

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended July 31, 2004

or

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number: 0-30877

Marvell Technology Group Ltd.

(Exact name of registrant as specified in its charter)

Bermuda
(State or other jurisdiction of
incorporation or organization)

77-0481679
(I.R.S. Employer
Identification No.)

Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda
(Address, including Zip Code, of Principal Executive Offices)

(441) 296-6395
(Registrant's telephone number, including area code)

N/A
(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark if the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). ☒ Yes ☐ No

Shares Outstanding of the Registrant's Common Stock

Class	Outstanding at August 31, 2004
Common stock, \$0.002 par value	269,917,737

TABLE OF CONTENTS

	<u>Page</u>
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	<u>Financial Statements:</u>
	<u>Unaudited Condensed Consolidated Balance Sheets at July 31, 2004 and January 31, 2004</u>
	<u>Unaudited Condensed Consolidated Statements of Operations for the three and six months ended July 31, 2004 and 2003</u>
	<u>Unaudited Condensed Consolidated Statements of Cash Flows for the six months ended July 31, 2004 and 2003</u>
	<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1.</u>	<u>Legal Proceedings</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>

Item 3.	Defaults Upon Senior Securities	40
Item 4.	Submission of Matters to a Vote of Securities Holders	40
Item 5.	Other Information	41
Item 6.	Exhibits and Reports on Form 8-K	41
Signatures		42
Exhibit Index		43
EXHIBIT 31.1		
EXHIBIT 31.2		
EXHIBIT 32.1		
EXHIBIT 32.2		

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

MARVELL TECHNOLOGY GROUP LTD.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS (In thousands, except par value)

	July 31, 2004	January 31, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 298,141	\$ 224,399
Short-term investments	184,277	161,872
Accounts receivable, net of allowances of \$3,063 and \$2,849	161,107	136,513
Inventories	97,107	91,785
Prepaid expenses and other current assets	11,144	12,166
Deferred income taxes	6,547	6,547
Total current assets	758,323	633,282
Property and equipment, net	148,498	149,705
Goodwill	1,468,807	1,455,639
Acquired intangible assets	119,929	159,445
Other noncurrent assets	49,890	37,394
Total assets	<u>\$2,545,447</u>	<u>\$2,435,465</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 97,658	\$ 121,190
Accrued liabilities	23,947	15,927
Accrued employee compensation	27,923	20,896
Income taxes payable	6,180	2,155
Deferred income	14,618	12,996
Current portion of capital lease obligations	11,795	10,747
Total current liabilities	182,121	183,911
Capital lease obligations	15,973	19,944
Long-term income taxes payable	29,464	22,835
Other long-term liabilities	18,138	17,934
Total liabilities	<u>245,696</u>	<u>244,624</u>
Commitments and contingencies (Note 5)		
Shareholders' equity:		
Common stock, \$0.002 par value; 492,000 shares authorized; 269,941 and 263,492 shares issued and outstanding	540	527
Additional paid-in capital	2,937,409	2,872,281
Deferred stock-based compensation	(4,976)	(7,945)
Accumulated other comprehensive income (loss)	(1,564)	757
Accumulated deficit	(631,658)	(674,779)
Total shareholders' equity	<u>2,299,751</u>	<u>2,190,841</u>
Total liabilities and shareholders' equity	<u>\$2,545,447</u>	<u>\$2,435,465</u>

See accompanying notes to unaudited condensed consolidated financial statements.

MARVELL TECHNOLOGY GROUP LTD.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2004	2003	2004	2003
Net revenue	\$297,154	\$192,854	\$566,731	\$361,137
Operating costs and expenses:				
Cost of goods sold (1)	140,905	88,944	268,741	165,057
Research and development (1)	64,036	52,252	127,308	98,891
Selling and marketing (1)	19,884	14,783	38,585	30,246
General and administrative (1)	7,662	4,351	14,499	7,931
Amortization of stock-based compensation	1,272	1,020	2,660	1,678
Amortization and write-off of acquired intangible assets and other	29,759	19,560	63,017	39,008
Total operating costs and expenses	<u>263,518</u>	<u>180,910</u>	<u>514,810</u>	<u>342,811</u>
Operating income	33,636	11,944	51,921	18,326
Interest and other income, net	1,616	1,569	3,288	2,880
Income before income taxes	35,252	13,513	55,209	21,206
Provision for income taxes	6,628	4,091	12,088	7,427
Net income	<u>\$ 28,624</u>	<u>\$ 9,422</u>	<u>\$ 43,121</u>	<u>\$ 13,779</u>
Net income per share:				
Basic	<u>\$ 0.11</u>	<u>\$ 0.04</u>	<u>\$ 0.16</u>	<u>\$ 0.06</u>
Diluted	<u>\$ 0.10</u>	<u>\$ 0.03</u>	<u>\$ 0.15</u>	<u>\$ 0.05</u>
Weighted average shares:				
Basic	<u>267,940</u>	<u>247,334</u>	<u>266,209</u>	<u>245,004</u>
Diluted	<u>295,769</u>	<u>273,608</u>	<u>293,977</u>	<u>266,377</u>

(1) Excludes amortization of stock-based compensation as follows:

Cost of goods sold	\$ 29	\$ 50	\$ 60	\$ 89
Research and development	765	465	1,585	728
Selling and marketing	206	172	423	249
General and administrative	272	333	592	612
	<u>\$ 1,272</u>	<u>\$ 1,020</u>	<u>\$ 2,660</u>	<u>\$ 1,678</u>

See accompanying notes to unaudited condensed consolidated financial statements.

MARVELL TECHNOLOGY GROUP LTD.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Six Months Ended July 31,	
	2004	2003
Cash flows from operating activities:		
Net income	\$ 43,121	\$ 13,779
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,390	15,811
Amortization of stock-based compensation	2,660	1,678
Amortization and write-off of acquired intangible assets and other	39,516	39,008
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(24,594)	(16,716)
Inventories	(5,322)	(20,665)
Prepaid expenses and other assets	2,318	(4,694)
Accounts payable	(23,532)	28,651
Accrued liabilities and other	9,478	4,146
Accrued employee compensation	7,027	10,759
Accrued facility consolidation charge	(1,185)	(1,524)
Income taxes payable	10,654	5,232
Deferred income	1,622	(108)
Net cash provided by operating activities	<u>81,153</u>	<u>75,357</u>
Cash flows from investing activities:		
Purchases of short-term investments	(80,571)	(44,742)
Sales and maturities of short-term investments	55,884	48,329
Purchases of investments and loans advanced	—	(10,000)
Purchases of property and equipment	(13,739)	(12,030)
Purchases of technology licenses and other	(15,869)	(1,697)
Net cash used in investing activities	<u>(54,295)</u>	<u>(20,140)</u>
Cash flows from financing activities:		
Proceeds from the issuance of common stock, net of repurchases	52,282	30,608
Principal payments on capital lease obligations	(5,398)	(2,408)
Net cash provided by financing activities	<u>46,884</u>	<u>28,200</u>
Net increase in cash and cash equivalents	73,742	83,417
Cash and cash equivalents at beginning of period	224,399	125,316
Cash and cash equivalents at end of period	<u>\$298,141</u>	<u>\$208,733</u>

See accompanying notes to unaudited condensed consolidated financial statements.

MARVELL TECHNOLOGY GROUP LTD.**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****1. The Company and its Significant Accounting Policies****The Company**

Marvell Technology Group Ltd. (the “Company”), a Bermuda company, was incorporated on January 11, 1995. The Company is a leading global semiconductor provider of high-performance analog, mixed-signal and digital signal processing integrated circuits. The Company’s diverse product portfolio includes switching, transceivers, wireless, PC connectivity, gateways, communications controllers, storage and power management solutions that serve diverse applications used in business enterprise, consumer electronics and emerging markets. On January 21, 2001, the Company acquired Galileo Technology Ltd. (“Galileo”), an Israeli corporation. Galileo develops high-performance internetworking and switching products. In January 2003, Galileo’s name was changed to Marvell Semiconductor Israel Ltd. (MSIL). On June 19, 2002, the Company acquired SysKonnnect GmbH (“SysKonnnect”), a German corporation. SysKonnnect develops and markets client-server products. On June 27, 2003, the Company acquired RADLAN Computer Communications Ltd. (RADLAN), a leading provider of embedded networking software. On November 24, 2003, the Company acquired Asica, Inc. (Asica). Asica designs and develops digital signal processors and microprocessors for embedded applications.

Basis of presentation

The Company’s fiscal year is the 52- or 53-week period ending on the Saturday closest to January 31. In a 52-week year, each fiscal quarter consists of 13 weeks. The additional week in a 53-week year is added to the fourth quarter, making such quarter consist of 14 weeks. Fiscal year 2005 will be comprised of 52 weeks. For presentation purposes only, the financial statements and notes refer to January 31 as the Company’s year-end and April 30, July 31 and October 31 as the Company’s quarter-ends.

On February 25, 2004, the Board of Directors approved a 2 for 1 stock split of the Company’s common stock, to be effected pursuant to the issuance of additional shares. The stock split was subject to shareholder approval of an increase in the Company’s authorized share capital at the Company’s 2004 Annual General Meeting. On May 28, 2004, shareholders at the Company’s 2004 Annual General Meeting approved an increase in the authorized share capital by 250 million shares of common stock. Stock certificates representing one additional share for each share held were delivered on June 28, 2004 (payment date) to all shareholders of record at the close of business on June 14, 2004 (record date). All share and per share amounts in these condensed consolidated financial statements and related notes have been retroactively adjusted to reflect the stock split for all periods presented.

The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company’s financial position as of July 31, 2004, the results of its operations for the three and six months ended July 31, 2004 and 2003, and its cash flows for the six months ended July 31, 2004 and 2003. These condensed consolidated financial statements and related notes are unaudited and should be read in conjunction with the Company’s audited financial statements and related notes included in the Company’s 2004 Annual Report on Form 10-K. The results of operations for the three and six months ended July 31, 2004 are not necessarily indicative of the results that may be expected for any other interim period or for the full fiscal year.

Revenue recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collection is reasonably assured. Under these criteria, product revenue is generally recognized upon shipment of product to customers, net of accruals for estimated sales returns and allowances. However, a portion of the Company’s sales are made through distributors under agreements allowing for price protection and rights of return on product unsold by the distributors. Product revenue on sales made through distributors with price protection and rights of return on products is deferred until the distributors sell the product to end customers. Additionally, collection is not deemed to be “reasonably assured” if customers receive extended payment terms. As a result, revenue on sales to customers with payment terms substantially greater than the Company’s normal payment terms is deferred and is recognized as revenue as the payments become due. Deferred revenue less the related cost of the inventories is reported as deferred income.

[Table of Contents](#)

The provision for estimated sales returns and allowances on product sales is recorded in the same period the related revenues are recorded. These estimates are based on historical sales returns, analysis of credit memo data and other known factors. Actual returns could differ from these estimates.

The Company also enters into development agreements with some of its customers. Development revenue is recognized under the proportionate performance method, with the associated costs included in research and development expense. The Company estimates the percentage-of-completion of its development contracts based on an analysis of progress toward completion.

Revenue from licensed software is recognized when persuasive evidence of an arrangement exists and delivery has occurred, provided that the fee is fixed and determinable and collectibility is probable. Revenue from post-contract customer support and any other future deliverables is deferred and earned over the support period or as contract elements are delivered.

Available-for-sale investments

The amortized cost and fair value of available-for-sale investments are presented in the following tables (in thousands):

	July 31, 2004			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate debt securities	\$ 194,666	\$ 21	\$ (895)	\$ 193,792
U.S. Federal, State, county and municipal debt securities	144,341	43	(787)	143,597
	339,007	64	(1,682)	337,389
Less amounts classified as cash equivalents	(153,112)	—	—	(153,112)
Short-term investments	\$ 185,895	\$ 64	\$ (1,682)	\$ 184,277

The contractual maturities of available-for-sale debt securities classified as short-term investments at July 31, 2004 are presented in the following table (in thousands):

	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 8,328	\$ 8,308
Due between one and four years	177,567	175,969
	\$185,895	\$184,277

Included in the Company's available-for-sale investments are fixed income securities. As market yields increase, those securities with a lower yield-at-cost show a mark-to-market unrealized loss. All unrealized losses are due to changes in interest rates and bond yields. The Company does not believe any unrealized losses represent an other-than temporary impairment based its evaluation of available evidence. The following table shows the investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at July 31, 2004 (in thousands):

	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate debt securities	\$ 43,341	\$ (593)	\$27,108	\$(302)	\$ 70,449	\$ (895)
U.S. Federal, State, county and municipal debt securities	72,818	(669)	14,379	(118)	87,197	(787)
Total temporarily impaired securities	\$116,159	\$(1,262)	\$41,487	\$(420)	\$157,646	\$(1,682)

	January 31, 2004			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate debt securities	\$ 118,813	\$488	\$(193)	\$ 119,108
U.S. Federal, State, county and municipal debt securities	103,896	407	(39)	104,264
	222,709	895	(232)	223,372
Less amounts classified as cash equivalents	(61,500)	—	—	(61,500)
Short-term investments	\$161,209	\$895	\$(232)	\$161,872

Inventories

Inventories are stated at the lower of cost or market, cost being determined under the first-in, first-out method. Appropriate consideration is given to obsolescence, excessive levels, deterioration and other factors in evaluating net realizable value. The components of inventory are presented in the following table (in thousands):

	July 31, 2004	January 31, 2004
Work-in-process	\$59,178	\$67,815
Finished goods	37,929	23,970
	<u>\$97,107</u>	<u>\$91,785</u>

Goodwill and purchased intangible assets

The carrying amount of the goodwill and intangible assets are as follows (in thousands):

	As of July 31, 2004			As of January 31, 2004		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Purchased technology	\$ 394,715	\$(274,987)	\$ 119,728	\$ 394,715	\$(235,516)	\$ 159,199
Trade name	100	(55)	45	100	(30)	70
Customer contracts	200	(44)	156	200	(24)	176
Total identified intangible assets	395,015	(275,086)	119,929	395,015	(235,570)	159,445
Goodwill	1,816,713	(347,906)	1,468,807	1,803,545	(347,906)	1,455,639
Total intangible assets	<u>\$2,211,728</u>	<u>\$(622,992)</u>	<u>\$1,588,736</u>	<u>\$2,198,560</u>	<u>\$(583,476)</u>	<u>\$1,615,084</u>

The changes in the carrying amount of the goodwill for the six-month period ended July 31, 2004 are as follows (in thousands):

	July 31, 2004
Balances as of January 31, 2004	\$1,455,639
Goodwill acquired during the period	13,168
Balances as of July 31, 2004	<u>\$1,468,807</u>

The increase in goodwill during the six months ended July 31, 2004 was due to the former RADLAN shareholders becoming entitled to certain shares to be issued based on the Company's achievement of revenues from certain products during the first six months of fiscal 2005 (see Note 2 of the Notes to the Unaudited Condensed Consolidated Financial Statements).

Identified intangible assets consist of purchased technology, trade name, and customer contracts and related relationships. Purchased technology and customer contracts and related relationships are amortized on a straight-line basis over their estimated useful lives of five years. Trade name is amortized on a straight-line basis over its estimated useful life of two years. The aggregate amortization expense of identified intangible assets was \$39.5 million and \$39.0 million in the first six months of fiscal years 2005 and 2004, respectively. The estimated total future annual amortization expense of acquired intangible assets is \$39.5 million for the remaining six months of fiscal year 2005, \$77.5 million for fiscal year 2006, \$1.2 million for fiscal years 2007 and 2008, respectively, and \$524,000 for fiscal year 2009.

In the quarter ended April 30, 2004, the Company entered into a technology license and non-assert agreement with a licensor pursuant to which the parties agreed to not take action against each other relative to the use of certain technologies. Under this arrangement, the Company agreed to make a one-time payment of \$13.5 million, which is included in amortization and write-off of acquired intangible assets and other. In the quarter ended July 31, 2004, the Company entered into a technology license and non-assert agreement with another company pursuant to which the parties agreed to not take action against each other relative to the use of certain technologies. Under this arrangement, the Company agreed to make a one-time payment of \$25.0 million, of which \$10.0 million related to past use of certain technologies is included in amortization and write-off of acquired intangible assets and other, while the remainder of the amount has been capitalized as licensed technology in other noncurrent assets and will be amortized to cost of goods sold over its estimated useful life of five years.

