



Investor Presentation

Paramesh Gopi

President and CEO

Bob Gargus

Senior Vice President and CFO

Safe Harbor

Forward Looking Statements

During the course of this presentation, we will discuss our anticipated future financial performance or make other forward-looking statements, including “street estimates” that are comprised of reported analyst estimates that have been compiled by the Company. Actual results may differ materially from these statements due to a number of risks and uncertainties, including, but not limited to customer demand for our products, the successful and timely development of new products, internal and external manufacturing execution, the business of the Company’s major customers and macro economic conditions. For a more detailed discussion of these and other factors, we refer you to our SEC filings.

Regulation G Reconciliation

During the course of this presentation, we may refer to historical and forward-looking non-GAAP financial measures. A reconciliation of historical non-GAAP financial measures with the most directly comparable GAAP financial measures can be found on our web site at <http://www.amcc.com> in the “Investor Relations” section. We have not provided a reconciliation of forward-looking non-GAAP financial measures due to the difficulty in forecasting and quantifying the amounts that would be required to be included in the comparable GAAP measure that are dependent upon future market conditions and valuations.

Much Has Changed at AppliedMicro

CEO transition complete

- Also added seasoned talent from Marvell, Qualcomm & Broadcom

New product introductions leading to meaningful design wins

- Seeing traction in current strongholds and new markets
- Wins tend to be in higher volume applications than in past

Operating Expense Reduced by 11% over last 12 months

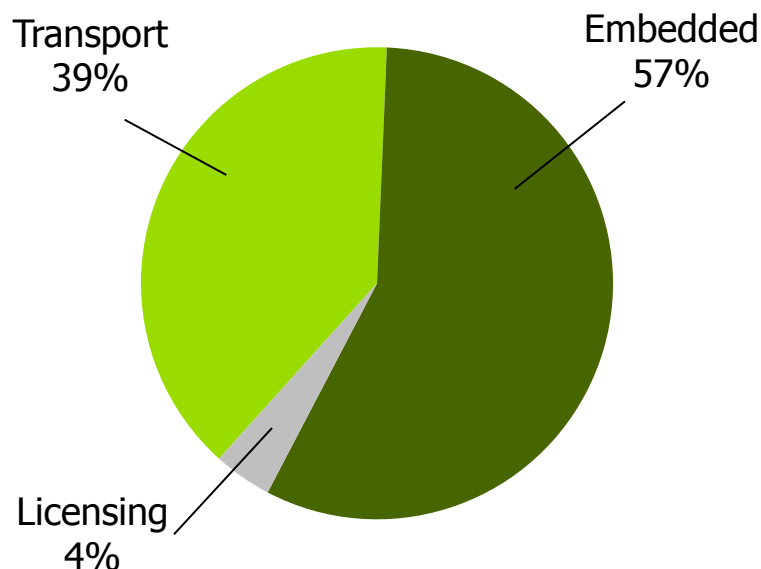
- Positioned for increased operating leverage as revenues rebound from depressed levels – R&D maintained, SG&A cut >25%

\$100M stock buyback program authorized

- Can do this due to our strong balance sheet

Foundation set for future outperformance

AppliedMicro Business Snapshot



FY 2009 (March) Revenue = \$214M⁽¹⁾

Embedded Products (45-65% Gross Margin)

- PowerPC Processors
- Network Processors

Licensing (100% Gross Margin)

- Qualcomm License
- Additional Patent Licensing Opportunities

Transport Products (60-80% Gross Margin)

- Forward Error Correction (FEC)
 - Rubicon
 - Pemaquid
 - Yahara
- 10 Gigabit Ethernet Phys

(1) Excludes \$40M of discontinued operations (Storage)

AppliedMicro Poised for Significant Revenue (and EPS) Growth

Revenue:

- Foresee CAGR of >20% from 2009 to 2013 driven by transport, connectivity & embedded processing product cycles – *assuming normal macro-economic climate*

Gross Margins:

