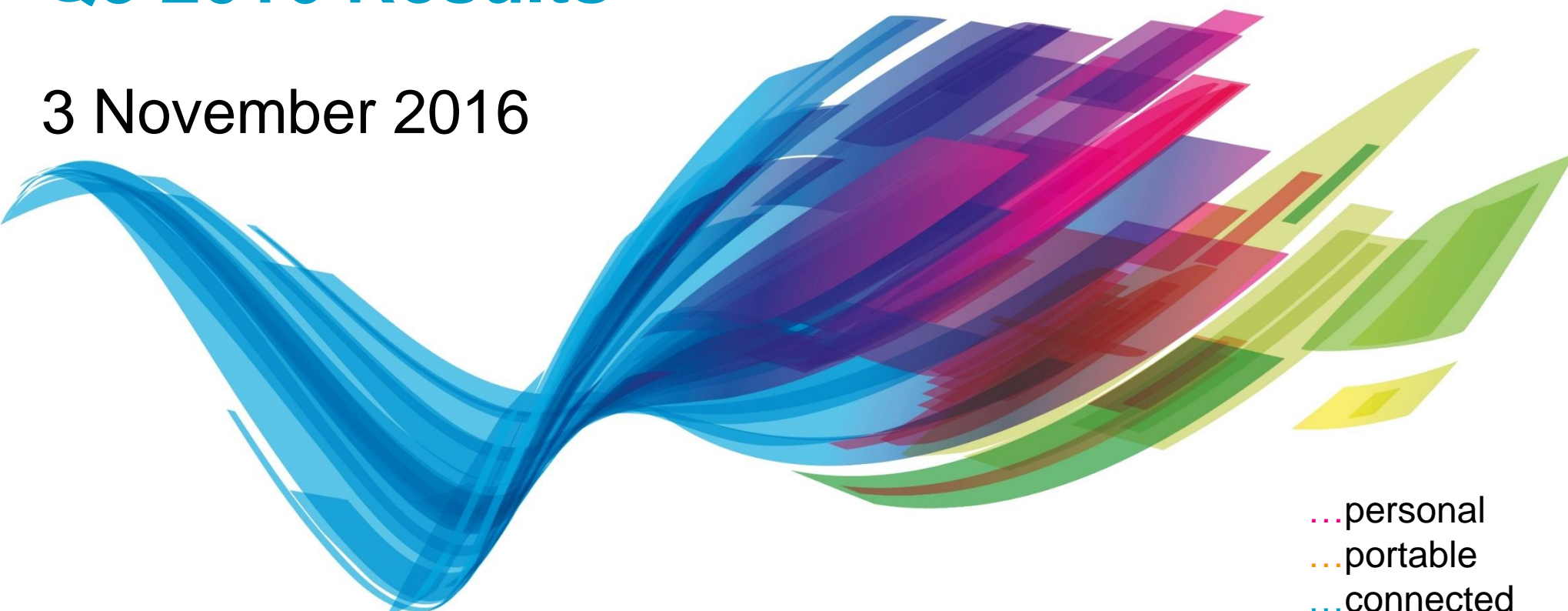

Dialog Semiconductor

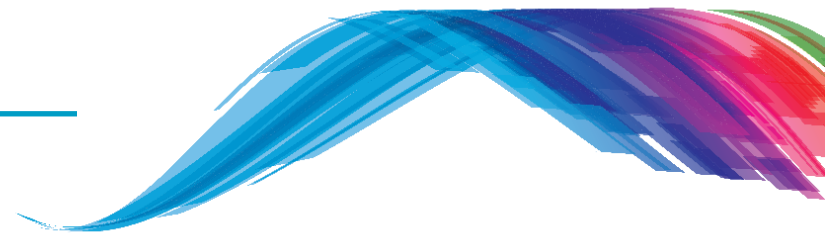
Q3 2016 Results

3 November 2016

A large, abstract graphic consisting of multiple overlapping, semi-transparent, wavy bands of color. The colors transition from blue on the left, through purple and magenta in the center, to green and yellow on the right. The bands have a pixelated or digital texture.

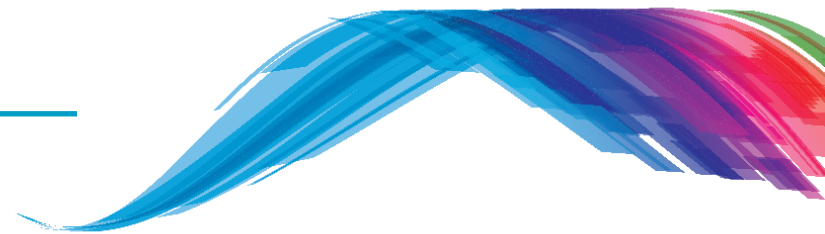
...personal
...portable
...connected

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



Q3 2016 Financial Highlights

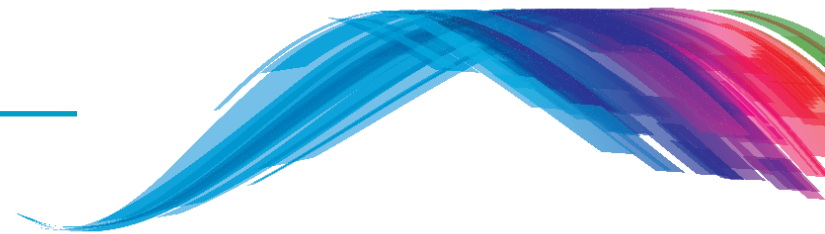
Outlook

Business Review

Financial Review

Q&A

Dialog at a glance – Q3 2016



\$345.8m

**IFRS
Revenue**

(Q3 2015
Actual: \$330.4m)

+5%

46.6%

**Underlying
gross margin**

(Q3 2015
Actual: 47.1%)

-50bps

25.4%

**Underlying
OPEX %**

(Q3 2015
Actual: 25.8%)

-40bps

21.2%

**Underlying EBIT
margin**

(Q3 2015
Actual: 21.3%)

-10bps

\$0.71

**Underlying Diluted
EPS**

(Q3 2015
Actual: \$0.68)

