

Financial Strategy

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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.

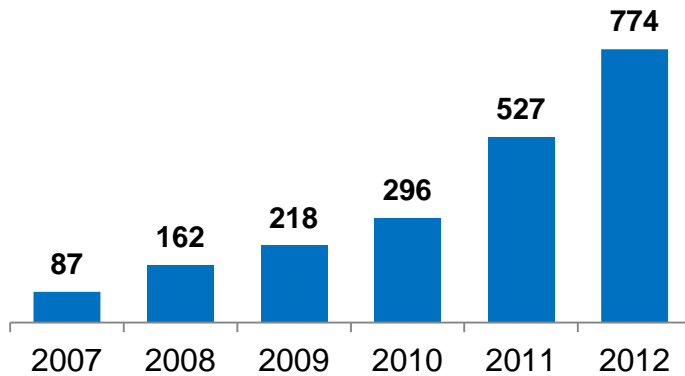


The five year view

Robust earnings growth and cash generation

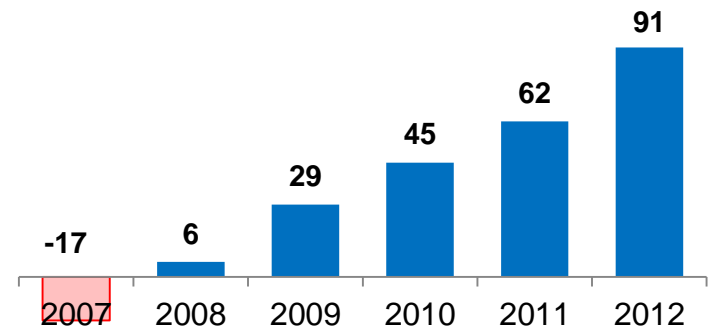
Revenue

57% CAGR 2007-2012



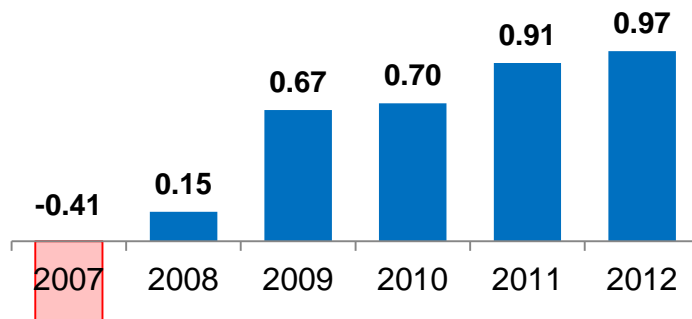
EBIT

98% CAGR 2008-2012



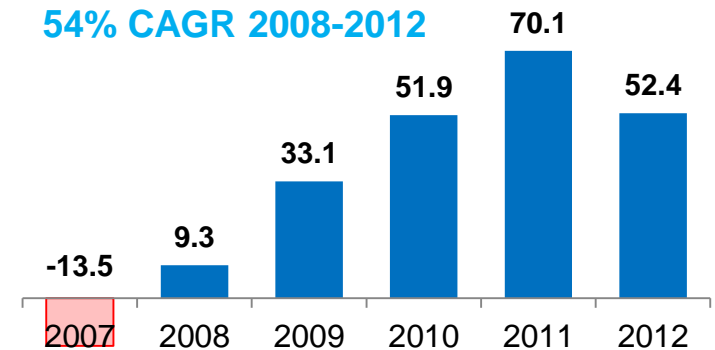
