Dialog Semiconductor
Q3 2011 Financial Results

Tuesday 25th October 2011

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Forward Looking Statements

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Agenda

Dialog Executive Overview

Q3 2011 Financials

Strategic Direction

Outlook and Summary

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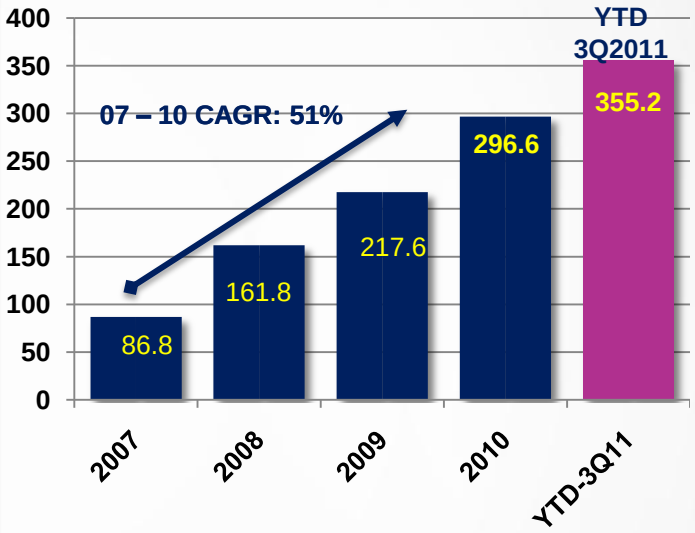
Executive Overview
Our Impressive Growth Continues

- **Fabless provider** of mixed signal Integrated Circuits (ICs). Listed on Frankfurt Stock Exchange (FWB:DLG)
  - High Integrated Power Management
  - Low Energy Short Range Wireless
- Successful today with leading OEMs in **high volume, high growth** portable devices
  - Smartphones & Tablet PCs
  - Portable Media devices including digital cordless
- **Record Q3 2011 Revenue** of $140.6 million
  - 77% growth over Q3 2010 (35% excl. SiTel)
  - 16 consecutive profitable quarters
- Expecting full year 2011 revenue to now break through the **$500 million barrier**

Dialog Revenue ($ million)



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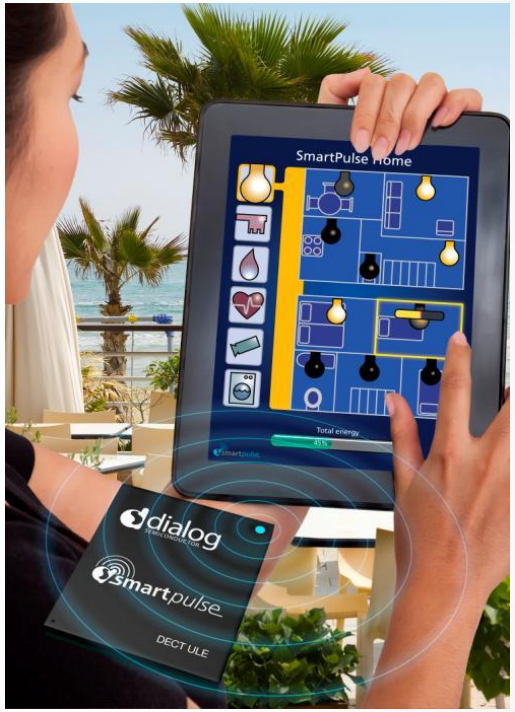
Q3 2011
Operational Highlights

- **Record revenue** driven by continued ramp of Smartphone and Tablet PC products
  - This quarter saw the launch of new leading Smartphone models based on our custom power management technology
- Shipment during the quarter of first production custom power management and audio devices to **a large Asian OEM** for new Smartphone platform
  - Expected platform release with multiple phone models before end of this financial year
- Launch of **SmartPulse®, a new wireless smart sensor** technology for home automation type applications
  - Panasonic announced as first SmartPulse® customer for home security application



smartpulse
Panasonic

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Q3 2011
Operational Highlights

- Our short range wireless technology is seeing increased traction and adoption at professional headset and wireless microphone companies
- **Adlink Technology** announced as new power management customer **for Intel-Atom™** based industrial computer systems
- Continued progress with OLED, sampled now to 2 x **major tier 1 OEMs**
  - building prototype phones to demonstrate the unique features **(flexibility & transparency)** that our technology enables

ADLINK TECHNOLOGY INC.