Balance sheet components (in thousands)

	July 31, 2004	January 31, 2004
Other noncurrent assets:		
Equity investments in private companies	\$ 7,236	\$ 7,236
Other	42,654	30,158
	<u>\$49,890</u>	<u>\$37,394</u>
	July 31, 2004	January 31, 2004
Other long-term liabilities:		
Long-term facilities consolidation charge	\$ 4,167	\$ 5,149
Accrued severance	10,471	9,189
Other	3,500	3,596
	<u>\$18,138</u>	<u>\$17,934</u>

Warranty accrual

The Company's products are generally subject to warranty and it provides as a component of cost of goods sold for the estimated future costs of repair, replacement or customer accommodation upon shipment of the product in the accompanying statements of operations. The warranty accrual is estimated based on historical claims compared to historical revenues and assumes that it will have to replace products subject to a claim. For new products, the Company uses a historical percentage for the appropriate class of product. Changes in the Company's warranty accrual during the first six months of fiscal 2005 and 2004, respectively are as follows (in thousands):

	July 31, 2004	July 31, 2003
Warranty accrual (included in accrued liabilities):		
Beginning balance	\$ 812	\$ 526
Charges to cost of goods sold	513	710
Payments and other charges	(528)	(659)
Ending balance	<u>\$ 797</u>	<u>\$ 577</u>

Net income per share

The Company reports both basic net income per share, which is based upon the weighted average number of common shares outstanding excluding contingently issuable or returnable shares, and diluted net income per share, which is based on the weighted average number of common shares outstanding and dilutive potential common shares. The computations of basic and diluted net income per share are presented in the following table (in thousands, except per share amounts):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2004	2003	2004	2003
Numerator:				
Net income	\$ 28,624	\$ 9,422	\$ 43,121	\$ 13,779
Denominator:				
Weighted average shares of common stock outstanding	267,982	247,648	266,269	245,408
Less: unvested common shares subject to repurchase	(42)	(314)	(60)	(404)
Weighted average shares — basic	267,940	247,334	266,209	245,004
Effect of dilutive securities-				
Unvested common shares subject to repurchase	42	314	60	404
Warrants	648	192	643	98
Contingently issuable shares	1,023	1,362	1,023	680
Common stock options	26,116	24,406	26,042	20,190
Weighted average shares — diluted	295,769	273,608	293,977	266,376
Basic net income per share	\$ 0.11	\$ 0.04	\$ 0.16	\$ 0.06
Diluted net income per share	\$ 0.10	\$ 0.03	\$ 0.15	\$ 0.05

Options to purchase 1,007,946 common shares at a weighted average exercise price of \$26.79 have been excluded from the computation of diluted net income per share for the three months ended July 31, 2004 and options to purchase 1,146,242 common shares at a weighted average exercise price of \$26.18 have been excluded from the computation of diluted net income per share for the six months ended July 31, 2004 because their exercise prices were greater than the average market price of the common shares for the period.

Options to purchase 2,910,376 common shares at a weighted average exercise price of \$21.66 have been excluded from the computation of diluted net income per share for the three months ended July 31, 2003 and options to purchase 12,367,762 common shares at a weighted average exercise price of \$16.65 have been excluded from the computation of diluted net income per share for the six months ended July 31, 2003, because their exercise prices were greater than the average market price of the common shares for the period. In addition, 1,023,256 contingent shares relating to the RADLAN acquisition have been excluded from the computation of net income per share for the three and six months ended July 31, 2003 because the contingencies had not been met.

Comprehensive income

The components of comprehensive income, net of tax, are presented in the following table (in thousands):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2004	2003	2004	2003
Net income	\$28,624	\$9,422	\$43,121	\$13,779
Other comprehensive income:				
Unrealized loss on available-for-sale investments and other, net of tax	(619)	(989)	(2,321)	(1,066)
Total comprehensive income	\$28,005	\$8,433	\$40,800	\$12,713

Accumulated other comprehensive income, as presented on the accompanying condensed consolidated balance sheets, consists of the unrealized gains and losses on available-for-sale investments and other, net of tax.

Stock-based compensation

The Company's employee stock based compensation is accounted for in accordance with Accounting Principles Board Opinion No. 25 ("APB 25"), Accounting for Stock Issued to Employees and complies with the disclosure provisions of Statement of Financial Accounting Standards No. 123 ("SFAS 123"), Accounting for Stock-Based Compensation. Expense associated with stock-based compensation is amortized on an accelerated basis over the vesting periods of the individual awards consistent with the method described in Financial Accounting Standards Board Interpretation No. 28 ("FIN 28"). Application of FIN 28 to awards that vest progressively over five years results in amortization of approximately 46% of the compensation in the first 12 months of vesting, 26% of the compensation in the second 12 months of vesting, 15% of the compensation in the third 12 months of vesting, 9% of the compensation in the fourth 12 months of vesting and 4% of the compensation in the fifth 12 months of vesting. The Company accounts for stock issued to non-employees in accordance with the provisions of SFAS 123 and Emerging Issues Task Force

[Table of Contents](#)

Consensus No. 96-18 (“EITF 96-18”), Accounting for Equity Instruments that are Offered to Other Than Employees for Acquiring, or in Conjunction with Selling Goods or Services. Under SFAS 123 and EITF 96-18, stock option awards issued to non-employees are accounted for at their fair value using the Black-Scholes valuation method. The fair value of each non-employee stock award is remeasured at each period end until a commitment date is reached, which is generally the vesting date.

In accordance with the requirements of the disclosure-only alternative of SFAS 123, set forth below are pro forma statements of operations data of the Company giving effect to the valuation of stock-based awards to employees using the Black-Scholes option pricing model instead of the guidelines provided by APB 25.

	Three Months Ended July 31,		Six Months Ended July 31,	
	2004	2003	2004	2003
Net income:				
As reported	\$ 28,624	\$ 9,422	\$ 43,121	\$ 13,779
Adjustments:				
Stock-based employee compensation expense included in reported net income, net of tax effects	1,272	1,020	2,660	1,678
Stock-based employee compensation expense determined under fair value based method for all awards, net of tax effects	(35,599)	(19,615)	(73,926)	(37,300)
Pro forma	<u>\$ (5,703)</u>	<u>\$ (9,173)</u>	<u>\$ (28,145)</u>	<u>\$ (21,843)</u>
Basic net income (loss) per share:				
As reported	\$ 0.11	\$ 0.04	\$ 0.16	\$ 0.06
Pro forma	\$ (0.02)	\$ (0.04)	\$ (0.11)	\$ (0.09)
Diluted net income (loss) per share:				
As reported	\$ 0.10	\$ 0.03	\$ 0.15	\$ 0.05
Pro forma	\$ (0.02)	\$ (0.04)	\$ (0.11)	\$ (0.09)

Reclassifications

Certain amounts in the unaudited condensed consolidated financial statements have been reclassified to conform to the current period presentation.

2. Acquisitions

On June 27, 2003, the Company completed the acquisition of RADLAN Computer Communications Ltd. (RADLAN), a leading provider of embedded networking software. RADLAN is now a wholly owned subsidiary of the Company. As a result of the acquisition, RADLAN will provide embedded networking software for network infrastructure equipment to the Company and the Company believes it will be able to provide complete hardware and software solutions to its customers while improving its ability to address the enterprise, access, wireless and storage area networking markets. These factors contributed to a purchase price that was in excess of the fair value of the RADLAN net tangible and intangible assets acquired and, as a result, the Company recorded goodwill in connection with this transaction.

The initial total estimated purchase price was approximately \$64.7 million and consisted of 2,635,284 shares issued upon closing (valued at \$24.0 million), \$22.5 million of cash payable upon a future date defined in the share purchase agreement, 1,086,366 warrants to purchase shares of the Company’s common stock at an exercise price of \$9.21 per share (valued at \$7.5 million), 313,926 vested options assumed (valued at \$2.9 million), the Company’s existing investment in preferred stock of RADLAN of \$6.6 million after taking a charge of \$1.9 million to retroactively recognize pre-acquisition losses due to the Company’s prior investment in RADLAN, and direct transaction costs of approximately \$1.2 million. The value of the common stock and stock options was determined based on the average market price of the Company’s common stock over a 5-day period around February 6, 2003 (the announcement date), or \$9.13 per share. The value of the warrants was determined using the Black-Scholes options pricing model with inputs of 100% for volatility, 5-year expected life, risk-free interest rate of 3% and a market value of \$9.13 as described above.

On the date that the \$22.5 million of cash became payable, 2,325,582 shares of the Company’s common stock were worth more than \$22.5 million and therefore in accordance with the share purchase agreement, instead of paying \$22.5 million in cash, 2,325,582 shares of common stock were issued. Accordingly, the Company recorded a \$24.9 million adjustment to increase goodwill in the quarter ended October 31, 2003. The \$24.9 million adjustment was calculated based on the 2,325,582 shares issued multiplied by the

[Table of Contents](#)

\$20.40 closing price of the Company's stock on October 6, 2003, less the \$22.5 million that was previously accrued upon the close of the transaction on June 27, 2003.

On December 8, 2003, certain milestones were achieved and 1,023,256 shares of common stock valued at \$19.6 million were earned and issued to former RADLAN shareholders. The \$19.6 million adjustment to increase goodwill was calculated based on the 1,023,256 shares issued multiplied by the \$19.19 closing price of the Company's stock on December 8, 2003.

Additionally, 1,023,256 shares of the Company's common stock are reserved for future issuance over a one-year period to former RADLAN shareholders, which is dependent upon the Company's revenues from certain products for the year ended January 31, 2005 compared to the year ended January 31, 2004. As of July 31, 2004, approximately 60% or 614,624 of the remaining 1,023,256 shares reserved for future issuance were earned based on the Company's achievement of revenues from certain products during the first six months of fiscal 2005. As a result, the Company has recorded adjustments totaling \$13.2 million to increase goodwill through the first six months of fiscal 2005. A \$5.7 million goodwill adjustment was calculated based on 293,290 shares earned during the quarter ended April 30, 2004 multiplied by the \$19.46 closing price of the Company's stock on April 30, 2004. An additional goodwill adjustment of \$7.5 million was recorded in the second quarter of fiscal 2005 and was calculated based on 321,334 shares earned multiplied by the \$23.22 closing price of the Company's stock on July 30, 2004. The remaining 408,632 shares, if issued, will represent additional purchase price and will be accounted for as additional goodwill.

The Company has allocated the purchase price to the assets acquired and liabilities assumed based on the estimated fair values as follows (in thousands):

Amortizable intangible assets:	
Purchased technology	\$ 5,400
Trade name	100
Customer contracts and relationships	200
Total amortizable intangible assets	5,700
Goodwill	131,220
Current assets	2,325
Previously licensed technology	(2,500)
Property, plant and equipment	1,995
Other non current assets	1,526
Current liabilities	(15,719)
Other long-term liabilities	(2,136)
Total purchase price	\$122,411

Amortizable intangible assets consist of purchased technology, trade name, and customer related intangibles with useful lives of two to five years. Approximately \$131.2 million has been allocated to goodwill, which represents the excess purchase price over the fair value of the net tangible and intangible assets acquired, and is not deductible for tax purposes. Goodwill will not be amortized and will be tested for impairment, at least annually.

The results of operations of RADLAN have been included in the Company's condensed consolidated statement of operations since the completion of the acquisition on June 27, 2003. The following unaudited pro forma information presents a summary of the results of operations of the Company assuming the acquisition of RADLAN occurred at the beginning of the periods presented (in thousands, except for per share amounts):

	Three Months Ended July 31, 2003	Six Months Ended July 31, 2003
Net revenues	\$193,082	361,525
Net income	\$ 3,254	2,217
Basic net income per share	\$ 0.01	0.01
Diluted net income per share	\$ 0.01	0.01

3. Facilities Consolidation Charge

During fiscal 2003, the Company recorded a total of \$19.6 million of charges associated with costs of consolidation of its facilities. These charges included \$12.6 million in lease abandonment charges relating to the consolidation of its three facilities in California into one location. The lease abandonment charge included the remaining lease commitments of these facilities reduced by the estimated sublease income throughout the duration of the lease term. The Company incurred charges of \$1.0 million during the quarter ended April 30, 2002, as a result of duplicate lease and other costs associated with the dual occupation of its current and abandoned facilities. The facilities consolidation charge also included \$6.0 million associated with the write-down of certain property and leasehold improvements related to the abandoned facilities, which reduced the carrying amount of the impaired assets. During the quarter ended July 31, 2003, the Company subleased the abandoned facilities. Actual sublease income approximated the estimated sublease income. As of July 31, 2004, cash payments of \$7.3 million, net of sublease income, had been made in connection with this charge. Approximately \$6.2 million is accrued for the facilities consolidation charge as of July 31, 2004, of which \$2.0 million is the current portion included in accrued liabilities while the long-term portion totaling \$4.2 million is payable through 2010, and is included in other long-term liabilities.

A summary of the facilities consolidation charge during the six months ended July 31, 2004 is as follows (in thousands):

	Balance at January 31, 2004	Net Cash Payments	Non-Cash Charges	Remaining Liability at July 31, 2004
Accrued losses on abandoned leased facilities:				
Non-cancelable lease commitments	\$7,355	\$(1,185)	\$ —	\$6,170

4. Recent Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective for all new variable interest entities, or VIEs, created or acquired after January 31, 2003.

In December 2003, the FASB issued a revision to Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" ("FIN 46R"). FIN 46R clarifies the application of ARB No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support provided by any parties, including the equity holders. FIN 46R requires the consolidation of these entities, known as variable interest entities ("VIEs"), by the primary beneficiary of the entity. The primary beneficiary is the entity, if any, that will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns, or both.

Among other changes, the revisions of FIN 46R (a) clarified some requirements of the original FIN 46, which had been issued in January 2003, (b) eased some implementation problems, and (c) added new scope exceptions. FIN 46R deferred the effective date of the Interpretation for VIEs created or acquired prior to February 1, 2003 for public companies to the end of the first reporting period ending after March 15, 2004, except that all public companies must at a minimum apply the unmodified provisions of the Interpretation to entities that were previously considered "special-purpose entities" in practice and under the FASB literature prior to the issuance of FIN 46R by the end of the first reporting period ending after December 15, 2003.

Among the scope exceptions, companies are not required to apply FIN 46R to an entity that meets the criteria to be considered a "business" as defined in the Interpretation unless one or more of four named conditions exist. During the quarter ended April 30, 2004, the Company's adoption of FIN 46R for investments prior to February 1, 2003 did not have a material impact on its consolidated financial statements.

In March 2004, the Emerging Issues Task Force ("EITF") reached a consensus on recognition and measurement guidance previously discussed under EITF Issue No. 03-01, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" ("EITF 03-01"). The consensus clarifies the meaning of other-than-temporary impairment and its application to

investments in debt and equity securities, in particular investments within the scope of FASB Statement No. 115, “Accounting for Certain Investments in Debt and Equity Securities,” and investments accounted for under the cost method. The Company is complying with the disclosure requirements. This consensus is to be applied to other-than-temporary impairment evaluations in reporting periods beginning after June 15, 2004. The Company does not believe that this consensus will have a material impact on its consolidated results of operations.

5. Commitments and Contingencies

Purchase Commitments

The Company’s manufacturing relationships with its foundries allow for the cancellation of all outstanding purchase orders, but require repayment of all expenses incurred through the date of cancellation. As of July 31, 2004, foundries had incurred approximately \$84.2 million of manufacturing expenses on the Company’s outstanding purchase orders. As of July 31, 2004, the Company also had approximately \$8.0 million of other outstanding non-cancelable purchase orders for capital purchase obligations.

