

**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 October 29, 2005

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

Shares Outstanding of the Registrant's Common Stock

Class	Outstanding at November 30, 2005
Common stock, \$0.002 par value	286,892,020

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PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

MARVELL TECHNOLOGY GROUP LTD. UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS (In thousands, except par value)

	October 31, 2005	January 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 464,859	\$ 166,471
Short-term investments	450,007	493,543
Accounts receivable, net of allowances of \$3,035 and \$3,132	253,337	200,954
Inventories	149,929	128,889
Prepaid expenses and other current assets	91,450	15,144
Deferred income taxes	12,793	12,793
Total current assets	1,422,375	1,017,794
Property and equipment, net	222,315	161,770
Goodwill	1,480,225	1,480,225
Acquired intangible assets	21,153	80,411
Other noncurrent assets	71,753	48,762
Total assets	\$ 3,217,821	\$ 2,788,962
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 190,169	\$ 129,728
Accrued liabilities	23,822	20,604
Accrued employee compensation	34,499	32,136
Income taxes payable	3,198	3,195
Deferred income	25,792	15,938
Current portion of capital lease obligations	13,946	13,204
Total current liabilities	291,426	214,805
Capital lease obligations, net of current portion	18,314	11,590
Non-current income taxes payable	76,207	46,648
Other long-term liabilities	33,379	18,489
Total liabilities	419,326	291,532
Commitments and contingencies (Note 6)		
Shareholders' equity:		
Common stock, \$0.002 par value; 492,000 shares authorized; 284,273 and 277,602 shares issued and outstanding	568	555
Additional paid-in capital	3,100,861	3,035,200
Deferred stock-based compensation	(1,489)	(3,400)
Accumulated other comprehensive loss	(2,207)	(1,807)
Accumulated deficit	(299,238)	(533,118)
Total shareholders' equity	2,798,495	2,497,430
Total liabilities and shareholders' equity	\$ 3,217,821	\$ 2,788,962

See accompanying notes to unaudited condensed consolidated financial statements.

MARVELL TECHNOLOGY GROUP LTD. UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME (In thousands, except per share amounts)

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2005	2004	2005	2004
Net revenue	\$ 426,026	\$ 317,583	\$ 1,181,250	\$ 884,314
Operating costs and expenses:				
Cost of goods sold (1)	197,077	150,260	555,967	419,001
Research and development (1)	77,689	66,378	222,751	193,686
Selling and marketing (1)	21,634	19,381	63,898	57,966

General and administrative (1)	9,029	9,330	24,107	23,829
Amortization of stock-based compensation	465	837	1,853	3,497
Amortization and write-off of acquired intangible assets and other	19,746	19,758	59,258	82,775
Facilities consolidation charge	—	2,414	—	2,414
Total operating costs and expenses	325,640	268,358	927,834	783,168
Operating income	100,386	49,225	253,416	101,146
Interest and other income, net	5,244	1,770	13,240	5,058
Income before income taxes	105,630	50,995	266,656	106,204
Provision for income taxes	12,584	7,400	32,776	19,488
Net income	\$ 93,046	\$ 43,595	\$ 233,880	\$ 86,716
Net income per share:				
Basic	\$ 0.33	\$ 0.16	\$ 0.83	\$ 0.32
Diluted	\$ 0.29	\$ 0.15	\$ 0.75	\$ 0.29
Weighted average shares:				
Basic	283,655	271,069	281,121	267,731
Diluted	316,215	300,649	313,352	296,616

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

Cost of goods sold	\$ 4	\$ 16	\$ 16	\$ 76
Research and development	309	515	1,188	2,100
Selling and marketing	43	104	311	527
General and administrative	109	202	338	794
	\$ 465	\$ 837	\$ 1,853	\$ 3,497

See accompanying notes to unaudited condensed consolidated financial statements.

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MARVELL TECHNOLOGY GROUP LTD.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Nine Months Ended October 31,	
	2005	2004
Cash flows from operating activities:		
Net income	\$ 233,880	\$ 86,716
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	41,840	30,703
Amortization of stock-based compensation	1,853	3,497
Amortization and write-off of acquired intangible assets	59,258	59,275
Facilities consolidation charge	—	2,414
Changes in assets and liabilities:		
Accounts receivable	(52,383)	(54,381)
Inventories	(21,040)	(16,193)
Prepaid expenses and other assets	(105,044)	571
Accounts payable	60,441	5,467
Accrued liabilities and other	3,358	7,699
Accrued employee compensation	2,363	11,569
Income taxes payable	29,562	17,421
Deferred income	9,854	(1,060)
Net cash provided by operating activities	263,942	153,698
Cash flows from investing activities:		
Purchases of short-term investments	(490,811)	(298,982)
Sales and maturities of short-term investments	533,876	100,841
Purchases of property and equipment	(62,309)	(23,753)
Purchases of technology licenses and other	—	(18,494)
Net cash used in investing activities	(19,244)	(240,388)
Cash flows from financing activities:		
Proceeds from the issuance of common stock	65,732	89,849
Principal payments on capital lease obligations	(12,042)	(9,026)
Net cash provided by financing activities	53,690	80,823
Net increase (decrease) in cash and cash equivalents	298,388	(5,867)
Cash and cash equivalents at beginning of period	166,471	173,969
Cash and cash equivalents at end of period	\$ 464,859	\$ 168,102
Supplemental cash flow information:		
Acquisition of property and equipment under capital lease obligations	\$ 19,797	\$ 4,868
Long-term assets under construction	\$ 14,750	\$ —

See accompanying notes to unaudited condensed consolidated financial statements.

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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, digital signal processing and embedded microprocessor 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.

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 years 2006 and 2005 are 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 250.0 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 fairly state the Company’s financial position as of October 31, 2005, the results of its operations for the three and nine months ended October 31, 2005 and 2004, and its cash flows for the nine months ended October 31, 2005 and 2004. 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 Annual Report on Form 10-K for the year ended January 31, 2005. The results of operations for the three and nine months ended October 31, 2005 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. 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. However, some 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 rights of return is deferred until the distributors ship the product to end customers. Additionally, collection is not deemed to be “reasonably assured” if customers receive extended payment terms.

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 proportionate performance 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.

In arrangements that include a combination of hardware and software products that are also sold separately, where software is more than incidental and essential to the functionality of the product being sold, the Company follows the guidance in Emerging Issues Task Force (“EITF”) Issue No. 03-05, “Applicability of AICPA Statement of Position 97-2 to Non-Software Deliverables in an Arrangement Containing More-Than-Incidental Software.” In these situations, the Company accounts for the entire arrangement as a sale of software and software-related items and follows the revenue recognition criteria in Statement of Position (“SOP”) 97-2, “Software Revenue Recognition,” and related interpretations. Arrangements meeting the criteria are not material to the Company’s condensed consolidated financial statements.

The provisions of EITF Issue No. 00-21 “Accounting for Revenue Arrangements with Multiple Deliverables” apply to sales arrangements with multiple arrangements that include a combination of hardware, software and/or services. For multiple element arrangements, revenue is allocated to the separate elements based on fair value. If an arrangement includes undelivered elements that are not essential to the functionality of the delivered elements, the Company defers the fair value of the undelivered elements and the residual revenue is allocated to the delivered elements. If the undelivered elements are essential to the functionality of the delivered elements, no revenue is recognized. Undelivered elements typically are software warranty and maintenance services.

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.

Warranty accrual

The Company's products are generally subject to warranty, which provides for the estimated future costs of repair, replacement or customer accommodation upon shipment of the product in the accompanying statements of operations. The Company's products typically carry a standard 90-day warranty with certain exceptions in which the warranty period can range from one to five years. The warranty accrual is estimated based on historical claims compared to historical revenues and assumes that the Company will have to replace products subject to a claim. For new products, the Company uses a historical percentage for the appropriate class of product.

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 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. The Company accounts for employee and director stock options in accordance with APB 25 and complies with the disclosure provisions of SFAS 123.

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 October 31,		Nine months ended October 31,	
	2005	2004	2005	2004
Net income:				
As reported	\$ 93,046	\$ 43,595	\$ 233,880	\$ 86,716
Adjustments:				
Stock-based employee compensation expense included in reported net income, net of tax effects	465	837	1,943	3,497
Stock-based employee compensation expense determined under fair value based method for all awards, net of tax effects	(36,109)	(30,980)	(103,998)	(101,910)
Pro forma	\$ 57,402	\$ 13,452	\$ 131,825	\$ (11,697)
Basic net income (loss) per share:				
As reported	\$ 0.33	\$ 0.16	\$ 0.84	\$ 0.32
Pro forma	\$ 0.20	\$ 0.05	\$ 0.47	\$ (0.04)
Diluted net income (loss) per share:				
As reported	\$ 0.29	\$ 0.15	\$ 0.75	\$ 0.29
Pro forma	\$ 0.19	\$ 0.05	\$ 0.43	\$ (0.04)

Reclassifications

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

2. Supplemental Financial Information

Available-for-sale investments

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

	October 31, 2005			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate debt securities	\$ 57,447	\$ —	\$ (638)	\$ 56,809
Auction rate securities	309,484	—	—	309,484
U.S. Federal, State, county and municipal debt securities	110,505	—	(1,801)	108,704
	477,436	—	(2,439)	474,997
Less: amounts classified as cash equivalents	(24,990)	—	—	(24,990)
Short-term investments	\$ 452,446	\$ —	\$ (2,439)	\$ 450,007

	January 31, 2005			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value

Corporate debt securities	\$ 73,338	\$ 1	\$ (925)	\$ 72,414
Auction rate securities	298,101	—	—	298,101
U.S. Federal, State, county and municipal debt securities	124,073	3	(1,048)	123,028
Short-term investments	<u>\$ 495,512</u>	<u>\$ 4</u>	<u>\$ (1,973)</u>	<u>\$ 493,543</u>

Auction rate securities are securities that are structured with short-term reset dates of generally less than 90 days but with legally stated maturities in excess of 90 days. At the end of the reset period, investors can sell or continue to hold the securities at par. These securities are classified in the table below based on their legal stated maturity dates.