+4%

\$40.4m

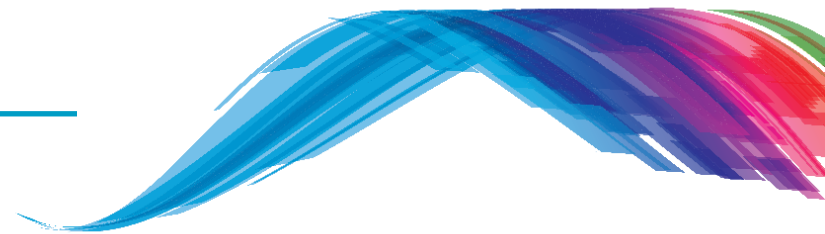
Free cash flow

(Q3 2015
Actual: \$15.6m)

+159%

Underlying reconciliation table on slide 21

Agenda



Q3 2016 Financial Highlights

Outlook

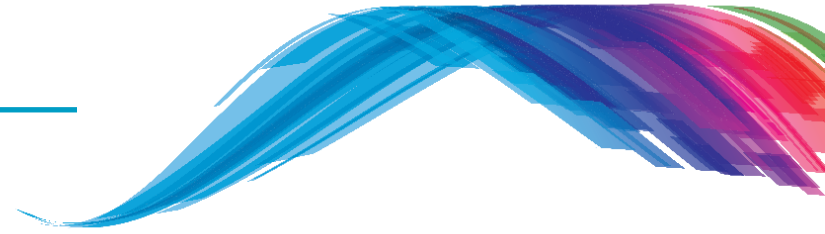
Business Review

Financial Review

Q&A

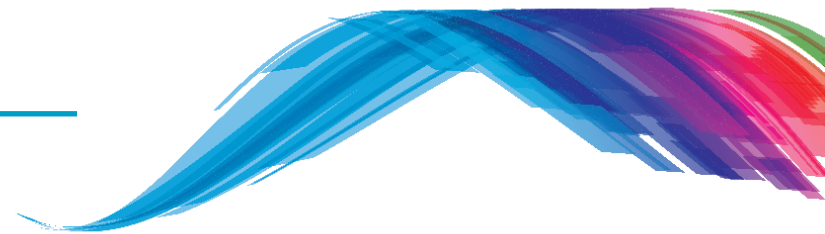


Q4 2016 outlook



- Based on our current visibility, we anticipate revenue for Q4 2016 to be in the range of \$345-\$375 million.
- At the mid-point this will result in full year revenue of \$1,193 million, a 3% improvement over the July guidance.
- In line with the revenue performance, we expect underlying gross margin percentage for the full year to be broadly in line with the level achieved year to date.

Agenda



Q3 2016 Financial Highlights

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Business Review

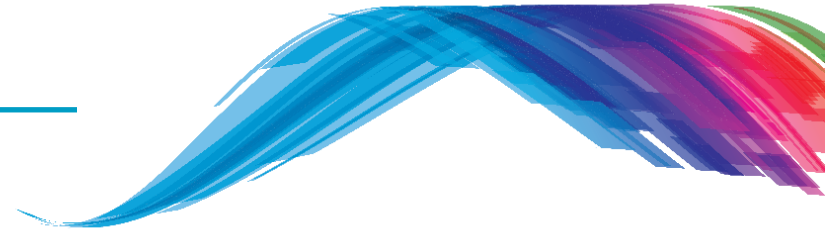
Financial Review

Q&A



Strategic progress

Powering the smart connected future

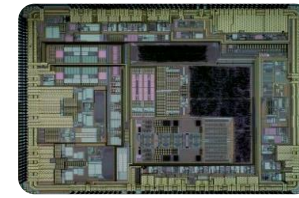


- **Extending our product portfolio**
 - Power Management and high voltage charger ASSPs
 - Expanding our Bluetooth low energy offering – DA14681
 - Higher voltage AC/DC quick chargers, including GaN
 - USB/wireless digital headsets technology
- **Broader and deeper customer base**
 - Increasing content and market share with existing customers
 - Expanding our customer base in main business segments
 - Signed agreement with Avnet for worldwide distribution
- **Continuous innovation**
 - Sustained healthy rate of R&D for silicon and packaging technologies
- **Establish regional engagements in Greater China**
 - New engagement for a 2017 platform for mobile segment
 - Deeper engagement with expanded list of well-known Chinese consumer and smartphone makers

Growth drivers - Power Management

Laying the foundations for future revenue growth

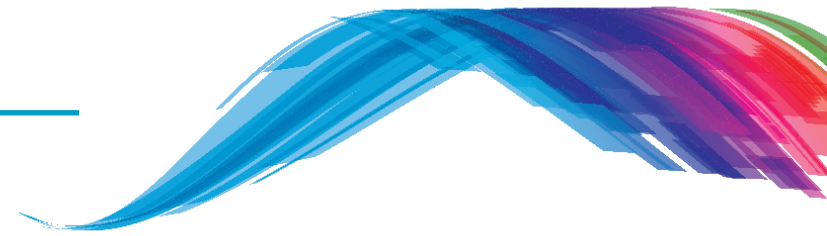
- New custom design wins increasing content in 2017
- Increasing number of mixed-signal opportunities with Tier 1 customers
- Strategic partnerships with Greater China companies
- Expanded our portfolio of ASSPs:
 - Charging ICs
 - PMICs
- New segments:
 - PMIC for computing systems, DSLR cameras, auto-infotainment and TVs and Set-top boxes, WiFi routers.