Contingencies

On July 31, 2001, a putative class action suit was filed against two investment banks that participated in the underwriting of the Company’s initial public offering, or IPO, on June 29, 2000. That lawsuit, which did not name the Company or any of its officers or directors as defendants, was filed in the United States District Court for the Southern District of New York. Plaintiffs allege that the underwriters received “excessive” and undisclosed commissions and entered into unlawful “tie-in” agreements with certain of their clients in violation of Section 10(b) of the Securities Exchange Act of 1934. Thereafter, on September 5, 2001, a second putative class action was filed in the Southern District of New York relating to the Company’s IPO. In this second action, plaintiffs named three underwriters as defendants and also named as defendants the Company and two of its officers, one of whom is also a director. Relying on many of the same allegations contained in the initial complaint in which the Company was not named as a defendant, plaintiffs allege that the defendants violated various provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934. In both actions, plaintiffs seek, among other items, unspecified damages, pre-judgment interest and reimbursement of attorneys’ and experts’ fees. These two actions relating to the Company’s IPO have been consolidated with hundreds of other lawsuits filed by plaintiffs against approximately 55 underwriters and approximately 300 issuers across the United States. A consolidated amended class action complaint against the Company and its two officers was filed on April 19, 2002. Subsequently, defendants in the consolidated proceedings moved to dismiss the actions. In February 2003, the trial court issued its ruling on the motions, granting the motions in part, and denying them in part. Thus, the cases may proceed against the underwriters and the Company as to alleged violations of section 11 of the Securities Act of 1933 and section 10(b) of the Securities Exchange Act of 1934. Claims against the individual officers have been voluntarily dismissed without prejudice by agreement with plaintiffs. On June 26, 2003, the plaintiffs announced that a settlement among plaintiffs, the issuer defendants and their directors and officers, and their insurers had been structured, a part of which the insurers for all issuer defendants would guarantee up to \$1 billion to investors who are class members, depending upon plaintiffs’ success against non-settling parties. The Company’s board of directors has approved the proposed settlement, which will result in the plaintiffs’ dismissing the case against the Company and granting releases that extend to all of its officers and directors. Definitive settlement documentation was completed in early July 2004 and first presented to the court on June 14, 2004. A motion for preliminary approval of the settlement has been filed, briefed and is pending. The Company believes that the claims asserted are without merit and intends to defend these claims vigorously. Based on currently available information, the Company does not believe that the ultimate disposition of this lawsuit will have a material adverse impact on its business, results of operations, financial condition or cash flows.

On September 12, 2001, Jasmine Networks, Inc. (“Jasmine”) filed a lawsuit in the Santa Clara County Superior Court asserting claims against Company personnel and the Company for improperly obtaining and using information and technologies during the course of the negotiations with Company personnel regarding the potential acquisition of certain Jasmine assets by the Company. The lawsuit claims that Company officers improperly obtained and used such information and technologies after the Company signed a non-disclosure agreement with Jasmine. The Company believes the claims asserted against its officers and it are without merit and the Company intends to defend all claims vigorously. The Company cannot predict the outcome of this litigation. Any litigation could be costly, divert Company management’s attention and could have a material adverse effect on its business, results of operations, financial condition or cash flows. No estimate can be made of the possible loss or possible range of loss associated with the resolution of this contingency.

On March 11, 2004, Trinity Technologies, Inc. (“Trinity”) filed a lawsuit against the Company’s subsidiary, Marvell Semiconductor, Inc., (“MSI”) in the Superior Court of California, alleging violation of the California Wholesale Sales Representative

Contractual Relations Act of 1990, as well as breach of contract, breach of the implied covenant of good faith and fair dealing and fraud in connection with the termination by MSI of certain agreements it had entered into with Trinity. The complaint seeks declaratory relief, \$25.0 million in monetary damages, special and punitive damages and trebling of damages as well as costs and attorneys' fees. The Company believes the claims are without merit and intends to defend against all claims vigorously. The Company cannot predict the outcome of this litigation. Any litigation could be costly, divert Company management's attention and could have a material adverse effect on its business, results of operations, financial condition or cash flows.

In April 2004, Lonestar Inventions, L.P. ("Lonestar") filed a complaint against the Company's subsidiary (MSI), Analog Devices, Inc. and Broadcom Corporation in the United States District Court for the Western District of Texas in Austin alleging that MSI and the other named defendants (i) infringe a single patent relating to circuit technology, and (ii) induce infringement of such patents. The complaint seeks a permanent injunction against MSI as well as the recovery of monetary damages, including treble damages for willful infringement, and attorney's fees. Although the Company believes that it has strong defenses to the claim of Lonestar in the foregoing action, and is defending the claims vigorously, the Company cannot predict the outcome of this litigation. This litigation may be costly, may divert management's attention and could have a material adverse effect on its business, results of operations, financial condition or cash flows. No estimate can be made of the possible loss or possible range of loss associated with the resolution of this contingency.

The Company is also party to other claims and litigation proceedings arising in the normal course of business. Although the legal responsibility and financial impact with respect to such claims and litigation cannot currently be ascertained, the Company does not believe that these matters will result in the payment of monetary damages, net of any applicable insurance proceeds, that, in the aggregate, would be material in relation to the Company's consolidated financial position or results of operations. There can be no assurance that these matters will be resolved without costly litigation, in a manner that is not adverse to the Company's financial position, results of operations or cash flows, or without requiring royalty payments in the future, which may adversely impact gross margins.

6. Related Party Transaction

During the six months ended July 31, 2004, the Company incurred approximately \$0.4 million of business travel and airplane operating expenses from an unrelated third-party entity, ACM Aviation, Inc. ("ACM"). The airplane provided by ACM to the Company is owned by Estopia Air, LLC ("Estopia"), a Delaware limited liability company, owned and controlled by Dr. Sehat Sutardja, the Company's Chairman, President and CEO, and Weili Dai, the Company's Executive Vice President. ACM manages and operates the airplane on behalf of Estopia.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. These forward-looking statements include, but are not limited to, statements regarding the utilization of our products in a wide array of enterprise and consumer applications, our expectations as to growth in revenue from our products and reasons for such expectations, sources of revenue, our expectations as to research and development, sales and marketing and general and administrative expense, potential fluctuations in our gross margin and gross profit, the impact, if any, of legal proceedings, customer concentration and expected revenue concentration from Asia, working capital needs, accounts receivable, inventory, the rate of new orders, adequacy of capital resources, funding of capital requirements, factors impacting our capital requirements, liquidity, expected impact of our contractual obligations, the use of the recently purchased land, commitments and costs to improve the buildings on the recently purchased land, the impact of the adoption of accounting pronouncements, future acquisitions, strategic alliances or joint ventures, sources of competition, future design features and uses of our current and future products, strategic relationships with customers, the need for new and upgraded operational and financial systems, procedures and controls, reasons for decreases in gross profits, and payment of income tax in foreign jurisdictions. Forward-looking statements involve a number of risks and uncertainties, including those identified in the section of this Form 10-Q titled "Additional Factors That May Affect Future Results," which could cause actual results to differ from those discussed in the forward-looking statements. Forward-looking statements in this Form 10-Q are identified by words such as "believes," "expects," "anticipates," "intends," "estimates," "should," "will," "may" and similar expressions. In addition, any statements, which refer to expectations, projections or other characterizations of future events or circumstances, are forward-looking statements. We undertake no obligation to release publicly the results of any revisions to these forward-looking statements that could occur after the filing of this Form 10-Q. You are urged to review carefully our various disclosures in this Form 10-Q and our other reports filed with the SEC, including our 2004 Annual Report on Form 10-K, that attempt to advise you of the risks and factors that may affect our business.

Overview

We are a leading global semiconductor provider of high-performance analog, mixed-signal and digital signal processing integrated circuits. Our diverse product portfolio includes switching, transceivers, wireless, PC connectivity, gateways, communications controllers, and storage and power management solutions that serve diverse applications used in business enterprise, consumer electronics and emerging markets. We were founded in 1995. We are a fabless integrated circuit company, which means that we rely on independent, third-party contractors to perform manufacturing, assembly and test functions. This approach allows us to focus on designing, developing and marketing our products and significantly reduces the amount of capital we need to invest in manufacturing products. In January 2001, we acquired Galileo Technology Ltd. (now Marvell Semiconductor Israel Ltd, or MSIL) in a stock-for-stock transaction for aggregate consideration of approximately \$2.5 billion. MSIL develops high-performance internetworking and switching products. The acquisition was accounted for using the purchase method of accounting, and the operating results of MSIL have been included in our consolidated financial statements from the date of acquisition. In June 2003, we acquired RADLAN Computer Communications Ltd. (RADLAN), a leading provider of embedded networking software, for aggregate consideration to date of approximately \$122.4 million.

We offer our customers a wide range of high-performance analog, mixed-signal and digital signal processing integrated circuits. Our products can be utilized in a wide array of enterprise and consumer applications including hard disk drives, high-speed networking equipment, PCs, WLAN solutions for SOHO and residential gateway solutions, WLAN solutions for emerging consumer applications such as cellular handsets, gaming devices, PDAs and emerging home entertainment multimedia client devices.

Historically, a relatively small number of customers have accounted for a significant portion of our revenue. For the six months ended July 31, 2004, approximately 51% of our net revenue was derived from sales to four significant customers, each of whom individually accounted for 10% or more of our net revenue during this period. Also for the six months ended July 31, 2004, one distributor accounted for 14% of our net revenue during this period. We expect to continue to experience significant customer concentration in future periods. In addition, a significant portion of our sales is made to customers located outside of the United States, primarily in Asia. Sales to customers in Asia represented approximately 92% of our net revenue for the six months ended July 31, 2004. Because many manufacturers and manufacturing subcontractors of our customers are located in Asia, we expect that a significant portion of our revenue will continue to be represented by sales to our customers in that region. Substantially all of our sales to date have been denominated in United States dollars.

Our sales have historically been made on the basis of purchase orders rather than long-term agreements. In addition, the sales cycle for our products is long, which may cause us to experience a delay between the time we incur expenses and the time revenue is

[Table of Contents](#)

generated from these expenditures. We expect to increase our research and development, selling and marketing, and general and administrative expenditures as we seek to expand our operations. We anticipate that the rate of new orders may vary significantly from quarter to quarter. Consequently, if anticipated sales and shipments in any quarter do not occur when expected, expenses and inventory levels could be disproportionately high, and our operating results for that quarter and future quarters may be adversely affected.

Our fiscal year is the 52- or 53-week period ending on the Saturday closest to January 31. In a 52-week year, each fiscal quarter consists of 13 weeks. The additional week in a 53-week year is added to the fourth quarter, making such quarter consist of 14 weeks. Fiscal year 2005 will be comprised of 52 weeks. For presentation purposes, our financial statements and notes and this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” refer to January 31 as our year-end and April 30, July 31 and October 31 as our quarter-ends.

Critical Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates, and such differences could affect the results of operations reported in future periods. For a description of our critical accounting policies and estimates, please refer to the “Critical Accounting Estimates” section of our Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended January 31, 2004, as filed with the Securities Exchange Commission. There have been no material changes in any of our accounting policies since January 31, 2004.

Results of Operations

The following table sets forth information derived from our unaudited condensed consolidated statements of operations expressed as a percentage of net revenue:

	Three Months Ended July 31,		Six Months Ended July 31,	
	2004	2003	2004	2003
Net revenue	100.0%	100.0%	100.0%	100.0%
Operating costs and expenses:				
Cost of goods sold*	47.4	46.1	47.4	45.7
Research and development*	21.6	27.1	22.5	27.4
Selling and marketing*	6.7	7.7	6.8	8.3
General and administrative*	2.6	2.3	2.6	2.2
Amortization of stock-based compensation	0.4	0.5	0.5	0.5
Amortization and write-off of acquired intangible assets and other	10.0	10.1	11.1	10.8
Total operating costs and expenses	88.7	93.8	90.9	94.9
Operating income	11.3	6.2	9.1	5.1
Interest and other income, net	0.5	0.8	0.6	0.8
Income before income taxes	11.8	7.0	9.7	5.9
Provision for income taxes	2.2	2.1	2.1	2.1
Net income	9.6%	4.9%	7.6%	3.8%

* Excludes stock-based compensation

Three and Six Months Ended July 31, 2004 and 2003

Net Revenue

	Three Months Ended July 31,			Six Months Ended July 31,		
	2004	2003	Percent Change	2004	2003	Percent Change
Net revenue	\$297,154	\$192,854	54.1%	\$566,731	\$361,137	56.9%

Net revenue consists primarily of product revenue from sales of our semiconductor devices, and to a much lesser extent, development revenue derived from development contracts with our customers. Net revenue is gross revenue, net of accruals for

[Table of Contents](#)

estimated sales returns and allowances. The increases in net revenue reflect a significant increase in volume shipments of our storage System-on-Chips, or SOC, Gigabit Ethernet physical layer transceivers and wireless products during the three and six months ended July 31, 2004, primarily due to increased acceptance of our storage SOC products by hard disk manufacturers, the continued adoption of our Gigabit Ethernet products as a replacement for Fast Ethernet products, and volume shipments of our new 802.11g wireless local area network, or WLAN products. Revenue derived from development contracts increased in absolute dollars during the second quarter and first six months of fiscal 2005 as compared to the second quarter and first six months of fiscal 2004, but represented less than 10% of net revenue for each period.

We expect that revenue for fiscal 2005 will increase from the level of revenue we reported in fiscal 2004 due to increased shipments of our storage SOC, into business PCs and into emerging consumer storage electronics. Also, we expect additional growth in fiscal 2005 compared to fiscal 2004 due to increases in shipments of our WLAN products from new design wins in consumer wireless applications and our Gigabit Ethernet products for switching equipment.

A portion of our revenue is concentrated with a relatively small number of customers. For the three and six months ended July 31, 2004, four customers each represented more than 10% of our net revenue for a combined total of 51% of our net revenue. For the quarter ended July 31, 2003, three customers each represented more than 10% of our net revenue for a combined total of 45% of our net revenue. For the six months ended July 31, 2003, three customers each represented more than 10% of our net revenue for a combined total of 46% of our net revenue. In addition, one distributor accounted for approximately 14% of our net revenue in the three and six months ended July 31, 2004. No distributor accounted for more than 10% of our net revenue in the three and six months ended July 31, 2003.

Because we sell our products to many OEM manufacturers who have manufacturing operations located in Asia, a significant percentage of our sales are made to customers located outside of the United States. Sales to customers located in Asia represented 92% for the three and six months ended July 31, 2004 while sales to customer located in Asia represented 89% for the three and six months ended July 31, 2003. The rest of our sales are to customers located in the United States and other geographic regions.

Cost of Goods Sold

	Three Months Ended July 31,			Six Months Ended July 31,		
	2004	2003	Percent Change	2004	2003	Percent Change
Cost of goods sold	\$140,905	\$88,944	58.4%	\$268,741	\$165,057	62.8%
% of net revenue	47.4%	46.1%		47.4%	45.7%	
Gross margin	52.6%	53.9%		52.6%	54.3%	

Cost of goods sold consists primarily of the costs of manufacturing, assembly and test of integrated circuit devices and related overhead costs, and compensation and associated costs relating to manufacturing support, logistics and quality assurance personnel. Gross margin is calculated as net revenue less cost of goods sold as a percentage of net revenue. The decrease in gross margin in the three and six months ended July 31, 2004 compared to the three and six months ended July 31, 2003 was primarily due to a product mix change, which included production ramps of our storage SOC, Gigabit Ethernet PHY transceivers and WLAN products. In addition, higher period costs related to an increase in inventory excess and obsolescence charges of \$6.3 million and \$9.3 million for older, slow-moving products contributed to a decrease in gross margins in the second quarter of fiscal 2005 compared to the second quarter of fiscal 2004, and for the six months ended July 31, 2004 compared to the six months ended July 31, 2003, respectively. The costs associated with contracted development work are included in research and development expense. Our gross margins are primarily driven by product mix; however, our margins may fluctuate in future periods due to, among other things, increased pricing pressures from our customers and competitors, increased period costs, changes in the costs charged by our manufacturing and test subcontractors and changes in the amount of development revenue recognized.

