

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended January 28, 2006

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from N/A to N/A

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 of principal executive offices)

(441) 296-6395

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common stock, \$0.002 par value per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 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 disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$6,820,001,005 based upon the closing price of \$43.69 per share of such common stock on the Nasdaq National Market on July 29, 2005 (the last business day of the registrant's most recently completed second quarter). Shares of common stock held by each director and executive officer of the registrant, as well as shares held by each holder of more than 5% of the common stock known to the registrant (based on Schedule 13G filings), have been excluded for purposes of the foregoing calculation.

As of March 31, 2006, there were 292,041,324 shares of common stock of the Company outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Items 10 (as to directors, section 16(a) beneficial ownership reporting compliance, and audit committee and audit committee financial expert), 11, 12 (as to beneficial ownership), 13 and 14 incorporate by reference information from the Company's definitive proxy statement (the "Proxy Statement") to be filed with the Securities and Exchange Commission within 120 days of the fiscal year ended January 28, 2006 in connection with the Company's 2006 Annual General Meeting of Shareholders. Except as expressly incorporated by reference, the registrant's Proxy Statement shall not be deemed to be a part of this report.

TABLE OF CONTENTS

	<u>Page</u>
PART I	
<u>Item 1. Business</u>	3
<u>Item 1A. Risk Factors</u>	16
<u>Item 1B. Unresolved Staff Comments</u>	34
<u>Item 2. Properties</u>	34
<u>Item 3. Legal Proceedings</u>	35
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	36
PART II	
<u>Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	37
<u>Item 6. Selected Consolidated Financial Data</u>	38
<u>Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	39
<u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk</u>	59

<u>Item 8.</u>	<u>Consolidated Financial Statements and Supplementary Data</u>	61
<u>Item 9.</u>	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	103
<u>Item 9A.</u>	<u>Controls and Procedures</u>	103
<u>Item 9B.</u>	<u>Other Information</u>	103
PART III		
<u>Item 10.</u>	<u>Directors and Executive Officers of the Registrant</u>	104
<u>Item 11.</u>	<u>Executive Compensation</u>	104
<u>Item 12.</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholders Matters</u>	104
<u>Item 13.</u>	<u>Certain Relationships and Related Transactions</u>	105
<u>Item 14.</u>	<u>Principal Accountant Fees and Services</u>	105
PART IV		
<u>Item 15.</u>	<u>Exhibits and Financial Statement Schedules</u>	106
<u>Signatures</u>		109

MARVELL TECHNOLOGY GROUP LTD.

Forward-Looking Statements

The statements contained in this Annual Report on Form 10-K that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding our expectations, beliefs, intentions or strategies regarding the future. Words such as “anticipates,” “expects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “allows,” “can” and similar expressions identify such forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements. These are statements that relate to future periods and include statements relating to industry trends, our anticipation that the total amount of sales through distributors will increase in future periods, our expectation that a significant percentage of our sales will continue to come from direct sales to key customers, our expectation of additional growth in fiscal 2007 due to various reasons, including expected increases in shipments of storage SOC's and our WLAN products from new design wins, and our belief that our analog, mixed signal, digital signal processing and embedded microprocessor integrated circuit technology can be leveraged into other large volume and diverse markets; the potential opportunities for a new generation of integrated circuit solutions in response to growing demand for products enabling the storage, transmission and management of large volumes of data at high speeds; the anticipated benefits of consolidating our facilities and the sufficiency of our facilities; the anticipated features and benefits of our technology solutions; our strategy and components of our strategy, including our intention to expand our market position by developing new signal processing technologies, to leverage our technology for broadband communications applications, to continue to extend our leadership position for storage market applications, and to strengthen and expand our relationship with customers using a variety of techniques; the anticipated needs of our customers; our intention to continue to use widely available CMOS processes to manufacture our products; the benefits of our fabless manufacturing approach; our expectations regarding competition; our intention to reduce product costs to offset decreases in average selling prices; our expectations regarding the amount of sales we conduct directly and through distributors; continued efforts relating to the protection of our intellectual property; our expectations regarding the amount of customer concentration in the future; the amount of our future sales in Asia; our intention to continue to invest significant resources for research and development; our expected results, cash flows, and expenses, including those related to sales and marketing, research and development and general and administrative; our intention to complete acquired in-process research and development projects, our intention to make acquisitions, investments, strategic alliances and joint ventures; expected revenue and sources of revenue and make-up of revenue; expected impact, if any, of legal proceedings; the adequacy of liquidity and capital resources; growth in business and operations; and the effect of recent accounting pronouncements. Factors that could cause actual results to differ materially from those predicted, include but are not limited to, the impact of international conflict and continued economic volatility in either domestic or foreign markets; our dependence upon the hard disk drive industry which is highly cyclical; our ability to scale our operations in response to changes in demand for existing or new products and services; our maintenance of an effective system of internal controls; 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; and the outcome of pending or future litigation. Additional factors, which could cause actual results to differ materially, include those set forth in the following discussion, as well as the risks discussed in Item 1A, “Risk Factors.” These forward-looking statements speak only as of the date hereof. Unless required by law, we undertake no obligation to update publicly any forward-looking statements.

PART I

Item 1. *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, storage and power management solutions that serve diverse applications used in business enterprise, consumer electronics and emerging markets. Our core technologies

were initially focused on the storage market, where we provide high-performance products to storage companies such as Fujitsu, Hitachi, Maxtor, Samsung, Seagate, Toshiba and Western Digital. We subsequently applied our technology to the high-speed, or broadband, communications market, where we provide industry-leading physical layer transceivers, switched Ethernet and wireless solutions, which provide the interface between communications systems and data transmission media, to manufacturers of high-speed networking and wireless equipment including Asustek, Cisco, 3Com, Dell, Foundry Networks, Intel and NETGEAR. Our wireless technology has a variety of uses in emerging consumer electronic devices, including enabling applications such as wireless connectivity, ad-hoc gaming, streaming audio or video and voice over Internet applications for products offered by companies such as Microsoft, Motorola, PalmOne and Sony Corporation. We also applied our technology by introducing integrated circuits and modules that provide power management broadly to electronic devices.

Marvell Technology Group Ltd. was incorporated in Bermuda in January 1995. Our registered address is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda, and our telephone number there is (441) 296-6395. The address of our United States subsidiary is Marvell Semiconductor, Inc., 5488 Marvell Lane, Santa Clara, California 95054, and our telephone number there is (408) 222-2500. We also have offices in Israel, Singapore, Germany, China, Italy, Japan, Korea, Switzerland, Taiwan and the United Kingdom. Our fiscal year ends on the Saturday nearest January 31. For presentation purposes, we refer to January 31 as our fiscal year-end for all periods.

Available Information

Our website address is located at www.marvell.com. The information contained in our website does not form any part of this Annual Report on Form 10-K. However, we make available free of charge through our website our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file this material with, or furnish it to, the SEC.

Industry Background

Over time, the semiconductor industry continues to improve the overall capabilities of integrated circuits, or chips, including faster processing speeds, power efficiency and the ability to integrate multiple functions into a single integrated circuit that in the past would require multiple discrete integrated circuits. These advances in semiconductor technology along with the wide adoption of industry standard interconnectivity protocols such as Ethernet and wireless local area networking (WLAN) is enabling a large and diverse number of electronic devices to be now interconnected and capable of transmitting voice, video, audio and data through both wired and wireless connections.

With this capability to transmit and process information at high speeds a growing number of business enterprise and consumer electronic devices are now sharing and communicating information for a variety of different applications. Also, with the capability to communicate with other devices combined with the

increased processing speeds of the integrated circuits, these devices are increasing the number of applications and features. In turn, this is increasing the devices data storage requirements as the device now has the improved capabilities to download large amounts of data onto the device with these high speed connections. Given the increased bandwidth and the growing number of devices communicating with one another, the communication infrastructure that supports the interconnection of all these devices continues to grow in size and sophistication.

Most of these devices interconnect and transmit information to other devices using analog signals but process the information within the device using digital signals. As a result, these devices require a combination of both analog and digital integrated circuit technologies. Given the high volume and cost sensitive nature of these consumer and business enterprise applications, it is very beneficial to integrate many of the analog and digital functions onto a single integrated circuit which helps lower system cost and power consumption. These highly integrated mixed signal chips are typically manufactured using complementary metal oxide semiconductor or CMOS-based technology that allows for low cost complex functional integration. Also, to further maximize the performance of these advanced mixed signal integrated circuits very advanced digital signal processing algorithms are utilized as well.

Because the processing requirements of these mixed signal integrated circuits continue to expand with the increased performance and sophistication of the device, many of these integrated circuits are now also integrating high performance embedded microprocessors to handle this increased workload which minimizes or eliminates the need to for a costly host central processing unit, or CPU. With improvements in the performance of such embedded microprocessors, devices can further expand their capabilities while at the same time minimizing power requirements.

Many of these new, sophisticated devices are also handheld battery powered devices where minimizing the power consumption is critical to maximize the life of the battery. Utilizing highly integrated chips as well as chips designed to optimize power efficiency is very important for such handheld devices. Additionally, advanced digital power management solutions that regulate the power supplied to the integrated circuits in an efficient cost effective manner are becoming more and more important to help lower overall power consumption as well as the total size of the power management solution.

Given of the increased sophistication of these devices, the high level of semiconductor integration, and the constant time to market pressures of the system manufacturers, it is becoming very important that the semiconductor manufacturer develop a complete system level understanding of the device in order to provide optimal integration, software support and system reference designs to assist in timely product development.

Our Markets and Products

We target computers, communications-related equipment and consumer devices that require integrated circuit devices for high-speed data storage, transmission, and management. We also target a broad range of electronic products that can utilize our power management solutions. Additionally, we are developing new products that are targeted for new markets that we currently do not serve. Our current product offerings are primarily targeted at three main markets: business enterprise, consumer and emerging markets.

We offer our customers in these markets a wide range of integrated circuit solutions using proprietary Communications Mixed-Signal Processing, or CMSP, and digital signal processing technologies. We are applying our analog, mixed-signal, digital signal processing, embedded microprocessor, and complex digital design technologies in a variety of applications. Our broad product portfolio consists of storage, switching, transceivers, wireless, PC connectivity, gateways, communications controllers and power management products.

Storage Products

We offer a broad range of storage products for hard disk drive and tape drive electronics and storage interconnect technology. Also, we recently developed our first optical storage products for the DVD recorders to be used in computer applications.

Read Channel. A read channel is an integrated circuit that provides the interface between the analog signals stored on magnetic disk drives and the digital signals that computers can understand and manipulate. The performance of the read channel normally drives the performance of the overall storage system. We utilize advanced mixed-signal and digital signal processing technologies in our array of partial response maximum likelihood, or PRML read channel products. Our technology incorporates an efficient data-encoding scheme in addition to advanced digital filtering and data-detection techniques. Our read channel products are designed to allow customers to achieve high areal density in addition to fast data transfer rates for their hard disk drives. Our read channels utilize custom digital and analog blocks running at a very high frequency while achieving low power consumption.

Our read channel integrated circuits target specific feature and performance requirements of the enterprise, desktop and mobile computing markets. We have implemented a strategy to consolidate the signal processing algorithms required by each of our different market segments into a single integrated circuit design. This strategy can result in cost savings and reduced product line complexity.

System-On-Chip. Our integrated drive electronics platform is a flexible system-on-a-chip, or SOC solution that provides increased performance, reduced power consumption and cost savings essential for next-generation hard disk drives. Utilizing our leading-edge read channel physical layer devices as the core for integration, we have the flexibility to either add any number of functional blocks available in our portfolio or to integrate customer provided intellectual property. With our high data transfer rates, our integrated SOC platform provides solutions that have the ability to span multiple product generations, allowing for risk-reduction, cost savings and accelerated time-to-market. Our integrated SOC platform is designed to provide a solution for enterprise, desktop and mobile systems. Our current SOC products incorporate the read channel, hard disk controller, embedded memory and one or more microprocessors into a single integrated circuit.

Hard Disk Controller. A hard disk controller, or HDC, is an integrated circuit that provides high performance interface input/output, or I/O, control for hard disk drives. The HDC consists of a buffer controller, integrated reduced instruction set computer, or RISC processors, a disk formatter, and an I/O interface. We offer HDC products with Fibre Channel-Arbitrated Loop, small computer systems interface, or SCSI, and serial architected SCSI, or SAS, I/O interfaces, which are integrated onto enterprise hard disk drives.

Preamplifier. A preamplifier is an integrated circuit that amplifies the low-level electrical signal transmitted to and from the recording heads in a disk drive device. Preamplifiers operate in two basic modes: read and write. In read mode, preamplifiers provide initial amplification of the high-bandwidth signal from the read head. In write mode, the preamplifier provides the write head with the high-frequency switched current required for writing on the magnetic media.

We offer a comprehensive line of preamplifier integrated circuits for enterprise, desktop and mobile storage systems. Our preamplifier products are designed to provide high-performance, cost-effective solutions for these market segments and are designed for use with magnetoresistance, or MR, giant magnetoresistance, or GMR, and tunneling magnetoresistance, or TMR, read/write heads.

Motor Controller. The motor controller integrated circuit is a driver that controls the amount of electrical current to the motors within the disk drive used to move the head stack and control drive speed. Our devices are power efficient and consume low power in both active and power save modes. The devices

are flexible in being able to handle current control for battery-operated devices as well as for demanding, high-performance disk drives.

Serial ATA. Serial ATA, or SATA, is the next generation internal storage interconnect designed to replace the existing ATA interface. SATA is the evolution of the ATA interface from a parallel bus to a serial bus architecture. The SATA interface is optimized for internal primary storage and provides the capability for future enhancements. SATA technology can offer extensive performance gains and manufacturing efficiencies to the mainstream PC storage user. With a transfer rate of 1.5 Gigabits per second (Gbps) and scalable to 3.0 Gbps and 6.0 Gbps, SATA technology also enables the application of a cost-effective, storage interface to enterprise storage applications which, until now, have required more expensive interface technologies such as Fibre Channel and Small Computer System Interface.

Our SATA solutions leverage our physical layer transceiver (PHY) technology with our extensive storage expertise. Our family of SATA offerings provides storage original equipment manufacturers or OEMs with a platform for developing mainstream PC storage as well as high-performance enterprise subsystems and arrays.

Tape Drive Controllers. Our solutions provide our tape drive customers with SCSI, SAS and Fibre Channel I/O interfaces. These devices contain integrated RISC processors, buffer controller, direct memory access, or DMA, and a microprocessor interface.

Switching Products

We have a broad portfolio of switching solutions for the enterprise networking, carrier access and small office/home office (SOHO)/residential networking markets. Our switching products enable voice, video, and data traffic to be seamlessly carried through the network with full fidelity. Additionally, we are enabling the emergence of packet-based Internet communications of real-time traffic such as telephony and video-on-demand.

Presteria™ Switching Architecture. The Presteria™ architecture, our sixth generation of switching solutions, is designed to enable system manufacturers to build families of products that address high-density Gigabit solutions for the enterprise and Small and Medium Size Businesses (SMB) as well as terabit densities for Metro Area Networks (MANs). Using this switching architecture, manufacturers can introduce high-performance, feature-rich and cost-effective products that not only meet today's market needs but also provide a scalable platform for future requirements. The Presteria-MX multi-layer switching family of products are fully integrated 10 Gigabit, One Gigabit and 100 megabit per second wire-speed configurable devices targeted at metropolitan edge and access systems in service provider networks. The Presteria-MX devices target MAN switching applications, including Layer 2/3 switching, Layer 2 to Layer 5 traffic classification for millions of flows, wire-speed access control lists, or ACLs, traffic policing and shaping, longest prefix match, network address translation, or NAT, and Multi-Protocol Label Switching, or MPLS, functions. The Presteria-EX family of packet processors is designed to deliver multi-layer enterprise switching to drive Gigabit to the desktop with exceptional price and performance ratios and what we believe are industry-leading features. The Presteria-EX family is designed to provide a complete line of Fast Ethernet, Gigabit Ethernet and 10G switching solutions with 100% software compatibility. The Presteria-DX family of packet processors offers integration and performance targeted at desktop Gigabit Ethernet switches in small-to-midsize business, or SMB networks. Addressing the cost-sensitive unmanaged and lightly managed desktop switching market, the processors are designed to enable system vendors to

design affordable, plug-and-play, high-density, standalone switches. Also, the Prestera-FX family of fabric processors and crossbar switch fabrics offers expandability and scalability for Prestera packet processors. The fabric processors are single-chip traffic managers with an integrated crossbar and Serializer/Deserializer (SERDES) for low cost, high-performance scaling for stackable and chassis systems in data centers, multi-tenant buildings and enterprise wiring closets. These products can accelerate the proliferation of Gigabit switching in local area networks, or LAN, and MAN environments.

Link Street™ SOHO Multi-Port Integrated Switches. Our integrated 10/100 Link Street™ Fast Ethernet and Gigabit switch product family, which support 3 through 10 port configurations, provide solutions for the SOHO market, where cost, ease-of-use, and flexibility are of paramount importance. Our current product offerings include a product family of multi-port Ethernet LAN Switches, targeting the SOHO LAN switching market. These integrated products can reduce design complexities and time-to-market barriers typically associated with switch development. The SOHO switches with integrated transceivers incorporate advanced features such as smart power management, which dramatically reduces power consumption by more than 50%, and Virtual Cable Tester™ (VCT) technology, which performs cable diagnostics to reduce overall network support costs. Because of these enhanced features, these switches are targeted at applications such as standalone switches, media converters, Internet Protocol, or IP phones, firewall appliances, wireless and wired gateway routers and wireless access points.

GalNet®-2. Our GalNet®-2 family comprises more than twenty products, from Fast Ethernet and Gigabit Ethernet switch controllers, to G.Link crossbars and bridges — all offering what we believe to be a comprehensive switched Ethernet solution. Applications for GalNet-2 devices span the range from SOHO products and rack systems supporting full-wire-speed performance, stacking and advanced features, to mini-chassis and full-chassis systems designed to provide enterprise users with full converged networking support. Systems using the GalNet-2 device use our proprietary G.Link bus to interconnect switch controllers and crossbar switch fabrics. G.Link supports development of very high-performance systems via its high bandwidth and our G.Link crossbar switches. Crossbars are used to route messaging and data between distributed switch controllers and, if present, the management CPU complex. Our G.Link crossbar switches range from 4 to 12 G.Link ports to support the development of a wide variety of system architectures. Crossbars may also be interconnected in meshes to support larger numbers of G.Link ports. GalNet-2 crossbars are also used with GalNet-2+ and GalNet-3 switched Ethernet controllers, for advanced Layer and Layer 3/4/5 system applications. GalNet-2 switched Ethernet controllers are available supporting a wide range of features and configurations. These switches are combined with others to build systems with up to 256 Fast Ethernet ports, 32 Gigabit Ethernet ports or combinations utilizing up to thirty-two switch controllers and CPUs. We believe that a major benefit of the GalNet-2 devices is software compatibility among switch controllers. Shorter time-to-market is supported via the leveraging of previously developed code in new system applications, often with little or no modification.

GalNet-2+. Utilizing the same architecture as our GalNet-2, our GalNet-2+ devices add integrated memory and support for advanced Quality of Service, or QoS, via support for packet prioritization. GalNet-2+ Ethernet controllers support the native QoS requirements of Windows 2000, which is providing an important catalyst for the development of multimedia applications. GalNet-2+ devices integrate both the packet and control memories into the switch controller, providing a high level of integration, low chip-count and advanced features. The GalNet-2+ switches are combined using GalNet-2 crossbars to enable the development of high-performance end products, such as 1U rack-mount stacking switches and modular systems with up to 256 Fast Ethernet ports or 32 Gigabit Ethernet ports.

GalNet-3. Our GalNet-3 family of converged voice/video/data network switch processors provides full-featured Layer 2/3/4/5 switch processors supporting the development of high-performance enterprise and edge routers, MAN switches and other communications applications requiring state-of-the-art multimedia support and performance. The GalNet-3 products support advanced functions such as 5-quintuple flow classification, bandwidth reservation, rate policing and flow statistics gathering. These features enable system developers to design sophisticated applications, such as IP PBXs supporting monitoring and compliance to service level agreements negotiated with Internet service providers. The GalNet-3 switches support communications over Ethernet, Fast Ethernet, Gigabit Ethernet and OC-12c Packet-Over-Synchronous, or PoS. In addition to asynchronous transfer mode, or ATM, connection support, PoS allow designers to develop converged systems connecting LANs to MANs and wide area networks, or WANs.

Transceiver Products

We have a line of low power, high-performance physical layer transceiver solutions for demanding networking applications. We provide these transceivers to the enterprise networking and storage networking markets.

Alaska® Gigabit Ethernet Transceivers. Our Alaska® family of Gigabit Ethernet transceivers are designed to be solutions for enterprise networking systems where high performance and low power dissipation are absolutely necessary. Each product contains built-in 1.25 Gigabit SERDES function, which allows the device to work seamlessly over either copper or fiber-optic cabling. The devices also support value-added features such as VCT technology, which is used to diagnose the attached cable plant. This technology can allow end-users to quickly and remotely analyze the quality and attributes of the cable, thereby avoiding unnecessary equipment returns and on-site service calls. The advanced built-in diagnostics help pinpoint the cause of network malfunctions without deploying field support personnel or bringing down the network, which can significantly reduce installation time and cable debug efforts and requirements. The design for these products incorporates sophisticated digital signal processing algorithms and power management techniques to achieve low power dissipation. Target applications include Network Interface Cards, LOMs, routers and next-generation switches.

Alaska X 10 Gigabit Ethernet Transceivers. Our Alaska X 10 Gigabit Ethernet and backplane transceiver products are designed to accelerate the deployment of 10 Gigabit capable systems for the LAN, MAN and WAN markets. The Alaska X transceiver family leverages four or eight generations of SERDES technology from our single, dual and quad-port Alaska Gigabit Ethernet products. The Alaska X transceiver family's features include low power consumption, high performance, and small form factor.

Fast Ethernet Transceivers. We believe that our physical layer products for the Fast Ethernet offers the industry's lowest power dissipation, smallest form factor, highest performance and most advanced feature set. The latest members of the Fast Ethernet PHY family offer very low power consumption of just 130 mWatts per port, enabling network systems manufacturers to decrease system cost by reducing both power supply and fan requirements. Additionally, the devices support value-add features such as VCT technology used to diagnose the attached cable plant.

Wireless Products

Libertas™ Wireless LAN Products. The Libertas family of chipsets represents our wireless Institute of Electrical and Electronics Engineers, or IEEE, 802.11 solution for the SOHO/residential, enterprise networking and consumer electronics markets. Our 802.11 solutions offer high performance and integration for WLAN users who demand 54 Mbps and above wireless connectivity. The Libertas product line combines the flexibility of embedded IEEE 802.11 standards with dedicated hardware, acceleration engines to support Advance Encryption Standard (AES) wireless security and QoS. The Libertas product line offers a complete family of WLAN solutions. These products range from traditional client adapter cards to highly integrated home gateways to power efficient products for emerging consumer applications. Each of these solutions are designed to extend WLAN technology by offering improved range, security and high data throughput.

A variety of our WLAN products are specifically developed for emerging consumer applications. These products integrate high performance embedded microprocessor technology as well as advanced networking capabilities and sophistication. Our solutions integrate Transmission Control Protocol (TCP), User Datagram Protocol (UDP) and IP network processing to enable the device to perform ad-hoc wireless connections to other wireless devices, enabling such applications such as peer to peer printing, ad-hoc gaming, streaming audio and video and Voice over Internet Protocol (VoIP) applications.

VoIP Products

VoIP Products. Our family of highly integrated VoIP solutions is targeted at the rapidly growing, Internet voice communications market. The VoIP product has been designed specifically for ultra-low power Voice over WLAN (VoWLAN) handsets with other members of our WLAN solutions targeted at VoIP residential gateways. Each product integrates VoIP processing, low power wireless internet access, or WiFi, circuitry, a high-performance host CPU and peripherals into single SoC solutions.

These VoWLAN SoC solutions are intended to significantly reduce overall system cost for OEMs because of extremely high levels of integration. In addition, we have increased the performance of these offerings for their respective applications. The VoIP product extends handset talk time by a factor of three versus competitive solutions, and the residential gateway products extend processing capability by integrating a high-performance processor core. All solutions have on-chip security processing engines to support the latest WLAN encryption standards such as Advanced Encryption Standard/Counter Mode with Cipher Block Chaining Message Authentication Code Protocol, or AES/CCMP, and WiFi Protected Access/ Temporal Key Internet Protocol, or WPA/TKIP, and a QoS engine to support priority voice services. With this level of integration in consumer VoIP devices, we are enabling a new class of applications for the home, such as instant messaging service across cordless handsets. And, by allowing voice to integrate seamlessly with data, VoWLAN is available for volume use.

In addition, we have integrated an ARM™ compliant processor core to improve performance and provide extra processing speed for additional applications. This family of VoIP products also offers AutoLink, a quick, simple, one-click solution for setting up, configuring and enabling a secure WPA or WPA2 wireless network. Once connected, users can enjoy the expanded freedom offered by our BoostMode technology, which increases throughput and allows up to twice the range of current 802.11g solutions. Our VoWLAN solutions will also support advanced features for enhanced QoS such as wireless multimedia, or WMM, Automatic Power-Save Delivery, or APSD, as well as other 802.11e specifications. All these solutions allow our VoWLAN products to offer robust, easy to use WLAN voice and data connectivity.

Orion Product

Orion Product. The Orion product family is designed to enable media vault platforms that allow users to instantly access rich multimedia and data content throughout the home. The Orion family, with what we believe is the industry's first guaranteed, home-wide QoS, is designed to offer true, uninterrupted multi-streaming performance. The Orion product family powers a range of media vault platforms, each capable of delivering simultaneous streams of rich, multimedia content seamlessly across wired and wireless networks. The scalable storage, networking and smart media processing architecture of Orion is designed to provide a price/performance advantage over other solutions and to be a key component in markets such as standalone home storage appliances, integrated storage appliances, such as access points and digital video recorders and next generation broadband service provider products.

PC Connectivity Products

PC Connectivity Products. Our PC connectivity products consist of the Yukon™ Gigabit Ethernet controllers, which were designed for volume deployment of Gigabit PC connections. The Yukon family of single-chip desktop and server network connectivity solutions offers integration of our Alaska Gigabit PHY and Media Access Controller, or MAC, technology with a comprehensive software suite. The Yukon devices are offered in an ultra-small form factor with low-power requirements, and are targeted for client and server network interface cards, or NIC, and LAN-on-Motherboard, or LOM, applications for both traditional peripheral connect interface, or PCI, bus and PCI-Express architectures. The Yukon products provide a wide variety of manageability features such as VCT technology, which reduces network installation and support costs, and is optimized for 32-bit PCI clients. With a low pin count for such a device, the Yukon product is designed to minimize board space, simplify signal routing and reduce the

number of required printed circuit board layers with the goal of a cost-effective motherboard and low profile network interface card implementation.

Gateway Products

LinkStreet™ Gateway Products. Our Link Street™ family of highly integrated gateway router devices is designed for business, SOHO and residential gateway solutions. The Link Street SOHO gateways provide a full-wire-speed 100 Mbps integrated gateway router solution by integrating a high-performance reduced instruction set computer central processing unit, or RISC CPU, core plus a multi-port Fast Ethernet switch and Fast Ethernet PHYs into a single mixed-signal integrated chip solution. The Link Street solutions are based on advanced technologies and include comprehensive hardware reference designs and Software Development Kits (SDKs) for wired and wireless gateways. By providing the ability to combine Fast Ethernet and wireless IEEE 802.11 networks, the Link Street gateway routers are designed to deliver an integrated, cost-effective chipset solution that networks individual PCs and enables Internet sharing. The latest firewall capabilities are designed to allow the Link Street gateways to isolate and protect WAN/LAN networks from virus intrusion. The LinkStreet gateways include features like built-in VCT diagnostics deliver maximum up-time, while faster file transfer protocol, or FTP, downloads and packet routing.

Communications Controller Products

We have a broad offering of high performing and highly integrated system and communication controllers. These devices can be combined with leading embedded RISC microprocessors to form complete MIPS™ and PowerPC™ CPU-based communication systems. Our controllers are used in a broad range of applications including routers, switches, digital subscriber line access multiplexers, access concentrators, wireless base stations, VoIP gateways and storage area networks.

Discovery™ System Controllers. We provide high-performance Discovery system controllers for MIPS™ and PowerPC™ CPU-based communication systems. Our controllers are used in systems developed by leading OEMs for the Internet infrastructure. These include switches, LAN to WAN edge routers, enterprise routers, access concentrators, telecom equipment and laser printers. Our highly-integrated system controllers can be combined with the leading embedded RISC microprocessors to form complete CPU subsystems. Our system controllers contain all of the key control blocks needed to build high-performance 32-bit and 64-bit CPU subsystems, including a DRAM controller, a peripheral device controller, direct memory access engines, timers, PCI interfaces and interrupt controllers. These system controllers are designed to provide system designers with the ability to match their CPU performance to the targeted overall system price/performance. We believe that an additional advantage to OEMs using our system controllers over internally developed solutions is that new products are generally software-compatible with older generations, thereby supporting fast development time by re-using software which might otherwise need to be re-developed.

Horizon™ WAN Communication Controllers. We believe our Horizon™ family of advanced communications controllers provides all of the required network interfaces that bridge the LAN with the Internet infrastructure and combines most of the common functions found in multi-service access routers into a single chip. These devices target the core of next-generation multi-service edge routers and remote access equipment that merge the functions of LAN-to-WAN routers, VoIP gateways, network security equipment and remote access concentrators. The Horizon family has been designed to enable end-to-end QoS for applications that run at the edge of a network with the integration of hardware support for Differentiated Services and 802.1p and 802.1q support. Our Horizon system controllers provide new packet processing capabilities for systems that require the convergence of voice, video and data at the edge of the network. The integrated NetGX™ coprocessor can handle compute-intensive tasks such as flow-classification based on layer 3-5 packet information, encryption and authentication for security purposes and virtually any other packet processing function typically handled by the host CPU. The NetGX

10

coprocessor can free processing power so that the CPU can run multi-service applications such as managing virtual private networks, firewalls and integrated voice services.

Power Management Products

DSP Switcher™ Integrated Regulators. Our DSP Switcher™ integrated regulators form the core of what we believe is the industry's smallest and highest-performance step-down power supply. DSP Switcher integrated regulators are designed to provide efficiency, precision and transient response together with small solution size to provide system designers with enhanced form factor and battery life in portable equipment. Integration of power MOSFETs (metal-oxide semiconductor field-effect transistor), internal frequency compensation and single resistor output programming reduces design efforts and increases system reliability.

DSP Switcher™ Integrated Regulator Modules. DSP Switcher™ integrated regulator modules provide plug-and-play implementations of our switching regulator integrated circuits in convenient, modular form factors. The same benefits in performance — efficiency, precision, transient response and small size — are preserved while providing a fully assembled, tested and guaranteed power supply. We offer single in-line package, dual in-line package, or surface mount technology form factors that can be combined with a single programming resistor to set the desired output voltage. A full range of output voltages are supported with one part number.

Based on our operational management and financial reporting structure, we have determined that we operate in one reportable business segment: the design, development and sale of integrated circuits. Please see the financial information regarding this reportable business segment set forth in Item 7 of this Form 10-K and the information regarding our net revenue and long-lived assets based on geographic regions included in Note 12 to our Consolidated Financial Statements set forth in Item 8 of this Form 10-K.

Customers, Sales and Marketing

Our direct sales force targets markets that have high intensity communications processing requirements. Our customers for our storage products are manufacturers of hard disk drives for the enterprise, desktop and mobile computing markets and the consumer applications market as well as medium to large tape drive manufacturers. Our target customers for our communications physical layer transceivers, switches and controllers are manufacturers of high-speed networking equipment and PCs. Our target customers for our WLAN products include manufacturers of WLAN solutions for SOHO and residential gateway solutions as well as manufacturers of a variety of new consumer applications such as cellular handsets, gaming devices, personal digital assistants, and home entertainment multimedia client devices. Our target customers for our power management solutions are very broad and include manufacturers of many diverse electronic devices. Our target customers for our VoIP products are the manufacturers and vendors of wireless communications equipment and handsets for the internet voice communications market. A small number of customers have historically accounted for a substantial portion of our revenue. Customers representing 10% or more of our net revenue in fiscal 2006, 2005 and 2004 are set forth below:

Customer(1)	2006	2005	2004
Western Digital	17%	18%	*
Samsung	14%	14%	14%
Toshiba	14%	10%	*
Fujitsu	10%	*	*
Intel	*	*	18%

(1) In addition, Wintech Microelectronics, our distributor in Asia, accounted for 11% of our net revenue in fiscal 2006, 13% of our net revenue in fiscal 2005 and 11% of our net revenue in fiscal 2004.

* Less than 10% of net revenue

We complement and support our direct sales force with manufacturers' representatives for our products in North America, Europe and Asia. In addition, we have distributors who support our sales and marketing activities in the United States, Europe and Asia. We also use stocking representatives outside of the United States for some of our products. We anticipate that the total amount of sales through distributors will increase in future periods; however, we expect a significant percentage of our sales will continue to come from direct sales to key customers. As of January 31, 2006, our sales and marketing organization consisted of 448 employees, 22 manufacturers' representatives and 14 distributors.

Our sales are made under purchase orders typically received between one week and four months prior to the scheduled delivery date. These purchase orders can be cancelled without charge if notice is given within an agreed upon period. Because of the scheduling requirements of our foundries, we generally place firm orders for products with our suppliers up to sixteen weeks prior to the anticipated delivery date and typically prior to an order for the product. We generally warrant our products for a ninety-day period but in certain circumstances the warranty period can range from one to three years.

Our marketing team works in conjunction with our sales force and is organized around our product applications and markets. Due to the complexity of our products, we introduce new products to major customers with a global tour by a marketing, sales and engineering team. We believe that individual meetings are the most effective and rapid means of communicating the capabilities, benefits and extremely technical specifications of each new product.

We use field application engineers to provide technical support and assistance to existing and potential customers in designing, testing and qualifying systems designs that incorporate our products. We believe that superior field applications engineering support plays a pivotal role in building long-term relationships with customers by improving our customers' time-to-market, maintaining a high level of customer satisfaction and encouraging customers to use our next-generation products.

Backlog

Our sales are made primarily pursuant to standard purchase orders for delivery of products. Due to an industry practice that allows customers to cancel or change purchase orders with limited notice prior to the scheduled shipment dates, we believe that backlog is not a reliable indicator of future revenue.

Research and Development

We believe that our future success depends on our ability to introduce improvements to our existing products and to develop new products that deliver cost-effective solutions for both existing and new markets. Our research and development efforts are directed largely to the development of high-performance analog, mixed-signal, digital signal processing and embedded microprocessor integrated circuits. We devote a significant portion of our resources to expanding our core technology library with designs that enable high-performance, reliable communications over a variety of physical transmission media. We are also focused on incorporating functions currently provided by stand-alone integrated circuits into our products to reduce our customers' overall system costs.

We have assembled a core team of engineers who have extensive experience in the areas of mixed-signal circuit design, digital signal processing, embedded microprocessors, CMOS technology and system-level architectures. As of January 31, 2006, we had 1,573 employees in engineering and process development. We have invested, and expect that we will continue to invest, significant funds for research and development. Our research and development expense was approximately \$311.5 million in fiscal 2006, \$263.3 million in fiscal 2005 and \$213.7 million in fiscal 2004.

Manufacturing

We believe that our fabless manufacturing approach provides us with the benefits of superior manufacturing capability as well as flexibility to move the manufacturing, assembly and testing of our products to those vendors that offer the best capability at an attractive price. Our engineers work closely with our foundries and other subcontractors to increase yields, lower manufacturing costs and improve quality.

Integrated Circuit Fabrication

Our integrated circuits are substantially fabricated using widely available CMOS processes, which provide greater flexibility to engage independent foundries to manufacture integrated circuits. By outsourcing manufacturing, we are able to avoid the cost associated with owning and operating our own manufacturing facility. This allows us to focus our efforts on the design and marketing of our products. We currently outsource a substantial percentage of our integrated circuit manufacturing to Taiwan Semiconductor Manufacturing Company, or TSMC, with the remaining manufacturing outsourced to other foundries primarily in Asia. We work closely with TSMC and our other foundries to forecast on a monthly basis our manufacturing capacity requirements. Our integrated circuits are currently fabricated in several advanced, sub-micron manufacturing processes. Because finer manufacturing processes lead to enhanced performance, smaller silicon chip size and lower power requirements, we continually evaluate the benefits and feasibility of migrating to smaller geometry process technology in order to reduce cost and improve performance.

Assembly and Test

Most of our products are shipped from our third-party foundries to third-party sort, assembly and test facilities where they are assembled into finished integrated circuit packages and tested. We outsource all product packaging and substantially all testing requirements for these products to several assembly and test subcontractors, including STATS ChipPAC Ltd. and Global Testing Corporation in Singapore, Siliconware Precision Industries in Taiwan and ASE Electronics in Singapore, Taiwan and Malaysia. We also perform some in-house testing in the United States of new production and pre-production materials prior to transferring the volume packaging and testing offshore to our third-party assembly and test subcontractors. The remainder of our products are manufactured on a turnkey basis, in which we purchase fully assembled and tested products from our foundries. Our products are designed to use low cost, standard packages and to be tested with widely available test equipment. In addition, we specifically design our integrated circuits for ease of testability, further reducing production costs.

Quality Assurance

We build quality into our products starting with the design and development process. Our designs are subjected to extensive circuit simulation under extreme conditions of temperature, voltage and processing before being committed to manufacture. We pre-qualify each of our subcontractors and conduct regular in-depth quality audits. We closely monitor foundry production to ensure consistent overall quality, reliability and yield levels. All of our independent foundries and assembly and test subcontractors have been awarded ISO 9000 certification.

Intellectual Property

Our future revenue growth and overall success depend in large part on our ability to protect our intellectual property. We rely on a combination of patents, copyrights, trademarks, trade secret laws, contractual provisions and licenses to protect our intellectual property. We also enter into confidentiality agreements with our employees, consultants, suppliers and customers and seek to control access to, and distribution of, our documentation and other proprietary information. Despite these precautions, it may be

possible for a third-party to copy or otherwise obtain and use our products and technology without authorization, develop similar technology independently or design around our patents. In addition, we often incorporate the intellectual property of other companies into our designs, and we have certain obligations with respect to the non-use and non-disclosure of their intellectual property. It is possible, however, that the steps taken by us to prevent misappropriation or infringement of our intellectual property or our customers' intellectual property may not be successful.

As of January 31, 2006, we have been issued 196 United States patents on various aspects of our technology, with expiration dates ranging from 2008 to 2025, and we have filed a number of additional United States patent applications. In certain cases, we also file for patent applications in foreign countries. However, there can be no assurance that patents will ever be issued for these applications. Furthermore, it is possible that our patents may be invalidated, circumvented, challenged or licensed to others. Additionally, the laws of some foreign countries in which our products are or may be developed, manufactured or sold, including various countries in Asia, may not protect our products or proprietary information to the same extent as do the laws of the United States and thus make the possibility of piracy of our technology and products more likely in these countries. We may need to engage in litigation in the future to enforce our intellectual property rights or the rights of our customers, to protect our trade secrets or to determine the validity and scope of proprietary rights of others, including our customers. This litigation could result in substantial costs and diversion of our resources and could materially and adversely affect our business, financial condition and results of operations.

We have expended and will continue to expend considerable resources in establishing a patent position designed to protect our intellectual property. While our ability to compete is enhanced by our ability to protect our intellectual property, we believe that in view of the rapid pace of technological change, the combination of the technical experience and innovative skills of our employees may be as important to our business as the legal protection of our patents and other proprietary information.

From time to time, we may desire or be required to renew or to obtain licenses from third parties in order to further develop and effectively market commercially viable products. We cannot be sure that any necessary licenses will be available or will be available on commercially reasonable terms.

