Unleashing Markets for Growth

NOVEMBER 8, 2007
Safe Harbor Statement

Some of the information in this presentation contains projections or other forward-looking statements regarding future events or the future financial performance of Atheros Communications, Inc. These statements involve risks and uncertainties, and actual events or results may differ materially. Among the important factors which could cause actual results to differ materially from those in the forward-looking statements are general economic and market conditions; the extent to which the markets for WLAN, Bluetooth and Ethernet semiconductors and other semiconductor products will grow; our ability to execute our business strategy; our ability to manage our growth and diversification into new markets; our ability to forecast accurately revenues from sales of our products and costs of production; the effects of competition in the marketplace; our ability to retain and attract employees; market acceptance of our existing and new products, including our XSPAN, ROCm, Ethernet and Bluetooth products; our ability to develop new products and technologies for WLAN, Bluetooth, Ethernet and other wireless communications markets that are successful in these markets; and other factors detailed in our filings with the Securities and Exchange Commission, including our recent filings on Forms 10-K, 10-Q and 8-K.
Unleashing Markets for Growth: CEO Overview

CRAIG BARRATT
PRESIDENT AND CEO
NOVEMBER 8, 2007
Atheros Nearly 10-Year History

Founded in 1998

- Dr. Teresa Meng, Professor of Electrical Engineering, Stanford University
- Dr. John Hennessey, President of Stanford University
- Established Atheros in the then nascent, now large, growing Wi-Fi chip market

Now, a profitable fabless semiconductor company driving highly integrated communications platforms

- Technology & cost leader
- Leveraging our core competency of building communications solutions in standard digital CMOS

Delivering on our promise to build a diversified communications IC semiconductor company

- Dramatic expansion of TAM with the addition of ROCm (mobile), Ethernet and Bluetooth products
Convergence of Factors Enabled Atheros Beginnings with Disruptive Innovation

Consumer Demand for Low-Cost Communications

Technology Advance
Signal Processing algorithms achieve maturity, enabling OFDM through wireless media

Regulatory
1997 opening of unlicensed 5GHz UNII and allows free use of bandwidth

802.11 ensures interop of open system

Telecom becomes data comm

Low data rates passed by 802.11

Bandwidth no longer scarce

DISRUPTIVE INNOVATION
Atheros implements 5GHz RF circuits using low-cost digital CMOS!
Innovation is not confined to “technology” and takes different forms as the company and its markets mature.

<table>
<thead>
<tr>
<th>INNOVATION AREAS</th>
<th>Wi-Fi Start-Up</th>
<th>Established Public Wi-Fi Company</th>
<th>Expanded Communications Platforms Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application</td>
<td>X</td>
<td>Single-chip cell phone, video transmission over Wi-Fi, single-chip Voice over Wi-Fi</td>
<td>Infrastructure to client, retail to carrier, innovation around video transmit, wireless as network backbone</td>
</tr>
<tr>
<td>Architectural</td>
<td>Analog + digital on single chip</td>
<td>Multiple data streams over multiple radios - MIMO</td>
<td>More refinement around march to the antenna</td>
</tr>
<tr>
<td>Design approaches + implementation</td>
<td>Adaptable to market as it changes</td>
<td>Speed + execution as differentiators in 11n development</td>
<td>Creating efficiencies across multiple platforms</td>
</tr>
<tr>
<td>Development methodology</td>
<td>Model driven</td>
<td>Multi-geo teams, more partnerships</td>
<td>Independent development across multiple geos, partnerships evolve</td>
</tr>
<tr>
<td>Packaging</td>
<td>X</td>
<td>Multiple partners, innovate around partner capabilities</td>
<td>Shared antenna across technologies</td>
</tr>
<tr>
<td>Technology platform</td>
<td>CMOS RF, 5GHz</td>
<td>802.11n+</td>
<td>Wi-Fi + Bluetooth + Ethernet +</td>
</tr>
<tr>
<td>Supply chain management</td>
<td>X</td>
<td>Multi-fab sourcing</td>
<td>Scaled process technology to facilitate integration of multiple chips</td>
</tr>
</tbody>
</table>
Performance Innovation in 802.11

- 802.11b: 11 Mbps
- 802.11a: 54 Mbps
- 802.11g: 54 Mbps
- 802.11n: 300 Mbps
- 802.11n: 600 Mbps
- 802.11: 2 Mbps
- Unlicensed Spectrum Opens

Data Rates:
- 2 Mbps
- 11 Mbps
- 54 Mbps
- 108 Mbps
- 300 Mbps
- 600 Mbps

Years:
- 1997
- 1998
- 1999
- 2000
- 2001
- 2002
- 2003
- 2004
- 2005
- 2006
- 2007
- 2008
- 2009
Atheros’ TAM Expansion Leverages Disruption