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The contractual maturities of available-for-sale debt securities classified as short-term investments at October 31, 2005 are presented in the following table (in thousands):

	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 31,819	\$ 31,792
Due between one and five years	136,133	133,721
Due over five years	309,484	309,484
	<u>\$ 477,436</u>	<u>\$ 474,997</u>

The Company reclassified certain auction rate securities from cash and cash equivalents to short-term investments as of October 31, 2004 and for all prior periods presented. The reclassifications have no effect on previously disclosed net income (loss), shareholders' equity or operating cash flows. The following table summarizes the cash and cash equivalent and short-term investment balances as previously reported and as reclassified as of the nine months ended October 31, 2004 (in thousands):

	Cash and Cash Equivalents		Short-Term Investments	
	As Reported	As Reclassified	As Reported	As Reclassified
Nine months ended:				
October 31, 2004	\$ 391,830	\$ 168,102	\$ 185,461	\$ 409,189

As a result of these changes, the Company reclassified the following line items in the Statements of Cash Flows for the nine months ended October 31, 2004 (in thousands):

	Cash Flow Activity	
	As Reported	As Reclassified
Nine months ended October 31, 2004:		
Purchases of short-term investments	\$ (88,070)	\$ (298,982)
Sales and maturities of short-term investments	\$ 63,227	\$ 100,841
Net cash used in investing activities	\$ (67,090)	\$ (240,388)
Net increase (decrease) in cash and cash equivalents	\$ 167,431	\$ (5,867)

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 primarily due to changes in interest rates and bond yields. The Company does not believe any unrealized losses represent an other-than temporary impairment based on 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 October 31, 2005 (in thousands):

	Continuous Unrealized Losses				Total	
	Less than 12 months		12 months or more		Fair Value	Unrealized Losses
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses		
Corporate debt securities	\$ 5,170	\$ (75)	\$ 27,288	\$ (563)	\$ 32,458	\$ (638)
U.S. Federal, State, county and municipal debt securities	22,296	(306)	88,209	(1,495)	110,505	(1,801)
Total temporarily impaired securities	<u>\$ 27,466</u>	<u>\$ (381)</u>	<u>\$ 115,497</u>	<u>\$ (2,058)</u>	<u>\$ 142,963</u>	<u>\$ (2,439)</u>

Inventories

The components of inventory are presented in the following table (in thousands):

	October 31, 2005	January 31, 2005
Work-in-process	\$ 83,165	\$ 63,027
Finished goods	66,764	65,862
	<u>\$ 149,929</u>	<u>\$ 128,889</u>

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Prepaid and other current assets

The following table presents details of prepaids and other current assets (in thousands):

	October 31, 2005	January 31, 2005
Prepayments for foundry capacity	\$ 64,300	\$ —
Receivable from foundry	10,560	—
Other	16,590	15,144
	<u>\$ 91,450</u>	<u>\$ 15,144</u>

Property and equipment, net

	October 31, 2005	January 31, 2005
Property and equipment, net (in thousands):		
Machinery and equipment	\$ 125,771	\$ 105,237
Computer software	92,994	79,494
Furniture and fixtures	9,611	8,430
Leasehold improvements	11,952	11,354
Buildings	7,269	7,096
Land	51,500	51,500
Construction in progress	67,011	16,471
	<u>366,108</u>	<u>279,582</u>
Less: Accumulated depreciation and amortization	(143,793)	(117,812)
	<u>\$ 222,315</u>	<u>\$ 161,770</u>

Goodwill and purchased intangible assets

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

	As of October 31, 2005			As of January 31, 2005		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Purchased technology	\$ 394,715	\$ (373,668)	\$ 21,047	\$ 394,715	\$ (314,460)	\$ 80,255
Trade name	100	(100)	—	100	(80)	20
Customer contracts	200	(94)	106	200	(64)	136
Total identified intangible assets	395,015	(373,862)	21,153	395,015	(314,604)	80,411
Goodwill	1,828,131	(347,906)	1,480,225	1,828,131	(347,906)	1,480,225
Total intangible assets	<u>\$ 2,223,146</u>	<u>\$ (721,768)</u>	<u>\$ 1,501,378</u>	<u>\$ 2,223,146</u>	<u>\$ (662,510)</u>	<u>\$ 1,560,636</u>

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. The aggregate amortization expense of identified intangible assets was \$59.3 million in both the first nine months of fiscal 2006 and 2005. The estimated total annual amortization expenses of acquired intangible assets is \$18.2 million for the remaining three months of fiscal 2006, \$1.2 million for both fiscal 2007 and 2008 and \$0.5 million for fiscal 2009.

In the first quarter of fiscal 2005, 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 was included in amortization and write-off of acquired intangible assets and other. In the second quarter of fiscal 2005, 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.

Other long-term liabilities

The following table presents details of other long-term liabilities (in thousands):

	October 31, 2005	January 31, 2005
Long-term facilities consolidation charge	\$ 3,232	\$ 3,793
Accrued severance	12,557	11,196
Long-term assets under construction and other	17,590	3,500
	<u>\$ 33,379</u>	<u>\$ 18,489</u>

Warranty accrual

The following table presents changes in the warranty accrual during the nine months ended October 31, 2005 and 2004, (in thousands):

	October 31, 2005	October 31, 2004
--	---------------------	---------------------

Warranty accrual (included in accrued liabilities):			
Beginning balance	\$	1,571	\$ 812
Warranties issued		2,647	513
Settlements		(415)	(528)
Ending balance	\$	3,803	\$ 797

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 October 31,		Nine Months Ended October 31,	
	2005	2004	2005	2004
Numerator:				
Net income	\$ 93,046	\$ 43,595	\$ 233,880	\$ 86,716
Denominator:				
Weighted average shares of common stock outstanding	283,655	271,085	281,121	267,777
Less: unvested common shares subject to repurchase	—	(16)	—	(46)
Weighted average shares — basic	283,655	271,069	281,121	267,731
Effect of dilutive securities				
Unvested common shares subject to repurchase	—	16	—	46
Warrants	843	692	823	659
Contingently issuable shares	—	1,023	228	1,023
Common stock options and other	31,717	27,849	31,180	27,157
Weighted average shares — diluted	316,215	300,649	313,352	296,616
Basic net income per share	\$ 0.33	\$ 0.16	\$ 0.83	\$ 0.32
Diluted net income per share	\$ 0.29	\$ 0.15	\$ 0.75	\$ 0.29

Options to purchase 288,691 common shares at a weighted average exercise price of \$46.50 have been excluded from the computation of diluted net income per share for the three months ended October 31, 2005 and options to purchase 323,482 common shares at a weighted average exercise price of \$44.52 have been excluded from the computation of diluted net income per share for the nine months ended October 31, 2005 because their exercise prices were greater than the average market price of the common shares for the period.

Options to purchase 467,731 common shares at a weighted average exercise price of \$30.06 have been excluded from the computation of diluted net income per share for the three months ended October 31, 2004 and options to purchase 889,364 common shares at a weighted average exercise price of \$27.34 have been excluded from the computation of diluted net income per share for the nine months ended October 31, 2004 because their exercise prices were greater than the average market price of the common shares for the period.

Comprehensive income

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

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2005	2004	2005	2004
Net income	\$ 93,046	\$ 43,595	\$ 233,880	\$ 86,716
Other comprehensive loss:				
Unrealized gain (loss) on available-for-sale investments and other	475	1,066	(400)	(1,255)
Total comprehensive income	\$ 93,521	\$ 44,661	\$ 233,480	\$ 85,461

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.

3. Acquisitions

On June 27, 2003, the Company completed the acquisition of RADLAN Computer Communications Ltd. (RADLAN). Upon the closing, the Company issued a total of 2,635,284 shares of common stock (valued at \$24.0 million) and assumed 313,926 vested options (valued at \$2.9 million). In addition, the Company issued warrants to purchase 1,086,366 shares of its common stock at an exercise price of \$9.21 per share (valued at \$7.5 million). On October 6, 2003, the Company 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 the Company's common stock were reserved for future issuance over a one-year period to former RADLAN shareholders, which was 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 October 31, 2005, all 1,023,256 shares reserved for future issuance to former RADLAN shareholders were issued. Certificates for 614,624 shares earned through August 1, 2004 were issued on December 28, 2004. The remaining 408,632 shares earned subsequent to August 1, 2004 were issued on July 1, 2005.

On August 29, 2005, the Company announced that it had signed a definitive agreement to acquire the Hard Disk and Tape Drive Controller semiconductor business of QLogic Corporation. Under terms of the agreement, the Company will issue a combination of \$180.0 million in cash and 980,499 shares of the Company's common stock valued at \$45.0 million for total consideration of \$225.0 million. The Company may record a one-time charge for purchased in-

process research and development expenses related to the acquisition. The amount of that charge, if any, and the period in which it would be recorded has not yet been determined. See Note 8 for additional information.

4. Facilities Consolidation Charge

During fiscal 2003, the Company recorded a \$19.6 million charge 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 for 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 October 31, 2005, cash payments of \$9.6 million, net of sublease income, had been made in connection with these charges relating to the consolidation of the Company's facilities in California. Approximately \$3.8 million is accrued for this facilities

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consolidation charge as of October 31, 2005, of which \$0.6 million is the current portion included in accrued liabilities, while the long-term portion, totaling \$3.2 million, is payable through 2010 and is included in other long-term liabilities.