The integrated circuit industry is characterized by vigorous pursuit and protection of intellectual property rights, which has resulted in significant and often time consuming and expensive litigation. 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. Although we defend these claims vigorously, it is possible that we will not prevail in pending or future lawsuits. In addition, we may be sued in the future by other parties who claim that we have infringed their patents or misappropriated or misused their trade secrets, or who may seek to invalidate one or more of our patents. Any of these claims could materially and adversely affect our business, financial condition and results of operations. Even if claims against us are not valid or successfully asserted, these claims could result in significant costs and a diversion of management and personnel resources to defend. In that event, our business, financial condition and results of operations could also be materially and adversely affected. In any of the pending or future claims or actions asserted against us, we may seek to obtain licenses under a third party's intellectual property rights. However, we may not be able to obtain such licenses on commercially reasonable terms, if at all.

Competition

The markets for our products are intensely competitive and characterized by rapid technological change, evolving standards, short product life cycles and pricing pressures imposed by high-volume customers. We expect competition to intensify as current competitors expand their product offerings and new competitors enter our markets.

We believe that our ability to compete successfully in the rapidly evolving markets for our products depends on a number of factors, including:

- performance, features, quality and price of our products;
- the timing and success of new product introductions by us, our customers and our competitors;
- the emergence of new industry standards;
- our ability to obtain adequate foundry capacity;
- the number and nature of our competitors in a given market; and
- general market and economic conditions.

Our current products face competition from a number of sources. We believe that our principal competitors for our read channels and storage SOC's are Agere Systems and STMicroelectronics. Our primary competitors for preamplifiers and motor controllers are Agere Systems and Texas Instruments. For transceivers products, we compete primarily with Agere Systems, Broadcom, Intel, National Semiconductor, Realtek Semiconductor and Vitesse Semiconductor. Our switching products compete primarily against Broadcom, Intel and Vitesse. In the market for system controllers, our competitors include Tundra and PLX Technology, and our WAN communications controllers compete directly with products from companies such as Freescale Semiconductor and PMC-Sierra. In the wireless LAN market, our competitors include Agere Systems, Atheros, Broadcom, Conexant, Intel and Texas Instruments. For our power management products we compete with a number of companies including Analog Devices, International Rectifier, Intersil Corporation, Linear Technology, Maxim Integrated Products Incorporated, National Semiconductor, Texas Instruments and Volterra Semiconductor. In addition, we expect increased competition in the future from other emerging and established companies. Our hard disk controller products compete primarily against devices offered by LSI Logic and those internally developed by the hard disk manufacturers. Our tape drive controller products compete primarily against devices internally developed by tape drive manufacturers. Our VoIP solutions compete primarily against Texas Instruments and Broadcom.

Some of our current competitors and potential competitors have longer operating histories, greater name recognition, access to larger customer bases and significantly greater financial, sales and marketing, manufacturing, distribution, technical and other resources than we do. As a result, they may be able to respond more quickly to changing customer demands or to devote greater resources to the development, promotion and sale of their products than we can.

Our current or future competitors may develop and introduce new products that will be priced lower, provide superior performance or achieve greater market acceptance than our products. In addition, in the event of a manufacturing capacity shortage, these competitors may be able to manufacture products when we are unable to do so.

Furthermore, current or potential competitors have established or may establish financial and strategic relationships among themselves or with existing or potential customers or other third parties to increase the ability of their products to address the needs of customers. Accordingly, it is possible that new competitors or alliances among competitors could emerge and rapidly acquire significant market share, which would harm our business.

In addition, many of our customers and potential customers have substantial technological capabilities and financial resources. Some customers have already developed, or in the future may develop, technologies that will compete directly with our products. We may also face competition from suppliers of products based on new or emerging technologies.

Historically, average unit selling prices in the integrated circuit industry in general, and for our products in particular, have decreased over the life of a particular product. We expect that the average unit

selling prices of our products will continue to be subject to significant pricing pressures. In order to offset expected declines in the average unit selling prices of our products, we will likely need to reduce the cost of our products. We intend to accomplish this by implementing design changes that lower the cost of manufacturing, assembly and testing, by entering into long-term, strategic arrangements with our foundry partners to secure wafer capacity at reduced prices, by negotiating reduced charges from our foundries as and if volumes increase and by successfully managing our manufacturing, assembly and testing relationships. 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. If we fail to introduce lower cost versions of our products in a timely manner or to successfully manage our manufacturing, assembly and testing relationships, our business would be harmed.

Employees

As of January 31, 2006, we had a total of 2,500 employees, of which 1,573 were in research and development, 448 in sales and marketing, 259 in operations and 220 in general administration. Our employees are not represented by any collective bargaining agreements, and we have not experienced any work stoppage. We consider our relations with our employees to be good.

Item 1A. Risk Factors

Additional Factors That May Affect Future Results

In addition to the factors discussed in the “Overview” and “Liquidity and Capital Resources” sections of Item 7, “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, experiences rapid technological change, and is facing increased competition from alternate technologies.

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.

Future changes in the nature of information storage products may reduce demand for traditional hard disk drives. For instance, products using alternative technologies, such as semiconductor memory, optical storage, and other storage technologies could become a significant source of competition to applications of hard disk drives. Flash memory has typically been more costly than disk drive technologies. However, flash memory manufacturers have been reducing the prices for their products, which could enable them to compete more effectively with very small form factor hard disk drive products. Demand for hard disk drives could be reduced if alternative storage technologies such as flash memory can meet customers’ cost and capacity requirements.

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 fiscal 2006, approximately 55% of our net revenue was derived from sales to four customers, each of whom individually accounted for 10% or more of our net revenue during this period. Of these customers, Western Digital accounted for approximately 17%, Samsung accounted for approximately 14%, Toshiba accounted for approximately 14% and Fujitsu accounted for approximately 10%. Additionally, Wintech, a distributor, accounted for approximately 11% of our net revenue during 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 dramatically in the future. The loss of any of our largest customers, a significant reduction in sales we make to them, or any problems we encounter collecting amounts due from them would likely seriously harm our financial condition and results of operations. Our operating results in the foreseeable future will continue to depend on sales to a relatively small number of customers, as well as the ability of these customers to sell products that incorporate our products. In the future, these customers may decide not to purchase our products at all, 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 and without penalty;

- 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.

If we are unable to accurately predict our future sales and to appropriately budget for our expenses, our operating results can suffer.

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.

Because we expect to experience lower sequential growth rates in future periods, investors should not rely on our historical growth rates when evaluating our business.

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 fourth 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.

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

As a result of a change in accounting standards mandated by the Financial Accounting Standards Board, or FASB, as of February 1, 2006 we will be required to recognize compensation expense relating to all share-based payments to employees, including grants of employee stock options.

We expect that the adoption of this new accounting standard, known as Statement of Financial Accounting Standards No. 123 (revised 2004), “Share-Based Payment” (SFAS 123R), will have a significant adverse impact on our reported results of operations because the stock-based compensation expense will be charged directly against our reported earnings. In connection with the adoption of SFAS 123R, the Company has a balance of unearned stock-based compensation to be expensed in the future related to share-based awards unvested at January 31, 2006, as previously calculated under the disclosure-only requirements of the prior accounting standard SFAS 123. If there are any modifications or cancellations of the underlying unvested securities, we may be required to accelerate, increase or cancel any remaining unearned stock-based compensation expense. To the extent that we grant additional equity securities to employees or assume unvested securities in connection with any acquisitions, our stock-based compensation expense will be increased by the additional unearned compensation resulting from those additional grants or acquisitions. We anticipate we will grant additional employee stock options in fiscal 2007 as part of our regular annual equity compensation focal review program. The fair value of these grants is not included in the amount above, as the impact of these grants cannot be predicted at this time because it will depend on the number of share-based payments granted as part of the focal review program and the then current fair values.

If we are unable to develop and introduce new and enhanced products that achieve market acceptance in a timely and cost-effective 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 and introduce 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.

If we fail to appropriately scale our operations in response to changes in demand for our existing products and services or to the demand for new products requested by our customers, our business could be materially and adversely affected.

To achieve our business objectives, we anticipate that we will need to continue to expand. We have experienced a period of rapid growth and expansion in the past. Through internal growth and acquisitions, we significantly increased the scope of our operations and expanded our workforce from 1,205 employees, as of January 31, 2003 to 2,500 employees, as of January 31, 2006. Nonetheless, we may not be able to

expand our workforce and operations in a sufficiently timely manner to respond effectively to changes in demand for our existing products and services or to the demand for new products requested by our customers. In that event, we may be unable to meet competitive challenges or exploit potential market opportunities, and our current or future business could be materially and adversely affected. Conversely, if we expand our operations and workforce too rapidly in anticipation of increased demand for our products, and such demand does not materialize at the pace at which we expected, the rate of increase in our operating expenses may exceed the rate of increase in our revenue, which would adversely affect our operating results.

Our past growth has placed, and any future growth is expected to continue to place, a significant strain on our management personnel, systems and resources. To implement our current business and product plans, we will need to continue to expand, train, manage and motivate our workforce. All of these endeavors will require substantial management effort. Although we have implemented an enterprise resource planning, or ERP, system to help us improve our planning and management processes and are implementing a new human resources management, or HRM, system, we anticipate that we will also need to continue to implement and improve a variety of new and upgraded operational and financial systems, as well as additional procedures and other internal management systems. These processes can be time consuming and expensive, increase management responsibilities, and divert management attention. If we are unable to effectively manage our expanding operations, we may be unable to scale our business quickly enough to meet competitive challenges or exploit potential market opportunities, or conversely, we may scale our business too quickly and the rate of increase in our expenses may exceed the rate of increase in our revenue, either of which would materially and adversely affect our current or future business.

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

We do not have our own manufacturing or assembly facilities and have very limited in-house testing facilities. Therefore, we must rely on third-party vendors to manufacture, assemble and test the products we design. We currently rely on 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

19

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 in recent months have caused substantial political unrest, which could lead to a potential economic downturn in Israel. Additionally, the ongoing situation in Iraq could lead to more economic instability and uncertainty in the State of Israel and the Middle East. Also, the interruption or curtailment of trade between Israel and its present trading partners or a significant downturn in the economic or financial condition of Israel could negatively impact the business operations and financial results of each of MSIL, MTIL and RADLAN.

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 for costs and delays in implementing, and the potential difficulty in maintaining uniform standards, controls, procedures and policies, including the integration of different information systems;
- 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;
- the potential loss of key employees of an acquired company; and
- the potential dilution of earnings through acquisitions and options granted to employees of acquired companies or businesses

Our ability to realize the expected benefits of our pending acquisition of the printer semiconductor business of Avago Technologies Limited will depend in large part on our ability to retain the business' relationship with its principal customer, as well as the factors described above relating to our ability to integrate effectively the acquired business and its technologies, operations and personnel.

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 and the semiconductor design business division of UTStarcom, Inc. In addition, in February 2006, we announced an agreement to purchase the printer semiconductor division of Avago Technologies, Pte.

Any acquisitions could materially harm our operating results as a result of possible concurrent issuances of dilutive equity securities or payment of cash. 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 acquired in-process research and development charges and other intangible assets, which could result in significant impairment and acquired in-process research and development 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 \$1.7 billion as of January 31, 2006. An impairment review could result in a write-down of all or a portion of these assets to their fair values. We intend to 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.

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.

We are subject to order and shipment uncertainties, and if we are unable to accurately predict customer demand, we may hold excess or obsolete inventory, which would reduce our profit margin, or, conversely, we may have insufficient inventory, which would result in lost revenue opportunities and potentially in loss of market share and damaged customer relationships.

We typically sell products pursuant to purchase orders rather than long-term purchase commitments. Customers can generally cancel or defer purchase orders on short notice without incurring a significant penalty. In the recent past, some of our customers have developed excess inventories of their own products and have, as a consequence, deferred purchase orders for our products. We currently do not have the ability to accurately predict what or how many products our customers will need in the future. Anticipating demand is difficult because our customers face volatile pricing and unpredictable demand for their own products and are increasingly focused more on cash preservation and tighter inventory management. In addition, as an increasing number of our chips are being incorporated into consumer products, we anticipate greater fluctuations in demand for our products, which makes it more difficult to forecast customer demand. We place orders with our suppliers based on forecasts of customer demand and, in some instances, may establish buffer inventories to accommodate anticipated demand. Our forecasts are based on multiple 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 to, if at all. As a result, we would hold excess or obsolete inventory, which would reduce our profit margins and adversely affect our financial results. Conversely, if we underestimate customer demand or if insufficient manufacturing capacity is available, we would forego revenue opportunities and potentially lose market share and damage our customer relationships. In addition, any future significant cancellations or deferrals of product orders or the return of previously sold products could materially and adversely affect our profit margins, increase product obsolescence and restrict our ability to fund our operations. Furthermore, we generally recognize revenue upon shipment of products to a customer. If a customer refuses to accept shipped products or does not timely pay for these products, we could incur significant charges against our income.

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 and the situation in Iraq. The events of September 11, 2001, the continuing international conflicts and terrorist acts, continued increases in oil prices, the possibility of an extended United States presence in Iraq and the potential pandemic of avian or other flu-like illness 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 cannot predict the timing, strength or duration of any economic recovery, worldwide, or in our served markets. If the worldwide economy or our served markets in which we operate were to experience any of the conditions above, our business, financial condition and results of operations could be adversely affected.

We are a mid-sized 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, some of our current and potential competitors have longer operating histories, significantly greater resources and name recognition, and a larger base of customers than we do. As a result, these competitors may have greater credibility with our existing and potential customers. Moreover, our competitors may foresee the course of market developments more accurately than we do. They also may be able to adopt more aggressive pricing policies and devote greater resources to the development, promotion and sale of their products than us, which would allow them to respond more quickly than us to new or emerging technologies or changes in customer requirements. In addition, new competitors or alliances among existing competitors could emerge. We expect to face competition in the future from our current competitors, other manufacturers and designers of integrated circuits, and innovative start-up integrated circuit design companies. Many of our customers are also large, established integrated circuit suppliers. Our sales to and support of such customers may enable them to become a source of competition to us, despite our efforts to protect our intellectual property rights.

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

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

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

In the past, we have relied in significant part on our strategic relationships with customers that are technology leaders in our target markets. We intend to pursue and continue to form these strategic relationships in the future but we cannot assure you that we will be able to do so. These relationships often require us to develop new products that may involve significant technological challenges. Our 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 the 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 of 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 frequently contain defects and bugs when they are first introduced or as new versions are released. We have in the past experienced, and may in the future experience, these defects and bugs. Historically, we have been able to design workarounds to fix these defects and bugs with minimal to no disruption to our business or our customers' business. If any of our products contain defects or bugs, or have reliability, quality, or compatibility problems, we may not be able to successfully design workarounds. Consequently, our reputation may be damaged and customers may be reluctant to buy our products, which could materially and adversely affect our ability to retain existing customers, attract new customers, and our financial results. In addition, these defects or bugs could interrupt or delay sales to our customers. To alleviate these problems, we may have to invest significant capital and other resources. Although our products are tested by our suppliers, our customers and ourselves, it is possible that our new products will contain defects or bugs. If any of these problems are not found until after we have commenced commercial production of a new product, we may be required to incur additional development costs and product recall, repair or replacement costs. These problems may also result in claims against us by our customers or others. In addition, these problems may divert our technical and other resources from other development efforts. Moreover, we would likely lose, or experience a delay in, market acceptance of the affected product or products, and we could lose credibility with our current and prospective customers. As a result, our financial results could be materially harmed.

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

In order to remain competitive, we expect to continue to transition our semiconductor products to increasingly smaller line width geometries. This transition requires us to modify the manufacturing processes for our products and to redesign some products. We periodically evaluate the benefits, on a product-by-product basis, of migrating to smaller geometry process technologies to reduce our costs. In the past, we have experienced some difficulties in shifting to smaller geometry process technologies or new manufacturing processes, which resulted in reduced manufacturing yields, delays in product deliveries and increased expenses. We may face similar difficulties, delays and expenses as we continue to transition our

products to smaller geometry processes. We are dependent on our relationships with our foundry subcontractors to transition to smaller geometry processes successfully. We cannot assure you that the foundries that we use will be able to effectively manage the transition or that we will be able to maintain our existing foundry relationships or develop new ones. If any of our foundry subcontractors or we experience significant delays in this transition or fail to efficiently implement this transition, we could experience reduced manufacturing yields, delays in product deliveries and increased expenses, all of which could harm our relationships with our customers and our results of operations. 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, if at all. Moreover, even if we are able to achieve higher levels of design integration, such integration may have a short-term adverse impact on our operating results, as we may reduce our revenue by integrating the functionality of multiple chips into a single chip.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud.

Our management, including our CEO and CFO, does not expect that our system of internal control over financial reporting can prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and 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, involving Marvell have been, or will be, 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. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and we cannot assure you that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. Any inability to provide reliable financial reports or prevent fraud could harm our business. The Sarbanes-Oxley Act of 2002 requires management and our auditors to evaluate and assess the effectiveness of our internal control over financial reporting. These Sarbanes-Oxley Act requirements may be modified, supplemented or amended from time to time. Implementing these changes may take a significant amount of time and may require specific compliance training of our personnel. We have in the past discovered, and may in the future discover, areas of our internal controls that need improvement. If we or our auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in our financial statements and harm our stock price. We may not be able to effectively and timely implement necessary control changes and employee training to ensure continued compliance with the Sarbanes-Oxley Act and other regulatory and reporting requirements. Our rapid growth in recent periods, and our possible future expansion through additional acquisitions, present challenges to maintain the internal control and disclosure control standards applicable to public companies. If we fail to maintain effective internal controls we could be subject to regulatory scrutiny and sanctions and investors could lose confidence in the accuracy and completeness of our financial reports. We cannot assure you that we will be able to fully comply with the requirements of the Sarbanes-Oxley Act or that management or our auditors will conclude that our internal controls are effective in future periods.

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 possible need for structural improvements in order to comply with zoning, seismic and other legal or regulatory requirements;
- the potential disruption of our business and operations arising from or connected with a relocation due to moving to the facility;
- 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 believe that our future success is highly dependent on the contributions of Sehat Sutardja, Ph.D., our co-founder, President and Chief Executive Officer; Weili Dai, our co-founder and Executive Vice President; and Pantas Sutardja, Ph.D., our co-founder and Chief Technology Officer. We do not have employment contracts with these or any other key personnel, and their knowledge of our business and industry would be extremely difficult to replace.

There is currently a shortage of qualified technical personnel with significant experience in the design, development, 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 first quarter of our fiscal 2007 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 could each 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 election of directors and the approval or disapproval of significant corporate actions.

As of March 31, 2006, our executive officers and directors beneficially owned or controlled, directly or indirectly, approximately 20% of the outstanding shares 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 19% of our outstanding common stock as of March 31, 2006. As a result, if the directors and officers as a group or any of Sehat Sutardja, Ph.D., Weili Dai and Pantas Sutardja, Ph.D. act together, they will significantly influence the election of our directors and the approval or disapproval of our significant corporate actions. This influence over our affairs might be adverse to the interests of other shareholders. In addition, the voting power of these officers or directors could have the effect of delaying or preventing an acquisition of 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 By-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.

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 fiscal 2006, 93% of our net revenue in fiscal 2005, and represented 90% of our net revenue in fiscal 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;

28

-
- 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.

29

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

The products we develop and sell are used for high volume applications. As a result, the prices of those products have historically decreased rapidly. Our gross profits and financial results will suffer if we are unable to offset any reductions in our average selling prices by increasing our sales volumes, reducing

our costs, or developing new or enhanced products on a timely basis with higher selling prices or gross profits. We expect that our gross profits on our products are likely to decrease over the next fiscal year below levels we have historically experienced due to pricing pressures from our customers, an increase in sales of storage SOC's, which typically have lower margins than standalone read channel devices, and 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 three to six month period before a customer commences volume production of equipment incorporating our products. This lengthy sales cycle creates the risk that our customers will decide to cancel or change product plans for products incorporating our integrated circuits. During our sales cycle, our engineers assist customers in implementing our products into the customers' products. We incur significant research and development and selling, general and administrative expenses as part of this process, and this process may never generate related revenues. We derive revenue from this process only if our design is selected. Once a customer selects a particular integrated circuit for use in its storage product, the customer generally uses solely that integrated circuit for a full generation of its product. Therefore, if we do not achieve a design win for a product, we will be unable to sell our integrated circuit to a customer until that customer develops a new product or a new generation of its product. Even if we achieve a design win with a customer, the customer may not ultimately ship products incorporating our products or may cancel orders after we have achieved a sale. In addition, we will have to begin the qualification process again when a customer develops a new generation of a product for which we were the successful supplier.

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

30

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

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

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

computed on income or capital gains, those taxes should not apply to us until March 28, 2016. However, it is possible that this exemption would not be extended beyond that date.

The Economic Development Board of Singapore granted Pioneer Status to our wholly-owned subsidiary in Singapore in July 1999. 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. Until we receive written confirmation of the extended Pioneer Status, we will be operating in accordance with the current pioneer status agreement as well as its October 1, 2004 agreement under which the Economic Development Board in Singapore agreed to grant our Singapore subsidiary a Development and Expansion incentive for a term of 5 years, commencing July 1, 2004. Under the Development and Expansion Incentive agreement, 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 Private Securities Litigation 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.

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

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

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

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

Item 1B. *Unresolved Staff Comments*

Not applicable.

Item 2. *Properties*

As of March 31, 2006, our primary facility, housing research and design functions as well as elements of sales, marketing, administration and operations, is located in Santa Clara, California. On November 17, 2003, we completed the purchase of six buildings on 33.8 acres of land in Santa Clara, California. This location is the U.S. headquarters. The facility consists of approximately 876,000 square feet. One of the buildings is currently leased to a tenant. In fiscal 2005, we occupied two buildings with some of our operations, sales and marketing groups. In fiscal 2006, we occupied one more building while the remaining two buildings are being renovated and will be used for research and design functions, operations, sales, marketing and administration.

In addition to this property, we lease approximately 228,000 square feet in Israel for research and design, administration and operations, which lease term expires in August 2025 and approximately 39,000 square feet in Singapore for operations, sales, marketing and administration, which lease term expires in December 2007. We also lease smaller facilities in Bermuda, China, Finland, Germany, Italy, Japan, Korea, Switzerland, Taiwan, the United Kingdom and the United States, which are occupied by administrative offices, sales offices, design centers and field application engineers.

Based upon our estimates of future hiring, we believe that our current facilities will be adequate to meet our requirements at least through the next fiscal year.

We also lease one additional building in California, totaling approximately 41,000 square feet, which is currently subleased to subtenants as of March 31, 2006. For further discussion of this facility and their

effect on our financial condition and results of operations, see "Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 11 to our Consolidated Financial Statements in "Item 8 — Consolidated Financial Statements and Supplementary Data."

Item 3. *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 Private Securities Litigation 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.

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 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the quarter ended January 28, 2006.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our shares of common stock are traded on the Nasdaq National Market under the symbol "MRVL." Our common stock began trading on June 27, 2000, upon completion of our initial public offering. The following table shows, for the periods indicated, the high and low intra-day sale prices for our common stock on the Nasdaq National Market and reflects the stock split effected in fiscal 2005. See Note 1 of Item 8 — Consolidated Financial Statements and Supplementary Data."

	Fiscal Year 2006		Fiscal Year 2005	
	High	Low	High	Low
First Quarter	\$ 38.90	\$ 32.19	\$ 24.27	\$ 19.20
Second Quarter	\$ 44.55	\$ 32.92	\$ 26.77	\$ 18.75
Third Quarter	\$ 48.21	\$ 41.52	\$ 30.07	\$ 19.33
Fourth Quarter	\$ 73.67	\$ 44.94	\$ 36.20	\$ 27.20

As of March 31, 2006, the approximate number of record holders of our common stock was 196 (not including beneficial owners of stock held in street name).

Dividends

We have never declared or paid a cash dividend on our common stock and do not anticipate paying any cash dividends in the foreseeable future. Any future determination with respect to the declaration and payment of dividends will be at the discretion of our Board of Directors.

Securities Authorized for Issuance under Equity Compensation Plans

Information regarding the securities authorized for issuance under our equity compensation plans can be found under Item 12 of Part III of this Report.

Item 6. Selected Consolidated Financial Data

The following selected consolidated financial data should be read together with “Item 7 — Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Item 8 — Consolidated Financial Statements and Supplementary Data” contained elsewhere in this Form 10-K.

	Years Ended January 31,				
	2006	2005	2004	2003	2002
(In thousands, except per share amounts)					
Consolidated Statement of Operations Data:					
Net revenue	\$ 1,670,266	\$ 1,224,580	\$ 819,762	\$ 505,285	\$ 288,795
Operating costs and expenses:					
Cost of goods sold(1)	776,633	581,757	382,206	233,039	130,807
Research and development(2)	311,498	263,261	213,740	145,722	93,422
Selling and marketing(3)	88,822	76,570	62,350	48,491	40,170
General and administrative(4)	35,397	32,220	19,004	14,303	13,191
Amortization of stock-based compensation	2,156	3,977	4,943	7,491	15,022
Amortization and write-off of goodwill and acquired intangible assets and other(5)	91,738	102,534	80,390	107,645	418,032
Acquired in-process research and development(6)	4,300	—	—	—	—
Facilities consolidation charge(7)	—	2,414	—	19,562	—
Total operating costs and expenses	1,310,544	1,062,733	762,633	576,253	710,644
Operating income (loss)	359,722	161,847	57,129	(70,968)	(421,849)
Interest and other income, net	19,369	7,657	6,223	7,318	9,994
Income (loss) before income taxes	379,091	169,504	63,352	(63,650)	(411,855)
Provision for income taxes	47,728	27,843	17,842	8,524	3,299
Net income (loss)	\$ 331,363	\$ 141,661	\$ 45,510	\$ (72,174)	\$ (415,154)
Basic net income (loss) per share	\$ 1.17	\$ 0.53	\$ 0.18	\$ (0.30)	\$ (1.82)
Diluted net income (loss) per share	\$ 1.05	\$ 0.47	\$ 0.16	\$ (0.30)	\$ (1.82)
Weighted average shares — basic	282,935	269,687	251,554	238,481	228,706
Weighted average shares — diluted	315,658	299,543	276,483	238,481	228,706
Consolidated Balance Sheet Data:					
Cash, cash equivalents and short-term investments	\$ 921,022	\$ 660,014	\$ 386,271	\$ 265,228	\$ 250,244
Working capital	1,167,126	802,989	449,371	317,794	254,898
Total assets	3,513,289	2,788,962	2,435,465	2,095,257	2,091,055
Capital lease obligations, net of current portion	24,447	11,590	19,944	13,755	10,017
Total shareholders’ equity	3,046,097	2,497,430	2,190,841	1,950,138	1,989,727

- (1) Excludes amortization of stock-based compensation of \$18, \$85, \$182, \$339, and \$298 in fiscal 2006, 2005, 2004, 2003 and 2002.
- (2) Excludes amortization of stock-based compensation of \$1,379, \$2,473, \$2,555, \$4,732 and \$9,837 in fiscal 2006, 2005, 2004, 2003 and 2002.
- (3) Excludes amortization of stock-based compensation of \$354, \$462, \$833, \$1,605 and \$2,655 in fiscal 2006, 2005, 2004, 2003 and 2002.
- (4) Excludes amortization of stock-based compensation of \$405, \$957, \$1,373, \$815 and \$2,232 in fiscal 2006, 2005, 2004, 2003 and 2002.
- (5) In the first quarter of fiscal 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 the arrangement, we agreed to make a one-time payment of \$13.5 million, which is included in amortization and write-off of goodwill and acquired intangible

assets and other. In the second quarter of fiscal 2005, we entered into a technology 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 and is included in amortization and write-off of goodwill and acquired intangible assets and other. In the fourth quarter of fiscal 2001, we acquired Galileo Technology Ltd. (“Galileo”) in a transaction recorded as a purchase. In connection with this acquisition, we recorded an in-process research and development charge of \$234.9 million and recorded goodwill and intangible assets of \$2.1 billion, which, prior to the adoption of SFAS 142 in February 2002, were all being amortized over their estimated economic lives by charges to the statement of operations. In the fourth quarter of fiscal 2003, we decided to no longer use the Galileo trade name in selling and marketing activities going forward. As a result, we wrote-off the remaining \$22.4 million net book value of the trade name. In the fourth quarter of fiscal 2004, we recorded a charge of \$1.9 million to amortization and write-off of goodwill and acquired intangible assets and other related to the recognition of pre-acquisition losses due to our prior investments in RADLAN Computer Communications Ltd. which we acquired in fiscal 2004.

- (6) In fourth quarter of 2006, we recorded an acquired in-process research and development charge of \$4.3 million in connection with our acquisition of the hard disk and tape drive controller business of QLogic Corporation.

- (7) In fiscal 2005, we recorded a facilities consolidation charge of \$2.4 million related to the relocation of several leased facilities. In fiscal 2003, we also recorded a facilities consolidation charge of \$19.6 million related to the abandonment of two leased facilities.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition and results of operations should be read in conjunction with the financial statements and related notes to this report. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties including those discussed under Item 1A "Risk Factors." These risks and uncertainties may cause actual results to differ materially from those discussed in the forward-looking statements.

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 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. 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. In November 2005, we acquired the hard disk and tape drive controller business of QLogic Corporation for approximately \$232.5 million. The acquired business designs and supplies controller chips for data storage peripherals, such as hard disk and tape drives. In February 2006, we acquired the semiconductor design business of UTStarcom, Inc. for \$24.0 million. The semiconductor design business of UTStarcom designs and supplies chipsets for cellular phone

applications. In February 2006, we entered into an agreement to acquire the printer semiconductor business of Avago Technologies Limited for \$240.0 million and potential additional earnout payments.

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, WLAN solutions for SOHO and residential gateway solutions, and consumer applications such as cell phones, printers, digital cameras, MP3 devices, speakers, game consoles and PDAs.

Historically, a relatively small number of customers have accounted for a significant portion of our revenue. In fiscal 2006, approximately 55% of our net revenue was derived from sales to four significant customers, each of whom individually accounted for 10% or more of our net revenue during this period. In fiscal 2005, approximately 42% of our net revenue was derived from sales to three significant customers each of whom individually accounted for 10% or more of our net revenue. In fiscal 2004, approximately 32% of our net revenue was derived from sales to two significant customers each of whom individually accounted for 10% or more of our net revenue during this period. Also, in fiscal 2006, 2005 and 2004, one distributor accounted for 11%, 13% and 11% of our net revenue, respectively. We expect to continue to experience significant customer concentration in future periods. In addition, a significant portion of our sales is made to customers located outside of the United States, primarily in Asia. Sales to customers in Asia represented approximately 94%, 93% and 90% of our net revenue for the years ended January 31, 2006, 2005 and 2004, respectively. Because many manufacturers and manufacturing subcontractors of our customers are located in Asia, we expect that a significant portion of our revenue will continue to be represented by sales to our customers in that region. Substantially all of our sales to date have been denominated in United States dollars.

Our sales have historically been made on the basis of purchase orders rather than long-term agreements. In addition, the sales cycle for our products is long, which may cause us to experience a delay between the time we incur expenses and the time revenue is 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 years 2006, 2005 and 2004 were 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.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition. We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable and collection is reasonably assured. Under these criteria, product revenue is generally recognized upon shipment of product to customers, net of accruals for estimated sales returns and allowances. However, some of our 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 sell the product to end-customers.

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 our hardware and our software products that are also sold separately, where software is more than incidental and essential to the functionality of the product being sold, we follow 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,” 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.

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, we defer 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.

Additionally, collection is not deemed to be “reasonably assured” if customers receive extended payment terms substantially greater than our normal payment terms. Revenue on such sales is deferred and recognized as revenue as the payments become due. At January 31, 2006, revenue of \$46.5 million with an associated gross profit of \$29.8 million was deferred. At January 31, 2005, revenue of \$24.7 million with an associated gross profit of \$15.9 million was deferred.

Our provision for estimated price protection, 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. If actual price protection granted to distributors or product returns exceeds our estimates, additional reductions of revenue would result. Our total allowance for sales returns was \$1.6 million and \$1.4 million as of January 31, 2006 and 2005, respectively. Actual future returns could be different than the returns allowance established.

We also enter into development agreements with some of our customers. Development revenue is recognized under the proportionate performance method, with the associated costs included in research and development expense. We estimate the proportionate performance of our development contracts based on an analysis of progress toward completion.

Accounting for Income Taxes. To prepare our consolidated financial statements, we estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating our actual tax exposure together with assessing temporary differences resulting from the differing treatment of certain items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income and, to the extent we believe that recovery is not likely, we must establish a valuation allowance.

Significant management judgment is required in determining current and long-term tax payable, deferred tax assets and liabilities and any valuation allowance recorded against net deferred tax assets. We have recorded a valuation allowance of \$98.2 million against our net deferred tax assets as of January 31, 2006, due to uncertainties related to our ability to realize some of our deferred tax assets before the underlying tax attributes expire primarily related to our ability to utilize research and development tax credits. The valuation allowance is based on our estimates of taxable income in the jurisdictions in which we operate and the period over which our deferred tax assets will be recoverable.

As a multinational corporation, we conduct our business in many countries and are subject to taxation in many jurisdictions. The taxation of our business is subject to the application of multiple and sometimes conflicting tax laws and regulations as well as multinational tax conventions. The application of tax laws and regulations is subject to legal and factual interpretation, judgment and uncertainty. Tax laws themselves are subject to change as a result of changes in fiscal policy, changes in legislation, and the evolution of regulations and court rulings. Consequently, taxing authorities may impose tax assessments or judgments against us that could materially impact our tax liability and/or our effective income tax rate. We recorded a tax provision of \$47.7 million in fiscal 2006 to provide for taxation in these jurisdictions.

In the event that actual results differ from these estimates or we adjust these estimates in future periods, we may need to record additional income tax expense or establish an additional valuation allowance, which could materially impact our financial position and results of operations.

During fiscal 2006, our German and Israel subsidiaries underwent and completed corporate tax audits of years 1999 through 2002 and years 2001 through 2003, respectively. During fiscal 2005, the Internal Revenue Service (IRS) completed an income tax audit for the fiscal years ended January 31, 2003, 2002 and 2001 of our U.S. consolidated returns. The audits closed with no material adverse impact on our consolidated financial statements.

Accounts Receivable and Allowances. We perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and the customers’ current credit worthiness, as determined by our review of their current credit information. We continuously monitor payments from our customers and maintain a provision for estimated credit losses based upon our historical experience and any specific customer collection issues that we have identified. While such credit losses have historically been within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past. Since our accounts receivable are concentrated in a relatively small number of customers, a significant change in the liquidity or financial condition of any one of these customers could have a material adverse impact on the realization of our accounts receivable and our results of operations. The accounts receivable allowance recorded in our consolidated financial statements as of January 31, 2006 is \$3.0 million.

Inventory Valuation. We value our inventory at the lower of the actual cost of the inventory or the current estimated market value of the inventory, cost being determined under the first-in, first-out method.

We regularly review inventory quantities on hand and record a provision for excess and obsolete inventory based primarily on our estimated forecast of product demand and production requirements. Demand for our products can fluctuate significantly from period to period. A significant decrease in demand could result in an increase in the amount of excess inventory quantities on hand. In addition, our industry is characterized by rapid technological change, frequent new product development and rapid product obsolescence that could result in an increase in the amount of obsolete inventory quantities on hand. Additionally, our estimates of future product demand may prove to be inaccurate, in which case we may have understated or overstated the provision required for excess and obsolete inventory. In the future, if our inventory is determined to be overvalued, we would be required to recognize such costs in our cost of goods sold at the time of such determination. Likewise, if our inventory is determined to be undervalued, we may have over-reported our cost of goods sold in previous periods and would be required to recognize additional gross margin at the time the related inventory is sold. Therefore, although we make every effort to ensure the accuracy of our forecasts of future product demand, any significant unanticipated changes in demand or technological developments could have a significant impact on the value of our inventory and our results of operations.

Valuation of Long-lived Assets, Intangible Assets and Goodwill. We assess the impairment of long-lived assets, intangible assets and goodwill whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. We are also required to perform annual assessments of goodwill impairment. Factors we consider important which could trigger an impairment review include (i) significant underperformance relative to historical or projected future operating results, (ii) significant changes in the manner of our use of the acquired assets or the strategy for our overall business, (iii) significant negative industry or economic trends, (iv) a significant decline in our stock price for a sustained period and (v) a significant change in our market capitalization relative to our net book value. An impairment loss is recognized if the sum of the expected future cash flows (undiscounted and before interest) from the use of the asset is less than the net book value of the asset. The amount of the impairment loss will generally be measured as the difference between net book values of the asset and its estimated fair value. The annual impairment test required under SFAS 142 was completed in the fourth quarter and did not identify any impairment of goodwill. We intend to continue to perform an annual impairment review during the fourth quarter of each year, or more frequently if we believe indicators of impairment exist.

Litigation Costs. From time to time, we are involved in legal actions arising in the ordinary course of business. There can be no assurance these actions or other third party assertions 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. We are aggressively defending these litigation matters and believe no material adverse outcome will result. However, given uncertainties associated with any litigation, if our assessments prove to be wrong, or if additional information becomes available such that we estimate that there is a possible loss or possible range of loss associated with these contingencies, then we would record the minimum estimated liability, which could materially impact our results of operations, financial position and cash flows.

Valuation of Equity Investments. We hold minority interests in certain companies. We record an investment impairment charge when we believe an investment has experienced a decline in value that is other than temporary. Future adverse changes in market conditions or poor operating results of underlying investments could result in losses or an inability to recover the carrying value of the investments, thereby possibly requiring an impairment charge in the future. The recorded value of our equity investments in our consolidated balance sheet as of January 31, 2006 is \$11.7 million.

Results of Operations

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

	Years Ended January 31,		
	2006	2005	2004
Net revenue	100.0%	100.0%	100.0%
Operating costs and expenses:			
Cost of goods sold	46.5	47.5	46.6
Research and development	18.7	21.5	26.1
Selling and marketing	5.3	6.2	7.6
General and administrative	2.1	2.6	2.3
Amortization of stock-based compensation	0.1	0.3	0.6
Amortization and write-off of goodwill and acquired intangible assets and other	5.5	8.4	9.8
Acquired in-process research and development	0.3	—	—
Facilities consolidation charge	—	0.2	—
Total operating costs and expenses	78.5	86.7	93.0
Operating income	21.5	13.3	7.0
Interest and other income, net	1.2	0.6	0.8
Income before income taxes	22.7	13.9	7.8
Provision for income taxes	2.9	2.3	2.2
Net income	19.8%	11.6%	5.6%

Years Ended January 31, 2006 and 2005

Net Revenue

	Years Ended January 31,		% Change
	2006	2005	in 2006
Net revenue	\$ 1,670,266	\$ 1,224,580	36.4%

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 increase in net revenue in fiscal 2006 compared to fiscal 2005 reflects a significant increase in volume shipments of our storage SOC's which increased by \$330.7 million, wireless products which increased by \$50.8 million and system controllers which increased by \$26.8 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 shipments of our wireless products and system controllers from new design wins.

Revenue from storage products was \$1,058.7 million in fiscal 2006 compared to \$763.0 million in fiscal 2005. The increase in revenue from storage products is primarily attributable to an increase in volume shipments of our storage SOC's. Revenue from communication products was \$611.6 million in fiscal 2006 compared to \$461.6 million in fiscal 2005. The increase in revenue from communication products is primarily due to an increase in shipments of

wireless products and system controllers. Net revenue derived from development contracts decreased in fiscal 2006 in both absolute dollars and as a percentage of net revenue compared to fiscal 2005, and represented less than 10% of net revenue for each year.

We expect that revenue for fiscal 2007 will increase from the level of revenue we reported in fiscal 2006 due to increases in shipments of our storage SOC's into the PC desktop and consumer product markets and increased adoption of our storage products in emerging consumer storage electronics. Also,

we expect additional growth in fiscal 2007 compared to fiscal 2006 due to increases in shipments of our wireless products from new design wins.

