Toumaz Half Year Results: Jan – Jun 2012

21st Sept 2012

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Headlines

Acquisition & integration	• Acquisition of Frontier Silicon completed 20 August for £32.2m - product roadmap rationalised to focus on key areas of growth - integration underway
Professional healthcare	• SensiumVitals monitoring system due to go live in LA hospital in October 2012
Consumer sports & health	• Sensium-2 IC development continues – sampling first silicon by end Q1 2013
Digital radio	• DAB shipments up 17% year-on-year – following launch of German market and increased number of design wins
Network audio	• Xenif, multimedia and wireless connectivity chip, makes further gains in connected audio / wireless speaker products
Cash	• Post-fundraising and acquisition: £17.3m (31 August 2012). £9.4m (30 June 2012)

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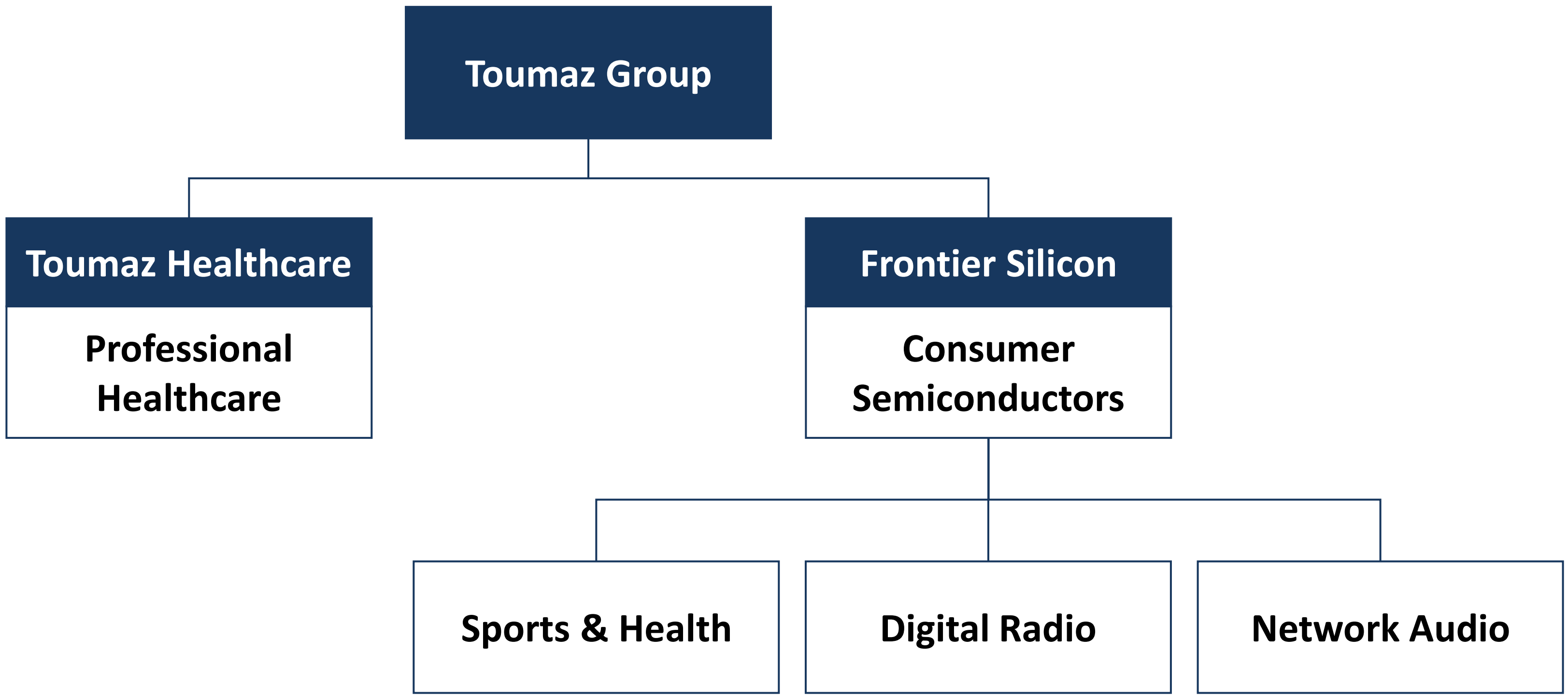
Group structure