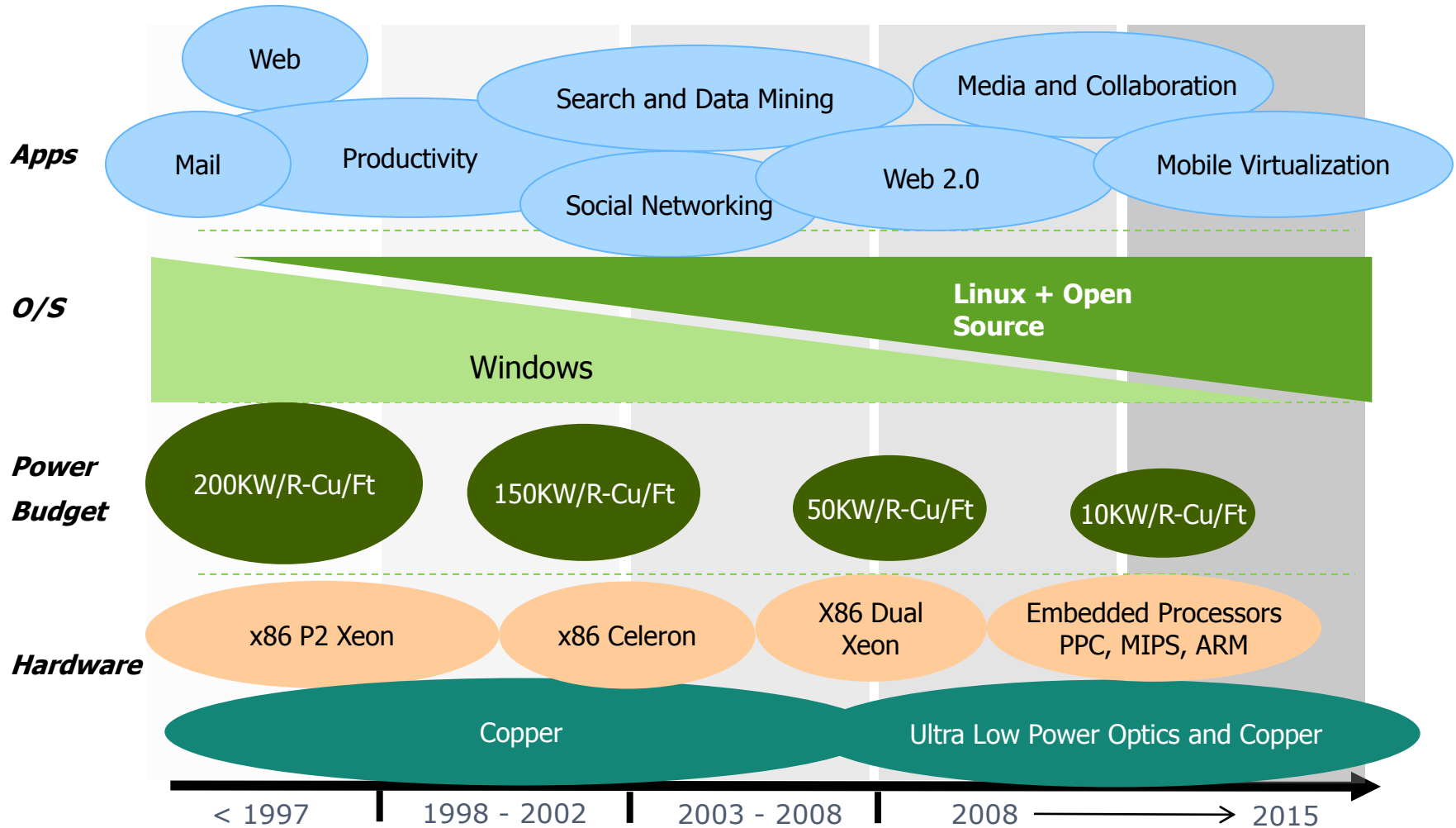
- Anticipate gross margins tracking in 56%-58% range given expected product mix

Operating Margins:

