

The background is a vibrant, abstract composition. It features a large, semi-transparent teal circle on the left side. Overlaid on this circle is a faint, light blue image of a calculator. The right side of the image is a solid yellow-green color. At the bottom, there are various overlapping circles and shapes in shades of teal and purple.

# Notice of Annual General Meeting

30 April 2008

## **Dialog Semiconductor Plc**

### **Notice of Annual General Meeting**

NOTICE IS HEREBY GIVEN that a General Meeting of Dialog Semiconductor Plc (the "Company") will be held at Reynolds Porter Chamberlain LLP, Tower Bridge House, St Katharine's Way, London E1W 1AA on Wednesday 30 April 2008 at 9.00 a.m. (BST) for the purpose of transacting the following business:

To consider, and if thought fit, to pass the following Resolutions which will be proposed as ORDINARY RESOLUTIONS:

#### **RESOLUTION 1 - Receipt of the Company's report and accounts**

To receive the Company's audited accounts for the year ended 31<sup>st</sup> December 2007 together with the Directors' report, the Directors' remuneration report and the Auditors' report on those accounts and the auditable part of the Directors' remuneration report for the year ended 31<sup>st</sup> December 2007.

#### **RESOLUTION 2 - Directors' Remuneration Report**

THAT the Directors' remuneration report and the remuneration policy set out in the audited accounts of the Company for the year ended 31<sup>st</sup> December 2007 be and hereby are approved.

#### **RESOLUTION 3 - Appointment of Auditors**

THAT Ernst & Young LLP be and are hereby re-appointed Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company.

#### **RESOLUTION 4 - Authority to agree the Auditors' remuneration**

THAT the Directors be and hereby are authorised to agree the remuneration of the Auditors.

#### **RESOLUTION 5 - Re-election of Jalal Bagherli**

THAT Jalal Bagherli retiring pursuant to Article 82 of the Company's Articles of Association ("Articles") be and is hereby re-elected a Director of the Company.

#### **RESOLUTION 6 - Re-election of Greg Reyes**

THAT Greg Reyes retiring pursuant to Article 82 of the Company's Articles be and is hereby re-elected a Director of the Company.

#### **RESOLUTION 7 - Re-election of Peter Weber**

THAT Peter Weber retiring pursuant to Article 82 of the Company's Articles be and is hereby re-elected a Director of the Company.

#### **RESOLUTION 8 - Section 80 Companies Act 1985 Authority to allot shares**

THAT the Directors be and they are hereby generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £1,550,000 for a period expiring at the conclusion of the Company's next Annual General Meeting provided that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired.

#### **RESOLUTION 9 - Continuance of Dialog Semiconductor Plc Non-Executive Directors 2006 Share Option Scheme**

THAT the Dialog Semiconductor Plc Non-Executive Directors 2006 Share Option Scheme (the "Non-Executive Directors Share Option Scheme"), the principal terms of which are summarised in the explanatory notes to this Notice of Annual General Meeting, be and hereby is approved to continue to its conclusion in 2010.

#### **RESOLUTION 10 - Approval of Executives Long Term Incentive Plan**

THAT the Dialog Semiconductor Plc Executives Long Term Incentive Plan (the "LTIP"), the principal terms of which are summarised in the explanatory notes to this Notice of Annual General Meeting, be and is hereby approved and that the Directors be and hereby are authorised to do all acts and things which they may consider necessary or desirable to carry the LTIP into effect.

To consider, and if thought fit, to pass the following Resolutions which will be proposed as SPECIAL RESOLUTIONS:

**RESOLUTION 11 - Disapplication of pre-emption rights**

THAT the Directors be and they are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities for cash pursuant to the authority conferred by Article 6.1 of the Articles and resolution 8 above as if section 89(1) of the Companies Act 1985 did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

- (a) in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange;
- (b) in connection with the allotment of equity securities pursuant to the Non-Executive Directors Share Option Scheme up to an aggregate nominal amount of £50,000; and
- (c) otherwise than pursuant to sub-paragraphs (a) or (b) above up to an aggregate nominal amount of £230,345,

and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or fifteen months from the date of this resolution, whichever is earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred hereby has expired and in this resolution the expression "equity securities" and references to the allotment of equity securities shall bear the same respective meanings as in section 94 of the Companies Act 1985.