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Q3 2011
Key Financial Metrics

Revenue

- **$140.6 million Revenue**
  - record quarter as combined business
  - + 76.9% over Q3 2010
  - + 21.1% over prior quarter
  - + 35.2% over Q3 2010 (excl. SiTel)

Gross Margin

- **Q3 2011 Gross Margin of 40.9% of Revenue**
  - 0.7% point increase on prior quarter
- **Year to Date Gross Margin of 40.6%**

Cash & Cash Equivalents

- **$94.4 million at Q3 quarter end**
  - $14.0 million increase on prior quarter
  - $34.4 million generated from operations
  - Dialog is currently debt free (***)

Earnings per Share ($)

- **Underlying(*) EPS (diluted) 31 cents**
  - compared to 22 cents in Q3 2010
- **IFRS basic and diluted EPS of 28 and 26 cents**
  - compared to 22 and 20 cents in Q3 2010

(*) Definition of underlying provided on slide 9
(***) $10.0 million of debt repaid in quarter

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SiTel Integration
Integration effectively complete

- **Increased Revenue of $33.2 million from former SiTel business with acquisition profitable and accretive since Q2 2011**
  - 14.1% increase in revenue over Q2 2011
  - $5.0 million underlying EBIT contribution
- **Integration effectively complete**
  - All corporate functions now integrated, company working as one entity
  - Ongoing realisation of synergies from common supply base (manufacturing, CAD etc)
- **Good traction with existing product set in quarter**
  - New design wins in professional wireless headsets & wireless microphone applications
  - Continued success with low power Green VoIP ICs
  - Strong interest from new customers in recently launched SmartPulse® technology
- **Product roadmap continues to move forward**
  - R&D now focused on next generation low energy short range wireless and internet connectivity/VOIP products

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Q3 2011 Financials

Note:

(*) Underlying results are based on IFRS, adjusted to exclude share-based compensation charges in Q3 2011 of $1.3 million, excluding one-time costs of $0.1 million associated with the acquisition of SiTel Semiconductor ("SiTel") incurred during Q3 2011, excluding $1.6 million of amortisation of intangibles associated with the acquisition of SiTel and excluding amortisation expenses of $0.5 million in relation to previously capitalised R&D expenses for close to end of life products from SiTel. The term "underlying" is not defined in IFRS and therefore may not be comparable with similarly titled measures reported by other companies. Underlying measures are not intended as a substitute for, or a superior measure to, IFRS measures.

(**) EBITDA is defined as operating profit excluding depreciation of $2.4 million for property, plant and equipment and amortisation of $4.8 million for intangible assets in Q3 2011.

