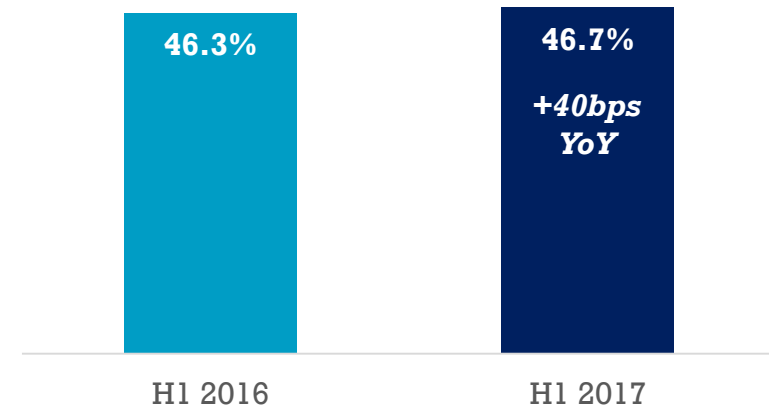
Gross margin expansion year-on-year

- Q2 2017 underlying gross margin 20bps above Q2 2016 due to higher sales volumes and better product mix.
- H1 2017 underlying gross margin 40bps above H1 2016 also due to higher sales volumes and better product mix.

Underlying gross margin



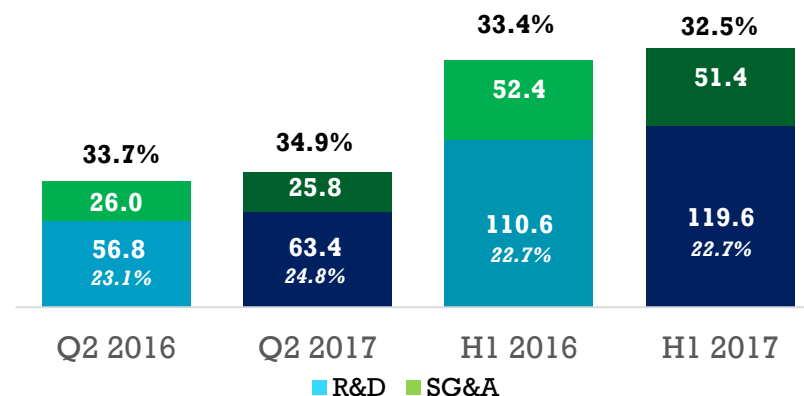
Underlying gross margin



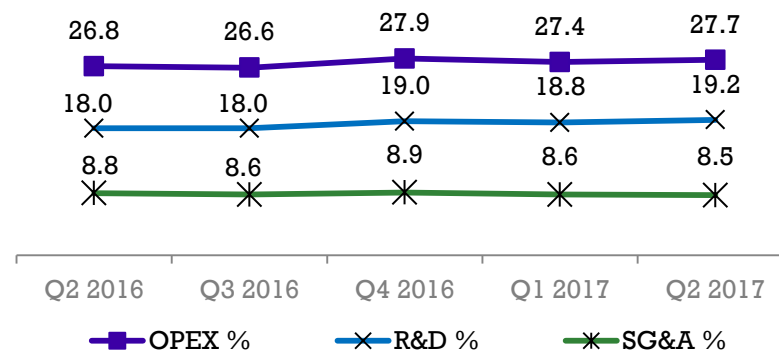
Investing in future revenue growth

- Q2 2017 underlying OPEX up 8% year-on-year
 - Q2 2017 underlying R&D up 12% year-on-year:
 - Investment in customer specific opportunities
 - Programmes driving new growth areas and business diversification
 - Q2 2017 underlying SG&A broadly in line with Q2 2016
- H1 2017 underlying OPEX up 5% year-on-year
 - Underlying R&D as a percentage of revenue in line with H1 2016
 - Underlying SG&A down in value and as a percentage of revenue

Underlying R&D and SG&A (\$m and % of revenue)



Trailing Twelve Month Underlying OPEX (% of revenue)