**RESOLUTION 12 - Adoption of new Articles of Association**

THAT the draft regulations produced to the meeting and initialled by the Chairman for the purposes of identification be adopted as the Articles of Association of the Company in substitution for and to the exclusion of all the existing Articles of Association.

April 2008

By order of the Board

Tim Anderson  
Company Secretary

Dialog Semiconductor Plc  
Tower Bridge House  
St Katharine's Way  
London E1W 1AA

Registered in England and Wales No. 3505161

## **Important Notes**

### **Proxy**

A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy or more than one proxy to attend, speak and vote instead of him or her. A proxy need not be a shareholder.

In order to make voting for shareholders easier, Dialog Semiconductor Plc has appointed an Independent Proxy Agent to exercise shareholders' voting rights according to their written instructions at the AGM 2008.

In order to exercise voting rights by proxy or through the Independent Proxy Agent, go to <http://www.dialog-semiconductor.com> where shareholders will find further information and the proxy form. In addition to completing the proxy form shareholders must register for the meeting no later than 10am (CEST) on Monday 28 April 2008. In order to register shareholders must instruct their depository bank to send their deposit receipt to Clearstream Banking AG, Neue Börsenstr. 1, 60487 Frankfurt/Main, Germany, Fax: \*49 (0)69/211-14240. Shareholders will then receive an admission ticket to the AGM which they should give to their proxy. Registration applications need to be received by Clearstream by 10am (CEST) on Monday 28 April 2008.

The Independent Proxy Agent at the AGM will be Martina Zawadzki who may be contacted by email: [dialog@art-of-conference.de](mailto:dialog@art-of-conference.de).

### **Personal Attendance**

Shareholders wishing to attend the AGM should register for the meeting no later than 10am (CEST) on Monday 28 April 2008. In order to register shareholders must instruct their depository bank to send their deposit receipt to Clearstream Banking AG, Neue Börsenstr. 1, 60487 Frankfurt/Main, Germany, Fax: \*49 (0)69/211-14240. Shareholders will then receive an admission ticket to the AGM. Registration applications need to be received by Clearstream by 10am (CEST) on Monday 28 April 2008.

### **Number of issued shares and voting rights**

In accordance with section 30b paragraph 1 sentence 1 of German Wertpapierhandelsgesetz and Disclosure and Transparency Rule 6.1.12 it is hereby noted that at the time of this Notice, the Company has issued a total of 46,068,930 shares, granting the same number of voting rights. The Company does not hold any of its own shares.

### **Website publication of audit concerns**

Pursuant to Chapter 5 of Part 16 of the Companies Act 2006 (sections 527 to 531), where requested by either a member or members having a right to vote at the Meeting and holding at least 5% of the total voting rights of the Company or at least 100 members having a right to vote at the Meeting and holding, on average, at least £100 of paid up share capital, the Company must publish on its website, a statement setting out any matter that such members propose to raise at the Meeting relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Meeting.

Where the Company is required to publish such a statement on its website:

- it may not require the members making the request to pay any expenses incurred by the Company in complying with the request;
- it must forward the statement to the Company's auditors no later than the time the statement is made available on the Company's website; and
- the statement may be dealt with as part of the business of the Meeting.

A member wishing to request publication of such a statement on the Company's website must send the request to the Company using one of the following methods:

- in hard copy form to Martina Zawadzki, Art-of-Conference, Hauptversammlungs- & Konferenz-Organisation Böblinger Str. 26, D-70178 Stuttgart, Germany - the request must be signed by the member; or
- by e-mail to [dialog@art-of-conference.de](mailto:dialog@art-of-conference.de) - including a statement of the identity of the sender.

