

**ENTROPIC COMMUNICATIONS, INC.**  
**Non-GAAP Supplemental Financial Information**  
(Unaudited; in thousands, except percentage data)

The following table sets forth certain non-GAAP financial measures used in calculating Entropic's non-GAAP net (loss) income for the periods presented. Such non-GAAP financial measures are based upon Entropic's unaudited consolidated statements of operations for the periods presented and give effect to certain adjustments identified in the table. Such adjustments include the addition of RF Magic Inc.'s non-GAAP financial results as if the acquisition of RF Magic had occurred at the beginning of each period presented. The presentation of such non-GAAP financial measures is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. In addition, investors should not rely on the results of prior periods as an indication of Entropic's future performance.

	2007				2008				2009
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
	(unaudited)				(unaudited)				(unaudited)
NET REVENUES:									
GAAP net revenues	\$ 20,026	\$ 26,207	\$ 36,144	\$ 40,168	\$ 41,988	\$ 42,836	\$ 31,678	\$ 29,531	\$ 24,123
Add: RF Magic net revenues (pre-acquisition)	9,218	5,806	-	-	-	-	-	-	-
Non-GAAP net revenues	\$ 29,244	\$ 32,013	\$ 36,144	\$ 40,168	\$ 41,988	\$ 42,836	\$ 31,678	\$ 29,531	\$ 24,123
COST OF NET REVENUES:									
GAAP cost of net revenues	\$ 14,531	\$ 17,961	\$ 21,999	\$ 21,705	\$ 22,837	\$ 23,869	\$ 17,308	\$ 15,397	\$ 11,904
Add: RF Magic non-GAAP cost of net revenues (pre-acquisition) (a)	2,818	2,613	-	-	-	-	-	-	-
Less:									
Stock-based compensation expense	-	3	85	71	46	64	63	78	16
Amortization of developed technology	-	-	1,240	1,240	1,240	1,590	1,590	1,590	406
Amortization of inventory step-up	-	-	2,062	687	-	-	-	-	-
Non-GAAP cost of net revenues	\$ 17,349	\$ 20,571	\$ 18,612	\$ 19,707	\$ 21,551	\$ 22,215	\$ 15,655	\$ 13,729	\$ 11,482
GROSS PROFIT:									
GAAP gross profit	\$ 5,495	\$ 8,246	\$ 14,145	\$ 18,463	\$ 19,151	\$ 18,967	\$ 14,370	\$ 14,134	\$ 12,219
Add:									
RF Magic non-GAAP gross profit (pre-acquisition) (a)	6,400	3,193	-	-	-	-	-	-	-
Stock-based compensation expense	-	3	85	71	46	64	63	78	16
Amortization of developed technology	-	-	1,240	1,240	1,240	1,590	1,590	1,590	406
Amortization of inventory step-up	-	-	2,062	687	-	-	-	-	-
Non-GAAP gross profit	\$ 11,895	\$ 11,442	\$ 17,532	\$ 20,461	\$ 20,437	\$ 20,621	\$ 16,023	\$ 15,802	\$ 12,641
GAAP gross margin	27.4%	31.5%	39.1%	46.0%	45.6%	44.3%	45.4%	47.9%	50.7%
Non-GAAP gross margin	40.7%	35.7%	48.5%	50.9%	48.7%	48.1%	50.6%	53.5%	52.4%
OPERATING EXPENSES:									
GAAP operating expenses	\$ 6,457	\$ 31,631	\$ 19,208	\$ 21,006	\$ 22,655	\$ 25,677	\$ 21,613	\$ 133,325	\$ 20,997
Add: RF Magic non-GAAP operating expenses (pre-acquisition) (a)	5,392	5,737	-	-	-	-	-	-	-
Less:									
Stock-based compensation expense	140	728	2,869	2,622	3,578	3,308	3,395	2,955	2,792