- **Atheros Innovation is Being Leveraged into Adjacent Markets**
  - Bluetooth – Innovations in power management and low cost
  - Ethernet – Innovations in power management and low cost
  - Mobile WLAN – Innovations in power management and low cost
  - PHS/PAS – Innovations in cellular integration and low cost

- **Supply Chain Innovations**
  - Standard digital CMOS enables multi-fab sourcing approach
  - Scaled process technology to facilitate integration of multiple chips

- **2008 is a Year of Market Expansion for Atheros**
  - Investments from the past three years to provide greater dividends in 2008
  - Exciting product cycles for Atheros drive revenue growth
Atheros Expanding Into New Markets

**Market Size**

**Expansion Of Atheros Technologies**

**PCs**
Desktop, Notebook & Mini/PMPC
0-250m Units

![WiFi](image1)
![XSPAN](image2)

![Bluetooth](image3)
GIGABIT AND FAST ETHERNET

**Networking**
Gateways, APs, Routers and A/V
250-500m Units

![WiFi](image4)
![XSPAN](image5)

![Bluetooth](image6)
GIGABIT AND FAST ETHERNET

**Consumer**
Cellular, Gaming, PMP & Cameras
>1B Units

![ROCm](image7)
![PHS/PAS](image8)

Leverage Key OEM Customers

**SIEMENS**
**NEC**
**LENOVO**
**ACER**
**ASUS**
**NETGEAR**
**TOSHIBA**
**D-Link**
Atheros Worldwide Presence – 762 Employees

Santa Clara, California
Atheros Corporate Headquarters

New England Field Offices
Field Sales & Regulatory

Paris, France
Germany
Technical Support

Seoul, S. Korea
Field Sales and Technical Support

Tokyo, Japan
Field Sales and Technical Support

Shanghai, China
Field Sales and Technical Support, Engineering and R&D

Hong Kong
Field Sales and Operations

Taipei, Taiwan
Field Sales and Technical Support

Hsinchu Science Park
Taiwan Research and Development Center

Chennai, India
Engineering and R&D

Macau
Order Administration

Beijing, China
Field Sales and Technical Support

Irvine, California
Engineering and R&D

Austin, Texas
Field Sales

Beijing, China
Field Sales and Technical Support

Engineering Center
Atheros’ Business Units
Customer & Segment Focused

Craig Barratt
CEO

WNBU
Ben Naskar
- Home Networking
- PC & Enterprise Networking
- Broadband

MoBiU
Sam Endy
- Mobile WLAN
- Bluetooth
- VoIP handsets

APBU
Jason Zheng
- Ethernet PHY & LOM
- Ethernet Switching
- PAS/PHS
- Emerging

Sales
Core Eng
Operations
CTO / Admin / Finance / Corporate Mktg
## 2007 Analyst Day Agenda

<table>
<thead>
<tr>
<th>Wireless Networking Business Unit Overview</th>
<th>Ben Naskar, VP &amp; GM WNBU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile Business Unit Overview</td>
<td>Dr. Sam Endy, VP &amp; GM MoBiU</td>
</tr>
<tr>
<td>Asia Pacific Business Unit Overview</td>
<td>Dr. Jason Zheng, VP &amp; GM</td>
</tr>
<tr>
<td>Innovation at Atheros</td>
<td>Bill McFarland, CTO</td>
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<tr>
<td>Financial Overview</td>
<td>Jack Lazar, VP &amp; CFO</td>
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<tr>
<td>Wrap Up and Q&amp;A</td>
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</table>
Unleashing Markets for Growth: Wireless Networking Business Unit

BEN NASKAR
VICE PRESIDENT AND GM, WIRELESS NETWORKING BUSINESS UNIT
NOVEMBER 8, 2007
Wireless Networking Business Goals

- Leadership Position in all Core Market Segments
  - Networking
    - Retail, Carrier & Enterprise
  - PC
- Expand Atheros “Share of BOM”
  - Ethernet
  - Bluetooth
Gaining Share in Large & Growing Markets

2005-07: 40%+ CAGR

Sources: In-Stat, May 2007
Dell’Oro Group, July 2007
## A World Class Customer Base

<table>
<thead>
<tr>
<th>NETWORKING</th>
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<tbody>
<tr>
<td>Retail</td>
<td>Carrier</td>
<td>Enterprise</td>
<td>PC</td>
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<tr>
<td>D-Link</td>
<td>2Wire</td>
<td>Aruba</td>
<td>Acer</td>
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<td>Linksys</td>
<td>AVM</td>
<td>Cisco</td>
<td>ASUS</td>
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<td>Netgear</td>
<td>Sagem</td>
<td>Nortel</td>
<td>Fujitsu</td>
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<td>Belkin</td>
<td>Siemens</td>
<td>HP</td>
<td>Lenovo</td>
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<td>Buffalo</td>
<td>Thomson</td>
<td>Motorola</td>
<td>NEC</td>
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<td>TP-Link</td>
<td>Zyxel</td>
<td>Tropos</td>
<td>Sony</td>
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**Wireless Future Unleashed Now**
Technology Drive: 11g & 11n Growth Engines

