

- Summary Financial Data Attached -

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

	Three Months Ended		
	March 31, 2009	December 31, 2008	March 31, 2008
Net revenue	\$ 87,925	\$ 98,296	\$ 114,518
Cost of goods sold	<u>45,844</u>	<u>49,973</u>	<u>56,462</u>
Gross profit	42,081	48,323	58,056
Operating expenses:			
Research and development	29,045	30,705	30,054
Sales and marketing	13,416	13,241	11,942
General and administrative	5,930	5,772	5,994
Amortization of acquired intangible assets	<u>2,885</u>	<u>2,885</u>	<u>3,409</u>
Total operating expenses	51,276	52,603	51,399
Income (loss) from operations	(9,195)	(4,280)	6,657
Interest income, net	1,671	2,160	2,420
Impairment of long-term investments	(1,107)	(4,648)	(5,070)
Income tax benefit (provision)	<u>1,079</u>	<u>2,010</u>	<u>(590)</u>
Net income (loss)	<u>\$ (7,552)</u>	<u>\$ (4,758)</u>	<u>\$ 3,417</u>
Basic earnings (loss) per share	<u>\$ (0.12)</u>	<u>\$ (0.08)</u>	<u>\$ 0.06</u>
Diluted earnings (loss) per share	<u>\$ (0.12)</u>	<u>\$ (0.08)</u>	<u>\$ 0.06</u>
Shares used in computing basic earnings (loss) per share	<u>60,918</u>	<u>60,553</u>	<u>58,909</u>
Shares used in computing diluted earnings (loss) per share	<u>60,918</u>	<u>60,553</u>	<u>61,448</u>

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

	March 31, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash, cash equivalents and marketable securities	\$ 288,867	\$ 293,758
Accounts receivable, net	56,733	58,385
Inventory	51,551	69,813
Deferred income taxes and other current assets	18,965	15,889
Total current assets	<u>416,116</u>	<u>437,845</u>
Property and equipment, net	13,162	14,789
Long-term investments	16,184	16,963
Goodwill and net acquired intangible assets	122,107	124,992
Deferred income taxes and other assets	17,741	21,119
	<u>\$ 585,310</u>	<u>\$ 615,708</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities	\$ 67,498	\$ 96,001
Deferred income taxes and other long-term liabilities	44,342	48,229
Stockholders' equity	<u>473,470</u>	<u>471,478</u>
	<u>\$ 585,310</u>	<u>\$ 615,708</u>

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

	Three Months Ended		
	March 31, <u>2009</u>	December 31, <u>2008</u>	March 31, <u>2008</u>
GAAP net income (loss)	\$ (7,552)	\$ (4,758)	\$ 3,417
Stock-based compensation:			
Cost of goods sold	173	-	152
Research and development	4,616	4,815	3,709
Sales and marketing	2,842	2,676	1,792
General and administrative	<u>1,522</u>	<u>1,401</u>	<u>999</u>
Total stock-based compensation	9,153	8,892	6,652
Acquisition-related charges:			
Amortization of acquired intangible assets	2,885	2,885	3,409
Other acquisition-related charges	-	-	791
Impairment of long-term investments	1,107	4,648	5,070
Net tax effect of non-GAAP adjustments	<u>(1,709)</u>	<u>(915)</u>	<u>(2,155)</u>
Non-GAAP net income	<u>\$ 3,884</u>	<u>\$ 10,752</u>	<u>\$ 17,184</u>
Shares used in computing non-GAAP basic earnings per share	<u>60,918</u>	<u>60,553</u>	<u>58,909</u>
Shares used in computing non-GAAP diluted earnings per share	<u>62,252</u>	<u>62,094</u>	<u>61,448</u>
Non-GAAP basic earnings per share	<u>\$ 0.06</u>	<u>\$ 0.18</u>	<u>\$ 0.29</u>
Non-GAAP diluted earnings per share	<u>\$ 0.06</u>	<u>\$ 0.17</u>	<u>\$ 0.28</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 investments 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 under Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment*. 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 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.

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 uncertainty in the credit 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. 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		
	March 31, 2009	December 31, 2008	March 31, 2008
GAAP gross profit	\$42,081	\$48,323	\$58,056
Amortization of acquisition-related step-up value of inventory	-	-	451
Stock-based compensation	173	-	152
Non-GAAP gross profit	<u>\$42,254</u>	<u>\$48,323</u>	<u>\$58,659</u>
GAAP gross profit as a % of revenue	47.9%	49.2%	50.7%
Amortization of acquisition-related step-up value of inventory	-	-	0.4%
Stock-based compensation	0.2%	-	0.1%
Non-GAAP gross profit as a % of revenue	<u>48.1%</u>	<u>49.2%</u>	<u>51.2%</u>
GAAP operating expense	\$51,276	\$52,603	\$51,399
Stock-based compensation	(8,980)	(8,892)	(6,500)
Amortization of acquired intangible assets	(2,885)	(2,885)	(3,409)
Acquisition-related deferred compensation	-	-	(340)
Non-GAAP operating expenses	<u>\$39,411</u>	<u>\$40,826</u>	<u>\$41,150</u>
GAAP income (loss) from operations	\$(9,195)	\$(4,280)	\$6,657
Stock-based compensation	9,153	8,892	6,652
Amortization of acquired intangible assets	2,885	2,885	3,409
Amortization of acquisition-related step-up value of inventory	-	-	451
Acquisition-related deferred compensation	-	-	340
Non-GAAP income from operations	<u>\$2,843</u>	<u>\$7,497</u>	<u>\$17,509</u>
GAAP income (loss) from operations as a % of revenue	(10.5)%	(4.4)%	5.8%
Stock-based compensation	10.4%	9.0%	5.8%
Amortization of acquired intangible assets	3.3%	3.0%	3.0%
Amortization of acquisition-related step-up value of inventory	-	-	0.4%
Acquisition-related deferred compensation	-	-	0.3%
Non-GAAP income from operations as a % of revenue	<u>3.2%</u>	<u>7.6%</u>	<u>15.3%</u>