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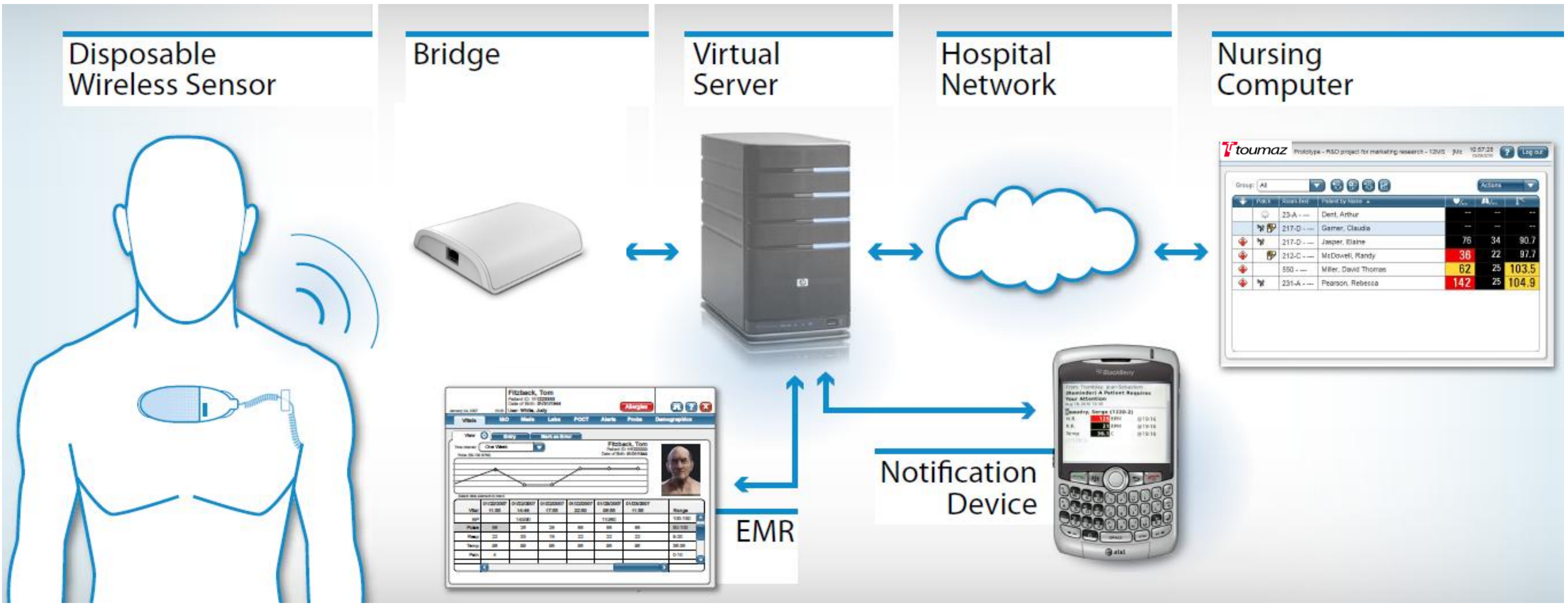
Professional healthcare - SensiumVitals Digital Plaster

SensiumVitals - continuous, wireless monitoring of patient vital signs



- For general wards: patient data taken every two minutes[1] then sent wirelessly to hospital IT system
- System based on Toumaz Sensium chip (nine patents / patents pending) - smaller, lower power consumption and lower cost than competitor solutions

toumaz (1) With current manual systems, readings are taken every 4-8 hours FRONTIER SILICON