Worldwide WLAN Market - Networking & PC

- 11g remains high volume through 2010
- Inflection Point: 11n begins replacing 11a/g in 2008
  - 11n as volume leader in 2009

Source: InStat, Dell’Oro Group, 2007
The Most Competitive 11g Portfolio

- Single Chip CMOS
- Integrated RF Front End (PA & Switch)
- Fewest External Components
- Cost-optimized Reference Designs
XSPAN™
The Most Widely Adopted 11n Technology

N.
It’s no longer Next.
It’s Now.

Over 10 million XSPAN chipsets shipped
XSPAN in Retail/SOHO Networking: Powering the best 11n products in the market

- **D-Link DIR-655**
- **Apple Airport Extreme**
- **Belkin N1 Wireless Router**
- **Belkin N1 Vision Wireless Router**
- **TRENDnet Wireless N Gigabit Router**
- **Siemens SE366 WLAN Gigaset**
- **SMC Barricade 11n Router**
- **Corega CG-WLBARGN**
- **Linksys Wireless-N Gigabit Gaming Router**

**Certifications:**
- LAPTOP Ultimate Choice
- PC Magazine Editors' Choice
- LAPTOP Editors' Choice
- LAPTOP InfoWorld
- WiFi Certified
**XSPAN in Retail/SOHO Networking: Driving 11n to mainstream**

Atheros provides the most complete, competitive portfolio

<table>
<thead>
<tr>
<th>Integration</th>
<th>The industry’s first &amp; most integrated Router SOC</th>
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<tbody>
<tr>
<td>Performance</td>
<td>&gt;200 Mbps actual user throughput</td>
</tr>
<tr>
<td></td>
<td>Proven in Wi-Fi Alliance 11n test bed</td>
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<tr>
<td>Design options</td>
<td>Single- and dual-band</td>
</tr>
<tr>
<td></td>
<td>3x3 to 1x2 MIMO designs</td>
</tr>
<tr>
<td></td>
<td>PCI/Cardbus, PCIe, and USB adapter solutions</td>
</tr>
<tr>
<td>Cost effective</td>
<td>Atheros-class integration and complete silicon solution…</td>
</tr>
<tr>
<td></td>
<td>Wi-Fi, Atheros Wireless Network Processor</td>
</tr>
<tr>
<td></td>
<td>and ETHOS Ethernet…</td>
</tr>
</tbody>
</table>

*all from a single, trusted source*
XSPAN in Carrier Networking: Enabling the Wireless Triple Play

Service Provider

Cable/Telco/Sat

Home Gateway

IPTV/Video

Internet Access

VolP
Atheros is Seizing the Carrier Market Opportunity

Building the ‘ecosystem’
- Partner for success with DSL & PON platforms
  - Infineon/TI, Conexant, Ikanos, PMC
- Working with Carriers and their OEM customers
  - Europe, Asia, North America, Japan
- Home Networking technology Partners
  - MOCA, HPNA, PLC

Atheros provides high performance & value connectivity
- Preferred by carriers and OEMs
- Efficient 11g solutions for basic gateways
- 11n performance enabling video multi-play gateways
- Expanding value with addition of Ethernet

Building best-in-class technology combinations
Atheros Design Trumps Again… with Single-Chip 11n

The world’s most integrated, most compact 11n solution... designed for PCIe

SAMPLING NOW!
Hitting the PC Market Sweet Spot… With Performance and Price

11a/g/n and 11g/n Performance…
Driving down 11n costs

Up to 10x Throughput, More than Twice the Range
AR9280 and AR9281—Delivering Optimal Balance of Price and Performance

- Single-chip MAC/BB/RF with MIMO configurations:
  - 2x2 802.11a/g/n
  - 1x2 802.11g/n

- Max PHY rate of 300Mbps, >200 Mbps actual throughput

- Smallest footprint, most cost-effective package
  - 10mm x 10mm QFN package

- Half mini-card form factor for compact, ultra-mobile notebooks

- Contains up to 50% fewer RBOM components vs. competing 11n solution

Significantly reduces cost & size, allowing PC OEMs to add 802.11n Wi-Fi to a wider range of notebook product lines
Atheros’ Trend of Industry-Leading RBOM Integration