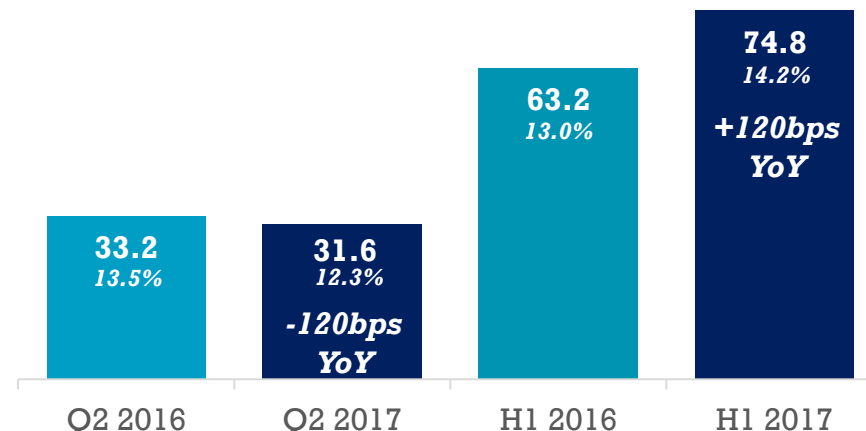


Year-on-year earnings growth

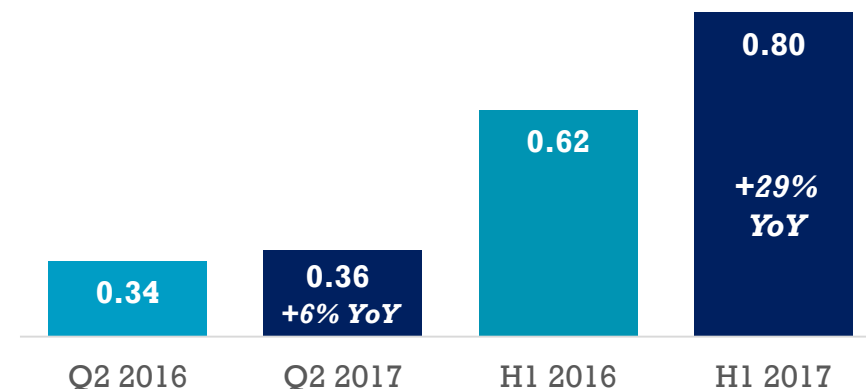
Earnings growing faster than revenue

- Underlying operating profit:
 - Q2 2017, 5% below Q2 2016 – higher gross margin offset by higher R&D expense
 - H1 2017, up 18% over H1 2016
- H1 2017 underlying effective tax rate at 22.4% excluding \$1.0 million provision release relating to prior year items
- Underlying diluted EPS:
 - Q2 2017, up 6% over Q2 2016 - Positive impact from lower underlying income tax expense
 - H1 2017, up 29% over H1 2016

Underlying operating profit (\$m) and margin



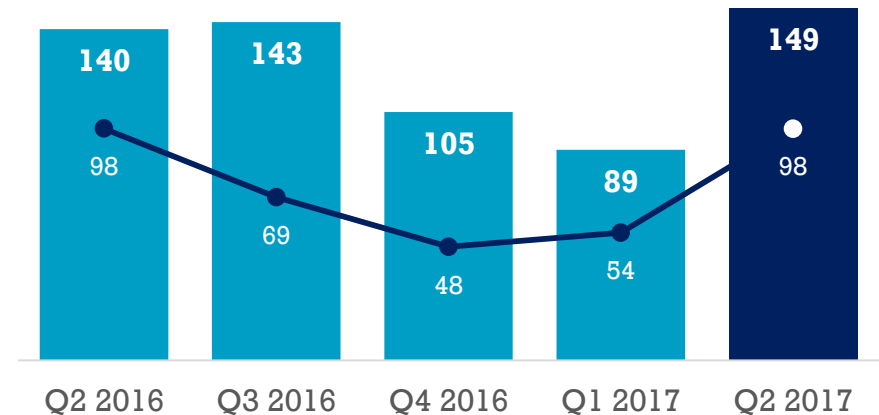
Underlying diluted EPS (\$)



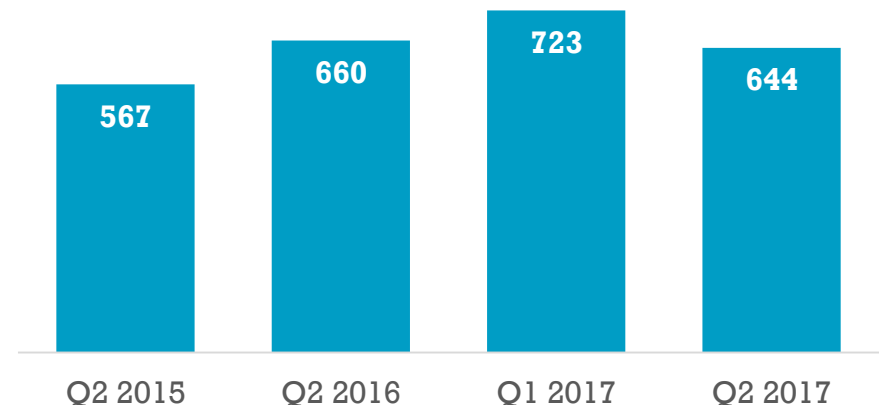
Building inventory ahead of H2 ramp

- Inventory value up 68% sequentially and 6% year-on-year
- Cash returned to shareholders through the share buyback programme:
 - Q2 2017 ; 3rd tranche €75 million (\$83 million)
 - H1 2017 ; €114 million (\$125 million)
 - 2016 Authorisation 1st, 2nd and 3rd tranches:
 - 4.48 million shares
 - €169 million (\$185 million)