Opportunities exist in multiple regions / market sectors

- Wireless solutions offer scope to improve patient care in multiple settings
  - in hospitals, care homes and in-home
  - in North America, Europe and Asia
- Toumaz US (joint venture) focused on hospital sector
- Significant opportunities in care homes / in-home sectors - management commencing assessment

UK report

- *Royal College of Physicians has highlighted shortcomings of manual monitoring / charts: 6,000 avoidable UK deaths p.a.*

Current focus is on US hospital market

US healthcare

- **Potential market value: $300m**
- ~5000 hospitals in USA
  - 1,400 with 200+ beds (av. 280 general ward)
- Beds in general ward: ~400k
  - average occupancy: 70%
  - 87% of hospitals stated interest in installing wireless monitoring in next 2 to 5 years
  - beds using plaster: 70% of occupied beds
- Total number of beds using plaster: 170k p.a.
  - average length of stay: 4.2 days
- Potential market: 14.8m plasters p.a. @ $20 each

- Pilot in St John's to go live with patients next month
  - delays due to hospital administration issues – now resolved
  - server software and bridges being installed
  - caregivers being trained

toumaz Source: Industry estimates, 3rd party research

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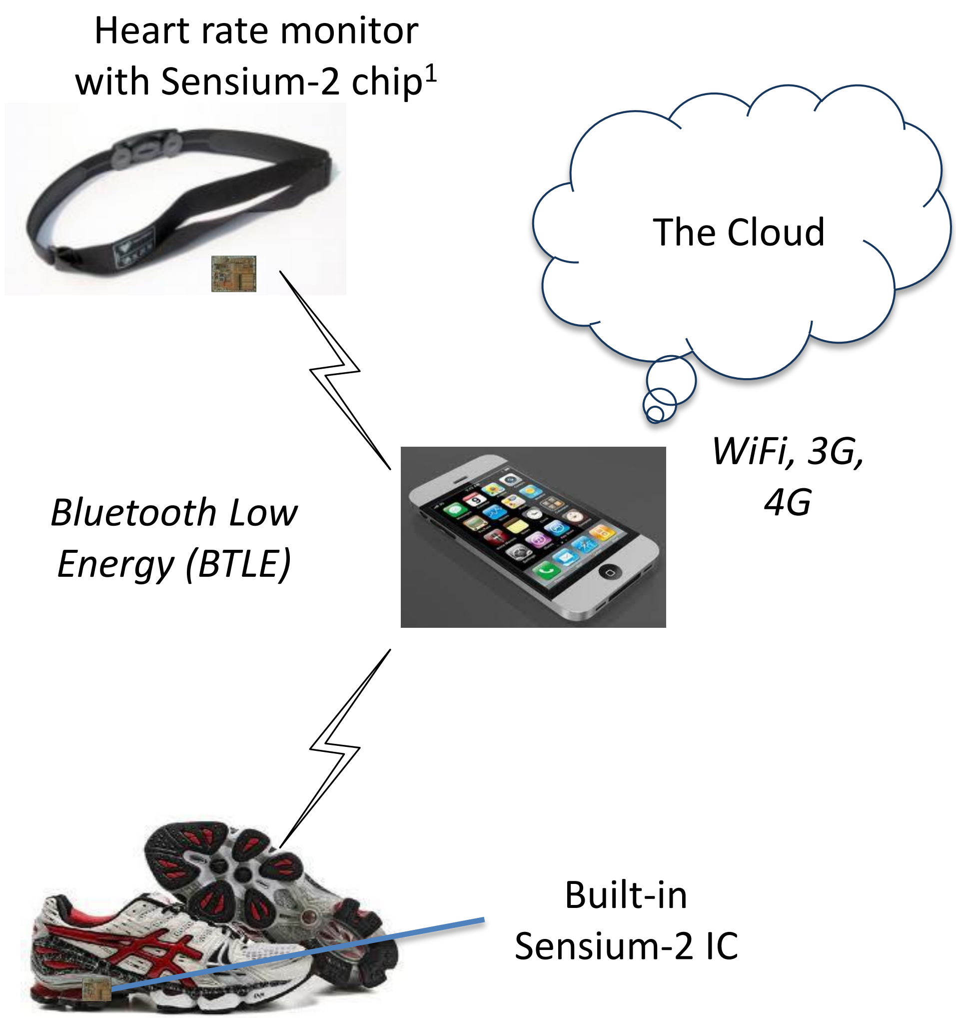
Sensium technology in new chip for consumer sports & health



