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**CONEXANT REPORTS FINANCIAL RESULTS FOR THE  
THIRD QUARTER OF FISCAL 2008**

*Company also Increases Guidance for the Fourth Fiscal Quarter*

**NEWPORT BEACH, Calif., July 31, 2008** – Conexant Systems, Inc. (NASDAQ: CNXT) today announced financial results for the third quarter of fiscal 2008 that exceeded the company's expectations entering the quarter. The company also increased its previously provided guidance for the fourth fiscal quarter.

**Third Fiscal Quarter Financial Results**

Conexant presents financial results based on Generally Accepted Accounting Principles (GAAP) as well as select non-GAAP financial measures intended to reflect its core results of operations. The company believes these core financial measures provide investors with additional insight into its underlying operating results. Core financial measures exclude non-cash and other non-core items as fully described in the GAAP to non-GAAP reconciliation in the accompanying financial data.

On April 29, 2008 Conexant announced the planned sale of its Broadband Media Processing (BMP) product lines to NXP Semiconductors in a transaction valued at up to \$145 million. The transaction is expected to be completed in August 2008, and the financial results of the BMP business unit have been classified as discontinued operations in the company's third fiscal quarter financial statements. Because the company's guidance for the third fiscal quarter included expected financial results for BMP, third fiscal quarter non-GAAP financial measures including and excluding the BMP business have been provided in the accompanying financial tables.

Including results from discontinued operations related to the BMP business, Conexant's non-GAAP core revenues for the third quarter of fiscal 2008 were \$171.1 million. Core gross margins were 47.1 percent of revenues, and core operating expenses

were \$69.6 million. Core operating income was \$11.0 million, and core net income was \$2.0 million, or \$0.04 per share.

Excluding results from discontinued operations related to the BMP business, Conexant's core net revenues for the third quarter of fiscal 2008 were \$115.6 million. Core gross margins were 50.6 percent of revenues. Core operating expenses were \$46.0 million, and core operating income was \$12.5 million. Core net income was \$6.0 million, or \$0.12 per diluted share.

On a GAAP basis, net revenues for the third quarter of fiscal 2008 were \$115.6 million. GAAP gross margins were 50.5 percent of revenues. GAAP operating expenses were \$184.8 million. GAAP operating loss was \$126.4 million. GAAP net loss from continuing operations was \$126.4 million, or \$2.56 per share, and GAAP net loss was \$149.9 million, or \$3.03 per share. The GAAP net loss in the quarter included a loss of \$23.5 million from discontinued operations and asset impairment charges of \$120.4 million related to the write-down of goodwill and certain tangible and intangible assets associated with the company's Broadband Access business.

The company ended the quarter with \$134.6 million in cash and cash equivalents due to the reclassification of \$29.0 million to restricted cash.

### **Business Perspective**

"During the third fiscal quarter, the Conexant team continued to make outstanding progress across multiple fronts," said Scott Mercer, Conexant's chief executive officer. "For the third consecutive quarter, we met or exceeded our expectations on every major financial metric. Revenues of \$171.1 million, which included our Broadband Media Processing business, came in at the high end of the range we previously provided. Core gross margins of 47.1 percent of revenues exceeded the high end of our expectations by 160 basis points, and core operating expenses of \$69.6 million were below the low end of the range we provided entering the quarter. During the quarter, we also introduced innovative new products targeted at high-growth market segments, and we executed a 1-for-10 reverse stock split.

"After the close of the quarter, we announced the acquisition of Freescale Semiconductor's 'SigmaTel' multi-function printer imaging business, which is consistent

with our strategy of augmenting our investments in new-product development with select acquisitions in the high-growth market segments we address,” Mercer said.

“Moving forward, we will continue to focus on delivering improved financial performance,” Mercer said.

### **Business Outlook**

In June, the company said that it expected revenues for the fourth quarter of fiscal 2008 to be in a range between \$115 million and \$120 million. The company now expects revenues for the fourth fiscal quarter to be in a range between \$120 million and \$125 million, which includes a modest revenue contribution from the SigmaTel acquisition.

The company expects core gross margins for the fourth fiscal quarter to be between 51.5 and 52.5 percent of revenues, compared with previous expectations of 49.5 to 50.5 percent.

The company also anticipates fourth fiscal quarter core operating income in a range between \$14 million and \$16 million, resulting in core net income of \$0.13 to \$0.17 per share. Previously, the company expected core net income of \$0.08 to \$0.12 per share.

### **Conference Call Today**

Financial analysts, members of the media, and the public are invited to participate in a conference call that will take place today at 5:00 p.m. Eastern Time / 2:00 p.m. Pacific Time. Scott Mercer, chief executive officer, Christian Scherp, president, and Karen Roscher, senior vice president and chief financial officer, will discuss third fiscal quarter financial results and the company’s fourth-quarter outlook.

