

# National Semiconductor

**Lewis Chew – CFO**

**01/07/2009**

# Financial Overview & Key Statistics

# Recap

## Total Company Financials

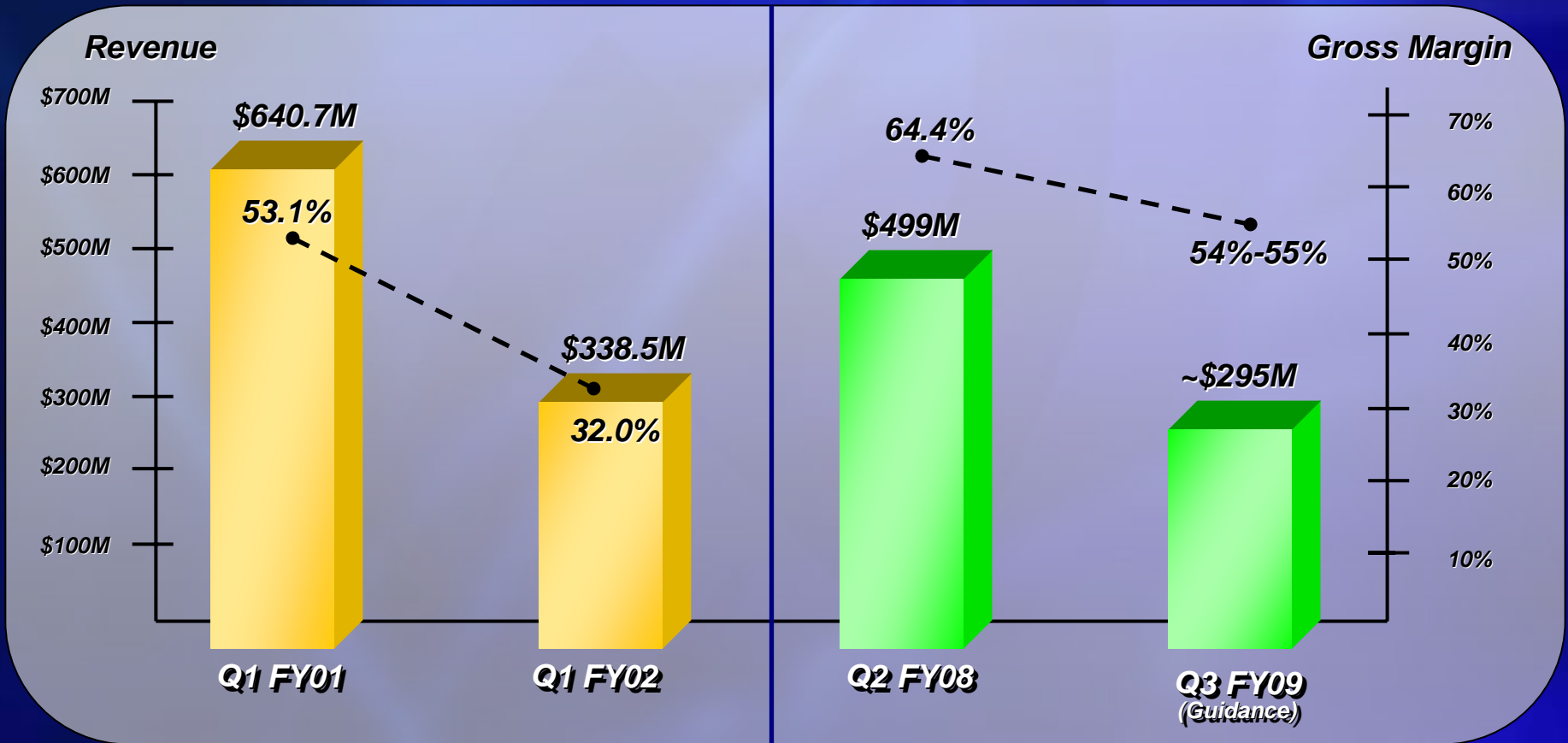
(As Reported)

	<u>Q1 09</u>	<u>Q2 09</u>
<b>SALES (\$M)</b>	<b>465.6</b>	<b>421.6</b>
<b>GROSS MARGIN</b>	<b>307.2</b>	<b>276.7</b>
<b>GROSS MARGIN %</b>	<b>66.0%</b>	<b>65.6%</b>
<b>RESEARCH &amp; DEVELOPMENT</b>	<b>(89.6)</b>	<b>(93.5)</b>
<b>SELLING / GENL &amp; ADMIN</b>	<b>(81.8)</b>	<b>(70.6)</b>
<b>SEVERANCE AND RESTRUCTURING (EXP)</b>	<b>(1.1)</b>	<b>(28.1)</b>
<b>OTHER OPERATING INC(EXP)</b>	<b>0.1</b>	<b>0.1</b>
<b>INTEREST INC(EXP)</b>	<b>(14.5)</b>	<b>(14.9)</b>
<b>OTHER NON-OPERATING INC(EXP)</b>	<b>(2.8)</b>	<b>(12.3)</b>
<b>NET INCOME BEF TAXES</b>	<b>117.5</b>	<b>57.4</b>
<b>INCOME TAX BENE(EXP)</b>	<b>(37.9)</b>	<b>(23.5)</b>
<b>NET INCOME</b>	<b>79.6</b>	<b>33.9</b>
	<b>17.1%</b>	<b>8.0%</b>

