

- Summary Financial Data Attached -

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

| | Three Months Ended | | Year Ended | |
|---|---------------------------|-------------------|-------------------|------------------|
| | December 31, | | December 31, | |
| | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> |
| Net revenue | \$114,327 | \$87,806 | \$416,960 | \$301,691 |
| Cost of goods sold | <u>54,756</u> | <u>46,937</u> | <u>209,579</u> | <u>157,918</u> |
| Gross profit | 59,571 | 40,869 | 207,381 | 143,773 |
| Operating expenses: | | | | |
| Research and development | 26,930 | 19,339 | 100,936 | 71,084 |
| Sales and marketing | 11,189 | 7,457 | 38,010 | 27,189 |
| General and administrative | 5,812 | 4,280 | 21,189 | 15,315 |
| Amortization of acquired intangible assets and acquired in-process research and development | <u>6,941</u> | <u>11,431</u> | <u>12,299</u> | <u>12,320</u> |
| Total operating expenses | 50,872 | 42,507 | 172,434 | 125,908 |
| Income (loss) from operations | 8,699 | (1,638) | 34,947 | 17,865 |
| Interest income, net | 3,190 | 2,336 | 11,516 | 8,659 |
| Impairment of long-term marketable securities | (2,277) | -- | (2,277) | -- |
| Benefit (provision) for income taxes | <u>3,816</u> | <u>(1,908)</u> | <u>(4,206)</u> | <u>(7,846)</u> |
| Net income | <u>\$ 13,428</u> | <u>\$ (1,210)</u> | <u>\$ 39,980</u> | <u>\$ 18,678</u> |
| Basic earnings per share | <u>\$ 0.23</u> | <u>\$ (0.02)</u> | <u>\$ 0.71</u> | <u>\$ 0.36</u> |
| Diluted earnings per share | <u>\$ 0.22</u> | <u>\$ (0.02)</u> | <u>\$ 0.67</u> | <u>\$ 0.34</u> |
| Shares used in computing basic earnings per share | <u>57,226</u> | <u>52,941</u> | <u>55,917</u> | <u>51,760</u> |
| Shares used in computing diluted earnings per share | <u>60,323</u> | <u>52,941</u> | <u>59,330</u> | <u>55,494</u> |

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

| | December 31, 2007 | December 31, 2006 |
|--|----------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash, cash equivalents and marketable securities | \$ 219,544 | \$ 185,906 |
| Accounts receivable, net | 58,002 | 46,016 |
| Inventory | 35,497 | 25,879 |
| Deferred income taxes and other current assets | <u>16,084</u> | <u>10,645</u> |
| Total current assets | 329,127 | 268,446 |
| Property and equipment, net | 13,492 | 8,994 |
| Goodwill and acquired intangible assets | 136,125 | 81,717 |
| Long-term marketable securities | 30,453 | --- |
| Deferred income taxes and other assets | <u>12,940</u> | <u>4,901</u> |
| | <u>\$ 522,137</u> | <u>\$ 364,058</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | \$ 76,844 | \$ 63,981 |
| Deferred income taxes and other long-term liabilities | 43,836 | 19,135 |
| Stockholders' equity | <u>401,457</u> | <u>280,942</u> |
| | <u>\$ 522,137</u> | <u>\$ 364,058</u> |

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

| | Three Months Ended | | Year Ended | |
|--|---------------------------|------------------|-------------------|------------------|
| | December 31, | | December 31, | |
| | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> |
| GAAP net income | \$ 13,428 | \$ (1,210) | \$ 39,980 | \$ 18,678 |
| Stock-based compensation: | | | | |
| Cost of goods sold | 130 | 98 | 522 | 427 |
| Research and development | 3,452 | 1,487 | 12,463 | 6,740 |
| Sales and marketing | 1,610 | 762 | 5,053 | 3,073 |
| General and administrative | <u>879</u> | <u>450</u> | <u>3,169</u> | <u>2,075</u> |
| Total stock-based compensation | 6,071 | 2,797 | 21,207 | 12,315 |
| Acquisition related charges: | | | | |
| Amortization of acquired intangible assets and acquired in-process research and development | 6,941 | 11,431 | 12,299 | 12,320 |
| Other acquisition related charges | 58 | 849 | 1,482 | 1,362 |
| Impairment of long-term marketable securities | 2,277 | -- | 2,277 | -- |
| Net tax effect of non-GAAP adjustments | (2,607) | (694) | (5,830) | (2,168) |
| Release of deferred tax asset valuation allowance | <u>(4,721)</u> | <u>(464)</u> | <u>(4,721)</u> | <u>(1,856)</u> |
| Non-GAAP net income | <u>\$ 21,447</u> | <u>\$ 12,709</u> | <u>\$ 66,694</u> | <u>\$ 40,651</u> |
| Shares used in computing non-GAAP basic earnings per share | <u>57,226</u> | <u>52,941</u> | <u>55,917</u> | <u>51,760</u> |
| Shares used in computing non-GAAP diluted earnings per share | <u>60,323</u> | <u>56,633</u> | <u>59,330</u> | <u>55,494</u> |
| Non-GAAP basic earnings per share | <u>\$ 0.37</u> | <u>\$ 0.24</u> | <u>\$ 1.19</u> | <u>\$ 0.79</u> |
| Non-GAAP diluted net income per share | <u>\$ 0.36</u> | <u>\$ 0.22</u> | <u>\$ 1.12</u> | <u>\$ 0.73</u> |