To listen to the conference call via telephone, dial 866-650-4882 (in the US and Canada) or 706-679-7338 (from other international locations); participant pass code: Conexant; Conference ID number: 55288051. To listen via the Internet, visit the Investor Relations section of Conexant's Web site at [www.conexant.com/ir](http://www.conexant.com/ir). Playback of the conference call will be available shortly after the call concludes and will be accessible on Conexant's Web site at [www.conexant.com/ir](http://www.conexant.com/ir) or by calling 800-642-1687 (in the US and Canada) or 706-645-9291 (from other international locations); pass code: 55288051.

### **About Conexant**

Conexant’s comprehensive portfolio of innovative semiconductor solutions includes products for Internet connectivity, digital imaging, and media processing applications. Conexant is a fabless semiconductor company that recorded revenues of \$809 million in fiscal year 2007. The company is headquartered in Newport Beach, Calif. To learn more, please visit [www.conexant.com](http://www.conexant.com)

### **Safe Harbor Statement**

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995: This release includes forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally can be identified by phrases such as Conexant or its management “believes,” “expects,” “anticipates,” “foresees,” “forecasts,” “estimates” or other words or phrases of similar import. Similarly, statements in this release that

describe our business strategy, outlook, objectives, plans, intentions or goals also are forward-looking statements. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements.

These risks and uncertainties include, but are not limited to: pricing pressures and other competitive factors; our ability to timely develop and implement new technologies and to obtain protection for the related intellectual property; the cyclical nature of the semiconductor industry and the markets addressed by our products and our customers' products; volatility in the technology sector and the semiconductor industry; our successful development of new products; the timing of our new product introductions and our product quality; demand for and market acceptance of our new and existing products; our ability to anticipate trends and develop products for which there will be market demand; the availability of manufacturing capacity; changes in our product mix; product obsolescence; the ability of our customers to manage inventory; the risk that capital needed for our business and to repay our indebtedness will not be available when needed; the risk that the value of our common stock may be adversely affected by market volatility; the substantial losses we have incurred; the uncertainties of litigation, including claims of infringement of third-party intellectual property rights or demands that we license third-party technology, and the demands it may place on the time and attention of our management and the expense it may place on our company; general economic and political conditions and conditions in the markets we address; and possible disruptions in commerce related to terrorist activity or armed conflict, as well as other risks and uncertainties, including those detailed from time to time in our Securities and Exchange Commission filings.

The forward-looking statements are made only as of the date hereof. We undertake no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

*Conexant is a registered trademark of Conexant Systems, Inc. Other brands and names contained in this release are the property of their respective owners.*

**CONEXANT SYSTEMS, INC.**  
**Reconciliation of GAAP Financial Measures to Non-GAAP Core Financial Measures**  
(unaudited, in thousands, except per share amounts)

|   | Three Months Ended<br>June 27, 2008 |                     |                  |                    |                                      | Third Quarter<br>2008<br>Guidance |
|---|-------------------------------------|---------------------|------------------|--------------------|--------------------------------------|-----------------------------------|
|   | GAAP                                | Core<br>Adjustments | Non-GAAP<br>Core | BMP<br>Adjustments | Non-GAAP<br>Core<br>including<br>BMP |                                   |
| Net revenues .....  | \$ 115,594                          | \$ —                | \$ 115,594       | \$ 55,479 (m)      | \$ 171,073                           | \$167,000 to \$171,000            |
| Gross margin .....  | \$ 58,408                           | \$ 42 (a)           | \$ 58,450        | \$ 22,133 (m)      | \$ 80,583                            |                                   |
| Gross margin percentage .....   | 50.5%                               |                     | 50.6%            |                    | 47.1%                                | 44.5% -45.5%                      |
| Gross margin .....  | \$ 58,408                           | \$ 42 (a)           | \$ 58,450        | \$ 22,133 (m)      | \$ 80,583                            |                                   |
| Operating expenses .....  | 184,781                             | (138,825) (1)       | 45,956           | 23,669 (m)         | 69,625                               | \$72,000 to \$74,000              |
| Operating (loss) income .....   | \$ (126,373)                        | \$ 138,867          | \$ 12,494        | \$ (1,536)         | \$ 10,958                            | \$0 to \$5,000                    |
| Interest expense .....  | \$ 6,669                            | \$ —                | \$ 6,669         | \$ 1,608 (m)       | \$ 8,277                             |                                   |
| Provision for income taxes .....  | \$ 2,466                            | \$ —                | \$ 2,466         | \$ 876 (m)         | \$ 3,342                             |                                   |
| (Loss) income from continuing<br>operations .....                           | \$ (126,419)                        | \$ 132,434 (2)      | \$ 6,015         | \$ (4,020) (m)     | \$ 1,995                             |                                   |
| Basic and diluted earnings per<br>share from continuing<br>operations ..... | \$ (2.56)                           |                     | \$ 0.12          |                    | \$ 0.04                              | \$(0.17) to \$(0.06)              |

