



# DATA I/O CORPORATION

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July 2011

Fred Hume, President and CEO

# Safe Harbor

“The matters that we discuss today will include forward-looking statements that involve risks factors that could cause Data I/O Corporation’s results to differ materially from management’s current expectations. We encourage you to review the Safe Harbor statement contained in the earnings release as well as our most recent SEC filings for a complete description. Additionally, those forward-looking statements are made as of today, and we take no obligation to update them as a result of developments occurring after this call.”

# Key facts and figures

Core Focus Areas	Flash Memory and Microcontroller programming for electronics manufacturing
Key Markets	Wireless, Automotive, Consumer, and Industrial Electronics
Presence	Global, HQ in Redmond, WA with facilities in Germany and China
Personnel	95 employees with 16 in Germany and 24 in China, veteran management team averaging 21 years of relevant industry experience
Financial Overview	FY 2010 Revenue: \$26.4M; Gross Margin: 58.1%; Adjusted EBITDA - \$4.4M; Recurring revenue - ~40%
Structure	Founded in 1972; publicly traded NASDAQ: DAIO

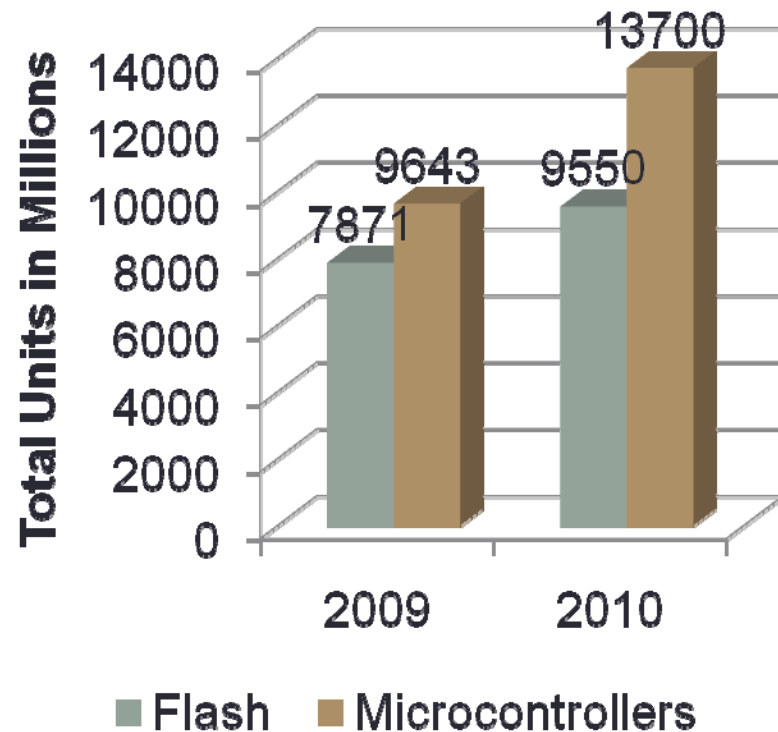
## DAIO – The leader in programming solutions for intelligent devices

- Provides advanced programming solutions, process control software and IP management technology used in the production of:
  - Smartphones
  - Tablets
  - eBooks
  - Wireless devices
  - Automotive electronics
- Considers every electronics manufacturer (OEM, ODM, EMS) a potential customer
- Sells solutions globally and used by manufacturers in 32 countries