Growth drivers - IoT

Expanding product portfolio and customer base

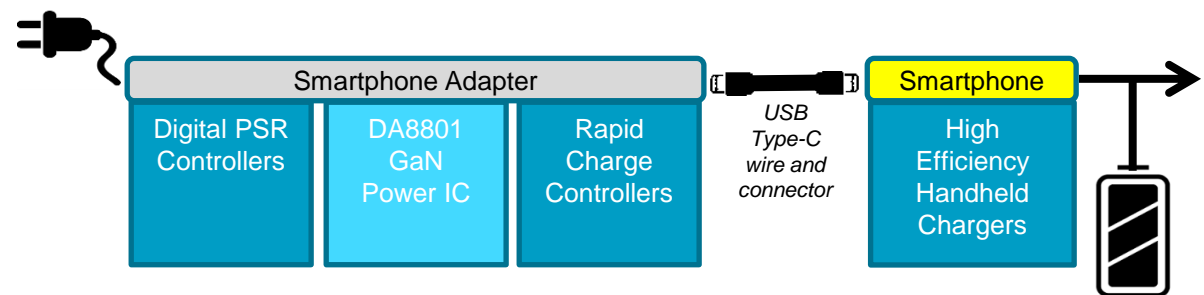
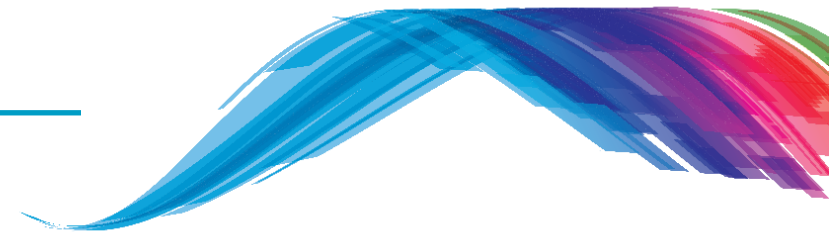
- Expanding the second generation of Bluetooth low energy SmartBond™ - DA 14681
 - Enabling a faster go-to-market
 - Balancing performance and power efficiency
 - Reducing the number of external components
- Gaming and AR/VR accessories - SmartBond™, powering Pokemon GO Plus:
 - Low power, small size and reduced number of external components
- Next generation proximity tags – Tile Slim
 - World's thinnest Bluetooth tracker
 - Extending battery life: performance and low power consumption



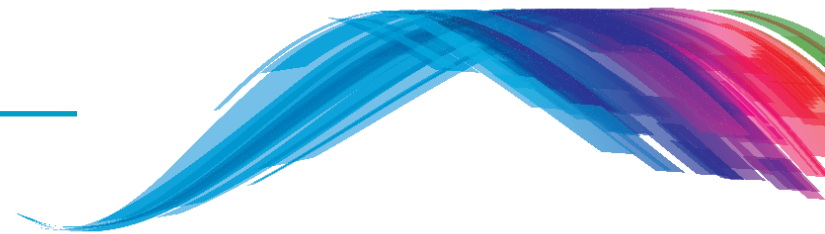
Innovation - SmartGaN™

Smaller, faster and more efficient

- Meeting industry requirements brought by:
 - Multi-core processors
 - Greater battery capacity
 - Smaller adapters and faster charging time
- Targeting smartphone and tablet segment
- SmartGaN Wall-to-Battery Platform focusing on:
 - Smaller size
 - Faster charging
 - High power efficiency



Agenda



Q3 2016 Financial Highlights

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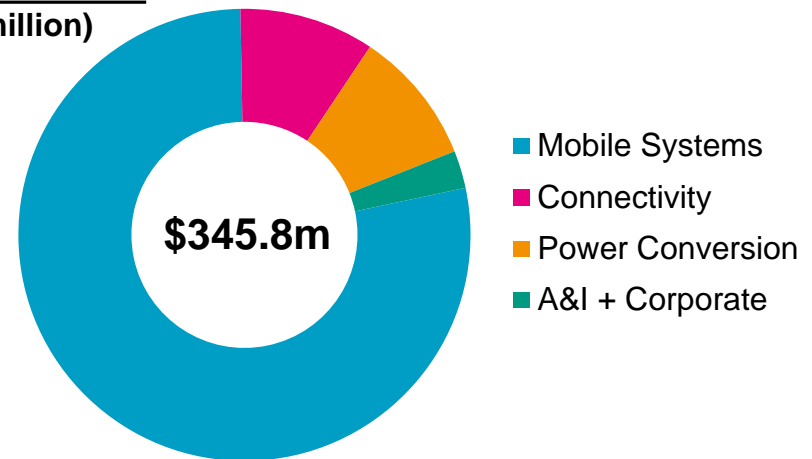


Q3 2016 – In line with guidance

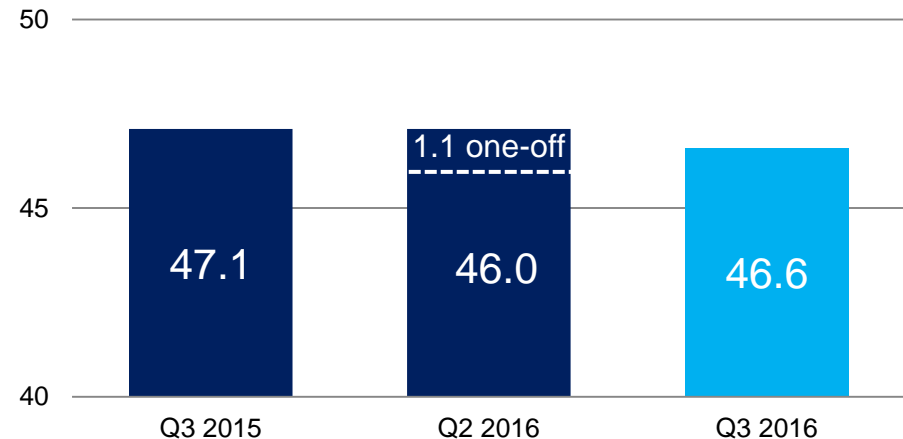
Gross margin increase from Q2 2016

- Q3 2016 better than expected in July Guidance
 - Robust growth in:
 - Power Conversion and Bluetooth low energy
 - Good performance of Mobile Systems
 - Customers pulled forward Q4 orders into Q3
- Q3 2016 underlying gross margin 46.6%
 - In line with guidance
 - 60bps above Q2 2016 excluding one-off impact

IFRS revenue
(\$ million)