**Previous Gen. 11n**
Atheros PCIe Mini-Card  
2 x 3, Dual Band  
125 Components

**Previous Gen. 11g**
Atheros PCIe Mini-Card  
Single-chip 11g (Ext. PA)  
105 Components

**Single-Chip 11n**
Atheros Half Mini-Card  
2 x 2, Dual Band  
110 Components

**11g**
Atheros Half Mini-Card  
Single-chip 11g (Int. PA)  
77 Components

**Lowest RBOM**
- Si Integration
- Architecture
- Ext. Components
- PCB
Focused on Growth in PC Networking

- First to market with single-chip 11n
  - Sampling now, Production ramping in Q108
- Most complete & compelling PC WLAN line-up
  - Best-in-class 802.11g & 11n single-chips
  - Broad OS/Platform support: Windows, MAC, Linux
- Global, multi-source supply chain
  - Secure, reliable, responsive
- Delivering more connectivity value to customers
  - Ethernet, Bluetooth

AR2425 (11g)  AR9280 (11n)
Atheros Wireless Networking Advantage

- LEADERSHIP & GROWTH in core market segments
  - Networking & PC
  - Increasing share of BOM with Ethernet & Bluetooth

- STRONG PORTFOLIO of 11g and 11n technology
  - The most integrated 11n – driving to mainstream
  - Capturing high volume 11g markets

- FOCUSED and COMMITTED to deliver:
  - Most efficient, integrated solutions
  - Highest WLAN performance
  - Complete RJ45-to-air solutions
  - Partnerships to provide systems platforms
  - Full customer support and service
Unleashing Markets for Growth: Mobile Wireless Business Unit (MoBiU)

DR. SAM ENDY
VICE PRESIDENT AND GENERAL MANAGER, MoBiU
NOVEMBER 8, 2007
MoBiU Milestones

Over 20 handset design wins – with products already on the market
Our Target Markets

- VOIP Phones
- Dual-mode Cellular
- Mobile Gaming
- Laptop, mouse, keyboard
- Digital Cameras
- Portable Media Players
- Headsets

Stay tuned for announcements
MoBiU Market Opportunity
From $1.9B in 2007 to $3.8B in 2010, 26% CAGR
MoBiU Strategy for Connectivity

Atheros

Battery Life
Ease of Implementation
Cost & Performance

Consumer
Ubiquity
Simplicity
Customer experience

OEM/ODM

246 Mu of mWLAN by 2010
1.5 Bu of Bluetooth by 2010
MoBiU Product Strategy

Develop best of breed connectivity solutions

- mWLAN, Bluetooth and others
- Optimized for power, size and cost

Partner to provide complete turnkey solutions

- Qualcomm, Microsoft, TI DaVinci and others TBA

Differentiate by providing

- The best customer experience
- Most mature software with comprehensive feature set
Our mWLAN Products Today

**AR6001**
- 1st generation
- Shipping in multiple devices
- More to come in the coming months

**AR6002**
- 2nd generation
- Lowest power consumption
- Best throughput and range
- Already garnering design wins

---

**Device Models**

**AR6001**
- BGA 10x10 mm

**AR6002**
- BGA 7x7 mm

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**Partner Companies**

- Sony
- LG
- NEC
- FSC
- i-Mate
- Eye-Fi
AR6002 will Catalyze Wi-Fi Adoption

Breakthrough low power
- Virtually ZERO in standby
- 70% less power in active mode

Best-in-class mobile WLAN design
- Highest on-chip integration – MAC/BB/RF/PA/LNA
- Superior Bluetooth and Cellular coexistence
- Atheros-class WLAN throughput

Easy Wi-Fi integration – fast time to market
- Pre-integrated, pre-tested, pre-qualified
“Atheros Cuts the Juice”

“… about ten years ago, I heard from BT proponents that **Wi-Fi in handsets would never go anywhere because the chipsets involved… consumed too much power…**”.

“**Which brings us to now…to the brand new AR6002 WLAN single-chip Wi-Fi component** from Atheros…*(it) consumes… about a third of the power previously required, while delivering about 30% better performance. Standby power is basically zero.*”

“**Power might in fact be the last frontier, and we are closer than ever now to this challenge falling and Wi-Fi becoming universal.**”

Craig Mathias for Network World - 11/01/2007
Our Bluetooth v2.1+EDR Products

AR3011
- 1st generation PC solution
- Low-cost, highly integrated
  ⇒ No external flash
- Suitable for embedded designs and external adapters

AR3031
- 1st generation mono headset solution
- Low-cost, flexible solution
- Industry-leading low power consumption
SUMMARY

Dramatically expanded Atheros’ addressable market
- From $1.9B in 2007 to $3.8B by 2010

Market leading mobile connectivity solutions
- Best-in-class in power, size and cost mWLAN and BT

Growing portfolio of top tier customers
- Tier 1 cellular and portable consumer OEMs