Amortization of purchased intangibles	-	42	1,296	1,296	596	713	713	713	16
Write off of acquired in-process research and development	-	21,400	-	-	-	1,300	-	-	-
Vativ retention bonuses	-	-	-	-	-	698	-	-	-
Restructuring charge (benefit)	-	-	-	-	1,079	(10)	209	(19)	1,124
Impairment of goodwill & intangible assets	-	-	-	-	-	-	-	113,193	208
Non-GAAP operating expenses	\$ 11,709	\$ 15,198	\$ 15,043	\$ 17,088	\$ 17,402	\$ 19,668	\$ 17,296	\$ 16,483	\$ 16,857
OTHER INCOME (EXPENSE), NET:									
GAAP other income (expense), net and cumulative effect of change in accounting principle	\$ (150)	\$ (337)	\$ (1,583)	\$ 2,101	\$ (198)	\$ 191	\$ 156	\$ 80	\$ 59
Add:									
Loss (gain) on fair value of preferred stock warrant liabilities	271	340	1,395	(2,180)	-	-	-	-	-
Write off of debt issuance costs	-	-	-	-	476	-	-	-	-
RF Magic other income (expense), net (pre-acquisition)	(180)	(209)	-	-	-	-	-	-	-
Non-GAAP other income (expense), net and cumulative effect of change in accounting principle	\$ (59)	\$ (206)	\$ (188)	\$ (79)	\$ 278	\$ 191	\$ 156	\$ 80	\$ 59
INCOME TAX PROVISION (BENEFIT):									
GAAP income tax provision (benefit)	\$ -	\$ -	\$ -	\$ 44	\$ 154	\$ (72)	\$ 37	\$ (168)	\$ 17
Add: RF Magic income tax provision (pre-acquisition)	21	9	-	-	-	-	-	-	-
Non-GAAP income tax provision (benefit)	\$ 21	\$ 9	\$ -	\$ 44	\$ 154	\$ (72)	\$ 37	\$ (168)	\$ 17
RESEARCH AND DEVELOPMENT EXPENSE:									
GAAP research and development	\$ 4,190	\$ 6,699	\$ 11,923	\$ 12,423	\$ 13,313	\$ 15,678	\$ 13,902	\$ 12,876	\$ 13,323
Add: RF Magic non-GAAP research and development (pre-acquisition) (a)	3,241	3,485	-	-	-	-	-	-	-
Less: Vativ retention bonus	-	-	-	-	-	648	-	-	-
Less: stock-based compensation expense	53	397	1,476	1,215	1,758	1,829	1,834	1,627	1,522
Non-GAAP research and development	\$ 7,378	\$ 9,787	\$ 10,447	\$ 11,208	\$ 11,555	\$ 13,201	\$ 12,068	\$ 11,249	\$ 11,801
SALES AND MARKETING EXPENSE:									
GAAP sales and marketing	\$ 1,500	\$ 1,859	\$ 3,283	\$ 3,706	\$ 4,144	\$ 4,455	\$ 3,991	\$ 3,672	\$ 3,637
Add: RF Magic non-GAAP sales and marketing (pre-acquisition) (a)	1,157	1,252	-	-	-	-	-	-	-
Less: Vativ retention bonus	-	-	-	-	-	50	-	-	-
Less: stock-based compensation expense	65	145	475	489	623	611	647	453	368
Non-GAAP sales and marketing	\$ 2,592	\$ 2,966	\$ 2,808	\$ 3,217	\$ 3,521	\$ 3,794	\$ 3,344	\$ 3,219	\$ 3,269
GENERAL AND ADMINISTRATIVE EXPENSE:									
GAAP general and administrative	\$ 767	\$ 1,631	\$ 2,706	\$ 3,581	\$ 3,523	\$ 3,541	\$ 2,798	\$ 2,890	\$ 2,689
Add: RF Magic non-GAAP general and administrative (pre-acquisition) (a)	994	1,000	-	-	-	-	-	-	-
Less: stock-based compensation expense	22	186	918	918	1,197	868	914	875	902
Non-GAAP general and administrative	\$ 1,739	\$ 2,445	\$ 1,788	\$ 2,663	\$ 2,326	\$ 2,673	\$ 1,884	\$ 2,015	\$ 1,787

(a) Excludes RF Magic stock-based compensation expenses (pre-acquisition)