

- Summary Financial Data -

ATHEROS COMMUNICATIONS, INC.
PRELIMINARY CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share data)

	Three Months Ended		
	September 30, 2009	June 30, 2009	September 30, 2008
Net revenue	\$ 156,641	\$ 112,224	\$ 138,064
Cost of goods sold	81,047	59,181	69,939
Gross profit	75,594	53,043	68,125
Operating expenses:			
Research and development	32,619	30,480	30,859
Sales and marketing	14,872	14,305	13,471
General and administrative	8,178	6,872	7,034
Amortization of acquired intangible assets	2,580	2,885	2,927
Acquisition-related charges	977	-	-
Total operating expenses	59,226	54,542	54,291
Income (loss) from operations	16,368	(1,499)	13,834
Interest income, net	1,351	1,563	2,354
Impairment of long-term investments	(874)	(30)	(4,385)
Income tax benefit (provision)	21,731	(284)	(1,715)
Net income (loss)	\$ 38,576	\$ (250)	\$ 10,088
Basic earnings (loss) per share	\$ 0.62	\$ 0.00	\$ 0.17
Diluted earnings (loss) per share	\$ 0.60	\$ 0.00	\$ 0.16
Shares used in computing basic earnings (loss) per share	62,111	61,427	60,146
Shares used in computing diluted earnings (loss) per share	64,215	61,427	62,624

ATHEROS COMMUNICATIONS, INC.
PRELIMINARY CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share data)

	Nine Months Ended September 30,	
	----- 2009	2008 -----
Net revenue	\$ 356,790	\$ 374,100
Cost of goods sold	186,072	186,458
	-----	-----
Gross profit	170,718	187,642
Operating expenses:		
Research and development	92,144	90,860
Sales and marketing	42,593	37,913
General and administrative	20,980	19,337
Amortization of acquired intangible assets	8,350	9,346
Acquisition-related charges	977	-
	-----	-----
Total operating expenses	165,044	157,456
Income from operations	5,674	30,186
Interest income, net	4,585	6,718
Impairment of long-term investments	(2,011)	(10,842)
Income tax benefit (provision)	22,526	(2,432)
	-----	-----
Net income	\$ 30,774	\$ 23,630
	=====	=====
Basic earnings per share	\$ 0.50	\$ 0.40
	=====	=====
Diluted earnings per share	\$ 0.49	\$ 0.38
	=====	=====
Shares used in computing basic earnings per share	61,485	59,554
	=====	=====
Shares used in computing diluted earnings per share	63,162	62,062
	=====	=====

ATHEROS COMMUNICATIONS, INC.
PRELIMINARY CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands)

	September 30, 2009	December 31, 2008
	-----	-----
ASSETS		
Current assets:		
Cash, cash equivalents and marketable securities	\$ 382,830	\$ 293,758
Accounts receivable, net	61,336	58,385
Inventory	43,178	69,813
Deferred income taxes and other current assets	21,987	15,889
	-----	-----
Total current assets	509,331	437,845
Property and equipment, net	11,923	14,789
Long-term investments	16,486	16,963
Goodwill and net acquired intangible assets	115,817	124,992
Deferred income taxes and other assets	22,595	21,119
	-----	-----
	\$ 676,152	\$ 615,708
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities	\$ 103,444	\$ 96,001
Deferred income taxes and other long-term liabilities	28,265	48,229
Stockholders' equity	544,443	471,478
	-----	-----
	\$ 676,152	\$ 615,708
	=====	=====

ATHEROS COMMUNICATIONS, INC.
RECONCILIATION OF PRELIMINARY NON-GAAP ADJUSTMENTS
(Unaudited)
(In thousands, except per share data)

	Three Months Ended		
	September 30, 2009	June 30, 2009	September 30, 2008
GAAP net income (loss)	\$ 38,576	\$ (250)	\$ 10,088
Stock-based compensation:			
Cost of goods sold	178	186	145
Research and development	5,040	5,148	4,058
Sales and marketing	3,206	3,392	2,145
General and administrative	1,981	2,012	1,260
Total stock-based compensation	10,405	10,738	7,608
Acquisition-related charges:			
Amortization of acquired intangible assets	2,580	2,885	2,927
Other acquisition-related charges	977	-	3
Impairment of long-term investments	874	30	4,385
Tax-related items:			
Tax benefit from favorable settlement of foreign tax liability	(21,706)	-	-
Net tax effect of non-GAAP adjustments	(2,401)	(1,065)	(1,648)
Non-GAAP net income	\$ 29,305	\$ 12,338	\$ 23,363
Shares used in computing non-GAAP basic earnings per share	62,111	61,427	60,146
Shares used in computing non-GAAP diluted earnings per share	64,215	63,021	62,624
Non-GAAP basic earnings per share	\$ 0.47	\$ 0.20	\$ 0.39
Non-GAAP diluted earnings per share	\$ 0.46	\$ 0.20	\$ 0.37