Research and Development

	Three Months Ended July 31,			Six Months Ended July 31,		
	2004	2003	Percent Change	2004	2003	Percent Change
Research and development	\$64,036	\$52,252	22.6%	\$127,308	\$98,891	28.7%
% of net revenue	21.6%	27.1%		22.5%	27.4%	

Research and development expense consists primarily of compensation and associated costs relating to development personnel, prototype costs, depreciation and amortization expense, and allocated occupancy costs for these operations. The increase in research and development expense in absolute dollars in the second quarter of fiscal 2005 compared to the second quarter of fiscal 2004 was

[Table of Contents](#)

primarily due to the hiring of additional development personnel, including personnel costs associated with a full quarter of operations from our acquisitions of RADLAN in June of fiscal 2004 and Asica in November of fiscal 2004, all of which resulted in an increase in salary and related costs of \$7.4 million. Additionally, we incurred increased depreciation and amortization expense of \$1.6 million arising from purchases of property, equipment and technology licenses and other allocated expenses of \$1.4 million related to our expanding operations.

The increase in research and development expense in absolute dollars in the first six months of 2005 as compared to the first six months of fiscal 2004 was primarily due to the hiring of additional development personnel, including personnel related from our acquisitions of RADLAN in June of fiscal 2004 and Asica in November of fiscal 2004, all of which resulted in an increase in salary and related costs of \$16.8 million. Additionally, we incurred increased costs of \$1.0 million for prototype and related product tape-out costs for new product initiatives, increased costs of \$1.2 million for outside services to assist in new product initiatives, increased costs of \$1.0 million for patent filing fees to protect newly developed intellectual property, increased depreciation and amortization expense of \$3.5 million arising from purchases of property, equipment and technology licenses and other allocated expenses of \$2.9 million related to our expanding operations.

We expect that research and development expense will increase in absolute dollars in future periods as we continue to devote resources to develop new products, migrate to lower process geometries, meet the changing requirements of our customers, expand into new markets and technologies, and hire additional personnel.

Selling and Marketing

	Three Months Ended July 31,		Percent Change	Six Months Ended July 31,		Percent Change
	2004	2003		2004	2003	
Selling and marketing	\$19,884	\$14,783	34.5%	\$38,585	\$30,246	27.6%
% of net revenue	6.7%	7.7%		6.8%	8.3%	

Selling and marketing expense consists primarily of compensation and associated costs relating to sales and marketing personnel, sales commissions, promotional and other marketing expenses, and allocated occupancy costs for these operations. The increase in selling and marketing expense in absolute dollars in the second quarter of fiscal 2005 compared to the second quarter of fiscal 2004 was primarily due to the hiring of additional sales and marketing personnel, including personnel costs associated with a full quarter of operations from our acquisition of RADLAN in June of fiscal 2004, all of which resulted in an increase in salary and related costs of \$2.2 million. Additionally, we incurred higher commission costs of \$1.4 million primarily due to an increase in sales.

The increase in selling and marketing expense in absolute dollars in the first six months of fiscal 2005 compared to the first six months of fiscal 2004 was primarily due to the hiring of additional sales and marketing personnel, including personnel costs associated with operations from our acquisition of RADLAN in June of fiscal 2004, all of which resulted in an increase in salary and related costs of \$4.6 million. Additionally, we incurred increased commission costs of \$1.2 million due primarily to an increase in sales as well as other costs of \$1.0 million related to expanding our sales and marketing activities as we broaden our customer and product base.

We expect that selling and marketing expense will increase in absolute dollars in future periods as we hire additional sales and marketing personnel and expand our sales and marketing efforts in emerging product markets such as power management and consumer applications for our WLAN and storage products.

General and Administrative

	Three Months Ended July 31,		Percent Change	Six Months Ended July 31,		Percent Change
	2004	2003		2004	2003	
General and administrative	\$7,662	\$4,351	76.1%	\$14,499	\$7,931	82.8%
% of net revenue	2.6%	2.3%		2.6%	2.2%	

General and administrative expense consists primarily of compensation and associated costs relating to general and administrative personnel, fees for professional services and allocated occupancy costs for these operations. The increase in absolute dollars in general administrative expense in the second quarter of fiscal 2005 compared to the second quarter of fiscal 2004 was primarily due to the hiring of additional administrative personnel and personnel costs associated with a full quarter of operations from the RADLAN acquisition in June of fiscal 2004, all of which resulted in an increase in salary and related costs of \$1.0 million. Our expenses also increased by \$2.1 million due to higher professional fees as a result of our expanding operations, attorney fees associated with our on-going legal proceedings and costs to comply with the regulatory requirements of the Sarbanes-Oxley Act of 2002.

[Table of Contents](#)

The increase in absolute dollars in general administrative expense in the first six months of fiscal 2005 compared to the first six months of fiscal 2004 was primarily due to the hiring of additional administrative personnel and personnel costs associated with a full quarter of operations from the RADLAN acquisition in June of fiscal 2004, all of which resulted in an increase in salary and related costs of \$2.2 million. Our expenses also increased by \$4.3 million due to higher professional fees as a result of our expanding operations, attorney fees associated with our on-going legal proceedings and costs to comply with the regulatory requirements of the Sarbanes-Oxley Act of 2002.

We expect that general and administrative expense will increase in absolute dollars in future periods due to hiring additional personnel to support expansion of our operations, increased legal fees due to ongoing legal proceedings and increased costs to comply with the regulatory requirements of the Sarbanes-Oxley Act of 2002.

Amortization of Stock-Based Compensation

	Three Months Ended July 31,			Six Months Ended July 31,		
	2004	2003	Percent Change	2004	2003	Percent Change
Amortization of stock-based compensation	\$1,272	\$1,020	24.7%	\$2,660	\$1,678	58.5%
% of net revenue	0.4%	0.5%		0.5%	0.5%	

We have recorded deferred stock-based compensation in connection with the grant of stock options to our employees and directors prior to our initial public offering of common stock and in connection with the assumption and grant of stock options as a result of our acquisitions. Deferred stock-based compensation is being amortized using an accelerated method over the remaining option vesting period. The increase in amortization expense in both absolute dollars and percentage of net revenue in the second quarter and first six months of fiscal 2005 compared to the second quarter and first six months of fiscal 2004 primarily resulted from a higher balance of deferred stock-based compensation due to additional deferred stock-based compensation recorded from our acquisitions in fiscal 2004 being amortized in the second quarter and first six months of fiscal 2005.

Amortization and Write-off of Acquired Intangible Assets and Other

	Three Months Ended July 31,			Six Months Ended July 31,		
	2004	2003	Percent Change	2004	2003	Percent Change
Amortization of acquired intangible assets and other	\$29,759	\$19,560	52.1%	\$63,017	\$39,008	61.5%
% of net revenue	10.0%	10.1%		11.1%	10.8%	

In connection with the acquisition of MSIL in the fourth quarter of fiscal 2001, we recorded \$434.7 million of acquired intangible assets. In connection with the acquisition of RADLAN, we recorded \$5.7 million of acquired intangible assets. The acquired intangible assets from the RADLAN acquisition are being amortized over their estimated economic lives of two to five years. In connection with the acquisition of Asica, we recorded \$360,000 of acquired intangible assets. The acquired intangible assets from the Asica acquisition are being amortized over their estimated economic life of five years. During the second quarter of fiscal year 2005, we entered into a technology license and non-assert agreement with another company pursuant to which the parties agreed to not take action against each other relative to the use of certain technologies. Under this arrangement, we agreed to make a one-time payment of \$25.0 million, of which \$10.0 million related to past use of certain technologies is included in amortization and write-off of acquired intangible assets and other, while the remaining \$15.0 million was capitalized as licensed technology and will be amortized to cost of goods sold over its estimated useful life of five years. During the first quarter of fiscal year 2005, we entered into another technology license and non-assert agreement with a licensor pursuant to which the parties agreed to not take action against each other relative to the use of certain technologies. Under this arrangement, we agreed to make a one-time payment of \$13.5 million, which is included in amortization and write-off of acquired intangible assets and other.

The remainder of the increase in amortization and write-off of acquired intangible assets and other expense in the second quarter and first six months of fiscal 2005 compared to the second quarter and first six months of fiscal 2004 was due to additional amortization of purchased intangibles from the RADLAN acquisition in June of 2003 and the Asica acquisition in November of 2003.

[Table of Contents](#)

Interest and Other Income, net

	Three Months Ended July 31,		Percent Change	Six Months Ended July 31,		Percent Change
	2004	2003		2004	2003	
Interest and other income, net	\$1,616	\$1,569	3.0%	\$3,288	\$2,880	14.2%
% of net revenue	0.5%	0.8%		0.6%	0.8%	

Interest and other income, net consists primarily of interest earned on cash, cash equivalents and short-term investment balances, offset by interest paid on capital lease obligations. The increase in interest and other income, net for the second quarter of fiscal 2005 compared to the second quarter of fiscal 2004 is primarily due to higher interest income on higher comparable invested cash balances, partially offset by a loss of \$0.2 million on an equity method investment in the second quarter of fiscal 2004. The increase in interest and other income, net for the first six months of fiscal 2005 compared to the first six months of fiscal 2004 is primarily due to a loss of \$0.4 million on an equity method investment in the first six months of fiscal 2004.

Provision for Income Taxes

	Three Months Ended July 31,		Percent Change	Six Months Ended July 31,		Percent Change
	2004	2003		2004	2003	
Provision for income taxes	\$6,628	\$4,091	62.0%	\$12,088	\$7,427	62.8%
% of net revenue	2.2%	2.1%		2.1%	2.1%	

Our effective tax rate was 18.8% and 21.9% for the three and six months ended July 31, 2004, respectively, compared to 30.3% and 35.0% for the three and six months ended July 31, 2003. The decrease in effective tax rate in the three and six months ended July 31, 2004 compared to the three and six months ended July 31, 2003 is due primarily to a relative increase in pretax income in jurisdictions with lower tax rates. Excluding stock-based compensation expenses, non-deductible acquisition-related expenses and other non-related expenses our effective income tax rates for the second quarters and first six months of fiscal 2005 and 2004 would have been 10% and 12%, respectively.

On August 26, 2003, the Internal Revenue Service (IRS) began an income tax audit of Marvell Semiconductor, Inc. (MSI), a subsidiary of Marvell Technology Group, Ltd., for fiscal years ended January 31, 2001, 2002 and 2003. During the quarter ended July 31, 2004, the audit was completed with no material adverse impact on our consolidated financial statements.

Liquidity and Capital Resources

Our principal source of liquidity as of July 31, 2004 consisted of \$482.4 million of cash, cash equivalents and short-term investments. Since our inception, we have financed our operations through a combination of sales of equity securities, cash generated by operations and cash assumed in acquisitions.

Net Cash Provided by Operating Activities

Net cash provided by operating activities was \$81.2 million for the six months ended July 31, 2004 compared to \$75.4 million for the six months ended July 31, 2003. The cash inflow from operations in the first six months of fiscal 2005 was primarily a result of our generation of income during the period and changes in working capital. Non-cash charges in the first six months of fiscal 2005 included \$39.5 million related to amortization of acquired intangible assets and other, \$19.4 million of depreciation and amortization expense and \$2.7 million of amortization of stock-based compensation. Significant working capital changes contributing to positive cash inflow in the first six months of fiscal 2005 included an increase of \$10.7 million in income tax payable resulting from taxable income in the first six months of fiscal 2005, an increase of \$9.5 million in accrued liabilities and other primarily related to an accrual for a technology license and an increase of \$7.0 million in accrued employee compensation primarily related to the timing of payroll and higher benefit related obligations as a result of the increase in number of employees.

Significant working capital changes offsetting positive cash flows in the first six months of fiscal 2005 included a \$23.5 million decrease in accounts payable due primarily to payments made on outstanding balances during the period. Inventory increased by \$5.3 million primarily as a result of increased volumes of sales and associated purchases of inventory required to meet customer demand. The number of days of inventory has remained consistent in the second quarter of fiscal 2005 compared to the second quarter of fiscal 2004 as we have effectively managed our inventory levels in response to longer production lead times and tighter capacity constraints at our foundries. Accounts receivable increased by \$24.6 million primarily due to higher total net revenue in the first six months of

fiscal 2005 as compared to the first six months of fiscal 2004. Although accounts receivable has increased, the days sales outstanding metric, or DSO, has remained consistent in the first six months of fiscal 2005 as compared to the first six months of fiscal 2004 in the range of 48 to 51 days. Many of our larger customers have regularly scheduled payment dates with some of the dates falling immediately before or after our fiscal quarter-end. As a result, our accounts receivable balance and DSO may fluctuate depending on the timing of large payments made by our customers.

During the first six months of fiscal 2004, net cash provided by operating activities was \$75.4 million for the six months ended July 31, 2003. The cash inflow from operations in the first six months of fiscal 2004 was primarily a result of our generation of income during the period and changes in working capital. Non-cash charges in the first six months of fiscal 2004 included \$39.0 million related to amortization of acquired intangible assets, \$15.8 million of depreciation and amortization expense, and \$1.7 million of amortization of stock-based compensation. Significant working capital changes contributing to positive cash inflow in the first quarter of fiscal 2004 included an increase of \$28.7 million in accounts payable resulting primarily from amounts due to our suppliers related to increased inventory purchases during the first six months of fiscal 2004, an increase of \$10.8 million in accrued employee compensation primarily as the result of increased employee stock purchase contributions, and an increase of \$5.2 million in income tax payable resulting from higher taxable income in the first six months of fiscal 2004. Significant working capital changes offsetting positive cash flow in the first six months of fiscal 2004 included a \$20.7 million increase in inventory primarily as a result of increased volumes of sales and associated purchases of inventory required to meet demand. Accounts receivable increased by \$16.7 million primarily due to higher net revenue in the first six months of fiscal 2004 as compared to the first six months of fiscal 2003.

Due to the nature of our business, we experience working capital needs for accounts receivable and inventory. We typically bill customers on an open account basis with net thirty to sixty day payment terms. If our sales levels were to increase as they have in prior fiscal years, it is likely that our levels of accounts receivable would also increase. Our levels of accounts receivable would also increase if customers delayed their payments or if we offered extended payment terms to our customers. Additionally, in order to maintain an adequate supply of product for our customers, we must carry a certain level of inventory. Our inventory level may vary based primarily upon orders received from our customers and our forecast of demand for these products, as well as the initial production ramp for significant design wins. Other considerations in determining inventory levels may include the product life cycle stage of our products, foundry lead times and available capacity, and competitive situations in the marketplace. Such considerations are balanced against risk of obsolescence or potentially excess inventory levels.

Net Cash Used in Investing Activities

Net cash used in investing activities was \$54.3 million for the six months ended July 31, 2004 and \$20.1 million for the six months ended July 31, 2003. The net cash used in investing activities in the first six months of fiscal 2005 was due to purchases of property and equipment of \$13.7 million, purchases of technology licenses of \$15.9 million and purchases of short-term investments of \$80.6 million, partially offset by the proceeds from the sales and maturities of short-term investments of \$55.9 million. The net cash used in investing activities in the first six months of fiscal 2004 was due to purchases of property and equipment of \$12.0 million, purchases of short-term investments of \$44.7 million, and loan advances of \$10.0 million, partially offset by the proceeds from the sales and maturities of short-term investments of \$48.3 million.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was \$46.9 million for the six months ended July 31, 2004 and \$28.2 million for the six months ended July 31, 2003. In the first six months of fiscal 2005 and 2004, net cash provided by financing activities was attributable to proceeds from the issuance of common stock under our stock option plans, partially offset by principal payments on capital lease obligations.

Our relationships with the foundries we utilize allow us to cancel all outstanding purchase orders, provided we pay the foundries for all expenses they have incurred in connection with our purchase orders through the date of cancellation. As of July 31, 2004, our foundries had incurred approximately \$84.2 million of manufacturing expenses on our outstanding purchase orders. As of July 31, 2004, we also had approximately \$8.0 million of other outstanding non-cancelable purchase orders for capital purchase obligations.

