

- Summary Financial Data Attached -

ATHEROS COMMUNICATIONS, INC.

PRELIMINARY CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(In thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Net revenue	\$121,518	\$100,808	\$236,036	\$196,326
Cost of goods sold	<u>60,057</u>	<u>50,859</u>	<u>116,519</u>	<u>100,775</u>
Gross profit	61,461	49,949	119,517	95,551
Operating expenses:				
Research and development	29,947	24,628	60,001	48,234
Sales and marketing	12,500	8,891	24,442	17,313
General and administrative	6,309	4,786	12,303	9,513
Amortization of acquired intangible assets	<u>3,010</u>	<u>1,789</u>	<u>6,419</u>	<u>3,568</u>
Total operating expenses	51,766	40,094	103,165	78,628
Income from operations	9,695	9,855	16,352	16,923
Interest income, net	1,944	2,770	4,364	5,262
Impairment of long-term investments	(1,387)	-	(6,457)	-
Provision for income taxes	<u>(127)</u>	<u>(3,343)</u>	<u>(717)</u>	<u>(5,304)</u>
Net income	<u>\$ 10,125</u>	<u>\$ 9,282</u>	<u>\$ 13,542</u>	<u>\$ 16,881</u>
Basic earnings per share	<u>\$ 0.17</u>	<u>\$ 0.17</u>	<u>\$ 0.23</u>	<u>\$ 0.31</u>
Diluted earnings per share	<u>\$ 0.16</u>	<u>\$ 0.16</u>	<u>\$ 0.22</u>	<u>\$ 0.29</u>
Shares used in computing basic earnings per share	<u>59,607</u>	<u>55,543</u>	<u>59,258</u>	<u>55,112</u>
Shares used in computing diluted earnings per share	<u>62,113</u>	<u>59,111</u>	<u>61,780</u>	<u>58,710</u>

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

	June 30, 2008	December 31, 2007
	<u> </u>	<u> </u>
ASSETS		
Current assets:		
Cash, cash equivalents and short-term marketable securities	\$ 252,574	\$ 219,544
Accounts receivable, net	75,348	58,002
Inventory	45,858	35,497
Deferred income taxes and other current assets	<u>14,436</u>	<u>16,084</u>
Total current assets	388,216	329,127
Property and equipment, net	14,283	13,492
Long-term marketable securities	26,066	30,453
Goodwill and acquired intangible assets	130,130	136,125
Deferred income taxes and other assets	<u>15,718</u>	<u>12,940</u>
	<u>\$ 574,413</u>	<u>\$ 522,137</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities	\$ 87,299	\$ 76,844
Deferred income taxes and other long-term liabilities	45,262	43,836
Stockholders' equity	<u>441,852</u>	<u>401,457</u>
	<u>\$ 574,413</u>	<u>\$ 522,137</u>

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

	Three Months		Six Months	
	Ended		Ended	
	June 30,		June 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
GAAP net income	\$ 10,125	\$ 9,282	\$ 13,542	\$ 16,881
Stock-based compensation:				
Cost of goods sold	144	121	296	246
Research and development	3,869	2,654	7,578	5,650
Sales and marketing	2,101	1,054	3,893	2,095
General and administrative	<u>1,180</u>	<u>743</u>	<u>2,179</u>	<u>1,441</u>
Total stock-based compensation	7,294	4,572	13,946	9,432
Acquisition related charges:				
Amortization of acquired intangible assets	3,010	1,789	6,419	3,568
Other acquisition-related charges	151	-	942	159
Impairment of long-term investments	1,387	-	6,457	-
Net tax effect of non-GAAP adjustments	(1,633)	(945)	(3,788)	(1,730)
Tax benefit from change in state tax filing position	<u>(1,068)</u>	<u>-</u>	<u>(1,068)</u>	<u>-</u>
Non-GAAP net income	<u>\$ 19,266</u>	<u>\$ 14,698</u>	<u>\$ 36,450</u>	<u>\$ 28,310</u>
Shares used in computing non-GAAP basic earnings per share	<u>59,607</u>	<u>55,543</u>	<u>59,258</u>	<u>55,112</u>
Shares used in computing non-GAAP diluted earnings per share	<u>62,113</u>	<u>59,111</u>	<u>61,780</u>	<u>58,710</u>
Non-GAAP basic earnings per share	<u>\$ 0.32</u>	<u>\$ 0.26</u>	<u>\$ 0.62</u>	<u>\$ 0.51</u>
Non-GAAP diluted net income per share	<u>\$ 0.31</u>	<u>\$ 0.25</u>	<u>\$ 0.59</u>	<u>\$ 0.48</u>

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, a tax benefit resulting from a change in state tax filing position 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 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 marketable securities relates 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. 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 their estimated values. 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 resulting from a change in a state tax filing position has 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		Six Months Ended	
	June 30,		June 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
GAAP gross profit	\$61,461	\$49,949	\$119,517	\$95,551
Amortization of acquisition-related step-up value of inventory	121	-	572	159
Stock-based compensation	144	121	296	246
Non-GAAP gross profit	<u>\$61,726</u>	<u>\$50,070</u>	<u>\$120,385</u>	<u>\$95,956</u>
GAAP gross profit as a % of revenue	50.6%	49.6%	50.6%	48.7%
Amortization of acquisition-related step-up value of inventory	0.1%	-%	0.3%	0.1%
Stock-based compensation	<u>0.1%</u>	<u>0.1%</u>	<u>0.1%</u>	<u>0.1%</u>
Non-GAAP gross profit as a % of revenue	<u>50.8%</u>	<u>49.7%</u>	<u>51.0%</u>	<u>48.9%</u>
GAAP operating expense	\$51,766	\$40,094	\$103,165	\$78,628
Stock-based compensation	(7,150)	(4,451)	(13,650)	(9,186)
Acquisition-related deferred compensation	(30)	-	(370)	-
Amortization of acquired intangible assets	<u>(3,010)</u>	<u>(1,789)</u>	<u>(6,419)</u>	<u>(3,568)</u>
Non-GAAP operating expenses	<u>\$41,576</u>	<u>\$33,854</u>	<u>\$82,726</u>	<u>\$65,874</u>
GAAP income from operations	\$9,695	\$9,855	\$16,352	\$16,923
Amortization of acquisition-related step-up value of inventory	121	-	572	159
Stock-based compensation	7,294	4,572	13,946	9,432
Acquisition-related deferred compensation	30	-	370	-
Amortization of acquired intangible assets	<u>3,010</u>	<u>1,789</u>	<u>6,419</u>	<u>3,568</u>
Non-GAAP income from operations	<u>\$20,150</u>	<u>\$16,216</u>	<u>\$37,659</u>	<u>\$30,082</u>
GAAP income from operations as a % of revenue	8.0%	9.8%	6.9%	8.6%
Amortization of acquisition-related step-up value of inventory	0.1%	-%	0.3%	0.1%
Stock-based compensation	6.0%	4.5%	5.9%	4.8%
Acquisition-related deferred compensation	-%	-%	0.2%	-%
Amortization of acquired intangible assets	<u>2.5%</u>	<u>1.8%</u>	<u>2.7%</u>	<u>1.8%</u>
Non-GAAP income from operations	<u>16.6%</u>	<u>16.1%</u>	<u>16.0%</u>	<u>15.3%</u>