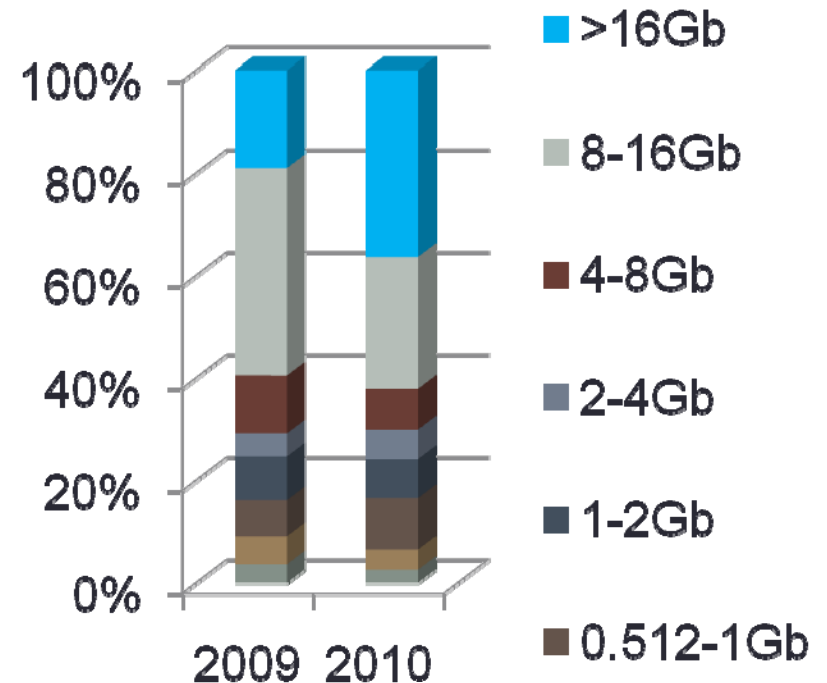


# Intelligent devices are growing

Devices up 33% in 2010



Flash Density up 60%



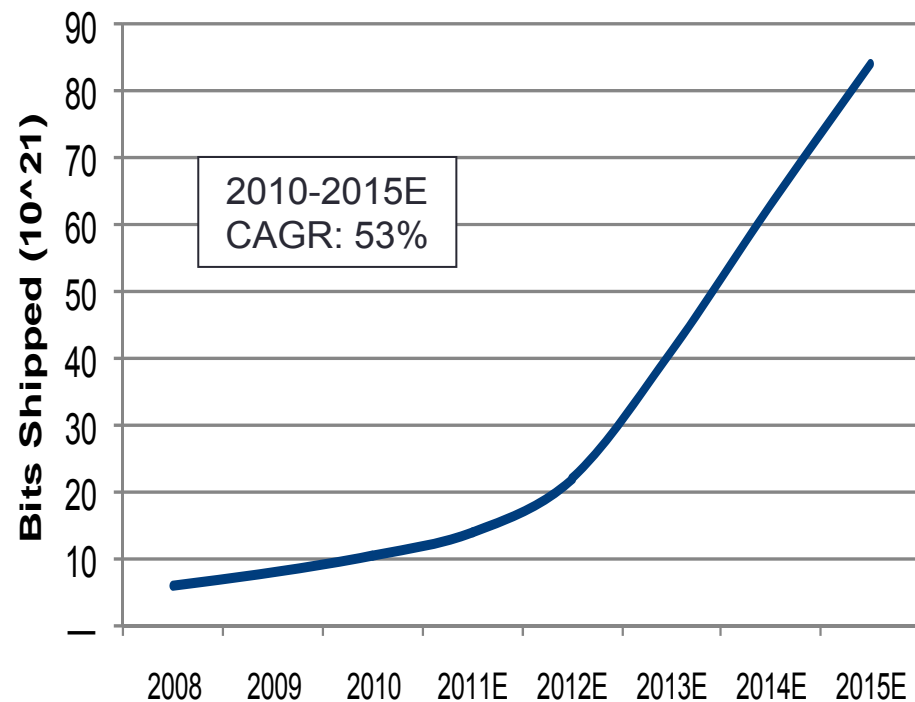
Source: SIA (WSTS)

# DAIO serves growth markets

Markets	Growth Drivers
Wireless	Smartphone growth is accelerating: 79%, IDC May 2011 Android handsets will top 180M in 2011 and 400M by 2014 – Sony Ericsson CTO, May 2011
Consumer	Tablet and eReaders will consume large quantities of Flash HTC, RIM, Nokia, Toshiba, Huawei, Samsung, and Motorola join Apple in the markets (PCs have not been a market for DAIO)
Automotive	Semiconductor content in automobiles is growing 27% annually – Databeans, 2010 Electronics is becoming the key element of differentiation
Industrial	Competitive advantage has shifted from hardware to software programmed into silicon Software content driving the growth

# Programming demand is reaching an inflection in the curve

- The amount of software programmed into tablets, gaming systems, eBooks, and smart phones is increasing
- Data I/O pre-placement solutions are the best for high-density Flash memory