In October 2001, we entered into a lease agreement with Yahoo! Inc. to lease a building in Sunnyvale, California consisting of approximately 213,000 square feet. The lease commenced on January 1, 2002 and continues through March 16, 2006. Total rent payments over the term of the lease will be approximately \$19.4 million. In February 2002, we consolidated our three existing facilities in California into this new building. The lease on one of our former facilities expired in February 2002, but we have ongoing, non-cancelable leases for the two other facilities. During fiscal 2003, we recorded a \$19.6 million charge associated with costs of consolidation of our facilities. This charge included \$12.6 million in lease abandonment charges relating to the consolidation of our

three facilities in California into one location. This charge also included the remaining lease commitments of these facilities reduced by the estimated sublease income for the duration of the lease term. Prior to the consolidation of these facilities, we were leasing three separate facilities in California within ten miles of each other. We had expanded into two additional facilities because our headcount growth exceeded the capacity of our main California facility and we assumed an additional lease through the acquisition of MSIL. The main factors that led to the consolidation of these three facilities were that the lease on our main California facility expired in February 2002, a decline in market lease rates in Silicon Valley from the prior years and a focus on improving employee productivity by minimizing travel between facilities. During the second quarter of fiscal 2004, we obtained subleases for the abandoned facilities. Actual sublease income approximated the estimated sublease income, but is less than our actual lease commitments, resulting in negative cash flow over the remaining term of the subleases of approximately \$6.2 million. At July 31, 2004, cash payments of \$7.3 million, net of sublease income had been made in connection with this charge. Approximately \$6.2 million is accrued for the facilities consolidation charge as of July 31, 2004 of which \$2.0 million is the current portion while the long-term portion totaling \$4.2 million is payable through 2010.

On June 27, 2003, we completed the acquisition of RADLAN Computer Communications Ltd. Upon the closing, we issued a total of 2,635,284 shares of common stock (valued at \$24.0 million) and assumed 313,926 of vested options (valued at \$2.9 million). In addition, we issued warrants to purchase 1,086,366 shares of our common stock at an exercise price of \$9.21 per share (valued at \$7.5 million). On October 6, 2003, we issued an additional 2,325,582 shares valued at \$47.4 million to former RADLAN shareholders. On December 8, 2003, certain milestones were achieved and 1,023,256 shares of common stock valued at \$19.6 million were earned and issued to former RADLAN shareholders. Additionally, 1,023,256 shares of our common stock are reserved for future issuance over a one-year period to former RADLAN shareholders, which is dependent upon our revenues from certain products for the year ended January 31, 2005 compared to the year ended January 31, 2004. As of July 31, 2004, approximately 60%, or 614,624 of the remaining 1,023,256 shares reserved for future issuance to former RADLAN shareholders were earned based on the Company's achievement of revenues from certain products during the first six months of fiscal 2005.

On November 17, 2003, we completed the purchase of six buildings on 33.8 acres of land in Santa Clara, California for a total cost of \$63.9 million in cash. It is currently intended that the site will be the future location of our U.S. subsidiary. As a result of the purchase of the buildings, we expect to make significant commitments and incur costs to improve the buildings over the next twelve to eighteen months. We are still in the preliminary planning stages of defining the scope of the work to be performed as well as selecting contractors. However, we have prepared preliminary estimates of the amount of improvements that we plan to spend to build out and improve the buildings. We currently expect to spend approximately \$50-\$60 million for building improvements over the next twelve to eighteen months, of which \$4.4 million has been committed in the form of non-cancelable purchase orders. The amount that we plan to spend and commit for building improvements is an estimate and may change as the scope of the work is defined and plans are finalized. In addition, we expect an increase in future operating expenses due to the new buildings, thereby increasing the amount of occupancy costs that will be allocated to research and development, sales and marketing and general and administrative expenses.

On November 24, 2003, we completed the acquisition of Asica, Inc. Prior to the acquisition, we owned 46% of the outstanding equity of Asica. Upon closing we issued a total of 180,274 shares of common stock (valued at \$3.5 million) to acquire the remaining outstanding equity and assumed 52,042 vested options valued at approximately \$0.9 million.

We currently intend to fund our short and long-term capital requirements, as well as our liquidity needs, with existing cash, cash equivalent and short-term investment balances as well as cash generated by operations. We believe that our existing cash, cash equivalent and short-term investment balances will be sufficient to meet our working capital needs, capital requirements, investment requirements and commitments for at least the next twelve months. However, our capital requirements will depend on many factors, including our rate of sales growth, market acceptance of our products, costs of securing access to adequate manufacturing capacity, the timing and extent of research and development projects, costs of making improvements to facilities and increases in operating expenses, which are all subject to uncertainty. To the extent that our existing cash, cash equivalent and investment balances and cash generated by operations are insufficient to fund our future activities, we may need to raise additional funds through public or private debt or equity financing. We may enter into acquisitions or strategic arrangements in the future, which could also require us to seek additional debt or equity financing, which in turn may be dilutive to our current shareholders. Additional funds may not be available on terms favorable to us or at all.

[Table of Contents](#)

The following table summarizes our contractual obligations as of July 31, 2004 and the effect such obligations are expected to have on our liquidity and cash flow in future periods (in thousands):

	Payments Due by Period						Total
	2005	2006	2007	2008	2009	Thereafter	
	(remaining six months)						
Contractual obligations:							
Operating leases	\$ 6,811	\$10,893	\$ 4,567	\$3,425	\$2,367	\$2,643	\$ 30,706
Capital lease obligations	6,531	12,052	6,797	2,002	2,002	—	29,384
Purchase commitments to foundries	84,237	—	—	—	—	—	84,237
Capital purchase obligations	8,017	—	—	—	—	—	8,017
Total contractual cash obligations	<u>\$105,596</u>	<u>\$22,945</u>	<u>\$11,364</u>	<u>\$5,427</u>	<u>\$4,369</u>	<u>\$2,643</u>	<u>\$152,344</u>

Recent Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 46 (“FIN 46”), “Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51.” FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective for all new variable interest entities, or VIEs, created or acquired after January 31, 2003.

In December 2003, the FASB issued a revision to Interpretation No. 46, “Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51” (“FIN 46R”). FIN 46R clarifies the application of ARB No. 51, “Consolidated Financial Statements,” to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support provided by any parties, including the equity holders. FIN 46R requires the consolidation of these entities, known as variable interest entities (“VIEs”), by the primary beneficiary of the entity. The primary beneficiary is the entity, if any, that will absorb a majority of the entity’s expected losses, receive a majority of the entity’s expected residual returns, or both.

Among other changes, the revisions of FIN 46R (a) clarified some requirements of the original FIN 46, which had been issued in January 2003, (b) eased some implementation problems, and (c) added new scope exceptions. FIN 46R deferred the effective date of the Interpretation for VIEs created or acquired prior to February 1, 2003 for public companies to the end of the first reporting period ending after March 15, 2004, except that all public companies must at a minimum apply the unmodified provisions of the Interpretation to entities that were previously considered “special-purpose entities” in practice and under the FASB literature prior to the issuance of FIN 46R by the end of the first reporting period ending after December 15, 2003.

Among the scope exceptions, companies are not required to apply FIN 46R to an entity that meets the criteria to be considered a “business” as defined in the Interpretation unless one or more of four named conditions exist. During the quarter ended April 30, 2004, the adoption of FIN 46R for investments acquired prior to February 1, 2003 did not have a material impact on our consolidated financial statements.

In March 2004, the Emerging Issues Task Force (“EITF”) reached a consensus on recognition and measurement guidance previously discussed under EITF Issue No. 03-01, “The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments” (“EITF 03-01”). The consensus clarifies the meaning of other-than-temporary impairment and its application to investments in debt and equity securities, in particular investments within the scope of FASB Statement No. 115, “Accounting for Certain Investments in Debt and Equity Securities,” and investments accounted for under the cost method. We are complying with the disclosure requirements. This consensus is to be applied to other-than-temporary impairment evaluations in reporting periods beginning after June 15, 2004. We do not believe that this consensus will have a material impact on our consolidated results of operations.

Additional Factors That May Affect Future Results

In addition to the factors discussed in the “Overview” and “Liquidity and Capital Resources” sections of this “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” the following additional factors may affect our future results. Many of these factors are beyond our control, including business cycles and seasonal trends of the computing, semiconductor and related industries.

A significant portion of our business is dependent upon the hard disk drive industry, which is highly cyclical and experiences rapid technological change.

The hard disk drive industry is intensely competitive, and the technology changes rapidly. As a result, this industry is highly cyclical, with periods of increased demand and rapid growth followed by periods of oversupply and subsequent contraction. These cycles may affect us because our customers are suppliers to this industry. Hard disk drive manufacturers tend to order more components than they may need during growth periods, and sharply reduce orders for components during periods of contraction. In addition, advances in existing technologies and the introduction of new technologies may result in lower demand for disk drive storage devices, thereby reducing demand for our products.

Rapid technological changes in the hard disk drive industry often result in significant and rapid shifts in market share among the industry’s participants. If the hard disk drive manufacturers using our products do not retain or increase market share, our sales may decrease.

Our Marvell Semiconductor Israel Ltd., Marvell T.I. Ltd. and RADLAN Computer Communications Ltd. subsidiaries are incorporated under the laws of, and their principal offices are located in, the State of Israel and therefore their business operations may be harmed by adverse political, economic and military conditions affecting Israel.

Each of Marvell Semiconductor Israel Ltd., or MSIL, Marvell T.I. Ltd, or MTIL and RADLAN Computer Communications Ltd., or RADLAN, are incorporated under the laws of and has its principal offices in the State of Israel. In addition, MSIL and RADLAN maintain their research and development operations in Israel. Thus, MSIL, MTIL and RADLAN are directly influenced by the political, economic and military conditions affecting Israel. Major hostilities involving or within Israel could disrupt MSIL, MTIL and RADLAN’s operations. For example, continued hostilities between Israel and the Palestinian authority in recent months have caused substantial political unrest, which could lead to a potential economic downturn in Israel. Additionally, the ongoing situation in Iraq could lead to more economic instability and uncertainty in the State of Israel and the Middle East. Also, the interruption or curtailment of trade between Israel and its present trading partners or a significant downturn in the economic or financial condition of Israel could negatively impact the business operations and financial results of each of MSIL, MTIL and RADLAN.

We depend on a small number of large customers for a significant portion of our sales. The loss of, or a significant reduction or cancellation in sales to, any key customer would significantly reduce our revenues.

In the first six months of fiscal 2005, approximately 51% of our net revenue was derived from sales to four customers, each of whom individually accounted for 10% or more of our net revenue during this period. Of these customers, Western Digital accounted for approximately 15%, Samsung accounted for approximately 14%, Intel accounted for approximately 11% and Toshiba accounted for approximately 11%. Additionally, Wintech, a distributor, accounted for approximately 14% of our net revenue during the first quarter of fiscal 2005. Sales to our largest customers have fluctuated significantly from period to period primarily due to the timing and number of design wins with each customer, as well as the continued diversification of our customer base as we expand into new markets, and will likely continue to fluctuate dramatically in the future. The loss of any of our largest customers, a significant reduction in sales we make to them, or any problems we encounter collecting amounts due from them would likely seriously harm our financial condition and results of operations. Our operating results in the foreseeable future will continue to depend on sales to a relatively small number of customers, as well as the ability of these customers to sell products that incorporate our products. In the future, these customers may decide not to purchase our products at all, to purchase fewer products than they did in the past, or to alter their purchasing patterns in some other way, particularly because:

- substantially all of our sales are made on a purchase order basis, which permits our customers to cancel, change or delay product purchase commitments with little or no notice to us and without penalty;
- our customers may develop their own solutions;

[Table of Contents](#)

- our customers may purchase integrated circuits from our competitors; or
- our customers may discontinue sales in the markets for which they purchase our products.

If we are unable to develop new and enhanced products that achieve market acceptance in a timely manner, our operating results and competitive position will be harmed.

Our future success will depend on our ability, in a timely and cost-effective manner, to develop new products and enhancements to our existing products. We must also achieve market acceptance for these products and enhancements. If we do not successfully develop and achieve market acceptance for new and enhanced products, our ability to maintain or increase revenues will suffer. The development of our products is highly complex. We occasionally have experienced delays in completing the development and introduction of new products and product enhancements, and we could experience delays in the future. Even if the new and enhanced products are introduced to the market, we may not be able to achieve market acceptance of these products in a timely manner.

Successful product development and market acceptance of our products depends on a number of factors, including:

- timely and cost-effective completion and introduction of new product designs;
- adoption of our products by customers that are among the first to adopt new technologies and by customers perceived to be market leaders;
- timely qualification and certification of our products for use in our customers' products;
- the level of acceptance of our products by existing and potential customers;
- cost and availability of foundry, assembly and testing capacity;
- availability, price, performance, power, use and size of our products and competing products and technologies;
- our customer service and support capabilities and responsiveness;
- successful development of our relationships with existing and potential customers and strategic partners; and
- our ability to predict and respond to changes in technology, industry standards or end-user preferences.

In addition, our longstanding relationships with some of our larger customers may also deter other potential customers who compete with these customers from buying our products. To attract new customers or retain existing customers, we may offer certain customers favorable prices on our products. If these prices are lower than the prices paid by our existing customers, we would have to offer the same lower prices to certain of our customers who have contractual "most favored nation" pricing arrangements. In that event, our average selling prices and gross margins would decline. The loss of a key customer, a reduction in sales to any key customer or our inability to attract new significant customers could materially and adversely affect our business, financial condition and results of operations.

We rely on independent foundries and subcontractors for the manufacture, assembly and testing of our integrated circuit products, and the failure of any of these third-party vendors to deliver products or otherwise perform as requested could damage our relationships with our customers, decrease our sales and limit our growth.

We do not have our own manufacturing or assembly facilities and have very limited in-house testing facilities. Therefore, we must rely on third-party vendors to manufacture, assemble and test the products we design. We currently rely on five third-party foundries to produce substantially all of our integrated circuit products. We also currently rely on several third-party assembly and test subcontractors to assemble, package and test our products. The resurgence of SARS and any similar future outbreaks in Asia could affect the production capabilities of our manufacturers by resulting in quarantines or closures. In the event of such a quarantine or closure, if we were unable to quickly identify alternate manufacturing facilities, our revenues, cost of revenues and results of operations would be negatively impacted. If these vendors do not provide us with high-quality products and services in a timely manner, or if one or more of these vendors terminates its relationship with us, we may be unable to obtain satisfactory replacements to

fulfill customer orders on a timely basis, our relationships with our customers could suffer, our sales could decrease and our growth could be limited. Other significant risks associated with relying on these third-party vendors include:

- our customers or their customers may fail to approve or delay approving our selected supplier;
- we have reduced control over product cost, delivery schedules and product quality;
- the warranties on wafers or products supplied to us are limited; and
- we face increased exposure to potential misappropriation of our intellectual property.

We currently do not have long-term supply contracts with any of our third-party vendors. Therefore, they are not obligated to perform services or supply products to us for any specific period, in any specific quantities, or at any specific price, except as may be provided in a particular purchase order. None of our third-party foundry or assembly and test subcontractors have provided contractual assurances to us that adequate capacity will be available to us to meet future demand for our products. These foundries may allocate capacity to the production of other companies' products while reducing deliveries to us on short notice. In particular, foundry customers that are larger and better financed than us or that have long-term agreements with these foundries may cause these foundries to reallocate capacity to those customers, decreasing the capacity available to us. If we need another integrated circuit foundry or assembly and test subcontractor because of increased demand, or we are unable to obtain timely and adequate deliveries from our providers at the required time, we might not be able to develop relationships with other vendors who are able to satisfy our requirements. Even if other integrated circuit foundries or assembly and test subcontractors are available at that time to satisfy our requirements, it would likely take several months to acquire a new provider. Such a change may also require the approval of our customers, which would take time to effect and could cause our customers to cancel orders or fail to place new orders.

The uncertain and volatile worldwide economy, acts of war, terrorism, international conflicts and related uncertainties may adversely impact our revenues and profitability.

In the last three years, worldwide economic conditions have experienced a downturn due to slower economic activity, concerns about inflation, decreased consumer confidence, reduced corporate profits and capital spending, adverse business conditions and liquidity concerns in the telecommunications and related industries, the situation in Iraq and recent international conflicts, and terrorist and military activity have resulted in a downturn in worldwide economic conditions. We cannot predict the timing, strength and duration of any economic recovery in the semiconductor industry and in particular, the broadband communications markets. In addition, the events of September 11, 2001, the continuing international conflicts and terrorist acts and the possibility of an extended United States presence in Iraq can be expected to place further pressure on economic conditions in the United States and worldwide. Also, a resurgence or perceived resurgence of severe acute respiratory syndrome, or SARS or a similar outbreak, could have a further adverse effect upon an already weakened world economy. These conditions make it extremely difficult for our customers, our vendors and for us to accurately forecast and plan future business activities. Although recently we have seen some signs of recovery in the worldwide economy, we cannot predict the timing, strength and duration of any economic recovery, worldwide or in our served markets. If the economy does not continue to recover, our business, financial condition and results of operations will likely suffer.

