



Supplemental Presentation of Selected Quarterly Non-GAAP Financial Information Including Proforma Adjustments Related to Memory Business Divestiture and Reconciliation to GAAP

Inphi Corporation (NYSE: IPHI) has provided below quarterly statement of operations for 2015 and 2016 calculated on a non-GAAP basis, including pro forma adjustments related to the August 4, 2016 divestment of Inphi's memory business as well as a reconciliation of each non-GAAP financial measure presented to the most comparable GAAP financial measure.

Non-GAAP Financial Measures

To supplement the financial data presented on a GAAP basis, the Company discloses certain non-GAAP financial measures, which exclude stock-based compensation, legal, transition costs and other expenses, purchase price fair value adjustments related to Cortina acquisition, non-cash interest expense related to convertible debt, indirect expenses associated with discontinued operations and deferred tax asset valuation allowance. These non-GAAP financial measures are not in accordance with GAAP. These results should only be used to evaluate the Company's results of operations in conjunction with the corresponding GAAP measures. The Company believes that its non-GAAP financial information provides useful information to management and investors regarding financial and business trends relating to its financial condition and results of operations because it excludes charges or benefits that management considers to be outside of the Company's core operating results. The Company believes that the non-GAAP measures of gross margin, income from operations, net income and earnings per share, in combination with the Company's financial results calculated in accordance with GAAP, provide investors with additional perspective and a more meaningful understanding of the Company's ongoing operating performance. In addition, the Company's management uses these non-GAAP measures to review and assess the financial performance of the Company, to determine executive officer incentive compensation and to plan and forecast performance in future periods. The Company's non-GAAP measurements are not prepared in accordance with GAAP, and are not an alternative to GAAP financial information, and may be calculated differently than non-GAAP financial information disclosed by other companies.

RECONCILIATION OF GAAP NET INCOME TO NON-GAAP NET INCOME

 (in thousands of dollars, except share and per share amounts)
 (Unaudited)