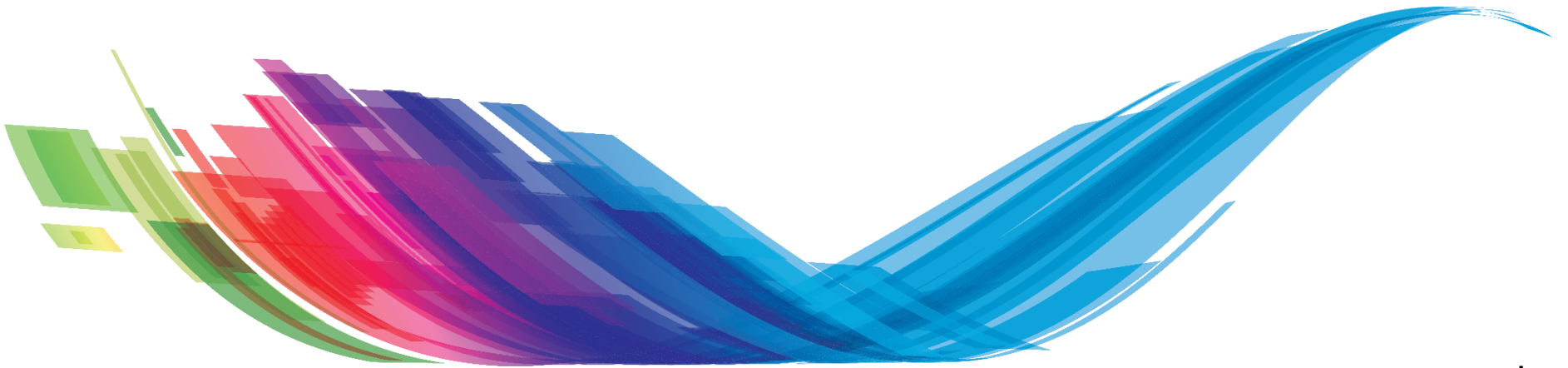
Inventory (\$m and DIO)



Cash and cash equivalents (\$m)

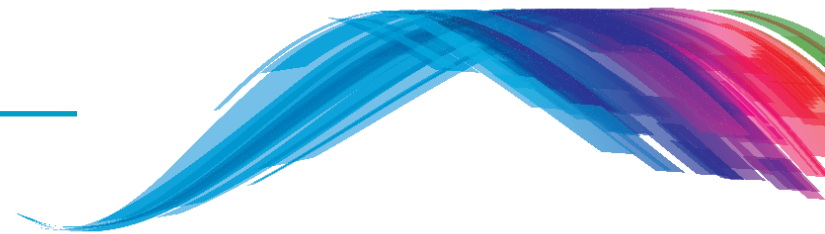


Appendix



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

At a glance – H1 2017



Revenue
+8% YoY

\$526m

(H1 2016: \$487m)

Underlying gross margin
+40bps YoY

46.7%

(H1 2016: 46.3%)

Underlying OPEX %
-90bps YoY

32.5%

(H1 2016: 33.4%)

Underlying EBIT %
+120bps YoY

14.2%

(H1 2016: 13.0%)

Underlying diluted EPS \$
+29% YoY

80 cents

(H1 2016: 62 cents)

Cash from operating activities
- YoY

\$121m

(H1 2016: \$121m)

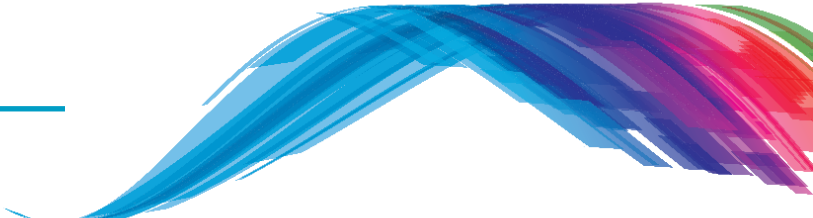
Reconciliation to underlying measures – slides 23 and 24

H1 2016 cash from operating activities includes \$137 million Atmel termination fee



Underlying reconciliation

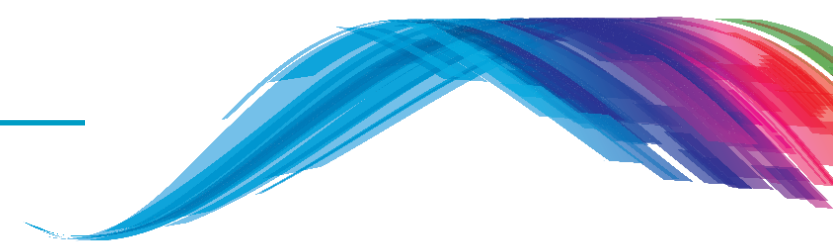
For the three months ended 30 June 2017



US\$000 unless stated otherwise	IFRS basis	Share-based compensation and related payroll taxes	Amortisation of acquired intangible assets	Effective interest	Strategic investments	Underlying
Revenue	255,515	–	–	–	–	255,515
Cost of sales	(136,926)	394	1,773	–	–	(134,759)
Gross profit	118,589	394	1,773	–	–	120,756
<i>Gross margin %</i>	<i>46.4%</i>					<i>47.3%</i>
SG&A expenses	(31,384)	3,731	1,824	–	–	(25,829)
R&D expense	(67,291)	3,868	–	–	–	(63,423)
Other operating income	50	–	–	–	–	50
Operating profit	19,964	7,993	3,597	–	–	31,554
<i>Operating margin</i>	<i>7.8%</i>					<i>12.3%</i>
Other finance income/(expense)	3,039	–	–	80	(263)	2,856
Profit before income taxes	23,003	7,993	3,597	80	(263)	34,410
Income tax (expense)/credit	(5,920)	(591)	(210)	(15)	147	(6,589)
Net income⁽¹⁾	17,083	7,402	3,387	65	(116)	27,821
EBITDA ⁽²⁾	n/a					44,754
<i>EBITDA margin %</i>	<i>n/a</i>					<i>17.5%</i>