Whichever form of communication is chosen, the request must either set out the statement in full or, if supporting a statement sent by another member, clearly identify the statement which is being supported and be received by the Company at least one week before the Annual General Meeting.

## **Explanatory Notes**

### **Resolutions**

Resolutions 1 to 10 are proposed as ordinary resolutions. To pass these resolutions more than 50% of the votes cast on each resolution must be in favour. Resolutions 11 to 12 are proposed as special resolutions. To pass special resolutions not less than 75% of the votes cast on the resolution must be in favour.

### **Resolutions 1 and 2**

The Company's audited accounts for the year ended 31 December 2007 together with the Directors' report, the Directors' remuneration report and the Auditors' report on those accounts and the auditable part of the remuneration report for the year ended 31 December 2007 are available on the Company's website <http://www.dialog-semiconductor.com>. Please note that the Directors do not propose to declare a dividend.

### **Resolutions 3 and 4 - Appointment of Auditors**

Ernst & Young LLP are required by the Companies Act 2006 to retire at the AGM and seek re-appointment. The Companies Act 2006 also requires the shareholders to determine the manner in which the Auditors are remunerated.

### **Resolutions 5 to 7 - Re-election of Directors**

Jalal Bagherli, Greg Reyes and Peter Weber are retiring by rotation and offering themselves for reappointment in accordance with the Company's Articles.

### **Resolution 8 - Directors' authority to allot**

The purpose of Resolution 8 is to renew the Directors' authority to issue shares until the conclusion of the next AGM up to an aggregate nominal value of £1,550,000 equating to 15,500,000 shares. The nominal amount of relevant securities to which this authority will relate represents the aggregate of approximately one third of the issued share capital of the Company, together with a nominal amount of £50,000 equating to 500,000 shares which may be granted to Non-Executive Directors pursuant to the Non-Executive Directors 2006 Share Option Scheme.

### **Resolution 9 - Continuance of the Non-Executive Directors 2006 Share Option Scheme**

In 2006 the Board created, with shareholders' approval, a non-executive directors share option scheme. The aim of the scheme is to link, at a prudent level, an element of the Board's compensation with value creation in the Company. As stated in the Notice to the 2006 AGM, the Board undertook to return to the shareholders at the 2008 AGM to seek approval for the scheme to continue to its conclusion in 2010.

Under the scheme each Non-Executive Director receives an initial grant of 50,000 options ("Initial Grant"). Thereafter 20,000 options are granted annually to each Non-Executive Director as soon as practicable following the AGM ("Annual Grant").

A summary of the rules of the Non-Executive Directors 2006 Share Option Scheme is as follows:

- The Initial Grant of options vests in a linear manner, month on month, over 4 years. The Annual Grant vests in a linear manner, month on month, over 12 months;
- The options will be priced at market price at the date of grant;
- The options will be exercisable for 7 years;
- Vested options will lapse, if not by then exercised, 6 months after a Director has left the Board. No further options shall vest following such Director leaving the Board;
- If there is a change of control of the Company and the requirement for a given Director to serve on the Board is terminated:
  - 50% of any non-vested options in respect of the Initial Grant shall accelerate to vesting; and
  - 100% of any non-vested options in respect of any Annual Grant shall accelerate to vesting;
- On exercise of options, any tax and/or national insurance payable by the option holder will be met by the relevant option holder.

#### **Resolution 10 - Approval of Executives Long Term Incentive Plan**

##### *Rationale*

The aim of the LTIP is to align the interests of key executives with those of shareholders more closely by linking the rewards to the executives with the value returned to shareholders. The LTIP will ensure that executives are focussed on delivering value to shareholders for the long term whilst providing executives with appropriate rewards. The LTIP will also act as a strong recruitment tool to attract high calibre candidates to the Company.