	Q1 2015			Q2 2015			Q3 2015			Q4 2015		
	As Reported	Adjustment	Continuing	As Reported	Adjustment	Continuing	As Reported	Adjustment	Continuing	As Reported	Adjustment	Continuing
GAAP revenue to Non-GAAP revenue												
GAAP revenue	59,160	(16,214)	42,946	60,672	(11,159)	49,513	62,395	(15,018)	47,377	64,389	(11,514)	52,875
Cortina revenue lost due to purchase accounting	408	-	408	-	-	-	-	-	-	-	-	-
Non-GAAP revenue	59,568	(16,214)	43,354	60,672	(11,159)	49,513	62,395	(15,018)	47,377	64,389	(11,514)	52,875
<i>Sequential Growth</i>												
<i>Year over Year Growth</i>										3%		12%
GAAP gross margin to Non-GAAP gross margin												
GAAP gross margin	29,922	(9,141)	20,781	37,396	(5,410)	31,986	38,724	(7,991)	30,733	42,280	(5,765)	36,515
Adjustments to GAAP gross margin:												
Cortina revenue lost due to purchase accounting, net of cost of goods sold	303	-	303	-	-	-	-	-	-	-	-	-
Stock-based compensation	363	(25)	338	381	(23)	358	334	(35)	299	393	(29)	364
Acquisition related expenses	39	-	39	-	-	-	160	-	160	31	-	31
Amortization of inventory step-up	6,154	-	6,154	916	-	916	506	-	506	337	-	337
Amortization of intangibles	2,875	-	2,875	2,874	-	2,874	2,874	-	2,874	2,875	-	2,875
Depreciation on step-up values of fixed assets	45	-	45	51	-	51	53	-	53	26	-	26
Non-GAAP gross margin	39,701	(9,166)	30,535	41,618	(5,433)	36,185	42,651	(8,026)	34,625	45,942	(5,794)	40,148
	66.6%	57%	70.4%	68.6%	49%	73.1%	68.4%	53%	73.1%	71.4%	50%	75.9%
GAAP operating expenses to Non-GAAP operating expenses												
GAAP research and development	22,723	(4,634)	18,089	27,270	(4,583)	22,687	28,092	(5,276)	22,816	28,359	(4,150)	24,209
Adjustments to GAAP research and development:												
Stock-based compensation	(3,786)	750	(3,036)	(4,252)	742	(3,510)	(4,375)	1,242	(3,133)	(4,491)	906	(3,585)
Impairment of in-process research and development	-	-	-	(1,750)	-	(1,750)	-	-	-	-	-	-
Acquisition related expenses	-	-	-	(223)	38	(185)	(1,194)	306	(888)	(388)	58	(330)
EDA & Other Opex	-	(735)	(735)	-	(735)	(735)	-	(735)	(735)	-	(735)	(735)
Rent & Utilities	-	(81)	(81)	-	(81)	(81)	-	(81)	(81)	-	(81)	(81)
Depreciation on step-up values of fixed assets	(18)	-	(18)	(51)	-	(51)	(69)	-	(69)	(43)	-	(43)
Non-GAAP research and development	18,919	(4,700)	14,219	20,994	(4,619)	16,375	22,454	(4,544)	17,910	23,437	(4,002)	19,435
GAAP sales and marketing	6,869	(1,251)	5,618	6,618	(1,434)	5,184	6,398	(1,181)	5,217	6,678	(1,235)	5,443
Adjustments to GAAP sales and marketing:												
Stock-based compensation	(1,025)	268	(757)	(1,194)	310	(884)	(1,127)	344	(783)	(1,099)	310	(789)
Acquisition related expenses	(70)	-	(70)	(79)	-	(79)	(313)	-	(313)	(95)	-	(95)
Amortization of intangibles	(204)	-	(204)	(204)	-	(204)	(204)	-	(204)	(205)	-	(205)