Underlying reconciliation

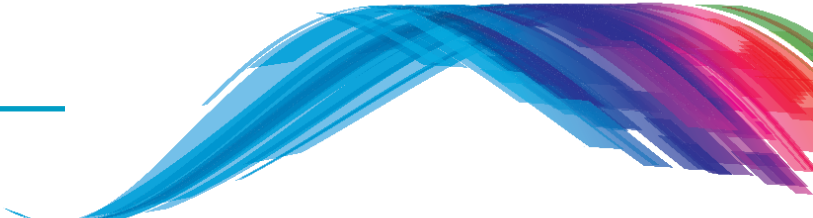
For the three months ended 1 July 2016



US\$000 unless stated otherwise	IFRS basis	Share-based compensation and related payroll taxes	Amortisation of acquired intangible assets	Aborted merger with Atmel	Effective interest	Underlying
Revenue	245,747	–	–	–	–	245,747
Cost of sales	(132,010)	326	1,755	–	–	(129,929)
Gross profit	113,737	326	1,755	–	–	115,818
Gross margin %	46.3%					47.1%
SG&A expenses	(31,179)	3,338	1,900	(15)	–	(25,956)
R&D expense	(59,816)	2,996	–	–	–	(56,820)
Other operating income	200	–	–	–	–	200
Operating profit	22,942	6,660	3,655	(15)	–	33,242
Operating margin	9.3%					13.5%
Other finance income	2,497	–	–	–	138	2,635
Profit before income taxes	25,439	6,660	3,655	(15)	138	35,877
Income tax expense	(8,653)	(250)	(217)	–	(27)	(9,147)
Net income ⁽¹⁾	16,786	6,410	3,438	(15)	111	26,730
EBITDA ⁽²⁾	n/a					44,527
EBITDA margin %	n/a					18.1%

Underlying reconciliation

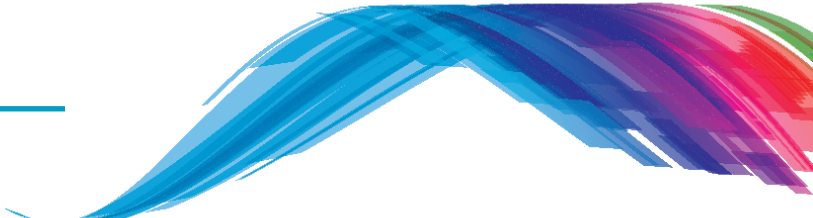
For the six months ended 30 June 2017



US\$000 unless stated otherwise	IFRS basis	Share-based compensation and related payroll taxes	Amortisation of acquired intangible assets	Effective interest	Strategic investments	Underlying
Revenue	526,489	–	–	–	–	526,489
Cost of sales	(285,254)	930	3,541	–	–	(280,783)
Gross profit	241,235	930	3,541	–	–	245,706
<i>Gross margin %</i>	<i>45.8%</i>					<i>46.7%</i>
SG&A expenses	(63,988)	8,974	3,648	–	–	(51,366)
R&D expense	(128,242)	8,605	–	–	–	(119,637)
Other operating income	50	–	–	–	–	50
Operating profit	49,055	18,509	7,189	–	–	74,753
<i>Operating margin</i>	<i>9.3%</i>					<i>14.2%</i>
Other finance income	3,285	–	–	175	710	4,170
Profit before income taxes	52,340	18,509	7,189	175	710	78,923
Income tax expense	(12,140)	(3,944)	(420)	(34)	(171)	(16,709)
Net income⁽¹⁾	40,200	14,565	6,769	141	539	62,214
EBITDA ⁽²⁾	n/a					102,194
<i>EBITDA margin %</i>	<i>n/a</i>					<i>19.4%</i>

Underlying reconciliation

For the six months ended 1 July 2016



US\$000 unless stated otherwise	IFRS basis	Share-based compensation and related payroll taxes	Amortisation of acquired intangible assets	Aborted merger with Atmel	Effective interest	Underlying
Revenue	487,155	–	–	–	–	487,155
Cost of sales	(265,757)	845	3,506	–	–	(261,406)
Gross profit	221,398	845	3,506	–	–	225,749
Gross margin %	45.4%					46.3%
SG&A expenses	(67,609)	7,851	3,800	3,591	–	(52,367)
R&D expense	(117,340)	6,739	–	–	–	(110,601)
Other operating income	137,678	–	–	(137,300)	–	378
Operating profit	174,127	15,435	7,306	(133,709)	–	63,159
Operating margin	nm*					13.0%
Other finance income/(expense)	(1,782)	–	–	1,913	291	422
Profit before income taxes	172,345	15,435	7,306	(131,796)	291	63,581
Income tax expense	(12,668)	(1,701)	(432)	(383)	(58)	(15,242)
Net income ⁽¹⁾	159,677	13,734	6,874	(132,179)	233	48,339
EBITDA ⁽²⁾	n/a					85,272
EBITDA margin %	n/a					17.5%

* Operating margin calculated on an IFRS basis did not give a meaningful portrayal of our trading performance in H1 2016 because it included the Atmel termination fee of US\$137,300.