% Underlying gross margin

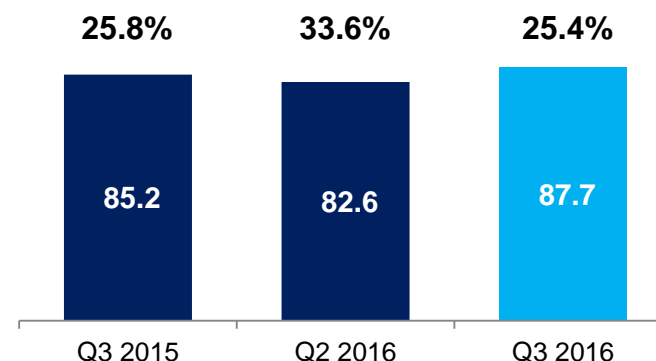


Focused R&D effort

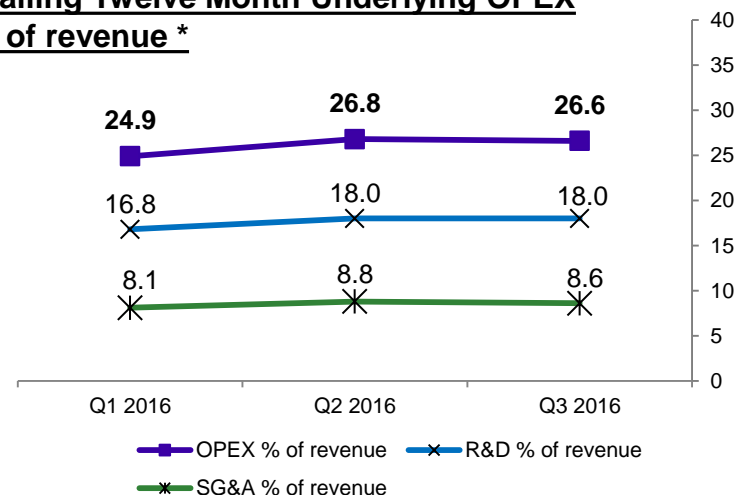
Rigorous OPEX control

- Modest Underlying OPEX increase in Q3 2016:
 - Up 6% from Q2 2016
 - Up 3% from Q3 2015
- Q3 2016 Underlying OPEX on a Trailing Twelve Month basis 20bps below Q2 2016:
 - SG&A expenses flat on previous quarter

Underlying OPEX
(\$ million and % of revenue)



Trailing Twelve Month Underlying OPEX
% of revenue *



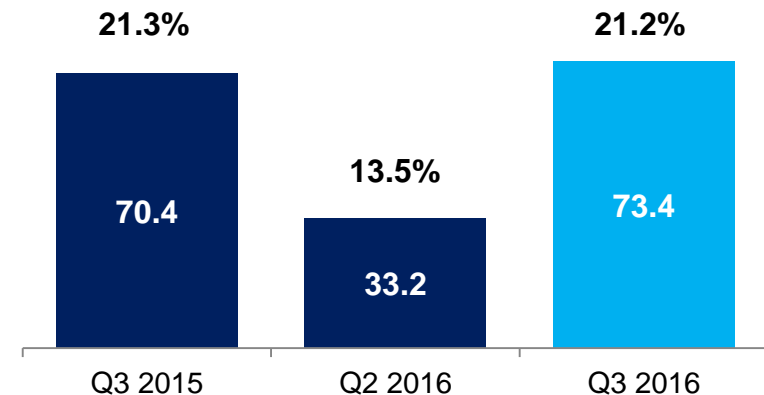
(*) Other operating income and expenses included in SG&A

EBIT and Diluted EPS

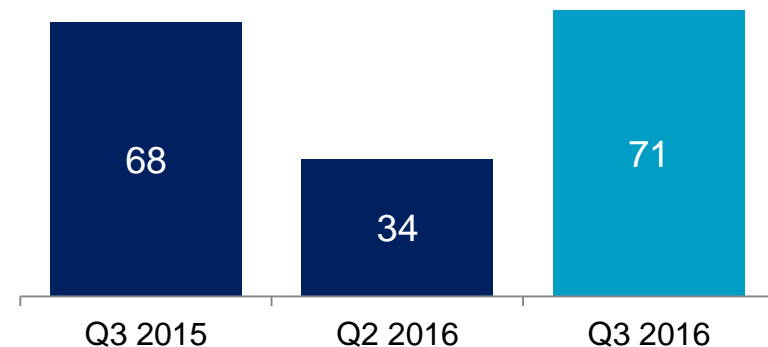
More than double Q2 2016

- All operational business segments are profitable on IFRS basis
- Q3 2016 Underlying EBIT:
 - Up 121% over Q2 2016
 - Up 4% over Q3 2015
- Q3 2016 Underlying tax rate of 24%
- Q3 2016 Underlying diluted EPS:
 - Up 109% over Q2 2016
 - Up 4% over Q3 2015

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



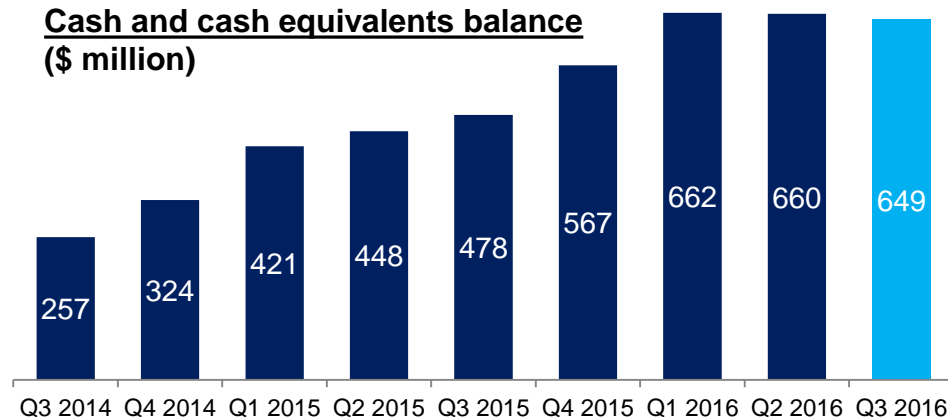
Underlying diluted EPS (\$ cents)