A summary of the facilities consolidation accrual related to the fiscal 2003 charge during the nine months ended October 31, 2005 is as follows (in thousands):

	Balance at January 31, 2005	Net Cash Payments	Non-Cash Charges	Remaining Liability at October 31, 2005
Accrued losses on abandoned leased facilities:				
Non-cancelable lease commitments	\$ 5,053	\$ (1,211)	\$ —	\$ 3,842

During the third quarter of fiscal 2005, the Company recorded a facility consolidation charge of \$2.4 million relating to costs associated with consolidating and relocating operations in Israel. The charges included \$2.3 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, and \$0.1 million of remaining lease commitments for these facilities.

5. Recent Accounting Pronouncements

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("FAS 123R") that addresses the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for either equity instruments of the enterprise or liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. The statement eliminates the ability to account for share-based compensation transactions using the intrinsic value method as prescribed by Accounting Principles Board, or APB, Opinion No. 25, "Accounting for Stock Issued to Employees," and generally requires that such transactions be accounted for using a fair-value-based method and recognized as expenses in the Company's consolidated statement of income. The statement requires companies to assess the most appropriate model to calculate the value of the options. The Company currently uses the Black-Scholes option pricing model to value options and is currently assessing which model it may use in the future under the statement and may deem an alternative model to be the most appropriate. The use of a different model to value options may result in a different fair value than the use of the Black-Scholes option pricing model. In addition, there are a number of other requirements under the new standard that will result in differing accounting treatment than currently required. These differences include, but are not limited to, the accounting for the tax benefit on employee stock options and for stock issued under our employee stock purchase plan. In addition to the appropriate fair value model to be used for valuing share-based payments, we will also be required to determine the transition method to be used at date of adoption. The allowed transition methods include prospective and retroactive adoption options. Under the retroactive options, prior periods may be restated either as of the beginning of the year of adoption or for all periods presented. The prospective method requires that compensation expense be recorded for all unvested stock options and restricted stock at the beginning of the first quarter of adoption of FAS 123R, while the retroactive methods would record compensation expense for all unvested stock options and restricted stock beginning with the first period restated. The effective date of the new standard for the Company's consolidated financial statements is its quarter ending April 30, 2006.

Upon adoption, this statement will have a material and adverse effect on the Company's consolidated financial statements because the Company will be required to expense the fair value of its stock option grants and stock purchases under its employee stock option and stock purchase plans rather than disclose the impact on its consolidated net income within the footnotes as is the Company's current practice (see Note 1). The amounts disclosed within the Company's footnotes are not necessarily indicative of the amounts that will be expensed upon the adoption of FAS 123R. Compensation expense calculated under FAS 123R may differ from amounts currently disclosed within the Company's footnotes based on changes in the fair value of its common stock, changes in the number of options granted or the terms of such options, the treatment of tax benefits and changes in interest rates or other factors. In addition, upon adoption of FAS 123R the Company may choose to use a different valuation model to value the compensation expense associated with employee stock options.

In March 2005, the SEC issued Staff Accounting Bulletin No. 107 ("SAB 107"). SAB 107 includes interpretive guidance for the initial implementation of FAS 123R. The Company intends to apply the principles of SAB 107 in conjunction with its adoption of FAS 123R.

In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154 ("SFAS 154"), Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and Statement No. 3. The statement applies to all voluntary changes in

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accounting principle and changes the requirements for the accounting for and reporting of a change in accounting principle. SFAS 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle unless it is impracticable. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company does not expect the adoption of SFAS 154 will have a material impact on its financial position and results of operations.

6. Commitments and Contingencies

Purchase Commitments

The Company's manufacturing relationships with its foundries allow for the cancellation of all outstanding purchase orders, but requires repayment of all expenses incurred through the date of cancellation. As of October 31, 2005, foundries had incurred approximately \$157.3 million of manufacturing expenses on the Company's outstanding purchase orders. As of October 31, 2005, the Company also had approximately \$62.5 million of other outstanding non-cancelable purchase orders for capital purchase obligations.

On February 28, 2005 and as amended on March 31, 2005, the Company entered into an agreement with a foundry to reserve and secure foundry fabrication capacity for a fixed number of wafers at agreed upon prices for a period of five and half years beginning on July 1, 2005. In return, the Company agreed to pay the foundry \$174.2 million over a period of eighteen months. The amendment extends the term of the agreement and the agreed upon pricing terms until December 31, 2015. As of October 31, 2005, payments totaling \$83.0 million (included in prepaid expenses and other current assets and other noncurrent assets) have been made and approximately \$10.6 million of the prepayment has been utilized as of the nine months ending October 31, 2005. At October 31, 2005, remaining commitments under the agreement were approximately \$91.2 million.

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 June 2004 and first presented to the court on June 14, 2004. On February 15, 2005, the court issued an opinion preliminarily approving the proposed settlement, contingent upon certain modifications being made to one aspect of the proposed settlement — the proposed "bar order". The court ruled that it had no authority to deviate from the wording of the Plaintiff's Securities Law Reform Act of 1995 and that any bar order that may issue should the proposed settlement be finally approved must be limited to the express wording of 15 U.S.C. section 78u-4(f)(7)(A). On May 2, 2005 the issuer defendants and plaintiffs jointly submitted an amendment to the settlement agreement conforming the language of the settlement agreement with the court's February 15, 2005 ruling regarding the bar order. The court on August 31, 2005 issued an order preliminarily approving the settlement and setting a public hearing on its fairness for April 24, 2006 due to difficulties in mailing the required notice to class members. 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.

On June 21, 2005, the Company filed a cross complaint in the above disclosed action in the Santa Clara County Superior Court asserting claims against Jasmine and unnamed Jasmine officers and employees. The cross complaint was later amended to name two individual officers of Jasmine. Among other actions, the cross complaint alleges that Jasmine and its personnel engaged in fraud in connection with their effort to sell to Marvell technology that Jasmine and its personnel wrongfully obtained from a third party in violation of such third party's rights. The cross complaint seeks declaratory judgment that Marvell's technology does not incorporate any of Jasmine's alleged technology. The cross complaint seeks further declaratory judgment that Jasmine and its personnel misappropriated certain aspects of Jasmine's alleged technology. The Company intends to prosecute the cross complaint against Jasmine and its personnel 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.

On October 7, 2004, Realtek Semiconductor Corporation ("Realtek") filed a lawsuit against Marvell Technology Group Ltd. ("MTGL") and MSI in the U.S. District Court for the Northern District of California ("the Court"), alleging that certain Marvell products infringe one of Realtek's patents. The parties stipulated to the dismissal of MTGL, leaving the lawsuit between Realtek and MSI. Certain of the accused Marvell products were made and sold before Realtek's patent was filed. On July 15, 2005, MSI filed a motion requesting summary judgment that Realtek's patent was invalid. In response to that motion, on July 28, 2005 Realtek provided MSI with a Covenant Not To Sue for patent infringement of the Realtek patent in-suit as against any Marvell product now made or ever made. In response to Realtek's Covenant Not to Sue and a request by Realtek, on August 12, 2005, the Court entered an order dismissing the

underlying patent infringement action, but allowing MSI to file a motion seeking fees, costs, and other sanctions. On August 26, 2005 MSI filed a motion against Realtek seeking fees, costs, and other sanctions. On November 21, 2005, the Court found that Realtek brought the litigation in bad faith and that the litigation was baseless. As a result, the Court granted MSI's motion and awarded MSI \$0.5 million as compensation for all of the attorneys' fees and costs it expended in defending the litigation. The matter is now closed.

On October 11, 2004 Realtek filed a lawsuit similar to the Northern District lawsuit in Taiwan. On December 17, 2004, Marvell International Ltd. initiated a patent infringement action in the United States International Trade Commission ("ITC"), alleging that Realtek infringes two Marvell patents. Effective August 17, 2005, the parties entered a Confidential Settlement Agreement. On August 29, 2005, Realtek publicly announced that it will drop the case it initiated in Taiwan. On August 31, 2005, Marvell filed a motion initiating the dismissal of the case it brought in the ITC, and on September 19, 2005 the ITC judge issued a final order dismissing the case. On September 2, 2005 Realtek filed the necessary papers in the courts in Taiwan to dismiss its Taiwan lawsuit against Marvell, and on September 6, 2005 the Taiwan court dismissed the case. The terms of the settlement are confidential, but it will have no material adverse effect on the Company's business, results of operations, financial condition or cash flows.

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.

7. Related Party Transactions

During the nine months ended October 31, 2005 and 2004, the Company incurred approximately \$0.6 million and \$0.5 million, respectively, of expenses from an unrelated third-party entity, ACM Aviation, Inc. ("ACM"), for charter aircraft services provided to MSI. The aircraft provided by ACM to the Company for such services is owned by Estopia Air LLC ("Estopia Air"). The Company's Chairman, President and Chief Executive Officer, Dr. Sehat Sutardja, Ph.D, and the Company's Director, Secretary and Executive Vice President, Weili Dai, through their control and ownership of Estopia Air, own the aircraft provided by ACM. The expenses

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incurred were the result of the Company's use of the aircraft for business travel purposes. The cost of such usage to the Company was determined based on market prices.

On February 19, 2005, the Company, through its subsidiaries MSI and Marvell Asia Pte. Ltd., entered into a development agreement with MagnetoX ("MagnetoX"). The development agreement is on substantially similar terms as other development agreements with other third parties. The Company recognized approximately \$0.8 million of revenue from the development agreement and product revenue during the first nine months fiscal 2006. Herbert Chang, one of the Company's directors, is Chairman of the Board, President and Chief Executive Officer of MagnetoX. Estopia LLC ("Estopia") is also a shareholder of MagnetoX. Dr. Sehat Sutardja, Ph.D. and Weili Dai, through their ownership and control of Estopia, are indirect shareholders of MagnetoX.