Cost of Goods Sold

	<u>Years Ended January 31,</u>		<u>% Change</u>
	<u>2006</u>	<u>2005</u>	<u>in 2006</u>
Cost of goods sold	\$ 776,633	\$ 581,757	33.5%
% of net revenue	46.5%	47.5%	
Gross margin	53.5%	52.5%	

Cost of goods sold consists primarily of the costs of manufacturing, assembly and test of integrated circuit devices and related overhead costs, product warranty costs, royalties 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 in fiscal 2006 compared to fiscal 2005 was primarily due to manufacturing efficiencies and better yields from our foundries, product cost savings resulting from the benefits of favorable foundry pricing, and to a lesser extent, a product mix change, which included production ramps of our storage SOC's. Partially offsetting the increase in gross margins were higher product costs associated with inventory that was acquired from the hard disk and tape drive controller business of QLogic Corporation, increased royalties, warranty expense and inventory excess and obsolescence provisions. The increase in royalties in fiscal 2006 as compared to fiscal 2005 is due to higher sales of products that integrated licensed technology. The increase in warranty expense is due to the increased volume of sales and extended warranties for certain customers. The increase in inventory excess and obsolescence provisions is due to an increase in mature products for which there was lower forecasted demand. The costs associated with contracted development work are included in research and development expense. Our gross margins may fluctuate in future periods due to, among other things, changes in the mix of products sold, the timing of production ramps of new products, increased pricing pressures from our customers and competitors particularly in the consumer markets 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

	<u>Years Ended January 31,</u>		<u>% Change</u>
	<u>2006</u>	<u>2005</u>	<u>in 2006</u>
Research and development	\$ 311,498	\$ 263,261	18.3%
% of net revenue	18.7%	21.5%	

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 fiscal 2006 compared to fiscal 2005 was primarily due to the net hiring of additional development personnel including personnel related to our acquisitions of the hard disk and tape drive controller business of QLogic Corporation in November 2005, which together resulted in an increase in salary and related costs of \$27.7 million. Additionally, we incurred increased depreciation and amortization expense of \$5.1 million arising from purchases of property, equipment and technology licenses, increased costs of \$1.6 million for tooling and engineering equipment expenses, increased costs of \$2.3 million for patent filing fees to protect newly developed intellectual property and other allocated expenses of \$9.5 million related to our expanding operations.

We expect that research and development expense will increase in absolute dollars in future periods as we continue to devote resources to develop new products, migrate to lower process geometries, meet

the changing requirements of our customers, expand into new markets and technologies, and hire additional personnel including those from our pending acquisitions.

Selling and Marketing

	<u>Years Ended January 31,</u>		<u>% Change</u>
	<u>2006</u>	<u>2005</u>	<u>in 2006</u>
Selling and marketing	\$ 88,822	\$ 76,570	16.0%
% of net revenue	5.3%	6.2%	

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 fiscal 2006 compared to fiscal 2005 was primarily due to the net hiring of additional sales and marketing personnel, which all resulted in an increase in salary and related costs of \$6.2 million. Additionally, we incurred higher commission costs of \$2.8 million due primarily to the increase in sales as well as other costs of \$1.9 million related to expanding our sales and marketing activities as we broaden our customer and product base and increased facility and other allocated expenses of \$1.2 million related to our expanding operations. 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 into product markets such as consumer applications for our wireless and storage products.

General and Administrative

	<u>Years Ended January 31,</u>		<u>% Change</u>
	<u>2006</u>	<u>2005</u>	<u>in 2006</u>

General and administrative	\$35,397	\$32,220	9.9%
% of net revenue	2.1%	2.6%	

General and administrative expense consists primarily of compensation and associated costs relating to general and administrative personnel, fees for professional services and allocated occupancy costs for these operations. The increase in general and administrative expense in absolute dollars in fiscal 2006 compared to fiscal 2005 was primarily due to the net hiring of additional administrative personnel, all of which resulted in an increase in salary and related costs of \$6.7 million. Offsetting the increase in general and administrative expenses was a decrease in legal fees and professional fees of \$3.6 million. The decrease in legal and professional fees was due to the timing and volume of legal matters during the year and the increased hiring of legal and finance personnel resulting in lower outside legal and professional fees. We expect that general and administrative expenses will increase in absolute dollars in fiscal 2007 as we expand our operations.

Amortization of Stock-Based Compensation

	Years Ended January 31,		% Change
	2006	2005	in 2006
Amortization of stock-based compensation	\$ 2,156	\$ 3,977	(45.8)%
% of net revenue	0.1%	0.3%	

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 grant and assumption 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 fiscal 2006 compared to fiscal 2005 primarily resulted from a lower balance of deferred stock-based compensation

being amortized in fiscal 2006 compared to fiscal 2005. For a discussion of the effects of future expensing of stock options, see "Recent Accounting Pronouncements".

Amortization and Write-Off of Acquired Intangible Assets and Other

	Years Ended January 31,		% Change
	2006	2005	in 2006
Amortization and write-off of acquired intangible assets and other	\$ 91,738	\$ 102,534	(10.5)%
% of net revenue	5.5%	8.4%	

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, we recorded \$5.7 million of acquired intangible assets. The acquired intangible assets from the RADLAN acquisition are being amortized over their estimated economic lives of two to five years. In connection with the acquisition of Asica, we recorded \$360,000 of acquired intangible assets. The acquired intangible assets from the Asica acquisition are being amortized over their estimated economic life of five years. In connection with the acquisition of the hard disk and tape drive controller business of QLogic Corporation in November 2005, we recorded \$123.3 million of acquired intangible assets which are being amortized over their useful economic lives of two to four years.

During the first quarter of fiscal 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 is included in amortization and write-off of acquired intangible assets and other. During the second quarter of fiscal 2005, we entered into another technology license and non-assert agreement with another company pursuant to which the parties agreed to not take action against each other relative to the use of certain technologies. Under this arrangement, we agreed to make a one-time payment of \$25.0 million, of which \$10.0 million related to past use of certain technologies is included in amortization and write-off of acquired intangible assets and other, while the remaining \$15.0 million was capitalized as licensed technology and will be amortized to cost of goods sold over its estimated useful life of five years. The decrease in amortization and write-off of acquired intangible assets and other in fiscal 2006 compared to fiscal 2005 was due to \$23.5 million of charges for payments made on technology license and non-assert agreements in fiscal 2005 partially offset by additional amortization of acquired intangible assets from the QLogic acquisition in fiscal 2006.

Acquired In-Process Research and Development

	Years Ended January 31,		% Change
	2006	2005	in 2006
Acquired in-process research and development	\$ 4,300	\$ —	100.0%
% of net revenue	0.3%	—%	

In connection with the acquisition of the hard disk and tape drive controller business of QLogic Corporation on November 4, 2005, we purchased in-process research and development (IPRD) of approximately \$4.3 million. The amounts allocated to IPRD were determined based on our estimates of the fair values of assets acquired using valuation techniques used in the high technology industry and were charged to expense in the fourth quarter of fiscal 2006. The projects that qualify for IPRD had not reached technical feasibility and no future use existed. In accordance with SFAS No. 2, Accounting for Research and development costs, as clarified by FASB Interpretation, or FIN, No. 4, Applicability of FASB Statement No. 2 to Business Combinations Accounted for by the Purchase Method—an Interpretation of FASB Statement No. 2, amounts assigned to IPRD meeting the above stated criteria were charge to expense as part of the allocation of the purchase price.

The value assigned to in-process research and technology was determined by considering the importance of products under development to the overall development plan, estimating costs to develop the purchased IPRD into commercially viable products, estimating the resulting net cash flows from the

projects when completed and discounting the net cash flows to their present value. The fair values of IPRD were determined using the income approach, which discounts expected future cash flows to present value. The discount rates used in the present value calculations were derived from a weighted-average cost of capital analysis, adjusted to reflect additional risks related to the product's development and success as well as the product's stage of completion. A discount rate of 21.0% was used for IPRD and rates between 13.0% and 18.3% were used for intangible assets.

At the time of the acquisition, we estimated that the project was approximately 25.0% complete with aggregate costs to complete of \$2.7 million. The project is in process and is expected to be completed by October 2006.

The estimates used in valuing in-process research and development were based upon assumptions believed to be reasonable but which are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur. Accordingly, actual results may vary from the projected results.

Facilities Consolidation Charge

	<u>Years Ended January 31,</u>		<u>% Change</u>
	<u>2006</u>	<u>2005</u>	<u>in 2006</u>
Facilities consolidation charge	\$ —	\$ 2,414	(100.0)%
% of net revenue	—%	0.2%	

During the third quarter of fiscal 2005, 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. 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

	<u>Years Ended January 31,</u>		<u>% Change</u>
	<u>2006</u>	<u>2005</u>	<u>In 2006</u>
Interest and other income, net	\$ 19,369	\$ 7,657	153.0%
% of net revenue	1.2%	0.6%	

Interest and other income, net consists primarily of interest earned on cash, cash equivalents and short-term investment balances, and gains on the sale of marketable securities, offset by interest paid on capital lease obligations. The increase in interest and other income, net in fiscal 2006 compared to fiscal 2005 was primarily due to higher interest income due to higher comparable invested cash and marketable securities balances and higher yields on our investments.

Provision for Income Taxes

	<u>Years Ended January 31,</u>		<u>% Change</u>
	<u>2006</u>	<u>2005</u>	<u>in 2006</u>
Provision for income taxes	\$ 47,728	\$ 27,843	71.4%
% of net revenue	2.9%	2.3%	

Our effective tax rate was 12.6% for fiscal 2006 compared to 16.4% for fiscal 2005. For fiscal 2006 and 2005, the effective rates were affected primarily by an increase in profits earned in jurisdictions where the tax rate is lower than the U.S. tax rate and non tax-deductible expenses, such as stock-based compensation, nondeductible acquisition related expenses and charges related to asset impairment.

During fiscal 2006, our German and Israel subsidiaries underwent and completed corporate tax audits of years 1999 through 2002 and years 2001 through 2003, respectively. During fiscal 2005, the Internal Revenue Service (IRS) completed an income tax audit for the fiscal years ended January 31, 2003, 2002 and 2001 of our U.S. consolidated return. The audits closed with no material adverse impact on our consolidated financial statements.

Years Ended January 31, 2005 and 2004

Net Revenue

	<u>Years Ended January 31,</u>		<u>% Change</u>
	<u>2005</u>	<u>2004</u>	<u>in 2005</u>
Net revenue	\$ 1,224,580	\$ 819,762	49.4%

The increase in net revenue in fiscal 2005 compared to fiscal 2004 reflects a significant increase in volume shipments of our storage SOC's which increased by \$288.0 million, Gigabit Ethernet physical layer transceivers which increased by \$38.6 million and wireless products which increased by \$34.0 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 segment with our read channel and storage SOC products, the continued adoption of our Gigabit Ethernet products as a replacement for Fast Ethernet products and volume shipments of our wireless products from new design wins. Revenue from storage products was \$763.0 million in fiscal 2005 compared to \$447.7 million in fiscal 2004. Revenue from communication products was \$461.6 million in fiscal 2005 compared to \$372.1 million in fiscal 2004. Net revenue derived from development contracts increased in fiscal 2005, but represented less than 10% of net revenue for each year and decreased as a percentage of net revenue in fiscal 2005 compared to fiscal 2004.

Cost of Goods Sold

	<u>Years Ended January 31,</u>		<u>% Change</u>
	<u>2005</u>	<u>2004</u>	<u>in 2005</u>
Cost of goods sold	\$ 581,757	\$ 382,206	52.2%
% of net revenue	47.5%	46.6%	
Gross margin	52.5%	53.4%	

The decrease in gross margin in fiscal 2005 compared to fiscal 2004 was primarily due to higher period costs related to an increase in inventory excess and obsolescence charges of \$11.9 million for older, slow-moving products as well as increased royalties of \$6.4 million, partially offset by lower product costs. The primary factors that resulted in increased inventory excess and obsolescence charges in fiscal 2005 were (i) an increase in mature products for which there was lower forecasted demand, and (ii) the build up of inventory levels in response to longer lead times, capacity constraints at our foundries and increased demand from customers. The decrease in product costs as a percentage of revenue in fiscal 2005 compared to fiscal 2004 was due primarily to a product mix change, which included a higher mix of revenue from our

storage SOC's and Gigabit Ethernet PHY transceivers relative to other products. The increase in royalties in fiscal 2005 compared to fiscal 2004 was due to higher sales of products that integrated licensed technology. The costs associated with contracted development work are included in research and development expense.

Research and Development

	Years Ended January 31,		% Change
	2005	2004	in 2005
Research and development	\$ 263,261	\$ 213,740	23.2%
% of net revenue	21.5%	26.1%	

The increase in research and development expense in absolute dollars in fiscal 2005 compared to fiscal 2004 was primarily due to the net hiring of additional development personnel and a full year's impact of personnel related to our acquisitions of RADLAN in June 2003 and Asica in November 2003, which together resulted in an increase in salary and related costs of \$29.0 million. Included in the increase in salary and related costs for fiscal 2005 is approximately \$1.0 million of compensation expense resulting from the accelerated vesting of stock options previously granted to an employee. Additionally, we incurred increased costs of \$2.2 million for prototype and related product tape-out costs for new product initiatives, increased costs of \$1.2 million for outside services to assist in new product initiatives, increased cost of \$2.0 million for patent filing fees to protect newly developed intellectual property, increased depreciation and amortization expense of \$6.9 million arising from purchases of property, equipment and technology licenses and other allocated expenses of \$5.9 million related to our expanding operations.

Selling and Marketing

	Years Ended January 31,		% Change
	2005	2004	in 2005
Selling and marketing	\$ 76,570	\$ 62,350	22.8%
% of net revenue	6.2%	7.6%	

The increase in selling and marketing expense in absolute dollars in fiscal 2005 compared to fiscal 2004 was primarily due to the net hiring of additional sales and marketing personnel, which all resulted in an increase in salary and related costs of \$8.8 million. Additionally, we incurred higher commission costs of \$1.7 million due primarily to the increase in sales as well as other costs of \$2.5 million related to expanding our sales and marketing activities as we broaden our customer and product base and increased facility and other allocated expenses of \$1.4 million related to our expanding operations.

General and Administrative

	Years Ended January 31,		% Change
	2005	2004	in 2005
General and administrative	\$ 32,220	\$ 19,004	69.5%
% of net revenue	2.6%	2.3%	

The increase in general and administrative expense in absolute dollars in fiscal 2005 compared to fiscal 2004 was primarily due to the net hiring of additional administrative personnel, all of which resulted in an increase in salary and related costs of \$4.7 million. Our expenses also increased due to higher professional fees of \$3.8 million due to attorney fees associated with our on-going legal proceedings and \$3.4 million due to higher professional fees as a result of our expanding operations and costs to comply with the regulatory requirements of the Sarbanes-Oxley Act of 2002.

Amortization of Stock-Based Compensation

	Years Ended January 31,		% Change
	2005	2004	in 2005
Amortization of stock-based compensation	\$ 3,977	\$ 4,943	(19.5)%
% of net revenue	0.3%	0.6%	

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 fiscal 2005 compared to fiscal 2004 primarily resulted from a lower balance of deferred stock-based compensation being amortized in fiscal 2005 compared to fiscal 2004 as well as a result of the graded-vesting method which results in declining amortization expense in later periods. 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

	Years Ended January 31,		% Change
	2005	2004	in 2005
Amortization and write-off of acquired intangible assets and other	\$ 102,534	\$ 80,390	27.5%
% of net revenue	8.4%	9.8%	

During the second 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 is included in amortization and write-off of acquired intangible assets and other, while the remaining \$15.0 million was capitalized as licensed technology and will be amortized to cost of goods sold over its estimated useful life of five years. During the first quarter of fiscal 2005, we entered into another technology license and non-assert agreement with a licensor pursuant to which the parties agreed to not take action against each other relative to the use of certain technologies. Under this arrangement, we agreed to make a one-time payment of \$13.5 million, which is included in amortization and write-off of acquired intangible assets and other. The increase in amortization and write-off of acquired intangible assets and other in fiscal 2005 compared to fiscal 2004 was due to \$23.5 million of charges for payments made on technology license and non-assert agreements partially offset by a charge of \$1.9 million related to the recognition of pre-acquisition losses due to our prior investments in RADLAN in fiscal 2004.

Facilities Consolidation Charge

	<u>Years Ended January 31,</u>		<u>% Change</u>
	<u>2005</u>	<u>2004</u>	<u>in 2005</u>
Facilities consolidation charge	\$ 2,414	\$ —	—%
% of net revenue	0.2%	—	

During the third quarter of fiscal 2005, 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. 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.

At January 31, 2005, cash payments of \$8.4 million, net of sublease income had been made in connection with the facilities consolidation charges recorded in fiscal 2003 and the third quarter of fiscal 2005. Approximately \$5.1 million is accrued for the facilities consolidation charge as of January 31, 2005, of which \$1.3 million is the current portion included in accrued liabilities while the long-term portion totaling \$3.8 million is payable through 2010. The facilities consolidation charge is an estimate as of January 31, 2005.

Interest and Other Income, Net

	<u>Years Ended January 31,</u>		<u>% Change</u>
	<u>2005</u>	<u>2004</u>	<u>in 2005</u>
Interest and other income, net	\$ 7,657	\$ 6,223	23.0%
% of net revenue	0.6%	0.8%	

Interest and other income, net consists primarily of interest earned on cash, cash equivalents and short-term investment balances, and gains on the sale of marketable securities, offset by interest paid on capital lease obligations. The increase in interest and other income, net in fiscal 2005 compared to fiscal 2004 was primarily due to higher interest income on higher comparable invested cash balances and higher interest rates, partially offset by an increase of \$0.2 million in interest expense on capital lease obligations as a result of new CAD software capital leases entered into in fiscal 2005, lower realized gains of \$0.3 million on the sale of marketable securities in fiscal 2005 compared to \$1.3 million of realized gains on the sale of marketable securities in fiscal 2004 and a \$0.7 million loss on an equity method investment in fiscal 2004.

Provision for Income Taxes

	<u>Years Ended January 31,</u>		<u>% Change</u>
	<u>2005</u>	<u>2004</u>	<u>in 2005</u>
Provision for income taxes	\$ 27,843	\$ 17,842	56.1%
% of net revenue	2.3%	2.2%	

Our effective tax rate was 16.4% for fiscal 2005 compared to 28.2% for fiscal 2004. For fiscal 2005 and 2004 the effective rates were affected primarily by an increase in the proportion of income earned in locations outside the U.S., which was taxed at lower income tax rates as well as by stock-based compensation and non-deductible expenses relating to our acquisitions, which were recorded as a result of using purchase accounting.

On August 26, 2003, the Internal Revenue Service (IRS) began an income tax audit of Marvell Semiconductor, Inc. (MSI), the main U.S. subsidiary of Marvell Technology Group Ltd., for fiscal 2003, 2002 and 2001. The audit was completed in fiscal 2005 with no material adverse impact on our consolidated financial statements.

Subsequent Events

On February 21, 2006, 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 as a stock dividend. The stock split is subject to shareholder approval of an increase in the Company's authorized share capital at the Company's 2006 Annual General Meeting tentatively scheduled for June 2006.

On February 16, 2006, we completed the acquisition of the semiconductor division of UTStarcom, Inc. for \$24.0 million in cash. We may pay an additional \$16.0 million if certain defined milestones are achieved at various intervals through September 2006. We may also record a one-time charge for purchased in-process research and development expenses. The amount of that charge, if any, would be recorded in our first quarter of fiscal 2007, but has not yet been determined.

On February 21, 2006, we announced the signing of a definitive agreement to acquire the printer semiconductor business of Avago Technologies Limited. Under the agreement, we will pay \$240.0 million in cash upon closing of the transaction. We may pay an additional \$35.0 million if certain milestones are achieved at various intervals through October 2007. We may also 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.

Liquidity and Capital Resources

Our principal source of liquidity as of January 31, 2006 consisted of \$921.0 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 \$402.3 million for fiscal 2006 compared to \$221.5 million for fiscal 2005 and \$149.8 million for fiscal 2004. The cash inflows from operations in fiscal 2006 were primarily the result of our generation of income during the period and changes in working capital. Non-cash charges in fiscal 2006 included \$91.7 million related to amortization of acquired intangible assets and other, \$56.8 million of depreciation and amortization expense and \$2.2 million of amortization of stock-based compensation. Significant working capital changes contributing to positive cash flows in fiscal 2006 included an increase of \$66.9 million in accounts payable resulting primarily from amounts due to our suppliers relating to increased inventory purchases during fiscal 2006 as well as higher overall spending activity related to our expanding operations, an increase of \$44.7 million in income tax payable resulting from taxable income for fiscal 2006, an increase of \$19.4 million in accrued compensation primarily related to an increase in the number 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 \$13.8 million in deferred income resulting from increased shipments of product to our distributors as well as the increase in number of distributors.

Significant working capital changes offsetting positive cash flows in fiscal 2006 included an increase in prepaid and other assets of \$128.9 million due primarily to \$106.0 million in payments in connection with a capacity reservation agreement with a foundry, a \$12.3 million security deposit for long-term assets under construction, and a \$19.5 million receivable from a foundry for reimbursements under a capacity reservation agreement. Also contributing to working capital changes offsetting positive cash flow in the fiscal 2006 was an increase in inventory of \$60.4 million primarily a result of the increased in wafer starts to meet forecasted demand and changes in forecast of large volume consumer products. As a result of the increase in inventory, the number of days in inventory, which is calculated on a quarterly basis, has increased to 86 days at the end of fiscal 2006 compared to 71 days at the end of fiscal 2005. In addition, accounts receivable increased \$44.2 million primarily due to higher net revenue in fiscal 2006 as compared to fiscal 2005. Although accounts receivable has increased, the days sales outstanding, or DSO, metric, which is calculated on a quarterly basis, has decreased to 45 days at the end of fiscal 2006 as compared to 53 days at the end of fiscal 2005. Many of our larger customers have regularly scheduled payment dates with some of the dates falling immediately before or after our fiscal year-end. As a result, our accounts receivable balance and DSO may fluctuate depending on the timing of large payments by our customers.

During fiscal 2005, net cash provided by operating activities was \$221.5 million. The cash inflow from operations in fiscal 2005 was primarily the result of our generation of income during the period and changes in working capital. Non-cash charges in fiscal 2005 included \$79.0 million related to amortization of acquired intangible assets and other, \$44.3 million of depreciation and amortization expense, \$5.4 million related to the tax benefit from employee stock transactions, \$4.0 million of amortization of stock-based compensation and \$2.4 million for a charge in connection with a facilities consolidation. Significant working capital changes contributing to positive cash flow in fiscal 2005 included an increase of \$30.7 in income tax payable resulting from taxable income for fiscal 2005, an increase of \$11.2 million in accrued compensation primarily related to an increase in the number 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 \$8.5 million in accounts payable resulting primarily from amounts due to our suppliers relating to increased inventory purchases during fiscal 2005 as well as higher overall spending activity related to our expanding operations.

Significant working capital changes offsetting positive cash flows in fiscal 2005 included an increase in accounts receivable of \$64.4 million primarily due to higher net revenue in fiscal 2005 as compared to fiscal 2004. Although accounts receivable has increased, the DSO, which is calculated on a quarterly basis, remained relatively consistent at the end of fiscal 2005 as compared to the end of fiscal 2004 in the range of 49 to 54 days. Inventory increased by \$37.1 million primarily as a result of increased volumes of purchase orders received from our customers and associated purchases of inventory required to meet customer demand. The number of days of inventory which is calculated on a quarterly basis, has remained reasonably consistent at 71 days at the end of both fiscal 2005 and 2004.

During fiscal 2004, net cash provided by operating activities was \$149.8 million. The cash inflow from operations in fiscal 2004 was primarily the result of our generation of income during the period and changes in working capital. Non-cash charges in fiscal 2004 included \$80.4 million related to the amortization and write-off of goodwill and acquired intangible assets and other, \$33.7 million of depreciation and amortization expense and \$4.9 million of amortization of stock-based compensation. Significant working capital changes contributing to positive cash inflow in fiscal 2004 included an increase of \$71.9 million in accounts payable resulting primarily from amounts due to our suppliers related to increased inventory purchases during fiscal 2004, and higher overall spending activity related to our expanding operations and an increase of \$8.3 million relating to accrued employee compensation, primarily as the result of increased withholding taxes from the exercise of stock options by employees and increased accrued paid time-off due primarily to the increase in number of employees in fiscal 2004 compared to fiscal 2003.

Significant working capital changes offsetting positive cash flows in fiscal 2004 included a \$50.2 million increase in accounts receivable, which was primarily due to increases in our net revenue in fiscal 2004 as compared to fiscal 2003. Although accounts receivable has increased, DSO remained relatively consistent at the end of fiscal 2004 in the range of 48 to 50 days. Inventory increased by \$52.1 million, primarily as a result of increased volumes of purchase orders received from our customers and associated purchases of inventory required to meet such customer demand. The number of days of inventory, increased at the end of fiscal 2004 to 71 days compared to 51 days at the end of fiscal 2003 as we began to build buffer inventory in the second half of fiscal 2004 in anticipation of longer production lead times and tighter capacity constraints at our foundries.

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.

SFAS 123R also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement may reduce net operating cash flows and increase net financing cash flows in periods after its adoption.

Net Cash Used in Investing Activities

Net cash used in investing activities was \$367.5 million for the fiscal 2006 compared to net cash used in investing activities of \$348.1 million for fiscal 2005 and net cash used in investing activities of \$168.0 million for fiscal 2004. The net cash used in investing activities in fiscal 2006 was primarily due to purchases of short-term investments of \$710.5 million, cash paid for the QLogic acquisition, purchases of property and equipment of \$98.5 million, and purchases of equity investments of \$2.4 million, partially offset by the proceeds from the sales and maturities of short-term investments of \$631.3 million. In fiscal 2006, the significant increase in the purchases of property and equipment is due to building improvements made to buildings acquired in fiscal 2004. The net cash used in investing activities in fiscal 2005 was primarily due to purchases of short-term investments of \$433.2 million, purchases of property and equipment of \$45.8 million, and purchases of technology licenses of \$16.2 million, partially offset by the proceeds from the sales and maturities of short-term investments of \$149.3 million. The net cash used in investing activities in fiscal 2004 was primarily due to purchases of short-term investments of \$216.3 million, purchases of property and equipment of \$95.2 million and loan advances of \$10.2 million, partially offset by the proceeds from the sales and maturities of short-term investments of \$155.6 million.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was \$147.2 million for fiscal 2006 compared to \$119.1 million for fiscal 2005 and \$80.0 million for fiscal 2004. In fiscal 2006, net cash provided by financing activities was attributable to proceeds from the issuance of common stock under our stock option and employee stock purchase plans, partially offset by principal payments on capital lease obligations. In fiscal 2005, net cash provided by financing activities was attributable to proceeds from the issuance of common stock under our stock option and employee stock purchase plans, partially offset by principal payments on capital lease obligations. In fiscal 2004, net cash provided by financing activities was attributable to proceeds from the issuance of common stock under our stock option and employee stock purchase plans, partially offset by principal payments on capital lease obligations. For all three fiscal years, the increase in proceeds from the issuance of common stock is due to exercises of stock options by employees and the increase in capital lease obligations is due to additional CAD software licenses, which we have acquired for use in our 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 January 31, 2006, foundries had incurred approximately \$141.3 million of manufacturing expenses on our outstanding purchase orders. The purchase obligations are included in outstanding purchase commitments as of January 31, 2006.

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 January 31, 2006, payments totaling \$106.0 million (included in prepaid expenses and other current assets and other noncurrent assets) have been made and approximately \$25.7 million of the prepayment has been utilized as of January 31, 2006. At January 31, 2006, remaining commitments under the agreement were approximately \$68.2 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. 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, for which we have obtained a sublease. 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 \$3.6 million as of January 31, 2006. At January 31, 2006, cash payments of \$9.9 million, net of sublease income had been made in connection with this charge. Approximately \$3.6 million is accrued for this facilities consolidation charge as of January 31, 2006 of which \$0.7 million is the current portion while the long-term portion totaling \$2.9 million is payable through 2010.

During the third quarter of fiscal 2005, 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. We completed the consolidation of the majority of our Israel operations into one facility during the third quarter of fiscal 2005. Approximately \$0.1 million is accrued for this facilities consolidation charge as of January 31, 2006 and is included in accrued liabilities.

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 \$60.0 million to \$65.0 million for building improvements over the next twelve to eighteen months, of which \$36.4 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.

56

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 \$45.6 million for total consideration of \$225.6 million. An additional payment of \$4.0 million was made for an inventory adjustment resulting in total cash paid of \$184.0 million and total consideration of \$232.5 million, including acquisition costs. 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.

On February 16, 2006, we completed the acquisition of the semiconductor division of UTStarcom, Inc. for \$24.0 million in cash. We may pay an additional \$16.0 million if certain defined milestones are achieved at various intervals through September 2006. We may also record a one-time charge for purchased in-process research and development expenses in the first quarter of fiscal 2007. The amount of that charge, if any, has not yet been determined.

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 January 31, 2006 and the effect that such obligations are expected to have on our liquidity and cash flow in future periods (in thousands):

	Payments Due by Period						Total
	2007	2008	2009	2010	2011	Thereafter	
Contractual obligations:							
Operating leases	\$ 6,567	\$ 5,862	\$ 5,933	\$ 4,086	\$ 3,668	\$ 28,740	\$ 54,856
Capital lease obligations	18,523	15,492	7,697	2,836	—	—	44,548
Purchase commitments to foundries	141,257	—	—	—	—	—	141,257
Capacity reservation commitment	68,180	—	—	—	—	—	68,180
Mask purchase commitment	3,000	—	—	—	—	—	3,000
Capital purchase obligations	56,245	—	—	—	—	—	56,245
UTStarcom asset purchase commitment*	24,000	—	—	—	—	—	24,000
Total contractual cash obligations	<u>\$ 317,772</u>	<u>\$ 21,354</u>	<u>\$ 13,630</u>	<u>\$ 6,922</u>	<u>\$ 3,668</u>	<u>\$ 28,740</u>	<u>\$ 392,086</u>

* Excludes \$16.0 million payable if certain defined milestones are achieved.

Included in operating lease commitments are anticipated lease payments for two airplanes that are currently under construction. Delivery of one airplane is expected in fiscal 2007 while delivery of the

57

second airplane is expected in fiscal 2008. The airplanes will be used for business travel purposes and will be accounted for as operating leases once the airplanes are completed and delivered.

On February 21, 2006, we announced the signing of a definitive agreement to acquire the printer semiconductor business of Avago Technologies Limited. Under the agreement, we will pay \$240.0 million in cash upon closing of the transaction. We may pay an additional \$35.0 million if certain defined milestones are achieved at various intervals through October 2007. We may also 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.

As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities of financial partnerships, such as entities often referred to as structured finance or special purpose entities (SPEs), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of January 31, 2006, we are not involved in any unconsolidated SPE transactions.

Inflation

The impact of inflation on our business has not been material for fiscal 2006, 2005 and 2004.

Recent Accounting Pronouncements

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004), “Share-Based Payment” (SFAS 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 SFAS 123R, while the retroactive methods would record compensation expense for all unvested stock options and restricted stock beginning with the first period restated. We adopted SFAS 123R on February 1, 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 SFAS 123R. Compensation expense calculated under SFAS 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 SFAS 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 SFAS 123R. We will apply the principles of SAB 107 in conjunction with our adoption of SFAS 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 fiscal 2006, 2005 and 2004, we incurred approximately \$0.7 million, \$0.6 million and \$0.4 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 President and Chief Executive Officer, Sehat Sutardja, Ph.D, and Chief Operating Officer, Weili Dai, through their control and ownership in Estopia Air, own the aircraft provided by ACM. The \$0.7 million, \$0.6 million and \$0.4 million of expenses were the result of our use of the aircraft for business travel purposes. The pricing was based on values determined to be 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 \$0.8 million of revenue from the development agreement and product revenue during fiscal 2006. This development agreement is on substantially similar terms as other development agreements with other third parties. Herbert Chang, one of our directors, is a shareholder of MagnetoX. Estopia LLC (“Estopia”) is also a shareholder of MagnetoX. 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 recognized \$0.4 million and deferred \$0.2 million of revenue from the License Agreement with C2Micro during fiscal 2006. 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. Pantas Sutardja, Ph.D., our Chief Technology Officer, is also a shareholder in C2Micro.

Item 7A. 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 January 31, 2006 (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 2007 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
	2007	2008	2009	2010	2011		
Variable Rate	\$ 438,615	\$ —	\$ —	\$ —	\$ —	\$ 438,615	\$ 438,615
Average Interest Rate	4.39%	—	—	—	—	4.39%	
Fixed Rate	\$ 82,779	\$ 38,030	\$ 20,267	\$ —	\$ —	\$ 141,076	\$ 138,933
Average Interest Rate	3.04%	3.05%	3.57%	—	—	3.12%	

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 January 31, 2006 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 \$11.7 million at January 31, 2006, 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 8. Consolidated Financial Statements and Supplementary Data

INDEX

	Page
Management's Report on Internal Control Over Financial Reporting	62
Report of Independent Registered Public Accounting Firm	63
Consolidated Balance Sheets	65
Consolidated Statements of Income	66
Consolidated Statements of Shareholders' Equity	67
Consolidated Statements of Cash Flows	68
Notes to Consolidated Financial Statements	69

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework set forth in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework set forth in *Internal Control — Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of January 31, 2006. Our management's assessment of the effectiveness of our internal control over financial reporting as of January 31, 2006 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

/s/ DR. SEHAT SUTARDJA
Dr. Sehat Sutardja
President and Chief Executive Officer
April 13, 2006

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Marvell Technology Group Ltd.:

We have completed integrated audits of Marvell Technology Group Ltd.'s 2006 and 2005 consolidated financial statements and of its internal control over financial reporting as of January 31, 2006 and an audit of its 2004 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements

In our opinion, the consolidated financial statements listed in the accompanying index, present fairly, in all material respects, the financial position of Marvell Technology Group Ltd. and its subsidiaries at January 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2006 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting appearing under Item 8, that the Company maintained effective internal control over financial reporting as of January 31, 2006 based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2006, based on criteria established in *Internal Control — Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the

assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

January 31,		
2006	2005	
(In thousands, except par value)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 348,431	\$ 166,471
Short-term investments	572,591	493,543
Accounts receivable, net of allowances of \$3,028 and \$3,132	245,164	200,954
Inventories	211,374	128,889
Prepaid expenses and other current assets	104,307	15,144
Deferred income taxes	18,007	12,793
Total current assets	1,499,874	1,017,794
Property and equipment, net	260,921	161,770
Goodwill	1,558,209	1,480,225
Acquired intangible assets	111,973	80,411
Other noncurrent assets	82,312	48,762
Total assets	<u>\$ 3,513,289</u>	<u>\$ 2,788,962</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 196,606	\$ 129,728
Accrued liabilities	34,905	20,604
Accrued employee compensation	51,549	32,136
Income taxes payable	3,352	3,195
Deferred income	29,773	15,938
Current portion of capital lease obligations	16,563	13,204
Total current liabilities	332,748	214,805
Capital lease obligations, net of current portion	24,447	11,590
Non-current income taxes payable	85,126	46,648
Other long-term liabilities	24,871	18,489
Total liabilities	467,192	291,532
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Preferred stock, \$0.002 par value; 8,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.002 par value; 492,000 shares authorized; 291,388 and 277,602 shares issued and outstanding, respectively	583	555
Additional paid-in capital	3,250,169	3,035,200
Deferred stock-based compensation	(1,141)	(3,400)
Accumulated other comprehensive loss	(1,759)	(1,807)
Accumulated deficit	(201,755)	(533,118)
Total shareholders' equity	3,046,097	2,497,430
Total liabilities and shareholders' equity	<u>\$ 3,513,289</u>	<u>\$ 2,788,962</u>

See accompanying Notes to Consolidated Financial Statements.

MARVELL TECHNOLOGY GROUP LTD.
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended January 31,		
	2006	2005	2004
(In thousands, except per share amounts)			
Net revenue	\$ 1,670,266	\$ 1,224,580	\$ 819,762
Operating costs and expenses:			
Cost of goods sold(1)	776,633	581,757	382,206
Research and development(2)	311,498	263,261	213,740
Selling and marketing(3)	88,822	76,570	62,350
General and administrative(4)	35,397	32,220	19,004
Amortization of stock-based compensation	2,156	3,977	4,943
Amortization and write-off of acquired intangible assets and other	91,738	102,534	80,390
Acquired in-process research and development	4,300	—	—
Facilities consolidation charge	—	2,414	—
Total operating costs and expenses	1,310,544	1,062,733	762,633
Operating income	359,722	161,847	57,129
Interest and other income, net	19,369	7,657	6,223
Income before income taxes	379,091	169,504	63,352
Provision for income taxes	47,728	27,843	17,842
Net income	<u>\$ 331,363</u>	<u>\$ 141,661</u>	<u>\$ 45,510</u>
Net income per share:			

Basic	\$ 1.17	\$ 0.53	\$ 0.18
Diluted	\$ 1.05	\$ 0.47	\$ 0.16
Weighted average shares:			
Basic	282,935	269,687	251,554
Diluted	315,658	299,543	276,483

- (1) Excludes amortization of stock-based compensation of \$18, \$85 and \$182 in fiscal 2006, 2005 and 2004.
- (2) Excludes amortization of stock-based compensation of \$1,379, \$2,473 and \$2,555 in fiscal 2006, 2005 and 2004.
- (3) Excludes amortization of stock-based compensation of \$354, \$462 and \$833 in fiscal 2006, 2005 and 2004.
- (4) Excludes amortization of stock-based compensation of \$405, \$957 and \$1,373 in fiscal 2006, 2005 and 2004.

See accompanying Notes to Consolidated Financial Statements.

MARVELL TECHNOLOGY GROUP LTD.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock		Additional	Deferred	Accumulated	Accumulated	Total
	Shares	Amount	Paid-in	Stock-based	Other	Deficit	
			Capital	Compensation	Comprehensive		
					Income		
				(In thousands)			
Balance at January 31, 2003	242,520	\$ 485	\$ 2,673,853	\$ (5,899)	\$ 1,988	\$ (720,289)	\$ 1,950,138
Common stock options exercised	13,714	28	75,793	—	—	—	75,821
Common stock repurchased	(4)	—	(4)	—	—	—	(4)
Issuance of common stock under the employee stock purchase plan	1,073	2	10,717	—	—	—	10,719
Issuance of common stock and options in connection with acquisitions	6,189	12	103,709	—	—	—	103,721
Deferred stock-based compensation	—	—	7,626	(7,626)	—	—	—
Reversal of deferred stock-based compensation	—	—	(637)	637	—	—	—
Amortization of deferred stock-based compensation	—	—	—	4,943	—	—	4,943
Tax benefit from employee stock transactions	—	—	1,224	—	—	—	1,224
Comprehensive income:							
Unrealized loss on available-for-sale investments, net of tax	—	—	—	—	(1,231)	—	(1,231)
Net income	—	—	—	—	—	45,510	45,510
Total comprehensive income	—	—	—	—	—	45,510	44,279
Balance at January 31, 2004	263,492	527	2,872,281	(7,945)	757	(674,779)	2,190,841
Common stock options exercised	12,079	24	116,211	—	—	—	116,235
Issuance of common stock under the employee stock purchase plan	1,371	3	15,441	—	—	—	15,444
Issuance of common stock and options in connection with acquisitions	660	1	25,471	—	—	—	25,472
Accelerated vesting on options	—	—	1,014	—	—	—	1,014
Reversal of deferred stock-based compensation	—	—	(568)	568	—	—	—
Amortization of deferred stock-based compensation	—	—	—	3,977	—	—	3,977
Tax benefit from employee stock transactions	—	—	5,350	—	—	—	5,350
Comprehensive income:							
Unrealized loss on available-for-sale investments, net of tax	—	—	—	—	(2,564)	—	(2,564)
Net income	—	—	—	—	—	141,661	141,661
Total comprehensive income	—	—	—	—	—	141,661	139,097
Balance at January 31, 2005	277,602	555	3,035,200	(3,400)	(1,807)	(533,118)	2,497,430
Common stock options exercised	11,522	23	143,192	—	—	—	143,215
Issuance of common stock under the employee stock purchase plan	820	2	19,909	—	—	—	19,911
Issuance of common stock and options in connection with acquisitions and other	1,444	3	45,871	—	—	—	45,874
Reversal of deferred stock-based compensation	—	—	(103)	103	—	—	—
Amortization of deferred stock-based compensation	—	—	—	2,156	—	—	2,156
Tax benefit from employee stock transactions	—	—	6,100	—	—	—	6,100
Comprehensive income:							
Unrealized gain on available-for-sale investments, net of tax	—	—	—	—	48	—	48
Net income	—	—	—	—	—	331,363	331,363
Total comprehensive income	—	—	—	—	—	331,363	331,411
Balance at January 31, 2006	<u>291,388</u>	<u>\$ 583</u>	<u>\$ 3,250,169</u>	<u>\$ (1,141)</u>	<u>\$ (1,759)</u>	<u>\$ (201,755)</u>	<u>\$ 3,046,097</u>

See accompanying Notes to Consolidated Financial Statements.