(1) GAAP to Non-GAAP Core adjustments to operating expense are as follows:

|   |                  |
|---|------------------|
| GAAP operating expenses .....               | \$ 184,781       |
| Stock-based compensation (a) .....          | (6,154)          |
| Amortization of intangible assets (c) ..... | (3,629)          |
| Asset impairments (d) .....                 | (120,617)        |
| Special charges (e) .....                   | (8,425)          |
| Other .....                                 | —                |
| Non-GAAP Core operating expenses .....      | <u>\$ 45,956</u> |

(2) GAAP to Non-GAAP Core adjustments to net loss from continuing operations are as follows:

|  |                 |
|--|-----------------|
| GAAP net loss from continuing operations .....                   | \$ (126,419)    |
| Gross margin adjustments (a) .....                               | 42              |
| Operating expense adjustments (a-e) .....                        | 138,825         |
| (Gain) loss on Mindspeed warrant (g) .....                       | (1,881)         |
| Gains on sales of equity securities (h) .....                    | (146)           |
| (Gains) losses of equity method investments (i) .....            | (53)            |
| Other (j) .....  | (4,353)         |
| Non-GAAP Core net income (loss) from continuing operations ..... | <u>\$ 6,015</u> |

See "GAAP to Non-GAAP Core Adjustments" below

**CONEXANT SYSTEMS, INC.**  
**GAAP Condensed Consolidated Statements of Operations**  
(unaudited, in thousands, except per share amounts)

|  | Three Months Ended  |                     |                    | Nine Months Ended   |                     |
|--|---------------------|---------------------|--------------------|---------------------|---------------------|
|  | June 27,<br>2008    | March 28,<br>2008   | June 29,<br>2007   | June 27,<br>2008    | June 29,<br>2007    |
| Net revenues .....   | \$ 115,594          | \$ 118,518          | \$ 134,252         | \$ 380,045          | \$ 434,643          |
| Cost of goods sold.....  | <u>57,186</u>       | <u>56,481</u>       | <u>70,547</u>      | <u>177,479</u>      | <u>222,628</u>      |
| Gross margin.....  | 58,408              | 62,037              | 63,705             | 202,566             | 212,015             |
| Operating expenses:  |                     |                     |                    |                     |                     |
| Research and development.....  | 27,410              | 30,650              | 42,502             | 95,883              | 131,151             |
| Selling, general and administrative .....  | 24,700              | 20,424              | 22,297             | 65,138              | 68,488              |
| Amortization of intangible assets.....   | 3,629               | 2,859               | 4,613              | 11,059              | 16,685              |
| Asset impairments (Note 1) .....   | 120,617             | —                   | —                  | 120,747             | 155,000             |
| Special charges.....   | <u>8,425</u>        | <u>2,594</u>        | <u>1,141</u>       | <u>15,238</u>       | <u>8,510</u>        |
| Total operating expenses.....  | <u>184,781</u>      | <u>56,527</u>       | <u>70,553</u>      | <u>308,065</u>      | <u>379,834</u>      |
| Operating (loss) income .....  | (126,373)           | 5,510               | (6,848)            | (105,499)           | (167,819)           |
| Interest expense.....  | 6,669               | 8,628               | 9,195              | 24,746              | 31,578              |
| Other (income) expense, net .....  | <u>(9,036)</u>      | <u>4,148</u>        | <u>(3,656)</u>     | <u>457</u>          | <u>(26,377)</u>     |
| Loss before income taxes and gain (loss) of equity<br>method investments.....            | (124,006)           | (7,266)             | (12,387)           | (130,702)           | (173,020)           |
| Provision for income taxes.....  | <u>2,466</u>        | <u>717</u>          | <u>530</u>         | <u>4,045</u>        | <u>1,748</u>        |
| Loss from continuing operations before gain (loss) of<br>equity method investments ..... | (126,472)           | (7,983)             | (12,917)           | (134,747)           | (174,768)           |
| Gain (loss) of equity method investments (Note 2) .....                                  | <u>53</u>           | <u>(214)</u>        | <u>179</u>         | <u>3,612</u>        | <u>44,194</u>       |
| Loss from continuing operations.....   | (126,419)           | (8,197)             | (12,738)           | (131,135)           | (130,574)           |
| Loss from discontinued operations (net of tax) (Notes 3).....                            | <u>(23,452)</u>     | <u>(133,807)</u>    | <u>(22,489)</u>    | <u>(169,958)</u>    | <u>(37,123)</u>     |
| Net loss .....   | <u>\$ (149,871)</u> | <u>\$ (142,004)</u> | <u>\$ (35,227)</u> | <u>\$ (301,093)</u> | <u>\$ (167,697)</u> |
| Basic and diluted net loss per share from continuing<br>operations (Note 4) .....        | <u>\$ (2.56)</u>    | <u>\$ (0.17)</u>    | <u>\$ (0.26)</u>   | <u>\$ (2.66)</u>    | <u>\$ (2.67)</u>    |
| Basic and diluted net loss per share from discontinued<br>operations (Note 4) .....      | <u>\$ (0.47)</u>    | <u>\$ (2.71)</u>    | <u>\$ (0.46)</u>   | <u>\$ (3.45)</u>    | <u>\$ (0.76)</u>    |
| Basic and diluted net loss per share (Note 4).....                                       | <u>\$ (3.03)</u>    | <u>\$ (2.88)</u>    | <u>\$ (0.72)</u>   | <u>\$ (6.11)</u>    | <u>\$ (3.43)</u>    |