On August 19, 2005, the Company, through its subsidiaries MSI and Marvell International Ltd., entered into a License and Manufacturing Services Agreement (the "License Agreement") with C2 Microsystems, Inc. ("C2Micro"). The License Agreement is on substantially similar terms as other license and manufacturing services agreements with other third parties. The Company invoiced and deferred \$0.4 million of revenue from C2 Microsystems during the nine months ended October 31, 2005. Dr. Sehat Sutardja, Ph.D., and Weili Dai, through their ownership and control of Estopia are indirect shareholders of C2Micro. Herbert Chang, through his ownership and control of C-Squared venture entities, is also an indirect shareholder of C2Micro. Dr. Pantas Sutardja, Ph.D., the Company's Chief Technology Officer, is also a shareholder in C2Micro.

8. Subsequent Event

On November 4, 2005, the Company completed the acquisition of the Hard Disk and Tape Drive Controller semiconductor business of QLogic Corporation ("QLogic"). The acquisition was completed in accordance with the terms and conditions of an Asset Purchase Agreement dated August 29, 2005 (the "Agreement"). Under the terms of the Agreement, in exchange for certain assets and intellectual property of QLogic, the Company paid \$180.0 million in cash and issued 980,499 shares of its common stock to QLogic valued at \$45.0 million for total consideration of \$225.0 million. Pursuant to the Agreement, on the closing date, the Company placed a portion of the shares in escrow as security for its indemnification rights under the Agreement. The shares of Company common stock were issued pursuant to an exemption under the Securities Act of 1933.

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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, our expectations as to the number of days in inventory, 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 recently purchased land, commitments and costs to improve the buildings on 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 taxes in foreign jurisdictions. These forward-looking statements are subject to risks and uncertainties which may cause actual results to differ materially from those expressed or implied by the forward-looking statements. These risks and uncertainties include, but are not limited to the impact of international conflict and continued economic downturns in either domestic or foreign markets, our dependence upon the hard disk drive industry and

integrated circuit industry, both of which are highly cyclical, our dependence on a small number of customers, our ability to develop new and enhanced products, our success in integrating businesses we acquire and the impact such acquisitions may have on our operating results, our ability to estimate customer demand accurately, the success of our strategic relationships with customers, our reliance on independent foundries and subcontractors for the manufacture, assembly and testing of our products, our ability to manage future growth, the development and evolution of markets for our integrated circuits, our ability to protect our intellectual property, the impact of any change in our application of the United States federal income tax laws and the loss of any beneficial tax treatment that we currently enjoy, the outcome of pending or future litigation and other risks discussed in the section of this Form 10-Q titled “Additional Factors That May Affect Future Results.” 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 Annual Report on Form 10-K for the year ended January 31, 2005, 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, digital signal processing and embedded microprocessor integrated circuits. Our diverse product portfolio includes switching, transceiver, wireless, PC connectivity, gateways, communications controller and storage and power management solutions that serve diverse applications used in business enterprises, 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 for the broadband communications market. 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 \$134.7 million. On November 4, 2005, we acquired the hard disk and tape drive controller semiconductor business of QLogic Corporation, for aggregate consideration of approximately \$225.0 million.

We offer our customers a wide range of high-performance analog, mixed-signal, digital signal processing and embedded microprocessor integrated circuits. Our products can be utilized in a wide array of enterprise applications including hard disk drives, high-speed networking equipment, PCs, wireless solutions for SOHO and residential gateway solutions, and consumer applications such as cell phones, printers, digital cameras, MP3 devices, speakers, game consoles and PDAs.

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 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.

For the past four years, we have been able to report significant sequential quarterly growth in revenues; however, our revenues have grown at a slower sequential rate since the third quarter of fiscal 2005 compared to the double digit sequential growth rate of the previous eleven quarters. This slower growth rate is due, among other things, to the larger base of revenue and market share we now enjoy, which makes continuation of double digit revenue growth on a sequential quarterly basis unlikely in the current market.

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 2006 is 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, 2005, as filed with the U.S. Securities and Exchange Commission. There have been no material changes in any of our accounting policies since January 31, 2005.

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 October 31,		Nine Months Ended October 31,	
	2005	2004	2005	2004
Net revenue	100.0%	100.0%	100.0%	100.0%
Operating costs and expenses:				
Cost of goods sold*	46.3	47.3	47.1	47.4
Research and development*	18.2	20.9	18.8	21.9
Selling and marketing*	5.1	6.1	5.4	6.5

General and administrative*	2.1	2.9	2.0	2.7
Amortization of stock-based compensation	0.1	0.3	0.2	0.4
Amortization and write-off of acquired intangible assets and other	4.6	6.2	5.0	9.4
Facilities consolidation charge	—	0.8	—	0.3
Total operating costs and expenses	76.4	84.5	78.5	88.6
Operating income	23.6	15.5	21.5	11.4
Interest and other income, net	1.2	0.5	1.1	0.6
Income before income taxes	24.8	16.0	22.6	12.0
Provision for income taxes	3.0	2.3	2.8	2.2
Net income	21.8%	13.7%	19.8%	9.8%

* Excludes stock-based compensation

Three and nine months ended October 31, 2005 and 2004

Net Revenue

	Three Months Ended October 31,		Percent	Nine Months Ended October 31,		Percent
	2005	2004	Change	2005	2004	Change
Net revenue	\$ 426,026	\$ 317,583	34.1%	\$ 1,181,250	\$ 884,314	33.6%

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 estimated sales returns and allowances. The increases in net revenue in the third quarter of fiscal 2006 compared to the third quarter of fiscal 2005 reflects a significant increase in volume of shipments of our storage System-on-Chips, or SOC, which increased \$86.3 million, wireless products, which increased \$18.2 million, and system controllers, which increased \$6.4 million. The increases in net revenue in the first nine months of fiscal 2006 compared to the first nine months of fiscal 2005 reflects a significant increase in volume of shipments of our storage SOC, which increased \$223.2 million, wireless products, which increased \$51.2 million, and system controllers, which increased \$19.1 million. The increases in net revenue are primarily due to increased acceptance of our storage SOC products by hard disk drive manufacturers, increased market share gains in the PC desktop and consumer product markets with our storage SOC products and volume of shipments of our wireless products and system controllers from new design wins. Revenue derived from development contracts decreased in absolute dollars during the third quarter and first nine months of fiscal 2006 as compared to the third quarter and first nine months of fiscal 2005, and represented less than 10% of net revenue for each period.

We expect that revenue for fiscal 2006 will continue to increase on a quarterly basis from the level of revenue that we have previously reported in fiscal 2006 due to increases in shipments and volume production of our storage SOC into the PC desktop and consumer product markets, increases in shipments of our wireless products from new consumer market design wins, increases in shipments of our system controllers and Gigabit Ethernet products and increases in revenue from sales of hard disk controller products acquired from the Hard Disk and Tape Drive Controller semiconductor business of QLogic Corporation.

A portion of our revenue is concentrated with a relatively small number of customers. For both of the three and nine months ended October 31, 2005, three customers each represented more than 10% of our net revenues for a combined total of 45% of our net revenue. For both of the three and nine months ended October 31, 2004, two customers each represented more than 10% of our net revenue for a combined total of 42% of our net revenue. In addition, one distributor accounted for approximately 12% and 11% of our net revenue in the three and nine months ended October 31, 2005, respectively and the same distributor accounted for 11% and 10% of our net revenue in the three and nine months ended October 31, 2004, respectively.

Because we sell our products to many original equipment 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 94% for both of the three and nine months ended October 31, 2005, respectively, while sales to customers located in Asia represented 91% and 92% for the three and nine months ended October 31, 2004, respectively. The rest of our sales are to customers located in the United States and other geographic regions. We expect that a significant portion of our revenue will continue to be represented by sales to our customers in Asia. Substantially all of our sales to date have been denominated in United States dollars.

Cost of Goods Sold

	Three Months Ended October 31,		Percent	Nine Months Ended October 31,		Percent
	2005	2004	Change	2005	2004	Change
Cost of goods sold	\$ 197,077	\$ 150,260	31.2%	\$ 555,967	\$ 419,001	32.7%
% of net revenue	46.3%	47.3%		47.1%	47.4%	
Gross margin	53.7%	52.7%		52.9%	52.6%	

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 increase in gross margin percentage in the three months ended October 31, 2005 compared to the three months ended October 31, 2004 was primarily due to product cost savings resulting from the benefits of favorable foundry pricing, manufacturing efficiencies and better yields from our foundries and to a lesser extent, a product mix change, which included production ramps of our storage SOC. The increase in gross

margin percentage in the nine months ended October 31, 2005 compared to the nine months ended October 31, 2004 was primarily due to product cost savings from manufacturing efficiencies and better yields from our foundries and to a lesser extent, a product mix change, which included production ramps of our storage SOC's. 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, particularly in the consumer product markets that we are targeting, charges for obsolete or potentially excess inventory, 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 October 31,		Percent Change	Nine Months Ended October 31,		Percent Change
	2005	2004		2005	2004	
Research and development	\$ 77,689	\$ 66,378	17.0%	\$ 222,751	\$ 193,686	15.0%
% of net revenue	18.2%	20.9%		18.8%	21.9%	

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 third quarter of fiscal 2006 compared to the third quarter of fiscal 2005 was primarily due to the net hiring of additional development personnel, which contributed to an increase in salary and related costs of \$7.4 million. Additionally, we incurred increased costs for depreciation and amortization expense of \$1.5 million arising from purchases of property, equipment and technology licenses, increased tooling and engineering equipment expenses of \$0.8 million, increased costs of \$0.4 million for patent filing fees to protect newly developed intellectual property and other allocated expenses of \$3.0 million related to our expanding operations. Offsetting the increase in research and development expense was decreased costs of \$2.4 million for prototype and related product tape-out costs, primarily due to the timing and quantity of tape-outs in the comparable quarters.