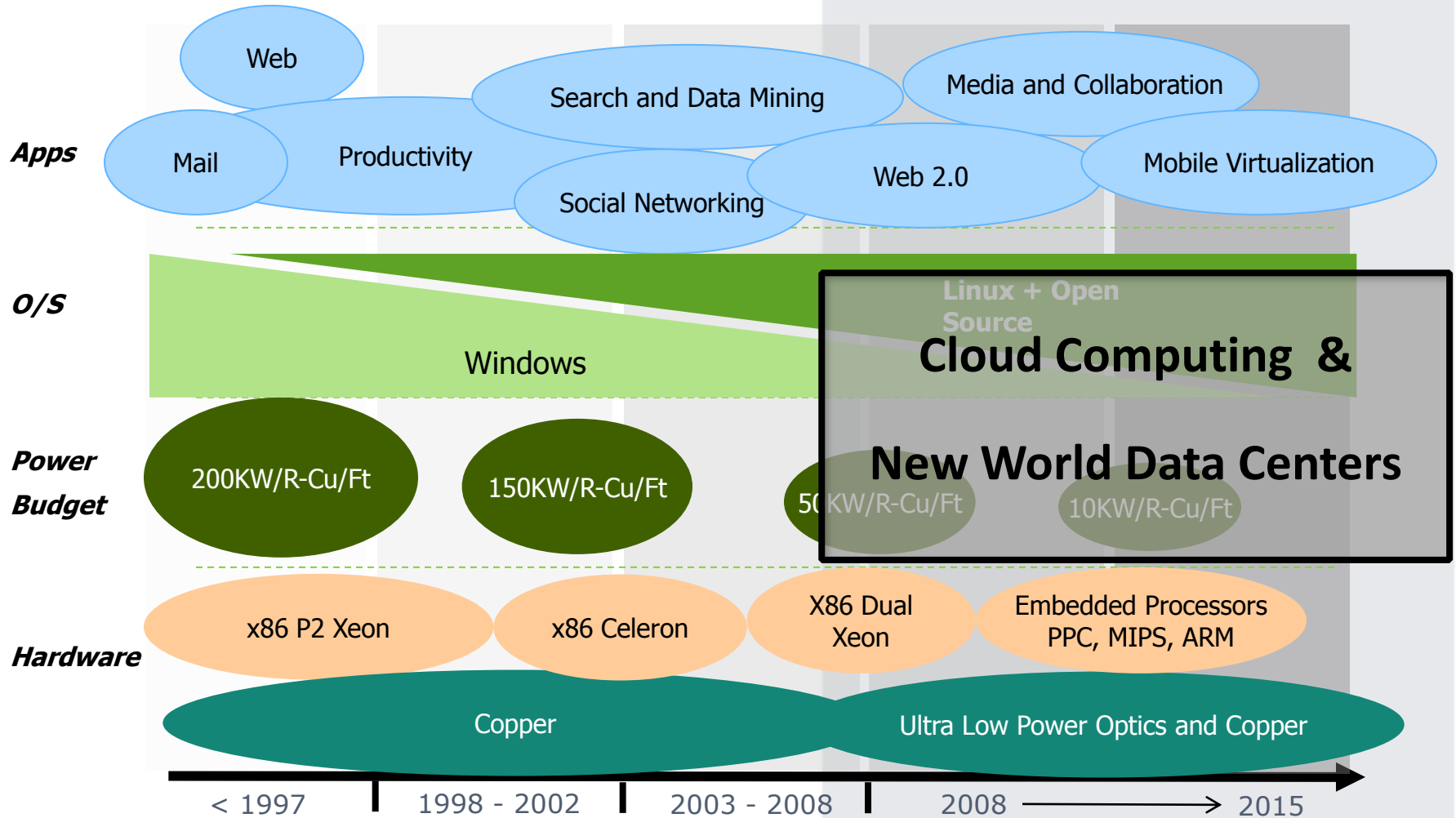
- Expect to reach 20% by 2012 based on re-set OpEx

How will we achieve our revenue growth objectives?