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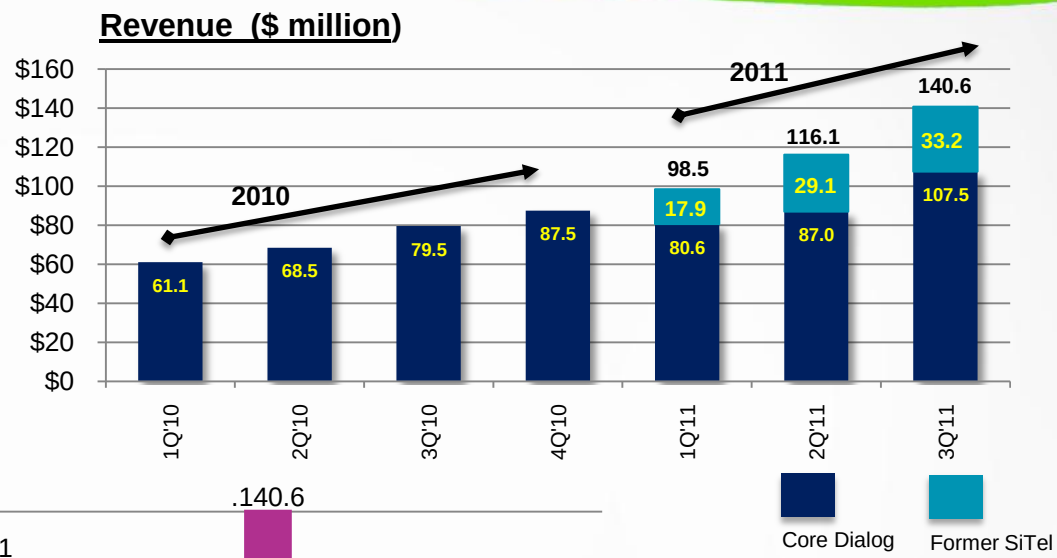
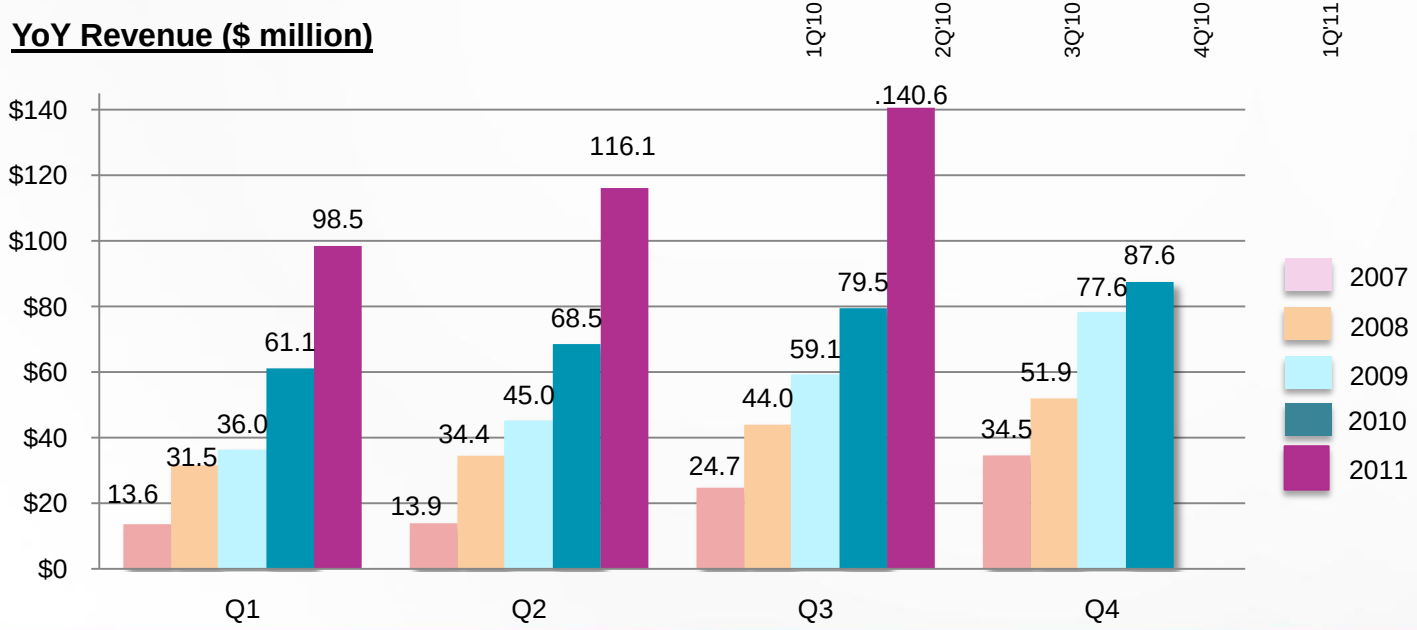
Revenue Growth Continues
5th Year of YoY quarterly growth

- **$140.6m Revenue in Q3 2011**
  - 77% YoY Revenue growth
  - 35% YoY growth (excl. SiTel)
  - 21% QoQ Revenue Growth