The increase in research and development expense in absolute dollars in the first nine months of fiscal 2006 compared to the first nine months of fiscal 2005 was primarily due to the net hiring of additional development personnel, which contributed to an increase in salary and related costs of \$18.6 million. Additionally, we incurred increased costs for depreciation and amortization expense of \$5.6 million arising from purchases of property, equipment and technology licenses, increased costs of \$1.7 million for patent filing fees to protect newly developed intellectual property and other allocated expenses of \$6.3 million related to our expanding operations. Offsetting the increase in research and development expense was decreased costs of \$5.2 million for prototype and related product tape-out costs, primarily due to the timing and quantity of tape-outs in the comparable periods.

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

Selling and Marketing

	Three Months Ended October 31,		Percent Change	Nine Months Ended October 31,		Percent Change
	2005	2004		2005	2004	
Selling and marketing	\$ 21,634	\$ 19,381	11.6%	\$ 63,898	\$ 57,966	10.2%
% of net revenue	5.1%	6.1%		5.4%	6.5%	

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 third quarter of fiscal 2006 compared to the third quarter of fiscal 2005 was primarily due to the net hiring of additional sales and marketing personnel, which contributed to an increase in salary and related costs of \$1.4 million. Additionally, we incurred increased commission costs of \$0.5 million due primarily to an increase in sales.

The increase in selling and marketing expense in absolute dollars in the first nine months of fiscal 2006 compared to the first nine months of fiscal 2005 was primarily due to the net hiring of additional sales and marketing personnel, which contributed to an increase in salary and related costs of \$4.0 million. Additionally, we incurred increased commission costs of \$1.0 million due primarily to an increase in sales as well as other costs of \$0.9 million related to our expanding 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 wireless and storage products.

General and Administrative

	Three Months Ended October 31,		Percent Change	Nine months ended October 31,		Percent Change
	2005	2004		2005	2004	
General and administrative	\$ 9,029	\$ 9,330	(3.2)%	\$ 24,107	\$ 23,829	1.2%
% of net revenue	2.1%	2.9%		2.0%	2.7%	

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 decrease in general and administrative expense in the third quarter of fiscal 2006 compared to the third quarter of fiscal 2005 was due to a decrease of \$1.3 million in legal fees and a \$0.8 million decrease in professional fees. The decrease in legal fees is due to the resolution of various legal matters as well as the hiring of additional personnel resulting in lower external legal fees. The decrease in professional fees is due to the hiring of additional personnel resulting in lower professional fees from outside service providers. Offsetting the decrease in absolute dollars in general administrative expense was an increase in salary and related costs of \$1.6 million in the third quarter of fiscal 2006 compared to the third quarter of fiscal 2005, due primarily to the net hiring of additional general and administrative personnel.

The increase in absolute dollars in general and administrative expense in the first nine months of fiscal 2006 compared to the first nine months of fiscal 2005 was primarily due to the net hiring of additional administrative personnel, which contributed to an increase in salaries and related costs of \$3.2 million.

Offsetting the increase in general and administrative expense was a \$3.0 million decrease in legal fees due to lower licensing fee payments and the hiring of additional personnel resulting in lower legal fees.

We expect that general and administrative expenses will increase in absolute dollars in future periods as we spend on our increasing infrastructure to support expanding operations.

Amortization of Stock-Based Compensation

	Three Months Ended October 31,		Percent Change	Nine months ended October 31,		Percent Change
	2005	2004		2005	2004	
Amortization of stock-based compensation	\$ 465	\$ 837	(44.4)%	\$ 1,853	\$ 3,497	(47.0)%
% of net revenue	0.1%	0.3%		0.2%	0.4%	

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 decrease in amortization expense in both absolute dollars and percentage of net revenue in the third quarter of fiscal 2006 and first nine months of fiscal 2006 compared to the third quarter of fiscal 2005 and first nine months of fiscal 2005 primarily resulted from a lower balance of deferred stock-based compensation being amortized in the third quarter and first nine months of fiscal 2006 compared to the third quarter and first nine months of fiscal 2005. For a discussion of the effects of future expensing of stock options, see “Recent Accounting Pronouncements” below.

Amortization and Write-off of Acquired Intangible Assets and Other

	Three Months Ended October 31,		Percent Change	Nine months ended October 31,		Percent Change
	2005	2004		2005	2004	
Amortization of acquired intangible assets and other	\$ 19,746	\$ 19,758	—%	\$ 59,258	\$ 82,775	(28.4)%
% of net revenue	4.6%	6.2%		5.0%	9.4%	

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 in June 2003, 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.

During the first quarter of fiscal year 2005, we 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, we agreed to make a one-time payment of \$13.5 million, which was included in amortization and write-off of acquired intangible assets and other. During the third quarter of fiscal 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 was 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. The decrease in amortization and write-off of acquired intangible assets and other in the third quarter of fiscal 2006 compared to the third quarter of fiscal 2005 was due mainly to this \$10.0 million charge for payment made on the technology license and non-assert agreement recorded in the third quarter of fiscal 2005. The decrease in amortization and write-off of acquired intangible assets and other in first nine months of fiscal 2006 compared to the first nine months of fiscal 2005 was due to \$23.5 million of charges for payments made on technology license and non-assert agreements recorded in the first nine months of fiscal 2005 as described above.

Facilities Consolidation Charge

	Three Months Ended October 31,		Percent Change	Nine Months Ended October 31,		Percent Change
	2005	2004		2005	2004	
Facilities consolidation charge	\$ —	\$ 2,414	(100.0)%	\$ —	\$ 2,414	(100.0)%
% of net revenue	—%	0.8%		—%	0.3%	

During the quarter ended October 31, 2004, we recorded a total of \$2.4 million of charges associated with costs of consolidating and relocating operations in Israel. The charges included \$2.3 million associated with the write-down of certain property and leasehold improvements related to the abandoned facilities and \$0.1 million of remaining lease commitments for these facilities. Prior to the consolidation of these facilities, we were leasing five separate facilities in Israel located in geographically dispersed areas of Israel. One of the locations was assumed through the acquisition of RADLAN. The main factors that led to the consolidation of three of the five facilities into one location were a need to centralize operations into a convenient location near the center of the country and a focus on improving productivity by minimizing travel time between facilities. As a result, we completed the consolidation of the majority of our Israel operations into one facility during the third quarter of fiscal 2005.

Interest and Other Income, net

	Three Months Ended October 31,		Percent Change	Nine months ended October 31,		Percent Change
	2005	2004		2005	2004	
Interest and other income, net	\$ 5,244	\$ 1,770	196.3%	\$ 13,240	\$ 5,058	161.8%
% of net revenue	1.2%	0.5%		1.1%	0.6%	

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 third quarter and first nine months of fiscal 2006 compared to the third quarter and first nine months of fiscal 2005 is primarily due to higher interest income due to higher invested cash and marketable securities balances and higher yields on our investments.

Provision for Income Taxes

	Three Months Ended October 31,		Percent Change	Nine months ended October 31,		Percent Change
	2005	2004		2005	2004	
Provision for income taxes	\$ 12,584	\$ 7,400	70.0%	\$ 32,776	\$ 19,488	68.2%
% of net revenue	3.0%	2.3%		2.8%	2.2%	

Our effective tax rate was 11.9% and 12.3% for the three and nine months ended October 31, 2005 compared to 14.5% and 18.3% for the three and nine months ended October 31, 2004. The effective tax rate decreased due to an increase in profits earned in jurisdictions where the tax rate is lower than the U.S. tax rate and a decrease in non tax-deductible expenses or other, such as stock based compensation, nondeductible acquisition related expenses and asset impairment.

Liquidity and Capital Resources

Our principal source of liquidity as of October 31, 2005 consisted of \$914.9 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 \$263.9 million for the nine months ended October 31, 2005 compared to \$153.7 million for the nine months ended October 31, 2004. The cash inflow from operations in the nine months of fiscal 2006 was primarily a result of our generation of income during the period and changes in working capital. Non-cash charges in the first nine months of fiscal 2006 included \$59.3 million related to amortization of acquired intangible assets, \$41.8 million of depreciation and amortization expense and \$1.9 million of amortization of stock-based compensation. Significant working capital changes contributing to positive cash inflow in the first nine months of fiscal 2006 included an increase in accounts payable of \$60.4 million resulting from the overall increase in activity and inventory levels, an increase in income taxes payable of \$29.6 million resulting from higher taxable income in the first nine months of fiscal 2006 and an increase in deferred income of \$9.8 million due to the increase in inventory levels at distributors to replenish and build up for year-end sales as well as new distributors building up inventory.

Significant working capital changes offsetting positive cash flows in the first nine months of fiscal 2006 included an increase in prepaid and other assets of \$105.0 million due primarily to an \$83.0 million payment in connection with a capacity reservation agreement with a foundry, a \$12.3 million security deposit for long-term assets under construction and a \$10.6 million receivable from a foundry for reimbursements under a capacity reservation agreement. Also contributing to working capital changes offsetting positive cash flow in the first nine months of fiscal 2006 was an increase in accounts receivable of \$52.4 million primarily due to higher total net revenue in the first nine months of fiscal 2006 compared to the first nine months of fiscal 2005. Although accounts receivable has increased, the days sales outstanding metric, or DSO, has remained consistent at the end of both the third quarters of fiscal 2006 and 2005 at 54 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. Inventory also increased \$21.0 million, primarily as a result of additional wafer starts to meet forecasted demand and build in buffer stock to compensate for longer foundry lead times. Accordingly, the number of days in inventory has increased at the end of the third quarter of fiscal 2006 to 68 days compared to 65 days at the end of the third quarter of fiscal 2005.

