

**ZARLINK**  
SEMICONDUCTOR

Investor Presentation  
Q1 FY12

# Forward-looking statements

Certain statements in this presentation constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and assumptions include, among others, the following: our dependence on the successful development and market introduction of new products; our ability to integrate any business, technologies, product lines or services that we have or will acquire; our dependence on revenue generation from our legacy products in order to fund development of our new products; current market and economic conditions, which may increase our operating costs or reduce our revenue, thereby negatively impacting our operating results; our ability to operate profitably and generate positive cash flows in the future; customer inventory management in some end-markets; our dependence on our foundry suppliers and third-party subcontractors; order cancellations and deferrals by our customers; our substantial indebtedness could adversely affect our financial position; the cost and accounting implications of compliance with new accounting standards; and other factors referenced in our Annual Report on Form 20-F. Investors are encouraged to consider the risks detailed in this filing

# A company transformed for growth


Fast-growing timing business, strong position in voice & power, ramping medical products



Mixed Signal  
Expertise is our  
Competitive  
Advantage



Communication products  
~ 85% of revenue




Medical products  
~ 15% of revenue

# 3 major trends


Driving immediate and long-term growth

1.

## Mobile Internet adoption


- Traffic created by smartphones and tablets driving carriers to migrate to packet networks to increase bandwidth and lower OPEX
-  Timing chips in base stations, routers and switches to support real-time services over packet networks

## 2. Wireless healthcare

- Home healthcare, remote patient monitoring & new treatments and therapies to lower costs and improve care
-  Low-power radios for wirelessly enabled in-body devices, ingested products and sensor applications

3.

## Broadband deployments

- Global government initiatives to increase broadband penetration
-  Voice and power products for residential and access equipment to enable voice over cable, DSL and fiber networks

# Rapidly Growing

Timing business

*39% growth in FY11*

## High-value products driving double-digit revenue growth

- Broadest portfolio of timing solutions required to manage multimedia services over wireless and optical networks
- Packet timing products widely deployed in wireless base stations and routers, new ClockCenter products target optical timing requirements

## Extended growth opportunity

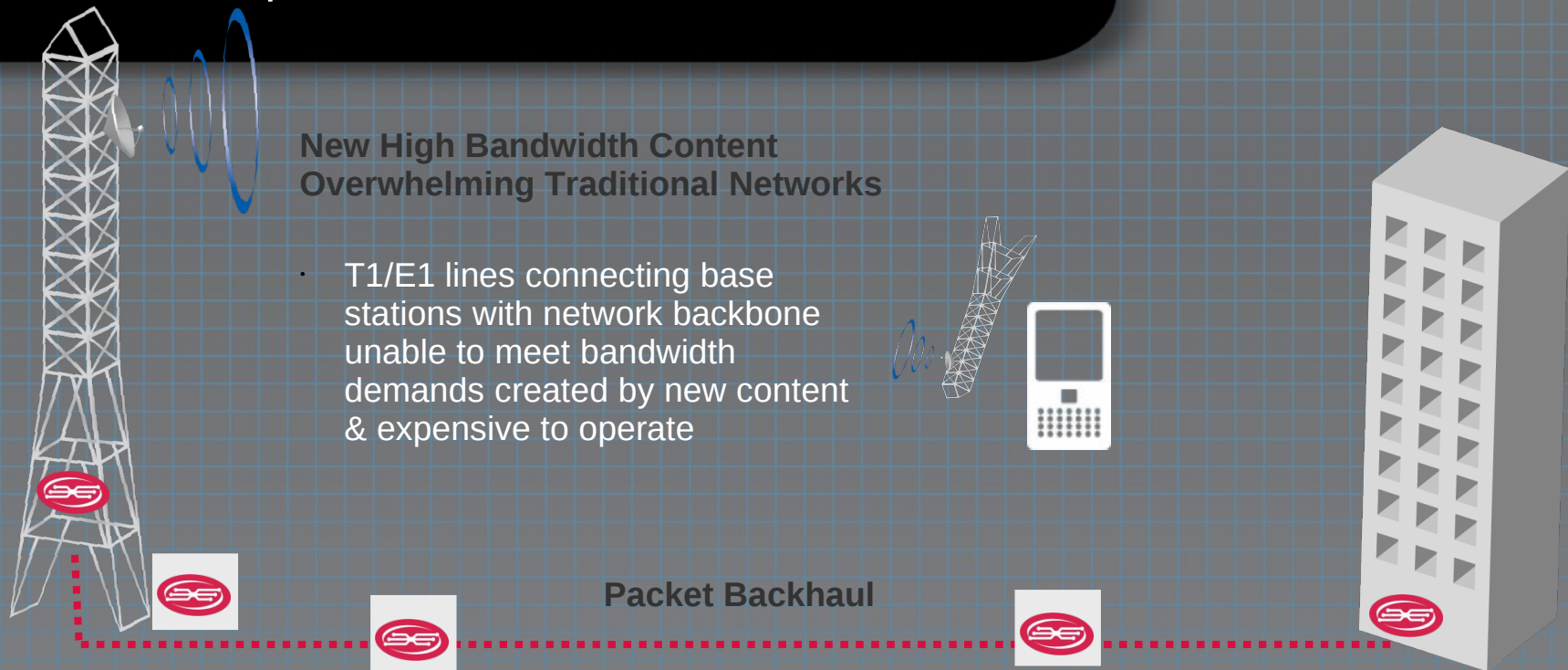
- Multi-year conversion from circuit to packet networks
- High-end timing solutions targeting products with long lifecycles
- Strict standards pose barrier to entry