MARVELL TECHNOLOGY GROUP LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended January 31,		
	2006	2005	2004
	(In thousands)		
Cash flows from operating activities:			
Net income	\$ 331,363	\$ 141,661	\$ 45,510
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	56,760	44,323	33,682
Amortization of stock-based compensation	2,156	3,977	4,943
Amortization and write-off of acquired intangible assets and other	91,738	79,034	80,390
Acquired in-process research and development	4,300	—	—
Facilities consolidation charge	—	2,414	—
Deferred tax benefits	(996)	(4,422)	(1,177)
Accelerated vesting on stock options and other	290	1,014	—
Changes in assets and liabilities, net of assets acquired and liabilities assumed in purchase acquisitions:			
Accounts receivable	(44,210)	(64,441)	(50,154)
Inventories	(60,439)	(37,104)	(52,073)
Prepaid expenses and other assets	(128,883)	(3,890)	(1,047)
Accounts payable	66,878	8,538	71,904
Accrued liabilities and other	6,932	7,858	4,259
Accrued employee compensation	19,413	11,240	8,270
Accrued facilities consolidation charge	(1,517)	(2,312)	(2,976)
Income taxes payable	44,677	30,698	7,767
Deferred income	13,835	2,942	515
Net cash provided by operating activities	<u>402,297</u>	<u>221,530</u>	<u>149,813</u>
Cash flows from investing activities:			
Cash received from (paid for) acquisitions	(184,032)	—	2,122
Purchases of short-term investments	(710,488)	(433,164)	(216,261)
Sales and maturities of short-term investments	631,264	149,290	155,640
Purchases of equity investments and loans advanced	(2,420)	(2,200)	(10,220)
Acquisition costs	(2,369)	(69)	(1,154)
Purchases of property and equipment	(98,500)	(45,762)	(95,241)
Purchases of technology licenses	(1,000)	(16,225)	(2,917)
Net cash used in investing activities	<u>(367,545)</u>	<u>(348,130)</u>	<u>(168,031)</u>
Cash flows from financing activities:			
Proceeds from the issuance of common stock, net of repurchases	163,126	131,679	86,536
Principal payments on capital lease obligations	(15,918)	(12,577)	(6,560)
Net cash provided by financing activities	<u>147,208</u>	<u>119,102</u>	<u>79,976</u>
Net increase (decrease) in cash and cash equivalents	<u>181,960</u>	<u>(7,498)</u>	<u>61,758</u>
Cash and cash equivalents at beginning of period	166,471	173,969	112,211
Cash and cash equivalents at end of period	<u>\$ 348,431</u>	<u>\$ 166,471</u>	<u>\$ 173,969</u>
Supplemental cash flow information:			
Cash paid for interest	<u>\$ 1,755</u>	<u>\$ 1,201</u>	<u>\$ 892</u>
Cash paid for income taxes, net	<u>\$ 3,390</u>	<u>\$ 995</u>	<u>\$ 11,229</u>
Acquisition of property and equipment under capital lease obligations	<u>\$ 47,174</u>	<u>\$ 7,506</u>	<u>\$ 18,476</u>
Common stock issued in connection with acquisition	<u>\$ 45,583</u>	<u>\$ —</u>	<u>\$ —</u>

See accompanying Notes to Consolidated Financial Statements.

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — The Company and its Significant Accounting Policies:

The Company

Marvell Technology Group Ltd. (the “Company”), a Bermuda 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, transceiver, wireless, PC connectivity, gateway, communications controller, storage and power management solutions that serve diverse applications used in business enterprise, consumer electronics and emerging markets. On January 21, 2001, the Company acquired Galileo Technology Ltd. (“Galileo”), an Israeli corporation. In January 2003, Galileo’s name was changed to Marvell Semiconductor Israel Ltd. (MSIL). MSIL develops high-performance internetworking and switching products for the broadband communications market. On June 19, 2002, the Company acquired SysKonnnect GmbH (“SysKonnnect”), a German corporation. SysKonnnect develops and markets client-server products. On June 27, 2003, the Company acquired RADLAN Computer Communications Ltd. (RADLAN), a leading provider of embedded networking software. On November 24, 2003, the Company acquired Asica, Inc. (Asica). Asica designs and develops digital signal processors used in consumer and other applications. On November 4, 2005, the Company acquired the hard disk and tape drive controller semiconductor business of QLogic Corporation. The acquired business designs and supplies controller chips for data storage peripherals, such as hard disk and tape drives.

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. All periods presented are 52-week years. For presentation purposes, the financial statements and notes refer to January 31 as the Company's year-end.

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 as a stock dividend. 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 consolidated financial statements and related notes have been retroactively adjusted to reflect the stock split for all periods presented.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

MARVELL TECHNOLOGY GROUP LTD. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. The functional currency of the Company and its significant subsidiaries is the United States dollar.

Fair Value of Financial Instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. The carrying amounts for cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable, accrued liabilities, accrued employee compensation and accrued acquisition costs approximate their respective fair values because of the short-term nature of these items.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less from the date of purchase to be cash equivalents. Cash and cash equivalents also consist of cash on deposit with banks, money market funds and commercial deposits.

Investments

The Company's marketable investments are classified as available-for-sale securities and are reported at fair value. Unrealized gains and losses are reported, net of tax, if any, in accumulated other comprehensive income, a component of shareholders' equity. Realized gain and losses and declines in value judged to be other than temporary on available-for-sale securities are included in interest and other income, net. In order to determine if a decline in value on an available-for-sale security is other than temporary, we evaluate, among other factors, general market conditions, the duration and extent to which the fair value is less than cost, as well as our intent and ability to hold the investment. We also may consider specific adverse conditions related to the financial health of and business outlook for the investee, including industry and sector performance, changes in technology, operational and financing cash flow factors, and rating agency actions. Once a decline in fair value is determined to be other than temporary, an impairment charge is recorded and a new cost basis in the investment is established. The Company views its available-for-sale portfolio as available for use in its current operations. Accordingly, the Company has classified all marketable investments as short-term, even though the stated maturity date may be one year or more beyond the current balance sheet date. The specific identification method is used to determine the cost of securities sold. Interest and dividends on securities classified as available-for-sale are included in interest and other income, net.

The Company also has equity investments in privately-held companies. These investments are recorded at cost because the Company does not have the ability to exercise significant influence over the operating and financial policies of these companies. These investments are included in other non-current assets on the accompanying balance sheets. The Company monitors these investments for impairment by considering available evidence generally including financial, operational and economic data and makes appropriate reductions in carrying values when an impairment is deemed to be other than temporary.

When the Company has investments in which it has the ability to exercise significant influence over operating and financial policies, these investments are accounted for using the equity method. Accordingly, the Company's share of the income (loss) in these investments is included in other operating income (loss).

MARVELL TECHNOLOGY GROUP LTD. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Concentration of Credit Risk and Significant Customers

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash equivalents, short-term investments and accounts receivable. The Company places its cash primarily in checking and money market accounts. Cash equivalents and short-term investment balances are maintained with high quality financial institutions, the composition and maturities of which are regularly monitored by management. The Company believes that the concentration of credit risk in its trade receivables with respect to its served markets, as well as the limited customer base,

located primarily in the Far East, are substantially mitigated by the Company's credit evaluation process, relatively short collection terms and the high level of credit worthiness of its customers. The Company performs ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary based upon payment history and the customer's current credit worthiness, but generally requires no collateral. The Company regularly reviews the allowance for bad debt and doubtful accounts by considering factors such as historical experience, credit quality, age of the accounts receivable balances and current economic conditions that may affect a customer's ability to pay. The Company recorded provisions for allowance for bad debt and doubtful accounts of none, \$500,000 and \$703,000 in fiscal 2006, 2005 and 2004, respectively. Receivables and adjustments written off against the allowance aggregated \$254,000, \$26,000 and \$100,000 in fiscal 2006, 2005 and 2004, respectively. The allowance for bad and doubtful accounts at January 31, 2006, 2005 and 2004 was \$1.5 million, \$1.7 million and \$1.3 million, respectively. Refer to the Revenue Recognition caption in Note 1 for additional information on sales returns and allowances.

The following table sets forth sales to end customers comprising 10% or more of the Company's net revenue for the periods indicated:

Customer	Years Ended January 31,		
	2006	2005	2004
Western Digital	17%	18%	*
Samsung	14%	14%	14%
Toshiba	14%	10%	*
Fujitsu	10%	*	*
Intel	*	*	18%

* Less than 10% of net revenue

The Company's accounts receivable were concentrated with two customers at January 31, 2006, representing 16% and 13% of gross accounts receivable, and were concentrated with three customers at January 31, 2005, representing 20%, 13% and 12% of gross accounts receivable.

In fiscal 2006, 2005 and 2004, one distributor accounted for 11%, 13% and 11% of the Company's net revenue, respectively. This distributor also accounted for less than 10% of total accounts receivable as of January 31, 2006 and January 31, 2005, respectively, and accounted for 12% of total accounts receivable as of January 31, 2004. The Company continuously monitors the creditworthiness of its distributors and believes their sales to diverse end customers and to diverse geographies further serve to mitigate the Company's exposure to credit risk.

Concentration of Other Risk

The semiconductor industry is characterized by rapid technological change, competitive pricing pressures, and cyclical market patterns. The Company's results of operations are affected by a wide variety of factors, including general economic conditions, both at home and abroad; economic conditions specific

MARVELL TECHNOLOGY GROUP LTD. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

to the semiconductor industry; demand for the Company's products; the timely introduction of new products; implementation of new manufacturing technologies; manufacturing capacity; the ability to manufacture efficiently; the availability of materials and supplies; competition; the ability to safeguard patents and intellectual property in a rapidly evolving market; and reliance on assembly and wafer fabrication subcontractors and on independent distributors and sales representatives. As a result, the Company may experience substantial period-to-period fluctuations in future operating results due to the factors mentioned above or other factors.

Inventory

Inventory is stated at the lower of cost or market, cost being determined under the first-in, first-out method. The Company has taken adjustments to write-down the cost of obsolete and excess inventory to the estimated market value based on historical and forecasted demand for its products. If actual future demand for the Company's products is less than currently forecasted, additional inventory adjustments may be required. Once a reserve is established, it is maintained until the product to which it relates to is sold or otherwise disposed of. This treatment is in accordance with Accounting Research Bulletin 43 and Staff Accounting Bulletin 100 "Restructuring and Impairment Charges." The Company recorded charges for inventory excess and obsolescence of \$14.1 million, \$12.9 million and \$1.0 million, for fiscal 2006, 2005 and 2004, respectively.

Property and Equipment

Property and equipment, including capital leases and leasehold improvements, are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which ranges from three to five years. Buildings are depreciated over an estimated useful life of thirty years and building improvements are depreciated over estimated useful lives of fifteen years. Land is not depreciated. Assets held under capital leases and leasehold improvements are amortized over the shorter of term of the lease or their estimated useful lives.

Goodwill and Acquired Intangible Assets

Goodwill is recorded when the consideration paid for an acquisition exceeds the fair value of net tangible and intangible assets acquired. Acquisition-related identified intangible assets are amortized on a straight-line basis over their estimated economic lives of five years for purchased technology, two years for trade name and five to six years for customer contracts.

Goodwill is measured and tested for impairment on an annual basis or more frequently if we believe indicators of impairment exist. The performance of the test involves a two-step process. The first step requires comparing the fair value of the reporting unit to its net book value, including goodwill. The Company has one reporting unit. The fair value of the reporting unit is determined by taking the market capitalization of the reporting unit as determined through quoted market prices. A potential impairment exists if the fair value of the reporting unit is lower than its net book value. The second step of the process is only performed if a potential impairment exists, and it involves determining the difference between the fair value of the reporting unit's net assets other than goodwill to the fair value of the reporting unit and if the difference is less than the net book value of goodwill an impairment exists and is recorded. The Company has not been required to perform this second step of the process since its implementation of SFAS 142 because the fair value of the reporting unit has exceeded its net book value at every measurement date.

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

See Note 5, “Goodwill and Purchased Intangible Assets,” for detail of the activities in these accounts during fiscal 2006 and 2005.

Long-Lived Assets

Long-lived assets include equipment, furniture and fixtures, privately held equity investments and intangible assets. Whenever events or changes in circumstances indicate that the carrying amount of long-lived assets may not be recoverable, we estimate the future cash flows, undiscounted and without interest charges, expected to result from the use of those assets and their eventual cash position. If the sum of the expected future cash flows is less than the carrying amount of those assets, we recognize an impairment loss based on the excess of the carrying amount over the fair value of the assets.

Foreign Currency Transactions

The functional currency of the Company’s non-United States operations is the United States dollar. Monetary accounts maintained in currencies other than the United States dollar are re-measured using the foreign exchange rate at the balance sheet date. Operational accounts and nonmonetary balance sheet accounts are measured and recorded at the rate in effect at the date of the transaction. The effects of foreign currency re-measurement are reported in current operations. The effect of foreign currency re-measurement was not significant in fiscal 2006, 2005 or 2004.

Reclassifications

Certain items have been reclassified to be consistent with current presentation. The Company reclassified certain auction rate securities from cash and cash equivalents to short-term investments as of January 31, 2004 (see Note 3). The reclassifications have no effect on previously disclosed net income, shareholders’ equity or operating cash flows.

Revenue Recognition

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

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 recorded charges for sales returns and allowances on product sales of \$150,000, none and \$40,000 in fiscal 2006, 2005 and 2004, respectively. Amounts written off against the sales return and allowance reserve aggregated none, \$196,000 and \$193,000 in fiscal 2006, 2005 and 2004, respectively. The sales return and allowance reserve at January 31, 2006 and 2005 was \$1.6 million and \$1.4 million, respectively.

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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,” 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.

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.

Research and Development

Research and development costs are expensed as incurred.

Advertising Expenses

Advertising costs are expensed as incurred.

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

MARVELL TECHNOLOGY GROUP LTD. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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.

During fiscal 2004, the Company recorded \$7.6 million of deferred stock-based compensation related to the exchange of stock options with employees of companies acquired during fiscal 2004. Such deferred stock-based compensation is being amortized using an accelerated method over the remaining vesting periods of the options. No deferred stock-based compensation was recorded during fiscal 2005 or fiscal 2006.

During fiscal 2005, the Company recorded approximately \$1.0 million of compensation expense resulting from the accelerated vesting of stock options previously granted to an employee.

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 (in thousands, except per share amounts):

	Years Ended January 31,		
	2006	2005	2004
Net income:			
As reported	\$ 331,363	\$ 141,661	\$ 45,510
Adjustments:			
Stock-based employee compensation expense included in reported net income, net of tax effect	2,246	4,991	4,943
Stock-based employee compensation expense determined under fair value based method for all awards, net of tax effect	(143,887)	(133,573)	(84,736)
Pro forma	\$ 189,722	\$ 13,079	\$ (34,283)
Basic net income (loss) per share:			
As reported	\$ 1.17	\$ 0.53	\$ 0.18
Pro forma	\$ 0.67	\$ 0.05	\$ (0.14)
Diluted net income (loss) per share:			
As reported	\$ 1.05	\$ 0.47	\$ 0.16
Pro forma	\$ 0.62	\$ 0.05	\$ (0.14)

For the purpose of the above SFAS 123 pro forma disclosure, the fair value of each stock option granted prior to the Company's initial public offering in June 2000 was estimated on the date of grant using the minimum value method, which does not consider stock price volatility, as prescribed by SFAS 123. Stock options granted subsequent to the Company's initial public offering have been valued using the Black-Scholes option pricing model. Among other things, the Black-Scholes model considers the expected volatility of the Company's stock price in arriving at an option valuation. The following table summarizes the estimated fair value of options granted and additional assumptions used in the SFAS 123 calculations:

	Stock Option Plans			ESPP		
	2006	2005	2004	2006	2005	2004
Estimated fair value	\$ 22.23	\$ 16.47	\$ 10.45	\$ 12.02	\$ 12.23	\$ 6.43
Volatility	59% - 73%	81% - 115%	95%	59% - 73%	110% - 112%	95%
Expected term (in years)	4.2	3.7	4.0	1.3	1.3	1.5
Risk-free interest rate	4.1%	3.4%	2.7%	3.9%	2.3%	1.3%
Dividend yield	—	—	—	—	—	—

MARVELL TECHNOLOGY GROUP LTD. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company evaluates the assumptions used to value stock awards under SFAS 123 on a quarterly basis. The Company believes that its current assumptions are an appropriate estimate of fair value.

For purposes of the foregoing pro forma illustration, the fair value of each stock award has been estimated as of the date of grant or assumption using the Black-Scholes model, which was developed for use in estimating the value of traded options that have no vesting restrictions and that are freely transferable. The Black-Scholes model considers, among other factors, the expected life of the option and the expected volatility of the Company's stock price. The Black-Scholes model meets the requirements of SFAS 123R but the fair values generated by the model may not be indicative of the actual fair values of the Company's stock-based awards, as it does not consider other factors important to stock-based awards, such as continued employment and periodic vesting requirements and limited transferability. For pro forma illustration purposes, the Black-Scholes value of the Company's stock-based awards is assumed to be amortized on a straight-line basis over their respective vesting periods.

In addition to APB 25 and the disclosure-only alternative of SFAS 123, the Company complied with the provisions of FASB Interpretation ("FIN") No. 44, *Accounting for Certain Transactions Involving Stock Compensation — An Interpretation of APB Opinion No. 25* ("FIN 44"). FIN 44 clarifies the definition of an employee for purposes of applying APB 25, the criteria for determining whether a plan qualifies as a noncompensatory plan, the accounting consequence of various modifications to the terms of a previously fixed stock option or award, and the accounting for an exchange of stock compensation awards in a business combination. The rules require that the intrinsic value of the restricted stock and unvested options be allocated to deferred compensation and recognized as stock-based compensation expense ratably over the remaining future vesting period. In the event that a holder does not fully vest in the restricted stock or unvested options, the unamortized portion of deferred compensation is eliminated.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS 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. Effective February 1, 2006, the Company adopted SFAS 123R. The Company plans to use the modified-prospective method of recognition of compensation expense related to share-based payments.

Upon adoption, SFAS 123R will have a material and adverse effect on the Company's reported results of operations, although it will have no impact on its overall financial position 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. The amounts disclosed within the Company's footnotes are not necessarily indicative of the amounts that will be expensed upon the adoption of SFAS 123R. Compensation expense calculated under SFAS 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.

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In connection with the adoption of SFAS 123R, the Company has a balance of unearned stock-based compensation to be expensed in the future related to share-based awards unvested at January 31, 2006, as previously calculated under the disclosure-only requirements of SFAS 123. If there are any modifications or cancellations of the underlying unvested securities, the Company may be required to accelerate, increase or cancel any remaining unearned stock-based compensation expense. To the extent that the Company grants additional equity securities to employees or assumes unvested securities in connection with any acquisitions, stock-based compensation expense will be increased by the additional unearned compensation resulting from those additional grants or acquisitions. The Company anticipates it will grant additional employee stock options in the first quarter of fiscal 2007 as part of its regular annual equity compensation focal review program. The fair value of these grants is not included in the amount above, as the impact of these grants cannot be predicted at this time because it will depend on the number of share-based payments granted as part of the focal review program and the then current fair values.

Had the Company adopted SFAS 123R in prior periods, the magnitude of the impact of that standard on the Company's results of operations would have been less than the impact of SFAS 123 reported in prior period disclosures due to the application of the historical rate of forfeitures of stock options on the Black-Scholes option pricing model as illustrated in the pro forma table above. SFAS 123R also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement may reduce net operating cash flows and increase net financing cash flows in periods after its adoption. The Company cannot estimate what those amounts will be in the future.

Comprehensive Income (Loss)

For the years ended January 31, 2006, 2005 and 2004, comprehensive income (loss) is comprised of net income (loss) and unrealized gains and losses on available-for-sale securities, net of tax. For the years ended January 31, 2006, 2005 and 2004, \$48,000, \$(2.6) million and \$(1.2) million respectively of net unrealized gains (losses) were reclassified as realized gains (losses) and recognized in the accompanying statement of income upon the sale of the related securities.

Accumulated other comprehensive income (loss), as presented on the accompanying balance sheets, consists of net unrealized gains and losses on available-for-sale securities, net of tax.

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.

Warranty

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

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Recent Accounting Pronouncements

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004), “Share-Based Payment” (“SFAS 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 SFAS 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 reported results of operations, although it will have no impact on its overall financial position 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 “Stock Based Compensation” above). The amounts disclosed within the Company’s footnotes are not necessarily indicative of the amounts that will be expensed upon the adoption of SFAS 123R. Compensation expense calculated under SFAS 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. The Company plans to use the modified-prospective method of recognition of compensation expense related to share-based payments.

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

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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.

Note 2 — Acquisitions:

RADLAN Computer Communications Ltd.

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

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

On the date that the \$22.5 million of cash became payable, 2,325,582 shares of the Company's common stock were worth more than \$22.5 million and therefore in accordance with the share purchase agreement, instead of paying \$22.5 million in cash, 2,325,582 shares of common stock were issued. Accordingly, the Company recorded a \$24.9 million adjustment to increase goodwill in the quarter ended October 31, 2003. The \$24.9 million adjustment was calculated based on the 2,325,582 shares issued multiplied by the \$20.40 closing price of the Company's stock on October 6, 2003, less the \$22.5 million that was previously accrued upon the close of the transaction on June 27, 2003.

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

Additionally, 1,023,256 shares of the Company's common stock 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 January 31, 2005, all 1,023,256 shares reserved for future issuance to former RADLAN shareholders were earned based on the Company's achievement of revenues from certain products during fiscal 2005.

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Total goodwill adjustments of approximately \$25.5 million were recorded in fiscal 2005 for the shares earned during fiscal 2005. 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.

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

Amortizable intangible assets:	
Purchased technology	\$ 5,400
Trade name	100
Customer contracts and relationships	200
Total amortizable intangible assets	5,700
Goodwill	143,522
Current assets	2,325
Previously licensed technology	(2,500)
Property, plant and equipment	1,995
Other non current assets	1,526
Current liabilities	(15,719)
Other long-term liabilities	(2,136)
Total purchase price	<u>\$ 134,713</u>

Amortizable intangible assets consist of purchased technology, trade name, and customer related intangibles with useful lives of two to five years. Approximately \$143.5 million has been allocated to goodwill, which represents the excess purchase price over the fair value of the net tangible and intangible assets acquired, and is not deductible for tax purposes. Goodwill will not be amortized and will be tested for impairment, at least annually.

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

	Year Ended January 31, 2004
Net revenue	<u>\$ 820,150</u>
Net income	\$ 35,376
Basic net income per share	\$ 0.14
Diluted net income per share	\$ 0.13

Upon closing of the acquisition of RADLAN, the Company effectively granted 330,000 shares of restricted common stock to the employees of RADLAN. The restricted stock was valued on the date of issuance at \$5.5 million and vests over a period of five years. Accordingly, the Company recorded deferred stock-based compensation of \$5.5 million that will be amortized on an accelerated basis over the vesting period consistent with the method described in FIN 28.

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Asica, Inc.

On November 24, 2003, the Company acquired the remaining 54% of the shares of Asica not owned by the Company pursuant to a merger agreement. Prior to the merger, the Company owned 46% of the shares of Asica, which designs and develops digital signal processors used in consumer and other applications. The acquisition has been accounted for using the purchase method of accounting, and the operating results of Asica have been included in the Company's consolidated financial statements from the date of acquisition.

The total purchase price of the acquisition was approximately \$7.4 million. The purchase price consisted of the issuance of 180,274 shares of the Company's common stock and restricted common stock (valued at \$19.36 per share for a total of \$3.5 million) to Asica shareholders, the assumption of 52,042 employee stock options (valued at \$16.97 per option for a total of \$883,000), the Company's existing \$2.8 million investment in preferred stock of Asica and acquisition related expenses of approximately \$240,000. The value of the common and restricted stock was determined based on the average market price of the Company's common stock over a 3-day period ending on November 24, 2003. The value of the employee stock options assumed was determined using the Black-Scholes option pricing model with inputs of 90% for volatility, 4-year expected life, risk-free interest rate of 3% and a market value of \$19.17 (the closing price of the Company's common stock on November 24, 2003). Of the 180,274 shares of common stock issued to Asica shareholders, 83,296 shares are restricted shares that vest over a four-year period. The unvested shares are subject to forfeiture in the event the shareholder terminates his employment with the Company.

The aggregate purchase price was allocated as follows (in thousands):

Purchased technology	\$ 360
Goodwill	5,079
Net liabilities assumed	(57)
Deferred tax liability	(144)
Deferred compensation	2,130
Aggregate purchase price	<u>\$ 7,368</u>

Amortizable intangible assets consist of purchased technology with a useful life of five years. Approximately \$5.1 million has been allocated to goodwill, which represents the excess purchase price over the fair value of the net tangible and intangible assets acquired, and is not deductible for tax purposes.

The amount allocated to deferred stock-based compensation relates to the intrinsic value of the unvested restricted stock and stock options issued. The restricted stock and stock options vest over a period of four years. The deferred stock-based compensation is amortized on an accelerated basis over the vesting period of the individual awards consistent with the method described in FIN 28.

The pro-forma results for the last two years for the effect of the Asica acquisition have not been disclosed because they would not be materially different from the statement of operations.

Hard Disk and Tape Drive Controller Semiconductor Business of QLogic Corporation

On November 4, 2005, the Company acquired the hard disk and tape drive controller semiconductor business (the "Business") of QLogic Corporation. The acquired Business designs and supplies controller chips for data storage peripherals, such as hard disk and tape drives. As a result of the acquisition, the Business will provide controller chip products which the Company believes will be able to provide

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

complementary products to its customers in the hard disk market while improving its ability to address the overall data storage market. These factors contributed to a purchase price that was in excess of the fair value of the Business net tangible and intangible assets acquired and, as a result, the Company recorded goodwill in connection with this transaction.

Under terms of the agreement, the Company issued a combination of \$184.0 million in cash and 980,499 shares of its common stock valued at \$45.6 million for total consideration of \$229.6 million. The agreement provides for \$12.0 million of the consideration to be placed in escrow for up to one year from the closing date to secure QLogic's obligations under certain representation and warranty provisions.

The purchase price of the Business was \$232.5 million, determined as follows (in 000's):

Cash	\$ 184,032
Value of Marvell common stock issued	45,583
Transaction costs	2,920
Total purchase price	<u>\$ 232,535</u>

The value of the 980,499 shares of the Company's common stock issued was determined based on the average price of the Company's common stock over a 5-day period including the two days before and after August 29, 2005 (the announcement date), or \$46.49 per share.

Under the purchase method of accounting, the total purchase price as shown in the table is allocated to the Business' net tangible and intangible assets based on their fair values as of the date of the completion of the acquisition. Based on the fair values acquired, the purchase price allocation is as follows (in 000's):

Net tangible assets acquired	\$ 25,073
Amortizable intangible assets:	
Existing technology	42,700
Core technology	26,400
Customer relationships	54,200
In-process technology	4,300
Goodwill	79,862
Total estimated purchase price allocation	<u>\$ 232,535</u>

Existing technology is comprised of products that have reached technological feasibility and includes the fibre channel hard disk controller ("HDC"), Small Computer System Interface ("SCSI") HDC and the tape drive products of the hard disk and tape drive controller business of QLogic. The Company

amortized the existing technology for the fibre channel HDC and SCSI HDC on a straight-line basis over an average estimated life of one year while the existing technology for the tape drive products was amortized on a straight-line basis over an average estimated life of 2 years.

Core technology represents the subset of existing and in-process technology. The core technology represents the technology that is embedded in the existing technology that must be separately valued. The Company amortized the core technology on a straight-line basis over an average estimated life of 3 years.

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Customer relationships represent future projected revenue that are derived from sales of future versions of existing products that will be sold to existing customers. The Company amortized customer relationships on a straight-line basis over an average estimated life of 4 years.

Of the total purchase price, \$4.3 million was allocated to in-process research and development (“IPRD”) based upon the fair values of assets acquired and was charged to expense in the fourth quarter of fiscal 2006.

The Business is currently developing new products that qualify as IPRD. Projects that qualify as IPRD represent those that have not reached technological feasibility and which have no alternative use and therefore shall be immediately written-off. The projects in process consisted of a product based on a combined SCSI and HDC that would help customers transition from a SCSI market.

The values assigned to IPRD were determined by considering the importance of products under development to the overall development plan, estimating costs to develop the purchased IPRD into commercially viable products, estimating the resulting net cash flows from the projects when completed and discounting the net cash flows to their present value. The fair values of IPRD were determined using the income approach, which discounts expected future cash flows to present value. The discount rates used in the present value calculations were derived from a weighted-average cost of capital analysis, adjusted to reflect additional risks related to the product’s development and success as well as the product’s stage of completion. A discount rate of 21.0% was used for IPRD and rates between 13.0% and 18.3% were used for intangible assets.

At the time of the acquisition, the project was approximately 25.0% complete with aggregate costs to complete of \$2.7 million. The project is in process and is expected to be completed by October 2006.

The estimates used in valuing in-process research and development were based upon assumptions believed to be reasonable but which are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur. Accordingly, actual results may vary from the projected results.

Of the total purchase price, approximately \$79.9 million was allocated to goodwill. Goodwill represents the excess of the purchase price of an acquired business over the fair value of the underlying net tangible and intangible assets, and is not deductible for tax purposes.

In accordance with the Statement of Financial Accounting Standards No. 142, “Goodwill and Other Intangible Assets,” goodwill resulting from business combinations subsequent to June 30, 2001 will not be amortized but instead will be tested for impairment at least annually (more frequently if certain indicators are present). In the event that the Company determines that the value of goodwill has become impaired, the combined company will incur an accounting charge for the amount of impairment during the fiscal quarter in which the determination is made.

MARVELL TECHNOLOGY GROUP LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The results of operations of the Business have been included in the Company’s consolidated statements of operations since the completion of the acquisition on November 4, 2005. The following unaudited pro forma information presents a summary of the results of operations of the Company assuming the acquisition of the Business occurred at the beginning of the periods presented (in thousands, except for per share amounts):

	Year Ended January 31, 2006	Year Ended January 31, 2005
Net revenue	\$ 1,751,758	\$ 1,367,765
Net income	\$ 368,331	\$ 207,023
Basic net income per share	\$ 1.36	\$ 0.76
Diluted net income per share	\$ 1.22	\$ 0.69

Pending Acquisitions

On February 16, 2006, the Company completed the acquisition of the semiconductor division of UTStarcom, Inc. for \$24.0 million in cash. The Company may pay an additional \$16.0 million if certain defined milestones are achieved at various intervals through September 2006. The Company may also record a one-time charge for purchased in-process research and development expenses. The amount of that charge, if any, would be recorded in the Company’s first quarter of fiscal 2007, but has not yet been determined.

On February 21, 2006, the Company announced the signing of a definitive agreement to acquire the printer semiconductor business of Avago Technologies Limited. Under the agreement, the Company will pay \$240.0 million in cash upon closing of the transaction. The Company may pay an additional \$35.0 million if certain defined milestones are achieved at various intervals through October 2007. The Company may also 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.

Note 3 — Available-for-Sale Securities:

The amortized cost and fair value of available-for-sale securities at January 31, 2006 and 2005 are presented in the following tables (in thousands):

	January 31, 2006			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate debt securities	\$ 33,662	\$ —	\$ (551)	\$ 33,111
Auction rate securities	438,615	—	—	438,615
U.S. Federal, State, county and municipal debt securities	107,414	—	(1,592)	105,822
	579,691	—	(2,143)	577,548
Less amounts classified as cash equivalents	(4,957)	—	—	(4,957)
Short-term investments	<u>\$ 574,734</u>	<u>\$ —</u>	<u>\$ (2,143)</u>	<u>\$ 572,591</u>

84

MARVELL TECHNOLOGY GROUP LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	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.

The contractual maturities of available-for-sale debt securities classified as short-term investments at January 31, 2006 and 2005 are presented in the following table (in thousands):

	January 31, 2006		January 31, 2005	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 82,779	\$ 81,990	\$ 37,828	\$ 37,589
Due between one and five years	58,297	56,943	159,583	157,853
Due over five years	438,615	438,615	298,101	298,101
	<u>\$ 579,691</u>	<u>\$ 577,548</u>	<u>\$ 495,512</u>	<u>\$ 493,543</u>

The following table summarizes the cash and cash equivalent and short-term investment balances as previously reported and as reclassified as of the period ending dates for fiscal year 2004 (in thousands):

	Cash and Cash Equivalents		Short-Term Investments	
	As Reported	As Reclassified	As Reported	As Reclassified
Year ended:				
January 31, 2004	\$ 224,399	\$ 173,969	\$ 161,872	\$ 212,302

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

	Cash Flow Activity	
	As Reported	As Reclassified
Year ended January 31, 2004:		
Purchases of short-term investments	\$ (130,810)	\$ (216,261)
Sales and maturities of short-term investments	\$ 107,514	\$ 155,640
Net cash used in investing activities	\$ (130,706)	\$ (168,031)
Net increase in cash and cash equivalents	\$ 99,083	\$ 61,758
Cash and cash equivalents at end of period	\$ 224,399	\$ 173,969

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. Investments are reviewed periodically to identify possible other-than-temporary impairment. When evaluating the investments, the Company

85

MARVELL TECHNOLOGY GROUP LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

reviews factors such as the length of time and extent to which fair value has been below cost basis and the Company's ability and intent to hold the investment for a period of time which may be sufficient for anticipated recovery in market value. The Company has the intent and ability to hold these securities for a reasonable period of time sufficient for a forecasted recovery of fair value up to (or beyond) the initial cost of the investment. The Company expects to realize the full value of all of these investments upon maturity or sale. 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 (in thousands):

	January 31, 2006					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate debt securities	\$ —	\$ —	\$ 33,661	\$ (551)	\$ 33,661	\$ (551)
U.S. Federal, State, county and municipal debt securities	5,023	(24)	102,393	(1,568)	107,416	(1,592)
Total temporarily impaired securities	<u>\$ 5,053</u>	<u>\$ (24)</u>	<u>\$ 136,054</u>	<u>\$ (2,119)</u>	<u>\$ 141,077</u>	<u>\$ (2,143)</u>

	January 31, 2005					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate debt securities	\$ 35,524	\$ (444)	\$ 36,110	\$ (481)	\$ 71,634	\$ (925)
U.S. Federal, State, county and municipal debt securities	65,806	(589)	52,209	(459)	118,015	(1,048)
Total temporarily impaired securities	<u>\$ 101,330</u>	<u>\$ (1,033)</u>	<u>\$ 88,319</u>	<u>\$ (940)</u>	<u>\$ 189,649</u>	<u>\$ (1,973)</u>

Note 4 — Supplemental Financial Information (in thousands):

Inventories

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

	January 31,	
	2006	2005
Work-in-process	\$ 96,110	\$ 63,027
Finished goods	115,264	65,862
	<u>\$ 211,374</u>	<u>\$ 128,889</u>

Prepays and other current assets

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

	January 31,	
	2006	2005
Prepayments for foundry capacity	\$ 62,120	\$ —
Receivable from foundry	19,512	—
Other	22,675	15,144
	<u>\$ 104,307</u>	<u>\$ 15,144</u>

MARVELL TECHNOLOGY GROUP LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Property and equipment, net

	January 31,	
	2006	2005
Machinery and equipment	\$ 142,320	\$ 105,237
Computer software	108,032	79,494
Furniture and fixtures	10,588	8,430
Leasehold improvements	9,292	11,354
Buildings	8,729	7,096
Building improvements	24,747	—
Land	51,500	51,500
Construction in progress	56,309	16,471
	<u>411,517</u>	<u>279,582</u>
Less: Accumulated depreciation and amortization	(150,596)	(117,812)
	<u>\$ 260,921</u>	<u>\$ 161,770</u>

Property and equipment included \$59,032 and \$48,092 of assets under capital lease at January 31, 2006 and 2005, respectively. Accumulated depreciation on these assets was \$15,647 and \$22,381 at January 31, 2006 and 2005, respectively.

On November 17, 2003, the Company completed the purchase of six buildings on 33.8 acres of land in Santa Clara, California for a total cost of \$63.9 million in cash. The site is the location of its U.S. headquarters. The facility consists of approximately 876,000 square feet. One of the buildings is currently leased to a tenant. In fiscal 2005, the Company began to occupy a portion of two buildings with some of its operations, sales and marketing groups. In fiscal 2006, the Company occupied one more building, while the remaining two buildings, which will be used for research and design functions, operations, sales, marketing and administration, are being renovated.

Other noncurrent assets

	January 31,	
	2006	2005
Equity investments in private companies	\$ 11,679	\$ 9,436
Long-term prepayments for foundry capacity	18,160	—
Other	52,473	39,326
	<u>\$ 82,312</u>	<u>\$ 48,762</u>

Warranty accrual

The following table presents changes in the warranty accrual included in accrued liabilities in the Company's consolidated balance sheet during fiscal 2006, 2005 and 2004, respectively (in thousands):

	January 31,		
	2006	2005	2004
Beginning balance	\$ 1,571	\$ 812	\$ 526
Payments and other charges	3,670	1,545	1,160
Charges to cost of goods sold	(1,327)	(786)	(874)
Payments and other charges	<u>\$ 3,914</u>	<u>\$ 1,571</u>	<u>\$ 812</u>

MARVELL TECHNOLOGY GROUP LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Other long-term liabilities

	January 31,	
	2006	2005
Long-term facilities consolidation charge	\$ 2,896	\$ 3,793
Accrued severance	13,083	11,196
Other	8,892	3,500
	<u>\$ 24,871</u>	<u>\$ 18,489</u>

Net income per share

The computations of basic and diluted net income per share are presented in the following table (in thousands, except per share amounts):

	Years Ended January 31,		
	2006	2005	2004
Numerator:			
Net income (loss)	<u>\$ 331,363</u>	<u>\$ 141,661</u>	<u>\$ 45,510</u>
Denominator:			
Weighted average shares of common stock outstanding	282,935	269,721	251,846
Less: unvested common shares subject to repurchase	—	(34)	(292)
Weighted average shares — basic	282,935	269,687	251,554
Effect of dilutive securities			
Unvested common shares subject to repurchase	—	34	292
Warrants	839	689	342
Contingently issuable shares	171	968	1,324
Common stock options	31,713	28,165	22,971
Weighted average shares — diluted	<u>315,658</u>	<u>299,543</u>	<u>276,483</u>
Basic net income per share	<u>\$ 1.17</u>	<u>\$ 0.53</u>	<u>\$ 0.18</u>
Diluted net income per share	<u>\$ 1.05</u>	<u>\$ 0.47</u>	<u>\$ 0.16</u>

Options to purchase 698,571 common shares at a weighted average price of \$50.21 per share have been excluded from the computation of diluted net income per share because their exercise prices were greater than the average market price of the common shares for fiscal 2006. Options to purchase 616,645 common shares at a weighted average exercise price of \$29.86 per share have been excluded from the computation of diluted net income per share because their exercise prices were greater than the average market price of the common shares for fiscal 2005. Options to purchase 5,109,192 common shares at a weighted average exercise price of \$20.36 per share have been excluded from the computation of diluted net income per share because their exercise prices were greater than the average market price of the common shares for fiscal 2004.