##### *Operation*

The Nomination and Remuneration Committee (the “Committee”) the members of which are non-executive directors, will supervise the operation of the LTIP in respect of participants. It is intended that the CEO and other key executives will participate in the LTIP. Non-executive directors are not eligible to participate in the LTIP.

Participants in the LTIP will be allocated a number of units from a total pot. The units will be allocated to executives based on the value of their contribution to the Company's objectives. Participants will be required to commit to building and retaining a shareholding in the Company from their own resources, set by reference to current salary levels and the number of units allocated.

The units allocated have no value on grant but give the executives the opportunity to be granted Company share awards in the form of nil-cost options at set dates subject to the level of return to shareholders above a certain annual threshold as described below.

The share price of the Company will be measured annually as at 31 January calculated by reference to the average share price over the prior 30 days. The initial price, based on the 30 day average to 31 January 2008 is €1.44. Total share awards equivalent to 7.5% of the increase in the value of the Company in excess of the annual threshold will be granted to participants at each annual measurement date. The individual share awards will be granted in proportion to the number of units the executives have been allocated previously. Where no value has been created in excess of the annual threshold no share awards will be granted.

The annual threshold is the higher of:

- 12.5% above the average of the Company share price at the start of the relevant year; and
- 12.5% of the Company share price compounded annually.

The executives will be able to exercise a proportion of the share awards granted in the form of a nil-cost option at the first and second measurement dates, with the remainder being exercisable at the third measurement date, in the following way:

- 31 January 2009: 25% of share awards exercisable immediately; 25% of share awards exercisable at 31 January 2010; and 50% of share awards exercisable at 31 January 2011.
- 31 January 2010: 25% of share awards exercisable immediately; and 75% of share awards exercisable at 31 January 2011.
- 31 January 2011: all remaining share awards exercisable.

The exercise of share awards is conditional upon the participant paying any taxes due as a result of such a release. It is the current intention that the Company will pay employers' social taxes.

The Committee will retain the discretion to scale back the number of share awards granted by 5% where the underlying financial performance in the measurement period is not satisfactory.

#### *Cessation of Employment*

On cessation of employment any share awards which are not exercisable will lapse. However the Committee will retain the discretion to allow some or all of these shares to be exercised.

#### *Change of Control*

On a change of control there will be a new measurement date set by reference to the date of change of control. In calculating whether there has been any increase in value from the previous measurement date, the calculation will be performed using the same formula as for previous measurement dates but substituting the bid price per share rather than the average of the closing share prices prior to this new measurement date. All share awards will be exercisable immediately.

In certain circumstances share awards may be exchanged for awards over shares in the acquiring company.

It should be noted that share awards will become exercisable where the change of control amounts to a proper change of control of the Company i.e. new ownership of the Company.

#### *Limits*

The maximum number of shares which can be granted to participants in the LTIP is capped by reference to the value sharing percentage of 7.5% above the annual threshold.

The LTIP will operate within the dilution limit agreed by shareholders such that the aggregate number of employee and non-executive director options granted and unexercised from time to time shall not exceed 15%, after issue, of the Company's issued share capital from time to time.

#### *Allotment and Transfer of Shares*

Shares subscribed will not rank for dividends payable by reference to a record date falling before the date on which the shares are acquired but will otherwise rank *pari passu* with existing shares. Application will be made for the admission of the new shares to the relevant stock exchange.



#### *Variation in Capital*

If there is a variation of the share capital of the Company (for example a rights issue, subdivision, consolidation, re-listing) which causes the Board to consider that the initial price has become unfair or impractical, it may, in its discretion, (provided that such discretion is exercised fairly and reasonably) amend the initial price. Unless the Committee decides otherwise there will be no adjustment to the initial price as a result of the issue of shares in consideration for any corporate transaction.

#### *Amendments*

Amendments to the Rules may be made at the discretion of the Committee for the implementation and administration of the LTIP. However, no alteration shall be made which would materially affect any subsisting rights of participants granted prior to the date of amendment without the prior consent of shareholders.

#### *Non-Transferability of Share Awards*

Share awards may not be transferred by a participant to any other person.

