

**Zarlink Semiconductor Inc.**  
**CONSOLIDATED STATEMENTS OF INCOME (LOSS) DATA**  
(in millions of U.S. dollars, except per share amounts, U.S. GAAP)  
(Unaudited)

	Three months ended			Nine months ended	
	Dec. 26, 2008	Sept. 26, 2008	Dec. 28, 2007	Dec. 26, 2008	Dec. 28, 2007
Revenue	\$ 53.8	\$ 61.8	\$ 48.6	\$ 176.1	\$ 128.8
Cost of revenue	27.3	31.2	25.8	91.4	70.2
Gross margin	26.5	30.6	22.8	84.7	58.6
Expenses:					
Research and development ("R&D")	10.4	11.2	13.1	33.6	33.9
Selling and administrative	11.0	13.6	16.8	37.0	40.3
Acquired in-process R&D	-	-	-	-	20.3
Amortization of intangible assets	1.8	1.9	1.8	5.5	3.2
Contract impairment and other	0.1	-	1.4	0.1	2.6
Gain on sale of business	-	-	(0.7)	-	(0.7)
Impairment of current assets	3.0	-	-	3.0	-
	26.3	26.7	32.4	79.2	99.6
Operating income (loss)	0.2	3.9	(9.6)	5.5	(41.0)
Gain on sale of Mitel investment	-	-	-	-	12.9
Gain on sale of assets	-	-	2.4	0.9	2.4
Gain on repurchase of long-term debt	3.6	-	-	3.6	-
Impairment of asset held for sale	(1.2)	-	-	(1.2)	-
Interest income	0.4	0.3	0.6	1.1	3.0
Interest expense	(1.0)	(1.1)	(1.2)	(3.3)	(1.9)
Amortization of debt issue costs	(0.1)	(0.2)	(0.2)	(0.5)	(0.3)
Foreign exchange gain (loss)	10.3	1.9	(0.6)	11.9	(4.4)
Income (loss) before income taxes	12.2	4.8	(8.6)	18.0	(29.3)
Income tax recovery (expense)	(0.1)	2.4	0.2	2.4	-
Net income (loss)	\$ 12.1	\$ 7.2	\$ (8.4)	\$ 20.4	\$ (29.3)
Net income (loss) attributable to common shareholders after preferred share dividends and premiums on preferred shares	\$ 11.7	\$ 6.5	\$ (9.2)	\$ 18.6	\$ (32.0)
Net income (loss) per common share:					
Basic	\$ 0.09	\$ 0.05	\$ (0.07)	\$ 0.15	\$ (0.25)
Diluted	\$ 0.08	\$ 0.05	\$ (0.07)	\$ 0.13	\$ (0.25)
Weighted average number of common shares outstanding (millions):					
Basic	123.9	125.6	127.3	125.6	127.3
Diluted	154.3	157.7	127.3	157.1	127.3
Percentage of revenue:					
Gross margin	49%	50%	47%	48%	45%
Research and development	19%	18%	27%	19%	26%
Selling and administrative	20%	22%	35%	21%	31%

**Zarlink Semiconductor Inc.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS DATA**  
(in millions of U.S. dollars, U.S. GAAP)  
(Unaudited)