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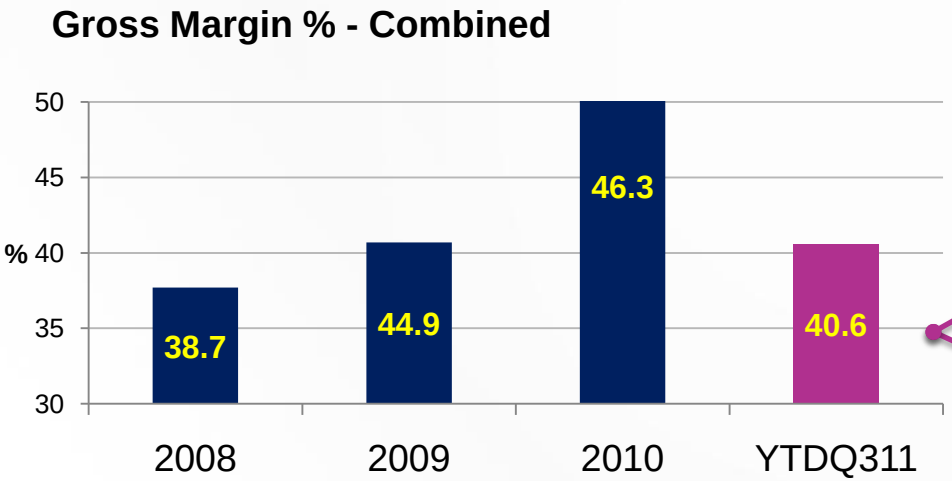
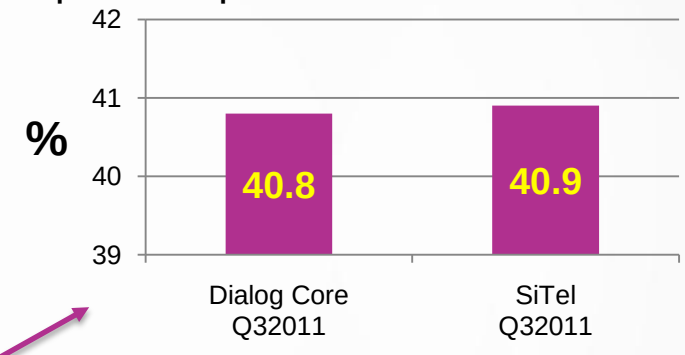
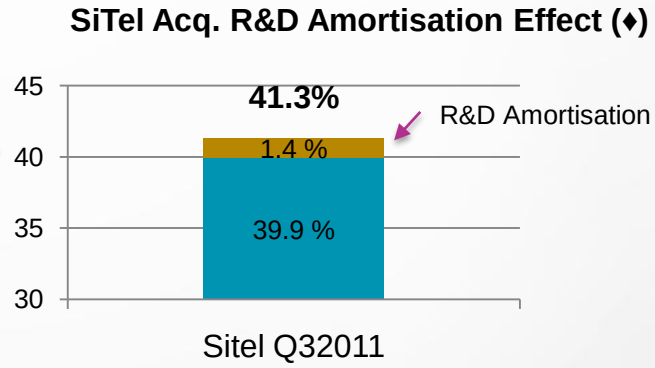
Gross Margin
The make-up of YTD Q3 2011 gross margin

- **Q3 2011 Gross Margin of 40.9%**
  - Increase of 0.7% over that achieved in Q2 2011 including positive one time effect of 0.8% from BenQ settlement
  - Decrease of 5.4% from 46.3% achieved in 2010 comparative period







(♦) capitalised development costs which will be fully amortised during Q1 2012

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Increased Operating Profit (EBIT)

- **Q3 Underlying EBIT(*) of $22.8 million (16.2% of Revenue)**
  - compares with $17.1 million (14.7% of Revenue) in Q2 2011
  - compares with $15.3 million (19.2% of Revenue) in Q3 2010
- **Q3 Underlying EBITDA(**) of $28.0 million or 19.9%**
- **Q3 2011 IFRS EBIT of $19.4 million (13.8% of Revenue)**
  - negatively impacted by $2.2 million of cost associated with the acquisition of SiTel
- **Overall effective tax rate in Q3 2011 was 8.9%**