Consolidated income statement

	Notes	Second quarter		First half	
		Three months ended 30 June 2017 US\$000 (Unaudited)	Three months ended 1 July 2016 US\$000 (Unaudited)	Six months ended 30 June 2017 US\$000 (Unaudited)	Six months ended 1 July 2016 US\$000 (Unaudited)
Revenue	4	255,515	245,747	526,489	487,155
Cost of sales		(136,926)	(132,010)	(285,254)	(265,757)
Gross profit		118,589	113,737	241,235	221,398
Selling and marketing expenses		(15,818)	(15,162)	(31,563)	(30,577)
General and administrative expenses		(15,566)	(16,017)	(32,425)	(37,032)
Research and development expenses		(67,291)	(59,816)	(128,242)	(117,340)
Other operating income		50	200	50	137,678
Operating profit	4	19,964	22,942	49,055	174,127
Interest income		1,717	988	3,197	1,744
Interest expense		(137)	(407)	(257)	(2,739)
Other finance income/(expense)		1,459	1,916	345	(787)
Profit before income taxes		23,003	25,439	52,340	172,345
Income tax expense		(5,920)	(8,653)	(12,140)	(12,668)
Net income		17,083	16,786	40,200	159,677
Attributable to:					
Shareholders in the Company		17,670	17,566	40,953	161,302
Non-controlling interests		(587)	(780)	(753)	(1,625)
Net income		17,083	16,786	40,200	159,677
Earnings per share (in US\$)					
	5				
Basic		0.24	0.23	0.55	2.11
Diluted		0.23	0.22	0.52	2.02
Weighted average number of shares (in thousands)					
	5				
Basic		74,736	76,437	75,038	76,291
Diluted		78,120	79,974	78,681	79,984

* For the notes column please refer to the Q2 2017 Interim Report on the investor relations section of our website



Consolidated balance sheet

Total assets

	Notes	As at 30 June 2017 US\$000 (Unaudited)	As at 31 December 2016 US\$000 (Audited)
Assets			
Cash and cash equivalents		643,633	697,167
Trade and other receivables		45,123	80,773
Other current financial assets		7,145	–
Inventories	6	149,477	105,303
Income tax receivables		16,982	35,878
Other current assets		15,895	15,211
Total current assets		878,255	934,332
Goodwill	7	251,617	251,208
Other intangible assets	7	120,680	125,619
Property, plant and equipment	8	85,436	69,668
Non-current financial assets	9	20,655	22,332
Deferred tax assets		27,944	27,379
Total non-current assets		506,332	496,206
Total assets		1,384,587	1,430,538

* For the notes column please refer to the Q2 2017 Interim Report on the investor relations section of our website



Consolidated balance sheet (cont.)

Total liabilities and equity

Notes	As at 30 June 2017 US\$000 (Unaudited)	As at 31 December 2016 US\$000 (Audited)
Liabilities and equity		
Trade and other payables	133,122	89,645
Other current financial liabilities	4,403	77,978
Provisions	1,456	1,477
Income taxes payable	–	528
Other current liabilities	45,682	54,444
Total current liabilities	184,663	224,072
Provisions	2,821	3,370
Deferred tax liabilities	1,969	1,970
Other non-current liabilities	4,695	6,220
Total non-current liabilities	9,485	11,560
Ordinary shares	14,204	14,402
Share premium account	403,660	403,687
Retained earnings	764,720	862,914
Other reserves	4,730	(70,566)
Dialog shares held by employee benefit trusts	(1,938)	(20,608)
Equity attributable to shareholders in the Company	1,185,376	1,189,829
Non-controlling interests	5,063	5,077
Total equity	1,190,439	1,194,906
Total liabilities and equity	1,384,587	1,430,538

* For the notes column please refer to the Q2 2017 Interim Report on the investor relations section of our website



Consolidated cash flow statement

	Second quarter		First half	
	Three months ended 30 June 2017 US\$000 (Unaudited)	Three months ended 1 July 2016 US\$000 (Unaudited)	Six months ended 30 June 2017 US\$000 (Unaudited)	Six months ended 1 July 2016 US\$000 (Unaudited)
Cash flows from operating activities				
Net income	17,083	16,786	40,200	159,677
Non-cash items within net income:				
– Depreciation of property, plant and equipment	7,593	6,633	15,007	13,067
– Amortisation of intangible assets	9,204	8,307	19,623	16,352
– Addition to inventory reserve, net	1,097	1,445	247	1,439
– Share-based compensation expense	8,574	7,894	17,453	14,968
– Other non-cash items	(48)	(70)	(3,092)	197
Interest (income)/expense, net	(1,581)	(581)	(2,941)	995
Income tax expense	5,920	8,653	12,140	12,668
Cash generated from operations before changes in working capital	47,842	49,067	98,637	219,363
Changes in working capital:				
– Trade and other receivables	(8,059)	(1,221)	35,650	36,628
– Inventories	(61,352)	7,803	(44,420)	(10,701)
– Prepaid expenses	(456)	796	(1,706)	(1,960)
– Trade and other payables	47,354	7,536	28,834	(41,995)
– Provisions	185	(63)	(572)	(854)
– Other assets and liabilities	(13,433)	(2,601)	(7,515)	(4,088)
Cash generated from operations	12,081	61,316	108,908	196,393
Interest paid	(24)	(249)	(49)	(2,406)
Interest received	1,494	904	2,974	1,455
Income taxes received/(paid)	6,254	(48,473)	8,625	(74,867)
Cash flow from operating activities	19,805	13,498	120,458	120,575