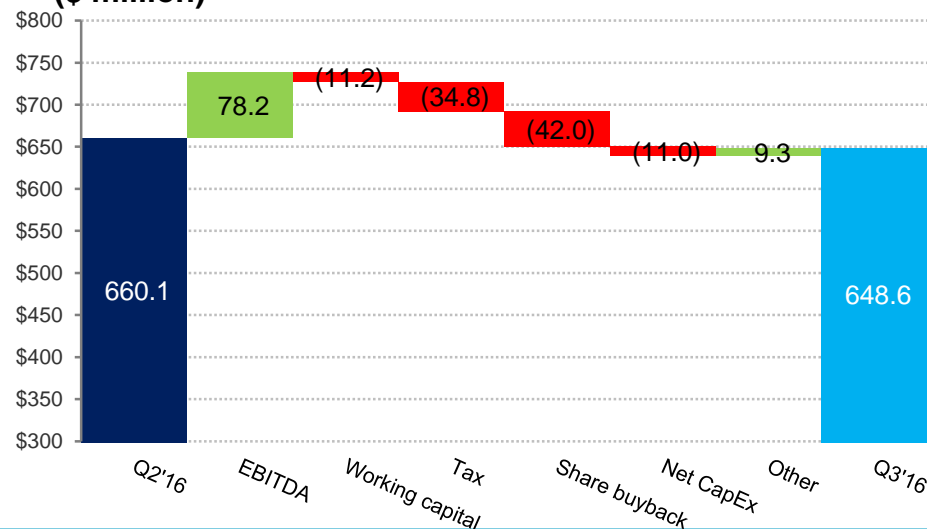
Strong cash flow generation

- \$649 million cash & cash equivalents balance at 30 September 2016
- \$40 million Q3 2016 free cash flow (Q3 2015: \$16 million)
- Significant tax payments during the quarter
- First tranche buyback programme settled on 28 September:
 - 1,332,158 shares
 - Average price of €28.15
 - €37.5 million (\$42 million)

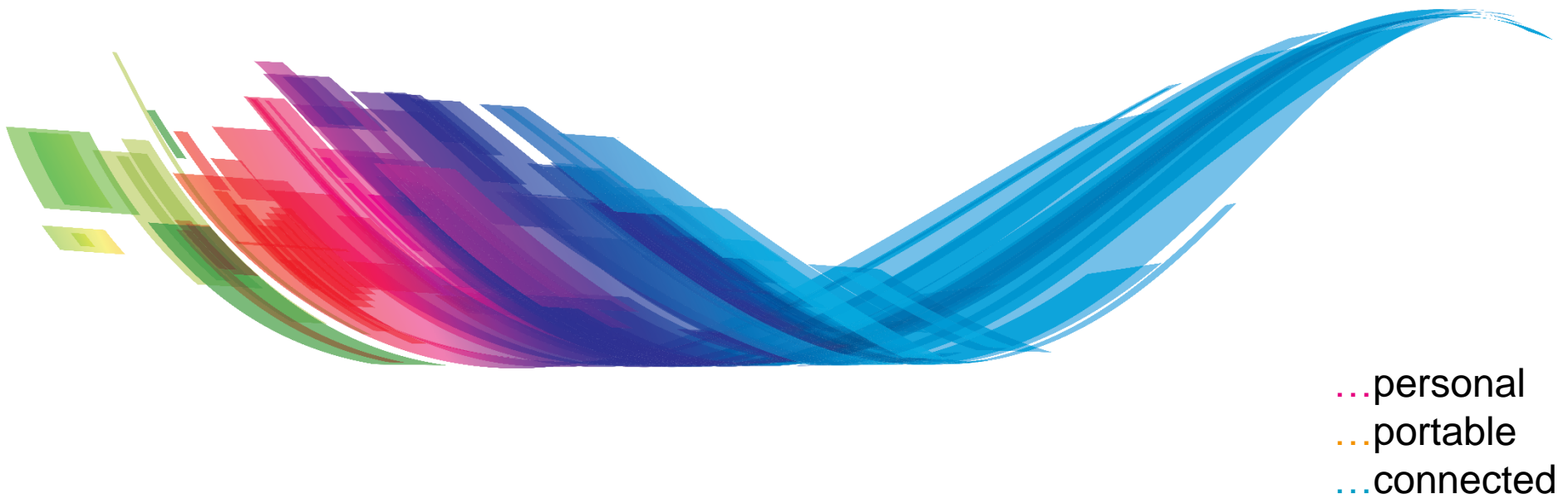
Cash and cash equivalents balance
(\$ million)



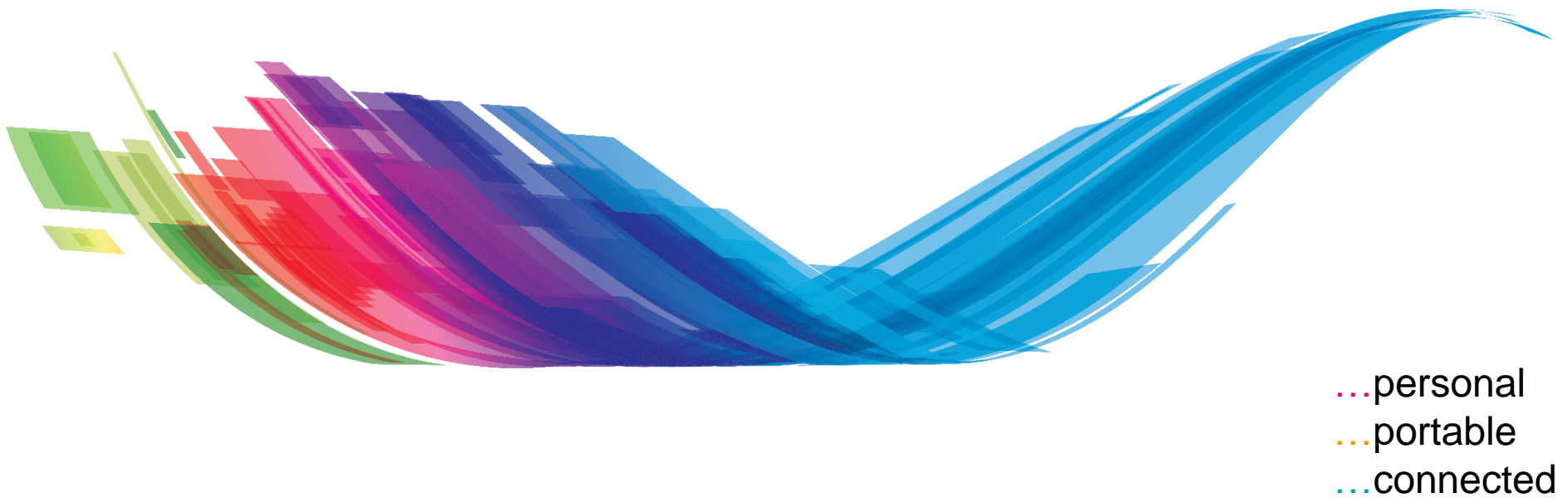
Cash Flow Bridge from Q2'16
(\$ million)