- Sensium-2 chip, optimised for consumer sports and health devices, currently in development
  - using Bluetooth Low Energy (rather than proprietary standards)
  - customer samples due mid-2013
- First devices likely to be heart rate monitors and / or sports watches
- Key differentiators for Sensium-2
  - size, power consumption and cost of chip
  - highly accurate readings (technology developed for professional healthcare delivers)
  - dedicated algorithms developed for consumer sports and health markets
  - complete solution (IC, software stack and controlling app)

toumaz Note: (1) next generation chip optimised for consumer market

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Global market for Bluetooth consumer sports & health devices forecast to exceed 120m units by 2016

- Global shipments of Bluetooth-enabled sports and fitness devices forecast to grow
  - from 12.1m in 2011
  - to 121.1m in 2016 (CAGR of 59%)
- Key to growth is mobile phone - *the* device for collecting / sharing data from wearable wireless sensors
  - enabled by Ultra-low-power (ULP) wireless connectivity
  - Bluetooth Low Energy expected to be dominant next generation ULP wireless technology

toumaz Source: IMS Research FRONTIER SILICON

Frontier Silicon already established as leading technology provider for digital radio

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Portable Radios	Home audio systems	Clock Radios & Docks	Handheld & In-car
			

- Chips and modules for digital & IP radio
  - #1 supplier of DAB / DAB+ solutions; 17m units sold
  - 70%+ market share[1]
- Revenues of £22m (FY 2011)
- Developing 4th generation digital broadcast chipset (Chorus 4)
  - single chip solution, 50% lower cost than Chorus 3
  - sampling 2013; mass production 2014

(1) Global market for in-home DAB / DAB+ receivers (management estimate)

Growth underpinned by developments in key markets and falling price gap between FM-only and DAB/FM chips

UK

- Encouraging prospects for positive government decision in 2013 re digital switchover
  - 91% of all portable radios over £20 are digital
  - 26% of new cars now fitted with DAB (Ford, Vauxhall and VW); more to follow
  - in July, broadcasters signed MoU re roll-out of local multiplexes

Germany

- Following launch of DAB+ (Aug 2011), foundations for growth now established
  - outdoor coverage over 80%; 13 national and over 60 regional services on air
  - major promotional activities planned for Q4 2012 (and beyond)