#### *Duration*

The Committee may not grant share awards under the LTIP more than five years after its approval.

#### *General*

Shares acquired, share awards granted under the LTIP and any other rights granted pursuant to the LTIP are non-pensionable.

The aim of Resolution 10 is to allow shareholders the opportunity to approve the LTIP. This note summarises the main features of the LTIP but does not form part of it and should not be taken as affecting the interpretation of the detailed terms and conditions constituting the Rules. Copies of the Rules will be available for inspection at the offices of Reynolds Porter Chamberlain LLP, Tower Bridge House, St Katharine's Way, London, E1W 1AA, during usual office hours (Saturdays, Sundays and bank holidays excepted) from the date of this notice up to and including the date of the AGM and at the meeting itself. The Directors reserve the right, up to the time of the meeting, to make such amendments and additions to the Rules as they consider necessary or desirable, provided that such amendments and additions do not conflict in any material aspect with the summary set out above.

### **Resolution 11 - Disapplication of pre-emption rights**

If Directors wish to issue shares they have to abide by the statutory pre-emption rights in the Companies Act 1985. This means that, subject to limited exceptions, Directors have to offer any shares they want to issue to existing shareholders first. Resolution 11 seeks to give the Directors authority to disapply the statutory pre-emption rights where, inter alia, (i) the share issue relates to a "rights" issue (in which case all shareholders would be made an offer to participate anyway) or (ii) where allotment is limited to the allotment of equity securities having a maximum aggregate nominal value of £50,000, equating to 500,000 shares pursuant to the Non-Executive Directors 2006 Share Option Scheme or (iii) where the allotment is limited to the allotment of equity securities having a maximum aggregate nominal value of £230,345 equating to 2,303,450 shares which is equivalent to 5% of the Company's issued ordinary share capital of 46,068,930 shares.

The 500,000 shares, related to the Non-Executive Directors 2006 Share Option Scheme, equates to the maximum possible share grant in the event that the whole Board is replaced by 10 new directors and granted share options under the scheme. If there are no changes in Board personnel the Company would expect to issue 160,000 share options to non-executive directors in 2008.



## **Resolution 12 - Adoption of new Articles of Association**

**The following sets out a brief explanation of the proposed changes to the existing Articles.**

### *General Meetings and Resolutions*

The Companies Act 2006 has not retained the concept of extraordinary resolutions or extraordinary general meetings. Accordingly, references to extraordinary resolutions have been changed to special resolutions and references to extraordinary general meetings have been amended to general meetings.

The current Articles provide that an extraordinary general meeting called to pass a special resolution requires 21 days' notice. This can now be convened on 14 days notice and the Articles have been changed to reflect this.

Under the Companies Act 2006 public companies can no longer pass written resolutions. Therefore, provisions relating to written resolutions have been removed from the Articles.

### *Votes of Members*

Proxies, under the Companies Act 2006, are able to vote on a show of hands and to speak. The Articles have been changed to reflect this new provision.

### *Notification of Age of Directors*

The current Articles require the Board to give notice of the age of a director, who is to be appointed or re-appointed, when he has reached the age of seventy. In light of the Employment Equality (Age) Regulations 2006 this provision is considered inappropriate and has been removed.

### *Electronic Communications*

In accordance with the Companies Act 2006, the Board proposes that the Company amends its Articles to allow the Company to serve or deliver notices and other documents by electronic means (such as email) and by posting information on its website.

### *Conflicts of Interest*

The Companies Act 2006 allows directors of public companies to evaluate and, if appropriate, authorise a particular director's conflicts or potential conflicts. The new Articles give the directors authority to approve such situations.

### *Legislation Updates*

The Board also proposes that the Company amends its Articles to update references to certain sections of the Companies Act 1985 which have now been amended by the Companies Act 2006 and to update references to other legislation.

A copy of the proposed new Articles is available on the Company's website at <http://www.dialog-semiconductor.com>.

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