Shares used in basic and diluted per-share computations  
(Note 4)..... 49,450      49,312      49,056      49,333      48,861

**Note 1** – Asset impairments for the three and nine months ended June 27, 2008 includes non-cash impairment charges related to our Broadband Access (BBA) product lines related to goodwill of \$108.6 million, intangible assets of \$1.9 million, property, plant and equipment of \$6.5 million and technical license tool impairments of \$3.4 million. Asset impairments for the nine months ended June 29, 2007 also includes non-cash impairment charges related to our Embedded Wireless Networking business related to goodwill and intangible assets of \$135.0 million and \$20.0 million, respectively.

**Note 2** – Gain (loss) of equity method investments for the nine months ended June 29, 2007 includes a gain on the sale of our investment in Jazz Semiconductor, Inc. of \$43.5 million.

**Note 3** – On April 29, 2008, the Company announced it had signed a definitive agreement to sell its Broadband Media Processing (BMP) product lines to NXP Semiconductors. As a result of this transaction, which is expected to close in August 2008, the results of the BMP business have been reported as discontinued operations and its assets and liabilities have been classified as held for sale. The results of discontinued operations include tax expense of \$0.9 million, \$0.3 million, \$0.2 million, \$1.4 million and \$0.7 million for the three months ended June 27 and March 28, 2008 and June 29, 2007, and the nine months ended June 27, 2008 and June 29, 2007, respectively.

**Note 4** – On June 27, 2008, the Company effected a one-for-ten reverse stock split of its common stock. All share and per share data in these condensed consolidated financial statements have been adjusted to give effect to the reverse split

**CONEXANT SYSTEMS, INC.****Reconciliation of GAAP Financial Measures to Non-GAAP Core Financial Measures**

(unaudited, in thousands, except per share amounts)

|   | Three Months Ended |                  | Nine Months Ended |                  |
|---|--------------------|------------------|-------------------|------------------|
|   | June 27,<br>2008   | June 29,<br>2007 | June 27,<br>2008  | June 29,<br>2007 |
| GAAP net revenues .....   | \$ 115,594         | \$ 134,252       | \$ 380,045        | \$ 434,643       |
| Royalty buyout (k) .....  | —                  | —                | (14,700)          | —                |
| Non-GAAP Core net revenue less impact of royalty buyout .....             | \$ 115,594         | \$ 134,252       | \$ 365,345        | \$ 434,643       |
| GAAP cost of goods sold .....   | \$ 57,186          | \$ 70,547        | \$ 177,479        | \$ 222,628       |
| Stock-based compensation (a) .....  | (42)               | (143)            | (237)             | (361)            |
| Other (f) .....   | —                  | —                | 797               | —                |
| Non-GAAP Core cost of goods sold less impact of royalty buyout .....      | \$ 57,144          | \$ 70,404        | \$ 178,039        | \$ 222,267       |
| GAAP gross margin .....   | \$ 58,408          | \$ 63,705        | \$ 202,566        | \$ 212,015       |
| Stock-based compensation (a) .....  | 42                 | 143              | 237               | 361              |
| Other (f) .....   | —                  | —                | (797)             | —                |
| Non-GAAP Core gross margin .....  | 58,450             | 63,848           | 202,006           | 212,376          |
| Royalty buyout (k) .....  | —                  | —                | (14,700)          | —                |
| Non-GAAP Core gross margin less impact of royalty buyout .....            | \$ 58,450          | \$ 63,848        | \$ 187,306        | \$ 212,376       |
| GAAP operating expenses .....   | \$ 184,781         | \$ 70,553        | \$ 308,065        | \$ 379,834       |
| Stock-based compensation (a) .....  | (6,154)            | (4,240)          | (11,846)          | (11,474)         |
| Transitional salaries and benefits (b) .....                              | —                  | (934)            | —                 | (3,265)          |
| Amortization of intangible assets (c) .....                               | (3,629)            | (4,613)          | (11,060)          | (16,685)         |
| Asset impairments (d) .....   | (120,617)          | —                | (120,747)         | (155,000)        |
| Special charges (e) .....   | (8,425)            | (1,141)          | (15,238)          | (8,510)          |
| Other .....   | —                  | —                | —                 | (400)            |
| Non-GAAP Core operating expenses .....                                    | \$ 45,956          | \$ 59,625        | \$ 149,174        | \$ 184,500       |
| GAAP operating loss .....   | \$ (126,373)       | \$ (6,848)       | \$ (105,499)      | \$ (167,819)     |
| Gross margin adjustments (a, f) .....                                     | 42                 | 143              | (560)             | 361              |
| Operating expense adjustments (a-e) .....                                 | 138,825            | 10,928           | 158,891           | 195,334          |
| Non-GAAP Core operating income .....                                      | \$ 12,494          | \$ 4,223         | \$ 52,832         | \$ 27,876        |
| Royalty buyout (k) .....  | —                  | —                | (14,700)          | —                |
| Non-GAAP Core operating income less impact of royalty buyout .....        | \$ 12,494          | \$ 4,223         | \$ 38,132         | \$ 27,876        |
| GAAP net loss from continuing operations .....                            | \$ (126,419)       | \$ (12,738)      | \$ (131,135)      | \$ (130,574)     |
| Gross margin adjustments (a, f) .....                                     | 42                 | 143              | (560)             | 361              |
| Operating expense adjustments (a-e) .....                                 | 138,825            | 10,928           | 158,891           | 195,334          |
| Unrealized (gains) losses on Mindspeed warrant (g) .....                  | (1,881)            | (944)            | 12,662            | (7,868)          |
| Gains on sales of equity securities (h) .....                             | (146)              | (101)            | (875)             | (6,570)          |
| (Gains) losses of equity method investments (i) .....                     | (53)               | (179)            | (3,612)           | (44,194)         |
| Other (j) .....   | (4,353)            | —                | (2,998)           | —                |
| Non-GAAP Core net income (loss) from continuing operations .....          | \$ 6,015           | \$ (2,891)       | \$ 32,373         | \$ 6,489         |
| Basic and Diluted net (loss) income from continuing operations per share: |                    |                  |                   |                  |
| GAAP (l) .....  | \$ (2.56)          | \$ (0.26)        | \$ (2.66)         | \$ (2.67)        |
| Non-GAAP (l) .....  | \$ 0.12            | \$ (0.06)        | \$ 0.65           | \$ 0.13          |