Data Service Model Evolution Creates Opportunity for AppliedMicro Innovation



Data Service Model Evolution Creates Opportunity for AppliedMicro Innovation



New World Applications Drive Increased Demand for Bandwidth

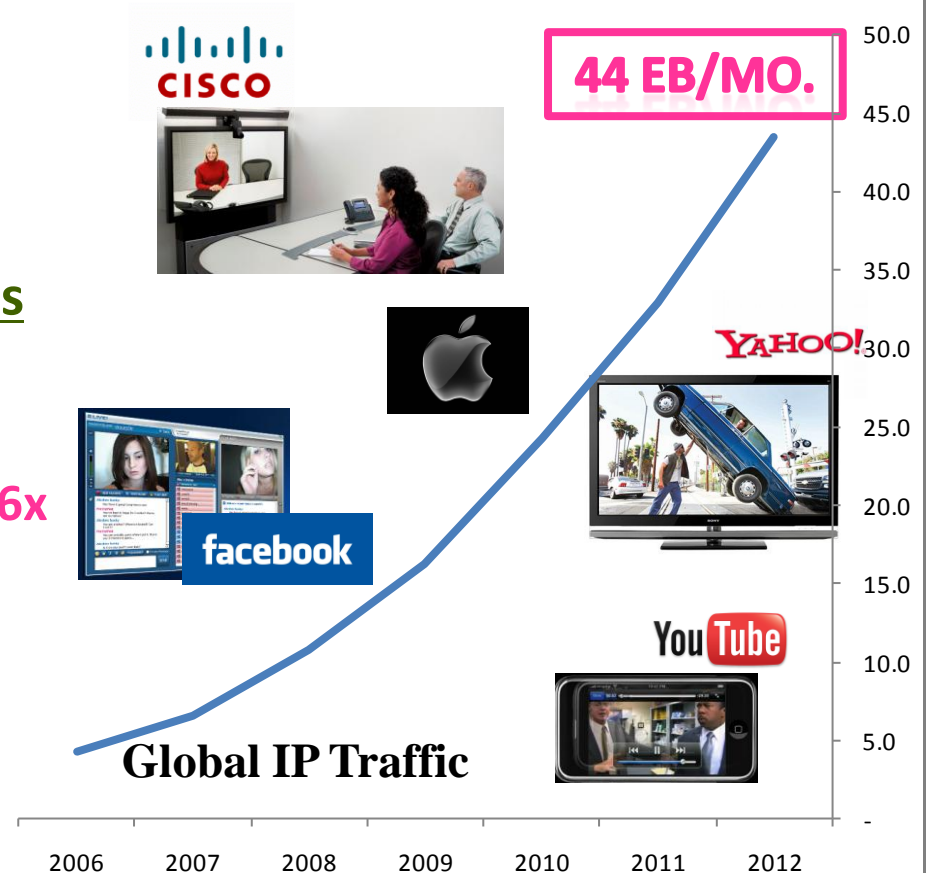
Collaboration

Visual Networking

Mobile Virtualization and Widgets

Traffic Consequences

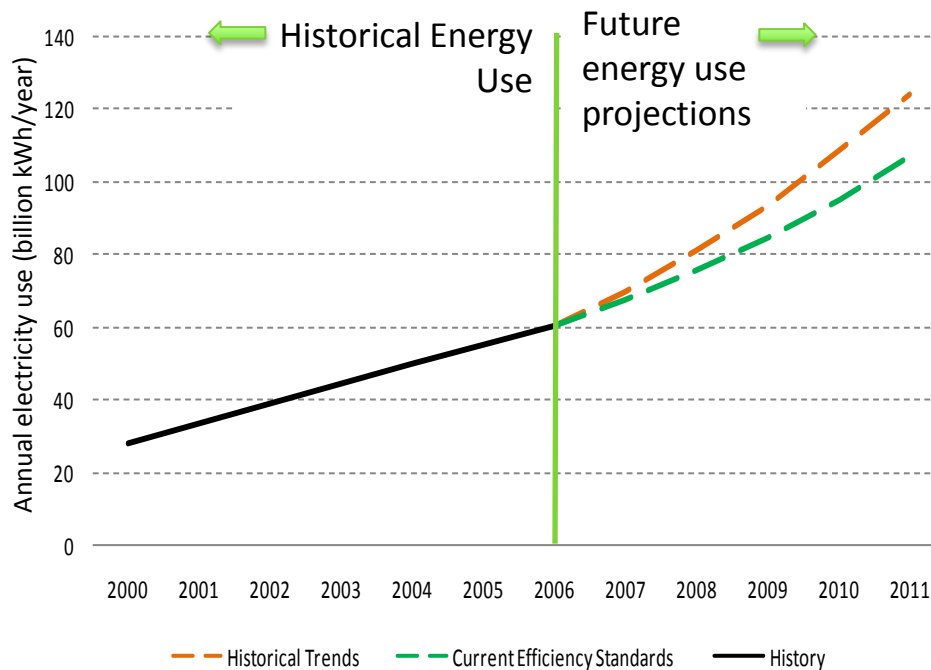
- 2007-2012 : IP Traffic to grow **6x**
- Video will account for **90%** of Consumer IP Traffic by 2012



More Traffic → More Datacenters → More Energy Required

AppliedMicro Will Attack Customer Need For High Performance and Energy Efficiency