Source: Web Feet Research, Samsung Marketing

# DAIO's world-class customers

## Automotive



## Consumer & Wireless



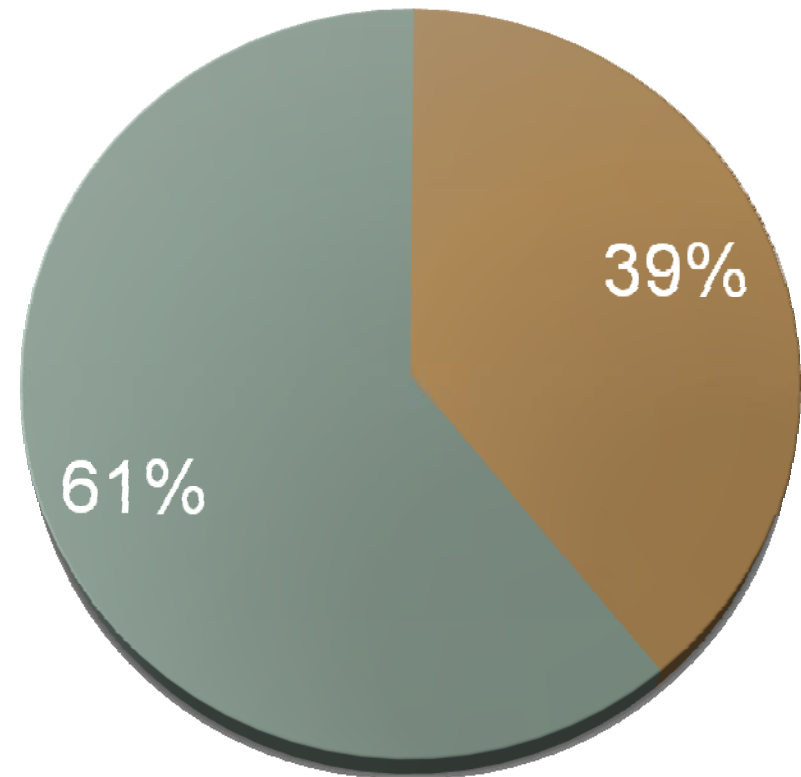
## Industrial





## DAIO's recurring revenue is ~40% of sales

- Adapters, ~25% of sales, are a source of competitive advantage
- Software & update contracts, ~15% of sales, are sold on an annual subscription basis



■ Equipment sales ■ Recurring

# Accomplishments and highlights

- Significant success with new products – FlashCore III, RoadRunner versions for Panasonic, and Siemens
- Winning major accounts – HTC, Pegatron, new RIM projects, Johnson Controls, Delphi, Kinect, Nook
- Industry awards – AWB Manufacturer of the Year, NPI Award, SMT Vision Award, EMAsia Award, Seattle Business
- Introduction of the RoadRunner3 and factory integration software on August 1<sup>st</sup>, 2011