Cash flow statement - continued

	Second quarter		First half	
	Three months ended 30 June 2017 US\$000 (Unaudited)	Three months ended 1 July 2016 US\$000 (Unaudited)	Six months ended 30 June 2017 US\$000 (Unaudited)	Six months ended 1 July 2016 US\$000 (Unaudited)
Cash flow from operating activities	19,805	13,498	120,458	120,575
Cash flows from investing activities				
Purchase of property, plant and equipment	(10,441)	(5,528)	(17,340)	(11,196)
Purchase of intangible assets	(2,364)	(2,139)	(4,054)	(4,619)
Purchase of Dyna Image net of acquired cash	–	(647)	–	(647)
Payments for capitalised development costs	(6,031)	(4,136)	(12,243)	(9,877)
Sale of other investments	1,263	–	1,263	–
Change in other long term assets	(25)	144	(775)	169
Cash flow used for investing activities	(17,598)	(12,306)	(33,149)	(26,170)
Cash flows from financing activities				
Purchase of shares by employee benefit trusts	–	(3,127)	(24,301)	(3,127)
Sale of shares by employee benefit trusts	1,365	693	5,986	2,611
Purchase of own shares into treasury	(83,385)	–	(125,027)	–
Issue of shares by a subsidiary to non-controlling interests	–	–	1,107	–
Currency hedges on share buyback obligation	648	–	1,227	–
Other changes in equity	(27)	(721)	(27)	(721)
Cash flow used for financing activities	(81,399)	(3,155)	(141,035)	(1,237)
Net (decrease)/increase in cash and cash equivalents	(79,192)	(1,963)	(53,726)	93,168
Cash and cash equivalents at beginning of period	722,808	662,235	697,167	566,809
Currency translation differences	17	(179)	192	116
Cash and cash equivalents at end of period	643,633	660,093	643,633	660,093

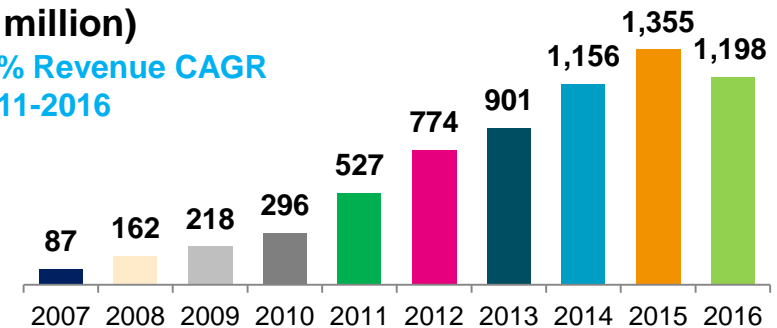
Q2 2017 revenue

Strong growth across all businesses

- Q2 2017 revenue up 4% year-on-year to \$256 million
 - All operational business segments delivered year-on-year revenue growth

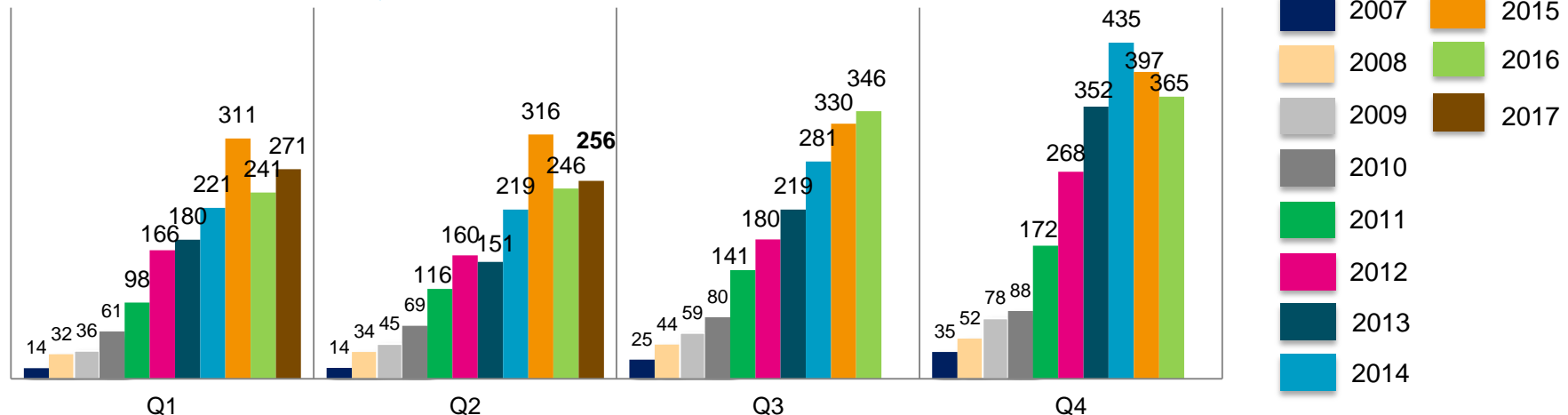
Full year revenue (\$ million)