U.S. Datacenter Electrical Consumption



- **Problem:**
Power consumption is now a problem in the “wired” world (i.e., data centers, enterprise, SMB, etc.)
- **Solution:**
Applied Micro has the energy efficient, high performance connectivity and processing products that customers want

AppliedMicro: Low-Power + High Performance

High Performance at Low Power Will Lead to Share Gains in Four Key Market Segments

Optical Transport

- Leverage disruptive IP in low-power silicon to gain significant share as Telco transitions from SONET to OTN

Datacenter Connectivity

- Ride share gains in emerging 10 Gigabit Ethernet cycle for servers and switches

Enterprise/Datacenter Processing

- Exploit weakened packet processing competition with low power, multi-core PowerPC processors

SMB/Consumer Processing

- Leverage pricing flexibility from transition to TSMC

Many New Products Launched and Many More to Come

		TELCO		ENTERPRISE & DATACENTER			CONSUMER & SMB		Design Win Value*
Product Family		3G/4G Wireless	Wireline Optical	WiFi Access Points	Switching & Routing	Document Processing	NAS	Residential Gateway	TOTAL
PPC405EX	Shipping now			✓	✓				>\$70M
PPC460EX/GT	Shipping now	✓	✓	✓	✓	✓	✓		>\$60M
10GE Optical	Shipping now	✓	✓		✓				>\$40M
OC-192 PHY	Shipping now	✓	✓						>\$35M
Pemaquid FEC	Shipping now		✓						>\$50M
Yahara FEC	Sampling Q3		✓						na
PPC460SX	Sampling Q3					✓	✓		>\$20M
TITAN [TSMC]	Avail 1Q 2010	✓				✓			na
PPC-A [TSMC]	Avail 1H 2010						✓		na
New FEC	Avail 1H 2010		✓		✓				na
10GE Copper	Avail 1H 2010				✓				na
PPC-B [TSMC]	Avail 2H 2010			✓	✓		✓	✓	na
PPC-C [TSMC]	Avail 1H 2012	✓	✓	✓	✓	✓			na

* Design Wins to Date: Estimated 4-5 year revenue total

New Design Wins Will Drive Future Revenue

FEC at *every* major OTN Supplier

PowerPC in #1 Top of the Rack
Ethernet Switch

PowerPC in Top Rated Multi-
Function Printer

PowerPC in #1 Enterprise WiFi
Access Point

PowerPC in new Residential NAS /
Media Server

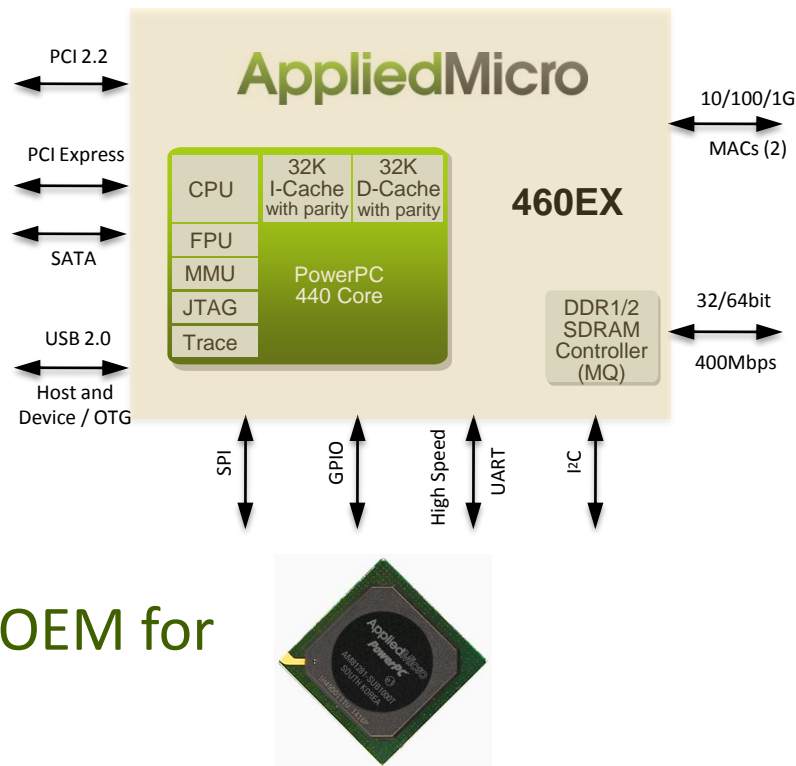


PowerArchitecture 460EX

1.2 GHz processor with High Performance FPU and Turbo Security

Ideally suited to wide range of high-performance applications including printing & imaging, storage (NAS), and networking

