

powering

BUILDING MOMENTUM»

connectivity

EXAR

2007 ANNUAL REPORT



TO OUR SHAREHOLDERS



CHANGING MOMENTUM

Today's Exar is a different company than it was one year ago. We are now increasing revenue, realigning our product development and taking actions that have created a positive change in attitude. We are building a company focused on profits, specific markets, and operational success while continuing to leverage our deep engineering and systems-level design expertise. Our goal is to target specific markets, concentrate on maximizing sales and achieving sustained operational success to increase shareholder value.

We have achieved significant accomplishments

Recognize that this is a process, and not a single event. There are a number of areas where we have implemented changes. Some of the more significant and visible ones included: changing the complexion of the Board and executive management team; declassifying the Board and making it more accountable to our shareholders; realigning Board and management compensation with industry trends. In addition we reduced the number of shares available for equity grants, eliminated re-pricing, and introduced performance-based and restricted stock units. Finally, Exar's share repurchase program activity increased and we are committed to having an ongoing program. We also completed a voluntary audit of our stock option practices where no material accounting issues were found.

Financials

Net Sales for fiscal 2007 were \$68.5 million, up 2% from the previous fiscal year, and the gross margin was again at approximately 68%. Net income for fiscal year 2007 of \$8 million was slightly better than last year, and cash and marketable securities increased \$27 million to approximately \$356 million.

Exar is at an inflection point. Key ingredients for the future are beginning to come into focus: we are rebuilding our management structure, and realigning our product development to more aggressively target growing addressable markets. We are renewing our concentration on revenue and profitability growth, both organically driven and by entry into new markets through well thought out and properly executed measures. All of these actions are to ensure we are driving

the organization towards success. While we are proud of the improvements we have made in the areas of corporate governance and shareholder responsiveness, we are also very mindful that we have only just begun.

BUILDING MOMENTUM

We still have a lot to do

We believe it is critical for our success that we act in a reasonable, proactive, and decisive fashion. We will drive our organization with the fundamental principle of rationalizing resources to sustain operational efficiency in a dynamic market. We will continue to make changes and take appropriate measures to drive top and bottom-line growth—both short and long term.

On May 8, 2007, we announced the signing of a definitive merger agreement with Sipex Corporation (Nasdaq: SIPX). If approved, the combined operation will enable us to leverage our interconnect technology across multiple markets and the operational scale necessary to accelerate our revenue growth.

Actions already taken, and those on the horizon are best captured in "Powering Connectivity"™—a driven, action oriented attitude focusing on customer demands, driving revenues and extending the reach of our proven connectivity and power solutions offerings across markets, products, and technologies.

Exar is poised to start another strategic phase in its existence. We expect Fiscal 2008 will be an exciting year: a time for leadership, a time for growth and profit, a time for further strengthening our customer engagements, and a time for increasing shareholder value. We trust that our shareholders will embrace this vision, and we welcome their ongoing support.

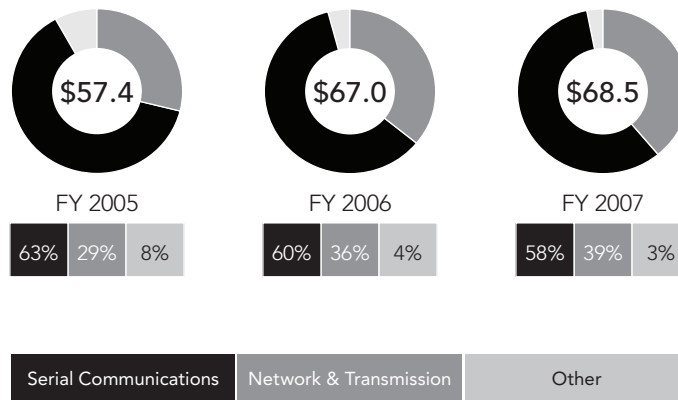
Richard L. Leza

Chairman of the Board
Interim Chief Executive Officer and President

[FINANCIAL PERFORMANCE]