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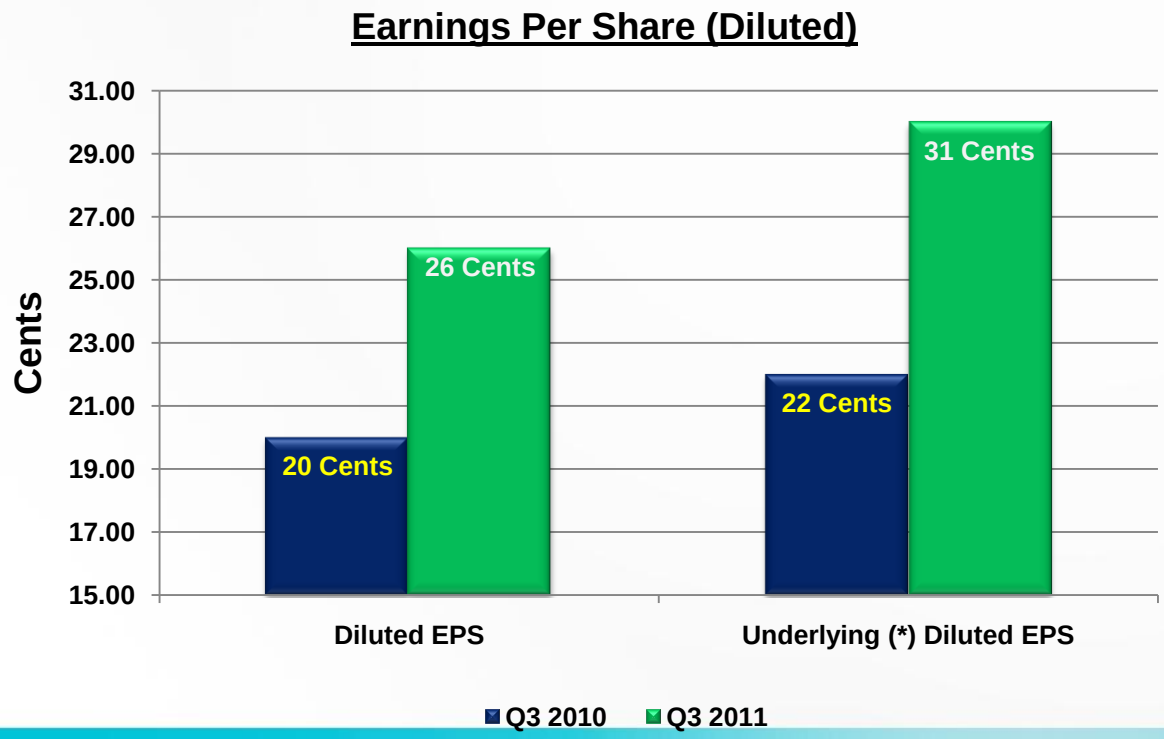
Operating Leverage from Increasing Revenue
Increased profitability – earnings per share

- **Underlying(*) Net Income of $20.7 million (14.8% of Revenue)**
  - an increase of $6.1m over Q3 2010
- **IFRS Net Income of $17.3 million (12.3% of Revenue)**
  - an increase of $4.0 million over Q3 2010



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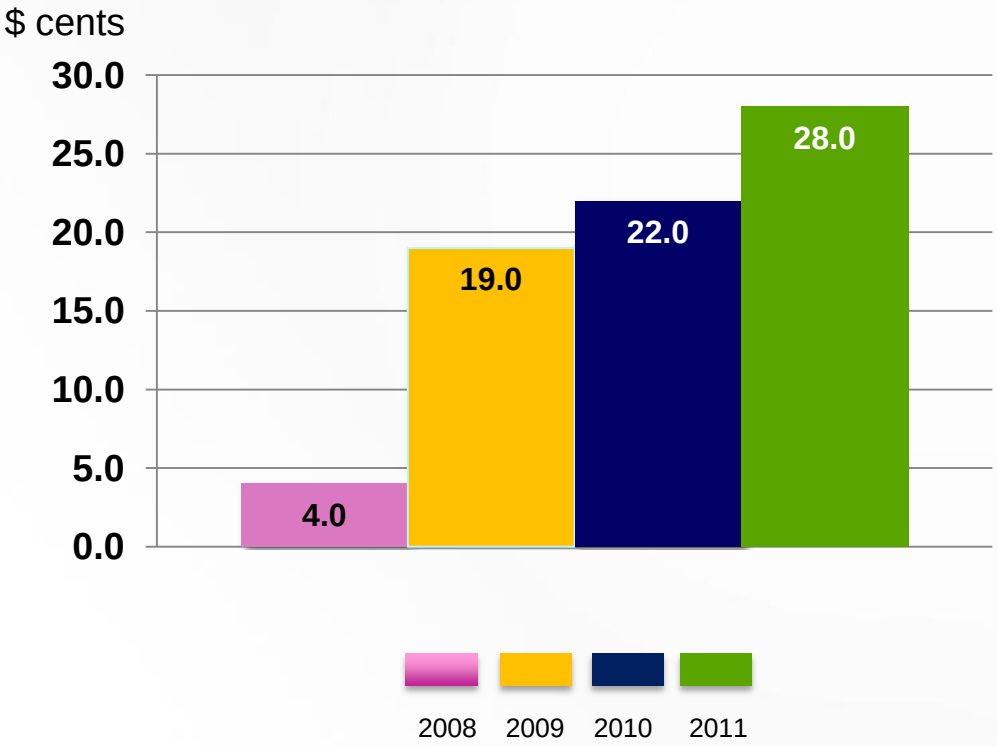
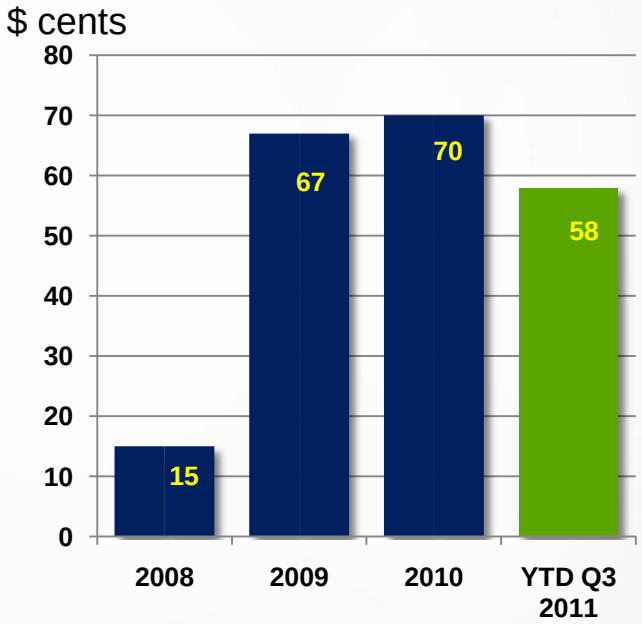
Increasing Annual and Quarterly EPS (IFRS – Basic)