## Trusted timing supplier for Tier 1 customers



# High-bandwidth smartphone services driving timing opportunity

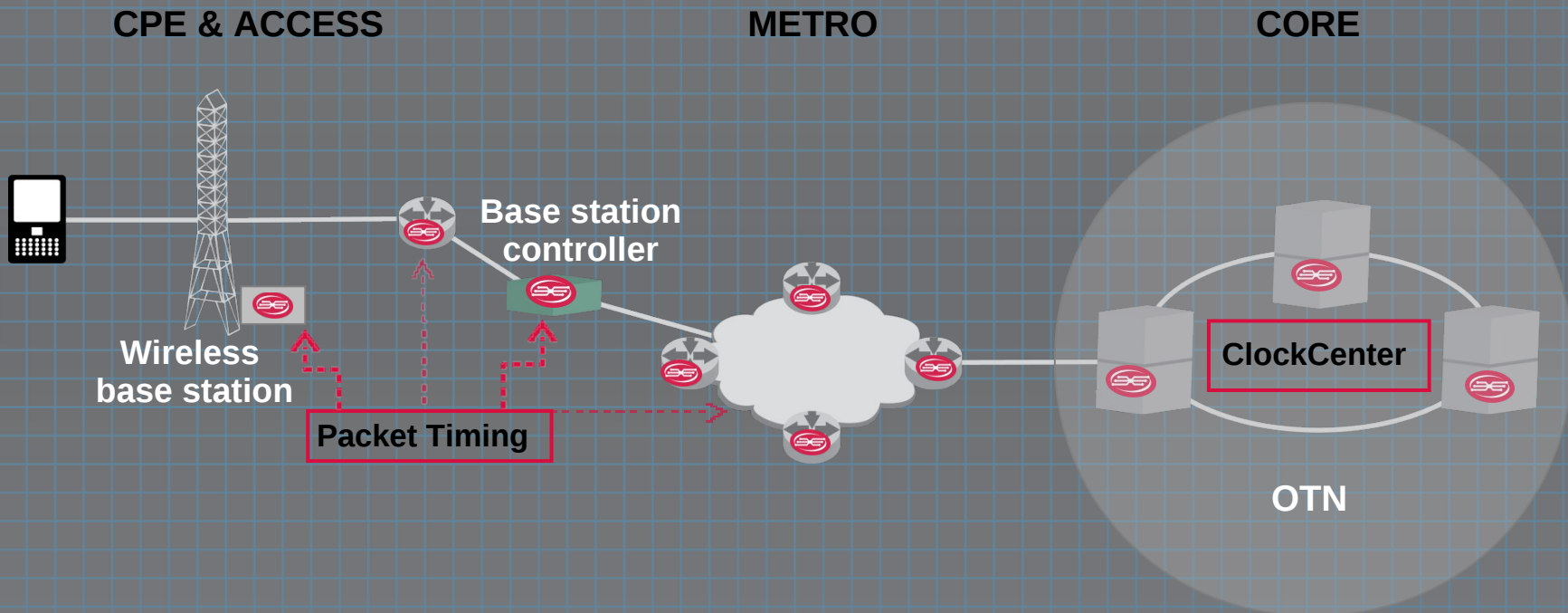
Growth opportunity for timing – long-term transition from circuit to packet networks



**Higher bandwidth, lower cost packet networks to connect cell sites and network backbone**

- Requires timing at base stations and routers to synchronize network and ensure services for new and existing communication applications

# Growing market opportunity for timing in optical network deployments



## Carriers deploying optical networks to support multiple services over less infrastructure

- New ClockCenter platform supports all communication services over optical networks to help solve capacity and bandwidth issues in the core
- Zarlink single-chip solutions reduce design complexity and cost while improving performance versus competing multi-chip solutions

# Wireless Expertise

driving long-term medical revenue opportunity

*80% revenue from medical wireless radios*

## Ultra low-power radios targeting rapidly growing markets

- Qualified, medical-grade low power solutions wireless radios for implanted medical devices
- Radios for ingested devices and sensors requiring low power data streaming