	Three months ended			Nine months ended	
	Dec. 26, 2008	Sept. 26, 2008	Dec. 28, 2007	Dec. 26, 2008	Dec. 28, 2007
<b>CASH PROVIDED BY (USED IN)</b>					
<b>Operating activities:</b>					
Net income (loss)	\$ 12.1	\$ 7.2	\$ (8.4)	\$ 20.4	\$ (29.3)
Depreciation of fixed assets	1.2	1.2	1.5	3.6	4.2
Amortization of intangible assets	1.8	1.9	1.8	5.5	3.2
Stock compensation expense	0.6	0.5	0.4	1.6	1.4
Other non-cash changes in operating activities	(9.0)	(0.9)	(1.0)	(10.2)	9.9
Deferred income taxes	1.3	1.0	1.9	2.2	3.3
Decrease (increase) in working capital:					
Trade accounts and other receivables	8.8	(2.9)	(1.3)	3.1	(4.9)
Inventories	(0.3)	0.6	-	0.7	(2.3)
Prepaid expenses and other	2.2	0.2	1.8	3.7	1.2
Payables and accrued liabilities	(11.5)	(2.1)	(1.7)	(16.3)	(3.8)
Deferred credits	(1.2)	2.3	(0.4)	0.8	0.7
<b>Total</b>	<b>6.0</b>	<b>9.0</b>	<b>(5.4)</b>	<b>15.1</b>	<b>(16.4)</b>
<b>Investing activities:</b>					
Acquisition of business	-	-	(0.1)	-	(136.0)
Matured short-term investments	-	-	-	-	3.3
Expenditures for fixed assets	(0.8)	(0.7)	(3.5)	(3.1)	(5.9)
Proceeds from sale of investment	-	-	-	-	12.9
Proceeds from insurance for fixed assets	-	-	3.4	-	3.4
Proceeds from sale of fixed assets	-	-	2.7	1.0	2.7
<b>Total</b>	<b>(0.8)</b>	<b>(0.7)</b>	<b>2.5</b>	<b>(2.1)</b>	<b>(119.6)</b>
<b>Financing activities:</b>					
Increase in long-term debt	-	-	-	-	74.5
Repurchase of long-term debt	(2.6)	-	-	(2.6)	-
Payment of dividends on preferred shares	(0.4)	(0.6)	(0.5)	(1.5)	(1.7)
Repurchase of preferred shares	(0.3)	(0.4)	(0.5)	(1.2)	(2.1)
Repurchase of common shares	(0.9)	(1.0)	-	(2.7)	-
Debt issue costs	-	-	(0.2)	-	(3.7)
<b>Total</b>	<b>(4.2)</b>	<b>(2.0)</b>	<b>(1.2)</b>	<b>(8.0)</b>	<b>67.0</b>
Effect of currency translation on cash	(1.6)	(0.5)	0.2	(2.1)	1.4
Increase (decrease) in cash and cash equivalents	(0.6)	5.8	(3.9)	2.9	(67.6)
Cash and cash equivalents, beginning of period	45.9	40.1	47.6	42.4	111.3
<b>Cash and cash equivalents, end of period</b>	<b>\$ 45.3</b>	<b>\$ 45.9</b>	<b>\$ 43.7</b>	<b>\$45.3</b>	<b>\$ 43.7</b>

**Zarlink Semiconductor Inc.**  
**CONSOLIDATED BALANCE SHEET DATA**  
(in millions of U.S. dollars, U.S. GAAP)  
(Unaudited)

	<u>Dec. 26, 2008</u>	<u>Sept. 26, 2008</u>	<u>March 28, 2008</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 45.3	\$ 45.9	\$ 42.4
Short-term investments	0.2	0.2	0.2
Restricted cash and cash equivalents	12.8	15.5	17.3
Trade accounts receivable – net	24.9	30.6	23.4
Other receivables – net	4.6	8.5	10.0
Inventories	28.1	27.8	28.8
Prepaid expenses and other	2.3	6.7	8.2
Deferred tax assets – current portion	1.0	1.1	1.3
Current assets held for sale	1.9	3.1	3.1
	<u>121.1</u>	<u>139.4</u>	<u>134.7</u>
Fixed assets – net	13.2	13.4	14.7
Deferred income tax assets – net	5.4	6.6	7.5
Goodwill	46.9	46.9	46.9
Intangible assets – net	51.0	52.8	56.5
Other assets	2.7	3.2	3.6
	<u>\$ 240.3</u>	<u>\$ 262.3</u>	<u>\$ 263.9</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities:			
Trade accounts payable	\$ 13.5	\$ 17.5	\$ 13.3
Employee-related payables	8.8	10.4	12.7
Income and other taxes payable	0.2	0.4	0.4
Current portion of provisions for exit activities	0.9	1.1	3.5
Other accrued liabilities	7.6	8.0	9.6
Deferred credits	1.4	2.5	0.6
Deferred income tax liabilities – current portion	-	-	0.1
	<u>32.4</u>	<u>39.9</u>	<u>40.2</u>
Long-term debt – convertible debentures	58.5	76.2	77.4
Long-term portion of provisions for exit activities	0.2	0.3	0.4
Pension liabilities	14.7	17.8	19.9
Deferred income tax liabilities – long-term portion	-	-	0.2
Long-term accrued income taxes	2.4	7.2	10.9
Other long-term liabilities	0.9	0.9	0.8
	<u>109.1</u>	<u>142.3</u>	<u>149.8</u>
Redeemable preferred shares, unlimited shares authorized; 1,081,600 shares issued and outstanding as at December 26, 2008	<u>13.8</u>	<u>14.1</u>	<u>14.7</u>
Shareholders' equity:			
Common shares, unlimited shares authorized; no par value; 122,425,682 shares issued and outstanding as at December 26, 2008	738.8	756.9	768.5
Additional paid-in capital	33.4	15.6	5.1
Deficit	(619.5)	(631.2)	(638.4)
Accumulated other comprehensive loss	(35.3)	(35.4)	(35.8)
	<u>117.4</u>	<u>105.9</u>	<u>99.4</u>
	<u>\$ 240.3</u>	<u>\$ 262.3</u>	<u>\$ 263.9</u>