Q3-Year over Year EPS (Basic) Development (2008-2011)



Annual EPS (Basic) Development



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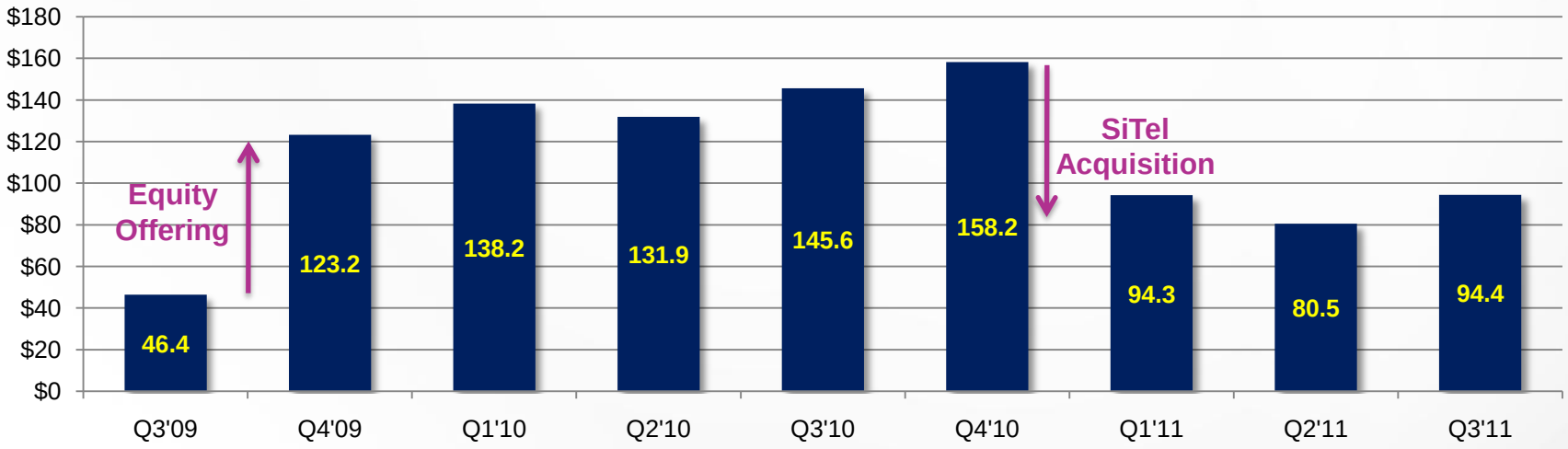
Cash Position
Generating cash from operations