## Long-term revenue

- “Sticky” designs in products with 10+ year life cycle

## Ramping product introductions

- Designed into St. Jude Medical’s pacemakers and ICDs, long-term supply agreement with Medtronic
- Given Imaging capsule endoscopy in regulatory and insurance approvals
- New customers deploying ZL radio in advanced applications



**Medtronic**

St. Jude Medical

Given Imaging



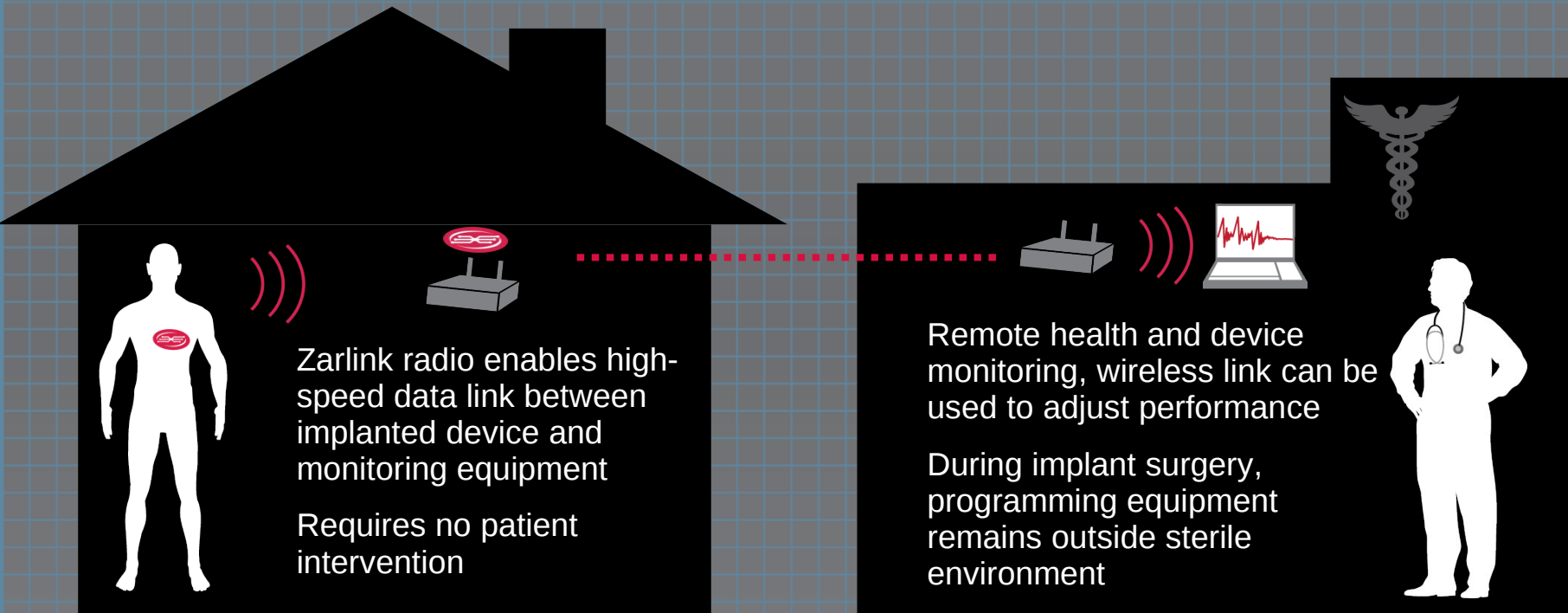
Medtronic



Starkey

**CVRx**

# Zarlink implanted radio expertise enabling “always-on” patient monitoring

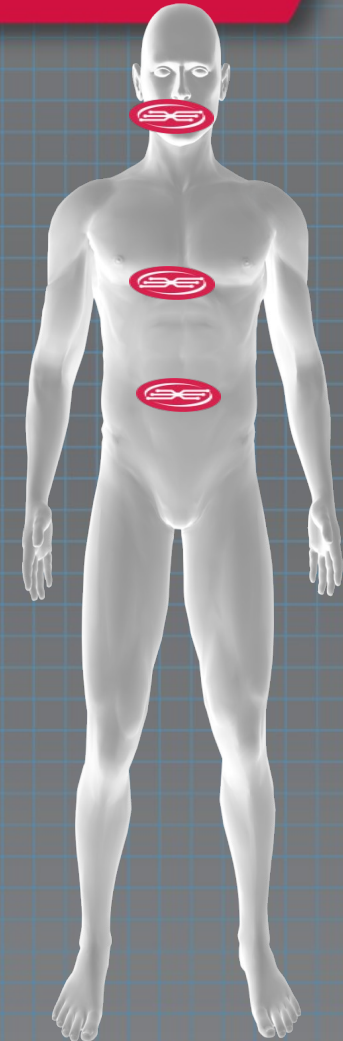


## Ultra-low power radio enables wireless performance without impacting device battery life

- “Always-on” patient monitoring potentially improves care & lowers healthcare costs
- Designed into pacemakers and ICDs from leading OEMs, expanding opportunity in new wirelessly enabled therapies, neurostimulation and body area network applications

