



Integrated Memory Logic Sale Transaction

June 3, 2016

Forward-Looking Statements

This press release and matters discussed on the conference call contain forward-looking statements based on current expectations of Exar Corporation within the meaning of the “safe harbor” provision of the Private Securities Litigation Reform Act of 1995. The words “expect,” “will,” “should,” “would,” “anticipate,” “project,” “outlook,” “believe,” “intend,” and similar phrases as they relate to future events are intended to identify such forward-looking statements. In particular, the statements regarding confidence in increasing shareholder value or the closing of this transaction are forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. The forward-looking statements are subject to certain risks and uncertainties. Therefore, actual outcomes and results may differ materially from what is expressed herein. For a discussion of these risks and uncertainties, the Company urges investors to review in detail the risks and uncertainties and other factors described in its Securities and Exchange Commission (SEC) filings, including, but not limited to, the “Risk Factors”, “Forward-Looking Statements” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections of Exar’s public reports filed with the SEC, including its periodic reports on Form 10-K and Form 10-Q, which are on file with the SEC and available on Exar’s Investor webpage and on the SEC website at www.sec.gov. All forward-looking statements are qualified in their entirety by this cautionary statement, and Exar undertakes no obligation to revise or update any forward-looking statements to reflect events or circumstances after the date hereof, except as required by law.

Generally Accepted Accounting Principles

The Company’s non-GAAP measures exclude charges related to stock-based compensation, amortization of acquired intangible assets and inventory step-up, impairment charges, technology licenses, restructuring charges and exit costs which include costs for personnel whose positions have been eliminated as part of a restructuring or are in the process of being eliminated, accruals for and proceeds received from dispute resolutions and patent litigation, merger and acquisition and related integration costs, certain income tax benefits and credits, certain warranty charges, net change in the fair value of contingent consideration, the write-down of deferred revenue under business combination accounting, and related income tax effects on certain excluded items. The Company excludes these items primarily because they are significant special expense and gain estimates, which management separates for consideration when evaluating and managing business operations. The Company’s management uses non-GAAP net income and non-GAAP earnings per share to evaluate its current operating results and financial results and to compare them against historical financial results. Management believes these non-GAAP measures are useful to investors because they are frequently used by securities analysts, investors and other interested parties in evaluating the Company and provides further clarity on its profitability.

In addition, the Company believes that providing investors with these non-GAAP measurements enhances their ability to compare the Company’s business against that of its many competitors who employ and disclose similar non-GAAP measures. However, the manner in which we calculate these non-GAAP financial measures may be different from non-GAAP methods of accounting and reporting used by the Company’s competitors to the extent their non-GAAP measures include or exclude other items. The material limitation associated with the use of the non-GAAP financial measures is that the non-GAAP measures may not reflect the full economic impact of Exar’s activities. Accordingly, investors are cautioned not to place undue reliance on non-GAAP information. The presentation of this additional information should not be considered a substitute for net income or net income per diluted share or other measures prepared in accordance with GAAP.

IML Sales Transaction Update

- **Richard Leza**,
Executive Chairman and
Technology Advisor
- **Ryan Benton**
Chief Executive Officer
- **James Lougheed**
SVP World-wide Sales & Marketing
- **Keith Tainsky**
Chief Financial Officer



Strategic Alternative – Key Deal Points

- Entered Into **Definitive Agreement to Sell iML for \$136M, net of cash acquired**, to consortium comprised of Display competitor and Beijing-based Financial Partner
 - CHIPONE TECHNOLOGY (BEIJING) CO., LTD.
 - BEIJING E-TOWN INTERNATIONAL INVESTMENT & DEVELOPMENT CO., LTD.
- **Consideration to be paid in Cash** at closing, less \$5M escrow holdback
- Expect **Transaction to Close by end of calendar year 2016**, pending Regulatory Approvals
- Will have **Transition Services Agreement** in place to support Chipone after closing



Transaction Rationale



- Positions Exar to continue focus on **Core Industrial and Infrastructure Markets** which have
 - High Growth Opportunities
 - High Gross Margin Profiles
- **Display Customer Base** had minimal Exar product cross-selling opportunities
- **Increases Focus and Cohesion** of remaining business
- Estimated **Post-Closing Cash balance of over \$215M+*** (~ \$4.4 per outstanding share) increases capital allocation flexibility to maximize shareholder return

*March 2016 Ending Balance of \$55M + Proceeds from Building Sale of \$24M + Consideration from iML Sales Transaction of \$136M

CHIPONE



- Strong **Strategic Fit** with buyer acquiring Panel IC leader in the increasingly **China-centric** Display Market.
- Buyer acquires **Strong Team** and **Rich IP portfolio**
- Acquires profitable business with opportunity to **consolidate and grow market share**
- **China-centric Business** allows improved access to **China Capital Markets**



Q1 FY17 Guidance “Reconciliation”

Q1'17G <u>Including</u> iML Business	-	Less: iML Business & Updates* to Q1'17	=	Updated Exar Q1'17G <u>Excluding</u> iML Business
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Revenue

\$39.4M - \$41.2M	-	\$13.3M-\$14.1M	=	\$26.1M- \$27.1M Q/Q Up 3% to Up 7%
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Op. Inc.

