

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,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Net revenue	\$ 45,800	\$ 38,262	\$ 130,407	\$ 127,954
Cost of goods sold	<u>25,893</u>	<u>20,800</u>	<u>74,089</u>	<u>68,215</u>
Gross profit	19,907	17,462	56,318	59,739
Operating expenses:				
Research and development	11,657	10,404	34,121	30,625
Sales and marketing	4,262	3,824	12,715	11,484
General and administrative	2,627	2,139	7,200	6,432
Stock-based compensation	<u>441</u>	<u>918</u>	<u>1,512</u>	<u>3,058</u>
Total operating expenses	18,987	17,285	55,548	51,599
Income from operations	920	177	770	8,140
Interest income, net	1,262	658	3,360	1,281
Income taxes	<u>(30)</u>	<u>(68)</u>	<u>(525)</u>	<u>(753)</u>
Net income	<u>\$ 2,152</u>	<u>\$ 767</u>	<u>\$ 3,605</u>	<u>\$ 8,668</u>
Basic earnings per share	<u>\$ 0.04</u>	<u>\$ 0.02</u>	<u>\$ 0.07</u>	<u>\$ 0.21</u>
Diluted earnings per share	<u>\$ 0.04</u>	<u>\$ 0.01</u>	<u>\$ 0.07</u>	<u>\$ 0.17</u>
Shares used in computing basic earnings per share	<u>48,984</u>	<u>46,762</u>	<u>48,582</u>	<u>41,345</u>
Shares used in computing diluted earnings per share	<u>53,617</u>	<u>52,428</u>	<u>53,499</u>	<u>51,486</u>
Non-GAAP net income (*)	<u>\$ 2,593</u>	<u>\$ 1,685</u>	<u>\$ 5,117</u>	<u>\$ 11,726</u>
Shares used in computing non-GAAP basic earnings per share (*)	<u>48,984</u>	<u>46,762</u>	<u>48,582</u>	<u>41,345</u>
Shares used in computing non-GAAP diluted earnings per share (*)	<u>53,617</u>	<u>52,428</u>	<u>53,499</u>	<u>51,486</u>
Non-GAAP basic earnings per share (*)	<u>\$ 0.05</u>	<u>\$ 0.04</u>	<u>\$ 0.11</u>	<u>\$ 0.28</u>
Non-GAAP diluted earnings per share (*)	<u>\$ 0.05</u>	<u>\$ 0.03</u>	<u>\$ 0.10</u>	<u>\$ 0.23</u>

**Reconciliation of GAAP Net Income to
Non-GAAP Net Income**

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
GAAP net income	\$ 2,152	\$ 767	\$ 3,605	\$ 8,668
Stock-based compensation	<u>441</u>	<u>918</u>	<u>1,512</u>	<u>3,058</u>
Non-GAAP net income	<u>\$ 2,593</u>	<u>\$ 1,685</u>	<u>\$ 5,117</u>	<u>\$ 11,726</u>

(*) To supplement our consolidated financial statements presented in accordance with GAAP, we have shown above a non-GAAP measure of net income, 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, 2005	December 31, 2004
ASSETS		
Current assets:		
Cash, cash equivalents and marketable securities	\$164,577	\$154,485
Accounts receivable, net	29,522	29,750
Inventory	21,685	15,215
Prepaid expenses and other current assets	<u>4,842</u>	<u>3,611</u>
Total current assets	220,626	203,061
Property and equipment, net	5,260	2,757
Other assets	<u>583</u>	<u>545</u>
	<u>\$226,469</u>	<u>\$206,363</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities	\$43,956	\$33,022
Long-term liabilities	1,139	301
Stockholders' equity	<u>181,374</u>	<u>173,040</u>
	<u>\$226,469</u>	<u>\$206,363</u>