Selected by leading residential NAS OEM for next generation product



AVAILABLE NOW

Yahara – 10G OTN Framer / FEC

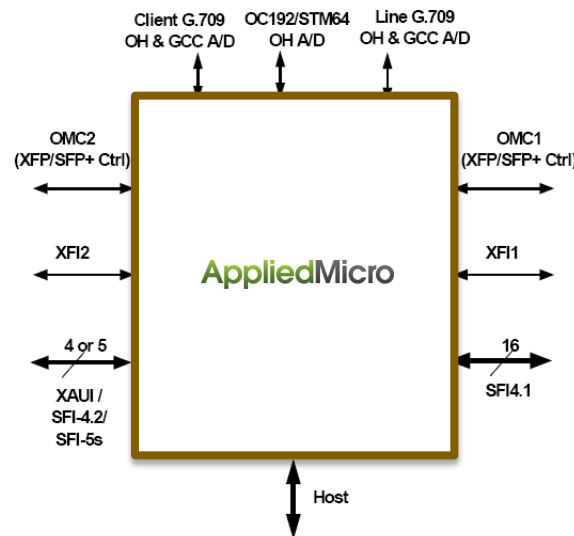
Highly integrated Framer/Mapper/PHY
with market-leading AppliedMicro FEC
(Forward Error Correction)

Compared to traditional FEC solution

- Save 42% on Power
- Save 50% on Silicon board space
- Save 50% on Silicon cost

Optimized for Long Haul and Metro Networks – including
Metro Ethernet

Together with already released Rubicon and Pemaquid
products, AppliedMicro is #1 in this market



ANNOUNCED 3/4/09 – AVAILABLE Q3

Customer Success: Blade Server System



AppliedMicro Content in a Major Tier-1 OEM Blade Server System

- **PPC440epx:** Onboard Administrator
- **PPC440spe:** Storage Blade Data Security and Storage Management
- **PPC405ex:** I/O Control
- **QT2225:** LAN on Mother Board for 10GbE Connectivity
- **QT2025:** Mezzanine Card for 10GbE Connectivity