Mobile Connectivity: The fastest growing market in Atheros
Unleashing Markets for Growth: Asia Pacific Business Overview

DR. JASON ZHENG
VICE PRESIDENT AND GM OF ASIA PACIFIC BUSINESS UNIT
NOVEMBER 8, 2007
Asia Pacific Expanding Opportunities

Growing, tremendous Asia purchasing power
- Large end-consumer population
- Getting richer fast

Close proximity to customers and markets
- High concentration of ODMs and OEMs supplying worldwide market

Lower-cost and highly-skilled R&D talent
- Greater China and India graduate 950,000 engineers and scientists each year
- Improving productivity
Atheros Asia Presence

- **Beijing, China**
  - Engineering and R&D
- **Seoul, S. Korea**
  - Field Sales and Technical Support
- **Tokyo, Japan**
  - Field Sales and Technical Support
- **Shanghai, China**
  - Engineering and R&D
  - Field Sales and Technical Support
- **Taipei, Taiwan**
  - Field Sales and Technical Support
- **Hsinchu, Taiwan**
  - Engineering and R&D
- **Chennai, India**
  - Engineering and R&D

**APAC R&D**
> 320

**APAC Sales & FAEs**
> 70
APAC BU focus

Build and expand development centers
- Serve the entire company’s product development needs
- Strengthen local customer support

Incubate new technology ideas
- Have good leverage in APAC region

Operate Asia-based revenue-generating BUs
PAS Business

First product diversification outside of WLAN

- Initial product launch in Q1 of 2005
- Approximately $50M in revenue to date
- Attractive ROI

Shipping to multiple customers

PAS technology leveraged across Atheros mobile products including low-power and audio technologies
Introducing ETHOS

The precision of Atheros design, wired. It’s the new ethos in Ethernet.

Ethernet. Atheros Engineered.
**ETHOS™ family of products – Ethernet. Atheros Engineered.**

**Great engineering team**
- Core competency to produce the world’s smallest designs
- Rapid product introduction - 4 new product introductions in 2007
- World-class execution with proven track record

**Unique market position**
- Smallest and lowest-cost Gigabit Ethernet products
- Low-power Gigabit Ethernet solutions

**Large, fast growing business**
Ethernet Market Opportunity

**Target Markets**
- **CURRENT**
  - PC
    - Desktop PCs, Notebook PCs, Motherboards
  - Home Networking
    - Wireless AP Routers, Carrier Gateways, Set-Top Boxes
- **FUTURE**
  - SMB Switch
    - Smart & Unmanaged Switches
  - Enterprise Switch
    - Modular and Stackable Switches

**Silicon Solution**
- 10/100 & GbE PHYs & Controllers
- 5/8-port 10/100 & GbE switches
- 5/8-port and 16/24-port 10/100 & GbE switches
- High-port density GbE PHYs

**Source:** Dell’Oro, IDC, Atheros
Introducing AR8121 – Industry’s Smallest Gigabit Ethernet Controller

Industry’s smallest footprint and lowest pin-count GbE solution
  ▪ Less than half the size of competitive devices

Lowest RBOM on the market
  ▪ Offer additional cost savings

Low power operations
  ▪ Active power < 700mW in 1000BASE-T

Advanced features
  ▪ Wake-on-LAN and sophisticated power savings

Pin-compatible Gigabit Ethernet and 10/100 LAN-on-Motherboard (LOM) solutions for PC segment
  ▪ Single PCB design with upgrade option from 10/100 to Gigabit
Smallest Gigabit Ethernet Controller

- Competitor 1: Small Package, Small Die
- Competitor 2: Small Package, Smaller Die
- Atheros AR8121: Tiny Package, 6mm Die

Lower Prices
Home Networking Market Opportunity

- Opportunities for innovation in converged home networks – data, voice, and video
- Predictable network performance required for IPTV and managed services
- Ethernet switches address QoS, bandwidth control and security requirements
Large Home Networking Ethernet TAM

91 MU of SOHO Wireless LAN devices will be shipped in 2010

Source: Dell'Oro 2007

$202M Ethernet switch TAM for SOHO Wireless AP routers and carrier gateways in 2010

Source: Dell'Oro and Atheros
Introducing AR8316 – 6-port Gigabit Ethernet Switch

Gigabit Ethernet is required to unleash the performance of 11n

6-port GbE switch with 5 GbE PHYs integrated on-chip
- Advanced carrier-class features

Industry’s lowest cost structure
- Drives market transition from 10/100 to Gigabit Ethernet

GbE switch commands premium ASP
- Drives ETHOS™ revenue growth
### Smallest 6-port Gigabit Ethernet Switch