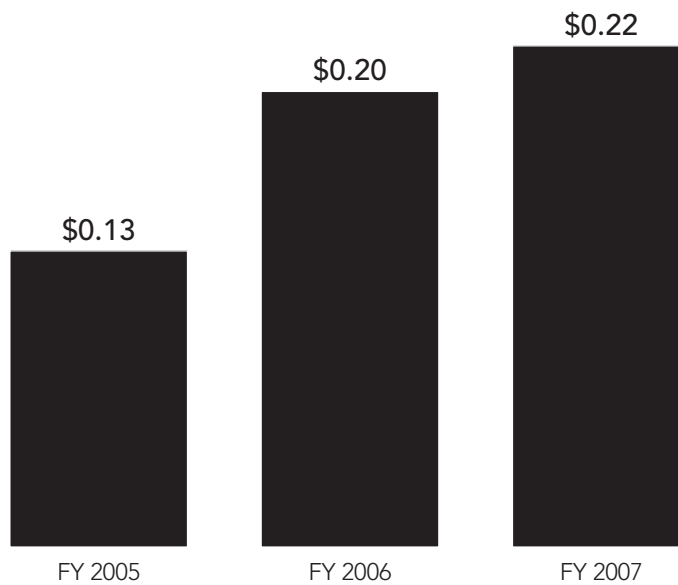
ANNUAL REVENUE & REVENUE MIX

dollars in millions



ANNUAL DILUTED EARNINGS PER SHARE

in dollars



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CORPORATE INFORMATION



BOARD OF DIRECTORS

Guy W. Adams, Director

Richard L. Leza, Chairman of the Board

John S. McFarlane, Director

J. Oscar Rodriguez, Director

Pete Rodriguez, Director

EXECUTIVE OFFICERS

Richard L. Leza

Chairman of the Board

Interim Chief Executive Officer and President

M. Bahram Ghaderi

Vice President, Engineering and Product Development

John W. Herzing

Vice President, World Wide Sales

J. Scott Kamsler

Senior Vice President and Chief Financial Officer

Thomas R. Melendrez

General Counsel, Secretary and Executive Vice President,
Business Development

Stephen W. Michael

Vice President, Exar Operations Division

Levent Ozcolak

Vice President, Marketing, Interface Products

ANNUAL MEETING

The Annual Meeting of Stockholders of Exar Corporation will be held on October 11, 2007 at 3:00 p.m. local time at the Company's Corporate Headquarters, 48720 Kato Road, Fremont, CA 94538.

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP

Ten Almaden Boulevard, Suite 1600

San Jose, CA 95113

OUTSIDE COUNSEL

O'Melveny & Myers LLP

2765 Sand Hill Road

Menlo Park, CA 94025-7019

REGISTRAR AND TRANSFER AGENT

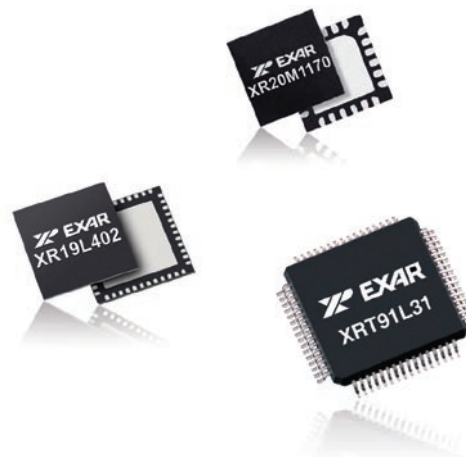
Computershare Investor Services

250 Royall Street

Canton, MA 02021

FORMS 10-K AND 10-K/A

A copy of the Company's Annual Report, Forms 10-K and 10-K/A as filed with the Securities and Exchange Commission (the "SEC") may be obtained without charge from the Company's web site at <http://www.exar.com> or from the SEC's web site at <http://www.sec.gov> as well as by writing to Investor Relations, Exar Corporation, 48720 Kato Road, Fremont, CA 94538 or calling (510) 668-7000.





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