



## To Ikanos Stockholders:

Fiscal 2009 was a year marked by substantial progress for Ikanos. We successfully completed the acquisition of Conexant's broadband access business, strengthening our position as a top supplier of broadband DSL and communications processors. We grew and diversified our revenue base across geographies and product lines, achieving non-GAAP profitability in the fourth quarter. And we continued to innovate, introducing our latest central office chipset – the world's lowest power device – Ikanos Velocity™. These moves and others were designed to allow us to accelerate the delivery of our strategic vision, position us for entry into new markets and further drive financial improvements.

Revenue for the full fiscal year was \$130.7 million, a 23 percent increase over fiscal 2008 revenue, and the second highest revenue in the Company's history. In the fourth quarter we achieved record revenue of \$58.2 million and were profitable on a non-GAAP basis, with non-GAAP net income for the quarter of \$1.5 million or \$0.03 per share.

### Conexant BBA Acquisition

The completion of the Conexant broadband access asset purchase gave Ikanos greater scale, resources and stability. As a result of the transaction, we extended our leadership as the world's number one supplier of VDSL and are now one of the top providers of ADSL chipsets. In addition, the acquisition adds ARM®-based communications processors, strengthened Ikanos' PON offerings and brought other products into the portfolio including wireless networking, Ethernet switching, and more.

By combining the two businesses, we also gained a number of synergies. We were able to consolidate facilities, eliminate duplicative activities and reduce other costs.

### Diversified Revenue Base

Ikanos has historically been strong in Japan, Korea and Europe. In 2009, our revenue was more balanced with significant contributions from those regions, and also from North America and emerging markets like China and India. Our service provider customers now include many of the largest and influential in each region including AT&T, Belgacom, Bharat Sanchar Nigam Ltd. (BSNL), China Unicom, France Telecom, Korea Telecom, NTT, Swisscom, Telecom Italia and Telefonica.

### Innovative Products

Ikanos continued to advance the state-of-the-art in broadband DSL and communications processors in 2009. In addition to the Ikanos Velocity announcement, we gained traction with our communications processors throughout the year. Our Fusiv®, Solos™ and other devices were selected by leading network equipment manufacturers for a range of products including residential gateways, mobile broadband routers, and femtocell base stations.

### Looking Ahead

Ikanos' efforts in 2009 helped us build one of the world's most important broadband DSL and communications processor companies. These efforts also created a platform for expanding our capabilities and product offerings in broadband technologies. The savings we realized from consolidation enable us to concentrate our resources on the critical engineering programs that address our key markets for today and for the future. Expect to hear more about those projects as we progress through 2010 and beyond.

Thank you for your continued support.

A handwritten signature in blue ink, appearing to read "Diosdado Banatao".

Diosdado Banatao  
Executive Chairman