# Summary Balance Sheet

	<b>Q2/FY08 11/25/07</b>	<b>Q1/FY09 08/27/08</b>	<b>Q2/FY09 11/23/08</b>
<b>Cash Reserves</b>	<b>\$833.9</b>	<b>\$692.5</b>	<b>\$785.9</b>
<b>Receivables</b>	<b>189.3</b>	<b>156.2</b>	<b>125.9</b>
<b>Inventories</b>	<b>149.8</b>	<b>148.9</b>	<b>154.5</b>
<b>Net PPE</b>	<b>572.0</b>	<b>554.0</b>	<b>559.3</b>
<b><u>Total Assets</u></b>	<b><u>2,260.2</u></b>	<b><u>2,108.1</u></b>	<b><u>2,149.8</u></b>
<b>Total Debt</b>	<b>1,505.2</b>	<b>1,459.9</b>	<b>1,445.9</b>
<b><u>Shareholders' Equity</u></b>	<b><u>277.3</u></b>	<b><u>202.1</u></b>	<b><u>210.7</u></b>

# Gross Margin Resiliency



**Rev: Down 53%**

**Gross Margin: Down ~21.1% points**

**Rev: Down 41%**

**Gross Margin: Down ~10% points**


# Cash Flow from Operations (\$ millions)

**Excludes Tax Benefit on Stock Options and  
Deferred Tax Provision**



# Operating Margin Levers

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- **Top Line Growth**
- **Portfolio Value Improving**
- **Gross Margin leverage** 
  - **Cost efficiency**
  - **Utilization (< 40% in Q3)**
- **Operating Expense Control**

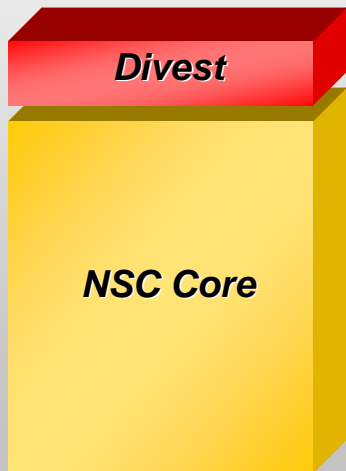
# Top Line Growth

# Growth & National 3.0

## National 2.0

### Goals

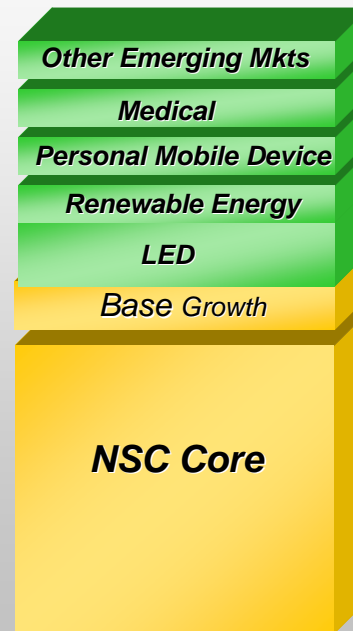
- ✓ Transformation to a pure play high performance analog company
- ✓ Divested out of low margin business
- ✓ Successfully completed 60/30/30 model
- ✓ 5 years of ROIC > 20%



## National 3.0

### Goals

- Drive growth in new **Mega Trends** and **New Market Opportunities**
- Leverage Powerwise®
- Capitalize on energy efficiency trends
- Continue to drive high margin and ROIC



# Emerging Markets

## Personal Mobile Devices

Navigation



Smart Phone



Portable Medical



Gaming

## Medical

Self  
Diagnostics



Ultrasound



Portable Medical



## PowerWise®

- High performance with lower power consumption
- Increased reliability
- Smaller system footprint
- Extended battery life
- Reduced energy costs
- Decreased Heat

## Renewable Energy

Electric Vehicles'



SolarMagic™



Battery Charging

## LED



Industrial Lighting



Automotive  
Lighting



Pathway Lighting



Street Lighting

# Short Term Growth Opportunities

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- **New Markets and Applications**