# Data I/O's strong financial position

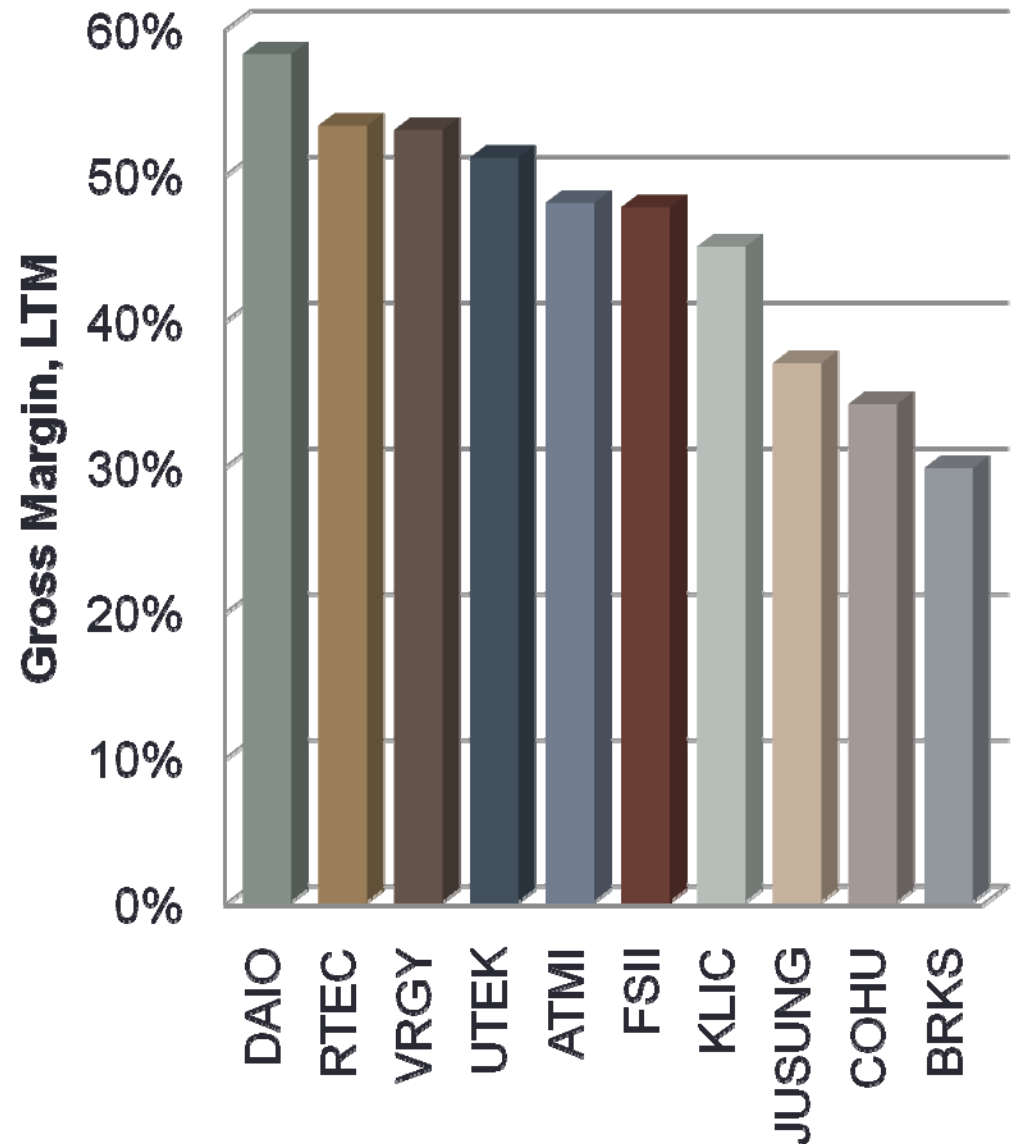
	December 31, 2010	March 31, 2011	June 30, 2011
Cash and equivalents	\$18,942	\$19,024	\$16,990
Accounts receivable	\$4,975	\$5,527	\$5,336
Inventories	\$3,570	\$3,541	\$3,926
Other current assets	\$528	\$400	\$475
Total current assets	\$28,015	\$28,492	\$26,727
<b>Total assets</b>	<b>\$29,424</b>	<b>\$29,777</b>	<b>\$31,113</b>
Current liabilities	\$5,412	\$4,765	\$4,395
Long-term payables	\$47	\$217	\$280
<b>Total liabilities</b>	<b>\$5,459</b>	<b>\$4,982</b>	<b>\$4,675</b>
Preferred & common stock	\$22,172	\$22,271	\$23,387
Retained earnings	\$1,793	\$2,524	\$3,051
<b>Total Shareholders Equity</b>	<b>\$23,965</b>	<b>\$24,795</b>	<b>\$26,438</b>