During the first nine months of fiscal 2005, net cash provided by operating activities was \$153.7 million. The cash inflow from operations in the first nine 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 nine months of fiscal 2005 included \$59.3 million related to amortization of acquired intangible assets and other, \$30.7 million of depreciation and amortization expense, \$3.5 million of amortization of stock-based compensation and \$2.4 million for the charge in connection with a facilities consolidation. Significant working capital changes contributing to positive cash inflow in the first nine months of fiscal 2005 included an increase of \$17.4 million in income tax payable resulting from taxable income in the first nine months of fiscal 2005, an increase of \$11.6 million in accrued employee compensation primarily related to an increase in the amount of employee contributions under the employee stock purchase plan and higher benefit related obligations as a result of the increase in number of employees and an increase of \$7.7 million in accrued liabilities and other related to increases in accruals for legal, technology licenses and prototype and tape-out expenses. Significant working capital changes offsetting positive cash flows in the first nine months of fiscal 2005 included an increase in accounts receivable of \$54.4 million primarily due to higher total net revenue in the first nine months of fiscal 2005 as compared to the first nine months of fiscal 2004. Inventory increased by \$16.2 million primarily as a result of increased volumes of sales and associated purchases of inventory required to meet customer demand.

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 \$19.2 million for the first nine months of fiscal 2006 and \$240.4 million for the first nine months of fiscal 2005. The net cash used in investing activities in the first nine months of fiscal 2006 was due to purchases of property and equipment of \$62.3 million and purchases of short-term investments of \$490.8 million, partially offset by the proceeds from the sales and maturities of short-term investments of \$533.9 million. The net cash used in investing activities in the first nine months of fiscal 2005 was due to purchases of property and equipment of \$23.8 million,

purchases of short-term investments of \$299.0 million and purchases of technology licenses and other of \$18.5 million, partially offset by the proceeds from the sales and maturities of short-term investments of \$100.8 million.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was \$53.7 million for the nine months of fiscal 2006 and \$80.8 million for the first nine months of fiscal 2005. In the first nine months of fiscal 2006 and 2005, 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. The proceeds from the issuance of common stock are primarily due to the exercises of stock options. The increase in capital lease obligations is due to additional computer-aided design software licenses, which we have acquired for use in research and development activities.

Contractual Obligations and Commitments

Our relationships with our foundries 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 October 31, 2005, foundries had incurred approximately \$157.3 million of manufacturing expenses on our outstanding purchase orders. The purchase obligations are included in outstanding purchase commitments as of October 31, 2005.

On February 28, 2005 and as amended on March 31, 2005, we entered into an agreement with a foundry to reserve and secure foundry fabrication capacity for a fixed number of wafers at agreed upon prices for a period of five and a half years beginning on October 1, 2005. In return, we agreed to pay the foundry \$174.2 million over a period of eighteen months. The amendment extends the term of the agreement and the agreed upon pricing terms until December 31, 2015. As of October 31, 2005, payments totaling \$83.0 million (included in prepaid expenses and other current assets and other noncurrent assets) have been made and approximately \$10.6 million of the prepayment has been utilized as of October 31, 2005. At October 31, 2005, remaining commitments under the agreement were approximately \$91.2 million.

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 was amended in the third quarter of fiscal 2006 to end December 31, 2005. Total rent payments over the term of the revised lease will be approximately \$18.2 million. In February 2002, we consolidated our three existing facilities in California into this new building. The leases on two of our former facilities expired in February 2002 and June 2005, respectively, but we have an ongoing, non-cancelable lease for the remaining facility. 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 included the remaining lease commitments of these facilities reduced by the estimated sublease income for the duration of the lease term. During the third 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 commitment, resulting in future negative cash flow over the remaining term of the sublease of approximately \$3.8 million as of October 31, 2005. At October 31, 2005, cash payments of \$9.6 million, net of sublease income had been made in connection with this charge. Approximately \$3.8 million is accrued for this facilities consolidation charge as of October 31, 2005 of which \$0.6 million is the current portion while the long-term portion totaling \$3.2 million is payable through 2010.

On June 27, 2003, we completed the acquisition of RADLAN. Upon the closing, we issued a total of 2,635,284 shares of common stock (valued at \$24.0 million) and assumed 313,926 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 were reserved for future issuance over a one-year period to former RADLAN shareholders, which was dependent upon our revenues from certain products for the year ended January 31, 2005 compared to the year ended January 31, 2004. As of October 31, 2005, all 1,023,256 shares reserved for future issuance to former RADLAN shareholders were issued. Certificates for 614,624 shares earned through August 1, 2004 were issued on December 28, 2004. The remaining 408,632 shares earned subsequent to August 1, 2004 were issued on July 1, 2005.

We expect to make significant commitments and incur costs to improve the buildings at our U.S. headquarters located in Santa Clara, CA over the next twelve to eighteen months. Based upon our current forecasts, we currently expect to spend approximately \$65.0 million to \$75.0 million for building improvements over the next twelve months, of which \$52.0 million of non-cancelable purchase orders is currently outstanding. 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 refined 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 cost of goods sold, research and development, sales and marketing and general and administrative expenses.

On November 4, 2005, we completed the acquisition of the Hard Disk and Tape Drive Controller semiconductor business of QLogic Corporation ("QLogic"). The acquisition was completed in accordance with the terms and conditions of an Asset Purchase Agreement dated August 29, 2005 (the "Agreement"). Under the terms of the Agreement, in exchange for certain assets and intellectual property of QLogic, we paid \$180.0 million in cash and issued 980,499 shares of our common stock to QLogic valued at \$45.0 million for total consideration of \$225.0 million. Pursuant to the Agreement, on the closing date, we placed a portion of the shares in escrow as security for its indemnification rights under the Agreement. The shares can be held in escrow for up to 12 months from the closing date. Our shares of common stock were issued pursuant to an exemption under the Securities Act of 1933.

We currently intend to fund our short and long-term capital requirements, as well as our liquidity needs, with existing cash, cash equivalents and short-term investment balances as well as cash generated by operations. We believe that our existing cash, cash equivalents 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 equivalents 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 additional acquisitions or other strategic arrangements in the future, which could also require us to seek additional debt or equity

financing. Additional equity financing or convertible debt financing may be dilutive to our current shareholders. Additional funds may not be available on terms favorable to us or at all.

The following table summarizes our contractual obligations as of October 31, 2005 and the effect such obligations are expected to have on our liquidity and cash flow in future periods (in thousands):

	Payments Due by Period						
	2006 (remaining three months)	2007	2008	2009	2010	There- after	Total
Contractual obligations:							
Operating leases	\$ 4,158	\$ 5,923	\$ 5,712	\$ 6,015	\$ 5,391	\$ 37,312	\$ 64,511
Capital lease obligations	4,321	13,744	11,861	4,267	—	—	34,193
Purchase commitments to foundries	157,349	—	—	—	—	—	157,349
Capacity reservation commitment	23,000	68,180	—	—	—	—	91,180
Mask purchase commitment	10,500	—	—	—	—	—	10,500
Capital purchase obligations	62,527	—	—	—	—	—	62,527
QLogic asset purchase obligation	180,000	—	—	—	—	—	180,000
Total contractual cash obligations	\$ 441,855	\$ 87,847	\$ 17,573	\$ 10,282	\$ 5,391	\$ 37,312	\$ 600,260

Off-Balance Sheet Arrangements

As of October 31, 2005, we did not have any material off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Recent Accounting Pronouncements

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004), “Share-Based Payment” (FAS 123R) that addresses the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for either equity instruments of the enterprise or liabilities that are based on the fair value of the enterprise’s equity instruments or that may be settled by the issuance of such equity instruments. The statement eliminates the ability to account for share-based compensation transactions using the intrinsic value method as prescribed by Accounting Principles Board, or APB, Opinion No. 25, “Accounting for Stock Issued to Employees,” and generally requires that such transactions be accounted for using a fair-value-based method and recognized as expenses in our consolidated statement of income. The statement requires companies to assess the most appropriate model to calculate the value of the options. We currently use the Black-Scholes option pricing model to value options and are currently assessing which model we may use in the future under the statement and may deem an alternative model to be the most appropriate. The use of a different model to value options may result in a different fair value than the use of the Black-Scholes option pricing model. In addition, there are a number of other requirements under the new standard that will result in differing accounting treatment than currently required. These differences include, but are not limited to, the accounting for the tax benefit on employee stock options and for stock issued under our employee stock purchase plan. In addition to the appropriate fair value model to be used for valuing share-based payments, we will also be required to determine the transition method to be used at date of adoption. The allowed transition methods include prospective and retroactive adoption options. Under the retroactive options, prior periods may be restated either as of the beginning of the year of adoption or for all periods presented. The prospective method requires that compensation expense be recorded for all unvested stock options and restricted stock at the beginning of the first quarter of adoption of FAS 123R, while the retroactive methods would record compensation expense for all unvested stock options and restricted stock beginning with the first period restated. The effective date of the new standard for our consolidated financial statements is the quarter ended April 30, 2006.