Basic EPS

59% CAGR 2008-2012



Operating cash

54% CAGR 2008-2012



Our medium term financial vision

Robust earnings growth and cash generation

Revenue growth 20% CAGR

Gross margin 40%-45%

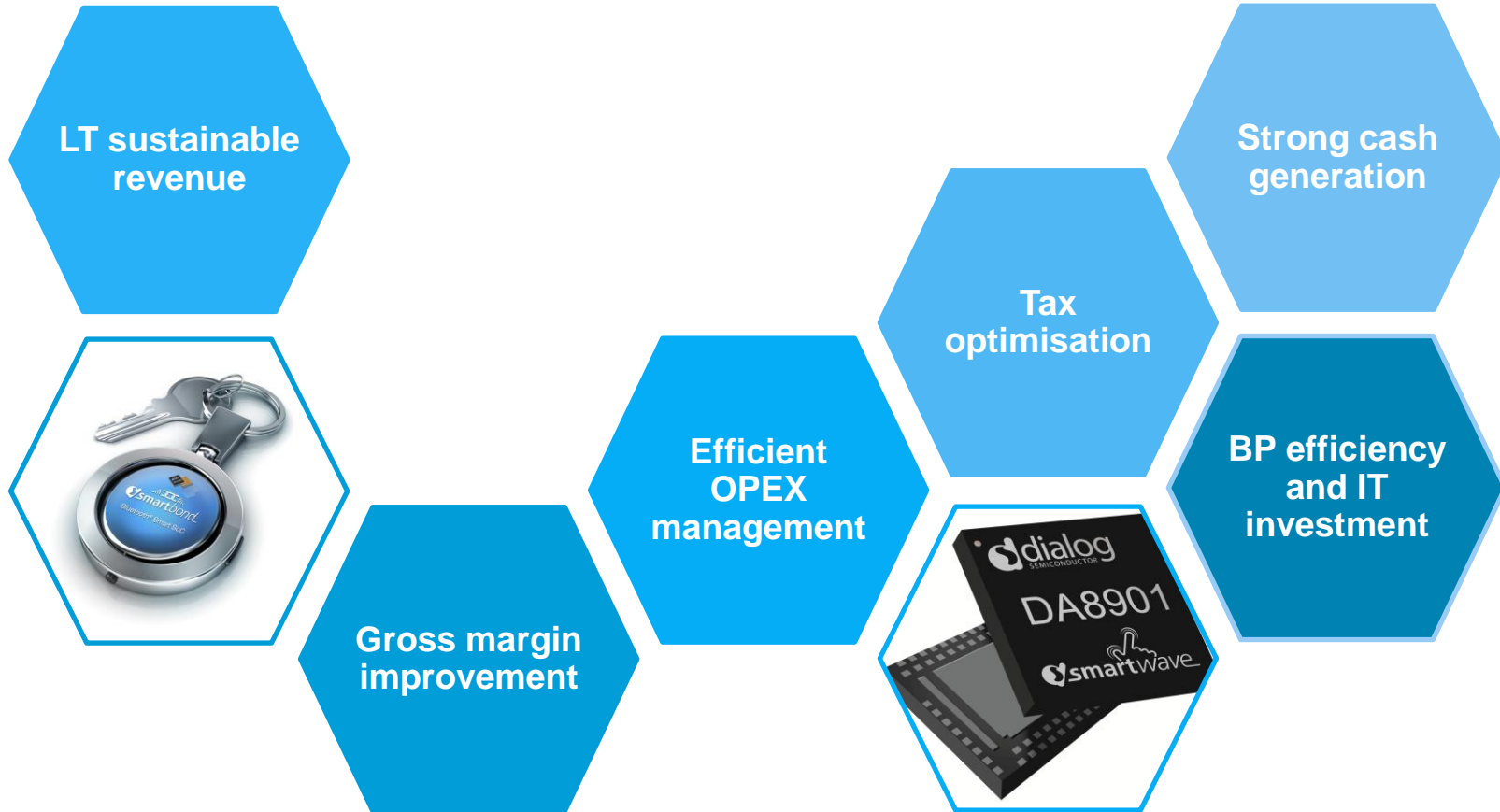
OPEX% Below 25%

EBIT 15%-20%

Pay down M&A debt ahead of maturity

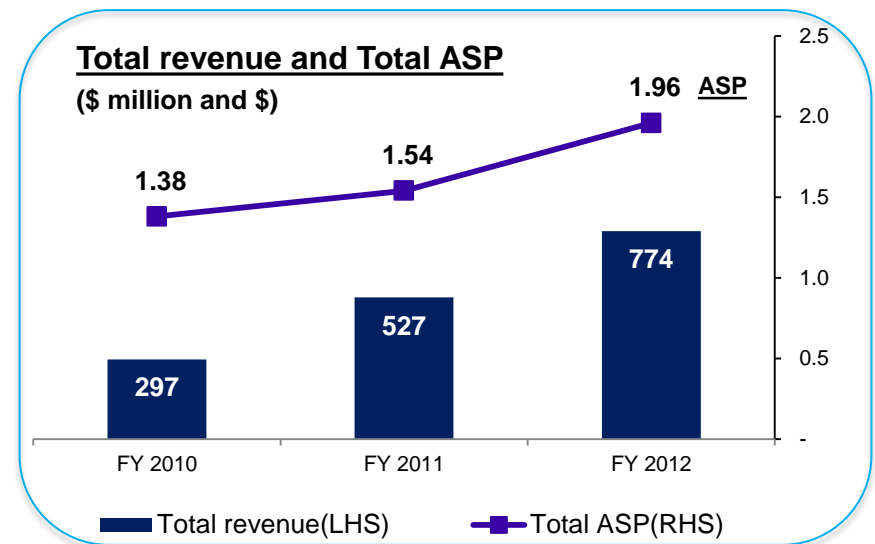
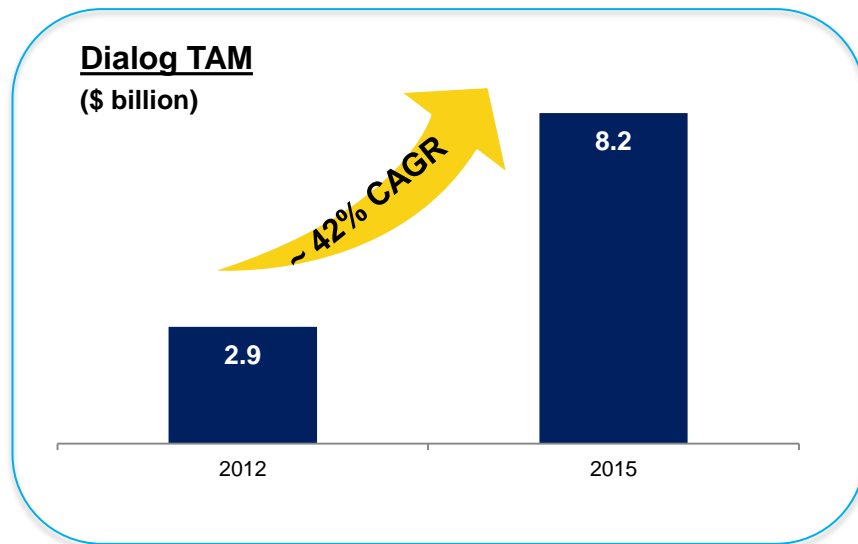
Financial strategic agenda