- **$94.4m cash & cash equivalents balance at Q3 quarter end**
  - after repayment of $10.0 million of short term debt from a $35.0 million revolving credit facility in Q3 2011
- **Increase of $14.0m from prior quarter**
  - $34.4m of cash generated from operations

Cash & Cash Equivalents ($m)



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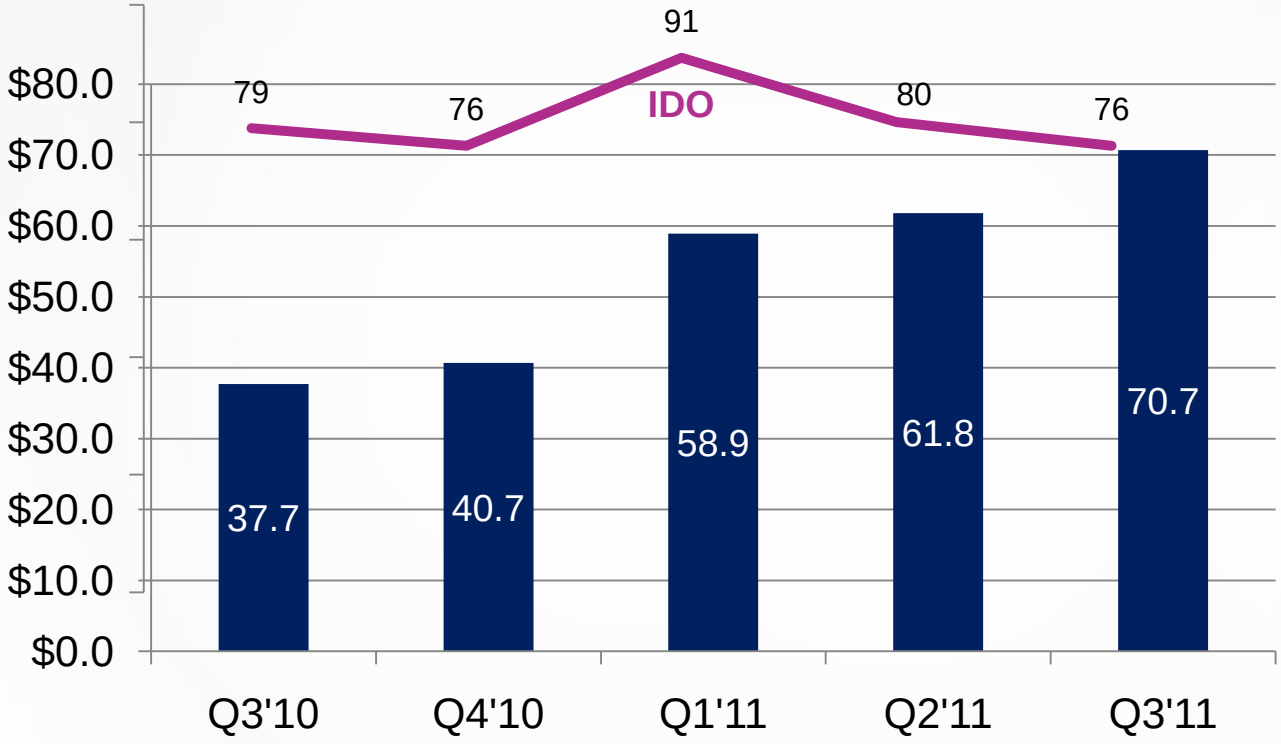
Inventory Analysis
Understanding the inventory build

Inventory and Inventory Days Outstanding (IDO) Analysis



- IDO reduced by 4 days to 76 days (or 4.7 turns/year)
- Still ramping up finished goods to service Q4 2011 increased demand