We are subject to the risks of owning real property.

On November 17, 2003, we completed the purchase of six buildings on 33.8 acres of land in Santa Clara, California for a total cost of \$63.9 million. It is currently intended that the site will be the future location of our U.S. subsidiary. The real property includes land and buildings, primarily related to our operations. We have little experience in managing real property. Ownership of this property subjects us to risks, including:

- the possibility of environmental contamination and the costs associated with fixing any environmental problems;
- adverse changes in the value of these properties, due to interest rate changes, changes in the neighborhood in which the property is located, or other factors;
- the possible need for structural improvements in order to comply with zoning, seismic and other legal or regulatory requirements;
- the potential disruption of our business and operations arising from or connected with a relocation due to moving to the facility;

[Table of Contents](#)

- increased cash commitments for improvements to the buildings or the property or both;
- increased operating expenses for the buildings or the property or both;
- possible disputes with tenants or other third parties related to the buildings or the property or both; and
- the risk of financial loss in excess of amounts covered by insurance such as the loss caused by damage to the buildings as a result of an earthquake.

We are a relatively small company with limited resources compared to some of our current and potential competitors, and we may not be able to compete effectively and increase or maintain revenue and market share.

We may not be able to compete successfully against current or potential competitors. If we do not compete successfully, our market share and revenues may not increase or may decline. In addition, most of our current and potential competitors have longer operating histories, significantly greater resources and name recognition, and a larger base of customers than we do. As a result, these competitors may have greater credibility with our existing and potential customers. Moreover, our competitors may foresee the course of market developments more accurately than we do. They also may be able to adopt more aggressive pricing policies and devote greater resources to the development, promotion and sale of their products than us, which would allow them to respond more quickly than us to new or emerging technologies or changes in customer requirements. In addition, new competitors or alliances among existing competitors could emerge. We expect to face competition in the future from our current competitors, other manufacturers and designers of integrated circuits, and innovative start-up integrated circuit design companies. Many of our customers are also large, established integrated circuit suppliers. Our sales to and support of such customers may enable them to become a source of competition to us, despite our efforts to protect our intellectual property rights.

In the WLAN and power management markets, we face competition from a number of additional competitors who have a longer history of serving these markets. Many of these competitors have more-established reputations in these markets and longer-standing relationships with the customers to whom we sell our products, which could prevent us from competing successfully. Competition could increase pressure on us to lower our prices and lower our margins, which, in turn, would harm our operating results.

It is difficult to accurately predict our future sales and to appropriately budget for our expenses, and we expect to not be able to maintain our existing growth rate.

The rapidly changing nature of the markets in which we sell our products limits our ability to accurately forecast quarterly and annual sales. Additionally, because many of our expenses are fixed in the short term or are incurred in advance of anticipated sales, we may not be able to decrease our expenses in a timely manner to offset any shortfall of sales. We are currently expanding our staffing and increasing our expense levels in anticipation of future sales growth. If our sales do not increase as anticipated, significant losses could result due to our higher expense levels.

Although we have experienced sales and earnings growth in prior quarterly and annual periods, we expect to not be able to sustain these growth rates. Accordingly, you should not rely on the results of any prior quarterly or annual periods as an indication of our future performance.

Because we do not have long-term commitments from our customers, we must estimate customer demand, and errors in our estimates can have negative effects on our inventory levels, sales and operating results.

Our sales are made on the basis of individual purchase orders rather than long-term purchase commitments. In addition, our customers may cancel or defer purchase orders. We have historically placed firm orders for products with our suppliers up to sixteen weeks prior to the anticipated delivery date and typically prior to receiving an order for the product. Therefore, our order volumes are based on our forecasts of demand from our customers. This process requires us to make multiple demand forecast assumptions, each of which may introduce error into our estimates. If we overestimate customer demand, we may allocate resources to manufacturing products that we may not be able to sell when we expect or at all. As a result, we would have excess inventory, which would harm our financial results. Conversely, if we underestimate customer demand or if insufficient manufacturing capacity is available, we would forego revenue opportunities, lose market share and damage our customer relationships. On occasion, we have been unable to adequately respond to unexpected increases in customer purchase orders, and therefore, were unable to benefit from this increased demand.

Our future success depends in significant part on strategic relationships with customers. If we cannot maintain these relationships or if these customers develop their own solutions or adopt a competitor's solutions instead of buying our products, our operating results would be adversely affected.

In the past, we have relied in significant part on our strategic relationships with customers that are technology leaders in our target markets. We intend to pursue and continue to form these strategic relationships in the future but we cannot assure you that we will be able to do so. These relationships often require us to develop new products that may involve significant technological challenges. Our partners frequently place considerable pressure on us to meet their tight development schedules. Accordingly, we may have to devote a substantial amount of our limited resources to our strategic relationships, which could detract from or delay our completion of other important development projects. Delays in the development could impair our relationships with our strategic partners and negatively impact sales of the products under development. Moreover, it is possible that our customers may develop their own solutions or adopt a competitor's solution for products that they currently buy from us. If that happens, our business, financial condition and results of operations could be materially harmed.

If our foundries do not achieve satisfactory yields or quality, our relationships with our customers and our reputation will be harmed.

The fabrication of integrated circuits is a complex and technically demanding process. Our foundries have from time to time experienced manufacturing defects and reduced manufacturing yields. Changes in manufacturing processes or the inadvertent use of defective or contaminated materials by our foundries could result in lower than anticipated manufacturing yields or unacceptable performance. Many of these problems are difficult to detect at an early stage of the manufacturing process and may be time consuming and expensive to correct. Poor yields from our foundries, or defects, integration issues or other performance problems in our products could cause us significant customer relations and business reputation problems, harm our financial results and result in financial or other damages to our customers. Our customers could also seek damages from us for their losses. A product liability claim brought against us, even if unsuccessful, would likely be time consuming and costly to defend. In addition, defects in our existing or new products could result in significant warranty, support and repair costs, and divert the attention of our engineering personnel from our product development efforts.

When demand for foundry capacity is high, we may take various actions to try to secure sufficient capacity, which may be costly and harm our operating results.

Availability of foundry capacity has in the recent past been reduced due to strong demand. The ability of each foundry to provide us with semiconductor devices is limited by its available capacity and existing obligations. Although we have entered into contractual commitments to supply specified levels of products to some of our customers, we do not have a long-term volume purchase agreement or a guaranteed level of production capacity with any of our foundries. Foundry capacity may not be available when we need it or at reasonable prices. We place our orders on the basis of our customers' purchase orders or our forecast of customer demand, and the foundries can allocate capacity to the production of other companies' products and reduce deliveries to us on short notice. It is possible that foundry customers that are larger and better financed than we are or that have long-term agreements with our main foundries, may induce our foundries to reallocate capacity to them. This reallocation could impair our ability to secure the supply of components that we need. Although we use three independent foundries to manufacture substantially all of our semiconductor products, most of our components are not manufactured at more than one foundry at any given time, and our products typically are designed to be manufactured in a specific process at only one of these foundries. Accordingly, if one of our foundries is unable to provide us with components as needed, we could experience significant delays in securing sufficient supplies of those components. We cannot assure you that any of our existing or new foundries will be able to produce integrated circuits with acceptable manufacturing yields, or that our foundries will be able to deliver enough semiconductor devices to us on a timely basis, or at reasonable prices. These and other related factors could impair our ability to meet our customers' needs and have a material and adverse effect on our operating results.

In order to secure sufficient foundry capacity when demand is high and mitigate the risks described in the foregoing paragraph, we may enter into various arrangements with suppliers that could be costly and harm our operating results, including:

- option payments or other prepayments to a foundry;
- nonrefundable deposits with or loans to foundries in exchange for capacity commitments;
- contracts that commit us to purchase specified quantities of integrated circuits over extended periods;

[Table of Contents](#)

- issuance of our equity securities to a foundry;
- investment in a foundry; and
- other contractual relationships with foundries.

We may not be able to make any such arrangement in a timely fashion or at all, and any arrangements may be costly, reduce our financial flexibility, and not be on terms favorable to us. Moreover, if we are able to secure foundry capacity, we may be obligated to use all of that capacity or incur penalties. These penalties may be expensive and could harm our financial results.

The complexity of our products could result in unforeseen delays or expenses in undetected defects or bugs, which could adversely affect the market acceptance of new products, damage our reputation with current or prospective customers, and materially and adversely affect our operating costs.

Highly complex products such as the products that we offer frequently contain defects and bugs when they are first introduced or as new versions are released. We have in the past experienced, and may in the future experience, these defects and bugs. Historically, we have been able to design workarounds to fix these defects and bugs with minimal to no disruption to our business or our customers' business. Going forward, if any of our products contain defects or bugs, or have reliability, quality, or compatibility problems, we may not be able to successfully design workarounds. Consequently, our reputation may be damaged and customers may be reluctant to buy our products, which could materially and adversely affect our ability to retain existing customers, attract new customers, and our financial results. In addition, these defects or bugs could interrupt or delay sales to our customers. To alleviate these problems, we may have to invest significant capital and other resources. Although our products are tested by our suppliers, our customers and ourselves, it is possible that our new products will contain defects or bugs. If any of these problems are not found until after we have commenced commercial production of a new product, we may be required to incur additional development costs and product recall, repair or replacement costs. These problems may also result in claims against us by our customers or others. In addition, these problems may divert our technical and other resources from other development efforts. Moreover, we would likely lose, or experience a delay in, market acceptance of the affected product or products, and we could lose credibility with our current and prospective customers. As a result, our financial results could be materially harmed.

We may experience difficulties in transitioning to smaller geometry process technologies or in achieving higher levels of design integration, which may result in reduced manufacturing yields, delays in product deliveries and increased expenses.

In order to remain competitive, we expect to continue to transition our semiconductor products to increasingly smaller line width geometries. This transition requires us to modify the manufacturing processes for our products and to redesign some products. We periodically evaluate the benefits, on a product-by-product basis, of migrating to smaller geometry process technologies to reduce our costs. In the past, we have experienced some difficulties in shifting to smaller geometry process technologies or new manufacturing processes, which resulted in reduced manufacturing yields, delays in product deliveries and increased expenses. We may face similar difficulties, delays and expenses as we continue to transition our products to smaller geometry processes. We are dependent on our relationships with our foundries to transition to smaller geometry processes successfully and cannot assure you that our foundries will be able to effectively manage the transition. If our foundries or we experience significant delays in this transition or fail to efficiently implement this transition, our business, financial condition and results of operations could be materially and adversely affected. As smaller geometry processes become more prevalent, we expect to continue to integrate greater levels of functionality, as well as customer and third party intellectual property, into our products. However, we may not be able to achieve higher levels of design integration or deliver new integrated products on a timely basis, or at all.

Past acquisitions and any future acquisitions or transactions may not be successful.

We expect to continue to make acquisitions of, and investments in, businesses that offer complementary products, services and technologies, augment our market segment coverage, or enhance our technological capabilities. We may also enter into strategic alliances or joint ventures to achieve these goals. We cannot assure you that we will be able to identify suitable acquisition, investment, alliance, or joint venture opportunities or that we will be able to consummate any such transactions or relationships on terms and conditions acceptable to us, or that such transactions or relationships will be successful.

Any transactions or relationships will be accompanied by the risks commonly encountered with those matters. Risks that could have a material adverse affect on our business, results of operations or financial condition include, among other things:

- the difficulty of assimilating the operations and personnel of acquired businesses;
- the potential disruption of our ongoing business;
- the distraction of management from our business;
- the potential inability of management to maximize our financial and strategic position as a result of an acquisition;
- the potential difficulty maintaining uniform standards, controls, procedures and policies;
- the impairment of relationships with employees and clients as a result of any integration of new management personnel;
- the risk of entering market segments in which we have no or limited direct prior experience and where competitors in such market segments have stronger market segment positions; and
- the potential loss of key employees of an acquired company.

Our recent acquisitions and any future acquisitions could harm our operating results and share price.

Any acquisitions could materially harm our operating results as a result of possible concurrent issuances of dilutive equity securities. In addition, the purchase price of any acquired businesses may exceed the current fair values of the net tangible assets of the acquired businesses. As a result, we would be required to record material amounts of goodwill and other intangible assets, which could result in significant impairment charges and amortization expense in future periods. These charges, in addition to the results of operations of such acquired businesses, could have a material adverse effect on our business, financial condition and results of operations. We cannot forecast the number, timing or size of future acquisitions, or the effect that any such acquisitions might have on our operating or financial results.

Under generally accepted accounting principles, we are required to review our intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. In addition, we are required to review our goodwill and indefinite-lived intangible assets on an annual basis. Over the past few years, there has been a slowdown in worldwide economies, including the United States, which has affected our business. End customers for our products have slowed their purchases of next-generation technology and have delayed or rescheduled existing orders for products that incorporate our technology. Although recently we have seen some signs of recovery in the worldwide economy, we cannot predict the timing, strength and duration of any economic recovery, worldwide or in our served markets. If the economy does not continue to recover, or if other presently unforeseen events or changes in circumstances arise which indicate that the carrying value of our goodwill or other intangible assets may not be recoverable, we will be required to perform impairment reviews of these assets, which have carrying values of approximately \$1.6 billion as of July 31, 2004. An impairment review could result in a write-down of all or a portion of these assets to their fair values. We will perform an annual impairment review during the fourth quarter of each fiscal year or more frequently if we believe indicators of impairment exist. In light of the large carrying value associated with our goodwill and intangible assets, any write-down of these assets may result in a significant charge to our statement of operations in the period any impairment is determined and could cause our stock price to decline.

Changes in the accounting treatment of stock options could adversely affect our results of operations.

In March 2004, the Financial Accounting Standards Board issued an exposure draft to require companies to expense employee stock options in accordance with SFAS 123, *Accounting for Stock-Based Compensation*, or SFAS 123, for financial reporting purposes. A final standard is expected to be issued by the end of calendar 2004 and to be effective for calendar 2005. Such stock option expensing would require us to value our employee stock option grants pursuant to an option valuation formula and then amortize that value against our earnings over the vesting period in effect for those options. We currently account for stock-based awards to employees in accordance with Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and have adopted the disclosure-only alternative to SFAS 123. If we are required to expense employee stock options in the future, this change in accounting treatment would materially and adversely affect our reported results of operations as the stock-based compensation expense would be charged directly against our reported earnings. For an illustration of the effect of such a change in our recent results of operations, see Note 1 of Notes to Unaudited Condensed Consolidated Financial Statements.

We depend on key personnel with whom we do not have employment agreements to manage our business, and if we are unable to retain our current personnel and hire additional personnel, our ability to develop and successfully market our products could be harmed.

We believe our future success will depend in large part upon our ability to attract and retain highly skilled managerial, engineering and sales and marketing personnel. The loss of any key employees or the inability to attract or retain qualified personnel, including engineers and sales and marketing personnel, could delay the development and introduction of, and harm our ability to sell, our products. We believe that our future success is highly dependent on the contributions of Sehat Sutardja Ph.D., our co-founder, President and Chief Executive Officer; Weili Dai, our co-founder and Executive Vice President; and Pantas Sutardja Ph.D., our co-founder and Chief Technology Officer. We do not have employment contracts with these or any other key personnel, and their knowledge of our business and industry would be extremely difficult to replace.

There is currently a shortage of qualified technical personnel with significant experience in the design, development, manufacture, marketing and sales of integrated circuits. In particular, there is a shortage of engineers who are familiar with the intricacies of the design and manufacture of products based on analog technology, and competition for these engineers is intense. Our key technical personnel represent a significant asset and serve as the source of our technological and product innovations. We may not be successful in attracting and retaining sufficient numbers of technical personnel to support our anticipated growth.