Our six pillars



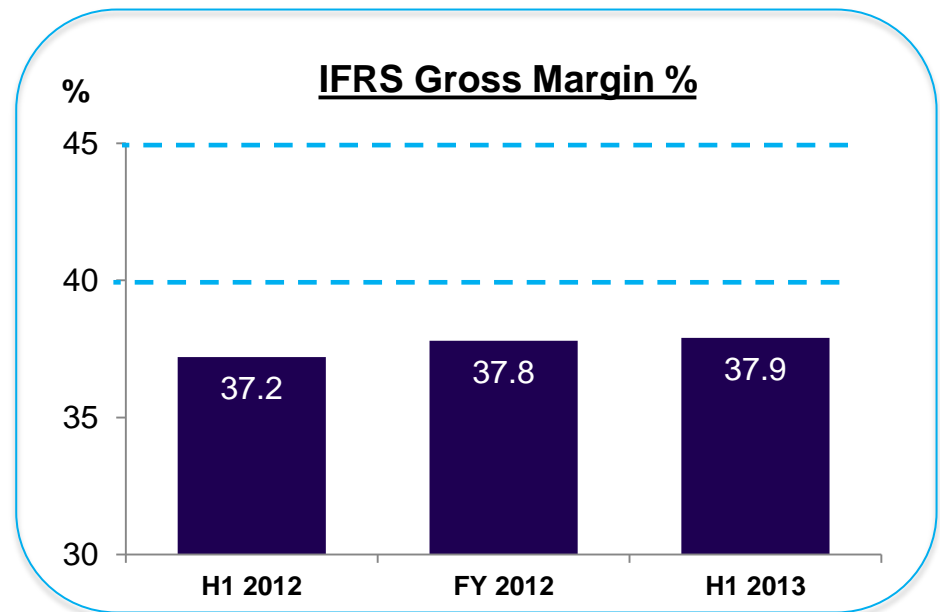
#1 Long term sustainable revenue growth

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



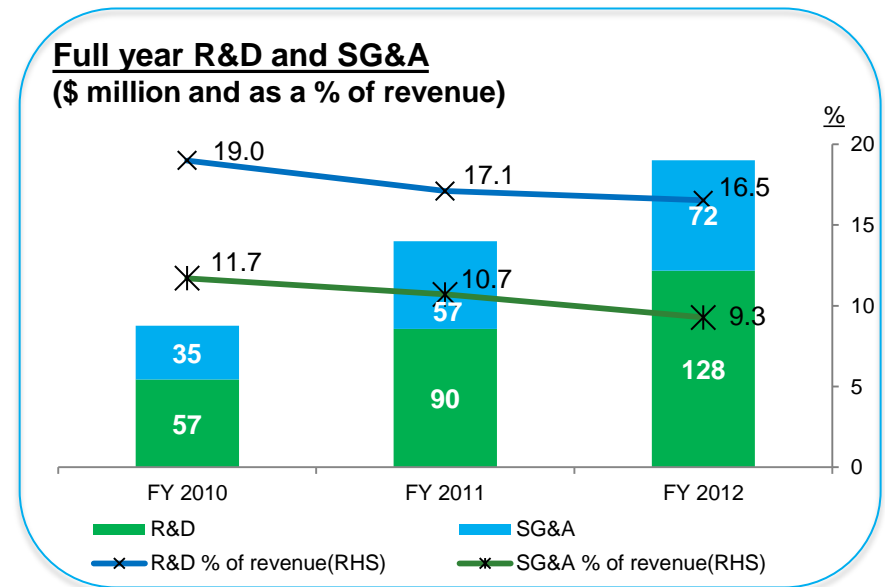
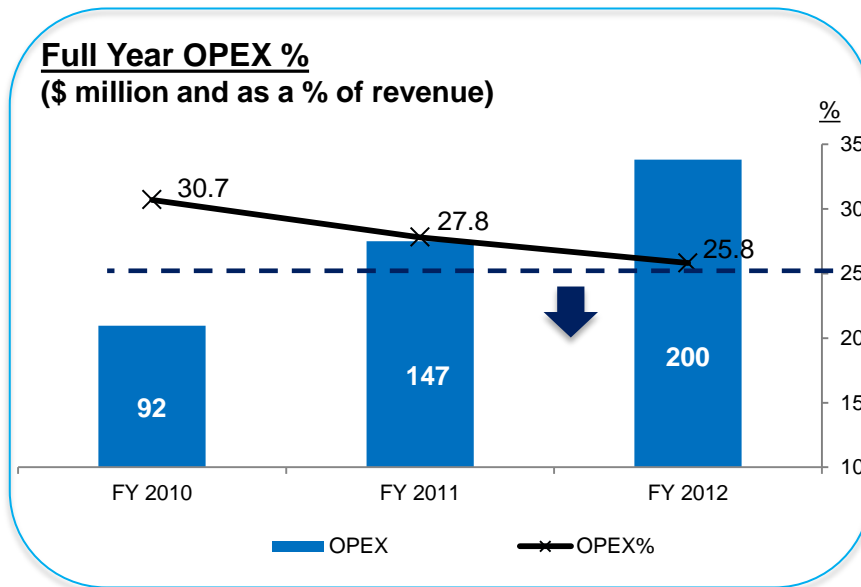
#2 Gross margin improvement

- Medium term business model **Gross Margin% range 40%-45%**
- Innovative and differentiated products to generate higher margin
- Operational excellence; yield and test time improvements
- Gradual transition to 0.13 u BCD
 - More die per wafer
 - Access to mega-fabs
 - Migration from 8" to 12" wafers
- Increasing the mix of ASSP products



#3 Efficient OPEX management

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



#4 Tax optimisation

Impact of the evolution of our business

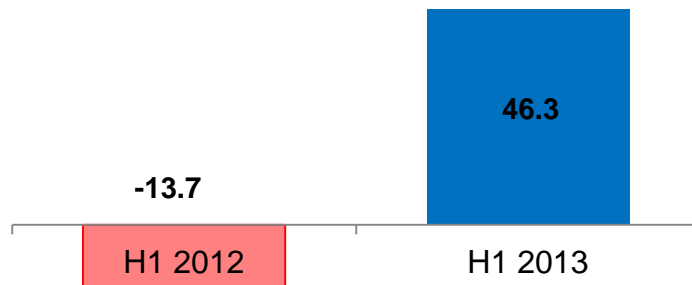
- Dialog Effective Tax Rate expected to peak at 30% this year
- On-going exercise to align IP ownership with commercial structure of the Group
- Utilise yet unrecognised UK Loss Carry Forward (over \$70m)
- Favourable tax regimes in the UK and the NL promoting Technology Companies and creation of IP
- Balancing competitiveness and corporate social responsibility
- Integration of iWatt currently under consideration