See "GAAP to Non-GAAP Core Adjustments" below

**CONEXANT SYSTEMS, INC.**  
**Reconciliation of GAAP Financial Measures to Non-GAAP Core Financial Measures**  
(unaudited, in thousands, except per share amounts)

|   | Three Months Ended |                   |                      | Nine Months       |
|---|--------------------|-------------------|----------------------|-------------------|
|   | June 27,<br>2008   | March 28,<br>2008 | December 28,<br>2007 | June 27,<br>2008  |
| GAAP net revenues .....   | \$ 115,594         | \$ 118,518        | \$ 145,933           | \$ 380,045        |
| Royalty buyout (k) .....  | —                  | —                 | (14,700)             | (14,700)          |
| Non-GAAP Core net revenue less impact of royalty buyout .....             | <u>\$ 115,594</u>  | <u>\$ 118,518</u> | <u>\$ 131,233</u>    | <u>\$ 365,345</u> |
| GAAP cost of goods sold .....   | \$ 57,186          | \$ 56,481         | \$ 63,812            | \$ 177,479        |
| Stock-based compensation (a) .....  | (42)               | (81)              | (114)                | (237)             |
| Other (f) .....   | —                  | 797               | —                    | 797               |
| Non-GAAP Core cost of goods sold .....                                    | <u>\$ 57,144</u>   | <u>\$ 57,197</u>  | <u>\$ 63,698</u>     | <u>\$ 178,039</u> |
| GAAP gross margin .....   | \$ 58,408          | \$ 62,037         | \$ 82,121            | \$ 202,566        |
| Stock-based compensation (a) .....  | 42                 | 81                | 114                  | 237               |
| Other (f) .....   | —                  | (797)             | —                    | (797)             |
| Non-GAAP Core gross margin .....  | <u>58,450</u>      | <u>61,321</u>     | <u>82,235</u>        | <u>202,006</u>    |
| Royalty buyout (k) .....  | —                  | —                 | (14,700)             | (14,700)          |
| Non-GAAP Core gross margin less impact of royalty buyout .....            | <u>\$ 58,450</u>   | <u>\$ 61,321</u>  | <u>\$ 67,535</u>     | <u>\$ 187,306</u> |
| GAAP operating expenses .....   | \$ 184,781         | \$ 56,527         | \$ 66,757            | \$ 308,065        |
| Stock-based compensation (a) .....  | (6,154)            | (3,122)           | (2,570)              | (11,846)          |
| Transitional salaries and benefits (b) .....                              | —                  | —                 | —                    | —                 |
| Amortization of intangible assets (c) .....                               | (3,629)            | (2,859)           | (4,571)              | (11,060)          |
| Asset impairments (d) .....   | (120,617)          | —                 | (130)                | (120,747)         |
| Special charges (e) .....   | (8,425)            | (2,594)           | (4,219)              | (15,238)          |
| Other .....   | —                  | —                 | —                    | —                 |
| Non-GAAP Core operating expenses .....                                    | <u>\$ 45,956</u>   | <u>\$ 47,952</u>  | <u>\$ 55,267</u>     | <u>\$ 149,174</u> |
| GAAP operating (loss) income .....  | \$ (126,373)       | \$ 5,510          | \$ 15,364            | \$ (105,499)      |
| Gross margin adjustments (a, f) .....                                     | 42                 | (716)             | 114                  | (560)             |
| Operating expense adjustments (a-e) .....                                 | <u>138,825</u>     | <u>8,575</u>      | <u>11,490</u>        | <u>158,891</u>    |
| Non-GAAP Core operating income .....                                      | <u>\$ 12,494</u>   | <u>\$ 13,369</u>  | <u>\$ 26,968</u>     | <u>\$ 52,832</u>  |
| Royalty buyout (k) .....  | —                  | —                 | (14,700)             | (14,700)          |
| Non-GAAP Core operating income less impact of royalty buyout .....        | <u>\$ 12,494</u>   | <u>\$ 13,369</u>  | <u>\$ 12,268</u>     | <u>\$ 38,132</u>  |
| GAAP net (loss) income from continuing operations .....                   | \$ (126,419)       | \$ (8,197)        | \$ 3,481             | \$ (131,135)      |
| Gross margin adjustments (a, f) .....                                     | 42                 | (716)             | 114                  | (560)             |
| Operating expense adjustments (a-e) .....                                 | 138,825            | 8,575             | 11,490               | 158,891           |
| Unrealized (gains) losses on Mindspeed warrant (g) .....                  | (1,881)            | 6,179             | 8,364                | 12,662            |
| Gains on sales of equity securities (h) .....                             | (146)              | (729)             | —                    | (875)             |
| (Gains) losses of equity method investments (i) .....                     | (53)               | 214               | (3,773)              | (3,612)           |
| Other (j) .....   | <u>(4,353)</u>     | <u>1,355</u>      | <u>—</u>             | <u>(2,998)</u>    |
| Non-GAAP Core net income from continuing operations ..                    | <u>\$ 6,015</u>    | <u>\$ 6,681</u>   | <u>\$ 19,676</u>     | <u>\$ 32,373</u>  |
| Basic and diluted net income (loss) from continuing operations per share: |                    |                   |                      |                   |
| GAAP (l) .....  | <u>\$ (2.56)</u>   | <u>\$ (0.17)</u>  | <u>\$ 0.07</u>       | <u>\$ (2.66)</u>  |
| Non-GAAP Core (l) .....   | <u>\$ 0.12</u>     | <u>\$ 0.14</u>    | <u>\$ 0.40</u>       | <u>\$ 0.65</u>    |