Our officers and directors own a large percentage of our voting stock, and three existing directors, who are also significant shareholders, are related by blood or marriage. These factors may allow the officers and directors as a group or the three related directors to greatly influence the election of directors and the approval or disapproval of significant corporate actions.

As of August 31, 2004, our executive officers and directors beneficially owned or controlled, directly or indirectly, approximately 25% of the outstanding shares of our common stock. Additionally, Sehat Sutardja Ph.D. and Weili Dai are husband and wife and Sehat Sutardja Ph.D. and Pantas Sutardja Ph.D. are brothers. All three are directors and together they held approximately 24% of our outstanding common stock as of August 31, 2004. As a result, if the directors and officers as a group or any of Sehat Sutardja Ph.D., Weili Dai, and Pantas Sutardja Ph.D. act together, they will significantly influence the election of our directors and the approval or disapproval of our significant corporate actions. This influence over our affairs might be adverse to the interests of other shareholders. In addition, the voting power of these officers or directors could have the effect of delaying or preventing an acquisition of us on terms that other shareholders may desire.

Under Bermuda law all of our officers, in exercising their powers and discharging their duties, must act honestly and in good faith with a view to our best interests and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Majority shareholders do not owe fiduciary duties to minority shareholders. As a result, the minority shareholders will not have a direct claim against the majority shareholders in the event the majority shareholders take actions that damage the interests of minority shareholders. Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda, except the Bermuda courts would be expected to follow English case law precedent, which would permit a shareholder to bring an action in our name if the directors or officers are alleged to be acting beyond our corporate power, committing illegal acts or violating our Memorandum of Association or Bye-laws. In addition, minority shareholders would be able to challenge a corporate action that allegedly constituted a fraud against them or required the approval of a greater percentage of our shareholders than actually approved it. The winning party in such an action generally would be able to recover a portion of attorneys' fees incurred in connection with the action.

Our rapid growth has strained our resources and our inability to manage any future growth could harm our profitability.

Our rapid growth has placed, and any future growth of our operations will continue to place, a significant strain on our management personnel, systems and resources. We anticipate that we will need to implement a variety of new and upgraded operational and financial systems, procedures and controls, including the improvement of our accounting and other internal management systems. We also expect that we will need to continue to expand, train, manage and motivate our workforce. All of these endeavors will require substantial management effort. If we are unable to effectively manage our expanding operations, our operating results could be harmed.

In May 2003, we completed the implementation of a new Enterprise Resource Planning, or ERP, system. In addition, we have recently completed the implementation and integration of certain modules of the ERP system for subsidiaries that we recently acquired. We are currently implementing, and also plan to implement, new modules of the ERP system in the future. Implementation of new modules of an ERP system is a very complex, costly and time-consuming process. Any unforeseen delays or difficulties after

[Table of Contents](#)

we begin transacting on the modified system or in performing financial closes on, or upgrades to the systems, may divert the attention of management and other employees and disrupt our ongoing business and could have a material adverse impact on our financial condition and results of operations.

We face foreign business, political and economic risks, which may harm our results of operations, because a majority of our products and our customers' products are manufactured and sold outside of the United States.

A substantial portion of our business is conducted outside of the United States and, as a result, we are subject to foreign business, political and economic risks. All of our products are manufactured outside of the United States. Our current qualified integrated circuit foundries are located in the same region within Taiwan, and our primary assembly and test subcontractors are located in the Pacific Rim region. In addition, many of our customers are located outside of the United States, primarily in Asia, which further exposes us to foreign risks. Sales to customers located in Asia represented approximately 92% of our net revenue in the first six months of fiscal 2005, and represented 89% and 87% of our net revenue in fiscal 2004 and 2003, respectively.

We anticipate that our manufacturing, assembly, testing and sales outside of the United States will continue to account for a substantial portion of our operations and revenue in future periods. Accordingly, we are subject to risks associated with international operations, including:

- difficulties in obtaining domestic and foreign export, import and other governmental approvals, permits and licenses;
- compliance with foreign laws;
- difficulties in staffing and managing foreign operations;
- trade restrictions or higher tariffs;
- transportation delays;
- difficulties of managing distributors, especially because we expect to continue to increase our sales through international distributors;
- political and economic instability, including wars, terrorism, other hostilities and political unrest, boycotts, curtailment of trade and other business restrictions; and
- inadequate local infrastructure.

Additionally, our operations may be impacted in the following ways by a resurgence of SARS, including, but not limited to, disruptions of our third party manufacturers that are primarily located in Asia, reduced sales in our international retail channels and increased supply chain costs. If future outbreaks of SARS or similar diseases arise or spread to other areas, our international sales and operations could be harmed.

Because substantially all of our sales to date have been denominated in United States dollars, increases in the value of the United States dollar will increase the price of our products so that they become relatively more expensive to customers in the local currency of a particular country, potentially leading to a reduction in sales and profitability for us in that country. A portion of our international revenue may be denominated in foreign currencies in the future, which will subject us to risks associated with fluctuations in exchange rates for those foreign currencies.

Our third-party foundries and subcontractors are concentrated in Taiwan and elsewhere in the Pan-Pacific region, an area subject to significant earthquake risks. Any disruption to the operations of these foundries and subcontractors resulting from earthquakes or other natural disasters could cause significant delays in the production or shipment of our products.

Substantially all of our products are manufactured by third-party foundries located in Taiwan. Currently our only alternative manufacturing sources are located in Taiwan, China and Singapore. In addition, substantially all of our assembly and testing facilities are located in Singapore, Taiwan, Malaysia and the Philippines. The risk of an earthquake in Taiwan and elsewhere in the Pacific Rim region is significant due to the proximity of major earthquake fault lines to the facilities of our foundries and assembly and test subcontractors. In September 1999, a major earthquake in Taiwan affected the facilities of several of these third-party contractors. As

a consequence of this earthquake, these contractors suffered power outages and disruptions that impaired their production capacity. In March 2002 and June 2003, major earthquakes occurred in Taiwan. Although our foundries and subcontractors did not suffer any significant damage as a result of this most recent earthquake, the occurrence of additional earthquakes or other natural disasters could result in the disruption of our foundry or assembly and test capacity. Any disruption resulting from such events could cause significant delays in the production or shipment of our products until we are able to shift our manufacturing, assembling or testing from the affected contractor to another third-party vendor. We may not be able to obtain alternate capacity on favorable terms, if at all.

We rely on third-party distributors and manufacturers' representatives and the failure of these distributors and manufacturers' representatives to perform as expected could reduce our future sales.

We sell many of our products to customers through distributors and manufacturers' representatives. Our relationships with some of our distributors and manufacturers' representatives have been established within the last two years, and we are unable to predict the extent to which our distributors and manufacturers' representatives will be successful in marketing and selling our products. Moreover, many of our manufacturers' representatives and distributors also market and sell competing products. Our representatives and distributors may terminate their relationships with us at any time. Our future performance will also depend, in part, on our ability to attract additional distributors or manufacturers' representatives that will be able to market and support our products effectively, especially in markets in which we have not previously distributed our products. If we cannot retain our current distributors or manufacturers' representatives or recruit additional or replacement distributors or manufacturers' representatives, our sales and operating results will be harmed. The loss of one or more of our distributors or manufacturers' representatives could harm our sales and results of operations. We generally realize a higher gross margin on direct sales and from sales through manufacturers' representatives than on sales through distributors. Accordingly, if our distributors were to account for an increased portion of our net sales, our gross margins may decline.

The average selling prices of products in our markets have historically decreased rapidly and will likely do so in the future, which could harm our revenues and gross profits.

The products we develop and sell are used for high volume applications. As a result, the prices of those products have historically decreased rapidly. Our gross profits and financial results will suffer if we are unable to offset any reductions in our average selling prices by increasing our sales volumes, reducing our costs, or developing new or enhanced products on a timely basis with higher selling prices or gross profits. We expect that our gross profits on our products are likely to decrease over the next fiscal year below levels we have historically experienced due to (i) pricing pressures from our customers, (ii) an increase in sales of storage SOC's, which typically have lower margins than standalone read channel devices, and (iii) an increase in sales of WLAN and other products into consumer application markets, which are highly competitive and cost sensitive.

Additionally, because we do not operate our own manufacturing, assembly or testing facilities, we may not be able to reduce our costs as rapidly as companies that operate their own facilities, and our costs may even increase, which could also reduce our margins. In the past, we have reduced the average selling prices of our products in anticipation of future competitive pricing pressures, new product introductions by us or our competitors and other factors. We expect that we will have to do so again in the future.

We have a lengthy and expensive product sales cycle that does not assure product sales, and that if unsuccessful, may harm our operating results.

The sales cycle for many of our SOC and read channel products is long and requires us to invest significant resources with each potential customer without any assurance of sales to that customer. Our sales cycle typically begins with a three to six month evaluation and test period, also known as qualification, during which our products undergo rigorous reliability testing by our customers.

Qualification is typically followed by an extended development period by our customers and an additional three to six month period before a customer commences volume production of equipment incorporating our products. This lengthy sales cycle creates the risk that our customers will decide to cancel or change product plans for products incorporating our integrated circuits. During our sales cycle, our engineers assist customers in implementing our products into the customers' products. We incur significant research and development and selling, general and administrative expenses as part of this process, and this process may never generate related revenues. We derive revenue from this process only if our design is selected. Once a customer selects a particular integrated circuit for use in its storage product, the customer generally uses solely that integrated circuit for a full generation of its product. Therefore, if we do not achieve a design win for a product, we will be unable to sell our integrated circuit to a customer until that customer develops a new product or a new generation of its product. Even if we achieve a design win with a customer, the customer may not ultimately

ship products incorporating our products or may cancel orders after we have achieved a sale. In addition, we will have to begin the qualification process again when a customer develops a new generation of a product for which we were the successful supplier.

Also, during the final production of a mature product, our customers typically exhaust their existing inventory of our integrated circuits. Consequently, orders for our products may decline in those circumstances, even if our products are incorporated into both our customers' mature and replacement products. A delay in a customer's transition to commercial production of a replacement product may cause the customer to lose sales, which would delay our ability to recover the lost sales from the discontinued mature product. In addition, customers may defer orders in anticipation of new products or product enhancements from our competitors or us.

We are subject to the cyclical nature of the integrated circuit industry. The current and any future downturns will likely reduce our revenue and result in excess inventory.

The integrated circuit industry is highly cyclical and is characterized by constant and rapid technological change, rapid product obsolescence and price erosion, evolving standards, short product life cycles and wide fluctuations in product supply and demand. The industry has recently experienced a significant downturn. These downturns are often connected with, or in anticipation of, maturing product cycles of both integrated circuit companies' and their customers' products and declines in general economic conditions. These downturns have been characterized by diminished product demand, production overcapacity, high inventory levels and accelerated erosion of average selling prices. The current downturn and any future downturns may reduce our revenue or our percentage of revenue growth on a quarter-to-quarter basis and result in us having excess inventory.

Furthermore, any upturn in the integrated circuit industry could result in increased competition for access to third-party foundry, assembly and test capacity.

The development and evolution of markets for our integrated circuits are dependent on factors, such as industry standards, over which we have no control. For example, if our customers adopt new or competing industry standards with which our products are not compatible or fail to adopt standards with which our products are compatible, our existing products would become less desirable to our customers and our sales would suffer.

The emergence of markets for our integrated circuits is affected by a variety of factors beyond our control. In particular, our products are designed to conform to current specific industry standards. Our customers may not adopt or continue to follow these standards, which would make our products less desirable to our customers and reduce our sales. Also, competing standards may emerge that are preferred by our customers, which could also reduce our sales and require us to make significant expenditures to develop new products.

We have made a significant investment in the development and production of our Gigabit Ethernet products, including our physical layer devices and switched Ethernet products. However, the Gigabit Ethernet technology is relatively new compared to the more established 10 and 100 Megabit per second Fast Ethernet technologies. If the Gigabit Ethernet technology does not achieve widespread market acceptance, our revenue and operating results may be harmed. We have also made a significant investment in the development of wireless LAN products based on the IEEE 802.11a, 802.11b and 802.11g standards. Wireless LAN technologies are relatively new and many competing standards, such as Bluetooth™, as well as proposed standards such as IEEE 802.11n, exist. If the 802.11 standards do not achieve widespread market acceptance, our revenue and operating results may be harmed.

We may be unable to protect our intellectual property, which would negatively affect our ability to compete.

We believe one of our key competitive advantages results from our collection of proprietary technologies that we have developed since our inception. If we fail to protect these intellectual property rights, competitors could sell products based on technology that we have developed, which could harm our competitive position and decrease our revenues. We believe that the protection of our intellectual property rights is and will continue to be important to the success of our business. We rely on a combination of patent, copyright, trademark and trade secret laws, as well as nondisclosure agreements and other methods, to protect our proprietary technologies. We also enter into confidentiality or license agreements with our employees, consultants and business partners, and control access to and distribution of our documentation and other proprietary information. We have been issued several United States patents and have a number of pending United States patent applications. However, a patent may not be issued as a result of any applications or, if issued, claims allowed may not be sufficiently broad to protect our technology. In addition, it is possible that existing or future patents may be challenged, invalidated or circumvented. Despite our efforts, unauthorized parties may attempt to copy or otherwise obtain and use our products or proprietary technology. Monitoring unauthorized use of our technology is difficult, and the steps that we have taken may not prevent unauthorized use of our technology, particularly in foreign countries where the laws

may not protect our proprietary rights as fully as in the United States.

We may become involved with costly and lengthy litigation, which could subject us to liability, require us to stop selling our products or force us to redesign our products.

Litigation involving patents and other intellectual property is widespread in the high-technology industry and is particularly prevalent in the integrated circuit industry, where a number of companies aggressively bring numerous infringement claims to protect their patent portfolios. From time to time we receive, and may continue to receive in the future, notices that claim we have infringed upon, misappropriated or misused the proprietary rights of other parties. These claims could result in litigation, which, in turn, could subject us to significant liability for damages. Any potential intellectual property litigation also could force us to do one or more of the following:

- stop selling products or using technology that contain the allegedly infringing intellectual property;
- pay substantial damages to the party claiming infringement that could adversely impact our liquidity or operating results;
- attempt to obtain a license to the relevant intellectual property, which license may not be available on reasonable terms or at all; and
- attempt to redesign those products that contain the allegedly infringing intellectual property.

We are also party to other claims and litigation proceedings arising in the normal course of business. The impact on us as a result of such claims and litigation cannot currently be ascertained. There can be no assurance that these matters will be resolved without costly litigation, in a manner that is not adverse to our financial position, results of operations or cash flows or without requiring royalty payments in the future that may adversely impact gross margins. Any litigation, regardless of the outcome, are time-consuming and expensive to resolve, require us to pay significant monetary damages and divert management time and attention.

We are incorporated in Bermuda, and, as a result, it may not be possible for our shareholders to enforce civil liability provisions of the securities laws of the United States.

We are organized under the laws of Bermuda. As a result, it may not be possible for our shareholders to effect service of process within the United States upon us, or to enforce against us in United States courts judgments based on the civil liability provisions of the securities laws of the United States. Most of our executive officers and directors are residents of the United States. However, there is significant doubt as to whether the courts of Bermuda would recognize or enforce judgments of United States courts obtained against us or our directors or officers based on the civil liability provisions of the securities laws of the United States or any state or hear actions brought in Bermuda against us or those persons based on those laws. The United States and Bermuda do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not based solely on United States federal or state securities laws, would not be automatically enforceable in Bermuda.

Our Bye-laws contain a waiver of claims or rights of action by our shareholders against our officers and directors, which will severely limit our shareholders' right to assert a claim against our officers and directors under Bermuda law.

Our Bye-laws contain a broad waiver by our shareholders of any claim or right of action, both individually and on our behalf, against any of our officers and directors. The waiver applies to any action taken by an officer or director, or the failure of an officer or director to take any action, in the performance of his or her duties with or for us, other than with respect to any matter involving any fraud or dishonesty on the part of the officer or director. This waiver will limit the rights of our shareholders to assert claims against our officers and directors unless the act complained of involves actual fraud or dishonesty. Thus, so long as acts of business judgment do not involve actual fraud or dishonesty, they will not be subject to shareholder claims under Bermuda law. For example, shareholders will not have claims against officers and directors for a breach of trust, unless the breach rises to the level of actual fraud or dishonesty.