\$4.5M - \$6.7M	-	\$1.7M-\$2.4M	=	\$2.8M- \$4.3M
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EPS

\$0.09 - \$0.13	-	\$0.03-\$0.04	=	\$0.06-\$0.09
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* Completed restructuring in April 2016 to improve Exar stand-alone profitability

Note: Based on Non-GAAP financial data.



Industrial Market \$2.2B Exar SAM

Process Control / Automation

Industrial IoT

Point of Sale

Medical Diagnostics / Imaging

Video Surveillance

LED Lighting

Force Touch / MBR



Infrastructure Market

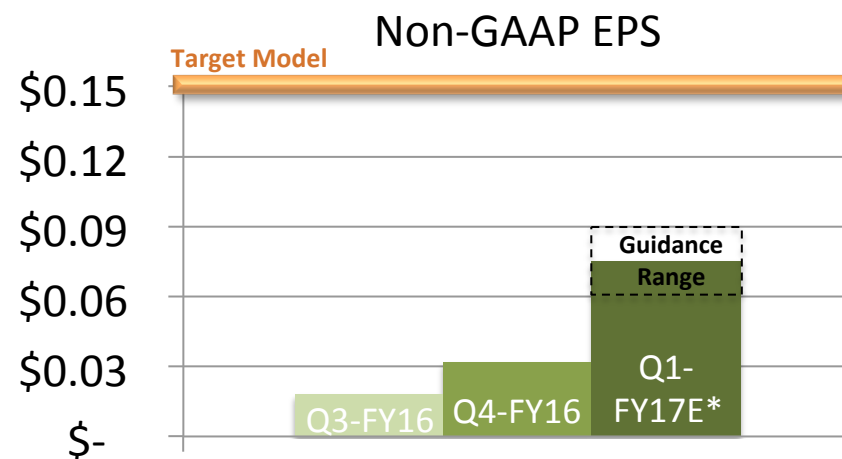
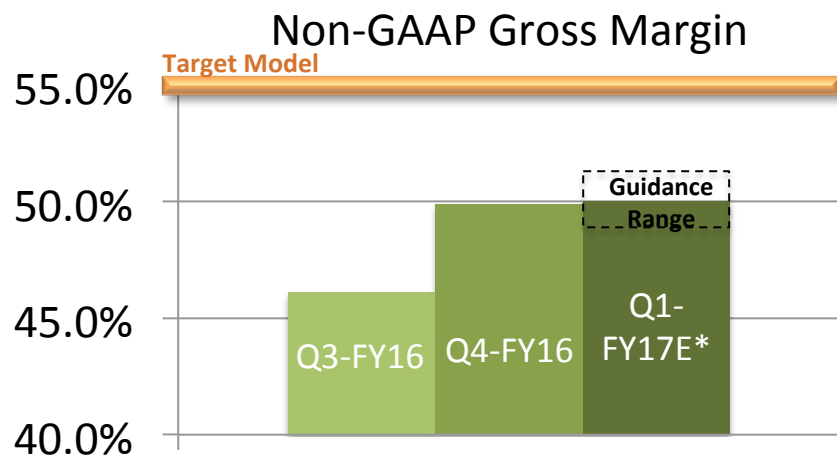
\$1.2B SAM

Enterprise Networking
Enterprise Servers
Carrier Class Hardware



Exar Non-GAAP Results Adjusted Without iML

	Q4FY16 (Mar-16)	Q3FY16 (Dec-15)	Q/Q Change		Q1FY17 Guidance (Jun-16)		Quarterly Target Model
Revenue	\$25.3M	\$25.3M	0%		Up 3% to 7%	↑	\$40M
GM %	49.9%	46.1%	387 bps	↑	49% to 51%		55%
Opex.	\$11.0M	\$10.6M	4%	↑	\$9.5M to \$10.0M	↓	35%
Oper. Income	\$1.6M	\$1.0M	59%	↑	\$2.8M to \$4.3M	↑	20%
EPS	\$0.03	\$0.02	77%	↑	\$0.06 to \$0.09	↑	\$0.15



- New Quarterly Target model is expected to be achieved by end of FY18

Note: Based on Non-GAAP financial data.

* Q1-FY17 Estimates based upon mid-point of Guidance Range.





Q&A