Q&A



Appendix



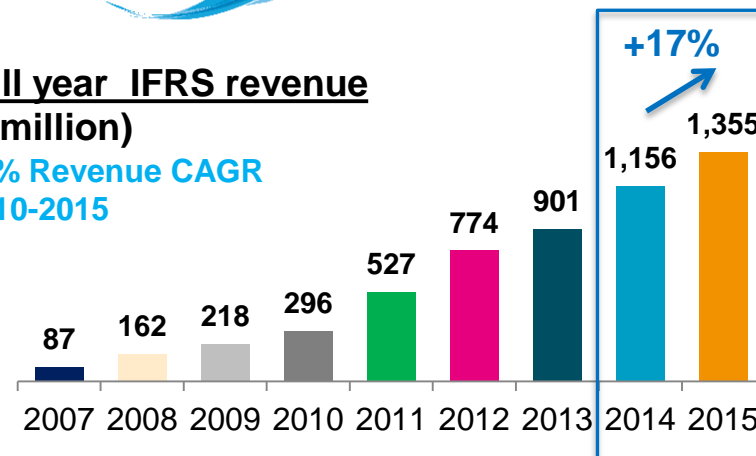
Q3 2016 revenue

Strong growth in Power Conversion and Bluetooth® low energy

- Q3 2016 IFRS revenue \$346 million

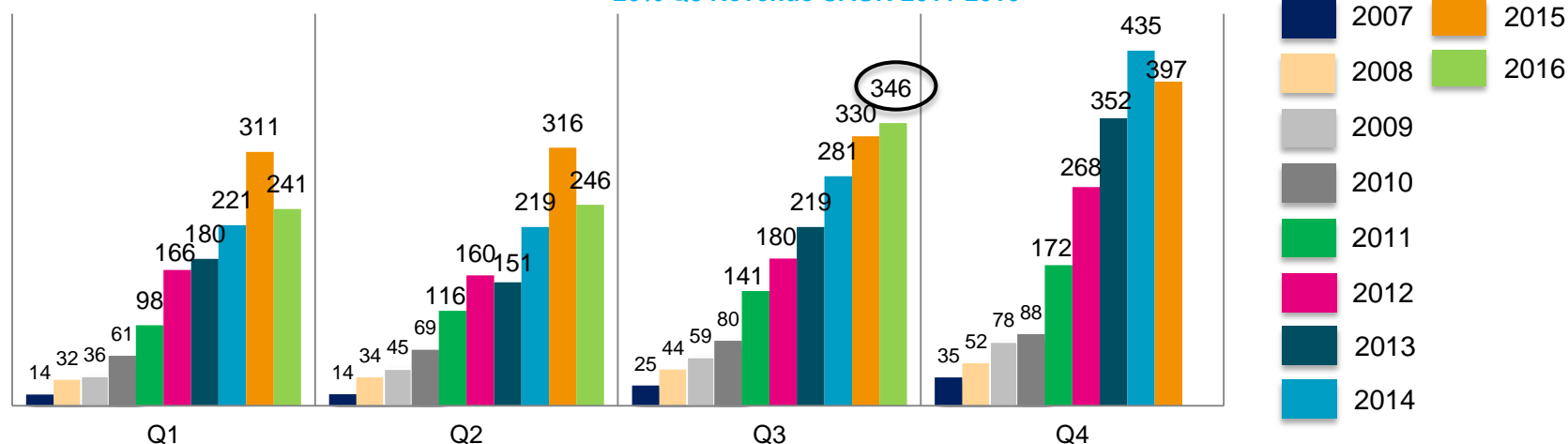
Full year IFRS revenue (\$ million)

36% Revenue CAGR
2010-2015



Quarterly IFRS revenue (\$ million)