Note 5 — Goodwill and Purchased Intangible Assets:

The Company performs an annual impairment review during the fourth quarter of each year or more frequently if indicators of impairment exist. The Company performed its annual assessment of goodwill in fiscal 2006, 2005 and 2004 and concluded that there were no impairments.

MARVELL TECHNOLOGY GROUP LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	As of January 31, 2006			As of January 31, 2005		
	Gross Carrying Amounts	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Purchased technology	\$ 437,415	\$ (400,980)	\$ 36,435	\$ 394,715	\$ (314,460)	\$ 80,255
Core technology	26,400	(2,031)	24,369	—	—	—
Trade name	100	(100)	—	100	(80)	20
Customer contracts	54,400	(3,231)	51,169	200	(64)	136
Total identified intangible assets	518,315	(406,342)	111,973	395,015	(314,604)	80,411
Goodwill	1,906,115	(347,906)	1,558,209	1,828,131	(347,906)	1,480,225
Total intangible assets	<u>\$ 2,424,430</u>	<u>\$ (754,248)</u>	<u>\$ 1,670,182</u>	<u>\$ 2,223,146</u>	<u>\$ (662,510)</u>	<u>\$ 1,560,636</u>

The changes in the carrying amount of goodwill for fiscal 2006 are as follows (in thousands):

	January 31, 2006
Balances as of January 31, 2005	\$ 1,480,225
Additional goodwill	79,862
Reductions to existing goodwill	(1,878)
Balances as of January 31, 2006	<u>\$ 1,558,209</u>

The increase in goodwill during fiscal 2006 was due to goodwill from the acquisition of the hard disk and tape drive controller business of QLogic Corporation (see Note 2). The reduction in existing goodwill in fiscal 2006 was due primarily to the recognition of the benefits of pre-acquisition federal and state income tax net operating losses of a former Radlan U.S. subsidiary of \$1.7 million.

Identified intangible assets consist of purchased technology, core technology and customer contracts and related relationships. Purchased technology is amortized on a straight-lined basis over their estimated useful lives of one to five years. Core technology is amortized on a straight-line basis over its estimated useful life of three years. Customer contracts and related relationships are amortized on a straight-line basis over their estimated useful lives of four to five years. The aggregate amortization expense of identified intangible assets was \$91.7 million, \$79.0 million and \$80.4 million for fiscal 2006, 2005 and 2004, respectively. The estimated total annual amortization expenses of acquired intangible assets are \$54.6 million in fiscal 2007, \$26.1 million in fiscal 2008, \$20.8 million in fiscal 2009 and \$10.4 million for fiscal 2010.

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 is 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 and is included in amortization and write-off of acquired intangible assets and other, while

MARVELL TECHNOLOGY GROUP LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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.

Note 6 — Facilities Consolidation Charge:

During fiscal 2003, the Company recorded a total of \$19.6 million of charges associated with costs of consolidation of its facilities. These charges included \$12.6 million in lease abandonment charges relating to the consolidation of its three facilities in California into one location. The lease abandonment charge included the remaining lease commitments of these facilities reduced by the estimated sublease income throughout the duration of the lease term. The Company incurred charges of \$1.0 million during the quarter ended April 30, 2002, as a result of duplicate lease and other costs associated with the dual occupation of its current and abandoned facilities. The facilities consolidation charge also included \$6.0 million associated with the write-down of certain property and leasehold improvements related to the abandoned facilities, which reduced the carrying amount of the impaired assets. During the quarter ended July 31, 2003, the Company subleased the abandoned facilities. Actual sublease income approximated the estimated sublease income.

As of January 31, 2006, cash payments of \$9.9 million, net of sublease income, had been made in connection with these charges. Approximately \$3.6 million is accrued for the facilities consolidation charge as of January 31, 2006, of which \$0.7 million is the current portion included in accrued liabilities while the long-term portion totaling \$2.9 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 fiscal 2006 and 2005 is as follows (in thousands):

Balance at January 31, 2005	Net Cash Payments	Non-Cash Charges	Remaining Liability at January 31, 2006
-----------------------------	-------------------	------------------	---

Accrued losses on abandoned leased facilities:				
Non-cancelable lease commitments	<u>\$ 5,053</u>	<u>\$ (1,475)</u>	<u>\$ —</u>	<u>\$ 3,578</u>
	<u>Balance at</u>	<u>Net Cash</u>	<u>Non-Cash</u>	<u>Remaining</u>
	<u>January 31, 2004</u>	<u>Payments</u>	<u>Charges</u>	<u>Liability at</u>
Accrued losses on abandoned leased facilities:				
Non-cancelable lease commitments	<u>\$ 7,355</u>	<u>\$ (2,302)</u>	<u>\$ —</u>	<u>\$ 5,053</u>

In addition to the above tables, during the third quarter of fiscal 2005, the Company recorded a facility consolidation charge of \$2.4 million of costs associated with the 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, which reduced the carrying amount of the impaired assets, and \$0.1 million of remaining lease commitments for these facilities.

Note 7 — Warrants:

In June 2003, in connection with the Company's acquisition of RADLAN, the Company issued 1,086,366 warrants to purchase shares of common stock at an exercise price of \$9.21 per share. The Company valued the warrants under the Black-Scholes formula at approximately \$7.5 million. The warrant

MARVELL TECHNOLOGY GROUP LTD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

value was recorded as part of the RADLAN purchase accounting. As of January 31, 2006, approximately 31,176 warrants had been exercised for a net issuance of 23,413 shares of common stock. The warrants have a five-year life from the date of issuance. As of January 31, 2006, 1,055,190 warrants were outstanding.

Note 8 — Shareholders' Equity:

Common and Preferred Stock

As of January 31, 2006, the Company is authorized to issue 492,000,000 shares of \$0.002 par value common stock and 8,000,000 shares of \$0.002 par value preferred stock. The Company has the authority to issue undesignated preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption and liquidation preferences. As of January 31, 2006 and 2005, no shares of preferred stock were outstanding.

1995 Stock Option Plan

In April 1995, the Company adopted the 1995 Stock Option Plan (the "Option Plan"). The Option Plan, as amended, had 147,575,484 shares of common stock reserved for issuance thereunder as of January 31, 2006. The Option Plan allows for an annual increase in shares reserved for issuance on the first day of each fiscal year equal to the lesser of (i) 20,000,000 shares, (ii) 5.0% of the outstanding shares of capital stock on such date, or (iii) an amount of shares determined by the Board of Directors. The Option Plan allows for the issuance of incentive and nonqualified stock options to employees and consultants of the Company.

Options granted under the Option Plan generally have a term of ten years and generally must be issued at prices not less than 100% and 85% for incentive and nonqualified stock options, respectively, of the fair market value of the stock on the date of grant. Incentive stock options granted to shareholders who own greater than 10% of the outstanding stock are for periods not to exceed five years and must be issued at prices not less than 110% of the fair market value of the stock on the date of grant. The options generally vest 20% one year after the vesting commencement date, and the remaining shares vest one-sixtieth per month over the remaining forty-eight months. Options granted under the Option Plan prior to March 1, 2000 may be exercised prior to vesting. The Company has the right to repurchase such shares at their original purchase price if the optionee is terminated from service prior to vesting. Such right expires as the options vest over a five-year period. Options granted under the Option Plan subsequent to March 1, 2000 may only be exercised upon or after vesting.

1997 Directors' Stock Option Plan

In August 1997, the Company adopted the 1997 Directors' Stock Option Plan (the "Directors' Plan"). The Directors' Plan has 1,800,000 shares of common stock reserved thereunder. Under the Directors' Plan, an outside director is granted 30,000 options upon appointment to the Board of Directors. These options vest 20% one year after the vesting commencement date and remaining shares vest one-sixtieth per month over the remaining forty-eight months. An outside director is also granted 6,000 options on the date of each annual meeting of the shareholders. These options vest one-twelfth per month over twelve months after the fourth anniversary of the vesting commencement date. Options granted under the Directors' Plan may be exercised prior to vesting. The Company has the right to repurchase such shares at their original purchase price if the director is terminated or resigns from the Board of Directors prior to vesting. Such right expires as the options vest over a five-year period.

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Combined Option Plan Activity

The following table summarizes the activity under the Option Plan, the Directors' Plan and other stock option arrangements:

	Shares Available	Options Outstanding	Weighted Average Exercise Price
	(In thousands)		
Balance at January 31, 2003	9,308	49,615	\$ 8.55
Additional shares authorized	32,126	—	—
Options granted and assumed	(27,758)	27,758	\$ 15.34
Options canceled	2,129	(2,752)	\$ 11.85
Options exercised	—	(13,714)	\$ 5.52
Balance at January 31, 2004	15,805	60,907	\$ 12.17
Additional shares authorized	13,175	—	—
Options granted	(4,135)	4,135	\$ 24.25
Options canceled	2,665	(2,731)	\$ 14.36
Options exercised	—	(12,079)	\$ 9.63
Balance at January 31, 2005	27,510	50,232	\$ 13.66
Additional shares authorized	13,880	—	—
Options granted	(9,916)	9,916	\$ 41.99
Options canceled	1,461	(1,504)	\$ 18.64
Options exercised	—	(11,522)	\$ 12.43
Balance at January 31, 2006	32,935	47,122	\$ 19.77

The following table summarizes information relating to stock options outstanding and exercisable under the Option Plan, the Directors' Plan and other stock option arrangements at January 31, 2006:

	Options Outstanding			Options Exercisable	
	Number Outstanding (In thousands)	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable (In thousands)	Weighted Average Exercise Price
Range of exercise prices:					
\$ 0.00 - \$ 9.35	12,641	6.05	\$ 6.59	5,338	\$ 4.63
\$ 9.36 - \$18.25	12,752	6.64	\$ 14.89	7,129	\$ 13.97
\$18.26 - \$22.61	9,463	7.74	\$ 19.13	1,461	\$ 19.65
\$22.62 - \$46.42	9,482	8.88	\$ 34.61	1,164	\$ 27.71
\$46.43 - \$61.38	2,784	9.76	\$ 53.52	56	\$ 47.69
	<u>47,122</u>	<u>7.34</u>	<u>\$ 19.77</u>	<u>15,148</u>	<u>\$ 12.41</u>

As of January 31, 2005, approximately 18.1 million options were exercisable at a weighted average exercise price of \$11.13. As of January 31, 2004, approximately 18.8 million options were exercisable at a weighted average exercise price of \$9.05.

In connection with the acquisition of MSIL, the Company assumed MSIL's stock option plans. Upon acquisition, a total of 13,666,064 shares of the Company's common stock were reserved for issuance under

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

the assumed plans, and the related options are included in the preceding tables. These options will continue to be governed by the terms and conditions of the original option agreements which generally included a four-year vesting schedule and an eight to ten year option term.

As a result of the Company's acquisitions of SysKconnect, RADLAN, and Asica, the Company assumed stock options previously granted by SysKconnect, RADLAN and Asica. As of January 31, 2006, a total of 335,530 shares of common stock were reserved for issuance upon exercise of outstanding options assumed from the acquisitions. The related options are included in the preceding tables. The options vest over five years and have ten year terms.

At January 31, 2006, no unvested shares remain subject to the Company's repurchase rights under the Option Plan and other stock option arrangements.

2000 Employee Stock Purchase Plan

In June 2000, the Company adopted the 2000 Employee Stock Purchase Plan (the "Purchase Plan"). The Purchase Plan had 12,935,806 shares of common stock reserved for issuance thereunder as of January 31, 2005. The Purchase Plan allows for an annual increase in shares reserved for issuance on January 1 of each year equal to the lesser of (i) 4,000,000 shares or (ii) 1.5% of the outstanding shares of capital stock on such date. Under the Purchase Plan, employees are granted the right to purchase shares of common stock at a price per share that is 85% of the lesser of the fair market value of the shares at (i) the participant's entry date into the two-year offering period, or (ii) the end of each six-month purchase period within the offering period. Participants purchase stock using payroll deductions, which may not exceed 20% of their total cash compensation. Offering and purchase periods begin on December 1 and June 1 of each year, with the exception that the first offering period of the Purchase Plan began on June 26, 2001, the date of the Company's initial public offering. During fiscal 2006, a total of 819,847 shares were issued under the Purchase Plan at a weighted-average price of \$24.29. During fiscal 2005, a total of 1,371,268 shares were issued under the Purchase Plan at a weighted-average price of \$11.26 per share. During fiscal 2004, a total of 1,073,372 shares were issued under the Purchase Plan at a weighted-average price of \$9.99 per share. At January 31, 2006, 7,746,535 shares were available for future issuance under the Purchase Plan.

Note 9 — Benefit Plans:

The Company sponsors a 401(k) savings and investment plan which allows all employees to participate by making pre-tax contributions to the 401(k) plan ranging from 1% to 20% of eligible earnings subject to a required annual limit. The Company may make discretionary contributions to the

401(k) plan upon approval by the Board of Directors. In fiscal 2005, the Board of Directors approved a resolution to allow the Company to provide an employer match to the 401(k) plan. The employer match will be made on a semi-annual basis and the maximum contribution will be \$500 per eligible employee at each semi-annual period ending on July 31 and January 31. The participant must be employed by the Company on the last day of the semi-annual period to qualify for the match. Each semi-annual period will be treated separately, in which a participant must contribute at least \$500 per semi-annual period to be eligible to receive a matching contribution. During fiscal 2006, the Company made \$0.9 million of matching contributions to employees and during fiscal 2005, the Company made \$0.4 million of matching contributions to employees. As of January 31, 2006, the 401(k) plan offers a variety of 17 investment alternatives, representing different asset classes. Employees may not invest in the Company's common stock through the 401(k) plan.

Under Israeli law, the Company is required to make severance payments to its retired or dismissed Israeli employees and Israeli employees leaving its employment in certain other circumstances. The

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Company's severance pay liability to its Israeli employees, which is calculated based on the salary of each employee multiplied by the years of such employee's employment, is reflected in the Company's balance sheet in other long-term liabilities on an accrual basis, and is partially funded by the purchase of insurance policies in the name of the employees. The surrender value of the insurance policies is recorded in other noncurrent assets. The severance pay expenses for the years ended January 31, 2006, 2005 and 2004 were \$2.7 million, \$3.0 million and \$2.1 million, respectively. The severance pay detail is as follows (in thousands):

	Years Ended January 31,		
	2006	2005	2004
Accrued severance	\$ 13,083	\$ 11,196	\$ 9,189
Less amount funded	10,299	8,480	6,896
Unfunded portion, net accrued severance pay	<u>\$ 2,784</u>	<u>\$ 2,716</u>	<u>\$ 2,293</u>

Note 10 — Income Taxes:

The provision for income taxes consists of the following (in thousands):

	Years Ended January 31,		
	2006	2005	2004
Current income tax expense:			
Federal	\$ 1,872	\$ 4,295	\$ 5,074
State	28	7	6
Foreign	46,824	27,963	13,939
Total current income tax expense	<u>48,724</u>	<u>32,265</u>	<u>19,019</u>
Deferred income tax expense (benefit):			
Federal	1,501	194	(1,442)
State	1,641	(1,101)	172
Foreign	(4,138)	(3,515)	93
Total deferred income tax benefit	<u>(996)</u>	<u>(4,422)</u>	<u>(1,177)</u>
Total provision for income taxes	<u>\$ 47,728</u>	<u>\$ 27,843</u>	<u>\$ 17,842</u>

Deferred tax assets (liabilities) consist of the following (in thousands):

	As of January 31,	
	2006	2005
Deferred tax assets:		
Research and development credits	\$ 91,783	\$ 52,884
California investment credits	2,012	2,012
Reserves and accruals	16,562	12,339
Depreciation and facilities charges	—	—
Net operating losses	13,935	15,160
Gross deferred tax assets	<u>124,292</u>	<u>82,395</u>
Valuation allowance	(98,249)	(57,815)
Total deferred tax assets	<u>26,043</u>	<u>24,580</u>
Total deferred tax liabilities	<u>(4,526)</u>	<u>(5,962)</u>
Net deferred tax assets	<u>\$ 21,517</u>	<u>\$ 18,618</u>

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The non-current portion of the Deferred Tax Assets as of January 31, 2006 and 2005 was \$3,510 and \$5,825, respectively, and are included with the Other Noncurrent Assets.

As of January 31, 2006, the Company had net operating loss carryforwards available to offset future taxable income of approximately \$10.0 million, \$28.5 million and \$8.8 million for foreign, U.S. Federal and State of California purposes, respectively. The foreign losses will carryforward without a time limit. The Federal carryforwards will expire in various fiscal years between 2010 and 2024, and the California carryforwards will expire at various fiscal years between 2012 and 2014, if not utilized before these dates. Additional, the Company has Federal research tax credit carryforwards for U.S. Federal income tax return purposes of approximately \$42.2 million that expire through fiscal 2025. As of January 31, 2006, the Company had unused California research and tax credits and investment tax credit carryforwards of approximately \$52.5 million, of which approximately \$2.0 million will expire between fiscal 2011 and 2014, if not utilized before these years.

A valuation allowance has been provided for the pre-acquisition net operating losses of certain acquired companies and for certain research tax credit carryforwards. SFAS 109 requires that a valuation allowance be established when after considering both positive and negative evidence as well as tax planning strategies and future taxable income that is more likely than not that all or a portion of deferred tax assets will not be realized.

During fiscal 2006, the valuation allowance for deferred tax assets increased by \$39.8 million from the end of fiscal 2005. This increase was largely due to the increase in unutilized research and investment credits. On December 31, 2005, the Federal research and development credit expired. As of January 31, 2006 and January 31, 2005, \$34.6 million and \$15.1 million of the valuation allowance for deferred tax assets is attributable to stock option deductions arising from activity under the Company's stock option plans, the benefits of which will increase capital in excess of par value when realized. Approximately \$4.5 million of valuation allowance at the end of fiscal 2006 will be allocated to reduce goodwill, other non-current intangible assets, or reserves, when realized, from companies Marvell Technology Group Ltd. and its Subsidiaries had acquired. Any balance in excess of goodwill, intangible assets, fixed assets, and reserves will result in an extraordinary gain. Recognition of other tax benefits will reduce the income tax payable when realized.

Reconciliation of the statutory federal income tax to the Company's effective tax:

	Years Ended January 31,		
	2006	2005	2004
Provision at federal statutory rate	34.0%	34.0%	34.0%
Non-deductible stock-based compensation	1.6	2.4	2.7
Difference in U.S. and non-U.S. tax rates	(21.9)	(19.7)	(5.6)
State taxes, net of federal benefit	0.1	(0.6)	0.3
General business credits	(0.7)	—	(3.3)
Other	(0.5)	0.3	0.1
Effective tax rate	<u>12.6%</u>	<u>16.4%</u>	<u>28.2%</u>

95

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The U.S. and non-U.S. components of income before income taxes are (in thousands):

	Years Ended January 31,		
	2006	2005	2004
U.S. operations	\$ 5,323	\$ 5,187	\$ 3,309
Non-U.S. operations	373,768	164,317	60,043
	<u>\$ 379,091</u>	<u>\$ 169,504</u>	<u>\$ 63,352</u>

As a multinational corporation, the Company conducts its business in many countries and is subject to taxation in many jurisdictions. The taxation of the Company's business is subject to the application of multiple and sometimes conflicting tax laws and regulations as well as multinational tax conventions. The application of tax laws and regulations is subject to legal and factual interpretation, judgment and uncertainty. Tax laws themselves are subject to change as a result of changes in fiscal policy, changes in legislation, evolution of regulation and court rulings. Consequently, taxing authorities may impose tax assessments or judgments against the Company that could materially impact its tax liability and/or its effective income tax rate.

The Company has an undertaking from the government of Bermuda that it will not be subject to tax on its income and capital gains in Bermuda until March 28, 2016.

The Economic Development Board of Singapore granted Pioneer Status to our wholly-owned subsidiary in Singapore in July 1999. 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. Until the Company receives written confirmation of the extended Pioneer Status, it is operating in accordance with the current pioneer status agreement as well as its October 1, 2004 agreement under which 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 the Development and Expansion Incentive agreement 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. The Company agreed to maintain Singapore as its Asia Pacific headquarters and to meet several requirements relating to headcount, production activities and spending.

The Company acquired MSIL on January 21, 2001 and RADLAN on June 27, 2003. MSIL and RADLAN's Israeli operations have been granted Approved Enterprise Status by the Israeli government under the Law for the Encouragement of Capital Investments, 1959 (the "Investment Law"). The Approved Enterprise Status provides a tax holiday on undistributed income derived from operations within certain "development regions" in Israel. This tax holiday is conditional upon the Company continuing to meet specified conditions stipulated by the Investment Law. The primary condition is a requirement to make a minimum amount of investments in fixed assets in Israel.

During fiscal 2006, the Company's German and Israel subsidiaries underwent and completed corporate tax audits of years 1999 through 2002 and years 2001 through 2003, respectively. During fiscal 2005, the Internal Revenue Service (IRS) completed an income tax audit for the fiscal years ended January 31, 2003, 2002 and 2001 of the Company's U.S. consolidated return. The audits closed with no material adverse impact on the Company's consolidated financial statements.

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 11 — Commitments and Contingencies:

Lease Commitments

The Company leases some of its facilities under noncancelable operating leases and leases certain property and equipment under capital leases. Future minimum lease payments, net of estimated sublease income under the operating and capital leases as of January 31, 2006 are presented in the following table (in thousands):

Fiscal Year:	Operating Leases	Estimated Sublease Income	Net Operating Leases	Capital Leases
2007	\$ 7,085	\$ (518)	\$ 6,567	\$ 18,523
2008	6,441	(579)	5,862	15,492
2009	6,555	(622)	5,933	7,697
2010	4,738	(652)	4,086	2,836
2011	4,292	(624)	3,668	—
Thereafter	28,740	—	28,740	—
Total future minimum lease payments	<u>\$ 57,851</u>	<u>\$ (2,995)</u>	<u>\$ 54,856</u>	<u>44,548</u>
Less: amount representing interest				(3,538)
Present value of future minimum lease payments				<u>41,010</u>
Less: current portion				(16,563)
Long-term lease obligations				<u>\$ 24,447</u>

Rent expense, net of sublease income on the operating leases for the years ended January 31, 2006, 2005 and 2004 was approximately \$9.1 million, \$8.8 million and \$7.6 million, respectively.

In October 2001, the Company entered into a lease agreement for 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. During the first quarter of fiscal 2003, the Company consolidated its 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. As a result, the Company recorded a facilities consolidation charge and obtained a sublease for the remaining facility (see Note 6). The future minimum lease payments at January 31, 2006 for the remaining unoccupied facility net of sublease income aggregated \$3.6 million and are included in the above lease commitment table.

Included in operating lease commitments are anticipated lease payments for two airplanes that are currently under construction. Delivery of one airplane is expected in fiscal 2007 while delivery of the second airplane is expected in fiscal 2008. The airplanes will be used for business travel purposes and will be accounted for as operating leases once the airplanes are completed and delivered.

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 January 31, 2006, foundries had incurred approximately \$141.3 million of manufacturing expenses on the Company's outstanding purchase orders. As of January 31, 2006, the Company also had approximately \$56.2 million of other outstanding non-cancelable purchase orders for capital purchase obligations.

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 a half years beginning on October 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 January 31, 2006, payments totaling \$106.0 million (included in prepaid expenses and other current assets and other noncurrent assets) have been made and approximately \$25.7 million of the prepayment has been utilized as of January 31, 2006. At January 31, 2006, remaining commitments under the agreement were approximately \$68.2 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 Private Securities Litigation 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

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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.

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.

Indemnities, Commitments and Guarantees

During its normal course of business, the Company has made certain indemnities, commitments and guarantees under which it may be required to make payments in relation to certain transactions. These indemnities include intellectual property indemnities to the Company's customers in connection with the sales of its products, indemnities for liabilities associated with the infringement of other parties' technology based upon the Company's products, indemnities to various lessors in connection with facility leases for certain claims arising from such facility or lease, and indemnities to directors and officers of the Company to the maximum extent permitted under the laws of Bermuda. In addition, the Company has contractual commitments to various customers, which could require the Company to incur costs to repair an epidemic defect with respect to its products outside of the normal warranty period if such defect were to occur. The duration of these indemnities, commitments and guarantees varies, and in certain cases, is indefinite. The majority of these indemnities, commitments and guarantees do not provide for any limitation of the maximum potential future payments that the Company could be obligated to make. The Company has not recorded any liability for these indemnities, commitments and guarantees in the accompanying

MARVELL TECHNOLOGY GROUP LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

consolidated balance sheets. The Company does, however, accrue for losses for any known contingent liability, including those that may arise from indemnification provisions, when future payment is probable.

Note 12 — Segment and Geographic Information:

SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information (“SFAS 131”), establishes standards for the way that public business enterprises report information about operating segments in annual consolidated financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. SFAS 131 also establishes standards for related disclosures about products and services, geographic areas and major customers. The Company operates in one reportable segment—the design, development and sale of integrated circuits.

The fact that the Company operates in only one reportable segment is based on the following factors. The Company uses a highly integrated approach in developing its products in that discrete technologies developed by the Company are frequently integrated across many of its products. Also, the Chief Operating Decision Maker makes financial decisions for the Company based on the consolidated financial performance and not necessarily based on any discrete financial information. The sale of integrated circuits represents the only material source of revenue for the Company. Finally, substantially all of the Company's integrated circuits are manufactured under similar manufacturing processes.

The Chief Executive Officer has been identified as the Chief Operating Decision Maker as defined by SFAS 131.

The following tables present net revenue and long-lived asset information based on geographic region. Net revenue is based on the destination of the shipments and long-lived assets are based on the physical location of the assets (in thousands):

Net Revenue:	Years Ended January 31,		
	2006	2005	2004
China	\$ 265,621	\$ 169,490	\$ 90,088
Japan	226,515	179,180	111,512
Korea	199,586	153,575	101,635
Malaysia	303,331	312,009	193,296
Philippines	141,214	59,650	59,930
Singapore	145,635	86,787	70,900
Taiwan	160,641	142,535	90,237
Thailand	87,911	15,231	10,603
United States	74,308	70,736	61,285
Others	65,504	35,387	30,276
	<u>\$ 1,670,266</u>	<u>\$ 1,224,580</u>	<u>\$ 819,762</u>

Long-lived Assets:	As of January 31,	
	2006	2005
Bermuda	\$ 37,783	\$ 36,083
Israel	13,940	16,865
Singapore	20,351	8,421
United States	193,843	115,437
Others	3,525	1,657
	<u>\$ 269,442</u>	<u>\$ 178,463</u>

100

MARVELL TECHNOLOGY GROUP LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table presents net revenue for groups of similar products (in thousands):

Net Revenue:	Years Ended January 31,		
	2006	2005	2004
Storage products	\$ 1,058,697	\$ 763,004	\$ 447,676
Communications products	611,569	461,576	372,086
	<u>\$ 1,670,266</u>	<u>\$ 1,224,580</u>	<u>\$ 819,762</u>

Note 13 — Related Party Transactions:

During fiscal 2006, 2005 and 2004, the Company incurred approximately \$0.7 million, \$0.6 million and \$0.4 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 President and Chief Executive Officer, Sehat Sutardja, Ph.D, and Chief Operating Officer, Weili Dai, through their control and ownership in Estopia Air, own the aircraft provided by ACM. The \$0.7 million, \$0.6 million and \$0.4 million of expenses 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. ("MAPL"), entered into a development agreement with MagnetoX ("MagnetoX"). The development agreement is substantially similar terms as other development agreements with other parties. The Company recognized approximately \$0.8 million of revenue from the development agreement and product revenue during fiscal 2006. Herbert Chang, one of the Company's directors, is a shareholder of MagnetoX. Estopia LLC ("Estopia") is also a shareholder of MagnetoX. 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 recognized \$0.4 million and deferred \$0.2 million of revenue from the License Agreement with C2 Microsystems during fiscal 2006. 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. Pantas Sutardja, Ph.D., the Company's Chief Technology Officer, is also a shareholder in C2Micro.

Note 14 — Subsequent Event:

On February 21, 2006, 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 as a stock dividend. The stock split is subject to shareholder approval of an increase in the Company's authorized share capital at the Company's 2006 Annual General Meeting that is tentatively scheduled for June 2006.

If the shareholders approve the increase in the Company's authorized share capital and the stock split becomes effective, restated per share data as well as results for the last three fiscal years would be as follows:

	Years Ended January 31,		
	2006	2005	2004
Basic net income per share:			
As reported	\$ 1.17	\$ 0.53	\$ 0.18
Unaudited pro forma	\$ 0.59	\$ 0.26	\$ 0.09
Diluted net income per share:			
As reported	\$ 1.05	\$ 0.47	\$ 0.16
Unaudited pro forma	\$ 0.52	\$ 0.24	\$ 0.08

Quarterly pro forma diluted earnings per share (unaudited):

	Years Ended January 31,					
	2006		2005		2004	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
Quarter:						
First	\$ 0.20	\$ 0.10	\$ 0.05	\$ 0.02	\$ 0.02	\$ 0.01
Second	\$ 0.25	\$ 0.12	\$ 0.10	\$ 0.05	\$ 0.03	\$ 0.02
Third	\$ 0.29	\$ 0.15	\$ 0.15	\$ 0.07	\$ 0.04	\$ 0.02
Fourth	\$ 0.30	\$ 0.15	\$ 0.18	\$ 0.09	\$ 0.07	\$ 0.03

Supplementary Data (Unaudited)

The following table presents our unaudited consolidated statements of operations data for each of the eight quarters in the period ended January 31, 2006. In our opinion, this information has been presented on the same basis as the audited consolidated financial statements included in a separate section of this report, and all necessary adjustments, consisting only of normal recurring adjustments, have been included in the amounts below to fairly state the unaudited quarterly results when read in conjunction with the audited consolidated financial statements and related notes. The operating results for any quarter should not be relied upon as necessarily indicative of results for any future period. We expect our quarterly operating results to fluctuate in future periods due to a variety of reasons, including those discussed in Item 1A: "Risk Factors."

	Fiscal 2006			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share amounts)			
Net revenue	\$ 364,770	\$ 390,454	\$ 426,026	\$ 489,016
Gross profit	189,526	206,808	228,949	268,350
Net income	63,532	77,302	93,046	97,483
Net income per share:				
Basic	\$ 0.23	\$ 0.28	\$ 0.33	\$ 0.34
Diluted	\$ 0.20	\$ 0.25	\$ 0.29	\$ 0.30

	Fiscal 2005			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share amounts)			
Net revenue	\$ 269,577	\$ 297,154	\$ 317,583	\$ 340,266
Gross profit	141,741	156,249	167,323	177,510
Net income	14,497	28,624	43,595	54,945
Net income per share:				
Basic	\$ 0.05	\$ 0.11	\$ 0.16	\$ 0.20
Diluted	\$ 0.05	\$ 0.10	\$ 0.15	\$ 0.18

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

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

Based on their evaluation as of the end of the period covered by this Annual Report on Form 10-K, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in internal control over financial reporting. There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

As previously reported in the Current Report on Form 8-K filed by us on February 17, 2006, we and an affiliate (collectively, “Marvell”) entered into an agreement to acquire the printer semiconductor business of Avago Technologies Limited and its affiliates (the “Agreement”). On April 11, 2006, Marvell entered into an amendment to the Agreement (the “Amendment”) whereby the parties agreed, among other matters, to amend the termination date of the Agreement to May 31, 2006, while limiting certain closing conditions to matters that existed on April 4, 2006. The parties anticipate closing the transaction on May 1, 2006.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information required by this Item with respect to our executive officers is incorporated by reference from the information set forth under the caption “Management” in our 2006 Proxy Statement. The remaining information required by Items 401 and 405 of Regulation S-K is incorporated by reference from the information set forth under the captions “Proposal No. 1 Election of Directors” and “Section 16(a) Beneficial Ownership Reporting Compliance” in our Definitive Proxy Statement in connection with our 2005 Annual General Meeting of Shareholders (the “2006 Proxy Statement”) which will be filed with the Securities and Exchange Commission no later than 120 days after January 28, 2006.

We have adopted a code of ethics that applies to all of our directors, officers (including our Chief Executive Officer (our principal executive officer), Chief Financial Officer (our principal financial and accounting officer), Corporate Controller and any person performing similar functions) and employees. The Code of Ethics is available on our web site www.marvell.com. We will disclose on our web site amendments to, or waivers from, our Code of Ethics applicable to our directors and executive officers, including our Chief Executive Officer, our Chief Financial Officer (our principal financial and accounting officer), in accordance with applicable laws and regulations.

The information required by this item concerning our audit committee and audit committee financial expert is set forth in the section titled “Board of Directors and Committees of the Board,” in our 2006 Proxy Statement and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by Item 402 of Regulation S-K is incorporated by reference from the information set forth under the caption “Executive Compensation,” “Board of Directors and Committees of the Board” and “Executive Compensation Committee Interlocks and Insider Participation” in our 2006 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholders Matters

The information required by Item 403 of Regulation S-K is incorporated by reference from the information set forth under the caption “Security Ownership of Certain Beneficial Owners and Management” in our 2006 Proxy Statement.

Securities Authorized for Issuance under Equity Compensation Plans

Equity Compensation Plan Information

The following table provides certain information with respect to all of our equity compensation plans in effect as of January 31, 2006

Plan Category	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights(a)	Weighted Average Exercise Price of Outstanding Options, Warrants, and Rights(b)	Number of Securities Remaining Available for Future Issuance (Excluding Securities Reflected in Column(a)(c))
Equity compensation plans approved by security holders(1)	46,786,508	\$ 19.91	40,681,221(2)
Equity compensation plans not approved by security holders(3)	335,530	\$ 0.25	—
Total	<u>47,122,038</u>	<u>\$ 19.77</u>	<u>40,681,221</u>

(1) Includes the 1995 Stock Option Plan, the 1997 Directors’ Stock Option Plan, the 2000 Employee Stock Purchase Plan and shares of Common Stock reserved for issuance under option plans we assumed in connection with our acquisition of Galileo Technology Ltd. No further options will be awarded under the Galileo option plans.

(2) The number of shares reserved for grant under the 1995 Stock Option Plan (the “1995 Plan”) is subject to an annual increase in shares reserved for issuance equal to the lesser of (a) 20,000,000 shares, (b) 5.0% of the outstanding shares of capital stock on such date, or (c) an amount of shares determined by our board of directors. The number of shares reserved for issuance under the 2000 Employee Stock Purchase Plan (the “Purchase Plan”) includes an annual increase in shares reserved for issuance equal to the lesser of (a) 4,000,000 shares or (b) 1.5% of the outstanding shares of capital stock of the Company. Stock options, restricted stock, restricted stock units or stock appreciation rights may be awarded under the 1995 Plan.

(3) Consists of 143,341 shares of Common Stock reserved for issuance under options granted by the Company to former option holders of SysKconnect GmbH in connection with our acquisition of SysKconnect GmbH, 167,418 shares of Common Stock reserved for issuance under options granted by the

Company to former option holders of RADLAN Computer Communications Ltd. in connection with our acquisition of RADLAN Computer Communications Ltd. and 24,771 shares of Common Stock reserved for issuance under options granted by the Company to former option holders of Asica, Inc. in connection with our acquisition of Asica, Inc.

Item 13. *Certain Relationships and Related Transactions*

The information required by Item 404 of Regulation S-K is incorporated by reference from the information set forth under the caption “Related Party Transactions” in our 2006 Proxy Statement.

Item 14. *Principal Accountant Fees and Services*

The information required by Item 9(e) of Schedule 14A is incorporated by reference from the information set forth under the caption “Information Concerning Independent Registered Public Accounting Firm” in our 2006 Proxy Statement.

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

(a) The following documents are filed as part of this Annual Report on Form 10-K:

1. *Financial Statements:*

	<u>Page Reference</u>
Consolidated Balance Sheets as of January 31, 2006 and 2005	65
Consolidated Statements of Income for the years ended January 31, 2006, 2005 and 2004	66
Consolidated Statements of Shareholders’ Equity for the years ended January 31, 2006, 2005 and 2004	67
Consolidated Statements of Cash Flows for the years ended January 31, 2006, 2005 and 2004	68
Notes to Consolidated Financial Statements	69

2. *Financial Statement Schedules:*

Schedules not listed above have been omitted because they are not applicable or required, or the information required to be set forth therein is included in the Consolidated Financial Statements or Notes thereto.

3. *Exhibits.*

See Item 15(b) below.

(b) *Index to Exhibits*

<u>Exhibit No.</u>	<u>Description</u>
2.1	Purchase and Sale Agreement dated as of February 17, 2006, by and among Avago Technologies Limited, Avago Technologies Imaging Holding (Labuan) Corporation, other sellers, Marvell Technology Group Ltd. and Marvell International Technology Ltd.
2.2	Amendment No. 1 to Purchase and Sale Agreement dated as of April 11, 2006, by and among Avago Technologies Limited, Avago Technologies Imaging Holding (Labuan) Corporation, Marvell Technology Group Ltd. and Marvell International Technology Ltd.
3.1	Memorandum of Association of the registrant, incorporated by reference to Exhibit 3.1 of the registrant’s registration statement on Form S-1 (file no. 333-33086), as filed on March 23, 2000
3.2	Second Amended and Restated Bye-laws of the registrant, incorporated by reference to Appendix A of the registrant’s Definitive Proxy Statement, as filed on May 21, 2001
4.1	Specimen common stock certificate of the registrant, incorporated by reference to Exhibit 4.1 of the registrant’s registration statement on Form S-1/A (file no. 333-33086), as filed on May 5, 2000
10.1#	1997 Directors’ Stock Option Plan, incorporated by reference to Exhibit 10.2 of the registrant’s registration statement on Form S-1 (file no. 333-33086), as filed on March 23, 2000
10.2#	Galileo Technology Ltd. 1997 Employees’ Stock Option Plan, incorporated by reference to Exhibit 10.4 of the registrant’s annual report on Form 10-K for the year ended January 27, 2001 as filed on April 27, 2001
10.3#	Galileo Technology Ltd. 1997 GTI Stock Option Plan, incorporated by reference to Exhibit 10.5 of the registrant’s annual report on Form 10-K for the year ended January 27, 2001 as filed on April 27, 2001

<u>Exhibit No.</u>	<u>Description</u>
10.4	Investors Rights Agreement dated September 10, 1999, incorporated by reference to Exhibit 10.6 of the registrant’s registration statement on Form S-1 (file no. 333-33086), as filed on March 23, 2000

10.5	Wafer Purchase Agreement by and between Marvell Technology Group Ltd. and Taiwan Semiconductor Manufacturing Corporation dated June 30, 1997, incorporated by reference to Exhibit 10.7 of the registrant's registration statement on Form S-1/A (file no. 333-33086), as filed on May 5, 2000
10.6*	Master Development, Purchasing and License Agreement between Intel Corporation and Marvell Semiconductor, Inc., incorporated by reference to Exhibit 10.8 of the registrant's registration statement on Form S-1/A (file no.333-33086), as filed on June 23, 2000
10.7	Lease Agreement dated June 1, 2000 by and between Marvell Semiconductor, Inc. and 525 Almanor LLC, incorporated by reference to Exhibit 10.9 of the registrant's quarterly report on Form 10-Q for the period ended July 29, 2000 as filed on September 12, 2000
10.8	Lease Agreement dated June 30, 2000 by and between Galileo Technology Ltd. and Zanker Development Co., incorporated by reference to Exhibit 10.12 of the registrant's annual report on Form 10-K for the year ended January 27, 2001 as filed on April 27, 2001
10.9*	Technology License Agreement dated April 23, 2001 by and between Marvel International Limited and ARM Limited, incorporated by reference to Exhibit 10.13 of the registrant's quarterly report on Form 10-Q for the period ended April 28, 2001 as filed on June 12, 2001
10.10*	Amendment Number 2 to Master Development, Purchasing and License Agreement dated July 17, 2001 between Intel Corporation and Marvell Semiconductor, Inc., incorporated by reference to Exhibit 10.14 of the registrant's quarterly report on Form 10-Q for the period ended July 28, 2001 as filed on September 12, 2001
10.11	Lease Agreement dated October 19, 2001 by and between Marvell Semiconductor, Inc. and Yahoo! Inc., incorporated by reference to Exhibit 10.15 of the registrant's quarterly report on Form 10-Q for the period ended October 27, 2001 as filed on December 7, 2001
10.12*	Supply Agreement for the Fabrication and Purchase of Semiconductor Products dated June 13, 2002 by and between Marvell Semiconductor, Inc., Marvell Asia Pte Ltd. and Western Digital Technologies, Inc., incorporated by reference to Exhibit 10.16 of the registrant's quarterly report on Form 10-Q for the period ended August 3, 2002 as filed on September 17, 2002
10.13*	Amendment Number 3 to Master Development, Purchasing and License Agreement dated October 10, 2002 by and between Intel Corporation and Marvell Semiconductor, Inc., incorporated by reference to Exhibit 10.17 of the registrant's quarterly report on Form 10-Q for the period ended November 2, 2002 as filed on December 17, 2002
10.14*	Volume Supply Requirements Agreement dated as of December 2, 2002, by and among Marvell Asia Pte Ltd. and Seagate Technology LLC incorporated by reference to Exhibit 10.18 of the registrant's annual report on Form 10-K for the year ended February 1, 2003 as filed on May 2, 2003
10.15#	Amended 2000 Employee Stock Purchase Plan, incorporated by reference to Exhibit 10.19 of the registrant's quarterly report on 10-Q for the period ended August 2, 2003 as filed on September 15, 2003
10.16#	Amended and Restated 1995 Stock Option Plan, incorporated by reference to Exhibit 10.20 of the registrant's quarterly report on 10-Q for the period ended August 2, 2003 as filed on September 15, 2003

<u>Exhibit No.</u>	<u>Description</u>
10.17	Purchase and Sale Agreement for 5400 Bayfront Plaza; Santa Clara, California, dated August 18, 2003, incorporated by reference to Exhibit 10.21 of the registrant's quarterly report on 10-Q for the period ended November 1, 2003 as filed on December 15, 2003
10.18	First Amendment to Purchase and Sale Agreement for 5400 Bayfront Plaza; Santa Clara, California, dated October 15, 2003, incorporated by reference to Exhibit 10.22 of the registrant's quarterly report on 10-Q for the period ended November 1, 2003 as filed on December 15, 2003
10.19	Second Amendment to Purchase and Sale Agreement for 5400 Bayfront Plaza; Santa Clara, California, dated October 22, 2003, incorporated by reference to Exhibit 10.23 of the registrant's quarterly report on 10-Q for the period ended November 1, 2003 as filed on December 15, 2003
10.20	Amended and Restated 1995 Stock Option Plan Restricted Stock Agreement
10.21	Amended and Restated 1995 Stock Option Plan Form of Option Agreement
10.22	Amended and Restated 1995 Stock Option Plan, incorporated by reference to Exhibit 10.24 of the registrant's quarterly report on 10-Q for the period ended July 30, 2005 as filed on September 8, 2005
21.1	Subsidiaries of the registrant
23.1	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm
24.1	Power of Attorney (see page 109 of this report)
31.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Dr. 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 Dr. Sehat Sutardja Ph.D., Chief Executive Officer
- 32.2~ Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of George A. Hervey, Chief Financial Officer

Denotes an executive or director compensation plan or arrangement.

