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. 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.

	2008				2009				2010		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	(unaudited)				(unaudited)				(unaudited)		
NET REVENUES:	$ 41,988	$ 42,836	$ 31,678	$ 29,531	$ 24,123	$ 26,146	$ 30,958	$ 35,078	$ 37,451	$ 40,680	$ 61,310
COST OF NET REVENUES:											
GAAP cost of net revenues	$ 22,837	$ 23,869	$ 17,308	$ 15,397	$ 11,904	13,201	15,332	16,962	$ 17,701	$ 18,831	$ 28,774
Less:											
Stock-based compensation expense	46	64	63	78	16	45	41	36	63	89	104
Amortization of developed technology	1,240	1,590	1,590	1,590	406	405	406	405	406	405	406
Non-GAAP cost of net revenues	$ 21,551	$ 22,215	$ 15,655	$ 13,729	$ 11,482	$ 12,751	$ 14,885	$ 16,521	$ 17,232	$ 18,337	$ 28,264
GROSS PROFIT:											
GAAP gross profit	$ 19,151	$ 18,967	$ 14,370	$ 14,134	$ 12,219	$ 12,945	$ 15,626	$ 18,116	$ 19,750	$ 21,849	$ 32,536
Less:											
Stock-based compensation expense	46	64	63	78	16	45	41	36	63	89	104
Amortization of developed technology	1,240	1,590	1,590	1,590	406	405	406	405	406	405	406
Non-GAAP gross profit	$ 20,437	$ 20,621	$ 16,023	$ 15,802	$ 12,641	$ 13,395	$ 16,073	$ 18,557	$ 20,219	$ 22,343	$ 33,046
GAAP gross margin	45.6%	44.3%	45.4%	47.9%	50.7%	49.5%	50.5%	51.6%	52.7%	53.7%	53.1%
Non-GAAP gross margin	48.7%	48.1%	50.6%	53.5%	52.4%	51.2%	51.9%	52.9%	54.0%	54.9%	53.9%
OPERATING EXPENSES:											
GAAP operating expenses	$ 22,655	$ 25,677	$ 21,613	$ 133,325	$ 20,997	$ 17,188	$ 16,881	$ 17,315	$ 18,016	$ 18,749	$ 21,262
Less:											
Stock-based compensation expense	3,578	3,308	3,395	2,955	2,792	2,175	2,157	2,105	2,129	2,468	2,679
Amortization of intangibles	596	713	713	713	16	-	-	-	-	-	-
Write off of acquired in-process research and development	-	1,300	-	-	-	-	-	-	-	-	-
Vativ retention bonuses	-	698	-	-	-	-	-	-	-	-	-
Restructuring charges (benefit)	1,079	(10)	209	(19)	1,124	979	70	-	-	-	-
Impairment of goodwill and intangible assets	-	-	-	113,193	208	-	-	-	-	-	-
Non-GAAP operating expenses	$ 17,402	$ 19,668	$ 17,296	$ 16,483	$ 16,857	$ 14,034	$ 14,654	$ 15,210	$ 15,887	$ 16,281	$ 18,583
OTHER (EXPENSE) INCOME, NET:											
GAAP other (expense) income, net and cumulative effect of change in accounting principle	$ (198)	$ 191	$ 156	$ 80	$ 59	$ 30	$ 26	$ 27	$ 25	$ 20	$ 33
Add: write off of debt issuance costs	476	-	-	-	-	-	-	-	-	-	-
Non-GAAP other income, net and cumulative effect of change in accounting principle	$ 278	$ 191	$ 156	$ 80	$ 59	$ 30	$ 26	$ 27	$ 25	$ 20	$ 33
INCOME TAX PROVISION (BENEFIT):	$ 154	$ (72)	$ 37	$ (168)	$ 17	$ 74	$ 9	$ (193)	$ 1	$ 28	$ 36
RESEARCH AND DEVELOPMENT EXPENSE:											
GAAP research and development	$ 13,313	$ 15,678	$ 13,902	$ 12,876	$ 13,323	$ 10,102	$ 10,824	$ 10,912	$ 11,538	$ 11,746	$ 12,410
Less:											
Vativ retention bonus	-	648	-	-	-	-	-	-	-	-	-
Stock-based compensation expense	1,758	1,829	1,834	1,627	1,522	996	1,006	1,028	1,079	1,211	1,362
Non-GAAP research and development	$ 11,555	$ 13,201	$ 12,068	$ 11,249	$ 11,801	$ 9,106	$ 9,818	$ 9,884	$ 10,459	$ 10,535	$ 11,048
SALES AND MARKETING EXPENSE:											
GAAP sales and marketing	$ 4,144	$ 4,455	$ 3,991	$ 3,672	$ 3,637	$ 3,395	$ 3,345	$ 3,578	$ 3,778	$ 3,991	$ 5,054
Less:											
Vativ retention bonus	-	50	-	-	-	-	-	-	-	-	-
Stock-based compensation expense	623	611	647	453	368	326	354	353	312	382	419
Non-GAAP sales and marketing	$ 3,521	$ 3,794	$ 3,344	$ 3,219	$ 3,269	$ 3,069	$ 2,991	$ 3,225	$ 3,466	$ 3,609	$ 4,635
GENERAL AND ADMINISTRATIVE EXPENSE:											
GAAP general and administrative	$ 3,523	$ 3,541	$ 2,798	$ 2,890	$ 2,689	$ 2,712	$ 2,642	$ 2,825	$ 2,700	$ 3,012	$ 3,798
Less: stock-based compensation expense	1,197	868	914	875	902	853	797	724	738	875	898
Non-GAAP general and administrative	$ 2,326	$ 2,673	$ 1,884	$ 2,015	$ 1,787	$ 1,859	$ 1,845	$ 2,101	$ 1,962	$ 2,137	$ 2,900