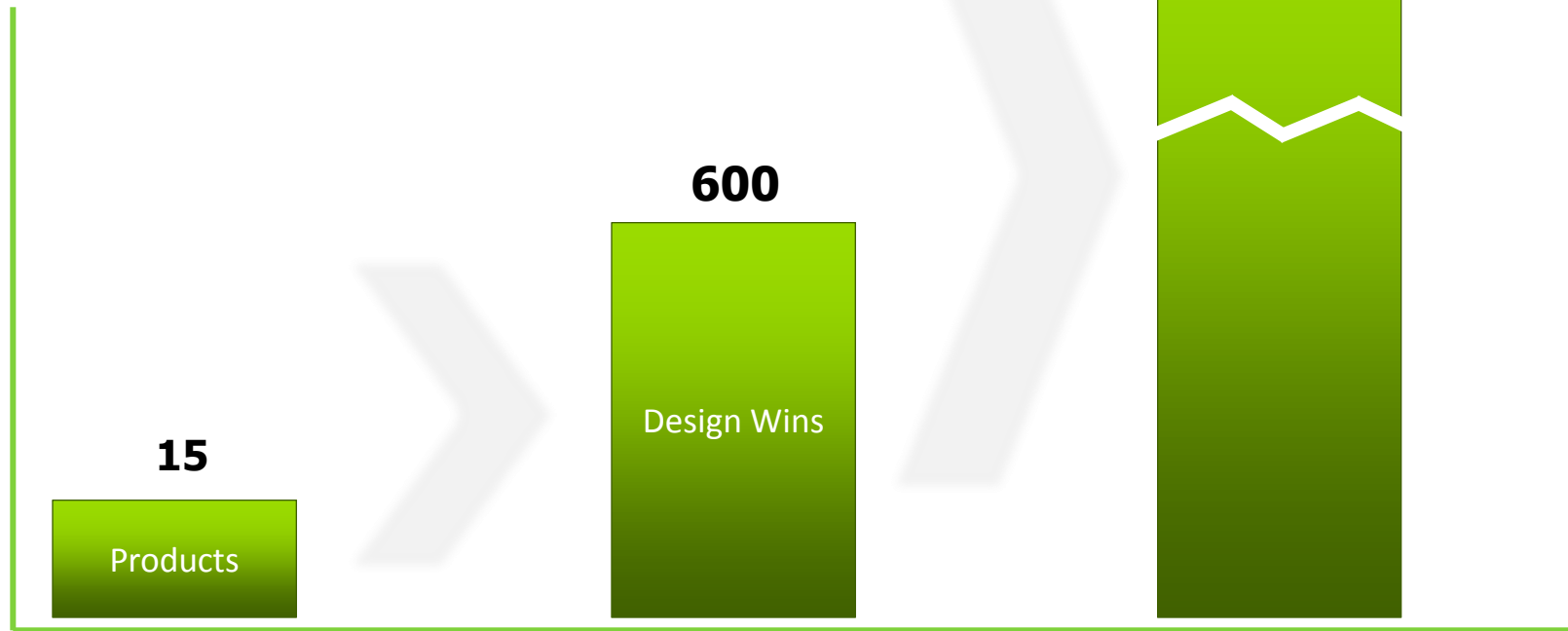
Over 50 AppliedMicro Parts per System

Primed for Growth

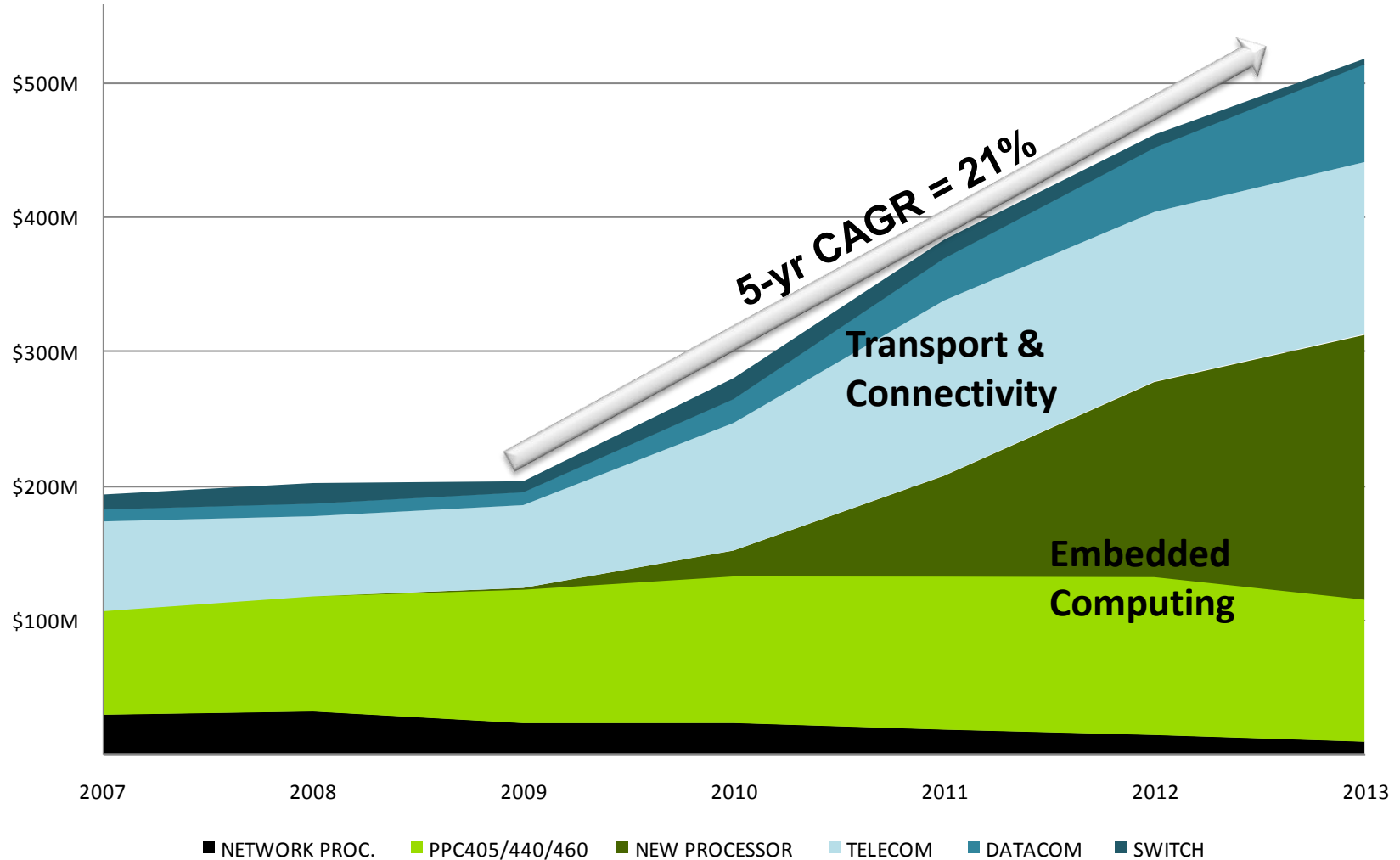
>15 New Products introduced in last 3 years