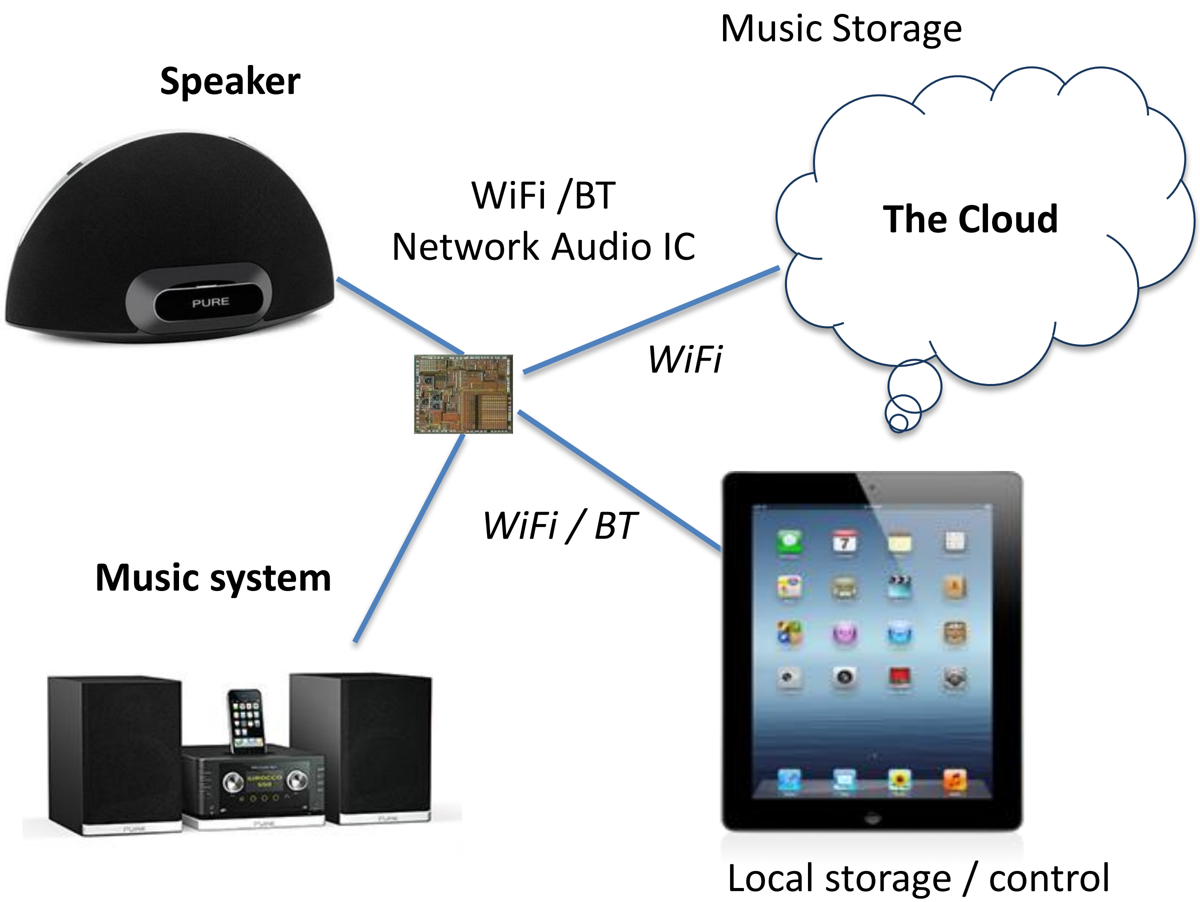
Other territories

- Established markets: Switzerland, Norway, Denmark and Australia
- Potential markets: Netherlands, Sweden, France, Italy, India and Brazil

Cost of chips

- Chip / module prices falling by 10-15% p.a. (narrowing differential between FM and DAB)
- Royalty of €2.50 on DAB chips ends in Jan 2013

Developing market-leading position in network audio – leveraging relationship with Imagination Technologies



- Developing end-to-end solution (Symphony) for network audio
  - chips / modules for wireless speakers, docks and other network audio products
  - incorporating cloud-based music services, e.g. Flow from Imagination Technologies
- Working closely with Imagination
- Mass production in 2014
- Xenif continues to gain traction