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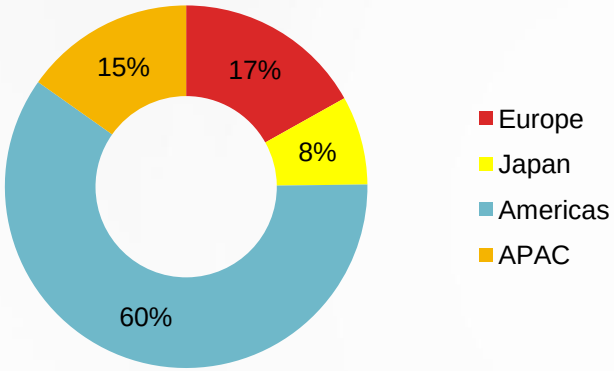
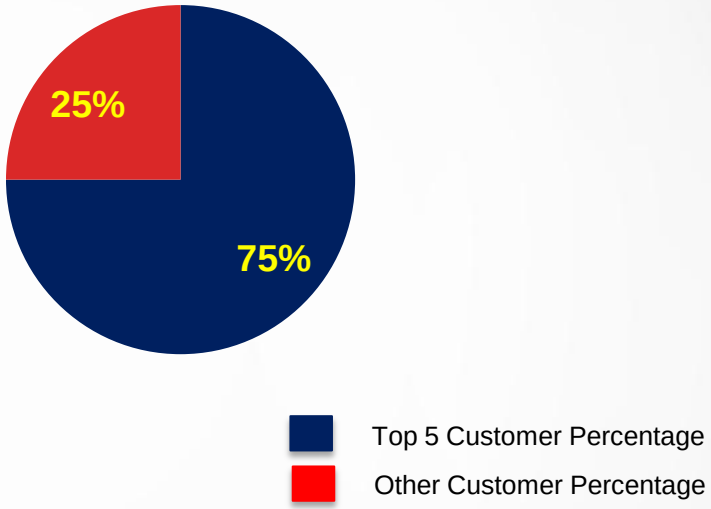
Diversifying our Business
Executing on diversification in financial year 2011

Regional Split of our Business



Expected top 5 Customer Concentration



- **Continued Design win success of ASSP program** through Processor Partner initiative leading to acceleration of customer and application diversification

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Agenda

Strategic Direction

Outlook and Summary

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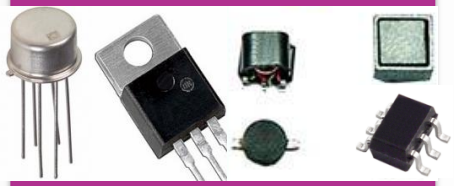
Huge Opportunity for our Technology
Converting discrete power management to integrated PMICs

ALL ANALOG ICs
(Discrete & Integrated)

$42.5bn

Power Management



$31.8bn

Power Management Portable Devices

$14.5bn

Integrated Power Management -Portable

$6.6bn

Data Source: Venture Q September 2011, IHS iSuppli Research, Dialog.

- **Value Proposition**
  1. > 30% power saving
  2. > 30% cost saving
  3. Typically 40% board saving
  4. Ability to integrate digital control
  5. Accelerate time to market for our customers

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Strategic Direction
Track record. Our strategy is working

1 *Extending our Portfolio of Products for Portable Platforms*

- Adding ultra-low power audio, unique display products and new power management functionality
- New short range wireless products from SiTel acquisition
- Selected technology / IP acquisitions to extend product portfolio

2 *Broader and Deeper at our Customer Base*

- Developing companion PMICs with leading and emerging application processor vendors to address broader customer base through their sales eco system
- Diversifying across more platforms for custom PMIC at larger accounts

3 *Continuous Innovation*

- Innovation on low power differentiating power-saving technologies including Green VOIP, PM OLED, Audio, short range wireless together with advanced packaging development

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Outlook and Summary

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Outlook

- We anticipate continuing our strong revenue momentum in Q4 2011 and expect revenue to be in the range of **$150.0 million to $157.0 million**

- **Resulting in a successful outcome for the full financial year with full year revenue breaking through the $500 million barrier**

- As previously indicated, our gross margin remains under pressure in Q4 2011 as Dialog's product mix increasingly reflects the higher volume customer contracts and higher current material costs. However in Q4 2011, we believe our continual focus on managing our operating expenses **will lead to increased operating profits**

- Beyond that, we continue to believe our commitment to reducing costs combined with improving supply chain market conditions **will lead to improved gross margins**

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Summary
The Investment Opportunity

1. Dialog is in the **right spot at the right time,** power saving high integrated mixed Signal for personal portable connected devices addressing high growth markets

2. We are already **engaged with the leaders** and **and trend setting customers**

3. Dialog demonstrating continued execution and **growing revenue faster than costs** increasing EPS and cash generation

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- Powering Ahead -

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