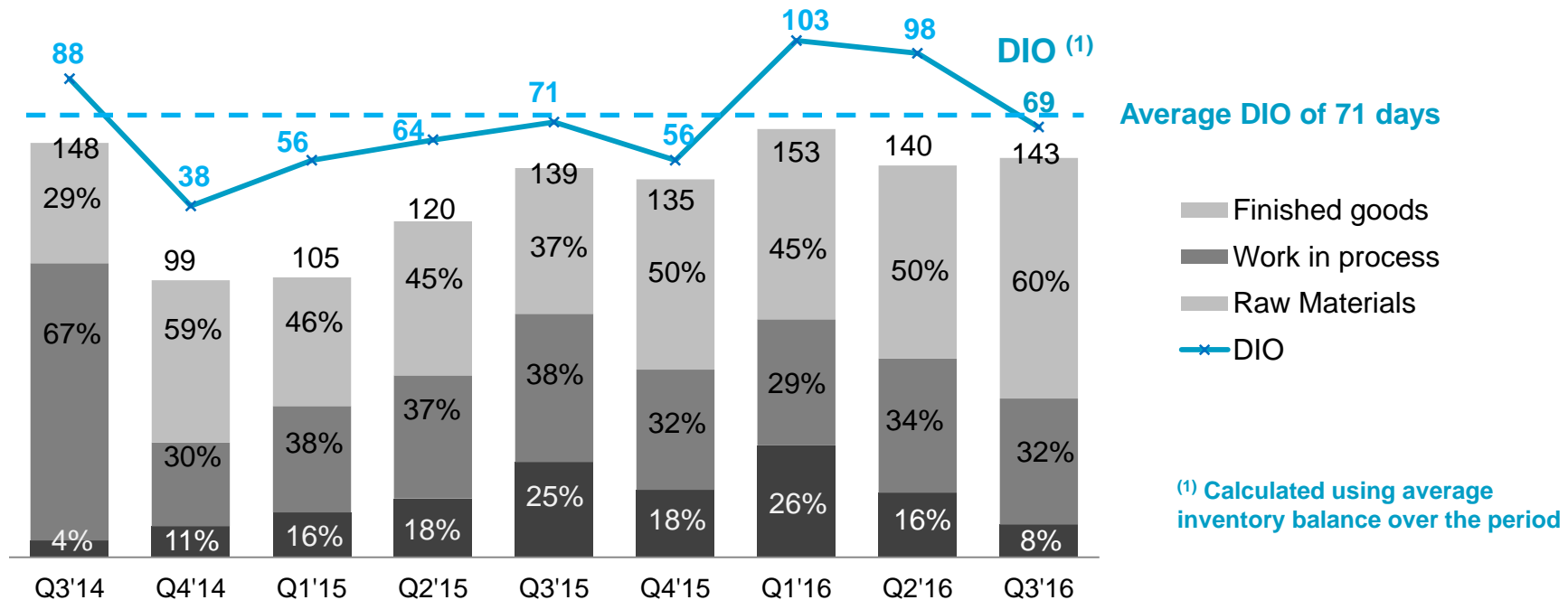
20% Q3 Revenue CAGR 2011-2016



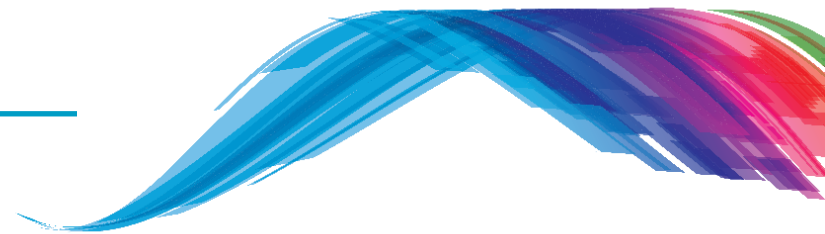
Effective inventory management

- At the end of Q3 2016 inventory value stable and DIO down 29 days over Q2 2016
- In Q4 2016 we expect inventory value to be flat to slightly below Q3 2016 and inventory days to decrease from Q3 2016

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



Q3 2016 – Underlying adjustments



Q3 2016	IFRS US\$000	Share-based compensation and related payroll taxes US\$000	Amortisation of acquired intangible assets US\$000	Aborted merger with Atmel US\$000	Effective interest US\$000	Underlying US\$000
Revenue	345,751	-	-	-	-	345,751
Gross profit	158,913	473	1,762	-	-	161,148
SG&A expenses	(33,075)	4,902	1,849	(201)	-	(26,525)
R&D expenses	(64,407)	3,185	-	-	-	(61,222)
Operating profit	61,431	8,560	3,611	(201)	-	73,401
Net finance expense	(487)	-	-	-	125	(362)
Income tax expense	(14,648)	(2,678)	(217)	-	(25)	(17,568)
Net income	46,296	5,882	3,394	(201)	100	55,471
EBITDA	n/a					86,563

EBITDA is defined as underlying net income of US\$55.5 million (Q3 2015: US\$53.2 million), before income tax expense of US\$17.5 million (Q3 2015: US\$17.2 million), depreciation of US\$6.9 million (Q3 2015: US\$6.4 million), amortisation of US\$6.3 million (Q3 2015: US\$3.9 million) and net finance (income) expense of US\$0.4 million (Q3 2015: US\$0.0 million).

Free Cash Flow is defined as net income of US\$46.3 million (Q3 2015: US\$43.0 million), before depreciation of US\$6.9 million (Q3 2015: US\$6.4 million), amortisation of US\$9.9 million (Q3 2015: US\$7.6 million) and net interest (income) expense of US\$(0.5) million (Q3 2015: US\$0.2 million), plus (minus) the net decrease (increase) in working capital of US\$(11.2) million (Q3 2015: US\$(27.8) million) and minus capital expenditure of US\$11.0 million (Q3 2015: US\$13.4 million).

Q3 2016 – Income statement

	Three months ended 30 September 2016 US\$000	Third Quarter Three months ended 2 October 2015 US\$000	Nine months ended 30 September 2016 US\$000	First nine months Nine months ended 2 October 2015 US\$000
Revenue	345,751	330,405	832,906	958,082
Cost of sales	(186,838)	(177,425)	(452,595)	(514,561)
Gross profit	158,913	152,980	380,311	443,521
Selling and marketing expenses	(15,044)	(15,669)	(45,621)	(45,927)
General and administrative expenses	(18,031)	(17,523)	(55,063)	(50,807)
Research and development expenses	(64,407)	(59,413)	(181,747)	(169,289)
Other operating income	–	–	137,678	969
Operating profit	61,431	60,375	235,558	178,467
Interest income	884	595	2,628	937
Interest expense	(385)	(416)	(3,124)	(4,812)
Other finance expense	(986)	(382)	(1,773)	(194)
Profit before income taxes	60,944	60,172	233,289	174,398
Income tax expense	(14,648)	(17,149)	(27,316)	(49,704)
Net income	46,296	43,023	205,973	124,694
Attributable to:				
- Shareholders in the Company	47,030	43,574	208,335	125,410
- Non-controlling interests	(734)	(551)	(2,362)	(716)
Net income	46,296	43,023	205,973	124,694
Earnings per share (in US\$)				
Basic	0.62	0.57	2.74	1.72
Diluted	0.59	0.55	2.61	1.63
Weighted average number of shares (in thousands)				
Basic	75,913	76,184	76,165	72,775
Diluted	79,498	79,348	79,990	79,080



Q3 2016 – Balance sheet

	At 30 September 2016 US\$000	At 31 December 2015 US\$000
Assets		
Cash and cash equivalents	648,631	566,809
Trade and other receivable	55,727	72,668
Other financial assets	1,445	2,086
Inventories	142,977	134,930
Income tax receivables	24,923	129
Other current assets	21,842	20,856
Total current assets	895,545	797,478
Goodwill	251,409	251,062
Other intangible assets	128,310	138,604
Property, plant and equipment	70,150	68,444
Other financial assets	3,711	3,758
Income tax receivables	–	51
Deferred tax assets	25,633	28,454
Total non-current assets	479,213	490,373
Total assets	1,374,758	1,287,851
Liabilities and equity		
Trade and other payables	86,815	131,553
Other financial liabilities	10,596	8,245
Provisions	1,374	1,861
Income taxes payable	5,163	62,181
Other current liabilities	50,097	49,884
Total current liabilities	154,045	253,724
Other financial liabilities	2,265	4,919
Provisions	2,740	2,725
Deferred tax liabilities	2,174	1,598
Total non-current liabilities	7,179	9,242
Ordinary shares	14,402	14,402
Additional paid-in capital	466,896	463,725
Retained earnings	799,094	571,510
Other reserves	(47,496)	(7,923)
Dialog shares held by employee benefit trust	(24,853)	(24,630)
Equity attributable to shareholders in the Company	1,208,043	1,017,084
Non-controlling interests	5,491	7,801
Total equity	1,213,534	1,024,885
Total liabilities and equity	1,374,758	1,287,851