# Ingested radio solution for world's only wireless endoscopy

Given Imaging PillCam approved for small bowel and esophagus examination, in approvals for colon cancer screening





## Zarlink radio transmits video-quality images from PillCam to data recorder

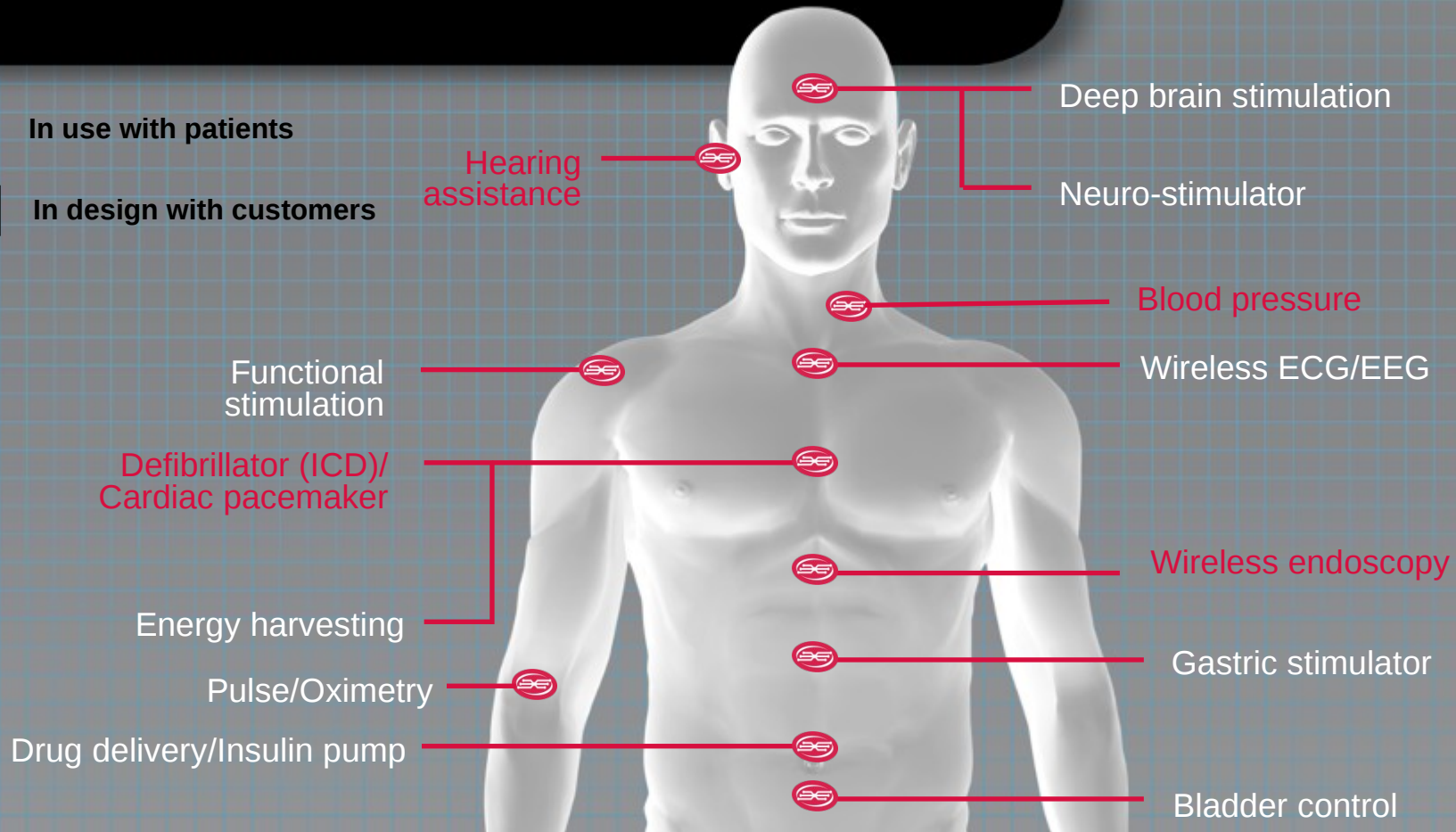
- Over 1.2 million patients have benefited from PillCam procedure – a simple, safe and non-invasive alternative to traditional imaging of small bowel and esophagus
- Capsule for colon examination now in trials in United States, Europe and Japan