<table>
<thead>
<tr>
<th></th>
<th>Atheros AR8316</th>
<th>Competitor 1</th>
<th>Competitor 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>6-port Gigabit Ethernet switch (Relative Die Size Comparison)</td>
<td>![Image]</td>
<td>![Image]</td>
<td>![Image]</td>
</tr>
<tr>
<td>Die Size (Same Process)</td>
<td>–</td>
<td>100% Larger Die Area</td>
<td>80% Larger Die Area</td>
</tr>
<tr>
<td>Package</td>
<td>176 LQFP (20x20)</td>
<td>40% Larger Package</td>
<td>30% Larger Package</td>
</tr>
</tbody>
</table>

**Smaller Die, Lower Power, and Lower Cost**
**10/100 to Gigabit Ethernet Transition**

Ethernet Switch Port Shipments (M)

- **10/100 Ethernet**
- **Gigabit Ethernet**
- **10G Ethernet**

**Source:** Dell’Oro, 2007

- GbE Switch Port → Higher ASP $
Atheros Offers Total Solution – RJ45 to Air

- XSPAN 11n chipset
- AR7100 – Atheros family of wireless network processors
- Ethos: AR8316 6-Port Gigabit Ethernet Switch

Complete 11n AP/Router Reference Board
EBU Opportunity for Growth 4x in 3 Years

- SMB Switching
- Home Networking
- PC Ethernet

Big SAM Opportunity ➔ Fast Growing Business
Ethernet Business Unit Summary

Great synergy and leverage with existing WLAN business
  ▪ Solutions, customers, and channels

Core competency to deliver industry’s lowest-cost Ethernet solutions
  ▪ Sustainable competitive advantage

Rapid product introduction
  ▪ Strong engineering execution of complex and integrated solutions

Large business opportunity
  ▪ Fast-growing business for Atheros
APBU Summary

APAC development centers are expanding rapidly
- Providing great support and service to all product groups.

APAC incubators enable diversification cost effectively

Asia engineering presence is helping us to generate more new customers and revenues

Gigabit Ethernet NIC and Switch will be strong revenue drivers for 2008 and beyond
Unleashing Markets for Growth: Atheros Innovation

BILL MCFARLAND
CHIEF TECHNOLOGY OFFICER
NOVEMBER 8, 2007
Promises about “The Future”
Are Like Pie in the Sky

No pie in the sky…
Atheros specializes in APPLIED INNOVATION
Innovation at Atheros

Applied Innovation:

*Superior design* coupled with *market-based pragmatism* to provide *competitive advantage* for our customers

Innovation in *execution*…

Innovation in *design*…

Innovation in *product capabilities*.
WLAN Innovation Trajectory vs. Moore’s Law

802.11 PHY Rate vs Moore’s Law

<table>
<thead>
<tr>
<th>YEAR</th>
<th>2 Mb/s</th>
<th>11 Mb/s</th>
<th>54 Mb/s</th>
<th>108 Mb/s</th>
<th>300 Mb/s</th>
<th>540 Mb/s</th>
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<tbody>
<tr>
<td>1996</td>
<td>802.11</td>
<td>11b</td>
<td>11g</td>
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<tr>
<td>1998</td>
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<td>2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Innovation in Execution

Customers provided with complete SW source code
- #1 supplier to enterprise AP companies

Software for our chips is available as open source
- Working with new companies in the most innovative products

Extensive fab multi-sourcing (4 fabs with more coming)
- Flexible, reliable supply, competitive wafer pricing

Appropriate process technology selection
- Lowest cost products, low development expenses
Digital scales best, analog modestly, pads and scribe not at all.

Large number of 130nm wafer suppliers results in attractive wafer pricing, reliable multi-source supply.
Development Expense

- Lower development costs enable more specialized solutions
- 802.11n single-chip size comparison:

  Atheros 130nm QFN Package  
  10x10 = \(100 \, mm^2\)

  Competitor 65nm BGA Package  
  12x12 = \(144 \, mm^2\)

The Swiss army knife trap
Innovation in Design

- High levels of integration
  - Lower manufacturing costs, higher reliability
- Internally developed custom digital logic libraries
  - Lower power consumption, and higher circuit densities
- Uniquely efficient architecture and design
  - Significant die cost advantages
- Power efficiency at every step
  - Protocols, software, analog circuits, digital circuits

*It’s all about the design*
Integration Levels – Example: Bluetooth

Atheros enables a lower cost overall solution
- $0.70 Flash device removed
- $0.25 External Balun not required
- $0.05 Lower cost 2 layer PCB
- Total RBOM reduction of 63%

Atheros enables a 52% smaller size overall solution
Efficient Design – Example: Bluetooth Die Size