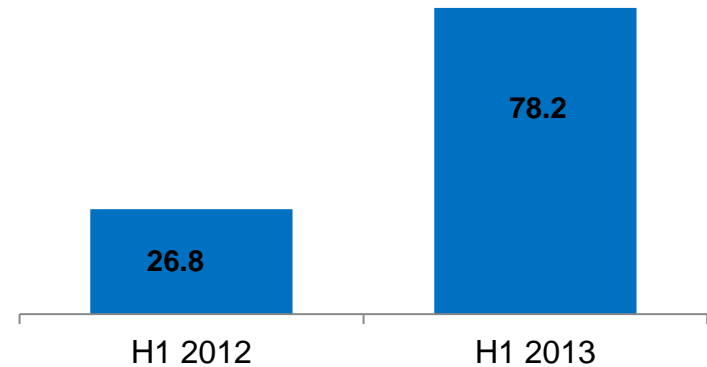
#5 Strong cash generation

- Strong cash generation business
 - Pay down debt
 - Allows further expansion of business
 - Effective working capital management
- Drive low net debt/EBITDA ratio

Free Cash Flow
(\$ million)

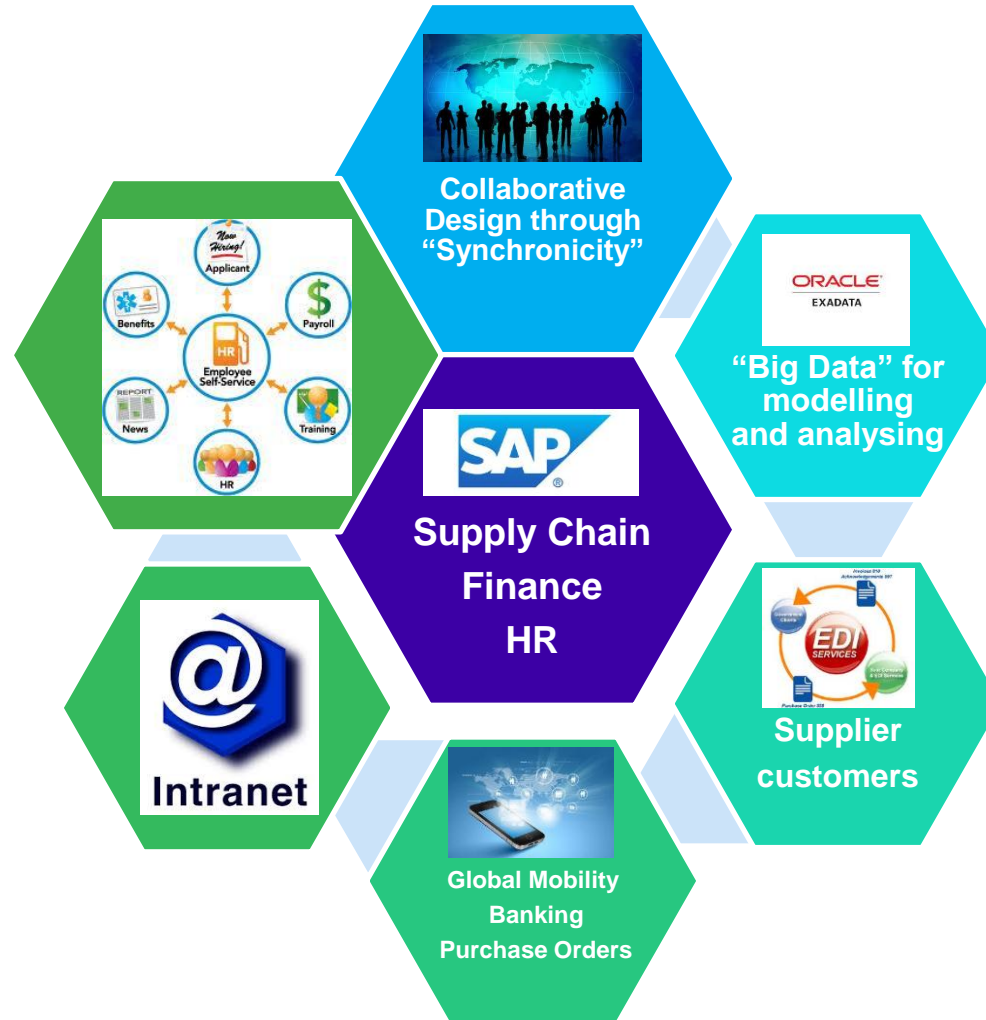


Operating Cash Flow
(\$ million)



#6 Business process efficiency and IT investment

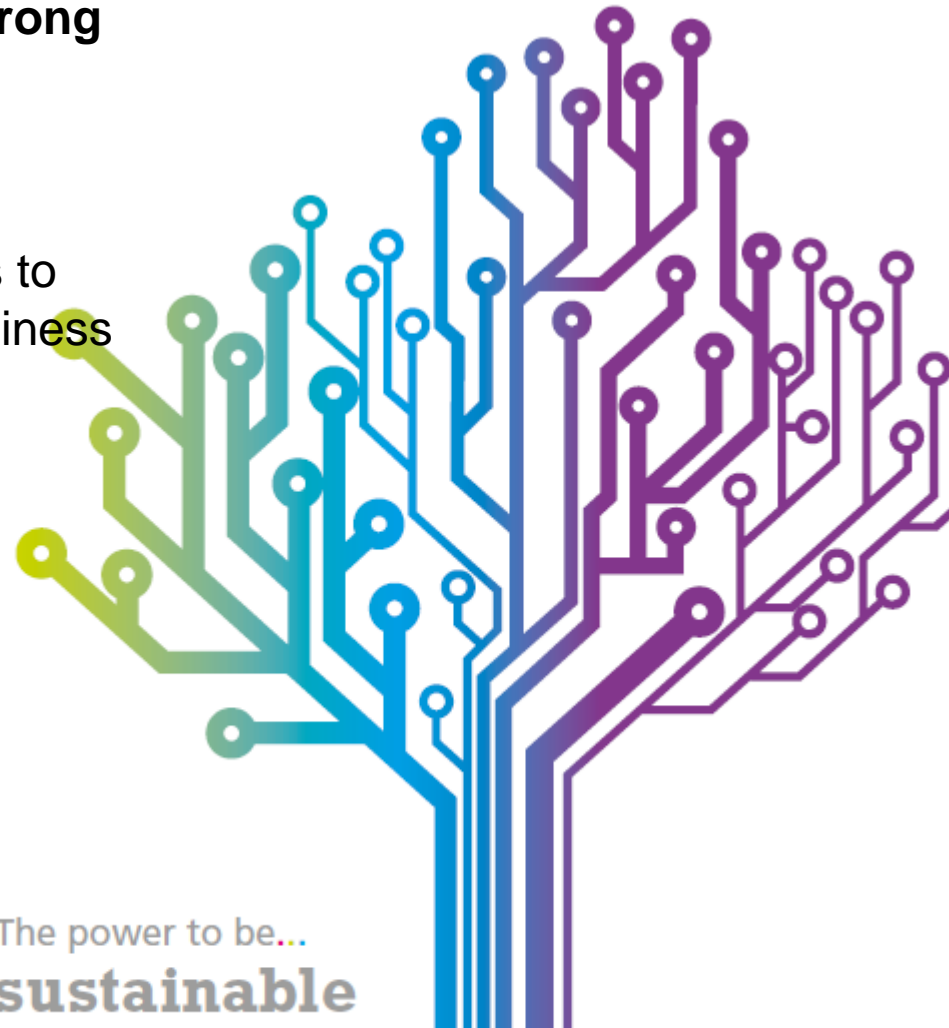
Scale, speed and efficiency



Long term sustainability of our business model

CSR angle

- **Sustainable profitable growth and strong cash generation**
- Dialog is committed to taking measures to better understand the impact of the business
 - Corporate Governance
 - Supply Chain Management
 - Employee engagement
 - Environmental impact
 - Local Community Investment
- Our first sustainability report will be published in 2013



Key Takeaways

Financial Strategy

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



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