# Growth opportunities for our implanted, ingested and sensor radio expertise

Zarlink has joint R&D projects with largest device manufacturers and emerging suppliers

 In use with patients

 In design with customers



# Leading Provider

of products for voice over broadband deployments

*Profitable and growing business*

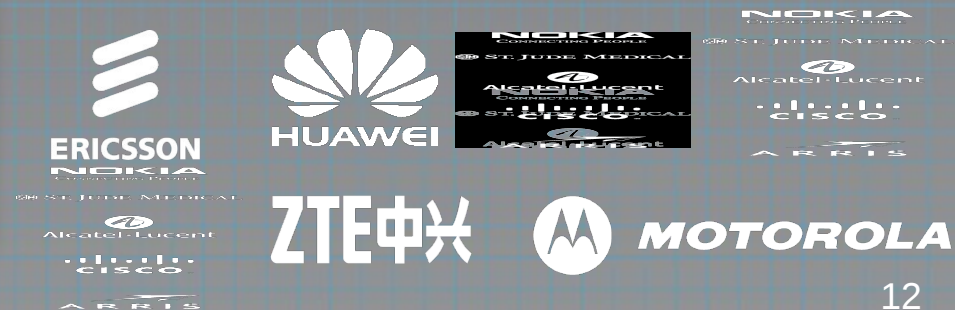
## Voice & power management products for broadband networks

- Largest supplier of voice products for cable and fiber networks, gaining share in DSL
- Power product license agreement with Exar for residential gateways