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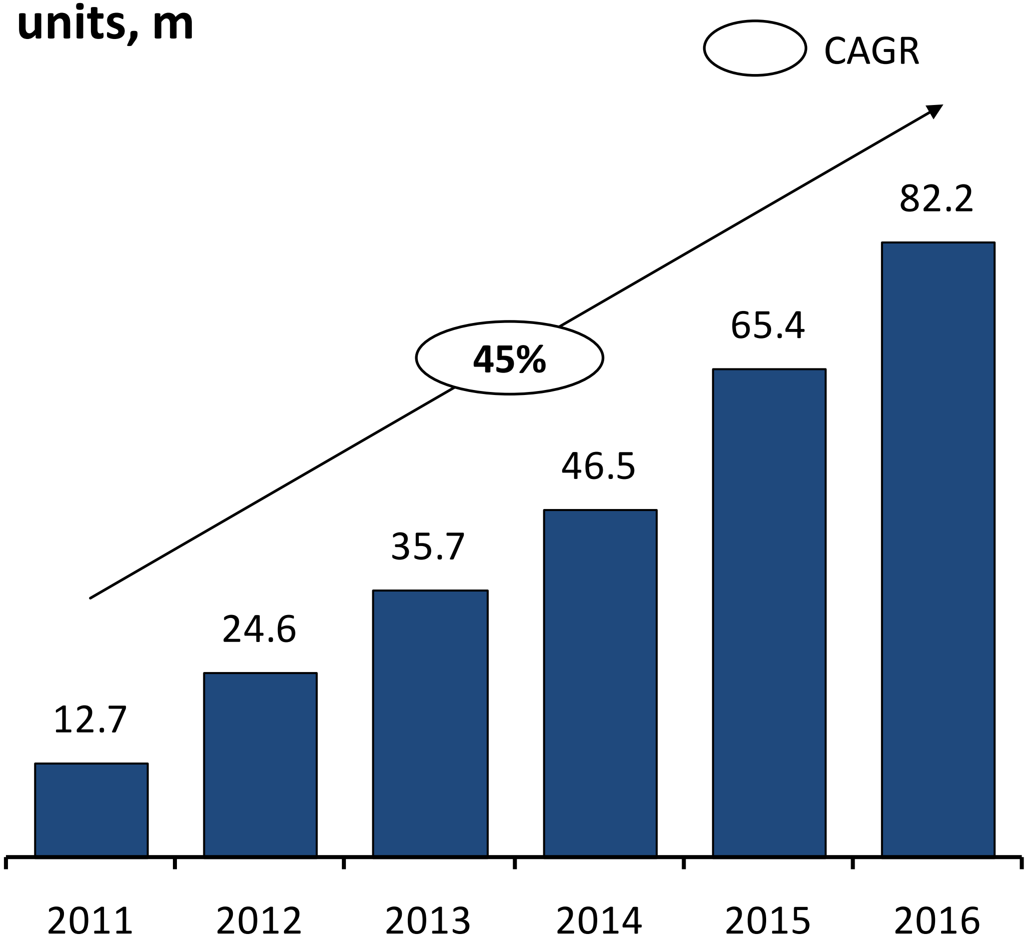
Network audio market growing rapidly - as consumers migrate to cloud-based media

Network audio products[1], worldwide forecast units, m



- Audio product market expanding beyond A/V receivers toward point to point solutions (e.g. between PCs / tablets and speakers)
- By 2016, ~80% of audio products expected to ship with network connectivity (5% in 2010)
- Driven by
  - growth of streaming music services and penetration of smart devices
  - manufacturers adding connectivity to devices, e.g. Apple Airplay and Android devices using DLNA protocols

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Note: (1) Speaker docks, home theatre systems, speakers, A/V receivers, mini-systems, networked audio players / adapters, multi-room audio systems. Source: Park Associates

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Half Year Results - Toumaz

£m	Jan – Jun 2012	Jan – Jun 2011
Revenue	0.85	0.69
Gross Profit	0.24	0.05
GP %	28%	7%
Operating costs	5.21	3.55
Loss before interest & tax	(4.97)	(3.50)

- Revenues - £0.85m
  - Healthcare development - £0.35m
  - Chip sales (mainly Xenif) - £0.5m
  - year-on-year increase of £0.16m mainly due to higher sales of Xenif chip
- Gross profits improved to 27%, primarily due to business mix between development fees and product margins
- Operating costs were higher due to planned increases in R&D expenditure and a bad debt provision of £0.5m relating to an unpaid license fee
- With the exception of the bad debt provision, the losses were in line with expectations

Half Year Results – Frontier Silicon

Acquisition completed in August – Frontier results not included in first half interims