18% Revenue CAGR
2011-2016



Quarterly revenue (\$ million)

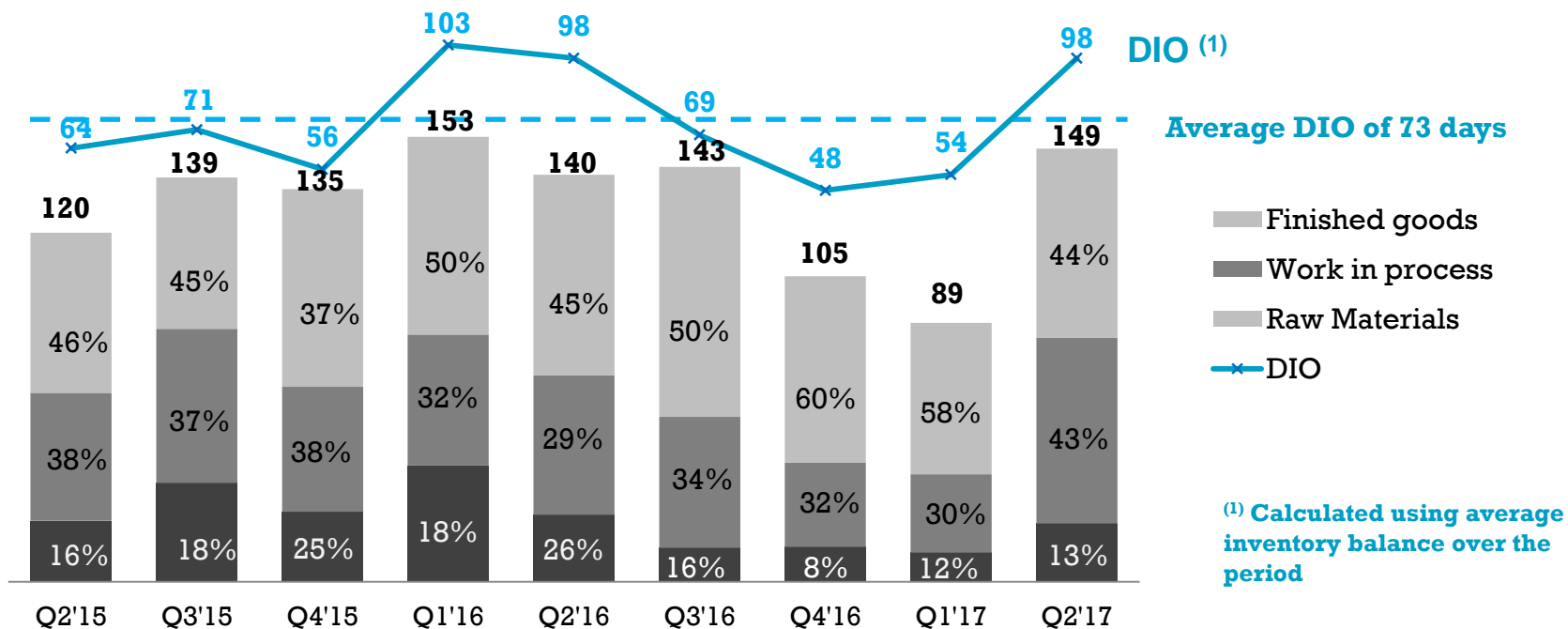
10% Q2 Revenue CAGR 2012-2017



Effective inventory management

- At the end of Q2 2017 inventory value was up 68% from Q1 2017 and DIO increased 44 days.
- In Q3 2017 we expect inventory value to increase from Q2 2017 and DIO to decrease from Q2 2017

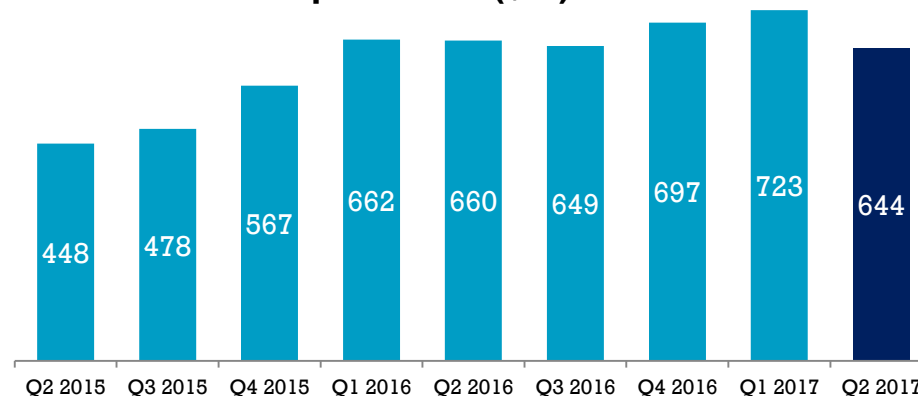
Inventory (\$ million) and Days Inventory Outstanding (# days)