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"), the Company discloses certain non-GAAP financial measures, including non-GAAP gross profit, operating expenses, operating income and net income. These supplemental measures exclude stock-based compensation, acquisition-related charges, other-than-temporary impairments of long-term marketable securities, any release of tax valuation allowance due to the realizability of deferred tax assets that were previously believed not to be recognizable 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 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 under Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment*, effective as of January 1, 2006. 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 (i) in-process research and development charges related to products in development that have not reached technological feasibility at the time of acquisition and (ii) 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 and cash earn outs. 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.

ATHEROS COMMUNICATIONS, INC.

RECONCILIATION OF PRELIMINARY GAAP TO NON-GAAP FINANCIAL MEASURES

Impairment of long-term marketable securities relates to the other-than-temporary, non-operating write down of our investments in AA and AAA rated auction rate securities. The liquidity and fair value of these securities has been impacted by the uncertainty in the credit markets and the exposure of these securities to the financial condition of bond insurance companies. While we have received all interest payments due on these instruments on a timely basis, we have determined that certain of these assets have been other-than-temporarily impaired and therefore they were written down to fair values provided by our broker. 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, any release of tax valuation allowance due to the realizability of deferred tax assets that were previously believed not to be recognizable has been excluded. We believe that these adjustments provide us with the ability to more clearly view trends in our core operating performance.

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

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

| | Three Months Ended | | Year Ended | |
|--|-----------------------------|------------------|------------------|------------------|
| | December 31, | | December 31, | |
| | 2007 | 2006 | 2007 | 2006 |
| GAAP gross profit | \$ 59,571 | \$ 40,869 | \$207,381 | \$143,773 |
| Amortization of acquisition-related step-up value of inventory | 58 | 849 | 217 | 1,258 |
| Stock -based compensation | 130 | 98 | 522 | 427 |
| Non-GAAP gross profit | <u>\$ 59,759</u> | <u>\$ 41,816</u> | <u>\$208,120</u> | <u>\$145,458</u> |
| GAAP gross profit as a % of revenue | 52.1% | 46.5% | 49.7% | 47.7% |
| Amortization of acquisition related step-up value of inventory | 0.1% | 1.0% | 0.1% | 0.4% |
| Stock -based compensation | | <u>0.1%</u> | <u>0.1%</u> | <u>0.1%</u> |
| Non-GAAP gross profit as a % of revenue | <u>0.1%</u> <u>52.3%</u> | <u>47.6%</u> | <u>49.9%</u> | <u>48.2%</u> |
| GAAP operating expenses | \$ 50,872 | \$ 42,507 | \$ 172,434 | \$125,908 |
| Stock- based compensation | (5,941) | (2,699) | (20,685) | (11,888) |
| Acquisition- related deferred compensation | -- | -- | (1,265) | (104) |
| Amortization of acquired intangible assets | (2,044) | (995) | (7,402) | (1,484) |
| Acquired in-process research and development | <u>(4,897)</u> | <u>(10,436)</u> | <u>(4,897)</u> | <u>(10,836)</u> |
| Non-GAAP operating expenses | <u>\$ 37,990</u> | <u>\$ 28,377</u> | <u>\$138,185</u> | <u>\$101,596</u> |
| GAAP income (loss) from operations | \$ 8,699 | \$ (1,638) | \$ 34,947 | \$ 17,865 |
| Amortization of acquisition-related step-up value of inventory | 58 | 849 | 217 | 1,258 |
| Stock-based compensation | 6,071 | 2,797 | 21,207 | 12,315 |
| Acquisition-related deferred compensation | -- | -- | 1,265 | 104 |
| Amortization of acquired intangible assets | 2,044 | 995 | 7,402 | 1,484 |
| Acquired in-process research and development | <u>4,897</u> | <u>10,436</u> | <u>4,897</u> | <u>10,836</u> |
| Non-GAAP income from operations | <u>\$ 21,769</u> | <u>\$ 13,439</u> | <u>\$ 69,935</u> | <u>\$ 43,862</u> |
| GAAP income (loss) from operations as a % of revenue | 7.6% | (1.9)% | 8.4% | 5.9% |
| Amortization of acquisition-related step-up value of inventory | 0.1% | 1.0% | 0.1% | 0.4% |
| Stock-based compensation | 5.3% | 3.2% | 5.1% | 4.1% |
| Acquisition-related deferred compensation | --% | --% | 0.3% | --% |
| Amortization of acquired intangible assets | 1.8% | 1.1% | 1.8% | 0.5% |
| Acquired in-process research and development | <u>4.2%</u> | <u>11.9%</u> | <u>1.1%</u> | <u>3.6%</u> |
| Non-GAAP income from operations | <u>19.0%</u> | <u>15.3%</u> | <u>16.8%</u> | <u>14.5%</u> |