**Zarlink Semiconductor Inc.**  
**SUPPLEMENTARY SCHEDULES**  
(in millions of U.S. dollars, U.S. GAAP)  
(Unaudited)

**Geographic Information:**

Revenue, based on the geographic location of Zarlink's customers, was distributed as follows:

	<b>Three Months Ended Dec. 26, 2008</b>	<b>% of Total</b>		<b>Three Months Ended Sept. 26, 2008</b>	<b>% of Total</b>		<b>Three Months Ended Dec. 28, 2007</b>	<b>% of Total</b>	
Asia – Pacific	\$ 27.0	50 %	\$	32.8	53 %	\$	21.3	44 %	
Europe	14.5	27		15.1	25		13.9	28	
Americas	12.3	23		13.9	22		13.4	28	
	<u>\$ 53.8</u>	<u>100 %</u>	\$	<u>61.8</u>	<u>100 %</u>	\$	<u>48.6</u>	<u>100 %</u>	
				<b>Nine Months Ended Dec. 26, 2008</b>	<b>% of Total</b>		<b>Nine Months Ended Dec. 28, 2007</b>	<b>% of Total</b>	
Asia – Pacific			\$	89.3	51 %	\$	58.2	45 %	
Europe				46.6	26		38.3	30	
Americas				40.2	23		32.3	25	
			\$	<u>176.1</u>	<u>100 %</u>	\$	<u>128.8</u>	<u>100 %</u>	

**Product Group Information:**

Revenue, based on product group, was distributed as follows:

	<b>Three Months Ended Dec. 26, 2008</b>	<b>% of Total</b>		<b>Three Months Ended Sept. 26, 2008</b>	<b>% of Total</b>		<b>Three Months Ended Dec. 28, 2007</b>	<b>% of Total</b>	
Communication Products	\$ 33.7	63 %	\$	39.7	64 %	\$	31.2	64 %	
Medical Products	8.2	15		7.8	13		7.6	16	
Optical Products	5.5	10		6.8	11		3.9	8	
Custom & Other	6.4	12		7.5	12		5.9	12	
	<u>\$ 53.8</u>	<u>100 %</u>	\$	<u>61.8</u>	<u>100 %</u>	\$	<u>48.6</u>	<u>100 %</u>	
				<b>Nine Months Ended Dec. 26, 2008</b>	<b>% of Total</b>		<b>Nine Months Ended Dec. 28, 2007</b>	<b>% of Total</b>	
Communication Products			\$	112.5	64 %	\$	79.7	62 %	
Medical Products				25.2	14		20.5	16	
Optical Products				18.5	11		11.0	8	
Custom & Other				19.9	11		17.6	14	
			\$	<u>176.1</u>	<u>100 %</u>	\$	<u>128.8</u>	<u>100 %</u>	