<table>
<thead>
<tr>
<th></th>
<th>Atheros AR3031</th>
<th>Competition HCI-ROM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Package</td>
<td>5x5 mm QFN (25 mm²)</td>
<td>6x6mm BGA (36 mm²)</td>
</tr>
<tr>
<td>Normalized Die Area</td>
<td>1</td>
<td>1.33</td>
</tr>
<tr>
<td>Technology</td>
<td>0.13µm CMOS</td>
<td>0.13µm CMOS</td>
</tr>
</tbody>
</table>
Power Efficiency – Example: AR6002

**Atheros has the lowest active power consumption**

<table>
<thead>
<tr>
<th>Product</th>
<th>Atheros AR6002 (130nm)</th>
<th>Competitor (90nm)</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rx Power Consumption</td>
<td>135 mW</td>
<td>333 mW</td>
<td>2.5x</td>
</tr>
<tr>
<td>Tx Power Consumption (+15 dBm output)</td>
<td>400 mW</td>
<td>560 mW</td>
<td>1.4x</td>
</tr>
<tr>
<td>Throughput (SDIO)</td>
<td>&gt; 20 Mbps</td>
<td>&gt; 10 Mbps</td>
<td>0.5x</td>
</tr>
</tbody>
</table>

**Atheros has the most power efficient protocols**
- PMP demo shows potential for reducing WLAN power by factor of 5

**With the AR6002, power consumption is no longer limiting factor for most applications**
- Considering just WLAN part, typical cell phone battery would provide
  - >100 hours VoIP talk time, or
  - 200 Giga Bytes of data transfer
Innovation in Product Capabilities

**Synergistic** combinations of functions

- Bluetooth and WLAN

**Flexibility in interconnection topology**

- Multi-hop meshing
Synergistic Combinations

- It’s not just about putting more than one function on a chip!
- It’s about technologies working tightly together:

  - Intelligent meshing over Wi-Fi, Bluetooth, and Ethernet in multiply connected environments
  - BT/WLAN *cooperation*, not just coexistence
  - Mixing different protocol and PHY layers – e.g. setup link with Bluetooth, but carry data over Wi-Fi
Bluetooth and WLAN in Synergy

Step 1
Establish link over BT

Step 2
Exchange WLAN info over BT

Step 3
Establish WLAN connection
Maintain BT control link

Step 4
Transmit high-speed data over WLAN
BT used for power save
Meshing

- AP-AP
- Client-AP
- Client-Client

Multi-hop
Why You Need Meshing

- AP mode
- Efficient network connection
- Cable Replacement
- Range extension
Atheros’ innovation provides our customers with *best-in-class*

- Price
- Power
- Size
- Functionality

**Innovation. Atheros engineered.**
Unleashing Markets for Growth: Financial & Corporate Development Overview

JACK LAZAR
VICE PRESIDENT & CHIEF FINANCIAL OFFICER
NOVEMBER 8, 2007
Atheros Financial Overview

- Building a world class communications semiconductor systems company
- Addressing large markets that we believe are elastic based on product features and cost
- Demonstrating revenue growth with expanding operating margins
- Delivering consistent growth and profitability while investing heavily in new markets
- Accumulating a world class customer base to be leveraged over the upcoming years.
Dramatic Revenue Growth Over 6 Years

Kings of 11a
Intro of 11g
Single Chips
ASP Pressure
PAS & Mkt Share Gains
11n & Diversification

2002: $22.2
2003: $87.4
2004: $169.6
2005A: $183.5
2006: $301.7
2007E: $416.1

CAGR - 80%

2007 revenue is 9 months actual plus Q4 midpoint of guidance
Atheros Consistently Outperforms the Industry Revenue Growth – 2004 - 2007

Source: Semiconductor Industry Data and 2007 estimate from SIA. Atheros 2007 estimate based on first call average.
Dramatically Expanding Atheros’ TAM

25% CAGR

Source: Bluetooth - IMS, 2006; Mobile LAN and PC – In-Stat, 2007; Carrier/Enterprise, Retail SOHO and Ethernet – Dell’Oro, 2007; PAS – Forward Concepts, 2007 Handset and Chip Report and Atheros
Channel Diversification Has Also Been Key

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
<th>Retail</th>
<th>Enterprise/Carrier</th>
<th>PC OEM</th>
<th>Consumer</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$87m</td>
<td>58%</td>
<td>15%</td>
<td>7%</td>
<td>20%</td>
</tr>
<tr>
<td>2005</td>
<td>$184m</td>
<td></td>
<td>50%</td>
<td>8%</td>
<td>6%</td>
</tr>
<tr>
<td>2007</td>
<td>$302m</td>
<td>41%</td>
<td></td>
<td></td>
<td>19%</td>
</tr>
</tbody>
</table>

**9 Mos 2007**

- Retail: 34%
- Enterprise/Carrier: 6%
- PC OEM: 41%
- Consumer: 19%
Changes in Technologies Drive Revenue Growth