£m	Jan – Jun 2012	Jan – Jun 2011
Revenue	9.6	9.4
Gross Profit	4.2	4.5
GP %	44%	48%
Operating costs	6.4	5.2
Loss before interest & tax	(2.2)	(0.7)

- Revenue growth of £0.2m on higher unit sales (+17%) due to expanding digital radio market in Germany and increased design wins
- Gross profit decreased by 4 points due to mix of product sales and higher provision for product returns of £0.3m (3 points) relating to a faulty batch of supplier components in Q1 2012
  - No abnormal increase in product returns seen to date
- Higher operating costs due to development of Chorus 4 and marketing investment in Germany
- Despite the increased product returns provision, losses were below expectations as sales prices held up better than anticipated

Note: Losses usually higher in first six months due to seasonality of business weighted more towards second six months (revenue splits ~40:60 1st half / 2nd half)

Half Year Results – Pro-forma Toumaz & Frontier

£m	Jan – Jun 2012	Jan – Jun 2011
Revenue	10.4	10.1
Gross Profit	4.4	4.5
GP %	42%	45%
Operating costs	11.6	8.7
Loss before interest & tax	(7.2)	(4.2)

- Revenue growth of £0.3m on higher unit sales
- Gross profit decreased by 2 points due to mix of product sales and higher product returns provision
- Higher operating costs reflect increased investment in two key chip programs – Sensium 2 (Sports & Health) and Chorus 4 (Digital Radio), marketing investment in Germany and bad debt provision of £0.5m against an unpaid licence
- Higher loss largely reflects increased investment in key product developments and growing markets

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Cash flow – January to August 2012 Pro-forma

£m	Toumaz	Frontier Silicon	Combined Group
Operating cash flow	**(5.2)**	**(3.2)** Note 3	**(8.4)**
Funds Raised	40.0 Note 1	-	40.0
One-off acquisition related costs	(24.7) Note 2	(0.9)	(25.6)
Repayment of loan notes	-	(5.2) Note 4	(5.2)
Movement in funds	**10.1**	**(9.3)**	**0.8**
Jan 1 balance	2.2	14.3	16.5
Aug 31 balance	**12.3**	**5.0**	**17.3**

Note 1

- £11.2m raised in February
- £28.8m net raised in August to finance acquisition of Frontier

Note 2

- Initial cash consideration for purchase of Frontier

Note 3

- £1.3m increase in inventory due to normal build up in advance of peak sales
- £0.7m due to IP licence purchases related to Chorus 4 development (amortised through P&L in future years)

Note 4

- Pre-acquisition repayment of all outstanding loan notes

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Strategic priorities

Professional healthcare	• Ensure Sensium plaster pilot in LA proceeds in October - and is successful • Follow with PR, additional pilots and health economics study
Sports & health	• Ensure timely development of Sensium-2 to build new line of business in consumer markets - customer samples due mid-2013
Digital radio	• Complete development of next generation chip solution (Chorus 4) • Retain leadership position as market expansion accelerates
Network audio	• Establish leadership position in technologies for rapidly emerging market for wireless / cloud-based music access and storage • Develop chip and software solutions with Imagination Technologies
Move to IEEE 805.16 standard	• The proprietary Telran low power radio is being replaced by a new chip based upon the IEEE 805.16 Body area standard – the discontinuation of the proprietary Telran product is not expected to have a material financial impact

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Outlook / summary

- Company with portfolio of related technologies and market opportunities
  - compelling solution for professional healthcare monitoring – remains key area of focus
  - ability to win in a number of high-growth consumer chip markets
- Acquisition of Frontier Silicon brings
  - revenues and scale
  - leadership position in digital audio markets
  - track record of commercialising new technology developments
    - channels to markets (sales & marketing)
    - operational expertise (supply chain, manufacturing and product cost reduction)
- Enlarged Group now capable of addressing high growth target markets with refocused product roadmap
- Priority for next 12 months is on delivery of engineering and commercial milestones - providing foundations for significant revenue growth