Tax benefits we receive may be terminated or reduced in the future, which would increase our costs.

Under current Bermuda law, we are not subject to tax on our income or capital gains. We have obtained from the Minister of Finance of Bermuda under the Exempt Undertakings Tax Protection Act 1966, as amended, an undertaking that, in the event that

Bermuda enacts any legislation imposing tax computed on income or capital gains, those taxes should not apply to us until March 28, 2016. However, this exemption may not be extended beyond that date.

The Economic Development Board of Singapore granted Pioneer Status to our wholly-owned subsidiary in Singapore in July 2000 for a period of at least six years, commencing July 1, 1999. As a result, we anticipate that a significant portion of the income we earn in Singapore during this period will be exempt from the Singapore statutory tax rate. We are required to meet several requirements as to investment, headcount and activities in Singapore to retain this status. If our Pioneer Status is terminated early, our financial results could be harmed.

The Israeli government has granted Approved Enterprise Status to a wholly-owned subsidiary in Israel, which provides a tax holiday on undistributed income derived from operations within certain “development regions” in Israel. In order to maintain our qualification, we must continue to meet specified conditions, including the making of investments in fixed assets in Israel. As our tax holidays expire, we expect that we will start paying income tax on our operations within these development regions.

Class action litigation due to stock price volatility or other factors could cause us to incur substantial costs and divert our management’s attention and resources.

On September 5, 2001, a putative class action was filed in the Southern District of New York relating to our initial public offering, or IPO. In this action, the plaintiffs named several defendants including Marvell and two of our officers, one of whom is also a director. This complaint relating to our IPO has been consolidated with hundreds of other lawsuits by plaintiffs against approximately 55 underwriters and approximately 300 issuers across the United States. Plaintiffs allege that defendants violated various provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934. In these actions, plaintiffs seek, among other items, unspecified damages, pre-judgment interest and reimbursement of attorneys’ and experts’ fees. A Consolidated Amended Class Action Complaint against Marvell and two of our officers was filed on April 19, 2002. Subsequently, defendants in the consolidated proceedings moved to dismiss the actions. In February 2003, the trial court issued its ruling on the motions, granting the motions in part, and denying them in part. Thus, the cases may proceed against the underwriters and us as to alleged violations of section 11 of the Securities Act of 1933 and section 10(b) of the Securities Exchange Act of 1934. Claims against the individual officers have been voluntarily dismissed with prejudice by agreement with plaintiffs. These claims and any resulting litigation could result in substantial costs and could divert the attention and resources of our management.

In the past, securities class action litigation often has been brought against a company following periods of volatility in the market price of its securities. Companies in the integrated circuit industry and other technology industries are particularly vulnerable to this kind of litigation due to the high volatility of their stock prices. Accordingly, we may in the future be the target of securities litigation. Any securities litigation could result in substantial costs and could divert the attention and resources of our management.

Future sales of our common stock in the public market may depress our stock price.

Future sales of a substantial number of shares of our common stock in the public market could cause our stock price to decline. As of August 31, 2004, we had 269,917,737 shares outstanding and none of these shares are subject to any lock-up agreements. The market price of our stock could drop significantly if holders of a substantial number of our shares sell them or are perceived by the market as intending to sell them. In addition, the sale of our shares could impair our ability to raise capital through the sale of additional stock.

Our Bye-laws contain provisions that could delay or prevent a change in corporate control, even if the change in corporate control would benefit our shareholders.

Our Bye-laws contain change in corporate control provisions, which include:

- authorizing the issuance of preferred stock without shareholder approval;
- providing for a classified board of directors with staggered, three-year terms; and
- requiring a vote of two-thirds of the outstanding shares to approve any change of corporate control.

These change in corporate control provisions could make it more difficult for a third-party to acquire us, even if doing so would be a benefit to our shareholders.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk. The primary objective of our investment activities is to preserve principal while at the same time maximize the income we receive from our investments without significantly increasing risk. Some of the securities that we have invested in may be subject to market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. For example, if we hold a security that was issued with a fixed interest rate at the then-prevailing rate and the prevailing interest rate later rises, the principal amount of our investment will probably decline. Also, variable rate securities may produce less income than expected if interest rates fall. To minimize this risk, we maintain our portfolio of cash equivalents and short-term investments in a variety of fixed and variable rate securities including money market funds; corporate debt securities; and Federal, State, county and municipal debt securities. In general, money market funds are not subject to market risk because the interest paid on such funds fluctuates with the prevailing interest rate. The following table presents the amounts of our cash equivalents and short-term investments that are subject to market risk by range of expected maturity and weighted-average interest rates as of July 31, 2004 (in thousands). This table does not include money market funds because those funds are not subject to market risk.

	Expected Fiscal Year Maturity Date					Fair Value
	2005	2006	2007	2008	2009	
Variable Rate	\$147,630	\$ —	\$ —	\$ —	\$ —	\$147,630
Average Interest Rate	1.61%	—	—	—	—	1.61%
Fixed Rate	\$ 13,810	\$30,322	\$98,716	\$38,400	\$10,129	\$191,377
Average Interest Rate	1.73%	1.99%	2.53%	3.04%	3.38%	2.53%

At any time, fluctuations in interest rates could affect interest earnings on our cash, cash equivalents, and short-term investments, or the fair value of our investment portfolio. A 10% move in interest rates as of July 31, 2004 would have an immaterial effect on our financial position, results of operations and cash flows.

Investment Risk. We invest in equity instruments of privately-held companies for business and strategic purposes. These investments, which totaled \$7.2 million at July 31, 2004, are included in other non-current assets in the accompanying balance sheets and are accounted for under the cost method because our ownership is less than 20% and we do not have the ability to exercise significant influence over the operations on these companies. We monitor these investments for impairment and make appropriate reductions in carrying value when an impairment is deemed to be other than temporary.

Foreign Currency Exchange Risk. Substantially all of our sales and the majority of our expenses to date have been denominated in United States dollars, and, as a result, we have relatively little exposure to foreign currency exchange risk. Occasionally, we will enter into short-term forward exchange contracts to hedge exposures for purchases denominated in foreign currencies such as the Singapore Dollar and the New Israeli Shekel. We do not enter into any other derivative financial instruments for trading or speculative purposes.

Item 4. Controls and Procedures

(a) **Evaluation of Disclosure Controls and Procedures.** We maintain “disclosure controls and procedures,” as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded that, subject to the limitations noted above, our disclosure controls and procedures were effective to ensure that material information relating to us, including our consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which this Quarterly Report on Form 10-Q was being prepared.

(b) **Changes in Internal Controls.** There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) identified in connection with the evaluation described in Item 4(a) above that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On July 31, 2001, a putative class action suit was filed against two investment banks that participated in the underwriting of our initial public offering, or IPO, on June 29, 2000. That lawsuit, which did not name Marvell or any of our officers or directors as defendants, was filed in the United States District Court for the Southern District of New York. Plaintiffs allege that the underwriters received “excessive” and undisclosed commissions and entered into unlawful “tie-in” agreements with certain of their clients in violation of Section 10(b) of the Securities Exchange Act of 1934. Thereafter, on September 5, 2001, a second putative class action was filed in the Southern District of New York relating to our IPO. In this second action, plaintiffs named three underwriters as defendants and also named as defendants Marvell and two of our officers, one of whom is also a director. Relying on many of the same allegations contained in the initial complaint in which Marvell was not named as a defendant, plaintiffs allege that the defendants violated various provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934. In both actions, plaintiffs seek, among other items, unspecified damages, pre-judgment interest and reimbursement of attorneys’ and experts’ fees. These two actions relating to our IPO have been consolidated with hundreds of other lawsuits filed by plaintiffs against approximately 40 underwriters and approximately 300 issuers across the United States. Defendants in the consolidated proceedings moved to dismiss the actions. In February 2003, the trial court issued its ruling on the motions, granting the motions in part, and denying them in part. Thus, the cases may proceed against the underwriters and us as to alleged violations of section 11 of the Securities Act of 1933 and section 10(b) of the Securities Exchange Act of 1934. Claims against the individual officers have been voluntarily dismissed with prejudice by agreement with plaintiffs. On June 26, 2003, the plaintiffs announced that a settlement among plaintiffs, the issuer defendants and their directors and officers, and their insurers has been structured, a part of which provides that the insurers for all issuer defendants would guarantee up to \$1 billion to investors who are class members, depending upon plaintiffs’ success against non-settling parties. Our board of directors has approved the proposed settlement, which will result in the plaintiffs’ dismissing the case against us and granting releases that extend to all of our officers and directors. Definitive settlement documentation was completed in early June 2004 and first presented to the court on June 14, 2004. A motion for preliminary approval of the settlement has been filed, briefed and is pending. Based on currently available information, we do not believe that the ultimate disposition of the lawsuit will have a material adverse impact on our business, results of operations or financial condition. However, litigation is subject to inherent uncertainties and unfavorable rulings could occur. An unfavorable ruling, if the settlement proposal is not concluded, could include monetary damages. If an unfavorable ruling were to occur, there exists the possibility of a material adverse impact on our business, results of operations, financial condition or cash flows for the period in which the ruling occurs, or future periods. These claims and any resulting litigation could result in substantial costs and could divert the attention and resources of our management.

On September 12, 2001, Jasmine Networks, Inc. (“Jasmine”) filed a lawsuit in the Santa Clara County Superior Court asserting claims against our personnel and us for improperly obtaining and using information and technologies during the course of the negotiations with our personnel regarding the potential acquisition of certain Jasmine assets by Marvell. The lawsuit claims that our officers improperly obtained and used such information and technologies after we signed a non-disclosure agreement with Jasmine. We believe the claims asserted against our officers and us are without merit and we intend to defend all claims vigorously. We cannot predict the outcome of this litigation. Any litigation could be costly, divert our management’s attention and could have a material adverse effect on our business, results of operations, financial condition or cash flows. No estimate can be made of the possible loss or possible range of loss associated with the resolution of this contingency.

On March 11, 2004, Trinity Technologies, Inc. (“Trinity”) filed a lawsuit against our subsidiary, Marvell Semiconductor, Inc., (“MSI”) in the Superior Court of California, alleging violation of the California Wholesale Sales Representative Contractual Relations Act of 1990, as well as breach of contract, breach of the implied covenant of good faith and fair dealing and fraud in connection with the termination by MSI of certain agreements it had entered into with Trinity. The complaint seeks declaratory relief, \$25.0 million in monetary damages, special and punitive damages and trebling of damages as well as costs and attorneys’ fees. We believe the claims are without merit and intend to defend against all claims vigorously. We cannot predict the outcome of this litigation. Any litigation could be costly, divert our management’s attention and could have a material adverse effect on our business, results of operations, financial condition or cash flows.

In April 2004, Lonestar Inventions, L.P. (“Lonestar”) filed a complaint against our subsidiary (MSI), Analog Devices, Inc. and Broadcom Corporation in the United States District Court for the Western District of Texas in Austin alleging that MSI and the other

[Table of Contents](#)

named defendants (i) infringe a single patent relating to circuit technology, and (ii) induce infringement of such patents. The complaint seeks a permanent injunction against MSI as well as the recovery of monetary damages, including treble damages for willful infringement, and attorney's fees. Although we believe that we have strong defenses to the claim of Lonestar in the foregoing action, and are defending the claims vigorously, we cannot predict the outcome of this litigation. This litigation may be costly, may divert our management's attention and could have a material adverse effect on our business, results of operations, financial condition or cash flows. No estimate can be made of the possible loss or possible range of loss associated with the resolution of this contingency.

We are also party to other claims and litigation proceedings arising in the normal course of business. Although the legal responsibility and financial impact with respect to such claims and litigation cannot currently be ascertained, we do not believe that these matters will result in our payment of monetary damages, net of any applicable insurance proceeds, that, in the aggregate, would be material in relation to our consolidated financial position or results of operations. There can be no assurance that these matters will be resolved without costly litigation, in a manner that is not adverse to our financial position, results of operations or cash flows or without requiring royalty payments in the future, which may adversely impact gross margins.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

At our 2004 Annual General Meeting of Shareholders held on May 28, 2004, the following proposals were adopted by the margins indicated.

1. To elect three directors constituting Class 1 of our Board of Directors, each to hold office for a three-year term and until their successor is duly elected and qualified.

	Votes For	Votes Against	Votes Abstained
Dr. John M. Cioffi	103,796,329	—	14,297,139
Dr. Paul R. Gray	103,760,978	—	14,332,490
Douglas King	111,159,647	—	6,933,821

Other directors whose term of office as a director continued after the Annual General Meeting were Kuo Wei (Herbert) Chang, Weili Dai, Dr. Pantas Sutardja, Dr. Sehat Sutardja and Ronald D. Verdoorn.

2. To re-appoint PricewaterhouseCoopers LLP as our independent registered public accounting firm for our 2005 fiscal year ending January 29, 2005.

Votes For	Votes Against	Votes Abstained
117,963,587	122,509	7,372

3. To authorize the Board to fix the auditors remuneration.

Votes For	Votes Against	Votes Abstained
117,435,765	462,300	195,403

[Table of Contents](#)

4. To approve an increase of authorized share capital.

Votes For	Votes Against	Votes Abstained
117,669,686	230,090	193,692

Item 5. Other Information

Not applicable.

Item 6. Exhibits and Reports on Form 8-K

(a) The following exhibits are filed as part of this report:

- 31.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Sehat Sutardja Ph.D., Chief Executive Officer
- 31.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of George A. Hervey, Chief Financial Officer
- 32.1* Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of Sehat Sutardja Ph.D., Chief Executive Officer
- 32.2* Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of George A. Hervey, Chief Financial Officer

* In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 33-8238 and 34-47986, Final Rule: Management's Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

(b) Reports on Form 8-K:

On May 20, 2004, we filed a current report on Form 8-K furnishing under Item 12 announcing certain information relating to our financial results for the first quarter of fiscal 2005. The information contained in this Form 8-K shall not be deemed "filed" with the SEC as a result of its reference herein.

On June 1, 2004, we filed a current report on Form 8-K furnishing under Item 9 announcing our shareholders' approval of an increase in our authorized share capital to allow for a 2 for 1 stock split of our common shares to be effected in the form of an issuance of bonus shares. The information contained in this Form 8-K shall not be deemed "filed" with the SEC as a result of its reference herein.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MARVELL TECHNOLOGY GROUP LTD.

September 9, 2004

Date

By: /s/ GEORGE A. HERVEY

George A. Hervey

Vice President and Chief Financial Officer

EXHIBIT INDEX

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CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Sehat Sutardja, Ph.D., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marvell Technology Group Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 9, 2004

By: /s/ SEHAT SUTARDJA, PH.D.

Sehat Sutardja, Ph.D.
Chairman of the Board,
President and Chief Executive Officer

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, George A. Hervey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marvell Technology Group Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 9, 2004

By: /s/ GEORGE A. HERVEY

George A. Hervey
Vice President and Chief Financial Officer

STATEMENT OF CHIEF EXECUTIVE OFFICER UNDER 18 U.S.C. Section 1350

I, Sehat Sutardja, Ph.D., the chief executive officer of Marvell Technology Group Ltd. (the "Company"), certify for the purposes of section 1350 of chapter 63 of title 18 of the United States Code that, to the best of my knowledge,

- (i) the Quarterly Report of the Company on Form 10-Q for the fiscal quarter ended July 31, 2004 (the "Report"), fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934, and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Sehat Sutardja, Ph.D.

Sehat Sutardja, Ph.D.
Chairman of the Board,
President and Chief Executive Officer

Date: September 9, 2004

STATEMENT OF CHIEF EXECUTIVE OFFICER UNDER 18 U.S.C. Section 1350

I, George A. Hervey, the chief financial officer of Marvell Technology Group Ltd. (the "Company"), certify for the purposes of section 1350 of chapter 63 of title 18 of the United States Code that, to the best of my knowledge,

- (i) the Quarterly Report of the Company on Form 10-Q for the fiscal quarter ended July 31, 2004 (the "Report"), fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934, and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ George A. Hervey

George A. Hervey
Vice President and Chief Financial Officer

Date: September 9, 2004