See "GAAP to Non-GAAP Core Adjustments" below

**CONEXANT SYSTEMS, INC.**  
**Reconciliation of GAAP Financial Measures to Non-GAAP Core Financial Measures**  
(unaudited, in thousands, except per share amounts)

|   | Three Months Ended    |                   |                   |                      | Year Ended            |
|---|-----------------------|-------------------|-------------------|----------------------|-----------------------|
|   | September 28,<br>2007 | June 29,<br>2007  | March 30,<br>2007 | December 29,<br>2006 | September 28,<br>2007 |
| GAAP net revenues.....  | \$ 138,933            | \$ 134,252        | \$ 136,084        | \$ 164,307           | \$ 573,576            |
| GAAP cost of goods sold .....   | \$ 72,836             | \$ 70,547         | \$ 70,941         | \$ 81,140            | \$ 295,464            |
| Stock-based compensation (a) .....  | (112)                 | (143)             | (115)             | (103)                | (473)                 |
| Other (f) .....   | (1,211)               | —                 | —                 | —                    | (1,211)               |
| Non-GAAP Core cost of goods sold.....                                     | <u>\$ 71,513</u>      | <u>\$ 70,404</u>  | <u>\$ 70,826</u>  | <u>\$ 81,037</u>     | <u>\$ 293,780</u>     |
| GAAP gross margin .....   | \$ 66,097             | \$ 63,705         | \$ 65,143         | \$ 83,167            | \$ 278,112            |
| Stock-based compensation (a) .....  | 112                   | 143               | 115               | 103                  | 473                   |
| Other (f) .....   | 1,211                 | —                 | —                 | —                    | 1,211                 |
| Non-GAAP Core gross margin .....  | <u>\$ 67,420</u>      | <u>\$ 63,848</u>  | <u>\$ 65,258</u>  | <u>\$ 83,270</u>     | <u>\$ 279,796</u>     |
| GAAP operating expenses .....   | \$ 162,884            | \$ 70,553         | \$ 231,196        | \$ 78,085            | \$ 542,718            |
| Stock-based compensation (a) .....  | (3,856)               | (4,240)           | (3,884)           | (3,522)              | (15,502)              |
| Transitional salaries and benefits (b) .....                              | (620)                 | (934)             | (1,591)           | (740)                | (3,885)               |
| Amortization of intangible assets (c) .....                               | (4,574)               | (4,613)           | (6,044)           | (6,028)              | (21,259)              |
| Asset impairments (d) .....   | (67,698)              | —                 | (155,000)         | —                    | (222,698)             |
| Special charges (e) .....   | (25,302)              | (1,141)           | (4,532)           | (2,837)              | (33,812)              |
| Other .....   | —                     | —                 | —                 | (400)                | (400)                 |
| Non-GAAP Core operating expenses .....                                    | <u>\$ 60,834</u>      | <u>\$ 59,625</u>  | <u>\$ 60,145</u>  | <u>\$ 64,558</u>     | <u>\$ 245,162</u>     |
| GAAP operating (loss) income .....  | \$ (96,787)           | \$ (6,848)        | \$ (166,053)      | \$ 5,082             | \$ (264,606)          |
| Gross margin adjustments (a, f, k) .....                                  | 1,323                 | 143               | 115               | 103                  | 1,684                 |
| Operating expense adjustments (a-e) .....                                 | 102,050               | 10,928            | 171,051           | 13,527               | 297,556               |
| Non-GAAP Core operating income .....                                      | <u>\$ 6,586</u>       | <u>\$ 4,223</u>   | <u>\$ 5,113</u>   | <u>\$ 18,712</u>     | <u>\$ 34,634</u>      |
| GAAP net (loss) income from continuing operations .....                   | \$ (90,616)           | \$ (12,738)       | \$ (124,342)      | \$ 6,506             | \$ (221,190)          |
| Gross margin adjustments (a, f, k) .....                                  | 1,323                 | 143               | 115               | 103                  | 1,684                 |