- **2003A**: $87m, 72% 11g, 28% 11n
- **2005A**: $184m, 65% 11g, 35% 11ag
- **9 Mos 2007A**: $302m, 61% 11g, 18% 11ag, 21% 11n
Leveraging Technology Changes: WLAN Notebook PC Market 11n Adoption

Source: In-Stat, 2007
Atheros’ Focuses on Optimizing Products for Elastic Markets

Focusing on Compact Designs Enables:

- Integration and supply chain efficiencies drives profitability
  - Increased gross margins over time
  - Increased contribution margin dollars

AR5002 Three-Chip 11g Solution

AR5007 Single-Chip 11g Solution + AR8216 10/100 Ethernet Switch

- Atheros Silicon ~ $25
- Revenue ~ $2 million

- Atheros Silicon ~ $6
- Revenue ~ $40 million
Disciplined Growth Leads to Profitability

Atheros’ business model is providing increased operating leverage

Operating profit growth has outpaced GM% expansion in 2007

The Business Model Works

Excludes non-cash FAS123R charges and acquisition related charges
Strong Cash Flow Metrics

IPO Proceeds
Generated Post IPO
### Target Operating Model

<table>
<thead>
<tr>
<th></th>
<th>Q3 2007</th>
<th>Target Model</th>
<th>Revised Target Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>49.3%</td>
<td>43 - 45%</td>
<td>45 - 47%</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>20.0%</td>
<td>15 - 17%</td>
<td>16 - 18%</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>12.3%</td>
<td>10 - 12%</td>
<td>10 - 12%</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>17.0%</td>
<td>16 - 18%</td>
<td>17 - 19%</td>
</tr>
</tbody>
</table>

*Excludes non-cash FAS123R charges and acquisition related charges*
Why the Atheros Model Works

- **Disciplined Design Approach Enables the Use of Process Proven Standard Digital CMOS**
  - Cost effective designs can be focused on market niches
  - Reduces the cost of development to enter markets
  - Proven in Wireless LAN and pushing into a variety of new markets

- **Addressing Large, Highly Elastic Markets**
  - Willing to take technology risk with limited market risk
  - Reduces the risk of failure in entering new markets

- **Leveraging Design Centers Throughout the World**
  - Half of Atheros employees are outside of the United States
  - Chip development occurs around the world
Corporate Development

Atheros will build, buy or partner where it makes sense

Market
- Size – “Is it a big market to Atheros?”
- Growth – “Is it a high growth market?”
- Competition – “Can Atheros compete?”

Customers
- Offensive – “Does it leverage existing or new customers?”
- Defensive – “Does it defend our existing market share?”
- Unique value proposition – “Can Atheros do something different?”

Technology
- Wireless on CMOS – “Can we leverage our CMOS expertise?”
- Integration – “Can we leverage our integration expertise?”
- Cost – “Can we leverage our ability to squeeze-out costs?”

Platform
- Richer – “How does it strengthen our platform offering?”
- Integration – “Is integration of functions into a platform compelling?”
Corporate Development

- **ZyDAS (8/06) – R&D & Product line expansion**
  - Strong engineering team
  - Academic culture
  - Strategically important location (Taiwan)

- **Attansic (12/06) – Diversification**
  - Acquired 10/100/1000 Ethernet technology
  - Critical to Driving the expansion of 11n
  - World class mixed-signal engineering
  - Strategically important location (Shanghai)
Atheros Financial Summary

- Demonstrating consistent disciplined revenue growth

- Leveraging strong design capabilities
  - Compact and targeted designs result in higher gross margins
  - Technology leadership in proven process technologies

- Addressing a rapidly increasing Served Available Market

- 2008 Revenue Growth Drivers are Significant
  - Widespread Adoption of 11n technology
  - Increasing Adoption of Mobile Wireless LAN solutions
  - Increased Portfolio of Ethernet Products
  - Introduction of Bluetooth Solutions

- A Unique Combination of TAM Expansion and Product Cycles with a Demonstrated Track Record of Operating Profit Expansion
WIRELESS FUTURE.
UNLEASHED NOW.
The Atheros Advantage

CRAIG BARRATT
PRESIDENT AND CEO
NOVEMBER 8, 2007
Atheros Advantage

- **INNOVATION**
  - History of innovative products available today
  - Industry’s first single-chip 11n
  - Highest performance and lowest cost Ethernet LOM and GbE switch
  - Sampling first Bluetooth headset products

- **GROWING PORTFOLIO**
  - Rapid TAM expansion

- **FOCUS and COMMITMENT**
  - Partnerships to provide systems platforms
  - Execution engine
  - Customer focus
  - Proven financial performance

- **Result: GROWTH & LEADERSHIP**