Depreciation on step-up values of fixed assets	(12)	-	(12)	(23)	-	(23)	(26)	-	(26)	(17)	-	(17)
Non-GAAP sales and marketing	5,558	(983)	4,575	5,118	(1,124)	3,994	4,728	(837)	3,891	5,262	(925)	4,337
GAAP general and administrative	5,812	-	5,812	5,433	-	5,433	4,387	-	4,387	4,690	-	4,690
Adjustments to GAAP general and administrative:												
Stock-based compensation	(1,246)	-	(1,246)	(1,375)	-	(1,375)	(1,414)	-	(1,414)	(1,438)	-	(1,438)
Acquisition related expenses	(456)	-	(456)	(132)	-	(132)	(127)	-	(127)	(28)	-	(28)
Amortization of intangibles	(46)	-	(46)	(46)	-	(46)	(46)	-	(46)	(46)	-	(46)
Depreciation on step-up values of fixed assets	4	-	4	-	-	-	(2)	-	(2)	-	-	-
Loss on disposal of Cortina property and equipment at fair value	(21)	-	(21)	(487)	-	(487)	-	-	-	-	-	-
Expenses related to exactik divestiture	-	-	-	-	-	-	-	-	-	-	-	-
Non-GAAP general and administrative	4,047	-	4,047	3,393	-	3,393	2,798	-	2,798	3,178	-	3,178
Non-GAAP total operating expenses	28,524	(5,683)	22,841	29,505	(5,743)	23,762	29,980	(5,381)	24,599	31,877	(4,927)	26,950
Non-GAAP income from operations	11,177	(3,483)	7,694	12,113	310	12,423	12,671	(2,645)	10,026	14,065	(867)	13,198
	18.8%	21.5%	17.7%	20.0%	(2.8%)	25.1%	20.3%	17.6%	21.2%	21.8%	7.5%	25.0%
GAAP Other income (expense)	168	-	168	(95)	-	(95)	27	-	27	(662)	-	(662)
Adjustments to GAAP other income (expense):												
Gain on sale of cost method investment	-	-	-	-	-	-	-	-	-	592	-	592
Gain on sale of exactik	-	-	-	-	-	-	-	-	-	-	-	-
Accretion and amortization expense on convertible debt	-	-	-	-	-	-	-	-	-	-	-	-
Non-GAAP other income	168	-	168	(95)	-	(95)	27	-	27	(70)	-	(70)
GAAP income (loss) before income tax	(5,314)	-	(8,570)	(2,020)	-	(1,413)	(126)	-	(1,660)	1,891	-	1,511
Non-GAAP income (loss) before income tax	11,345	(3,483)	7,862	12,018	310	12,328	12,698	(2,645)	10,053	13,995	(867)	13,128
GAAP provision (benefit) for income tax	4,394	(1,656)	2,738	(2,020)	1,151	(869)	976	(753)	223	4,632	(876)	3,756
Adjustment	(2,352)	696	(1,656)	4,181	(1,591)	2,590	1,311	(184)	1,127	(3,988)	652	(3,336)
Non-GAAP provision (benefit) for income tax	2,042	(960)	1,082	2,161	(440)	1,721	2,287	(937)	1,350	644	(224)	420
Non-GAAP tax rate	18%		14%	18%		14%	18%		13%	5%		3%
GAAP net income (loss)	(9,708)		(11,308)	-		(544)	(1,102)		(1,883)	(2,741)		(2,245)
Non-GAAP net income (loss)	9,303	(2,523)	6,780	9,857	750	10,607	10,411	(1,708)	8,703	13,351	(643)	12,708
	15.6%	15.6%	15.6%	16.2%	(6.7%)	21.4%	16.7%	11.4%	18.4%	20.7%	5.6%	24.0%
Diluted Shares - Non-GAAP	40,325,174		40,325,174	41,085,657		41,085,657	41,508,023		41,508,023	42,246,379		42,246,379
Income per diluted share - Non-GAAP	\$ 0.23		\$ 0.17	\$ 0.24		\$ 0.26	\$ 0.25		\$ 0.21	\$ 0.32		\$ 0.30