* Certain portions of this exhibit have been omitted pursuant to request for confidential treatment granted by the Securities and Exchange Commission.

~ 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-K 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.

(c) *Financial Statements Required by Regulation S-X which are excluded from the annual report to Shareholders by Rule 14a-3(b).*

Not applicable.

108

SIGNATURES

Pursuant to the requirements of section 13 or 15(d) 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.

Dated: April 13, 2006

By: /s/ DR. SEHAT SUTARDJA
Dr. Sehat Sutardja
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Dr. Sehat Sutardja and George Hervey, and each of them individually, as his or her attorney-in-fact, each with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Report on Form 10-K, and to file the same, with exhibits thereto and all other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact, or his or substitute, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant in the capacities and on the dates indicated.

<u>Name and Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ SEHAT SUTARDJA</u> Dr. Sehat Sutardja	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	April 13, 2006
<u>/s/ GEORGE HERVEY</u> George Hervey	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	April 13, 2006
<u>/s/ WEILI DAI</u> Weili Dai	Chief Operating Officer, Secretary and Director	April 13, 2006
<u>/s/ PANTAS SUTARDJA</u> Dr. Pantas Sutardja	Chief Technology Officer	April 13, 2006
<u>/s/ HERBERT CHANG</u> Herbert Chang	Director	April 13, 2006
<u>/s/ PAUL R. GRAY</u> Dr. Paul R. Gray	Director	April 13, 2006
<u>/s/ DOUGLAS KING</u> Douglas King	Director	April 13, 2006
<u>/s/ ARTURO KRUEGER</u> Arturo Krueger	Director	April 13, 2006

109

INDEX TO EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
2.1	Purchase and Sale Agreement dated as of February 17, 2006, by and among Avago Technologies Limited, Avago Technologies Imaging Holding (Labuan) Corporation, other sellers, Marvell Technology Group Ltd. and Marvell International Technology Ltd.
2.2	Amendment No. 1 to Purchase and Sale Agreement dated as of April 11, 2006, by and among Avago Technologies Limited, Avago Technologies Imaging Holding (Labuan) Corporation, Marvell Technology Group Ltd. and Marvell International Technology Ltd.
3.1	Memorandum of Association of the registrant, incorporated by reference to Exhibit 3.1 of the registrant's registration statement on Form S-1 (file no. 333-33086), as filed on March 23, 2000
3.2	Second Amended and Restated Bye-laws of the registrant, incorporated by reference to Appendix A of the registrant's Definitive Proxy Statement, as filed on May 21, 2001
4.1	Specimen common stock certificate of the registrant, incorporated by reference to Exhibit 4.1 of the registrant's registration statement on Form S-1/A (file no. 333-33086), as filed on May 5, 2000
10.1#	1997 Directors' Stock Option Plan, incorporated by reference to Exhibit 10.2 of the registrant's registration statement on Form S-1 (file no. 333-33086), as filed on March 23, 2000
10.2#	Galileo Technology Ltd. 1997 Employees' Stock Option Plan, incorporated by reference to Exhibit 10.4 of the registrant's annual report on Form 10-K for the year ended January 27, 2001 as filed on April 27, 2001
10.3#	Galileo Technology Ltd. 1997 GTI Stock Option Plan, incorporated by reference to Exhibit 10.5 of the registrant's annual report on Form 10-K for the year ended January 27, 2001 as filed on April 27, 2001
10.4	Investors Rights Agreement dated September 10, 1999, incorporated by reference to Exhibit 10.6 of the registrant's registration statement on Form S-1 (file no. 333-33086), as filed on March 23, 2000
10.5	Wafer Purchase Agreement by and between Marvell Technology Group Ltd. and Taiwan Semiconductor Manufacturing Corporation dated June 30, 1997, incorporated by reference to Exhibit 10.7 of the registrant's registration statement on Form S-1/A (file no. 333-33086), as filed on May 5, 2000
10.6*	Master Development, Purchasing and License Agreement between Intel Corporation and Marvell Semiconductor, Inc., incorporated by reference to Exhibit 10.8 of the registrant's registration statement on Form S-1/A (file no. 333-33086), as filed on June 23, 2000
10.7	Lease Agreement dated June 1, 2000 by and between Marvell Semiconductor, Inc. and 525 Almanor LLC, incorporated by reference to Exhibit 10.9 of the registrant's quarterly report on Form 10-Q for the period ended July 29, 2000 as filed on September 12, 2000
10.8	Lease Agreement dated June 30, 2000 by and between Galileo Technology Ltd. and Zanker Development Co., incorporated by reference to Exhibit 10.12 of the registrant's annual report on Form 10-K for the year ended January 27, 2001 as filed on April 27, 2001

10.9*	Technology License Agreement dated April 23, 2001 by and between Marvel International Limited and ARM Limited, incorporated by reference to Exhibit 10.13 of the registrant's quarterly report on Form 10-Q for the period ended April 28, 2001 as filed on June 12, 2001
10.10*	Amendment Number 2 to Master Development, Purchasing and License Agreement dated July 17, 2001 between Intel Corporation and Marvell Semiconductor, Inc., incorporated by reference to Exhibit 10.14 of the registrant's quarterly report on Form 10-Q for the period ended July 28, 2001 as filed on September 12, 2001
10.11	Lease Agreement dated October 19, 2001 by and between Marvell Semiconductor, Inc. and Yahoo! Inc., incorporated by reference to Exhibit 10.15 of the registrant's quarterly report on Form 10-Q for the period ended October 27, 2001 as filed on December 7, 2001
10.12*	Supply Agreement for the Fabrication and Purchase of Semiconductor Products dated June 13, 2002 by and between Marvell Semiconductor, Inc., Marvell Asia Pte Ltd. and Western Digital Technologies, Inc., incorporated by reference to Exhibit 10.16 of the registrant's quarterly report on Form 10-Q for the period ended August 3, 2002 as filed on September 17, 2002
10.13*	Amendment Number 3 to Master Development, Purchasing and License Agreement dated October 10, 2002 by and between Intel Corporation and Marvell Semiconductor, Inc., incorporated by reference to Exhibit 10.17 of the registrant's quarterly report on Form 10-Q for the period ended November 2, 2002 as filed on December 17, 2002
10.14*	Volume Supply Requirements Agreement dated as of December 2, 2002, by and among Marvell Asia Pte Ltd. and Seagate Technology LLC incorporated by reference to Exhibit 10.18 of the registrant's annual report on Form 10-K for the year ended February 1, 2003 as filed on May 2, 2003

- 10.15# Amended 2000 Employee Stock Purchase Plan, incorporated by reference to Exhibit 10.19 of the registrant's quarterly report on 10-Q for the period ended August 2, 2003 as filed on September 15, 2003
- 10.16# Amended and Restated 1995 Stock Option Plan, incorporated by reference to Exhibit 10.20 of the registrant's quarterly report on 10-Q for the period ended August 2, 2003 as filed on September 15, 2003
- 10.17 Purchase and Sale Agreement for 5400 Bayfront Plaza; Santa Clara, California, dated August 18, 2003, incorporated by reference to Exhibit 10.21 of the registrant's quarterly report on 10-Q for the period ended November 1, 2003 as filed on December 15, 2003
- 10.18 First Amendment to Purchase and Sale Agreement dated October 15, 2003, incorporated by reference to Exhibit 10.22 of the registrant's quarterly report on 10-Q for the period ended November 1, 2003 as filed on December 15, 2003
- 10.19 Second Amendment to Purchase and Sale Agreement dated October 22, 2003, incorporated by reference to Exhibit 10.23 of the registrant's quarterly report on 10-Q for the period ended November 1, 2003 as filed on December 15, 2003
- 10.20 Amended and Restated 1995 Stock Option Plan Restricted Stock Agreement
- 10.21 Amended and Restated 1995 Stock Option Plan Form of Option Agreement

- 10.22 Amended and Restated 1995 Stock Option Plan, incorporated by reference to Exhibit 10.24 of the registrant's quarterly report on 10-Q for the period ended July 30, 2005 as filed on September 8, 2005
- 21.1 Subsidiaries of the registrant
- 23.1 Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm
- 24.1 Power of Attorney (see page 109 of this report)
- 31.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Dr. 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 Dr. Sehat Sutardja Ph.D., Chief Executive Officer
- 32.2~ Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of George A. Hervey, Chief Financial Officer

Denotes an executive or director compensation plan or arrangement.

* Certain portions of this exhibit have been omitted pursuant to request for confidential treatment granted by the Securities and Exchange Commission.

~ 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-K 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.

PURCHASE AND SALE AGREEMENT

by and among

AVAGO TECHNOLOGIES LIMITED,

AVAGO TECHNOLOGIES IMAGING HOLDING (LABUAN) CORPORATION,

OTHER SELLERS

and

MARVELL TECHNOLOGY GROUP LTD.

MARVELL INTERNATIONAL TECHNOLOGY LTD.

Dated as of February 17, 2006

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I DEFINITIONS AND RULES OF CONSTRUCTION	2
1.1 Definitions	2
1.2 Rules of Construction	2
ARTICLE II PURCHASE, SALE AND ASSUMPTION	2
2.1 Purchase and Sale of Purchased Assets and Purchased Subsidiary Interests	2
2.2 Assumption by Purchaser of Certain Liabilities; Retention by the Other Sellers of Remaining Liabilities	3
2.3 Transfer of Purchased Assets; Assumed Liabilities and Purchased Subsidiary Interests	5
2.4 Approvals and Consents	6
2.5 Novation and Assignment	7
2.6 Consent to Real Property Assignments and Sublease	8
2.7 Missing Consents	9
ARTICLE III PURCHASE PRICE AND ADJUSTMENTS	9
3.1 Purchase Price	9
3.2 Closing Date Payment	10
3.3 Earnout Amount	12
3.4 Allocation of Purchase Price	14
ARTICLE IV REPRESENTATIONS AND WARRANTIES OF SELLER AND THE OTHER SELLERS	15
4.1 Corporate Existence	15
4.2 Corporate Authority	15
4.3 Capitalization	16
4.4 Governmental Approvals and Consents	17
4.5 Title to Purchased Assets	17
4.6 Contracts	18
4.7 Litigation	20
4.8 Business Intellectual Property Rights	21
4.9 Finders; Brokers	22
4.10 Tax Matters	22
4.11 Employment and Benefits	23
4.12 Non-U.S. Benefit Plans	24
4.13 Compliance with Laws	25
4.14 Labor Matters	25
4.15 Environmental Matters	25
4.16 Financial Information; Undisclosed Liabilities	26
4.17 Equity Interests	26
4.18 Absence of Changes	26
4.19 Related Party Transactions	27
4.20 Sufficiency of Assets	27
4.21 Location of Assets	27

4.22	Restrictions on Business Activities	27
4.23	Insurance	28
4.24	Customer Relationship	28

4.25	Suppliers	28
4.26	Products	28
4.27	No Other Representations or Warranties	28
ARTICLE V REPRESENTATIONS OF PURCHASER		29
5.1	Corporate Existence	29
5.2	Corporate Authority	29
5.3	Governmental Approvals and Consents	30
5.4	Financial Capacity	31
5.5	Finders; Brokers	31
5.6	Purchase for Investment	31
5.7	No Other Representations or Warranties	31
ARTICLE VI AGREEMENTS OF PURCHASER AND SELLER		31
6.1	Operation of the Business	31
6.2	Investigation of Business; Confidentiality	34
6.3	Necessary Efforts; No Inconsistent Action	35
6.4	Public Disclosures	36
6.5	Access to Records and Personnel	37
6.6	Employee Relations and Benefits	39
6.7	Non-U.S. Employees	43
6.8	Other Arrangements	44
6.9	Non-Competition	44
6.10	Non-Solicitation	46
6.11	Intellectual Property License Agreement	47
6.12	[Reserved]	47
6.13	Insurance Matters	47
6.14	Tax Matters	47
6.15	Mail Handling	51
6.16	[Reserved]	52
6.17	Shared Contracts	52
6.18	Licenses	52
6.19	NDAs	52
6.20	Patents Licensed Non-exclusively to the Purchaser	52
ARTICLE VII CONDITIONS TO CLOSING		53
7.1	Conditions Precedent to Obligations of Purchaser, Seller and the Other Sellers	53
7.2	Conditions Precedent to Obligation of Seller and the Other Sellers	53
7.3	Conditions Precedent to Obligation of Purchaser	54
ARTICLE VIII CLOSING		55
8.1	Closing Date	55
8.2	Purchaser Obligations	55
8.3	Seller Parent, the Other Sellers and Seller Obligations	56
ii		
<hr/>		
ARTICLE IX INDEMNIFICATION		56
9.1	Indemnification	56
9.2	Certain Limitations	57
9.3	Procedures for Third-Party Claims and Excluded Liabilities	58
9.4	Certain Procedures	60
9.5	Remedies Exclusive	61
ARTICLE X TERMINATION		61
10.1	Termination Events	61
10.2	Effect of Termination	62
ARTICLE XI MISCELLANEOUS AGREEMENTS OF THE PARTIES		62
11.1	Dispute Resolution	62
11.2	Notices	63
11.3	Bulk Transfers	64
11.4	Severability	64
11.5	Purchaser Parent Guarantee	65
11.6	Further Assurances; Further Cooperation	65
11.7	Counterparts	65
11.8	Expenses	65
11.9	Assignment	66
11.10	Amendment; Waiver	66
11.11	Specific Performance	66
11.12	Third Parties	66
11.13	Governing Law	67
11.14	Consent to Jurisdiction; Waiver of Jury Trial	67
11.15	Disclosure Letter	67

11.16	Entire Agreement	67
11.17	Time is of the Essence	67
11.18	Section Headings; Table of Contents	68
EXHIBIT A	Bill of Sale	
EXHIBIT B	Assignment and Assumption Agreement	
EXHIBIT C	Local Asset Transfer Agreement	
EXHIBIT D	Master Separation Agreement	
EXHIBIT E	Intellectual Property License Agreement	
EXHIBIT F	Excluded Assets	
EXHIBIT G	Trademark License Agreement	
EXHIBIT H	Purchased Assets	
EXHIBIT I	Joinder	

PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement is dated as of February 17, 2006 (the “Agreement”), by and among Avago Technologies Limited, a company organized under the laws of Singapore (“Seller Parent”), Avago Technologies Imaging Holding (Labuan) Corporation, a company organized under the laws of Labuan (“Seller”), each Subsidiary or Affiliate of Seller (including the IPL Owners) that is transferring assets and will execute a joinder to this Agreement prior to the Closing (collectively, the “Other Sellers”), Marvell Technology Group Ltd., a Bermuda corporation (“Purchaser Parent”), and Marvell International Technology Ltd., a Bermuda corporation (“Purchaser”) (each, a “Party” and collectively, the “Parties”).

WITNESSETH:

WHEREAS, Seller Parent, Seller and the Other Sellers and certain direct and indirect Subsidiaries of Seller Parent are engaged in, among other things, the Business (as defined below);

WHEREAS, Purchaser is a wholly-owned subsidiary of Purchaser Parent;

WHEREAS, the Other Sellers desire to sell, transfer and assign, and Purchaser desires to purchase and assume, the Purchased Assets and Assumed Liabilities of the Business upon the terms and subject to the conditions specified in this Agreement;

WHEREAS, Seller Parent, through certain indirect wholly owned subsidiaries (the “IPL Owners”), owns all of the issued and outstanding capital stock (the “IPL Capital Stock”) of Avago Technologies India Private Limited, a company organized under the laws of India (“IPL”);

WHEREAS, Seller owns all of the issued and outstanding capital stock (the “IPC Capital Stock”) of Avago Technologies Imaging IP (Singapore) Pte. Ltd., a company organized under the laws of Singapore (“IPC”);

WHEREAS, Seller owns all of the issued and outstanding capital stock (the “U.S. R&D Capital Stock”, and together with the IPL Capital Stock and the IPC Capital Stock, the “Purchased Subsidiary Interests”) of Avago Technologies Imaging (U.S.A.) Inc., a Delaware corporation (“U.S. R&D”, and together with IPL and IPC, the “Purchased Seller Subsidiaries”); and

WHEREAS, Purchaser wishes to purchase from Seller Parent and Seller, and Seller Parent and Seller wish to sell, or cause to be sold, to Purchaser, the Purchased Subsidiary Interests upon the terms and subject to the conditions specified in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

1.1 Definitions.

Unless otherwise provided herein, capitalized terms used in this Agreement have the meanings ascribed to them by definition in this Agreement or in Annex A.

1.2 Rules of Construction.

(a) This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the Party drafting or causing any instrument to be drafted.

(b) The words “hereof”, “herein” and “hereunder” and words of similar import when used in this Agreement will refer to this Agreement as a whole (including any annexes, exhibits and schedules to this Agreement) and not to any particular provision of this Agreement, and section and subsection references are to this Agreement unless otherwise specified. The words “include”, “including”, or “includes” when used herein shall be deemed in each case to be followed by the words “without limitation” or words having similar import. The headings and table of contents in this Agreement are included for convenience of reference only and will not limit or otherwise affect the meaning or interpretation of this Agreement. The meanings given to terms defined herein will be equally applicable to both the singular and plural forms of such terms.

PURCHASE, SALE AND ASSUMPTION

2.1 Purchase and Sale of Purchased Assets and Purchased Subsidiary Interests. Upon the terms and subject to the conditions set forth in this Agreement, at the Closing:

(a) Seller Parent, Seller and the Other Sellers shall, and shall cause their Subsidiaries to, sell, assign, transfer, convey and deliver to Purchaser or, if instructed by Purchaser in writing prior to the Closing Date, to one of Purchaser's Affiliates, and Purchaser shall, or shall cause one of its Affiliates to, purchase, acquire and accept from the Seller Parties, all of the Seller Parties' respective right, title and interest in and to the Purchased Assets.

(b) Seller shall, and Seller Parent shall cause the IPL Owners to, sell, assign, transfer, convey and deliver to Purchaser, and Purchaser shall purchase, acquire and accept from Seller and the IPL Owners, all right, title and interest to the Purchased Subsidiary Interests. Prior to the Closing, Seller Parent, Seller and the Other Sellers shall, and shall cause their Subsidiaries to, transfer to the Purchased Seller Subsidiaries, all of the Transferred Business Intellectual Property and the Transferred Business Intellectual Property Rights, including the right to pursue past damages based on third-party infringement of the Transferred Business Intellectual Property and the Transferred Business Intellectual Property Rights, and also including the goodwill of the Business appurtenant to trademarks included in the Transferred Business Intellectual Property,

2

subject to the terms of any licenses granted to third parties existing as of the date of this Agreement or any licenses granted after the date hereof not in violation of this Agreement with respect to such Transferred Business Intellectual Property and Transferred Business Intellectual Property Rights, and subject to the rights granted to Seller in the Intellectual Property License Agreement. The Parties agree and acknowledge that none of the assets of the Purchased Seller Subsidiaries or the Purchased Assets shall include any accounts receivable of the Business.

2.2 Assumption by Purchaser of Certain Liabilities; Retention by the Other Sellers of Remaining Liabilities.

(a) Upon the terms and subject to the conditions set forth in this Agreement, at the Closing, Purchaser shall assume, pay, perform and discharge when due any and all liabilities, obligations, guarantees (including lease guarantees), commitments, damages, losses, debts, claims, demands, judgments or settlements of any nature or kind, whether known or unknown, fixed, accrued, absolute or contingent, liquidated or unliquidated, matured or unmatured, (collectively, "Liabilities") of Seller Parent, Seller and the Other Sellers to the extent (but only to the extent) arising out of or relating to the Business, the Purchased Assets, the Transferred Business Intellectual Property or the Transferred Business Intellectual Property Rights, whether arising on, prior to or after the Closing Date, other than the Excluded Liabilities (the "Assumed Liabilities"). Without in any way limiting the generality of the foregoing, except to the extent any such Liability is an Excluded Liability, the Assumed Liabilities shall include the following:

(i) all Liabilities of Seller Parent, Seller and the Other Sellers arising on, prior to or after the Closing Date under the Transferred Contracts;

(ii) all Liabilities arising on, prior to or after the Closing Date for any infringement or alleged infringement to the extent (but only to the extent) relating to the Business of (A) the rights of any other Person relating to Technology or Intellectual Property Rights, or (B) any right of any other Person pursuant to any license, sublicense or agreement relating to Technology or Intellectual Property Rights;

(iii) all Liabilities of Seller Parent, Seller and the Other Sellers and their Subsidiaries to the extent (but only to the extent) relating to the Printer Products sold by the Business at any time, including Liabilities for refunds, adjustments, allowances, repairs, exchanges, returns and warranty, merchantability and other claims arising on, prior to or after the Closing Date;

(iv) except as provided in Section 2.2(b)(v) or as otherwise provided herein, all Liabilities of the Seller and the Other Sellers relating to any Transferred Employee;

(v) all Business Environmental Liabilities;

(vi) all Liabilities of Seller Parent, Seller and the Other Sellers relating to or arising under or in connection with Proceedings to the extent (but only to the extent) relating to the Business, the Purchased Assets or the other Assumed Liabilities, whether such Proceeding is brought prior to, on or after the Closing Date;

3

(vii) all other Liabilities to the extent (but only to the extent) arising out of or relating to or incurred primarily in connection with the Business, including (A) the operation of the Business after the Closing Date, (B) the use of any of the Business Intellectual Property Rights by Purchaser or permissible licensees and (C) any condition arising on or prior to or after the Closing Date with respect to the Purchased Assets; and

(viii) all current Liabilities of the Business set forth on Schedule 2.2(a)(viii).

(b) Any other provision of this Agreement notwithstanding, Purchaser shall not be obligated to assume, pay, perform, discharge or be responsible for any of the following Liabilities of Seller Parent, Seller, Other Sellers or any of their Subsidiaries or Affiliates (collectively, the "Excluded Liabilities"):

(i) any and all Liabilities in respect of accounts payable due to third parties incurred in connection with the operation of the Business prior to the Closing Date;

- (ii) any Liability to the extent arising out of or relating to the operation or conduct by Seller Parent, Seller, the Other Sellers or any of their Affiliates of any Retained Business or of any business other than the Business;
- (iii) subject to the provisions of Sections 2.4, 2.5 and 2.6 hereof, any Liability to the extent arising out of or relating to any Excluded Asset;
- (iv) any Liability in respect of Taxes that are to be borne by Seller Parent, Seller or any of their Subsidiaries pursuant to Section 6.14, and any Liability in respect of deferred Taxes (from an accounting perspective);
- (v) except as provided for in Section 6.6 or 6.7, all Liabilities to or in respect of any current or former employees of Seller Parent, Seller or any of their Subsidiaries other than Transferred Employees;
- (vi) except as provided for in Section 6.6 and 6.7, (A) all Liabilities under any Seller Plans, including any pension or retirement plan, severance plan, retention plan, workers compensation, medical, life insurance, disability or other welfare plan, expenses and benefits incurred or claimed in respect of any Transferred Employee or other current or former employee of Seller Parent, Seller or any of their Subsidiaries, and any claims by such Transferred Employees, their covered dependents, or any other current or former employees of Seller Parent, Seller or any of their Subsidiaries, for benefits or claims arising on or prior to the Closing Date and (B) all Liabilities under any Seller Plans arising out of or relating to any period prior to the Closing Date that would be required to be reflected on a balance sheet of the Business as of Closing prepared in accordance with GAAP, excluding accrued flexible time off (“FTO”) for Transferred Employees, which shall be an Assumed Liability;
- (vii) any costs or expense or any Liability of Seller Parent or any of its Affiliates, incurred before, on or after the Closing Date to the extent arising out of the Restructuring (other than Liabilities which would otherwise have been Assumed Liabilities in the absence of the Restructuring);

4

- (viii) any Indebtedness;
- (ix) any Liability arising out of any Environmental Claim other than the Business Environmental Liabilities;
- (x) Leases other than the Assigned Leases and the Sublease;
- (xi) any Liability to any broker, finder or agent for any investment banking or brokerage fees, finder’s fees or commission and any other fees and expenses payable by Seller Parent or any of its Subsidiaries pursuant to Section 11.8 with respect to the transactions contemplated by this Agreement;
- (xii) any Liability to Seller Parent, Seller, the Other Sellers or any of their Subsidiaries other than pursuant to this Agreement or the other Transaction Documents;
- (xiii) any Liability that would be required to be reflected as a current liability on a balance sheet of the Business as of the Closing prepared in accordance with GAAP other than those set forth in Schedule 2.2(a)(viii); and
- (xiv) except as provided in Sections 2.4, 2.5, 2.6, 6.6 or 6.7 any Liabilities with respect to Contracts other than Transferred Contracts.

2.3 Transfer of Purchased Assets; Assumed Liabilities and Purchased Subsidiary Interests.

(a) The Purchased Assets and the Purchased Subsidiary Interests shall be sold, conveyed, transferred, assigned and delivered, and the Assumed Liabilities shall be assumed, pursuant to transfer and assumption agreements and such other instruments in such form as may be necessary or appropriate to effect a conveyance of the Purchased Assets and the Purchased Subsidiary Interests and an assumption of the Assumed Liabilities in the jurisdictions in which such transfers are to be made. In addition, Intellectual Property Rights under certain computer assisted design (CAD) tool software licenses (“CAD Licenses”) will be assigned or sublicensed to Purchaser to the extent provided in Section 6.18 hereof. Such transfer and assumption agreements shall be jointly prepared by the Parties and shall include: (i) a bill of sale in substantially the form attached hereto as Exhibit A (the “Bill of Sale”), (ii) an assignment and assumption agreement in substantially the form attached hereto as Exhibit B (the “Assignment and Assumption Agreement”), (iii) local asset transfer agreements for each jurisdiction other than the United States in which Purchased Assets, Transferred Business Intellectual Property, Transferred Intellectual Property Rights or Assumed Liabilities are located in substantially the form attached hereto as Exhibit C with only such deviations therefrom as are required by local Law (the “Local Asset Transfer Agreements”), (iv) the stock certificates evidencing the Purchased Subsidiary Interests and (v) such other agreements as may reasonably be required to effect the purchase and assignment of the Purchased Assets, the Transferred Business Intellectual Property, the Transferred Business Intellectual Property Rights, Assumed Liabilities and the Purchased Subsidiary Interests (collectively, clauses (i)–(v), the “Ancillary Agreements”) and shall be executed no later than at or as of the Closing by the Seller Parties, as appropriate and Purchaser.

5

(b) Notwithstanding the foregoing and unless otherwise stated in the Master Separation Agreement, promptly following the Closing Date, Purchaser will: (i) at Purchaser’s cost and expense, prepare such Purchased Assets located at any facilities currently occupied by the Other Sellers which are not to be purchased, assigned, subleased, transferred to or otherwise occupied by Purchaser pursuant to this Agreement or the Master Separation Agreement (each such facility, a “Seller Facility”) for relocation and relocate such Purchased Assets from the relevant Seller Facility; (ii) be responsible for all data transfer, delivery, transmission and reformatting costs and expenses related to the acquisition of assets to the extent provided in the Master Separation Agreement, and (iii) indemnify, defend and reimburse the respective Other Seller all Seller Losses arising out of any damage to any Seller Facility or any injury suffered by any Person arising out of or related to Purchaser’s removal, detachment, disconnection, or transportation of the Purchased Assets. Subject to the terms of this Section 2.3(b), each of Seller Parent, Seller and the Other Seller agrees to, and shall use commercially reasonable efforts (as defined for purposes of this Agreement in Schedule 2.3(b)) to cause Angel to, cooperate with Purchaser and provide Purchaser all assistance reasonably requested by Purchaser in connection with the planning and implementation of the transfer of Purchased Assets or any portion of any of them to such location as Purchaser

shall designate. Purchased Assets shall be transported by or on behalf of Purchaser, and until all of the Purchased Assets are removed from a Seller Facility, Seller Parent, Seller or the Other Sellers, respectively, will and will use commercially reasonable efforts to cause Angel to, permit Purchaser and its authorized agents or representatives, upon prior notice, to have reasonable access to the Seller Facility to the extent necessary to disconnect, detach, remove, package and crate the Purchased Assets for transport. Purchaser shall be responsible for disconnecting and detaching all fixtures and equipment that are Purchased Assets from the floor, ceiling and walls of a Seller Facility so as to be freely removed from a Seller Facility by Purchaser. Purchaser shall be responsible for packaging and loading the Purchased Assets for transporting to and reinstalling the Purchased Assets at such location(s) as Purchaser shall determine. All risk of loss as to the Purchased Assets shall be borne by, and shall pass to, the Purchaser as of the Effective Time.

(c) Notwithstanding the foregoing, but subject to the Intellectual Property License Agreement, the Other Sellers and Seller and its Subsidiaries shall have no obligation to prosecute any Patents or Trademarks included in the Transferred Business Intellectual Property after the Closing Date, even if such Patents or Trademarks are the subject of any pending litigation relating to such Patents or Trademarks, and their obligations with respect to transfer of all such Patents or Trademarks shall be limited to the delivery of complete files relating thereto upon the reasonable request of Purchaser from time to time and the delivery of Transferred Business Intellectual Property Rights Assignments pursuant to Section 2.3(a).

2.4 Approvals and Consents.

(a) Notwithstanding anything to the contrary contained in this Agreement, and subject to the provisions of Sections 2.5 and 2.6, to the extent that the sale, conveyance, transfer, assignment or delivery or attempted sale, conveyance, transfer, assignment or delivery to Purchaser of any Purchased Asset would result in a violation of any applicable Law, or would require any Consent or waiver of any Governmental Authority or third party and such Consent or waiver shall not have been obtained prior to the Closing, this Agreement shall not constitute a sale, conveyance, transfer, assignment or delivery, or an attempted sale, conveyance, transfer,

6

assignment or delivery thereof if any of the foregoing would constitute a breach of applicable Law, any Contract or the rights of any third party; provided, however, that, subject to the satisfaction or waiver of the conditions contained in Article VII, the Closing shall occur notwithstanding the foregoing without any adjustment to the Purchase Price on account of such required authorization. Following the Closing, the Parties shall use commercially reasonable efforts, and shall cooperate with each other, to obtain promptly such Consent or waiver; provided, further, however, that neither Party nor any of its Subsidiaries shall be required to pay any consideration therefor.

(b) Once such Consent or waiver is obtained, Seller Parent, Seller and the Other Sellers shall, and shall cause their Subsidiaries to, or if applicable, use their commercially reasonable efforts to cause Angel to, sell, assign, transfer, convey and license such Purchased Asset and the Purchased Subsidiary Interests, as applicable, to Purchaser for no additional consideration. Applicable Transfer Taxes in connection with such sale, assignment, transfer, conveyance or license shall be paid in accordance with Section 6.14.

(c) To the extent that any Purchased Asset cannot be provided to Purchaser following the Closing pursuant to this Section 2.4, Purchaser and Seller Parent, Seller or any Other Seller, as applicable, shall or shall cause its Subsidiaries to, or shall use commercially reasonable efforts to cause Angel to, use commercially reasonable efforts to, enter into such arrangements (including subleasing, sublicensing or subcontracting) to provide to the parties the economic (taking into account Tax costs and benefits) and, to the extent permitted under applicable Law, operational equivalent of obtaining such Consent or waiver and the performance by Purchaser of its obligations thereunder. To the extent permitted under applicable Law, Seller Parent, Seller or any Other Seller, as applicable, shall, or shall cause its Subsidiaries to, or shall use commercially reasonable efforts to cause Angel to, hold in trust for and pay to Purchaser promptly upon receipt thereof, such Purchased Assets and all income, proceeds and other monies received by such party to the extent related to any such Purchased Asset in connection with the arrangements under this Section 2.4. Such party shall be permitted to set off against such amounts all direct costs associated with the retention and maintenance of such Purchased Assets. Notwithstanding the foregoing, such party shall have no obligation whatsoever to retain any portion of the Business, other than any individual asset or Contract (but only until such time as the transfer thereof may be effected in accordance with this Agreement), in order to obtain any such Consent or waiver referred to in this Section 2.4 or elsewhere in this Agreement. Nothing in this Section 2.4 applies (i) to any Consent or waiver required under any Antitrust Regulations, which Consents and waivers shall be governed by Section 6.3 or (ii) to Consents or releases with respect to the Assigned Real Property and the Subleased Real Property, such Consents and releases to be obtained pursuant to the provisions of Section 2.6.

2.5 Novation and Assignment.

(a) Each Party shall, and shall cause their respective Subsidiaries to, and Seller Parent shall use commercially reasonable efforts to cause Angel to, use commercially reasonable efforts to obtain or to cause to be obtained any Consent, substitution, or amendment required to novate (including with respect to any federal governmental contract) or assign all rights and obligations under Transferred Contracts and other obligations or liabilities of any nature whatsoever that constitute the Assumed Liabilities or to obtain in writing the unconditional release of all parties

7

to such arrangements, so that, in any case, Purchaser will be solely responsible for such rights and Assumed Liabilities from and after the Closing Date, provided, however, that neither Party nor any of its Subsidiaries shall be obligated to pay any consideration therefor to any third party from whom such Consents, substitutions and amendments are requested.

(b) If either Party or any of its Subsidiaries is unable to obtain, or to cause to be obtained, any such required Consent, release, substitution or amendment, (i) Seller Parent, Seller or any Other Seller, as applicable, shall, or shall cause its Subsidiary to, or shall use reasonable commercial efforts to cause Angel to, continue to be bound by such Transferred Contracts and other obligations and, (ii) unless not permitted by the terms thereof or applicable Law, Purchaser shall, as agent or subcontractor for the Other Seller or Seller or Seller Parent or their Subsidiaries, as applicable, pay, perform and discharge fully, or cause to be paid, transferred or discharged all the obligations or other Liabilities such Party thereunder from and after the Closing Date (except to the extent expressly otherwise provided herein or in the other Transaction Documents). Such Party shall, without further consideration, pay and remit, or cause to be paid or remitted, to Purchaser promptly all money, rights and other consideration received by it in respect of such performance. If and when any such consent, approval, release, substitution or amendment shall be obtained or such agreement, lease, license or other rights or obligations shall otherwise become assignable or able to be novated, Seller Parent, Seller or any Other Seller, as applicable, shall, or shall cause its Subsidiaries to thereafter assign, or cause to

be assigned, all its rights, obligations and other liabilities thereunder to Purchaser without receipt of further consideration and Purchaser shall, without the payment of any further consideration, assume such rights and obligations. Notwithstanding the foregoing, the provisions of this Section 2.5 shall not apply to Consents or releases with respect to the Assigned Real Property and the Subleased Real Property, such Consents and releases to be obtained pursuant to the provisions of Section 2.6.

(c) To the extent reasonably required in order to perfect Purchaser's or its Affiliates' chain of title to the Transferred Business Intellectual Property as recorded at the United States Patent and Trademark Office (USPTO), or a corresponding office in a foreign country, upon Purchaser's reasonable request Seller Parent or Seller shall, and shall cause its applicable Affiliates to, use commercially reasonable efforts (but not including payment or the transfer of other consideration to any third party) to provide, obtain, or cause to be obtained, documents sufficient to evidence the chain of title conferring ownership of such Transferred Business Intellectual Property in Purchaser in a form suitable for recordation with the USPTO, or a corresponding office in a foreign country, and to provide said documents to the Purchaser for filing and recordation by it, or, in the sole discretion of the Seller, to record, or to cause to be recorded, said documents.

2.6 Consent to Real Property Assignments and Sublease.

(a) Promptly following the execution of this Agreement, with respect to each Assigned Real Property and the Subleased Real Property, Seller shall use its commercially reasonable efforts to obtain the consent of the relevant Landlord to the assignment (whether by direct assignment or in connection with the sale to Purchaser or one of its Affiliates of the Purchased Subsidiary Interests) or sublease, as the case may be, of each Assigned Real Property and the Subleased Real Property on terms reasonably acceptable to Purchaser and Seller

8

(collectively, the "Landlord Consents"), but shall not be required to commence judicial proceedings for a declaration that any Landlord Consent has been unreasonably withheld or delayed, pay any consent fees or agree to any change in the Assigned Leases or the Corvallis Lease (other than those conditioned upon the consummation of the transactions contemplated hereby), or provide or maintain any security or guaranty to any Landlord following the Closing.

(b) Purchaser shall cooperate with Seller in attempting to obtain the Landlord Consents, including without limitation: (i) providing financial statements and references as may be reasonably requested by any Landlord, (ii) agreeing to any amendments to the Assigned Leases or the Sublease as may be reasonably requested by the relevant Landlord; provided such amendments could not reasonably be expected to increase the liability of Purchaser as tenant or subtenant, as the case may be, or decrease the Purchaser's rights as tenant or subtenant, as the case may be, thereunder, (iii) executing and delivering (and agreeing to execute and deliver) a guarantee by the ultimate parent of Purchaser (or other subsidiary of the ultimate parent) of the obligations under the relevant Assigned Lease or the Sublease, as the case may be, and (iv) with respect to the Subleased Real Property, entering into a direct lease of the Subleased Real Property with the Landlord, if reasonably requested by the Landlord, on terms that are not materially more adverse to Purchaser in comparison to those of the existing Lease or otherwise acceptable to Purchaser in its reasonable discretion.