| Operating expense adjustments (a-e) .....                                 | 102,050               | 10,928            | 171,051           | 13,527               | 297,556               |
| Unrealized (gains) losses on Mindspeed warrant (g) ..                     | 8,820                 | (944)             | (3,882)           | (3,042)              | 952                   |
| Gains on sales of equity securities (h) .....                             | (10,446)              | (101)             | (1,337)           | (5,132)              | (17,016)              |
| (Gains) losses of equity method investments (i) .....                     | (6,988)               | (179)             | (44,020)          | 5                    | (51,182)              |
| Other .....   | (5,324)               | —                 | —                 | —                    | (5,324)               |
| Non-GAAP Core net (loss) income from continuing operations .....          | <u>\$ (1,181)</u>     | <u>\$ (2,891)</u> | <u>\$ (2,415)</u> | <u>\$ 11,967</u>     | <u>\$ 5,480</u>       |
| Basic and diluted net (loss) income from continuing operations per share: |                       |                   |                   |                      |                       |
| GAAP (l) .....  | <u>\$ (1.84)</u>      | <u>\$ (0.26)</u>  | <u>\$ (2.54)</u>  | <u>\$ 0.13</u>       | <u>\$ (4.52)</u>      |
| Non-GAAP Core (l) .....   | <u>\$ (0.02)</u>      | <u>\$ (0.06)</u>  | <u>\$ (0.05)</u>  | <u>\$ 0.25</u>       | <u>\$ 0.11</u>        |

See "GAAP to Non-GAAP Core Adjustments" below

**GAAP to Non-GAAP Core Adjustments:**

- (a) Stock-based compensation expense is based on the fair value of all stock options and employee stock purchase plan shares in accordance with SFAS No. 123(R).
- (b) Transitional salaries and benefits represent amounts earned by employees who have been notified of their termination as part of our restructuring activities, from the date of their notification.
- (c) Amortization of intangible assets resulting from business combinations.
- (d) Asset impairments for the three and nine months ended June 27, 2008 includes non-cash impairment charges related to our Broadband Access (BBA) product lines related to goodwill of \$108.6 million, intangible assets of \$1.9 million, property, plant and equipment of \$6.5 million and technical license tool impairments of \$3.4 million. Asset impairments for the nine months ended June 29, 2007 also includes non-cash impairment charges related to our Embedded Wireless Networking business of \$135.0 million and \$20.0 million.
- (e) Special charges for the three and nine months ended June 27, 2008, primarily consists of a \$6.3 million expense incurred on the termination of a defined benefit plan and restructuring charges. Special charges for the three and nine months ended June 29, 2007 consist of restructuring charges. Special charges for the three months ended September 28, 2007 were primarily comprised of legal settlements totaling \$20.0 million and \$4.1 million of restructuring charges.
- (f) Other gains and losses which are not part of our core, on-going operations. For the nine months ended June 27, 2008, this amount relates to an environmental remediation charge.
- (g) Unrealized gains and losses associated with changes in the fair value of our warrant to purchase 6 million shares of Mindspeed Technologies, Inc. common stock, which is accounted for as a derivative instrument.
- (h) Gains on sales of equity securities or on the liquidation of companies in which we held equity securities.
- (i) Gain (loss) of equity method investments for the nine months ended June 29, 2007 includes a gain on the sale of our investment in Jazz Semiconductor, Inc. of \$43.5 million.
- (j) Represents the gain on sale of a building in India, net of tax.
- (k) Our first quarter fiscal 2008 financial results included \$14.7 million of non-recurring revenue that resulted from the buyout of a future royalty stream.
- (l) On June 27, 2008, the Company's affected a one-for-ten reverse stock split of its common stock. All share and per share data in these financial statements have been adjusted to give effect to the reverse split.
- (m) BMP adjustments reflect the Non-GAAP Core net revenue, gross margin, operating expenses, interest expense and provision for income taxes which were classified as discontinued operations in the third quarter of fiscal 2008.