RECONCILIATION OF GAAP NET INCOME TO NON-GAAP NET INCOME

 (in thousands of dollars, except share and per share amounts)
 (Unaudited)

	Q1 2016			Q2 2016			Q3 2016		
	As Reported	Adjustment	Continuing	As Reported	Adjustment	Continuing	As Reported	Adjustment	Continuing
GAAP revenue to Non-GAAP revenue									
GAAP revenue	66,531	(12,440)	54,091	70,290	(9,766)	60,524	72,962	(2,212)	70,750
Cortina revenue lost due to purchase accounting	-	-	-	-	-	-	-	-	-
Non-GAAP revenue	66,531	(12,440)	54,091	70,290	(9,766)	60,524	72,962	(2,212)	70,750
<i>Sequential Growth</i>	3%	2%		6%	12%		4%	17%	
<i>Year over Year Growth</i>	12%		25%	16%	22%		17%	49%	
GAAP gross margin to Non-GAAP gross margin									
GAAP gross margin	42,259	(5,289)	36,970	45,962	(4,713)	41,249	49,237	(1,049)	48,188
Adjustments to GAAP gross margin:									
Cortina revenue lost due to purchase accounting, net of cost of goods sold	-	-	-	-	-	-	-	-	-
Stock-based compensation	355	(20)	335	456	(30)	426	496	33	529
Acquisition related expenses	47	-	47	-	-	-	-	-	-
Amortization of inventory step-up	241	-	241	-	-	-	-	-	-
Amortization of intangibles	2,875	-	2,875	2,875	-	2,875	2,875	-	2,875
Depreciation on step-up values of fixed assets	22	-	22	24	-	24	27	-	27
Non-GAAP gross margin	45,799	(5,309)	40,490	49,317	(4,743)	44,574	52,635	(1,016)	51,619
	68.8%	43%	74.9%	70.2%	49%	73.6%	72.1%	46%	73.0%
GAAP operating expenses to Non-GAAP operating expenses									
GAAP research and development	27,663	(3,676)	23,987	31,026	(3,705)	27,321	29,252	(3,355)	25,897
Adjustments to GAAP research and development:									
Stock-based compensation	(4,358)	644	(3,714)	(5,372)	688	(4,684)	(3,460)	(590)	(4,050)
Impairment of in-process research and development	-	-	-	-	-	-	-	-	-
Acquisition related expenses	(468)	100	(368)	-	-	-	-	(4)	(4)
EDA & Other Opex	-	(735)	(735)	-	(735)	(735)	-	(245)	(245)
Rent & Utilities	-	(81)	(81)	-	(81)	(81)	-	(27)	(27)
Depreciation on step-up values of fixed assets	(56)	-	(56)	(66)	-	(66)	(52)	-	(52)
Non-GAAP research and development	22,781	(3,748)	19,033	25,588	(3,833)	21,755	25,740	(4,221)	21,519
GAAP sales and marketing	7,093	(1,308)	5,785	7,030	(1,221)	5,809	7,994	(1,306)	6,688
Adjustments to GAAP sales and marketing:									
Stock-based compensation	(1,066)	290	(776)	(1,290)	338	(952)	(2,235)	937	(1,298)
Acquisition related expenses	(193)	-	(193)	-	-	-	-	-	-
Amortization of intangibles	(204)	-	(204)	(204)	-	(204)	(204)	-	(204)
Depreciation on step-up values of fixed assets	(21)	-	(21)	(22)	-	(22)	(29)	-	(29)
Non-GAAP sales and marketing	5,609	(1,018)	4,591	5,514	(883)	4,631	5,526	(369)	5,157
GAAP general and administrative	4,957	-	4,957	4,473	(353)	4,120	5,569	(210)	5,359
Adjustments to GAAP general and administrative:									
Stock-based compensation	(1,173)	-	(1,173)	(662)	-	(662)	(1,279)	-	(1,279)
Acquisition related expenses	(37)	-	(37)	-	-	-	-	-	-
Amortization of intangibles	(46)	-	(46)	(46)	-	(46)	(46)	-	(46)
Depreciation on step-up values of fixed assets	(2)	-	(2)	(5)	-	(5)	(8)	-	(8)
Loss on disposal of Cortina property and equipment at fair value	-	-	-	-	-	-	-	-	-
Expenses related to exactik divestiture	-	-	-	(353)	353	-	(210)	210	-
Non-GAAP general and administrative	3,699	-	3,699	3,407	-	3,407	4,026	-	4,026
Non-GAAP total operating expenses	32,089	(4,766)	27,323	34,509	(4,716)	29,793	35,292	(4,590)	30,702
Non-GAAP income from operations	13,710	(543)	13,167	14,808	(27)	14,781	17,343	3,574	20,917
	20.6%	4.4%	24.3%	21.1%	0.3%	24.4%	23.8%	(161.6%)	29.6%
GAAP Other income (expense)	(2,487)	(176)	(2,663)	(2,753)	-	(2,753)	76,413	(78,531)	(2,118)
Adjustments to GAAP other income (expense):									
Gain on sale of cost method investment	-	-	-	-	-	-	(1,138)	-	(1,138)
Gain on sale of exactik	-	-	-	-	-	-	(78,531)	78,531	-
Accretion and amortization expense on convertible debt	2,378	-	2,378	2,628	-	2,628	3,230	-	3,230
Non-GAAP other income	(109)	(176)	(285)	(125)	-	(125)	(26)	-	(26)
GAAP income (loss) before income tax	59	-	(422)	680	-	1,246	82,835	-	8,126
Non-GAAP income (loss) before income tax	13,601	(719)	12,882	14,683	(27)	14,656	17,317	3,574	20,891
GAAP provision (benefit) for income tax	(161)	(171)	(332)	149	154	303	3,263	(1,733)	1,530
Adjustment	2,065	(142)	1,923	776	(237)	539	(3,136)	1,906	(1,230)
Non-GAAP provision (benefit) for income tax	1,904	(313)	1,591	925	(83)	842	127	173	300
Non-GAAP tax rate	14%		12%	6%		6%	1%		1%
GAAP net income (loss)	220	-	(90)	531	-	943	79,572	-	6,596
Non-GAAP net income (loss)	11,697	(406)	11,291	13,758	56	13,814	17,190	3,401	20,591
	17.6%	3.3%	20.9%	19.6%	(0.6%)	22.8%	23.6%	(153.8%)	29.1%
Diluted Shares - Non-GAAP	43,421,314		43,421,314	43,838,488		43,838,488	44,318,827		44,318,827
Income per diluted share - Non-GAAP	\$ 0.27		\$ 0.26	\$ 0.31		\$ 0.32	\$ 0.39		\$ 0.46