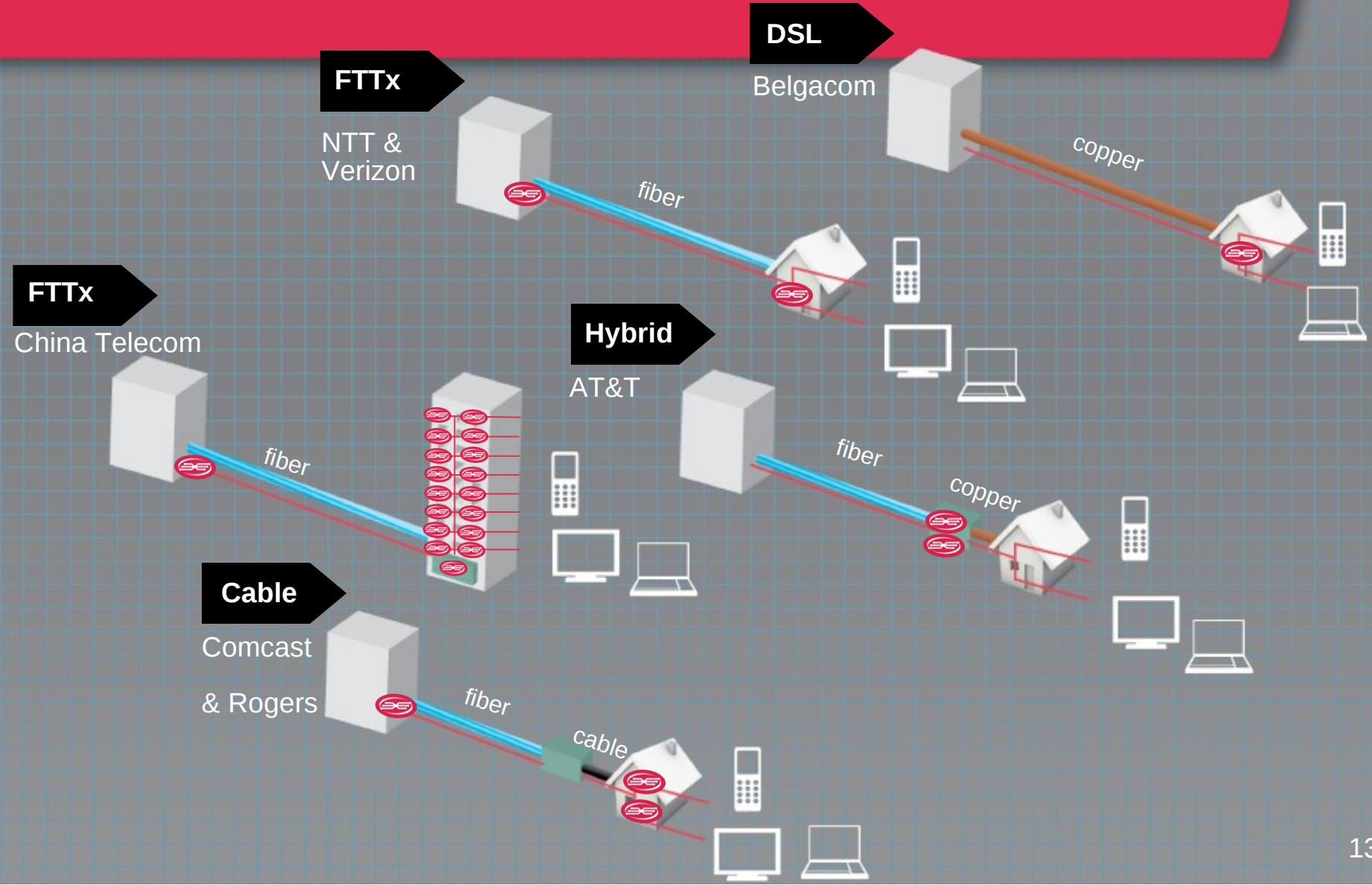
## Strong growth opportunities

- New voice deployments as carriers rollout fiber networks in China, India, Brazil, Russia
- Residential gateways for “triple play” services
- Customer churn & network upgrades

## Deep relationships with leading manufacturers



# Voice and power opportunities in broadband networks



# Top priorities to accelerate growth

## Revenue Growth from Core Platforms

**Win** designs across existing timing, medical wireless and voice platforms, introduce derivatives to expand market opportunity

## Grow Medical Business

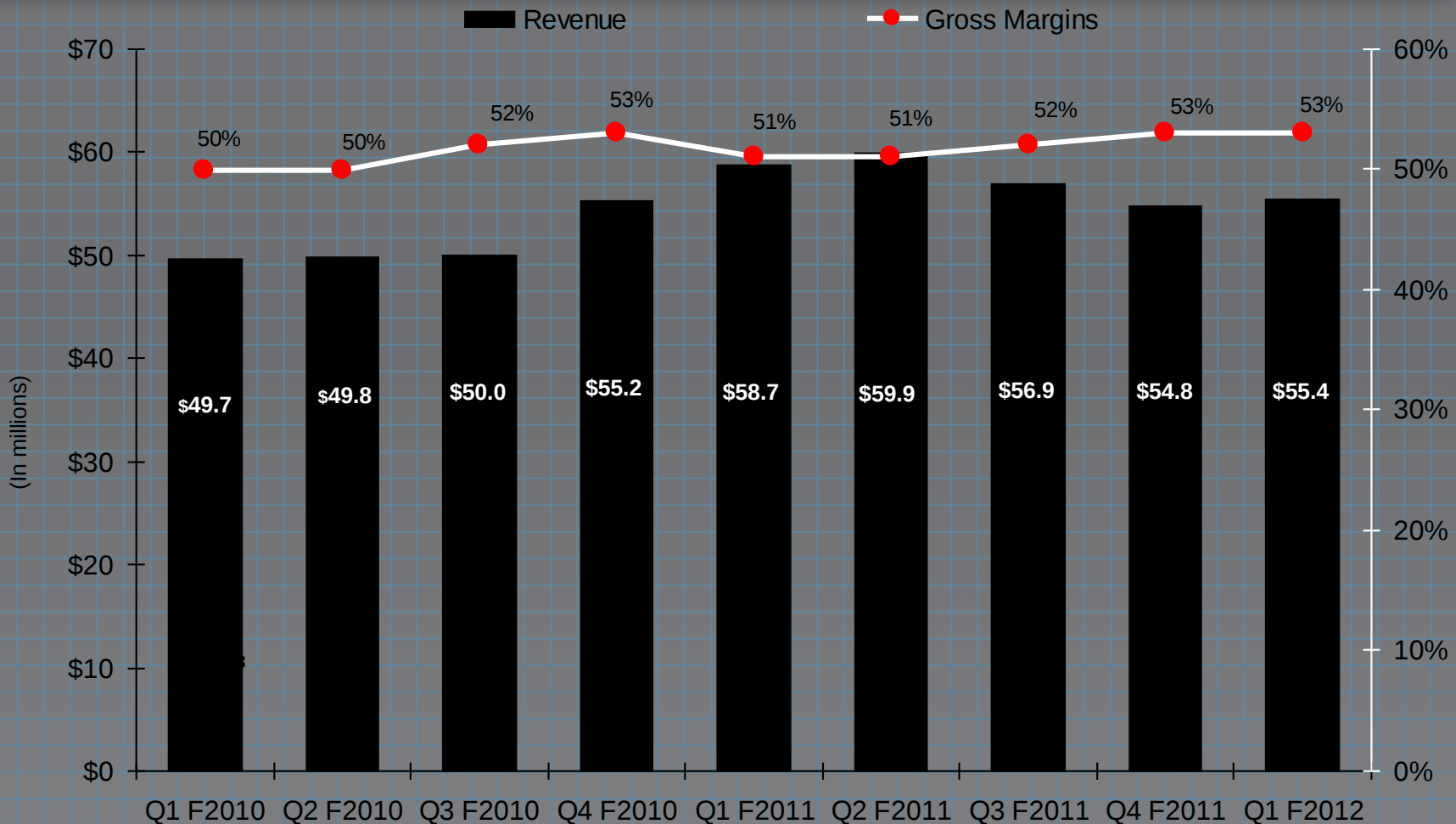
**Launch** new radio platform with Medtronic, expand relationships with St. Jude, Given Imaging and emerging suppliers, target low-power sensor market