(c) Purchaser shall not communicate directly with any Landlord without the prior written consent of Seller, such consent not to be unreasonably withheld.

2.7 Missing Consents.

Not less than three (3) Business Days prior to the Closing, Seller shall deliver a supplement to the Disclosure Letter, which supplement shall identify the Consents with respect to the Transferred Material Contracts, the Assigned Real Property or the Subleased Real Property that to Seller's knowledge have not been obtained and are subject to the provisions of Sections 2.4, 2.5 and 2.6 hereof; provided, that such supplement will have no effect on any representation or warranty or the exceptions thereto.

ARTICLE III

PURCHASE PRICE AND ADJUSTMENTS

3.1 Purchase Price.

The purchase price in respect of the purchase and sale transactions hereunder (the "Purchase Price") shall be (a) the sum of (i) an amount in cash equal to Two Hundred Forty Million Dollars and no cents (\$240,000,000), as adjusted pursuant to Section 3.2, *plus* (ii) any payments required to be made by Purchaser pursuant to Section 3.3, and (b) the assumption of the Assumed Liabilities, which comprises the aggregate of the respective purchase prices to be paid for the Purchased Subsidiary Interests, the Purchased Assets and the covenant not to compete contained in Section 6.9 in each respective jurisdiction as provided in the Allocation Schedule.

9

3.2 Closing Date Payment.

(a) On the Closing Date, Purchaser shall, or shall cause one of its Affiliates to, pay to Seller (for its own account and as agent for any Other Seller unless otherwise provided in any Local Asset Transfer Agreement) an amount equal to (i) Two Hundred Forty Million Dollars and no cents (\$240,000,000), and (ii) plus or minus, as applicable, the difference between the Estimated Inventory (as defined in section 3.2(b)) at the opening of business on the Closing Date (without giving effect to the Closing) and the Base Inventory. Such amount provided for in the immediately preceding sentence shall be payable in United States dollars in immediately available federal funds to such bank account or accounts as shall be designated in writing by Seller no later than the second Business Day prior to the Closing, and furthermore, shall be inclusive of any amounts paid or to be paid under any Local Asset Transfer Agreements.

(b) For purposes of this Agreement, "Estimated Inventory" shall be an amount based on Seller's estimate of projected Final Inventory (as defined in Section 3.2(c)) as of the opening of business on the Closing Date (without giving any effect to the Closing or any step up or step down in value for financial reporting purposes as a result of the closing of the transactions contemplated by the Semiconductor Business Purchase Agreement) prepared on a

basis consistent with past accounting practice of the Business as estimated in good faith by Seller and set forth in a certificate delivered by Seller to Purchaser, together with reasonable supporting documentation for the calculation thereof, not less than three (3) Business Days prior to the Closing Date, it being agreed that at the time of the delivery of such certificate and continuing thereafter Seller shall provide a reasonable opportunity for Purchaser to review such supporting documentation and discuss it in good faith with responsible representatives of Seller.

(c) Purchaser and Seller agree that to the extent that the Final Inventory exceeds the Estimated Inventory, Purchaser shall pay to Seller (on behalf of itself and as agent for any Other Seller) such excess (the “Inventory Excess Amount”), and to the extent that the Final Inventory is less than the Estimated Inventory, Seller (on behalf of itself and as agent for any Other Seller) shall pay to Purchaser such shortfall (the “Inventory Deficiency Amount”), in each case pursuant to the terms of this Section 3.2. For purposes of this Agreement, “Final Inventory” shall mean Inventory as of the opening of business on the Closing Date (without giving any effect to the Closing or any step up or step down in value for financial reporting purposes as a result of the closing of the transactions contemplated by the Semiconductor Business Purchase Agreement) prepared on a basis consistent with past accounting practice of the Business as determined pursuant to this Section 3.2. As used herein, “Inventory” means all inventory of the Business as calculated and prepared in accordance with the past accounting practices of the Business.

(d) As promptly as practicable following the Closing, but in no event later than 45 days following the Closing Date, Seller shall: (i) prepare and deliver to Purchaser (A) a calculation of Final Inventory (the “Final Closing Statement of Inventory”) and (B) a calculation of the Inventory Excess Amount or the Inventory Deficiency Amount, if any, and (ii) make available to Purchaser all relevant books and records relating to the Final Closing Statement of Inventory. Purchaser shall cooperate with Seller in the preparation of the Final Closing Statement of Inventory and the calculation of the Inventory Excess Amount or the Inventory Deficiency Amount, if any, as the case may be. Without limiting the generality of the foregoing, Purchaser shall provide Seller and its representatives with reasonable access, during normal

10

business hours, to the facilities, personnel and accounting records of the Business acquired by Purchaser, to the extent reasonably necessary to permit Seller to prepare the Final Closing Statement of Inventory.

(e) During the 30-day period following Purchaser’s receipt of the Final Closing Statement of Inventory (the “Inventory Review Period”), Purchaser and its representatives, including its independent auditors, shall be afforded the opportunity to review the Final Closing Statement of Inventory and related supporting documentation.

(f) If Purchaser does not agree with the Final Closing Statement of Inventory, Purchaser shall deliver to Seller, prior to the expiration of the Inventory Review Period, a proposed adjustment notice (“Inventory Proposed Adjustment Notice”) which shall contain, in reasonable detail, the alleged error and support for such belief and the adjustment thereof. If the Inventory Proposed Adjustment Notice is not delivered to Seller prior to the expiration of the Inventory Review Period, the Final Closing Statement of Inventory shall become final, binding and conclusive on all Parties.

(g) If an Inventory Proposed Adjustment Notice is delivered within the period set forth in Section 3.2(e), Purchaser and Seller shall negotiate in good faith to resolve such dispute for a 30-day period (the “Inventory Discussion Period”), commencing on the date Seller receives the Inventory Proposed Adjustment Notice, to resolve such dispute. If Purchaser and Seller cannot resolve such dispute within such 30-day period, Purchaser and Seller shall retain a mutually acceptable accounting firm to act as the arbitrator (the “Inventory Arbitrator”) of such dispute. The Parties shall retain the Inventory Arbitrator no later than five (5) Business Days following the expiration of the Inventory Discussion Period. In the event of a failure to retain the Inventory Arbitrator during such time period, either Party, acting individually, shall have the right to retain the Inventory Arbitrator on behalf of both Parties. Any arbitration shall be conducted in San Mateo County, California, and such proceedings shall be in English. The Inventory Arbitrator shall act promptly to resolve any dispute in accordance with the terms of this Agreement, it being understood that the sole issues for the Inventory Arbitrator shall be whether the Final Closing Inventory Statement is correct. The Inventory Arbitrator shall issue its written decision as promptly as practicable and in any event within 30 days after the appointment of such Inventory Arbitrator, which decision shall be final, binding and conclusive on both Purchaser and Seller. Purchaser and Seller shall cooperate with the Inventory Arbitrator in connection with this Section 3.2(g). Without limiting the generality of the foregoing, Purchaser and Seller shall each promptly provide, or cause to be provided, to the Inventory Arbitrator all information, and to make available at the arbitration proceeding all personnel, as are reasonably necessary to permit the Inventory Arbitrator to resolve any disputes pursuant to this Section 3.2(g). The expenses of the Inventory Arbitrator in resolving any disputes under this Section 3.2(g) shall be borne equally by Purchaser and Seller.

(h) If the Final Closing Statement of Inventory, as may be adjusted pursuant to this Section 3.2(g), results in a Inventory Deficiency Amount, then Seller shall pay to an account designated by Purchaser in immediately available funds an amount equal to the Inventory Deficiency Amount. If the Final Closing Statement of Inventory, as may be adjusted pursuant to Section 3.2(g), results in an Inventory Excess Amount, then Purchaser shall pay to an account designated by Seller in immediately available funds an amount equal to the Inventory Excess

11

Amount. All payments under this Section 3.2(g) shall be made within five (5) Business Days of the Final Closing Statement of Inventory becoming final and binding in accordance with this Section 3.2(g). The payment of any amounts pursuant to this Section 3.2(g) shall not be subject to any set-offs, hold-backs, escrows or other reductions or restrictions.

3.3 Earnout Amount.

(a) For purposes of this Agreement:

(i) “Applicable Revenues” shall mean all revenues from end customer sales of products, licenses and services to The Hewlett-Packard Company (including sales to contract manufacturers in connection with the manufacture of products on behalf of The Hewlett-Packard Company) and its worldwide subsidiaries, determined pursuant to the principles and methodologies set forth on Schedule 3.3(a)(i), earned (x) from the Business by Seller Parent and its Subsidiaries prior to the Closing during FY2006 (excluding revenues from sales among Seller Parent and its consolidated subsidiaries), (y) by Purchaser Parent and its Subsidiaries from the Business from and after the Closing during FY2006 (excluding revenues from sales among Purchaser Parent and its consolidated subsidiaries), and (z) by Purchaser Parent and its Subsidiaries from the Business during FY2007 (excluding revenues from sales among Purchaser Parent and its consolidated subsidiaries); and

(ii) “Seller Fiscal Years” shall mean (A) the fiscal year of Seller ending October 31, 2006 (“FY2006”); and (B) the fiscal year of Seller ending October 31, 2007 (“FY2007”).

(b) Subject to Section 3.3(d) below, Purchaser shall pay to Seller, in cash by wire transfer to the account number referred to in Section 3.2(a): (i) an amount equal to the excess (if any) of: (y) the Applicable Revenues for FY2006; over (z) the FY2006 Target Amount set forth on Schedule 3.3(b)(i) (it being understood that the maximum aggregate amount payable to Seller by the Purchaser pursuant to this Section 3.3(b)(i) shall be equal to the Maximum FY2006 Payout set forth on Schedule 3.3(b)(i)); and (ii) an amount equal to the excess (if any) of: (y) the Applicable Revenues for FY2007; over (z) the FY2007 Target Amount set forth on Schedule 3.3(b)(ii) (it being understood that the maximum aggregate amount payable to Seller by the Purchaser pursuant to this Section 3.3(b)(ii) shall be Maximum FY2007 Payout set forth on Schedule 3.3(b)(ii)).

(c) Purchaser shall use commercially reasonable efforts to operate the Business in the ordinary course of business. Notwithstanding anything to the contrary contained in this Agreement, in the event that prior to the last day of (A) FY2006, Purchaser directly or indirectly sells or transfers in one or more transactions 10% or more of the value of the Business, other than the sale of inventory or work in process in the ordinary course of business or transfers to consolidated subsidiaries of Purchaser Parent, then prior to or contemporaneously with the consummation of such sale Purchaser shall pay to Seller the sum of the Maximum FY2006 Payout and the Maximum FY2007 Payout in cash by wire transfer to the account number referred to in Section 3.2(a), or (B) FY2007, Purchaser directly or indirectly sells or transfers in one or more transactions 10% or more of the value of the Business, other than the sale of inventory or work in process in the ordinary course of business or transfers to consolidated

12

subsidaries of Purchaser Parent, then prior to or contemporaneously with the consummation of such sale Purchaser shall pay to Seller, in cash by wire transfer to the account number referred to in Section 3.2(a), an amount equal to the sum of: (i) the Maximum FY2007 Payout; *plus* (ii) the aggregate amounts, if any, owed and not yet paid under Section 3.3(b)(i).

(d) Dispute Resolution.

(i) As promptly as practicable following the last day of each Seller Fiscal Year, but in no event later than 45 days following the last day of each Purchaser Fiscal year, Purchaser shall: (i) prepare and deliver to Seller a statement (the “Applicable Revenues Statement”) setting forth the Applicable Revenues for such Seller Fiscal Year through the last day of such Seller Fiscal Year (and its method of calculating such Applicable Revenues), and (ii) make available to Seller all relevant books and records relating to such Applicable Revenues Statement as well as the personnel of Purchaser involved in the preparation of the Applicable Revenues Statement. Seller shall cooperate with Purchaser in the preparation of the Applicable Revenues Statement and the calculation of Applicable Revenues earned by the Seller Parties prior to the Closing Date. Without limiting the generality of the foregoing, Seller shall provide Purchaser and its representatives with reasonable access, during normal business hours, to the personnel and accounting records of the Business, to the extent reasonably necessary to permit Purchaser to prepare the Applicable Revenues Statement.

(ii) During the 30-day period following Seller’s receipt of the Applicable Revenues Statement (the “Earnout Review Period”), Seller and its representatives, including its independent auditors, shall be afforded the opportunity to review such Applicable Revenues Statement and related supporting documentation and to discuss such materials with Purchaser and its representatives.

(iii) If Seller does not agree with the Applicable Revenues Statement for a given Seller Fiscal Year, Seller shall deliver to Purchaser, prior to the expiration of the applicable Earnout Review Period, a proposed adjustment notice (“Earnout Proposed Adjustment Notice”) which shall contain, in reasonable detail, the alleged error and support for such belief and the adjustment thereof. If an Earnout Proposed Adjustment Notice is not delivered to Seller prior to the expiration of applicable Earnout Review Period, the Applicable Revenues Statement for such Seller Fiscal Year shall become final, binding and conclusive on all Parties.

(iv) If an Earnout Proposed Adjustment Notice is delivered within the period set forth in Section 3.3(d)(ii), Purchaser and Seller shall negotiate in good faith to resolve such dispute for a 30-day period (the “Earnout Discussion Period”), commencing on the date Purchaser receives the Earnout Proposed Adjustment Notice, to resolve such dispute. If Purchaser and Seller cannot resolve such dispute within such 30-day period, Purchaser and Seller shall retain a mutually acceptable accounting firm to act as the arbitrator (the “Earnout Arbitrator”) of such dispute. The Parties shall retain the Earnout Arbitrator no later than five (5) Business Days following the expiration of the Earnout Discussion Period. In the event of a failure to retain the Earnout Arbitrator during such time period, either Party, acting individually, shall have the right to retain the Earnout Arbitrator on

13

behalf of both Parties. Any arbitration shall be conducted in San Mateo County, California, and such proceedings shall be in English. The Earnout Arbitrator shall act promptly to resolve any dispute in accordance with the terms of this Agreement, it being understood that the sole issues for the Earnout Arbitrator shall be whether the Applicable Revenues Statement for the relevant Seller Fiscal Year is correct. The Earnout Arbitrator shall issue its written decision as promptly as practicable and in any event within 30 days after the appointment of such Earnout Arbitrator, which decision shall be final, binding and conclusive on both Purchaser and Seller. Purchaser and Seller shall cooperate with the Applicable Revenues Arbitrator in connection with this Section 3.3(d)(iv). Without limiting the generality of the foregoing, Purchaser and Seller shall each promptly provide, or cause to be provided, to the Earnout Arbitrator all information, and to make available at the arbitration proceeding all personnel, as are reasonably necessary to permit the Earnout Arbitrator to resolve any disputes pursuant to this 3.3(d)(iv). The expenses of the Earnout Arbitrator in resolving any disputes under this Section 3.3(d)(iv) shall be borne equally by Purchaser and Seller.

(v) Upon the final determination of the Applicable Revenues for a given Seller Fiscal Year in accordance with this Section 3.3(d), Purchaser shall make any payment required to be made for such Seller Fiscal Year pursuant to Section 3.3(b) no later than five Business Days after such final determination. The payment of any amounts pursuant to this Section 3.3 shall not be subject to any set-offs, hold-backs, escrows or other reductions or restrictions.

(a) Seller, the Other Sellers and Purchaser agree to allocate the Purchase Price (and all other capitalizable costs) among the Purchased Assets, the Purchased Subsidiary Interests, Transferred Business Intellectual Property (not held by the Purchased Seller Subsidiaries), the Transferred Business Intellectual Property Rights (not held by the Purchased Seller Subsidiaries) the covenant not to compete contained in Section 6.9, and the rights granted under the Intellectual Property License Agreement and the Trademark License Agreement for all purposes (including financial accounting and Tax purposes (except as otherwise required by generally accepted accounting principles)) in accordance with an allocation schedule (the “Allocation Schedule”) prepared jointly by Seller on behalf of itself and as agent to the Other Sellers and Purchaser. Seller and Purchaser agree to revise the Allocation Schedule to reflect any adjustment to the Purchase Price pursuant to Section 3.2(h) or Section 3.3. Seller and Purchaser agree to cooperate with each other in the preparation of, and to negotiate in good faith to resolve any dispute with respect to, the Allocation Schedule and revisions thereto; provided, however, that in the event that Seller and Purchaser cannot reach agreement with respect to the Allocation Schedule within thirty (30) days after the Closing Date (it being understood that the Parties will use commercially reasonable efforts to agree to reach agreement on the Allocation Schedule prior to the Closing Date) or any revisions to the Allocation Schedule as a result of an adjustment to the Purchase Price pursuant to Section 3.2(h) or Section 3.3 within 10 days after payment is made pursuant to such section, an internationally recognized accounting firm mutually agreed upon by Purchaser and Seller shall prepare the Allocation Schedule. If an accounting firm prepares the initial Allocation Schedule or the revised Allocation Schedule in accordance with the previous sentence, such schedule shall be prepared prior to the Closing Date, in the case of

the initial Allocation Schedule, or within 30 days after payment is made pursuant to Section 3.2(h) or Section 3.3, in the case of the revised Allocation Schedule. The costs related to having the accounting firm prepare the Allocation Schedule shall be borne equally by Purchaser and Seller.

(b) Purchaser, Seller Parent, Seller and the Other Sellers shall be bound by such Allocation Schedule and shall file all Tax Returns and reports with respect to the transactions contemplated by this Agreement (including, without limitation, all federal, state and local Tax Returns) on the basis of such allocation. In addition, Purchaser, Seller Parent, Seller and the Other Sellers shall act in accordance with the Allocation Schedule in the course of any Tax audit, Tax review or Tax litigation relating thereto, and take no position and cause their affiliates to take no position inconsistent with the Allocation Schedule for income Tax purposes, including United States federal and state income Tax and foreign income Tax, unless otherwise required pursuant to a “determination” within the meaning of Section 1313(a) of the Code.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF SELLER AND THE OTHER SELLERS

Seller Parent, Seller and the Other Sellers represent and warrant to Purchaser, subject to the principles, disclosures and exceptions set forth in the disclosure letter delivered by Seller Parent, Seller and the Other Sellers to Purchaser on the date hereof and attached hereto (the “Disclosure Letter”), as follows:

4.1 Corporate Existence.

Seller Parent, Seller and each of the Other Sellers is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization. Seller Parent, Seller and each Other Seller has the requisite corporate, partnership or similar power and authority to execute and deliver this Agreement and each of the other Transaction Documents to which it is a party and to consummate the transactions contemplated hereby and thereby and to carry on the Business as the same is now being conducted.

4.2 Corporate Authority.

(a) This Agreement, the Ancillary Agreements and the other agreements, instruments and documents to be executed and delivered in connection herewith, including the Master Separation Agreement, (collectively with this Agreement, the “Transaction Documents”) to which any Seller Party is (or becomes) a party and the consummation of the transactions contemplated hereby and thereby involving such Persons have been duly authorized by such Seller Parties, as applicable, and will be duly authorized by each such Seller Party by all requisite corporate, partnership or other action prior to Closing and no other proceedings on the part of such Seller Party or their stockholders are (and no other proceedings on the part of any Purchased Seller Subsidiary or any of its equity holders will be) necessary for any Seller Party to authorize the execution or delivery of this Agreement or any of the other Transaction Documents or to perform any of their obligations hereunder or thereunder. Each Seller Party that is a party to the Transaction Documents has, and each Seller Party will have at or prior to the Closing, full

corporate or other organizational (as applicable) power and authority to execute and deliver the other Transaction Documents to which it is a party and to perform its obligations hereunder or thereunder. This Agreement has been duly executed and delivered by Seller Parent, the Other Sellers and Seller, and the other Transaction Documents will be duly executed and delivered by the Seller Parties party thereto and this Agreement constitutes, and the other Transaction Documents when so executed and delivered will constitute, a valid and legally binding obligation of the Seller Parties party thereto, enforceable against it or them, as the case may be, in accordance with its terms, except as enforceability may be affected by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar Laws relating to or affecting creditors’ rights generally, and general equitable principles (whether considered in a proceeding in equity or at law).

(b) Except (i) for required filings under the HSR Act, and any other applicable Laws or regulations relating to antitrust or competition (collectively, “Antitrust Regulations”) and (ii) if determined to be necessary by Seller, the filing of this Agreement with the Securities and Exchange Commission (the “SEC”), the execution and delivery of this Agreement and the other Transaction Documents by the applicable Seller Parties, the performance by the applicable Seller Parties of their respective obligations hereunder and thereunder and the consummation by the Seller Parties of the transactions contemplated hereby and thereby do not and will not (A) violate or conflict with any provision of the respective certificates of incorporation or by-laws or similar organizational documents of any Seller Party, (B) result in any material violation or material breach of, or constitute any material default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any material obligation or a loss

of a material benefit under, require that any Consent be obtained or result in the creation of any Lien under, any material Contract, including material Transferred Contracts, to which any Seller Party is a party or to which any assets of any Seller Party is subject, or (C) materially violate, conflict with or result in any breach under any provision of any material Law applicable to any Seller Party or any of its respective properties or assets.

4.3 Capitalization.

(a) All of the assets and liabilities related to the Business, including those acquired by Seller Parent and its Subsidiaries from Angel, are held by Seller Parent directly and/or by its direct and indirect Subsidiaries.

(b) Section 4.3(b) of the Disclosure Letter sets forth with respect to each of the Purchased Seller Subsidiaries, its jurisdiction of organization, the amount of its authorized and outstanding equity interests and the record owners of such outstanding equity interests. Each of the Purchased Seller Subsidiaries is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization. Each Purchased Seller Subsidiary has the requisite corporate or similar power and authority to carry on the Business as the same is now being conducted by such Purchased Seller Subsidiary. All the issued and outstanding equity interests of the Purchased Seller Subsidiaries, are duly authorized, validly issued, fully paid and non-assessable and free of any preemptive rights in respect thereto. There are no outstanding (i) securities convertible into or exchangeable for the equity interests of the Purchased Seller Subsidiaries, (ii) options, warrants or other rights to purchase or subscribe for equity interests in the Purchased Seller Subsidiaries, or (iii) Contracts or understandings of any kind relating to the

16

issuance, transfer, repurchase, redemption, reacquisition or voting of any equity interests in the Purchased Seller Subsidiaries, any such convertible or exchangeable securities or any such options, warrants or rights, pursuant to which, in any of the foregoing cases, the Purchased Seller Subsidiaries, is subject or bound.

(c) Upon consummation of the Closing, Purchaser will own the Purchased Subsidiary Interests, in each case free and clear of any Liens, other than Liens created by Purchaser or its Affiliates.

(d) No Purchased Seller Subsidiary has conducted any business following its formation, other than the Business. No Purchased Seller Subsidiary will at the Closing (i) have any Liabilities that do not constitute Assumed Liabilities or (ii) have any assets other than Purchased Assets, Transferred Business Intellectual Property or Transferred Business Intellectual Property Rights.

4.4 Governmental Approvals and Consents.

Except as set forth in Section 4.4 of the Disclosure Letter, no material Consent, order, or license from, material notice to or material registration, declaration or filing with, any United States, supranational or foreign, federal, state, provincial, municipal or local government, government agency, court of competent jurisdiction, administrative agency or commission or other governmental or regulatory authority or instrumentality ("Governmental Authority"), is required on the part of any Seller Party in connection with the execution, delivery or performance of this Agreement or any of the other Transaction Documents or the consummation of the transactions contemplated hereby and thereby, other than requirements under any Antitrust Regulations. Each of the Seller Parties is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where such qualification is necessary, except for those jurisdictions where failure to be so qualified would not reasonably be expected to have, individually or in the aggregate, a Seller Material Adverse Effect.

4.5 Title to Purchased Assets.

(a) Seller or one or more of the Other Sellers has, or at the Closing will have, and Purchaser will at the Closing acquire, good and valid title to the Purchased Assets, free and clear of all Liens, except Permitted Liens and Liens arising out of any actions of Purchaser and its Subsidiaries.

(b) The only real property interests to be transferred to Purchaser (whether by assignment of the relevant Lease, sublease or sale to Purchaser or one of its Affiliates of the Purchased Seller Subsidiary that possesses such real property interest) are as follows: (i) U.S. R&D's leasehold estate in certain real property located at 6074 N. Discovery Way, Boise, ID 83713 pursuant to that certain Office Lease dated April 15, 2000 by and between Brighton Investments, LLC, as landlord, and Angel, as predecessor in interest to Seller, as tenant (the "Boise Lease"), (ii) IPL's leasehold estate in certain real property located at 77A, IFFCO Road, Sector 18, Gurgaon, India pursuant to that certain Lease Deed dated December 16, 2005 by and between Mr. Raj Singh Yadov, as landlord, and Seller, as tenant (the "India Lease"), (iii) Seller Parent's leasehold estate in certain real property located at No. 18, Jiafeng Road, Xin

17

Development Bank Building, Shanghai, People's Republic of China pursuant to that certain Lease Contract dated November , 2005 by and between Shanghai Waigaoqiao Free Trade Zone Xin Development Co., Ltd., as landlord, and Seller, as tenant (the "China Lease," and collectively with the Boise Lease and the India Lease sometimes referred to herein as the "Assigned Leases"), and (iv) a subleasehold interest (the "Sublease") in certain real property located at 4238 SW Research Way, Corvallis, OR 97333 pursuant to that certain Lease Agreement dated April 21, 2000 by and between Owyhee River LLC, as landlord, and Angel, as predecessor in interest to U.S. R&D, as tenant (the "Corvallis Lease"). A true and complete copy of each of the Assigned Leases and the Corvallis Lease has been delivered, or made available, to Purchaser or its counsel. For purposes of this Agreement, the premises subject to each of the Assigned Leases is herein referred to as the "Assigned Real Property," and the premises subject to the Sublease is herein referred to as the "Subleased Real Property." No Seller Party has received a written notice from the Landlord of any default (or condition or event which, after the notice or lapse of time or both, would constitute a default) under any such Lease relating to the Assigned Real Property or the Subleased Real Property.

(c) The China Lease and the India Lease each are, and to Seller's knowledge the Boise Lease and the Corvallis Lease each are, in full force and effect without modification or amendment from the form delivered, or made available, to Purchaser or its counsel and is valid, binding and enforceable in accordance with its terms except as enforceability may be affected by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar Laws relating to or affecting creditors' rights generally, and general equitable principles (whether considered in a proceeding in equity or at law). The Seller Parties party to each Assigned Lease and the Corvallis Lease have performed all material obligations required to be performed by them to date under such Leases, and are not (with or without the lapse of time or the giving of notice, or both) in material breach or material default thereunder and, to the

knowledge of Seller, no other party to such Leases is (with or without the lapse of time or the giving of notice, or both) in material breach or material default thereunder. Except pursuant to documentation delivered, or made available, to Purchaser or its counsel, no Seller Party party to any Assigned Lease or the Corvallis Lease has assigned its interest under such Lease, or entered into any subleases for all or a part of the space demised thereby, to any third party.

(d) The Assigned Real Property and the Subleased Real Property together with other arrangements between the Parties constitute all of the real property necessary to enable Purchaser to conduct the Business in all material respects.

4.6 Contracts.

(a) Except as set forth on Section 4.6(a) of the Disclosure Letter, no Transferred Contract with respect to the Business in effect as of the date of this Agreement constitutes (any Contract specified in Section 4.6(a) of the Disclosure Letter is referred to as a "Transferred Material Contract");

(i) any Contract to which Seller Parent, the Other Sellers, Seller or the Purchased Seller Subsidiaries is a party limiting in any material respect the right of Seller Parent, the Other Sellers, Seller, the Purchased Seller Subsidiaries to engage in any

18

material line of business or to compete with any Person, in each case which would apply to the activities of Purchaser after the Closing with respect to the Business;

(ii) a lease, sublease or similar Contract with any Person under which (A) Seller Parent, the Other Sellers, Seller or the Purchased Seller Subsidiaries is lessee of, or holds or uses, any machinery, equipment, vehicle or other tangible personal property owned by any Person or (B) Seller Parent, the Other Sellers, Seller, or Purchased Seller Subsidiaries is a lessor or sublessor of, or makes available for use by any Person, any machinery, equipment, vehicle or other tangible personal property owned or leased by Seller Parent, the Other Sellers, Seller or the Purchased Seller Subsidiaries in any such case that has an aggregate future liability or receivable, as the case may be, in any fiscal year in excess of \$1,000,000 and is not terminable by Seller Parent, the Other Sellers, Seller or the Purchased Seller Subsidiaries by notice of not more than 60 days for a cost of less than \$1,000,000;

(iii) (A) a continuing Contract for the future purchase by Seller Parent, the Other Sellers, Seller or the Purchased Seller Subsidiaries of materials, supplies, equipment or services (other than purchase orders for inventory (i.e., raw materials, work in process and finished goods) in the ordinary course of business), (B) a management, consulting or other similar Contract for services to be provided to Seller Parent, the Other Sellers, Seller or the Purchased Seller Subsidiaries or (C) an advertising agreement or arrangement, in any such case that has an aggregate future liability in any fiscal year to any Person in excess of \$1,000,000 and is not terminable by Seller Parent, the Other Sellers, Seller or the Purchased Seller Subsidiaries by notice of not more than 60 days for a cost of less than \$1,000,000;

(iv) a Contract (including any take-or-pay or keepwell agreement) under which (A) any Person has guaranteed indebtedness, liabilities or obligations of Seller Parent, the Other Sellers, Seller or the Purchased Seller Subsidiaries or (B) Seller Parent, the Other Sellers, Seller or the Purchased Seller Subsidiaries has guaranteed indebtedness, liabilities or obligations of any other Person (in each case other than endorsements for the purpose of collection in the ordinary course of business), in each case in excess of \$1,000,000 individually or \$5,000,000 in the aggregate;

(v) a Contract under which Seller Parent, the Other Sellers, Seller or the Purchased Seller Subsidiaries has, directly or indirectly, made any advance, loan, extension of credit or capital contribution to, or other investment in, any Person (other than extensions of trade credit in the ordinary course of business and loans to employees in the ordinary course of business consistent with past practice not in excess of \$100,000 per employee) in excess of \$1,000,000 individually or \$5,000,000 in the aggregate;

(vi) a Contract granting a Lien upon any property (tangible or intangible) used in connection with the Business or any other Purchased Asset which Lien secures an obligation in excess of \$1,000,000, other than Permitted Liens;

(vii) a Contract with (A) any Seller Party or (B) any shareholder, officer, director, employee or Affiliate of any Seller Party;

19

(viii) a Contract providing for the services of any dealer, distributor, sales representative, franchise or similar representative that involved the payment or receipt in the fiscal year ended October 31, 2005 in excess of \$1,000,000 by the Other Sellers, Seller or the Purchased Seller Subsidiaries, other than such contracts (including with original equipment manufacturers) entered into in the ordinary course of business; or

(ix) a Contract to which Seller Parent, the Other Sellers, Seller or the Purchased Seller Subsidiaries is a party pertaining to the Business that is material to the Business and not made in the ordinary course of business.

(b) All Transferred Material Contracts are valid, binding and in full force and effect with respect to Seller Parent, the Other Sellers, Seller or the Purchased Seller Subsidiaries party thereto, and have not been amended or modified in any material respect except as set forth therein. Seller Parent, the Other Sellers, Seller or the Purchased Seller Subsidiaries, as applicable, have made available to Purchaser or its counsel true and correct copies of all Transferred Material Contracts as in effect on the date hereof. Seller Parent, the Other Sellers, Seller or the Purchased Seller Subsidiaries party thereto has performed all material obligations required to be performed by it under the Transferred Material Contracts, and it is not (with or without the lapse of time or the giving of notice, or both) in material breach or material default thereunder and, to the knowledge of Seller, no other party to any Transferred Material Contract is (with or without the lapse of time or the giving of notice, or both) in material breach or material default thereunder.

(c) Notwithstanding the foregoing, the provisions of this Section 4.6 shall not apply to Business Intellectual Property Rights (which are addressed in Section 4.8), Seller Plans (which are addressed in Section 4.11), and Non-U.S. Benefit Plans (which are addressed in Section 4.12).

4.7 Litigation.

None of Seller Parent, the Other Sellers, Seller, the Purchased Seller Subsidiaries or any Seller Party is subject to any order, judgment, stipulation, injunction, decree or agreement with any Governmental Authority, which would reasonably be expected to prevent or materially interfere with or delay the consummation of any of the transactions contemplated by the Transaction Documents or would reasonably be expected to have a Seller Material Adverse Effect. No Proceeding is pending or, to the knowledge of Seller, threatened against Seller Parent, the Other Sellers, Seller, the Purchased Seller Subsidiaries or any Seller Party which would reasonably be expected to prevent or materially interfere with or delay the consummation of the transactions contemplated hereby or by any of the other Transaction Documents. Except as set forth on Section 4.7 of the Disclosure Letter, there are no Proceedings pending or, to the knowledge of Seller, threatened against Seller Parent, the Other Sellers, Seller or the Purchased Seller Subsidiaries or any of their Affiliates in respect of the Purchased Subsidiary Interests, the Business, the Purchased Assets, the Business Intellectual Property Rights or the Seller Plans, except for (a) any pending or threatened Proceeding that (i) seeks less than \$500,000 in damages (excluding any class or similar representative actions or any instance in which a Proceeding involving the same or similar allegations represent aggregate damages in excess of such amount) and (ii) does not seek injunctive or other similar relief, or (b) Proceedings commenced following

20

the date hereof which would not, individually or in the aggregate, reasonably be expected to have a Seller Material Adverse Effect.

4.8 Business Intellectual Property Rights.

(a) Section 4.8(a) of the Disclosure Letter sets forth a list of all material Business Intellectual Property Licenses entered into by any Seller Party or identified to Seller by Angel as of the date hereof. Seller and Purchaser shall reasonably cooperate to prepare a revised list of Business Intellectual Property Licenses prior to the Closing Date, with the intention that such list shall be as complete and accurate as is practicable under the circumstances. To the knowledge of Seller, (i) the Business Intellectual Property Licenses set forth in Section 4.8(a) of the Disclosure Letter are valid and in full force and effect and (ii) no Seller Party is in material default or material breach thereunder, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Laws relating to or affecting the enforcement of creditors' rights generally, by general equitable principles (regardless of whether enforceability is considered in a proceeding in equity or at law) or by the implied covenant of good faith and fair dealing.

(b) Seller Parent, Seller or the Purchased Seller Subsidiaries owns the Transferred Business Intellectual Property free and clear of any Liens.

(c) No Proceedings have been instituted, pending or threatened against any Seller Party or, to the knowledge of Seller, against Angel, which challenge the rights of any Seller Party with respect to use or ownership of the Transferred Business Technology, Transferred Business Intellectual Property or Transferred Business Intellectual Property Rights.

(d) None of the Transferred Business Technology, Transferred Business Intellectual Property, or Transferred Business Intellectual Property Rights is subject to any outstanding judgment, decree, order, writ, award, injunction or determination of an arbitrator or court or other Governmental Authority affecting the rights of Seller Parent, any Seller Party or the Purchased Seller Subsidiaries with respect thereto.

(e) To the knowledge of Seller, neither Seller nor any Seller Party, nor the use by Seller Parent, the Seller Parties and Angel of the Transferred Business Technology, Transferred Business Intellectual Property or Transferred Business Intellectual Property Rights, has not, in connection with the Business, infringed or violated in any material respects the valid Intellectual Property Rights of any third party, and no other term of this Agreement shall be interpreted to be inconsistent with the foregoing.

(f) As of the date hereof, none of Seller Parent or the Seller Parties has received any notice of, and there is no pending litigation, to which Seller Parent, the Purchased Seller Subsidiaries, the Other Sellers, Seller or any Seller Party is a party, alleging (i) that Seller Parent's, the Seller Parties' or the Purchased Seller Subsidiaries' use of the Transferred Business Technology, Transferred Business Intellectual Property or Transferred Business Intellectual Property Rights violates any valid Intellectual Property Right of any third party material to the Business, (ii) invalidity of the Transferred Business Intellectual Property, or (iii) ownership of

21

the Transferred Business Intellectual Property or Transferred Business Intellectual Property Rights by a third party.

(g) To the knowledge of Seller, there is no material unauthorized use, misappropriation or infringement of any material Transferred Business Intellectual Property by any third party, including by any employee or former employee of any Seller Party.

(h) The Seller Parties and the Purchased Seller Subsidiaries have taken commercially reasonable steps to preserve the confidentiality of their Trade Secrets that relate to the Business. The Seller Parties or any of the Purchased Seller Subsidiaries are not under any obligation to disclose its material proprietary software of the Business in source code form, except to parties that have agreed to preserve the confidentiality of such source code. The Seller Parties have not intentionally incorporated any disabling device or mechanism in the Printer Products.

(i) None of the Seller Parties or any of the Purchased Seller Subsidiaries has received any notice nor is there any pending litigation alleging that any Seller Party or any of the Purchased Seller Subsidiaries is obligated to indemnify a third party for alleged infringements or violations of Intellectual Property Rights of any other third party, except for any such infringements or violations which would not, individually or in the aggregate, reasonably be expected to have a Seller Material Adverse Effect.

4.9 Finders; Brokers.

None of the Seller Parties has employed any finder or broker in connection with the Purchase who would have a valid claim for a fee or commission from Purchaser in connection with the negotiation, execution or delivery of this Agreement or any of the other Transaction Documents or the consummation of any of the transactions contemplated hereby or thereby.

4.10 Tax Matters.

(a) Each Purchased Seller Subsidiary has timely filed with the appropriate taxing authorities all material Tax Returns required to be filed through the date hereof, and each such Tax Return is complete and accurate in all material respects. Neither Purchased Seller Subsidiary is the beneficiary of any extension of time within which to file any material Tax Return.

(b) (i) None of the Seller Parties is currently engaged or has been engaged during the three year period ending on the Closing Date, in any material disputes with any Governmental Authority with respect to Taxes attributable to the Purchased Assets or the Purchased Seller Subsidiaries, and (ii) no Governmental Authority has proposed to make or has made any material adjustment with respect to Taxes attributable to the Purchased Assets or the Purchased Seller Subsidiaries.

(c) There is no material liability for any unpaid Taxes of the Purchased Seller Subsidiaries or in respect of the Purchased Assets.

(d) None of the Purchased Assets or assets of the Purchased Seller Subsidiaries (i) is property that is required to be treated for Tax purposes as being owned by any other Person; (ii)

is “tax-exempt bond financed property” or “tax-exempt use property,” each within the meaning of Section 168 of the Code; or (iii) directly or indirectly secures any debt the interest on which is tax exempt under Section 103(a) of the Code.

(e) After the Closing Date, neither Purchased Seller Subsidiary will be bound by any Tax-sharing agreements or similar arrangements or have any liability thereunder for amounts due in respect of periods prior to the Closing Date.

(f) Each of the Purchased Seller Subsidiaries has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, shareholder or other third party.

(g) Neither Purchased Seller Subsidiary is or has, during any year for which the applicable statute of limitations with respect to the payment of federal income taxes has not yet expired, been a member of an affiliated group of corporations within the meaning of Section 1504 of the Code or of any group that has filed a combined consolidated or unitary state or local return.

(h) After the Closing Date, neither Purchased Seller Subsidiary will have any actual or contingent Liability for Transfer Taxes arising out of or attributable to the acquisition of the Business by Seller Parent, Seller or the Other Sellers from Angel.

4.11 Employment and Benefits.

(a) Section 4.11(a) of the Disclosure Letter sets forth a correct and complete list of each material Angel Plan and each material Seller Plan.

(b) With respect to each material Angel Plan or material Seller Plan, Seller has provided or made available to Purchaser or its counsel (i) a current summary plan description with respect to any such plan subject to ERISA and (ii) a current summary description or plan document with respect to any such plans not subject to ERISA.

(c) The Seller Plans are in compliance in all respects with all applicable requirements of ERISA, the Code, and other applicable Laws of the United States and have been administered in material accordance with their terms and such Laws, except where the failure to so comply has not had and would not, individually or in the aggregate, reasonably be expected to have a Seller Material Adverse Effect.