# Fiscal year 2010 results

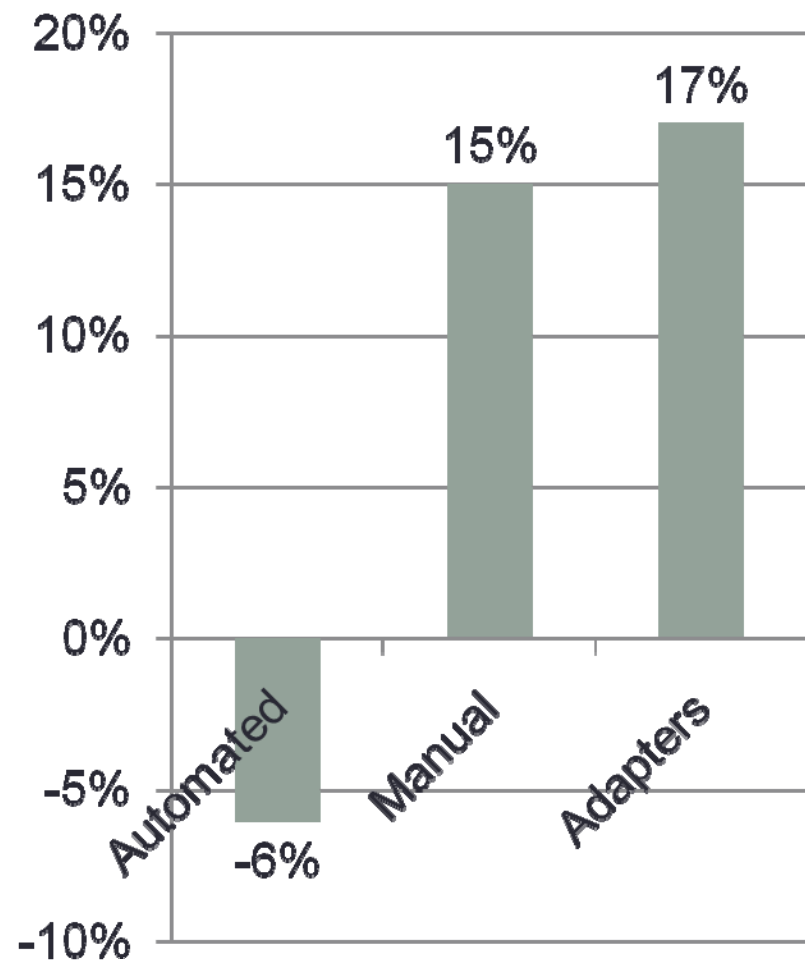
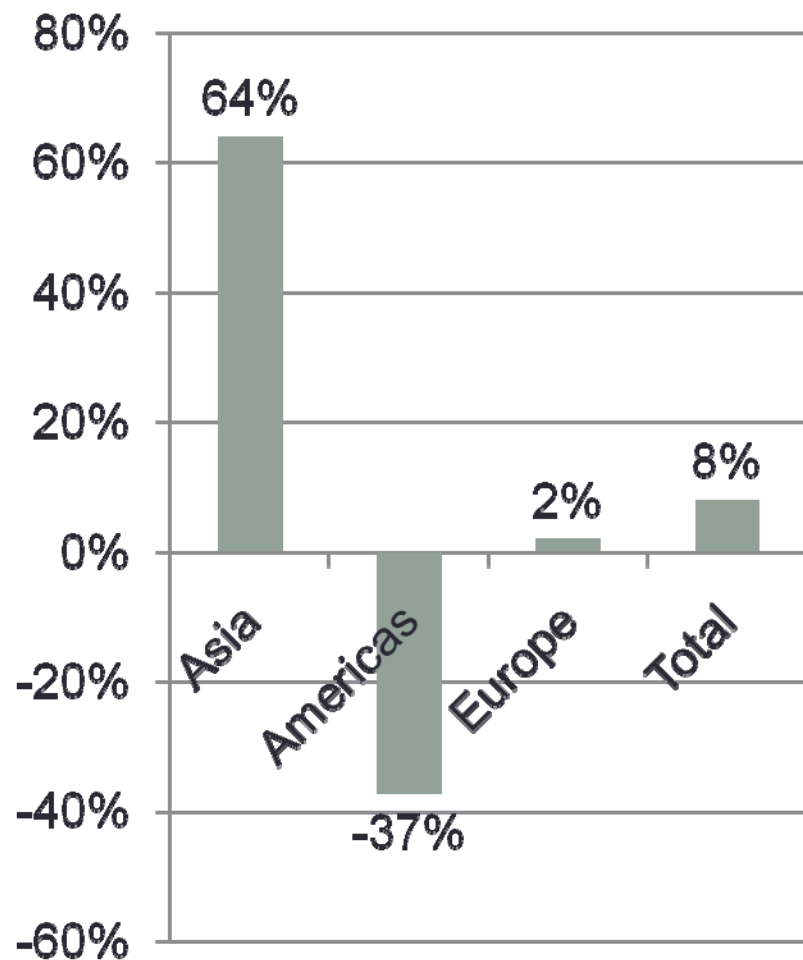
	12/31/09	% of Sales	12/31/10	% of Sales	Year over Year
Sales	\$18,549		\$26,396		42%
Gross Margin	\$9,961	54%	\$15,344	58%	54%
R&D	\$4,128	22%	\$4,159	16%	1%
OPEX	\$10,785	58%	\$11,831	45%	10%
Operating Income	\$(824)	-4%	\$3,513	13%	N/A
Net Income	\$(811)	-4%	\$3,012	11%	N/A
Earnings per Share	(9)¢		33¢		

## DAIO's industry-leading gross margins

- Adoption of lean principles for production
- Strategic use of outsourcing
  - ✓ Adapters manufactured in China
  - ✓ Low-level assemblies sourced locally
- Increasing percentage of revenue comes from high-margin software