## Manage Product Portfolio

**Target** 80% of revenue from core product platforms, manage declining legacy businesses, increase gross margin

# Financial review

# Revenue and Gross Margin Performance

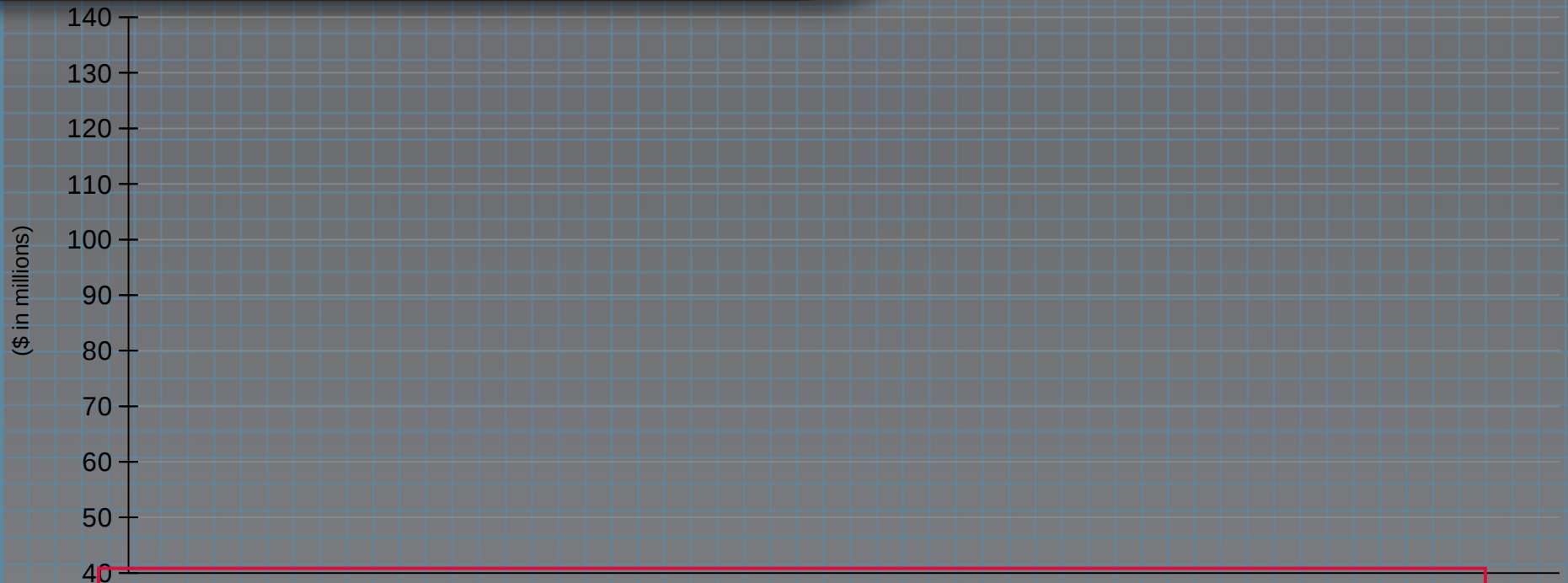


All values in USD unless otherwise stated

\*Company sold optical business May 17, 2010, so results have been reported as discontinued operations for current and comparative periods

