

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

	<b>Three Months Ended</b>		<b>Year Ended</b>	
	December 31,		December 31,	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<b>Net revenue</b>	\$ 41,653	\$ 37,658	\$ 169,607	\$ 87,357
<b>Cost of goods sold</b>	<u>23,106</u>	<u>21,321</u>	<u>91,321</u>	<u>50,505</u>
<b>Gross profit</b>	18,547	16,337	78,286	36,852
<b>Operating expenses:</b>				
Research and development	10,837	8,687	41,462	29,112
Sales and marketing	3,423	3,721	14,907	11,515
General and administrative	2,091	2,148	8,523	5,825
Stock-based compensation	<u>660</u>	<u>1,868</u>	<u>3,718</u>	<u>3,358</u>
Total operating expenses	17,011	16,424	68,610	49,810
<b>Income (loss) from operations</b>	1,536	(87)	9,676	(12,958)
<b>Interest income (expense), net</b>	808	(44)	2,089	(83)
<b>Income taxes</b>	<u>(188)</u>	<u>(92)</u>	<u>(941)</u>	<u>(125)</u>
<b>Net income (loss)</b>	<u>\$ 2,156</u>	<u>\$ (223)</u>	<u>\$ 10,824</u>	<u>\$ (13,166)</u>
<b>Basic earnings (loss) per share</b>	<u>\$ 0.05</u>	<u>\$ (0.02)</u>	<u>\$ 0.25</u>	<u>\$ (1.07)</u>
<b>Diluted earnings (loss) per share</b>	<u>\$ 0.04</u>	<u>\$ (0.02)</u>	<u>\$ 0.21</u>	<u>\$ (1.07)</u>
<b>Shares used in computing basic earnings (loss) per share</b>	<u>47,508</u>	<u>13,062</u>	<u>42,886</u>	<u>12,335</u>
<b>Shares used in computing diluted earnings (loss) per share</b>	<u>53,465</u>	<u>13,062</u>	<u>51,981</u>	<u>12,335</u>
<b>Non-GAAP net income (loss) (*)</b>	<u>\$ 2,816</u>	<u>\$ 1,645</u>	<u>\$ 14,542</u>	<u>\$ (9,808)</u>
<b>Shares used in computing non-GAAP basic earnings (loss) per share (*)</b>	<u>47,508</u>	<u>13,062</u>	<u>42,886</u>	<u>12,335</u>
<b>Shares used in computing non-GAAP diluted earnings (loss) per share (*)</b>	<u>53,465</u>	<u>41,317</u>	<u>51,981</u>	<u>12,335</u>
<b>Non-GAAP basic earnings (loss) per share (*)</b>	<u>\$ 0.06</u>	<u>\$ .13</u>	<u>\$ 0.34</u>	<u>\$ (0.80)</u>
<b>Non-GAAP diluted earnings (loss) per share (*)</b>	<u>\$ 0.05</u>	<u>\$ .04</u>	<u>\$ 0.28</u>	<u>\$ (0.80)</u>

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

	<b>Three Months Ended</b>		<b>Year Ended</b>	
	December 31,		December 31,	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<b>GAAP net income (loss)</b>	\$ 2,156	\$ (223)	\$ 10,824	\$ (13,166)

<b>Stock-based compensation</b>	<u>660</u>	<u>1,868</u>	<u>3,718</u>	<u>3,358</u>
<b>Non-GAAP net income (loss)</b>	<u>\$ 2,816</u>	<u>\$ 1,645</u>	<u>\$ 14,542</u>	<u>\$ (9,808)</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)

	<u>December 31,</u>	
	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash, cash equivalents and marketable securities	\$154,485	\$29,039
Accounts receivable, net	29,750	9,855
Inventory	15,215	10,929
Prepaid expenses and other current assets	<u>3,611</u>	<u>1,110</u>
Total current assets	203,061	50,933
Property and equipment, net	2,757	2,346
Other assets	<u>545</u>	<u>2,607</u>
	<u>\$206,363</u>	<u>\$55,886</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>	\$33,022	\$31,769
<b>Long-term liabilities</b>	301	1,831
<b>Stockholders' equity</b>	<u>173,040</u>	<u>22,286</u>
	<u>\$206,363</u>	<u>\$55,886</u>