- PV / SolarMagic™
- LED Lighting

- **Extending PowerWise**

- Personal Mobile Devices
  - Display Backlighting
  - RF Modem Power

- **Other Applications for PowerWise**

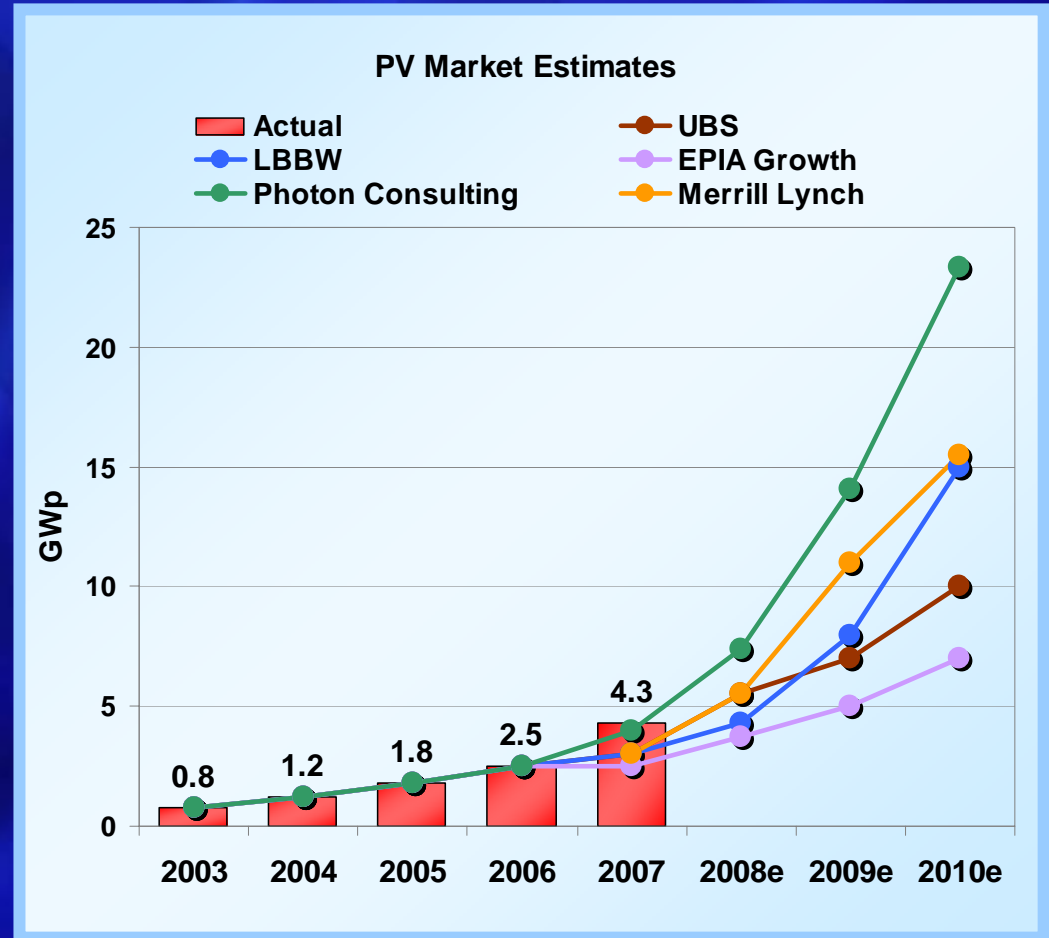
- Communications Infrastructure
- Portable Medical Devices

PowerWise®  
Revenue Growth Initiative  
Photovoltaic

# Strong Photovoltaic Market Growth

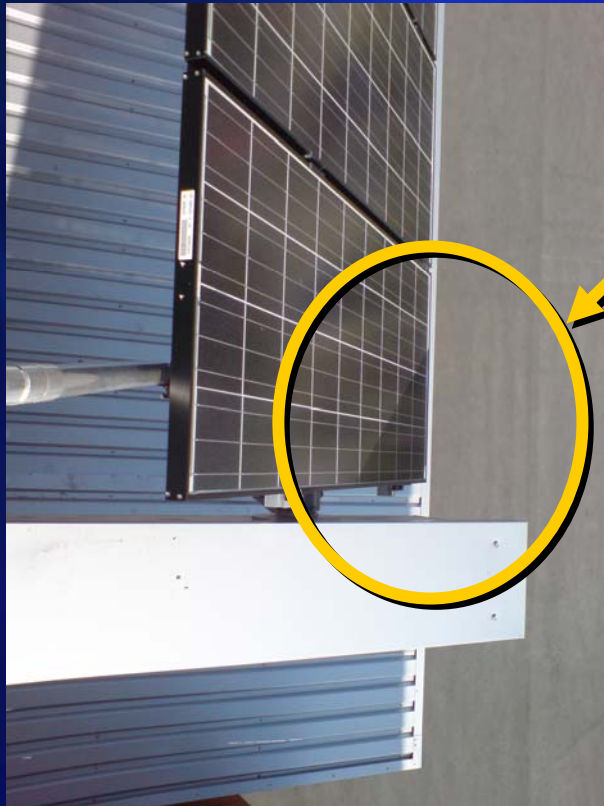
## Growth Drivers

- Increasing **cost** of conventional energies
- Increasing **environmental** awareness
- **Political goodwill** and market introduction programs
- Decreasing PV system costs