ATHEROS COMMUNICATIONS, INC.
RECONCILIATION OF PRELIMINARY NON-GAAP ADJUSTMENTS
(Unaudited)
(In thousands, except per share data)

	Nine Months Ended September 30,	
	----- 2009	----- 2008
GAAP net income	\$ 30,774	\$ 23,630
Stock-based compensation:		
Cost of goods sold	537	441
Research and development	14,804	11,636
Sales and marketing	9,440	6,038
General and administrative	5,515	3,439
	-----	-----
Total stock-based compensation	30,296	21,554
Acquisition-related charges:		
Amortization of acquired intangible assets	8,350	9,346
Other acquisition-related charges	977	945
Impairment of long-term investments	2,011	10,842
Tax-related items:		
Tax benefit from favorable settlement of foreign tax liability	(21,706)	-
Tax benefit from change in state tax filing position	-	(1,068)
Net tax effect of non-GAAP adjustments	(5,175)	(5,436)
	-----	-----
Non-GAAP net income	\$ 45,527	\$ 59,813
	=====	=====
Shares used in computing non-GAAP basic earnings per share	61,485	59,554
	=====	=====
Shares used in computing non-GAAP diluted earnings per share	63,162	62,062
	=====	=====
Non-GAAP basic earnings per share	\$ 0.74	\$ 1.00
	=====	=====
Non-GAAP diluted earnings per share	\$ 0.72	\$ 0.96
	=====	=====

ATHEROS COMMUNICATIONS, INC.
RECONCILIATION OF PRELIMINARY GAAP TO NON-GAAP FINANCIAL MEASURES

To supplement our unaudited selected financial data presented on a basis consistent with Generally Accepted Accounting Principles, or GAAP, we disclose certain non-GAAP financial measures, including non-GAAP gross profit, operating expenses, operating income, net income and basic and diluted earnings per share. These supplemental measures exclude stock-based compensation, acquisition-related charges, other-than-temporary impairments of long-term investments, a tax benefit resulting from a change in state tax filing position, a tax benefit resulting from the favorable settlement of a foreign tax liability and any tax detriment or benefit between the income tax expense with and without the non-GAAP measures. These non-GAAP measures are not in accordance with, nor serve as an alternative for GAAP. We believe that these non-GAAP measures have limitations in that they do not reflect all of the amounts associated with our GAAP results of operations. These non-GAAP measures should only be viewed in conjunction with corresponding GAAP measures. We compensate for the limitations of non-GAAP financial measures by relying upon GAAP results to gain a complete picture of our performance.

In calculating non-GAAP financial measures, we exclude certain items to facilitate a review of the comparability of our core operating performance on a period-to-period basis. The excluded items represent stock-based compensation and charges and gains that are primarily driven by discrete events that we do not consider to be directly related to core operating performance. We use non-GAAP measures to evaluate the core operating performance of our business, for comparison with forecasts and strategic plans, for calculating return on investment and for benchmarking performance externally against competitors. In addition, management's incentive compensation is determined using these non-GAAP measures. Also, when evaluating potential acquisitions, we primarily consider the impact of the target's performance and valuation on our non-GAAP measures. Since we find these measures to be useful, we believe that investors benefit from seeing results reviewed by management in addition to seeing GAAP results. We believe that these non-GAAP measures, when read in conjunction with our GAAP financials, provide useful information to investors by offering:

- more meaningful comparability of our on-going operating results;
- the ability to better identify trends in our underlying business; and
- a way to compare our operating results against analyst financial models and operating results of competitors that supplement their GAAP results with non-GAAP financial measures.

The following are explanations of each type of adjustment that we incorporate into non-GAAP financial measures:

Stock-based compensation expense relates to equity awards granted to our workforce. Our stock incentive plans are important components of our employee incentive compensation arrangements and are reflected as expenses in our GAAP results. While we include the dilutive impact of such equity awards in weighted average shares outstanding, the expense associated with stock-based awards is excluded from non-GAAP net income. These non-cash charges are not factored into

our internal evaluation of net income as we believe their inclusion would hinder our ability to assess core operational performance.

Acquisition-related charges include the amortization of acquired intangible assets primarily consisting of acquired technology, customer relationships, covenants not to compete, step-up of inventory to its estimated fair value, backlog, cash earn outs and transaction costs related to our pending acquisition of Intellon Corporation. These charges are not factored into our evaluation of potential acquisitions, or of our performance after completion of acquisitions, because they are generally non-cash and are not related to our core operating performance, and the frequency and amount of such charges vary significantly based on the timing and magnitude of our acquisition transactions, the then fair market value of our common stock and the maturities of the businesses being acquired.