Q3 2016 – Cash flow statement

	Three months ended 30 September 2016 US\$000	Third Quarter Three months ended 2 October 2015 US\$000	Nine months ended 30 September 2016 US\$000	First nine months Nine months ended 2 October 2015 US\$000
Cash flows from operating activities:				
Net income	46,296	43,023	205,973	124,694
Non-cash items within net profit:				
Depreciation of property, plant and equipment	6,868	6,385	19,935	17,360
Amortisation of intangible assets	9,905	7,574	26,257	22,669
Loss on disposals and impairment of fixed assets	721	163	918	451
Impairment of inventories (net of recoveries)	1,250	882	2,689	944
Share-based payments expense	7,269	5,224	22,237	13,316
Interest (income) expense, net	(499)	(179)	496	3,875
Income tax expense	14,648	17,149	27,316	49,704
Cash generated from operations before changes in working capital	86,458	80,221	305,821	233,013
Changes in working capital:				
Trade accounts receivable and other receivables	(19,687)	(25,691)	16,941	38,203
Inventories	(3,635)	(20,361)	(14,336)	(39,019)
Prepaid expenses	34	(604)	(1,926)	(1,879)
Trade accounts payable	(2,772)	14,429	(44,767)	18,723
Provisions	382	472	(472)	(479)
Other assets and liabilities	13,221	3,117	9,134	(5,828)
Cash generated from operations	74,001	51,583	270,395	242,734
Interest paid	(815)	(766)	(3,221)	(2,196)
Interest received	880	592	2,335	914
Income taxes paid	(34,785)	(8,691)	(109,652)	(33,452)
Cash flow from operating activities	39,281	42,718	159,857	208,000
Cash flows from investing activities:				
Purchase of property, plant and equipment	(6,974)	(5,861)	(18,170)	(22,487)
Purchase of intangible assets	(2,156)	(2,290)	(6,775)	(8,647)
Purchase of Dyna Image net of consolidated cash	–	(28)	(647)	(2,664)
Payments for capitalised development costs	(1,839)	(5,420)	(11,716)	(16,763)
Sale of property, plant and equipment	–	–	–	2
Change in other long term assets	7	188	176	265
Cash flow used for investing activities	(10,962)	(13,411)	(37,132)	(50,294)
Cash flows from financing activities:				
Purchase of Dialog shares by employee benefit trusts	–	–	(3,127)	(14,032)
Sale of Dialog shares by employee benefit trusts	3,464	1,240	6,075	10,420
Purchase of own shares into treasury	(42,276)	–	(42,997)	–
Currency hedges on share buy back obligation	(1,186)	–	(1,186)	–
Cash flow (used for) from financing activities	(39,998)	1,240	(41,235)	(3,612)
Net (decrease) increase in cash and cash equivalents	(11,679)	30,547	81,490	154,094
Cash and cash equivalents at beginning of period	660,093	447,686	566,809	324,280
Currency translation differences	217	(258)	332	(399)
Cash and cash equivalents at end of period	648,631	477,975	648,631	477,975



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
Kepler Cheuvreux	
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
HSBC Trinkaus & Burkhardt AG	
Jefferies International	
JP Morgan Cazenove	Chetan Udeshi
Main First Bank AG	Juergen Wagner
Morgan Stanley	Francois A Meunier
Natixis	Stephane Houri
RBC	Mitch Steves
Stifel	Lee Simpson

Financial Calendar

**Q4 and FY
2016 Results February 2017**

Key Events

MS European TMT Conference

15-18 November 2016, Barcelona

Credit Suisse Technology Conference

29-30 November 2016, Phoenix

Commerzbank GIS Conference

9-10 January 2017, New York

Needham Growth Conference

10 January 2017, New York

Kepler Unicredit GCC Conference

17-18 January 2016, Frankfurt

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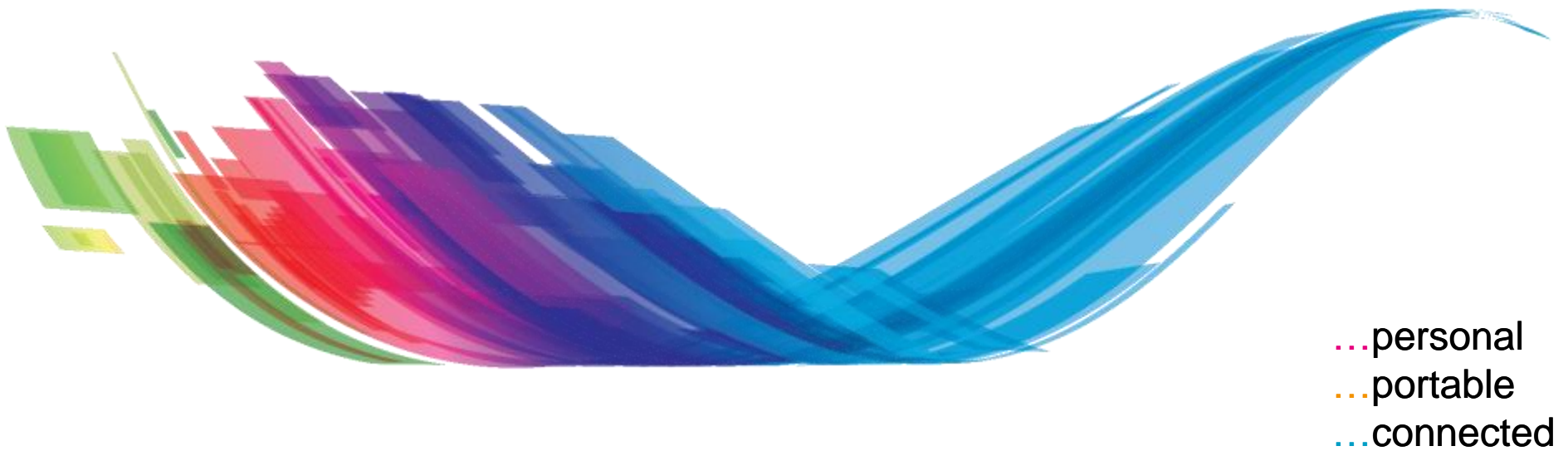
FTI Consulting – Frankfurt

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Powering the Smart Connected Future



...personal
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