**Non-GAAP Financial Measures:**

We have presented non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income, non-GAAP net income (loss) and non-GAAP basic and diluted net income (loss) per share, on a basis consistent with our historical presentation to assist investors in understanding our core results of operations on an on-going basis. These non-GAAP financial measures also enhance comparisons of our core results of operations with historical periods. We are providing these non-GAAP financial measures to investors to enable them to perform additional financial analysis and because it is consistent with the financial models and estimates published by analysts who follow our company. Management believes that these are important measures in the evaluation of our results of operations. Investors should consider non-GAAP financial measures in addition to, and not as a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. The non-GAAP financial measures presented by us may be different than non-GAAP financial measures presented by other companies.

**GAAP Guidance:**

We do not present GAAP guidance due to our inability to project (i) future market prices of the common stock of a third party underlying a derivative financial instrument, (ii) realized gains or losses from the sale of equity securities in third parties, and (iii) the financial results of investments accounted for using the equity method of accounting.

**CONEXANT SYSTEMS, INC.**  
**Condensed Consolidated Balance Sheets**  
(unaudited, in thousands)

|  | June 27,<br>2008 | September 28,<br>2007 |
|--|------------------|-----------------------|
| <b>ASSETS</b>  |                  |                       |
| Current assets:  |                  |                       |
| Cash and cash equivalents.....                             | \$ 134,626       | \$ 234,147            |
| Restricted cash .....                                      | 37,800           | 8,800                 |
| Receivables .....  | 78,499           | 80,856                |
| Inventories .....  | 36,713           | 42,007                |
| Other current assets.....                                  | 32,560           | 18,131                |
| Current assets held for sale .....                         | 107,833          | 250,451               |
| Total current assets .....                                 | 428,031          | 634,392               |
| Property, plant and equipment, net .....                   | 24,749           | 46,676                |
| Goodwill .....   | 105,379          | 214,635               |
| Intangible assets, net .....                               | 11,625           | 24,597                |
| Other assets .....   | 54,879           | 65,669                |
| Total assets.....  | \$ 624,663       | \$ 985,969            |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                |                  |                       |
| Current liabilities:                                       |                  |                       |
| Current portion of long-term debt.....                     | \$ —             | \$ 58,000             |
| Short-term debt .....                                      | 77,177           | 80,000                |
| Accounts payable.....                                      | 61,836           | 80,571                |
| Accrued compensation and benefits .....                    | 18,908           | 23,191                |
| Other current liabilities .....                            | 59,890           | 70,345                |
| Current liabilities to be assumed .....                    | 4,234            | 3,925                 |
| Total current liabilities .....                            | 222,045          | 316,032               |
| Long-term debt .....                                       | 471,400          | 467,000               |
| Other liabilities .....                                    | 63,750           | 56,422                |
| Total liabilities .....                                    | 757,195          | 839,454               |
| Shareholders' (deficit) equity.....                        | (132,532)        | 146,515               |
| Total liabilities and shareholders' (deficit) equity ..... | \$ 624,663       | \$ 985,969            |

**CONEXANT SYSTEMS, INC.**

**Selected Other Data**

(unaudited, in thousands)

|                                     | Three Months Ended |                   |                   | Nine Months Ended |                   |
|-------------------------------------|--------------------|-------------------|-------------------|-------------------|-------------------|
|                                     | June 27,<br>2008   | March 28,<br>2008 | June 29,<br>2007  | June 27,<br>2008  | June 29,<br>2007  |
| <b>Revenues By Region:</b>          |                    |                   |                   |                   |                   |
| Americas .....                      | \$ 8,995           | \$ 7,942          | \$ 11,446         | \$ 26,236         | \$ 35,485         |
| Asia-Pacific.....                   | 99,690             | 105,183           | 114,949           | 334,018           | 374,722           |
| Europe, Middle East and Africa..... | 6,909              | 5,393             | 7,857             | 19,791            | 24,436            |
|                                     | <u>\$ 115,594</u>  | <u>\$ 118,518</u> | <u>\$ 134,252</u> | <u>\$ 380,045</u> | <u>\$ 434,643</u> |
| <b>Cash Flow Data:</b>              |                    |                   |                   |                   |                   |
| Depreciation of PP&E.....           | \$ 5,245           | \$ 5,825          | \$ 6,452          | \$ 16,779         | \$ 18,441         |
| Capital expenditures.....           | \$ 551             | \$ 2,075          | \$ 8,194          | \$ 3,655          | \$ 23,133         |