Impairment of long-term investments relates primarily to the other-than-temporary, non-operating write down of our investments in auction rate securities rated AA and AAA at the date of purchase. The liquidity and fair value of these securities has been impacted by the failure of these markets and the exposure of these securities to the financial condition of bond insurance companies. We have determined that certain of these assets have been other-than-temporarily impaired and therefore they were written down to their estimated fair value. These charges are not factored into our internal evaluation of net income as we believe they are non-operating charges that do not impact our core operating performance.

Adjustment for taxes relates to the tax effect of various adjustments that we incorporate into non-GAAP measures in order to provide a more meaningful measure of non-GAAP net income. In addition, the tax benefit from the favorable settlement of a foreign tax liability in the third quarter of 2009 and the tax benefit resulting from a change in a state tax filing position in the second quarter of 2008 have been excluded. We believe that these adjustments provide us with the ability to more clearly view trends in our core operating performance.

Reconciliations of non-GAAP measures disclosed in this press release are set forth below (in thousands, except percentages):

	Three Months Ended		
	September 30, 2009	June 30, 2009	September 30, 2008
GAAP gross profit	\$ 75,594	\$ 53,043	\$ 68,125
Stock-based compensation	178	186	145
Non-GAAP gross profit	\$ 75,772	\$ 53,229	\$ 68,270
GAAP gross profit as a % of revenue	48.3%	47.3%	49.3%
Stock-based compensation	0.1%	0.1%	0.1%
Non-GAAP gross profit as a % of revenue	48.4%	47.4%	49.4%
GAAP operating expense	\$ 59,226	\$ 54,542	\$ 54,291
Stock-based compensation	(10,227)	(10,552)	(7,463)
Amortization of acquired intangible assets	(2,580)	(2,885)	(2,927)
Acquisition-related charges	(977)	-	(3)
Non-GAAP operating expenses	\$ 45,442	\$ 41,105	\$ 43,898
GAAP income (loss) from operations	\$ 16,368	\$ (1,499)	\$ 13,834
Stock-based compensation	10,405	10,738	7,608
Amortization of acquired intangible assets	2,580	2,885	2,927
Acquisition-related charges	977	-	3
Non-GAAP income from operations	\$ 30,330	\$ 12,124	\$ 24,372
GAAP income (loss) from operations as a % of revenue	10.4%	(1.3)%	10.0%
Stock-based compensation	6.7%	9.5%	5.5%
Amortization of acquired intangible assets	1.7%	2.6%	2.2%
Acquisition-related charges	0.6%	-%	-%
Non-GAAP income from operations as a % of revenue	19.4%	10.8%	17.7%

Reconciliations of non-GAAP measures disclosed in this press release are set forth below (in thousands, except percentages):

	Nine Months Ended	
	September 30, 2009	September 30, 2008
GAAP gross profit	\$ 170,718	\$ 187,642
Stock-based compensation	537	441
Amortization of acquisition-related step-up value of inventory	-	572
Non-GAAP gross profit	\$ 171,255	\$ 188,655
GAAP gross profit as a % of revenue	47.8%	50.2%
Stock-based compensation	0.2%	0.1%
Amortization of acquisition-related step-up value of inventory	-%	0.1%
Non-GAAP gross profit as a % of revenue	48.0%	50.4%
GAAP operating expense	\$ 165,044	\$ 157,456
Stock-based compensation	(29,759)	(21,113)
Amortization of acquired intangible assets	(8,350)	(9,346)
Acquisition-related charges	(977)	(373)
Non-GAAP operating expenses	\$ 125,958	\$ 126,624
GAAP income from operations	\$ 5,674	\$ 30,186
Stock-based compensation	30,296	21,554
Amortization of acquired intangible assets	8,350	9,346
Acquisition-related charges	977	373
Amortization of acquisition-related step-up value of inventory	-	572
Non-GAAP income from operations	\$ 45,297	\$ 62,031
GAAP income from operations as a % of revenue	1.6%	8.1%
Stock-based compensation	8.5%	5.8%
Amortization of acquired intangible assets	2.3%	2.5%
Acquisition-related charges	0.3%	0.1%
Amortization of acquisition-related step-up value of inventory	-%	0.1%
Non-GAAP income from operations as a % of revenue	12.7%	16.6%

Analyst Contact:

Jack Lazar

Atheros Communications

408-773-5200

jack.lazar@atheros.com

Investor Contact:

David H. Allen

Atheros Communications

408-830-5762

david.allen@atheros.com

Press Contact:

Dakota Lee

Atheros Communications

408-720-5597

dakota.lee@atheros.com

Greg Wood

A&R Edelman

650-762-2838

gwood@ar-edelman.com