Generated >600 Design Wins in last 2 years

>\$400M Lifetime Value



New Products And Resulting Design Wins Will Generate 20%+ Topline Growth



Financial Highlights

Non-GAAP Income Statement – Trailing 4 Quarters

	FY09 Q2 Actual	FY09 Q3 Actual	FY09 Q4 Actual	FY10 Q1 Actual	FY10 Q2 Street Est.
Revenue	64.3	47.7	41.0	45.1	48.8
Sequential Revenue Growth	5.1%	(25.8%)	(14.1%)	9.9%	8.3%
Gross Margin	61.8%	61.2%	55.6%	59.0%	59.0%
Operating Expenses	32.6	28.5	33.4	27.4	29.5
Operating Income	7.1	0.7	(10.5)	(0.9)	(0.7)
% of Revenue	11.0%	1.4%	(25.7%)	(1.9%)	(1.4%)
Pretax Income	10.0	3.4	(8.6)	0.9	1.0
% of Revenue	15.5%	7.1%	(21.1%)	1.9%	2.1%
EPS	0.15	0.05	(0.13)	0.01	0.02
Shares Outstanding	65	66	66	67	67

* Both history and Fiscal 2010 Q2 street estimate are net of Storage divestiture in April 2009

* Includes Licensing revenue beginning Fiscal 2009 Q2

Non-GAAP Income Statement – Fiscal Year

	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10 Street Est.
Revenue	214.6	242.5	194.1	214.2	199.3
Sequential Revenue Growth	(2.5%)	13.0%	(19.9%)	10.4%	(7.0%)
Gross Margin	62.8%	59.4%	57.4%	60.0%	59.1%
Operating Expenses	125.5	131.6	129.3	126.1	116.1
Operating Income	9.2	12.4	(17.9)	2.4	1.7
% of Revenue	4.3%	5.1%	(9.2%)	1.1%	(0.9%)
Pretax Income	24.4	25.8	(7.3)	12.0	8.5
% of Revenue	11.4%	10.6%	(3.8%)	5.6%	4.3%
EPS	0.25	0.35	(0.11)	0.18	0.12
Shares Outstanding	76	71	68	65	67

* Both history and Fiscal 2010 street estimate are net of Storage divestiture in April 2009

* Includes Licensing revenue beginning Fiscal 2009 Q2

Balance Sheet

\$ 000s	FY07 3/31/07	FY08 3/31/08	FY09 3/31/09	FY10 6/30/09
Assets				
Current Assets				
Cash, Cash Equivalents and Investments	284.5	142.9	184.0	200.4
Accounts Receivable	32.5	28.8	17.5	15.2
Inventory	25.8	30.3	26.6	22.2
Other Current Assets	20.6	19.8	17.5	7.6
Total Current Assets	363.4	221.8	245.6	245.4
Long-term Marketable Securities	-	51.9	-	-
Long-term Assets and Goodwill	453.1	359.1	79.0	76.0
Total Assets	816.5	632.8	324.6	321.4
Liabilities and Stockholders' Equity				
Total Liabilities	55.7	52.1	40.6	33.5
Total Stockholders' Equity	760.8	580.7	284.0	287.9
Total Liabilities and Stockholders' Equity	816.5	632.8	324.6	321.4

* Historical balance sheet is net of Storage divestiture in April 2009

* All liabilities are 'current' liabilities