# Generating strong cash flow

Cash position increased by \$31.7 million over past four quarters

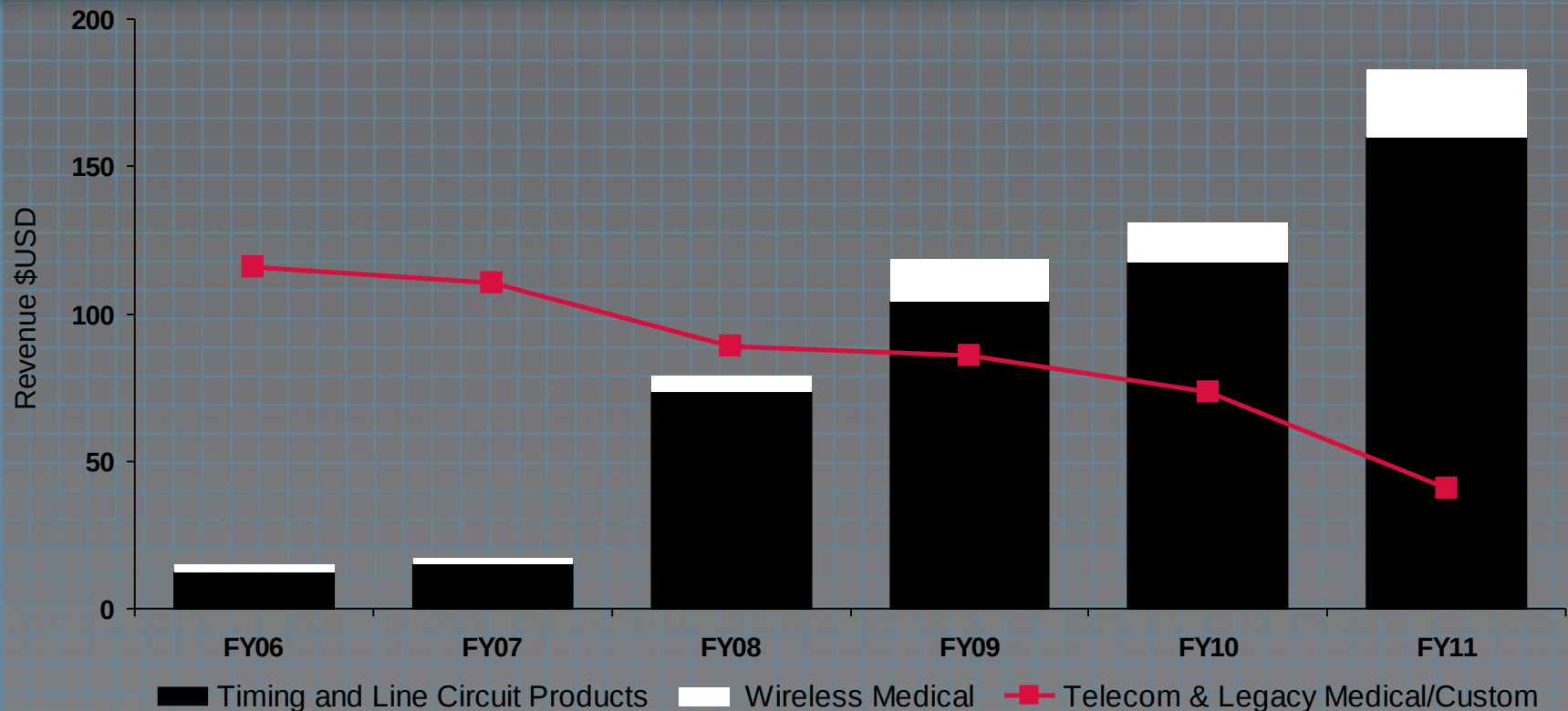


## Preferred Share Redemption

- Subsequent to Q1 F2012, Company used ~\$25M cash to redeem preferred shares; simplifies capital structure & returns value to common shareholders by eliminating dividend payment

# Revenue growth from core platform initiatives

Over 75% of revenue generated by network timing, line circuit and medical wireless platforms; managing declining legacy portfolio



# Income statement highlights\*

\$USD	Q1 F'12	Q4 F'11	Q1 F'11
Revenue	\$55.4M	\$54.8M	\$58.7M
Gross Margin	53%	53%	51%
OPEX as % of revenue	43%	40%	35%
Net Income	\$2.4M	\$17.0M*	\$10.3M
Non-GAAP Net Income	\$7.0M	\$5.5M	\$8.6M
Basic EPS	\$0.02	\$0.14	\$0.08
Non-GAAP Basic EPS	\$0.05	\$0.04	\$0.06

\*For a full definition, see Company's MD&A and Financial Statement and notes filings for the period ended June 24, 2011.

## Outlook: F2012 second quarter guidance

Revenue	\$52M-\$56M
Gross Margin	52%-54%
Operating Expenses	\$20M-\$21M
Non-GAAP Earnings Per Share	\$0.05-\$0.07

## Detailed management & board ownership

<b>Gary Tanner, CEO</b>	400,000
<b>Stan Swirhun, CTO and CMO</b>	475,763
<b>Steve Swift, Sr. VP &amp; GM, Medical Products</b>	93,242
<b>Renato Pontello, VP &amp; General Counsel</b>	26,000
<b>Eileen Speirs, VP Human Resources</b>	10,097
<b>Andre Levasseur, Sr. VP Finance &amp; CFO</b>	14,367
<b>Adam Chowaniec, Director</b>	136,000
<b>Hubert Lacroix, Director</b>	100,000
<b>Jules Meunier, Director</b>	85,000
<b>Dennis Roberson, Director</b>	50,522
<b>Spencer Lanthier, Director</b>	45,000
<b>Oleg Khaykin, Director</b>	25,000



**ZARLINK**  
SEMICONDUCTOR