Upon adoption, this statement will have a material and adverse effect on our consolidated financial statements because we will be required to expense the fair value of our stock option grants and stock purchases under our employee stock option and stock purchase plans rather than disclose the impact on our consolidated net income within our footnotes as is our current practice (see Note 1 of the Notes to Unaudited Condensed Consolidated Financial Statements contained herein). The amounts disclosed within our footnotes are not necessarily indicative of the amounts that will be expensed upon the adoption of FAS 123R. Compensation expense calculated under FAS 123R may differ from amounts currently disclosed within our footnotes based on changes in the fair value of our common stock, changes in the number of options granted or the terms of such options, the treatment of tax benefits and changes in interest rates or other factors. In addition, upon adoption of FAS 123R we may choose to use a different valuation model to value the compensation expense associated with employee stock options.

In March 2005, the SEC issued Staff Accounting Bulletin No. 107 (“SAB 107”). SAB 107 includes interpretive guidance for the initial implementation of FAS 123R. We will apply the principles of SAB 107 in conjunction with our adoption of FAS 123R.

In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154 (“SFAS 154”), Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and Statement No. 3. The statement applies to all voluntary changes in accounting principle and changes the requirements for the accounting for and reporting of a change in accounting principle. SFAS 154 requires retrospective application to prior periods’ financial statements of a voluntary change in accounting principle unless it is impracticable. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We do not expect the adoption of SFAS 154 will have a material impact on our financial position and results of operations.

Related Party Transactions

During the nine months ended October 31, 2005 and 2004, we incurred approximately \$0.6 million and \$0.5 million, respectively, of expenses from an unrelated third-party entity, ACM Aviation, Inc. (“ACM”), for charter aircraft services provided to MSI. The aircraft provided by ACM to us for such services is owned by Estopia Air LLC (“Estopia Air”). Our Chairman, President and Chief Executive Officer, Dr. Sehat Sutardja, Ph.D, and our Director, Secretary

and Executive Vice President, Weili Dai, through their control and ownership of Estopia Air, own the aircraft provided by ACM. The expenses incurred were the result of our use of the aircraft for business travel purposes. The cost of such usage to us was determined based on market prices.

On February 19, 2005, through our subsidiaries MSI and Marvell Asia Pte. Ltd. (“MAPL”), we entered into a development agreement with MagnetoX (“MagnetoX”). The development agreement is on substantially similar terms as other development agreements with other third parties. We recognized approximately \$0.8 million of revenue from the development agreement and

product revenue during the first nine months of fiscal 2006. Herbert Chang, one of our directors, is Chairman of the Board, President and Chief Executive Officer of MagnetoX. Estopia LLC (“Estopia”) is also a shareholder of MagnetoX. Dr. Sehat Sutardja, Ph.D., and Weili Dai, through their ownership and control of Estopia, are indirect shareholders of MagnetoX.

On August 19, 2005, through our subsidiaries MSI and Marvell International Ltd., we entered into a License and Manufacturing Services Agreement (the “License Agreement”) with C2 Microsystems, Inc. (“C2Micro”). The License Agreement is on substantially similar terms as other license and manufacturing services agreements with other third parties. We invoiced and deferred \$0.4 million of revenue from C2Micro during the first nine months of fiscal 2006. Dr. Sehat Sutardja, Ph.D., and Weili Dai, through their ownership and control of Estopia are indirect shareholders of C2Micro. Herbert Chang, through his ownership and control of C-Squared venture entities, is also an indirect shareholder of C2Micro. Dr. Pantas Sutardja, Ph.D., our Chief Technology Officer, is also a shareholder in C2Micro.

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 their market share, our sales may decrease.

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 nine months of fiscal 2006, approximately 45% of our net revenue was derived from sales to three 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 18%, Samsung accounted for approximately 14% and Toshiba accounted for approximately 13%. Additionally, Wintech, a distributor, accounted for approximately 11% of our net revenue during the first nine months of fiscal 2006. 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 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, results of operations and liquidity. 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, purchase fewer products than they did in the past, or 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;
- our customers may develop their own solutions;
- our customers may purchase integrated circuits from our competitors; or
- our customers may discontinue sales or lose market share in the markets for which they purchase our products.

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.

For the past four years, we have been able to report significant sequential quarterly growth in revenues; however, our revenues have grown at a slower sequential rate in the past six sequential quarters ending with the third quarter of fiscal 2006 compared to the double digit sequential growth rate of the

previous eleven quarters. This slower growth rate is due, among other things, to the larger base of revenue and market share we now enjoy, which makes continuation of double digit revenue growth on a sequential quarterly basis unlikely in the current market. Accordingly, investors should not rely on the results of any prior quarterly or annual periods as an indication of our future performance.

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.

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 harm our business, financial condition or results of operations.

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 several 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 severe acute respiratory syndrome, or SARS, the outbreak of avian flu 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 harm our business, financial condition or results of operations.

With limited exceptions, our vendors 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. These vendors may allocate capacity to the production of other companies’ products while reducing deliveries to us on short notice. In particular, some foundry customers may have long-term agreements with these foundries that 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 qualify 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.

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

In recent years, worldwide economic conditions have been volatile with concerns about inflation, increased reliance on consumer confidence, rising oil prices and the situation in Iraq. The events of September 11, 2001, the continuing international conflicts and terrorist acts, continued increases in the price of oil, the possibility of an extended United States presence in Iraq, and the potential pandemic of avian or other flu-like illnesses can be expected to place further pressure on economic conditions in the United States and worldwide. These conditions make it extremely difficult for our customers, our vendors and for us to accurately forecast and plan future business activities.

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 we do, which would allow them to respond more quickly than we can 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

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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.

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. These customers 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 development could impair our relationships with our strategic customers 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 may not have sufficient levels of production capacity with all of our foundries, despite signing a long-term guaranteed production capacity agreement with one of our foundries. Despite this agreement, 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 those customers. This reallocation could impair our ability to secure the supply of components that we need. Although we use several 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, such as nonrefundable deposits with or loans to foundries in exchange for capacity commitments, and contracts that commit us to purchase specified quantities of integrated circuits over extended periods.

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. For example, amounts payable under our foundry capacity are non refundable regardless of whether we are able to utilize all or any of the guaranteed wafer capacity under the terms of the agreement. 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 or 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 may contain defects and bugs when they are first introduced or as new versions are released. We 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 or 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 may 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. In the past, we have experienced some difficulties in shifting to smaller geometry process technologies or new manufacturing processes, which resulted in, among other things, 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, results of operations and liquidity 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.

If our internal control over financial reporting does not comply with the requirements of the Sarbanes-Oxley Act, our business, reputation and stock price could be adversely affected.

Section 404 of the Sarbanes-Oxley Act of 2002 requires us to evaluate the effectiveness of our internal control over financial reporting as of the end of each year and to include a management report assessing the effectiveness of our internal control over financial reporting in all annual reports. Section 404 also requires our independent registered public accounting firm to attest to, and report on, management's assessment of our internal control over financial reporting.

We cannot assure you that we or our independent registered public accounting firm will not identify a material weakness in our internal control in the future. A material weakness in our internal controls over financial reporting would require management and our independent registered public accounting firm to evaluate our internal control over financial reporting as ineffective. If our internal control over financial reporting is considered ineffective, we may experience a loss of public confidence, which could have an adverse effect on our business and our stock price.

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 customers 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;
- the risk that there could be deficiencies in the internal control of any acquired company or investments that could result in a material weakness in our overall internal controls taken as a whole; 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.

We recently acquired the hard disk and tape drive controller semiconductor business of QLogic Corporation for consideration consisting of a combination of \$180.0 million in cash and 980,499 shares of our common stock.

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 \$1.5 billion as of October 31, 2005. 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 December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment." SFAS No. 123R requires employee stock options and rights to purchase shares under stock participation plans to be accounted for under the fair value method, and eliminates the ability to account for these instruments under the intrinsic value method prescribed by APB Opinion No. 25, and allowed under the original provisions of SFAS No. 123. SFAS No. 123R requires the use of an option pricing model for estimating fair value, which is amortized to expense over the service periods. The requirements of SFAS No. 123R are effective for fiscal years beginning after June 15, 2005. This 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. When we are required to expense employee stock options in the quarter ending April 30, 2006, this change in accounting treatment will materially and adversely affect our reported results of operations because 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 in Notes to Unaudited Condensed Consolidated Financial Statements.

We are subject to the risks of owning real property.

Our U.S. headquarters located in Santa Clara, CA subjects us to the risks of owning real property, 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 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;
- 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, or uninsured risks, such as the loss caused by damage to the buildings as a result of an earthquake.

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 do not have employment contracts with any of our 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, manufacturing, 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.

Stock options generally comprise a significant portion of our compensation packages for all employees. The FASB requirement to expense the fair value of stock options awarded to employees beginning in the quarter ending April 30, 2006 will increase our operating expenses and may cause us to reevaluate our compensation structure for our employees. We cannot be certain that the changes in our compensation policies, if any, will improve our ability to attract, retain and motivate employees. Our inability to attract and retain additional key employees and the increase in stock-based compensation expense each could have an adverse effect on our business, financial condition and results of operations.

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 approval or disapproval of corporate actions.

As of November 30, 2005, our executive officers and directors beneficially owned or controlled, directly or indirectly, approximately 21% 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 20% of our outstanding common stock as of November 30, 2005. 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 could significantly influence the approval or disapproval of our corporate actions. In addition, the voting power of these officers or directors could have the effect of delaying or preventing an acquisition of our company on terms that other shareholders may desire. Furthermore, we have a classified board, which could also further delay or prevent an acquisition, under certain circumstances.

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 that 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, 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 continuous 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.

We are currently implementing, and also plan to implement, new modules of our 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 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 94% of our net revenue in the first nine months of fiscal 2006, and represented 93% and 90% of our net revenue in fiscal 2005 and 2004, 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.

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 these most recent earthquakes, 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.