## Orders – 1<sup>st</sup> half 2011 vs. 1<sup>st</sup> half 2010



Note: Americas had a very strong 1<sup>st</sup> half 2010 automated orders

## Second quarter 2011 results compared to previous quarter

	March 31, 2011	% of Sales	June 30, 2011	% of Sales	Qtr. over Qtr.
Sales	\$7,043		\$6,849		-3%
Gross Margin	\$4,164	59%	\$4,008	59%	-4%
R&D	\$1,352	19%	\$1,276	19%	-6%
OPEX	\$3,524	50%	\$3,491	51%	-1%
Operating Income	\$640	9%	\$517	8%	-19%
Net Income	\$532	8%	\$398	6%	-25%
Earnings per Share	6¢		4¢		

## Second quarter 2011 results compared to second quarter 2010

	June 30, 2010	% of Sales	June 30, 2011	% of Sales	Q2'11 over Q2'10
Sales	\$6,592		\$6,849		4%
Gross Margin	\$3,850	58%	\$4,008	59%	4%
R&D	\$960	15%	\$1,276	19%	33%
OPEX	\$2,836	43%	\$3,491	51%	23%
Operating Income	\$1,014	15.%	\$517	8%	-49%
Net Income	\$859	13%	\$398	6%	-54%
Earnings per Share	9¢		4¢		






# DAIO invests to drive growth

	Q2'10	Q3'10	Q4'10	Q1'11	Q2'11
Existing Programming Business	\$881	\$793	\$849	\$855	\$706
Expanded Programming Business	\$44	\$136	\$327	\$402	\$511
New Business	\$29	\$28	\$118	\$126	\$156
Total Investment	\$960	\$957	\$1294	\$1382	\$1473
Increment over ~\$1M per quarter run rate	\$0	\$0	\$294	\$382	\$473
Equivalent EPS on 9M shares outstanding			3¢	4¢	5¢

Expense increases include short-term contractors and consultants

# Strengthening our leadership

Level	Representative Products	Leading Today	Innovating for Tomorrow
New Business		Software for Intellectual property protection and security	Software definable solutions
Expanded Business		In-line programming Software for programming process control	After-placement programming and test Software for process integration
Existing Business		Production programming Prototype design Engineering first-article qualification	High-density NAND Embedded Flash media Microcontrollers Low-cost programming

# DAIO's strategic software acquisition

**Software used by engineers to design electronic systems that facilitates reuse and retargeting of system software to new silicon**

**New  
Business**

The software is a core element of new products for new business and will become a new offering from DAIO

**Expanded  
Business**

The software is a core element of new products for the expanded business

**Existing  
Business**

Will be used in the development of new products in the existing business and reduce the cost of on-going support

# Introducing RoadRunner3 with Factory Integration Software (FIS)

Eliminate  
errors!



Reduce  
Inventory!

**ROADRUNNER3**



**ROADRUNNER3**

## Factory Integration Software on RoadRunner3 enables customers to:

- Eliminate operator errors in programming – prevent catastrophic risk
  - Automate job selection and download through manufacturing execution software (MES) or custom interface with surface mount assembly (SMT) machine
- Reduce inventory – reduce scrap & rework
  - Program just-in-time – eliminate float
  - Eliminate the need to forecast demand for each code release
- Control the programming process
  - Automatically track yield to minimize scrap and rework
  - Ensure traceability of all devices programmed
  - Deliver alerts by email

User-configurable for  
multiple SMT machines

850 device-per-hour  
capacity

FlashCore III  
Programmers

Accommodates 16-44mm  
tape widths in one feeder



**ROADRUNNER3**

# RoadRunner3 and FIS are significant new products for Data I/O

- Built on proven technology
  - RoadRunner has been deployed by leading manufacturers worldwide
  - Many billions of devices have been programmed
  - Factory Integration Software is running in leading wireless and automotive electronics accounts
- RoadRunner is a high-margin business; software margins are even higher
- Customers that adopt RoadRunner stick with it
- A significant upgrade potential
  - Several hundreds of RoadRunners in the field can be updated to incorporate the Factory Integration Software
- The proprietary technology is protected by a portfolio of 21 patents



# Summary

- Data I/O's markets (Smartphones, Tablets, Consumer, and Automotive electronics) continue to drive new demand for programming capacity
- Data I/O has access to the global electronics leaders that are driving the growth
- The new RoadRunner3 and its Factory Integration Software are world-class solutions to satisfy this demand in electronics manufacturing
- Data I/O's business initiatives in the existing, expanded and new markets position the firm to deliver sustained growth for several years