

– Summary Financial Data –

ATHEROS COMMUNICATIONS, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)  
 (In thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2004	2003	2004	2003
<b>Net revenue</b>	\$ 38,262	\$ 25,168	\$ 127,954	\$ 49,699
<b>Cost of goods sold</b>	<u>20,800</u>	<u>14,966</u>	<u>68,215</u>	<u>29,184</u>
<b>Gross profit</b>	17,462	10,202	59,739	20,515
<b>Operating expenses:</b>				
Research and development	10,404	7,482	30,625	20,425
Sales and marketing	3,824	3,134	11,484	7,794
General and administrative	2,139	1,526	6,432	3,677
Stock-based compensation	<u>918</u>	<u>608</u>	<u>3,058</u>	<u>1,490</u>
Total operating expenses	17,285	12,750	51,599	33,386
<b>Income (loss) from operations</b>	177	(2,548)	8,140	(12,871)
<b>Interest income (expense), net</b>	658	(52)	1,281	(39)
<b>Income taxes</b>	<u>(68)</u>	<u>(33)</u>	<u>(753)</u>	<u>(33)</u>
<b>Net income (loss)</b>	<u>\$ 767</u>	<u>\$ (2,633)</u>	<u>\$ 8,668</u>	<u>\$ (12,943)</u>
<b>Basic earnings (loss) per share</b>	<u>\$ 0.02</u>	<u>\$ (0.21)</u>	<u>\$ 0.21</u>	<u>\$ (1.07)</u>
<b>Diluted earnings (loss) per share</b>	<u>\$ 0.01</u>	<u>\$ (0.21)</u>	<u>\$ 0.17</u>	<u>\$ (1.07)</u>
<b>Shares used in computing basic and non-GAAP basic earnings (loss) per share</b>	<u>46,762</u>	<u>12,604</u>	<u>41,345</u>	<u>12,092</u>
<b>Shares used in computing diluted and non-GAAP diluted earnings (loss) per share</b>	<u>52,428</u>	<u>12,604</u>	<u>51,486</u>	<u>12,092</u>
<b>Non-GAAP net income (loss) (*)</b>	<u>\$ 1,685</u>	<u>\$ (2,025)</u>	<u>\$ 11,726</u>	<u>\$ (11,453)</u>
<b>Non-GAAP basic earnings (loss) per share (*)</b>	<u>\$ 0.04</u>	<u>\$ (0.16)</u>	<u>\$ 0.28</u>	<u>\$ (0.95)</u>
<b>Non-GAAP diluted earnings (loss) per share (*)</b>	<u>\$ 0.03</u>	<u>\$ (0.16)</u>	<u>\$ 0.23</u>	<u>\$ (0.95)</u>

**Reconciliation of GAAP Net Income (Loss) to  
 Non-GAAP Net Income (Loss)**

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2004	2003	2004	2003
<b>GAAP net income (loss)</b>	\$ 767	\$ (2,633)	\$ 8,668	\$ (12,943)
<b>Stock-based compensation</b>	<u>918</u>	<u>608</u>	<u>3,058</u>	<u>1,490</u>
<b>Non-GAAP net income (loss)</b>	<u>\$ 1,685</u>	<u>\$ (2,025)</u>	<u>\$ 11,726</u>	<u>\$ (11,453)</u>

(\*) To supplement our consolidated financial statements presented in accordance with GAAP, we have shown above a non-GAAP measure of net income (loss), which is adjusted from results based on GAAP to exclude stock-based compensation. This non-GAAP measure is provided to enhance the user's overall understanding of our historical financial performance. Specifically, we believe the non-GAAP results provide useful information to both management and investors by excluding stock-based compensation expenses.

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

	September 30, 2004	December 31, 2003
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash, cash equivalents and marketable securities	\$150,714	\$29,039
Accounts receivable, net	26,862	9,855
Inventories	19,321	10,929
Prepaid expenses and other current assets	<u>3,403</u>	<u>1,110</u>
Total current assets	200,300	50,933
Property and equipment, net	2,810	2,346
Other assets	<u>1,635</u>	<u>2,607</u>
	<u>\$204,745</u>	<u>\$55,886</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>	\$35,684	\$31,769
<b>Long-term liabilities</b>	819	1,831
<b>Stockholders' equity</b>	<u>168,242</u>	<u>22,286</u>
	<u>\$204,745</u>	<u>\$55,886</u>