Source: Photon Consulting April 2008, Q-Cells June 2008

# The Solar Shading Problem



Source: Donauer Solartechnik

## Shade

- 14% of every other panel shaded
- 24 panels in string



***String power drops >75% vs. Unshaded strings***

# SolarMagic™ From National

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- **Increased Energy Efficiency**
- **Installation Flexibility**
- **Ready-To-Use**
- **Not Panel-Specific**

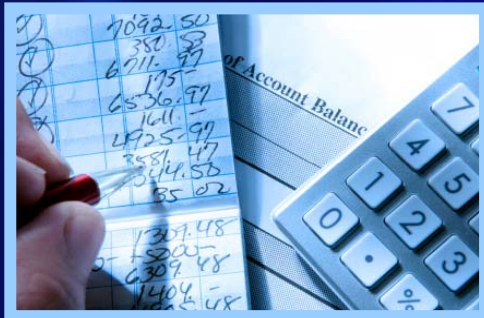
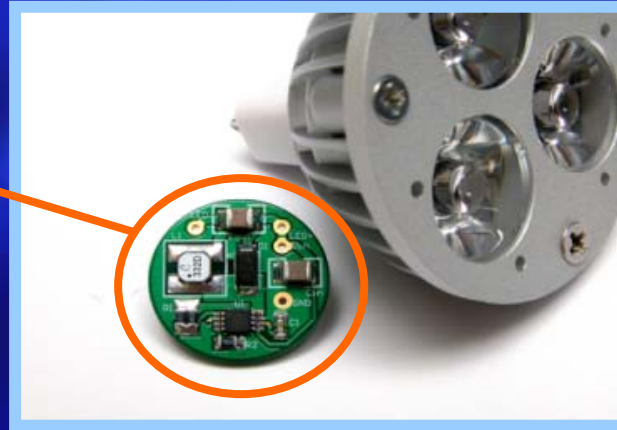


# PowerWise® Revenue Growth Initiative

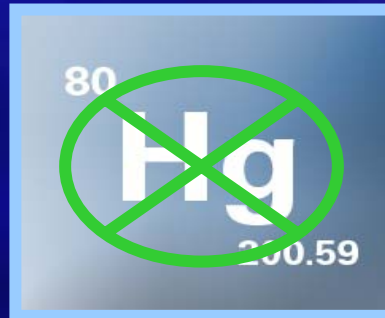
## Powering LED Lighting

# Why LEDs?

**LM3407 – Constant  
Current Output  
Buck Switching  
Regulator**



**Lower Cost of  
Ownership**



**Green Solution**



**Design Flexibility**

# Market Projections

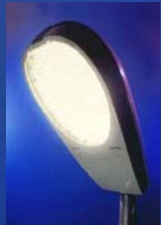
## High Power LED

	2007	2011	CAGR
General Illumination	\$337M	\$1.65B	49%
Automotive	\$670M	\$1.2B	16%
Large Format Backlighting	\$162M	\$2.6B	100%

\*Source Strategies Unlimited 2007,2008

# Design Win Examples

## Wide Area Lighting



Street Lighting



Outdoor Lighting

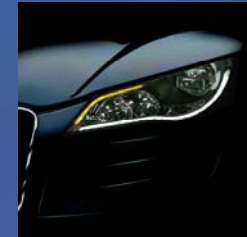


Pathway Lighting

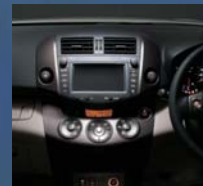
## Automotive Lighting



Headlights

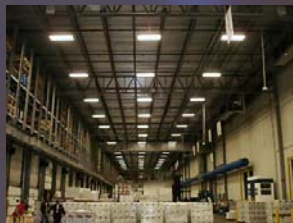


Day-Time Running Light



Navigation Backlighting

## Indoor Lighting



Industrial Lighting



MR-16 Accent Lighting

## Other



Flashlight



Entertainment Lighting



Projector

# Wrap up

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- **Maintain Business Model Integrity**
  - **Gross Margin**
  - **Cash Flow**
  - **Op Ex**
- **Leveraging PowerWise® to drive growth in emerging new markets**
- **High margin fall thru on incremental revenue**