In May 2005, a fire occurred at one of our third-party subcontractor's production facilities that produce packaging substrates that we use in our products. In the recent past others in our industry experienced a shortage in the supply of packaging substrates that we use for our products. We do not purchase substrates from the factory where the fire occurred, however, the fire affected the overall supply of substrates and has indirectly impacted us through increased lead times and less supply of substrates that we use in our products. If our third-party subcontractors are unable to obtain sufficient packaging materials for our products in a timely manner, we may experience a significant product shortage or delay in product shipments, which could seriously harm our customer relationships and materially and adversely affect our net revenue, business, results of operations, financial condition and cash flows.

The average selling prices of products in our markets have historically decreased rapidly and may 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 (1) pricing pressures from our customers, (2) an increase in sales of storage SOC's, which typically have lower margins than standalone read channel devices, and (3) an increase in sales of wireless 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 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 an extended 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 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. 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 in the past experienced significant downturns. 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. 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.

We must keep pace with rapid technological change and evolving industry standards in the semiconductor industry to remain competitive.

Our future success will depend on our ability to anticipate and adapt to changes in technology and industry standards and our customers' changing demands. We sell products in markets that are characterized by rapid technological change, evolving industry standards, frequent new product introductions, short product life cycles and increasing demand for higher levels of integration and smaller process geometries. Our past sales and profitability have resulted, to a large extent, from our ability to anticipate changes in technology and industry standards and to develop and introduce new and enhanced products incorporating the new standards and technologies. Our ability to adapt to these changes and to anticipate future standards, and the rate of adoption and acceptance of those standards, will be a significant factor in maintaining or improving our competitive position and prospects for growth. If new industry standards emerge, our products or our customers' products could become unmarketable or obsolete, and we could lose market share. We may also have to incur substantial unanticipated costs to comply with these new standards. In addition, our target markets continue to undergo rapid growth and consolidation. A significant slowdown in any of these markets could materially and adversely affect our business, financial condition and results of operations. Our success will also depend on the ability of our customers to develop new products and enhance existing products for the markets we serve and to introduce and promote those products successfully.

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, is time-consuming and expensive to resolve, may require us to pay significant monetary damages and can 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 By-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 By-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. Initially, this tax exemption was to expire after eight years, but the Economic Development Board on September 27, 2004 agreed to extend the term to 10 years. 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 income tax. 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. In addition, on October 1, 2004, the Economic Development Board of Singapore agreed to grant our Singapore subsidiary a Development and Expansion Incentive for a term of 5 years, commencing July 1, 2004, under which a portion of the income of the subsidiary which does not qualify for Pioneer Status will be taxed at a reduced rate of 10 percent. We agreed to maintain Singapore as our Asia Pacific headquarters and to meet several requirements relating to headcount, production activities and spending.

The Israeli government has granted Approved Enterprise Status to two of our wholly-owned subsidiaries 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. 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. 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. On February 15, 2005, the court issued an opinion preliminarily approving the proposed settlement, contingent upon certain modifications being made to one aspect of the proposed settlement — the proposed "bar order". The court ruled that it had no authority to deviate from the wording of the Plaintiff's Securities Law Reform Act of 1995 and that any bar order that may issue should the proposed settlement be finally approved must be limited to the express wording of 15 U.S.C. section 78u-4(f)(7)(A). On May 2, 2005 the issuer defendants and plaintiffs jointly submitted an amendment to the settlement agreement conforming the language of the settlement agreement with the court's February 15, 2005 ruling regarding the bar order. The court on August 31, 2005 issued an order preliminarily approving the settlement and setting a public hearing on its fairness for April 24, 2006 due to difficulties in mailing the required notice to class members. 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.

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, Federal, State, county and municipal debt securities and auction rate 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 October 31, 2005 (in thousands). This table does not include money market funds because those funds are not subject to market risk. Although auction rate securities generally have legally stated maturities in excess of one year, auction rate securities are presented below with an expected fiscal year maturity date in 2006 because such securities are structured with short-term interest reset dates of generally less than 90 days at which time we can sell or continue to hold the securities at par.

	Expected Fiscal Year Maturity Date					Total	Fair Value
	2006	2007	2008	2009	2010		
Variable Rate	\$ 309,484	\$ —	\$ —	\$ —	\$ —	\$ 309,484	\$ 309,484
Average Interest Rate	3.94%	—	—	—	—	3.94%	
Fixed Rate	\$ 31,819	\$ 78,004	\$ 43,039	\$ 15,090	\$ —	\$ 167,952	\$ 165,513
Average Interest Rate	3.55%	2.94%	3.11%	3.58%	—	3.16%	

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 October 31, 2005 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 \$11.3 million at October 31, 2005, 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

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Management, including our Chief Executive Officer and our Chief Financial Officer, does not expect that our disclosure controls or procedures will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls is also 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. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

We carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of October 31, 2005, the end of the quarterly period covered by this report. Based on the foregoing, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

There has been no change in our internal control over financial reporting during the most recent 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. On February 15, 2005, the court issued an opinion preliminarily approving the proposed settlement, contingent upon certain modifications being made to one aspect of the proposed settlement — the proposed “bar order”. The court ruled that it had no authority to deviate from the wording of the Plaintiff’s Securities Law Reform Act of 1995 and that any bar order that may issue should the proposed settlement be finally approved must be limited to the express wording of 15 U.S.C. section 78u-4(f)(7)(A). On May 2, 2005 the issuer defendants and plaintiffs jointly submitted an amendment to the settlement agreement conforming the language of the settlement agreement with the court’s February 15, 2005 ruling regarding the bar order. The court on August 31, 2005 issued an order preliminarily approving the settlement and setting a public hearing on its fairness for April 24, 2006 due to difficulties in mailing the required notice to class members. 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.

On June 21, 2005, we filed a cross complaint in the above disclosed action in the Santa Clara County Superior Court asserting claims against Jasmine and unnamed Jasmine officers and employees. The cross complaint was later amended to name two

individual officers of Jasmine. Among other actions, the cross complaint alleges that Jasmine and its personnel engaged in fraud in connection with their effort to sell to Marvell technology that Jasmine and its personnel wrongfully obtained from a third party in violation of such third party’s rights. The cross complaint seeks declaratory judgment that our technology does not incorporate any of Jasmine’s alleged technology. The cross complaint seeks further declaratory judgment that Jasmine and its personnel misappropriated certain aspects of Jasmine’s alleged technology. We intend to prosecute the cross complaint against Jasmine and its personnel 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.

On October 7, 2004, Realtek Semiconductor Corporation (“Realtek”) filed a lawsuit against Marvell Technology Group Ltd. (“MTGL”) and MSI in the U.S. District Court for the Northern District of California (“the Court”), alleging that certain Marvell products infringe one of Realtek’s patents. The parties stipulated to the dismissal of MTGL, leaving the lawsuit between Realtek and MSI. Certain of the accused Marvell products were made and sold before Realtek’s patent was filed. On July 15, 2005, MSI filed a motion requesting summary judgment that Realtek’s patent was invalid. In response to that motion, on July 28, 2005 Realtek provided MSI with a Covenant Not To Sue for patent infringement of the Realtek patent in-suit as against any Marvell product now made or ever made. In response to Realtek’s Covenant Not to Sue and a request by Realtek, on August 12, 2005, the Court entered an order dismissing the underlying patent infringement action, but allowing MSI to file a motion seeking fees, costs, and other sanctions. On August 26, 2005 MSI filed a motion against Realtek seeking fees, costs, and other sanctions. On November 21, 2005, the Court found that Realtek brought the litigation in bad faith and that the litigation was baseless. As a result, the Court granted MSI’s motion and awarded MSI \$0.5 million as compensation for all of the attorneys’ fees and costs it expended in defending the litigation. The matter is now closed.

On October 11, 2004 Realtek filed a lawsuit similar to the Northern District lawsuit in Taiwan. On December 17, 2004, Marvell International Ltd. initiated a patent infringement action in the United States International Trade Commission (“ITC”), alleging that Realtek infringes two Marvell patents.

Effective August 17, 2005, the parties entered a Confidential Settlement Agreement. On August 29, 2005, Realtek publicly announced that it will drop the case it initiated in Taiwan. On August 31, 2005, Marvell filed a motion initiating the dismissal of the case it brought in the ITC, and on September 19, 2005 the ITC judge issued a final order dismissing the case. On September 2, 2005 Realtek filed the necessary papers in the courts in Taiwan to dismiss its Taiwan lawsuit against Marvell, and on September 6, 2005 the Taiwan court dismissed the case. The terms of the settlement are confidential, but it will have no material adverse effect on our business, results of operations, financial condition or cash flows.

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.

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

Not applicable.

Item 5. *Other Information*

Not applicable.

Item 6. *Exhibits*

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

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|-------|---|
| 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, 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.

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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.

December 7, 2005
Date

By: /s/ GEORGE A. HERVEY
George A. Hervey
Vice President and Chief Financial Officer

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EXHIBIT INDEX

Exhibit Number	Description
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|-------|--|
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| 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.

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

I, Dr. Sehat Sutardja, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) 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
 - d) 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: December 7, 2005

By: /s/ DR. SEHAT SUTARDJA
 Dr. Sehat Sutardja
 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) 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
 - d) 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: December 7, 2005

By: /s/ GEORGE A. HERVEY
 George A. Hervey
 Vice President and Chief Financial Officer

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

I, Dr. Sehat Sutardja, 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 October 31, 2005 (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/ DR. SEHAT SUTARDJA

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

Date: December 7, 2005

STATEMENT OF CHIEF FINANCIAL OFFICER UNDER 18 U.S.C. § 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 October 31, 2005 (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: December 7, 2005