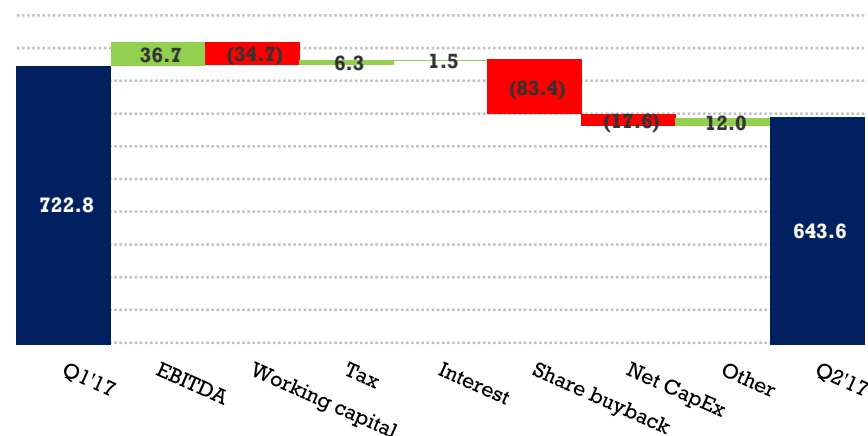
Strong cash flow generation

- \$644 million cash and cash equivalents balance at 30 June 2017
- Free cash flow:
 - Q2 2017 \$1.0 million; Q2 2016: \$1.7 million
 - H1 2017 \$86.8 million; H1 2016 \$ 94.9 million
- Cash returned to shareholders through the share buyback programme:
 - Q2 2017 ; 3rd tranche €75 million (\$83 million)
 - H1 2017 ; €114 million (\$125 million)
 - 2016 Authorisation 1st, 2nd and 3rd tranches:
 - 4.48 million shares
 - €169 million (\$185 million)

Cash and cash equivalents (\$m)



Cash flow bridge from Q1'17 (\$m)



Analyst coverage

Bank of America Merrill Lynch	Adithya Metuku
Baader Bank	Guenther Hollfelder
Bankhaus Lampe	Dr. Karsten Iltgen
Barclays Capital	Andrew Gardiner
Bloomberg	Woo Jin Ho
Bryan, Garnier & Co	Dorian Terral
ODDO 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
JP Morgan Cazenove	Sandeep Deshpande
Main First Bank AG	Juergen Wagner
Morgan Stanley	Francois A Meunier
Natixis	Charles Lepetitpas
RBC	Mitch Steves
Stifel	Lee Simpson

Financial Calendar

Q3 2017 7 November 2017

Key Events

Commerzbank Conference

31 August 2017, Frankfurt

DB EMEA TMT Conference

8 September 2017, London

Baader Bank Conference

19 September 2017, Munich

Morgan Stanley TMT Conference

15-16 November 2017, Barcelona

Credit Suisse Global TMT Conference

28-29 November 2017, Phoenix

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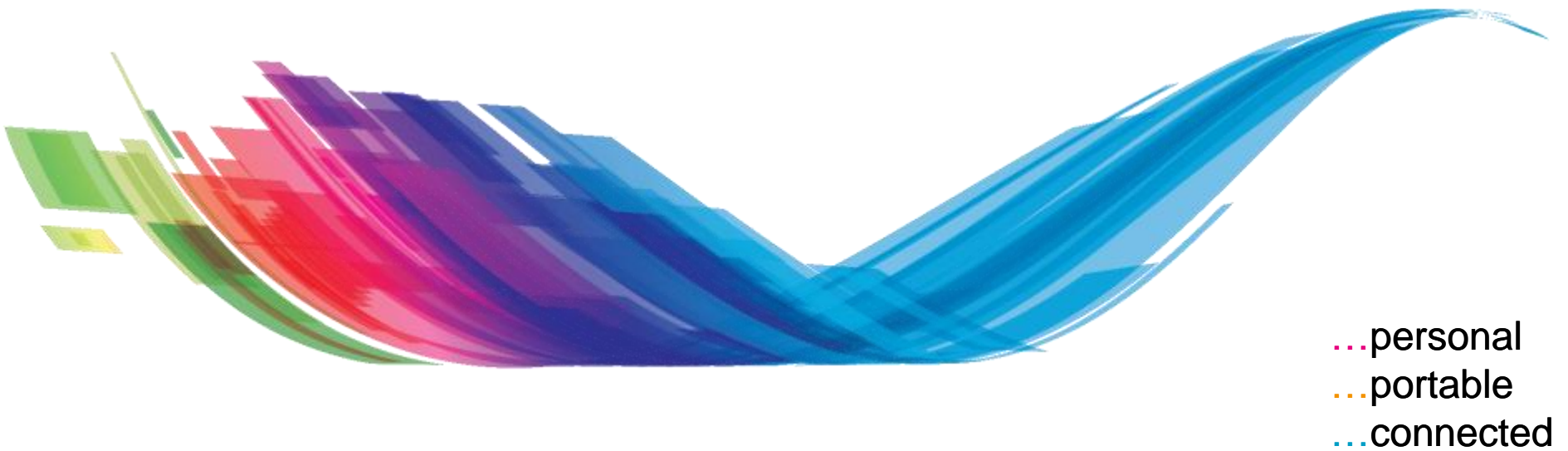
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