(d) There are no pending or, to the knowledge of Seller, threatened claims or litigation with respect to any Seller Plans, other than ordinary and usual claims for benefits by participants and beneficiaries, that would, individually or in the aggregate, reasonably be expected to have a Seller Material Adverse Effect.

(e) None of Seller, any Subsidiary of Seller, or any ERISA Affiliate of Seller contributes to, or has in the past contributed to, any multiemployer plan, as defined in Section 3(37) of ERISA.

(f) No unsatisfied liability or withdrawal liability under Title IV of ERISA has been or is expected to be incurred by Seller with respect to any ongoing, frozen or terminated “single-employer plan”, within the meaning of Section 4001(a)(15) of ERISA, currently or formerly maintained by either Seller or any of its Subsidiaries or any entity which is considered one employer with Seller under Section 414 of the Code (an “ERISA Affiliate”) that would reasonably be expected to have a Seller Material Adverse Effect.

(g) The consummation of the transactions described in this Agreement, in and of themselves, will not (A) other than as provided in Section 6.6, accelerate the time of payment or vesting or trigger any payment or funding (through a trust or otherwise) of compensation or benefits under, or materially increase the amount payable or create any other material obligation pursuant to, any of the Seller Plans or (B) result in payments under any of the Seller Plans which would not be deductible under Section 280G of the Code.

(h) Each individual falling within the definition of Business Employee performs all or substantially all of his or her services for Seller and its Subsidiaries for or on behalf of the Business.

4.12 Non-U.S. Benefit Plans.

This Section 4.12 shall apply to Non-U.S. Benefit Plans and Non-U.S. Angel Plans.

(a) With respect to each material Non-U.S. Benefit Plan, Seller has provided or made available to Purchaser or its counsel a current summary description thereof. As soon as practicable following the date hereof, Seller will deliver to Purchaser copies of all documents governing the material Non-U.S.

Benefit Plans with respect to which Purchaser shall incur or have a reasonable likelihood of incurring any Liability after the Closing and copies of all material documents governing the other Non-U.S. Benefit Plans with respect to which Purchaser shall incur or have a reasonable likelihood of incurring any Liability after the Closing, including any financing vehicles underlying the Non-U.S. Benefit Plans, and a list of each material insurance policy with respect to any of such Non-U.S. Benefit Plans with respect to which Purchaser shall incur or have a reasonable likelihood of incurring any Liability after the Closing.

(b) Each of the Non-U.S. Benefit Plans has been maintained, operated and administered in material compliance with its terms and the provisions of applicable Law.

(c) Each Non-U.S. Benefit Plan which must be registered or qualified in the country in which it is maintained has received or timely applied for such registration or qualification, and, to Seller's knowledge, such Non-U.S. Benefit Plan has not been amended since the date of its most recent registration or qualification (or application therefor) in a manner that would require a new registration or qualification, except where the failure to so comply has not had and would not, individually or in the aggregate, reasonably be expected to have a Seller Material Adverse Effect.

(d) There are no pending or, to the knowledge of Seller, threatened claims, litigation or arbitration proceedings with respect to any Non-U.S. Benefit Plans, other than ordinary and usual claims for benefits by participants and beneficiaries, that have not had and would not, individually or in the aggregate, reasonably be expected to have a Seller Material Adverse Effect.

24

All contributions, premiums, expenses and other payments required to be made by Seller or its Affiliates in connection with the Non-U.S. Benefit Plans by the Closing Date have been made, except where the failure to make such payment would not reasonably be expected to have a Seller Material Adverse Effect.

(e) The consummation of the transactions described in this Agreement, in and of themselves, will not, other than as provided by Law, accelerate the time of payment or vesting or trigger any payment or funding (through a trust or otherwise) of compensation or benefits under, or materially increase the amount payable or create any other material obligation pursuant to, any of the Non-U.S. Benefit Plans or any other of Seller's employee benefit plans that provide benefits to the Non-U.S. Employees other than Retirement Benefits.

4.13 Compliance with Laws.

The Business is being and has been conducted by the Seller Parties and the Purchased Seller Subsidiaries in material compliance with the Laws applicable thereto. The Other Sellers, Seller and the Purchased Seller Subsidiaries each have all material permits, licenses, registrations, certificates, franchises, variances, exemptions, orders and other governmental authorizations, consents and approvals (collectively, "Permits") necessary to conduct the Business as presently conducted.

4.14 Labor Matters.

Except as set forth in Section 4.14 of the Disclosure Letter, as of the date of this Agreement, none of the Seller Parties or the Purchased Seller Subsidiaries is (a) a party to any collective bargaining agreement in respect of the Business in the United States, Singapore, Malaysia, India or China, (b) subject to a legal duty to bargain (exclusive of any notification and consultation obligations) with any trade union on behalf of the Business Employees in the United States, Singapore, Malaysia, India or China, or (c) to the knowledge of Seller, the object of any attempt to organize the Business Employees for collective bargaining purposes or presently operating under an expired collective bargaining agreement in the United States, Singapore, Malaysia, India or China. As of the current time and within the last 24 months, none of Seller Parent, Seller or any Other Seller in respect of the Business is not or has not been a party to or subject to any material strike, work stoppage, organizing attempt, picketing, boycott or similar activity.

4.15 Environmental Matters.

The Seller Parties, the Purchased Seller Subsidiaries and their Affiliates in respect of the Business, Assigned Real Property, the Purchased Assets and the Hazardous Materials Activities relating to the Assigned Real Property (a) are and have been in material compliance with all Environmental Laws, including the possession of, and the compliance with, all material Permits required under Environmental Laws; (b) to the knowledge of Seller, there has not been any Release of Hazardous Materials at or from the Assigned Real Property in violation of Environmental Laws or in a manner that would reasonably be expected to give rise to a material liability under any Environmental Laws; (c) none of the Seller Parent, Other Sellers, Seller and the Purchased Seller Subsidiaries has received any Environmental Claim relating to the Business

25

or the Assigned Real Property, and to the knowledge of Seller Parent, the Other Sellers and Seller, there are no Environmental Claims threatened against the Business; (d) each of the Seller Parent, Other Sellers, Seller and the Purchased Seller Subsidiaries has, to its knowledge, delivered to Purchaser, or has otherwise made available to Purchaser or its counsel, true, complete and correct copies of all material environmental reports, studies, assessments, audits, sampling data, correspondence alleging any violation of Environmental Laws and other Environmental Claims in their possession relating to the Purchased Assets, the Assigned Real Property and the Business; and (e) no Person with an indemnity or contribution obligation to Seller Parent, the Other Sellers, Seller or the Purchased Seller Subsidiaries relating to compliance with or liability under Environmental Law is in material default with respect to any such material obligation relating to the Business or the Assigned Real Property.

4.16 Financial Information; Undisclosed Liabilities.

(a) Section 4.16 of the Disclosure Letter contains a statement setting forth specified purchased net assets as of October 31, 2005 (the "Statement of Purchased Net Assets") and a statement of operating revenues and expenses for the twelve-month period ended October 31, 2005 (the "Statement of Operating Revenue and Expenses") and, together with the Statement of Purchased Net Assets, the "Business Financial Statements"). Neither of the Business Financial Statements has been audited. The Business Financial Statements (i) have been prepared in accordance with the accounting principles and procedures set forth in the notes to the Business Financial Statements, (ii) are derived from the Audited Semiconductor Business Financial Statements, and (iii) fairly present in all material respects the Purchased Seller Subsidiaries, Purchased Assets and Assumed Liabilities as of the date of such Business Financial

Statements and the results of operations of the Business for the period covered by the Business Financial Statements in accordance with the accounting principles and procedures set forth in the notes to the Business Financial Statements.

(b) The Assumed Liabilities do not include any Liabilities of a nature required by GAAP to be reflected in a consolidated corporate balance sheet or the notes thereto, except Liabilities that (i) are reflected in the Statement of Purchased Net Assets or the Statement of Operating Revenues and Expenses, (ii) were incurred in the ordinary course of business since October 31, 2005, or (iii) have not had, and would not reasonably be expected to have, individually or in the aggregate, a Seller Material Adverse Effect.

4.17 Equity Interests.

The Purchased Assets do not include, and the Purchased Seller Subsidiaries do not own, any capital stock or other equity interests or convertible notes in any corporation, partnership or other entity.

4.18 Absence of Changes.

Except as otherwise disclosed in this Agreement or the exhibits or schedules hereto, since October 31, 2005, Seller, the Other Sellers and the Purchased Seller Subsidiaries have conducted the Business in all material respects in the ordinary course of business, and other than in the ordinary course of business have not: (a) sold, assigned, pledged, hypothecated or otherwise transferred any of the Purchased Assets, other than such sales, assignments, pledges,

26

hypothecations or other transfers in the ordinary course of business; (b) suffered any material damage, destruction or other casualty loss (not covered by insurance) on or prior to the date of this Agreement; (c) increased the compensation payable or to become payable by the Other Sellers, the Purchased Seller Subsidiaries and Seller to any Business Employee, (d) increased the level of benefits under any employee benefit plan, payment or arrangement for any Business Employee; (e) cancelled, compromised, released or assigned any material indebtedness owed to the Business or any material claims held by the Business, (f) sold, transferred, licensed or otherwise conveyed or disposed of any Purchased Seller Subsidiary, (g) changed any method of accounting or accounting practice with respect to the Business except for any such change after the date hereof required by reason of a concurrent change in GAAP, (h) granted any allowances or discounts outside the ordinary course of business or sold inventory materially in excess of reasonably anticipated consumption for the near term outside the ordinary course of business, or (i) entered into an agreement to do any of the foregoing. Since October 31, 2005 through the date hereof, the Business has not suffered any Material Adverse Effect.

4.19 Related Party Transactions.

Section 4.19 of the Disclosure Letter lists all material agreements, contracts, or other arrangements between the Business and any of the Seller Parties or any other subsidiary of Seller Parent.

4.20 Sufficiency of Assets.

The transfer of the Purchased Assets and the Purchased Subsidiary Interests together with the Licensed Business Intellectual Property Rights, Licensed Business Technology, the Transferred Business Intellectual Property, the Transferred Intellectual Property Rights, the Assigned Real Property and the Subleased Real Property and the other rights, licenses, services and benefits to be provided pursuant to this Agreement and the other Transaction Documents, constitute all of the assets, properties and rights owned, leased or licensed by the Other Sellers and Seller necessary to conduct the Business in all material respects as currently conducted other than (A) the Excluded Assets described in Exhibit F, (B) any Contracts or other assets or rights that pursuant to Section 2.4, 2.5 or 2.6 are not transferred to Purchaser, (C) the assets, properties and rights used to perform the services that are the subject of the Master Separation Agreement and (D) as provided in Section 4.20 of the Disclosure Letter.

4.21 Location of Assets.

Section 4.21(a) of the Disclosure Letter lists all of the material tangible assets in the possession of the Seller Parties that are included in the Purchased Assets or are in the possession of the Purchased Seller Subsidiaries. Prior to the Closing, the Seller Parties will deliver a list of the locations of the Purchased Assets in the possession of the Seller Parties and the locations of any material tangible assets in the possession of any third party that are included in the Purchased Assets or are owned by the Purchased Seller Subsidiaries.

4.22 Restrictions on Business Activities.

There is no Contract to which the Purchased Seller Subsidiaries or the Seller Parties or any of their Subsidiaries is a party or is otherwise subject limiting in any material respect the

27

right of the Purchased Seller Subsidiaries or the Seller Parties or any of their Subsidiaries to engage in any line of business or to compete with any Person, in each case which would apply to the activities of Purchaser after the Closing with respect to the Business.

4.23 Insurance.

Section 4.23 of the Disclosure Letter lists all insurance policies of the Seller Parties covering the Business as of the date hereof. All such policies are in full force and effect and Seller as of the date hereof, being provided insurance benefits thereunder, has complied in all material respects with the provisions of such policies and as of the date hereof no Seller Party has received any written notice from any of its insurance brokers or carriers for such policies that such broker or carrier will not be willing or able to renew its existing coverage.

4.24 Customer Relationship.

As of the date hereof, none of Seller Parent, Seller or any of their Subsidiaries has received written notification that The Hewlett-Packard Company intends to terminate or materially adversely change its relationship with the Business.

4.25 Suppliers.

Section 4.25 of the Disclosure Letter sets forth the ten (10) largest suppliers of goods and services to the Business for the fiscal year ended October 31, 2005. As of the date hereof, none of Seller Parent, Seller or any of their Subsidiaries has received written notification that any such supplier intends to terminate or materially adversely change its relationship with the Business.

4.26 Products.

The Printer Products constitute all of the products currently manufactured, sold or being developed by the Business and such changes in products as have occurred in the ordinary course of business after December 31, 2004.

4.27 No Other Representations or Warranties.

Except for the representations and warranties contained in this Article IV or in the other Transaction Documents (or any certificates delivered by Seller Parent, Seller or any of the Other Sellers to Purchaser at the Closing), Purchaser acknowledges and agrees that none of the Other Sellers, Seller, any Subsidiaries or Affiliates of the Other Sellers or Seller nor any other Person makes any other express, implied or statutory representation or warranty with respect to the Purchased Subsidiary Interests, the Business, the Purchased Assets, Purchased Seller Subsidiaries, the Assumed Liabilities or otherwise, including any implied warranties of merchantability, fitness for a particular purpose, title, enforceability or non-infringement, including as to (a) the physical condition or usefulness for a particular purpose of the real or tangible personal property included in the Purchased Assets, (b) the use of the Purchased Assets and Purchased Seller Subsidiaries, and the operation of the Business by Purchaser after the Closing in any manner other than as used and operated by the Other Sellers, Seller or the Purchased Seller Subsidiaries, or (c) the probable success or profitability of the ownership, use or operation of the Business by Purchaser after the Closing. **Except for the representations and**

warranties contained in this Article IV or in the other Transaction Documents, all Purchased Assets are conveyed on an “AS IS” and “WHERE IS” basis. Except for the representations and warranties contained in this Article IV or in the other Transaction Documents (or any certificates delivered by Seller Parent, Seller or any of the Other Sellers to Purchaser at the Closing), and the indemnification obligations set forth in Article IX hereof, the Other Sellers, Seller or any other Person will not have or be subject to any liability or indemnification obligation to Purchaser or any other Person for any information provided to the Purchaser or its representatives relating to the Business or otherwise in expectation of the transactions contemplated by this Agreement and any information, document, or material made available to Purchaser or its counsel or other representatives in Purchaser’s due diligence review, including in certain “data rooms” (electronic or otherwise) or management presentations. The representations, warranties, covenants and obligations of Purchaser, and the rights and remedies that may be exercised by Purchaser shall not be limited or otherwise affected by or as a result of any information furnished to, or any investigation made by or knowledge of, Purchaser or any of its representatives.

ARTICLE V

REPRESENTATIONS OF PURCHASER

Purchaser Parent and Parent represent and warrant to Seller Parent, the Other Sellers and Seller, subject to the disclosures and exceptions set forth in the disclosure letter delivered by Purchaser to the Seller Parent, Other Sellers and Seller on the date hereof and attached hereto (the “Purchaser Disclosure Letter”), as follows:

5.1 Corporate Existence.

Each of Purchaser Parent and Purchaser is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and has the requisite power and authority to execute and deliver this Agreement and the other Transaction Documents to which it is a party and to perform its obligations hereunder and thereunder. Each of Parent and Purchaser has the requisite corporate power and authority to own, lease and operate the Purchased Assets and the Business Intellectual Property Rights and to assume the Assumed Liabilities, and to carry on the Business in substantially the same manner as the same is now being conducted by the Other Sellers, Seller and the Purchased Seller Subsidiaries.

5.2 Corporate Authority.

(a) This Agreement, the Ancillary Agreements and the other Transaction Documents to which Purchaser Parent and/or Purchaser are parties, and the consummation of the transactions contemplated hereby and thereby involving Purchaser Parent or Purchaser have been duly authorized by Purchaser Parent or Purchaser, as applicable, by all requisite corporate, partnership or other action. Each of Purchaser Parent and Purchaser has full power and authority to execute and deliver the Transaction Documents to which it is a party and to perform its obligations thereunder. This Agreement has been duly executed and delivered by each of Purchaser Parent and Purchaser, and the other Transaction Documents will be duly executed and delivered by Purchaser Parent or Purchaser, as applicable. This Agreement constitutes, and the other

Transaction Documents when so executed and delivered will constitute, valid and legally binding obligations of Purchaser Parent and Purchaser, enforceable against each of them in accordance with their terms except as enforceability may be affected by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar Laws relating to or affecting creditors’ rights generally, general equitable principles (whether considered in a proceeding in equity or at Law) and the implied covenant of good faith and fair dealing.

(b) Except for the required filings under the applicable Antitrust Regulations, the execution and delivery of this Agreement and the other Transaction Documents by Purchaser Parent and Purchaser, the performance by each of Purchaser Parent and Purchaser of their respective obligations hereunder and thereunder and the consummation by Purchaser Parent and Purchaser of the transactions contemplated hereby and thereby, do not and will not (A) violate or conflict with any provision of the respective certificate of incorporation or by-laws or similar organizational documents of Purchaser Parent or Purchaser, (B) result in any violation or breach or constitute any default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to the loss of a material benefit under, or result in the creation of any Lien under any contract, indenture, mortgage, lease, note or other agreement or instrument to which Purchaser Parent or Purchaser is subject or is a party, or (C) violate, conflict with or result in any breach under any provision of any Law applicable to Purchaser Parent or Purchaser or any of its properties or assets, except, in the case of clauses (B) and (C), to the extent that any such default, violation, conflict, breach or loss would not reasonably be expected to have a Purchaser Material Adverse Effect.

5.3 Governmental Approvals and Consents.

Purchaser Parent or Purchaser is not subject to any order, judgment, decree, stipulation, injunction or agreement with any Governmental Authority which would prevent or materially interfere with or delay the consummation of this Agreement or would be reasonably likely to have a Purchaser Material Adverse Effect. No claim, legal action, suit, arbitration, governmental investigation, action or other legal or administrative proceeding is pending or, to the knowledge of Purchaser Parent or Purchaser, threatened against Purchaser Parent or Purchaser which would prevent or materially interfere with or delay the consummation of this Agreement. Except for any requirements under any Antitrust Regulations, no consent, approval, order or authorization of, license or permit from, notice to or registration, declaration or filing with, any Governmental Authority, is required on the part of Purchaser Parent or Purchaser in connection with the execution, delivery or performance of this Agreement or any of the other Transaction Documents or the consummation of the transactions contemplated hereby and thereby except for such consents, approvals, orders or authorizations of, licenses or permits, filings or notices which have been obtained and remain in full force and effect and those with respect to which the failure to have obtained or to remain in full force and effect would not have a Purchaser Material Adverse Effect. To the knowledge of Purchaser Parent and Purchaser, there are no filings of the nature contemplated by Section 4.2(b) required to be made by Purchaser Parent or Purchaser in connection with this Agreement or the other transactions contemplated hereby on account of the business or operations of Purchaser Parent or Purchaser, other than the filings expressly contemplated by Section 4.2 read together with the Disclosure Letter and, if determined to be necessary by Purchaser, applicable filings with the SEC.

30

5.4 Financial Capacity.

Purchaser has possession of sufficient funds to consummate the transactions contemplated by this Agreement and each Ancillary Agreement.

5.5 Finders; Brokers.

With the exception of fees and expenses payable to Credit Suisse Securities (USA) LLC, for which Purchaser shall be solely responsible, none of Purchaser nor any of its Affiliates has employed any finder or broker in connection with this Agreement who would have a valid claim for a fee or commission from any Other Seller, Seller or an of their respective Affiliates in connection with the negotiation, execution or delivery of this Agreement or any of the other Transaction Documents or the consummation of any of the transactions contemplated hereby or thereby.

5.6 Purchase for Investment.

With respect to the Purchased Subsidiary Interests, Purchaser Parent and Purchaser are aware that such Purchased Subsidiary Interests were not registered under the Securities Act, or any other applicable securities Laws, and were issued pursuant to exemptions therefrom. Purchaser is purchasing the Purchased Subsidiary Interests solely for investment, with no present intention to distribute any such Purchased Subsidiary Interests to any Person, and Purchaser will not sell or otherwise dispose of such Purchased Subsidiary Interests except in compliance with the registration requirements or exemption provisions under the Securities Act and the rules and regulations promulgated thereunder, or any other applicable securities Laws.

5.7 No Other Representations or Warranties.

Except for the representations and warranties contained in this Article V, none of Purchaser Parent, Purchaser or any other Person makes any other express or implied representation or warranty on behalf of Purchaser Parent or Purchaser.

ARTICLE VI

AGREEMENTS OF PURCHASER AND SELLER

6.1 Operation of the Business.

Except as otherwise contemplated by this Agreement or as disclosed in Section 6.1 of the Disclosure Letter, Seller Parent, each Other Seller and Seller covenants that, in respect of the Business (it being understood that nothing in this Section 6.1 shall in any way limit Seller Parent, any Other Seller or Seller or any of their Subsidiaries' operation of the Retained Business), from the date of this Agreement until the Closing they will, and will cause their Affiliates to, use commercially reasonable efforts to maintain and preserve intact the Business in all material respects and to maintain in all material respects the ordinary and customary relationships of the Business with their suppliers, customers and others having business relationships with them with a view toward preserving for Purchaser after the Closing Date the Business, the Purchased Assets, Transferred Business Intellectual Property, Transferred Business Intellectual Property

31

Rights, the Purchased Seller Subsidiaries and the goodwill associated therewith. Except as otherwise provided in this Agreement or as disclosed in Section 6.1 of the Disclosure Letter, from the date of this Agreement until the Closing, without the prior written approval of Purchaser (which approval shall not be unreasonably withheld, conditioned or delayed), Seller Parent, each Other Seller and Seller shall, and shall cause their Subsidiaries in respect of the

Business to, continue to operate and conduct the Business in the ordinary course of business consistent with past practice. Except as otherwise contemplated by this Agreement or as disclosed in Section 6.1 of the Disclosure Letter, without limiting the generality of the foregoing, each Seller Parent, each Other Seller and Seller, from the date of this Agreement until the Closing, shall not and shall cause their Affiliates not to, without the prior written approval of Purchaser (which approval shall not be unreasonably withheld, conditioned or delayed), take any of the following actions with respect to the Purchased Assets, Transferred Business Intellectual Property, Transferred Business Intellectual Property Rights, the Purchased Seller Subsidiaries or the Business:

- (a) transfer, sell, lease, license or otherwise convey or dispose of, or subject to any Lien (other than Permitted Liens) on, any of the Purchased Assets, Transferred Business Intellectual Property, Transferred Business Intellectual Property Rights, or any assets of the Purchased Seller Subsidiaries, the Assigned Real Property or the Subleased Real Property, other than (i) sales of inventory in the ordinary course of business, (ii) other transfers, leases, licenses and dispositions made in the ordinary course of business, or (iii) Permitted Liens or in the case of the Assigned Real Property or the Subleased Real Property, leases or licenses which will not interfere with the performance of Seller Parent and its Subsidiaries of their obligations to Purchaser with respect thereto under the Transaction Documents;
- (b) issue, grant, deliver or sell or authorize or propose the issuance, grant, delivery or sale of, or purchase or propose the purchase of, the capital stock of any Purchased Seller Subsidiary or any securities convertible into, exercisable or exchangeable for, or subscriptions, rights, warrants or options to acquire, or other agreements or commitments of any character obligating any of them to issue or purchase any such shares or other convertible securities to any Person other than Seller;
- (c) grant any increase in the compensation or benefits arrangements of a Business Employee or under any Seller Plan, except for increases in the compensation or benefits of such employees: (A) in the ordinary course of business consistent with past practices (excluding severance or bonuses, in either case payable by any Other Seller or Seller upon consummation of the transactions contemplated by this Agreement, for Business Employees covered by parts (i) and (iii), but not part (ii) of such definition), (B) as a result of collective bargaining or other agreements with such employees as in effect on the date hereof, or (C) as required by applicable Law from time to time in effect or by any employee benefit plan, program or arrangement sponsored by Seller Parent, any Other Seller or Seller or one of their Subsidiaries as in effect on the date hereof or hire new Business Employees other than in the ordinary course of business;
- (d) cancel, compromise, release or assign any Indebtedness owed to the Business or any claims held by the Business, other than in the ordinary course of business consistent with past practice and in any event not in excess of \$250,000;

32

- (e) enter into, terminate (other than by expiration) or amend or modify (other than by automatic extension or renewal if deemed an amendment or modification of any such contract) in any material respect the terms of any Transferred Material Contract or the Assigned Real Property or the Subleased Real Property other than in the ordinary course of business consistent with past practice;
- (f) enter into any Contract containing a covenant not to compete or any other covenant restricting the development, manufacture, marketing or distribution of the products and services of the Business or amend or extend in a manner adverse to the Business any such covenant in any existing Contract of the Business;
- (g) acquire by merging or consolidating with, or by purchasing a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof or otherwise acquire any assets (other than Inventory) that are material, individually or in the aggregate, to the Business;
- (h) institute, settle or agree to settle any Proceeding relating to or affecting the Business or the Purchased Assets before any court of other Governmental Authority (other than settlements of Proceedings (1) not involving Intellectual Property matters, (2) involving solely the payment of money damages and (3) not involving an admission of liability) or (ii) waive or surrender any rights related to any pending or threatened litigation to the extent relating to or affecting the Business or the Purchased Assets;
- (i) sell, transfer, license or otherwise convey or dispose of, or incur or suffer the imposition of any Lien (other than Permitted Liens) on, any Purchased Seller Subsidiary Interests, Purchased Assets, Transferred Business Intellectual Property or Transferred Business Intellectual Property Rights, other than non-exclusive licenses in connection with sales or licenses of products in the ordinary course of business consistent with past practice;
- (j) enter into any material financing or guarantee arrangement, agreement or undertaking with any customer of the Business or any financial institution, leasing company or similar business that permits recourse to Purchaser or any of its Subsidiaries which would constitute an Assumed Liability;
- (k) grant any allowances or discounts outside the ordinary course of business or sell inventory materially in excess of reasonably anticipated consumption for the near term outside the ordinary course of business; or
- (l) agree or commit to do any of the foregoing.

Not less than five (5) Business Days prior to the Closing, Seller shall deliver to Purchaser a supplement to Section 4.6 of the Disclosure Letter, which shall identify those Contracts with respect to the Business entered into by the Seller Parties or their Subsidiaries after the date of this Agreement not in violation of the terms hereof which would have constituted "Transferred Material Contracts" if such Contracts had been in effect as of the date hereof, and such Contracts identified on such supplement to Section 4.6 of the Disclosure Letter shall be deemed "Transferred Material Contracts" for all purposes hereof so long as such Contracts were entered into in accordance with the terms hereof.

33

6.2 Investigation of Business; Confidentiality.

- (a) From the date of this Agreement until the Closing, Seller Parent, the Other Sellers and Seller shall, and shall cause their Affiliates to, permit Purchaser and its authorized agents or representatives and financing sources to have reasonable access to the properties, books, records, Contracts and such

financial (including working papers) and operating data of the Business and the Business Employees as Purchaser may reasonably request, at reasonable hours to review information and documentation and ask questions relative to the properties, books, contracts, commitments and other records of the Business and to conduct any other reasonable investigations; provided, that such investigation shall only be upon reasonable notice and shall not unreasonably disrupt the personnel and operations of Seller Parent, the Other Sellers and Seller, shall comply with the reasonable security and insurance requirements of Seller Parent, the Other Sellers and Seller and shall be at Purchaser's sole risk and expense. Notwithstanding the foregoing, Seller Parent, the Other Sellers and Seller shall have no obligation to disclose any information the disclosure of which is subject to a confidentiality obligation in favor of any third party; provided that Seller Parent, the Other Sellers and Seller shall use their reasonable commercial efforts to obtain waivers under such agreements or implement requisite procedures to enable the provision of reasonable access to such information without violating such obligations. All requests for access to the offices, properties, books and records of the Business shall be made to such representatives of Seller Parent, the Other Sellers and Seller as such party shall designate, who shall be solely responsible for coordinating all such requests and all access permitted hereunder. It is further agreed that neither Purchaser nor any of its Affiliates, agents or representatives shall contact any of the employees, customers (including dealers and distributors), suppliers, joint venture partners or other Subsidiaries or Affiliates of Seller Parent, the Other Sellers or Seller in connection with the transactions contemplated hereby, whether in person or by telephone, electronic or other mail or other means of communication, without the specific prior authorization of such representatives of Seller Parent, the Other Sellers or Seller, which shall not be unreasonably withheld. Notwithstanding the foregoing, none of Seller Parent, the Other Sellers or Seller shall be required to provide access to or disclose information where such access or disclosure would waive the attorney-client privilege of Seller Parent, the Other Sellers and Seller or contravene any Law or binding agreement entered into prior to the date of this Agreement. The relevant parties shall make appropriate substitute disclosure arrangements under the circumstances in which the restrictions of the preceding sentence apply.

(b) The Parties expressly acknowledge and agree that this Agreement and its terms and all information, whether written or oral, furnished by either Party to the other Party or any Affiliate of such other Party in connection with the negotiation of this Agreement or pursuant to Section 6.5 ("Confidential Information") shall be treated as "confidential information" under that certain Confidential Disclosure Agreement, as amended, between the Parties.

(c) Upon reasonable request and during normal business hours, Purchaser Parent, Purchaser, Seller Parent, Seller and Other Sellers shall cooperate with each other, and shall cause their respective representatives and Subsidiaries to cooperate with each other, after the Closing to ensure the orderly transition of the Business from Seller Parent, Seller and Other Sellers to Purchaser and its Affiliates and to minimize any disruption to the Business and the other respective businesses of Seller Parent and its Affiliates and Purchaser and its Affiliates that might result from the transactions contemplated hereby.

34

6.3 Necessary Efforts; No Inconsistent Action.

(a) Subject to Section 6.3(b) and the other terms and conditions of this Agreement, Seller Parent, the Other Sellers, Seller and Purchaser agree, and each of Seller Parent, the Other Sellers and Seller agree to cause their Subsidiaries, to use their respective commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable Law to consummate and make effective the transactions contemplated by the Transaction Documents and to use its reasonable commercial efforts to cause the conditions to each Party's obligation to close the transactions contemplated hereby as set forth in Article VII to be satisfied, including all actions necessary to obtain (i) all licenses, certificates, permits, approvals, clearances, expirations, waivers or terminations of applicable waiting periods, authorizations, qualifications and orders (each a "Consent") of any Governmental Authority required for the satisfaction of the conditions set forth in Section 7.1(b), and (ii) all other Consents (it being understood that the failure to obtain any such Consents contemplated by this clause (ii) shall not, by itself, cause the condition set forth in Section 7.3(a) to be deemed not to be satisfied and it being further understood that neither Party nor any of their respective Subsidiaries shall be required to expend any money other than for filing fees or expenses or *de minimus* costs or expenses or agree to any restrictions in order to obtain any Consents) necessary in connection with the consummation of the transactions contemplated by the Transaction Documents; provided, however, that in no event shall Seller or any of its Subsidiaries be required or expected to retain any of the Purchased Assets or any assets of the Purchased Seller Subsidiaries (including assets that would be Purchased Assets but for the inability to obtain a Consent). Each of Seller and Purchaser agree that each Party will be given prior notice of and a reasonable opportunity to consult with the other Party regarding contacts with Governmental Authorities regarding Antitrust Regulations or related matters. The Parties shall cooperate fully with each other to the extent necessary in connection with the foregoing.

(b) In connection with the efforts referenced in Section 6.3(a), Purchaser and the Seller Parties shall timely and promptly make all filings which may be required for the satisfaction of the condition set forth in Section 7.1(b) by each of them in connection with the consummation of the transactions contemplated hereby. In furtherance and not in limitation of the foregoing, each of Seller and Purchaser shall file Notification and Report Forms under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), or any other similar filings under Antitrust Regulations in the United States, any state thereof, any foreign country or the European Union as promptly as practicable following the date of this Agreement and in any event no later than (i) fifteen (15) Business Days following the date of this Agreement, in the case of Notification and Report Forms under the HSR Act, and (ii) the time prescribed by applicable law in the case of requirements under other applicable Antitrust Regulations to the extent a time is prescribed and, if no time is prescribed, as promptly as reasonably practicable. In addition, Purchaser, Seller Parent and Seller agree, and each of Seller Parent and Seller shall cause its Subsidiaries, to cooperate and to use their reasonable best commercial efforts and take all actions necessary to: obtain any Consents from Governmental Authorities required for the Closing contemplated by Section 6.3(a)(i) above (including through compliance with the HSR Act and any applicable foreign governmental reports, applications or notifications required by the Antitrust Regulations), to respond as promptly as practicable to any requests for information from any Governmental Authority, and to avoid and/or overcome any

35

action, including any legislative, administrative or judicial action, and to have vacated, lifted, reversed or overturned any judgment, injunction or other order (whether temporary, preliminary or permanent) that restricts, prevents or prohibits, or could restrict, prevent or prohibit, the consummation of the transactions contemplated by this Agreement; provided, however, that in no event shall Seller or any of its Subsidiaries be required or expected to retain any of the Purchased Assets or any assets of the Purchased Seller Subsidiaries (including assets that would be Purchased Assets but for the inability to obtain a Consent) in order to comply with its obligations in respect of the foregoing; and provided, further, that in no event shall Purchaser or any of its Subsidiaries be required to take any actions which would, individually or in the aggregate, have a material adverse effect on the Business following the Closing in order to comply with its obligations in respect of the foregoing. Each Party shall furnish to the other such necessary information and assistance as the other Party may reasonably request in connection with the preparation of any necessary filings or submissions by it to any Governmental Authority. Except as prohibited or

restricted by Law or any Antitrust Regulations, each Party or its attorneys shall provide the other Party or its attorneys the opportunity to make copies of all correspondence, filings or communications (or memoranda setting forth the substance thereof) between such Party or its representatives, on the one hand, and any Governmental Authority, on the other hand, with respect to this Agreement, the Transaction Documents or the transactions contemplated hereby or thereby. Without in any way limiting the foregoing, the Parties will consult and cooperate with one another, and consider in good faith the views of one another, in connection with any analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals made or submitted by or on behalf of any Party in connection with proceedings under or relating to the HSR Act or any other Antitrust Regulation.

(c) Each of Purchaser, Seller Parent and Seller shall notify and keep the other advised as to (i) any material communication from the Federal Trade Commission (the “FTC”), the Antitrust Division of the United States Department of Justice (the “DOJ”) or any other Governmental Authority regarding any of the transactions contemplated hereby, (ii) any litigation or administrative proceeding pending and known to such Party, or to its knowledge threatened, which challenges, or would challenge, the transactions contemplated hereby and (iii) any event or circumstance which, to its knowledge, would constitute a breach of its respective representations and warranties in this Agreement or, with respect to Seller Parent, in the Semiconductor Business Purchase Agreement; provided, however, that the failure of Seller, Seller Parent or Purchaser to comply with this Section 6.3(c) shall not subject Seller, Seller Parent or Purchaser to any liability hereunder in respect of any claim asserted after the relevant expiration date for the relevant representation or warranty; and provided further, that Purchaser may not separately recover pursuant to Article IX or otherwise for both a breach of this Section 6.3(c) and any related breach of the relevant representation or warranty. Subject to the provisions of Article X hereof, Seller, Seller Parent, the Other Seller Parties and Purchaser shall not take any action inconsistent with their obligations under this Agreement or, without prejudice to Purchaser’s rights under this Agreement, which would materially hinder or delay the consummation of the transactions contemplated by this Agreement.

6.4 Public Disclosures.

Unless otherwise required by Law or the rules and regulations of any stock exchange or quotation services on which such Party’s stock is traded or quoted, prior to the Closing Date, no

36

news release or other public announcement pertaining to the transactions contemplated by this Agreement will be made by or on behalf of any Party or its Affiliates without the prior written approval of the other Party (which approval shall not be unreasonably withheld, conditioned or delayed). If in the judgment of either Party such a news release or public announcement is required by Law or the rules or regulations of any stock exchange on which such Party’s stock is traded, the Party intending to make such release or announcement shall to the extent practicable use reasonable commercial efforts to provide prior written notice to the other Party of the contents of such release or announcement and to allow the other Party reasonable time to comment on such release or announcement in advance of such issuance.

6.5 Access to Records and Personnel.

(a) Exchange of Information. After the execution of this Agreement, to the extent permissible under applicable Law, Seller and Seller Parent agree to provide, or cause to be provided, to Purchaser, as soon as reasonably practicable after written request therefor and at Purchaser’s sole expense, (x) reasonable access (including using reasonable commercial efforts to give access to third parties possessing information), during normal business hours, to Seller’s and Seller Parent’s employees and (y) such information that Purchaser reasonably needs to comply with its obligations under Section 6.6(a)(ii) of this Agreement. After the Closing, each Party agrees to provide, or cause to be provided, to each other, as soon as reasonably practicable after written request therefor and at the requesting Party’s sole expense, reasonable access (including using reasonable commercial efforts to give access to third parties possessing information), during normal business hours, to the other Party’s employees and to any books, records, documents, files and correspondence in the possession or under the control of the other Party that the requesting Party reasonably needs (i) to comply with reporting, disclosure, filing or other requirements imposed on the requesting Party (including under applicable securities Laws) by a Governmental Authority having jurisdiction over the requesting Party, (ii) for use in any other judicial, regulatory, administrative or other proceeding or in order to satisfy Tax, audit, accounting, claims, regulatory, litigation or other similar requirements or (iii) to comply with its obligations under this Agreement; provided, however, that no Party shall be required to provide access to or disclose information where such access or disclosure would violate any Law or agreement, or waive any attorney-client or other similar privilege, and each Party may redact information regarding itself or its Subsidiaries or otherwise not relating to the other Party and its Subsidiaries, and, in the event such provision of information could reasonably be expected to violate any Law or agreement or waive any attorney-client or other similar privilege, the Parties shall take all reasonable measures to permit the compliance with such obligations in a manner that avoids any such harm or consequence.

(b) Financial and Other Information. After the Closing, each Party shall provide, or cause to be provided, as soon as reasonably practicable after written request therefor, to the other Party such financial and other data and information reasonably available and in its possession (in such form as is reasonably available to it) as is reasonably requested by the other Party and reasonably necessary in order for such other Party to prepare required financial statements and reports or filings, including Tax Returns, to be provided to any third party or filed with any Governmental Authority; provided that the out-of-pocket cost to prepare any financial statements after the Closing except those specifically provided for in Section 6.16 shall be borne solely by Purchaser.

37

(c) Ownership of Information. Any information owned by a party that is provided to a requesting party pursuant to this Section 6.5 shall be deemed to remain the property of the providing party. Unless specifically set forth herein, nothing contained in this Agreement shall be construed as granting or conferring rights of license or otherwise in any such information.

(d) Record Retention. Except as otherwise provided herein, each Party agrees to use its commercially reasonable efforts to retain the books, records, documents, instruments, accounts, correspondence, writings, evidences of title and other papers relating to the Business, the Purchased Assets, the Transferred Business Intellectual Property and the Transferred Business Intellectual Property Rights and the Purchased Seller Subsidiaries (the “Books and Records”) in their respective possession or control for a commercially reasonable period of time, as set forth in their regular document retention policies, following the Closing Date or for such longer period as may be required by Law or as may be reasonably requested in writing by any Party, or until the expiration of the relevant representation or warranty under any of the Transaction Documents and any related claim of indemnification related thereto. Notwithstanding the foregoing, any Party may destroy or otherwise dispose of any Books and Records not in accordance with its retention policy, provided that, prior to such destruction or disposal (i) such Party shall provide no less than 90 nor more than 120 days’ prior written notice to the other Party of any such proposed destruction or disposal (which notice shall specify in detail which of the Books and Records is proposed to be so destroyed or disposed of), and

(ii) if a recipient of such notice shall request in writing prior to the scheduled date for such destruction or disposal that any of the information proposed to be destroyed or disposed of be delivered to such recipient, such Party proposing the destruction or disposal shall, as promptly as practicable, arrange for the delivery of such of the Books and Records as was requested by the recipient (it being understood that all reasonable out of pocket costs associated with the delivery of the requested Books and Records shall be paid by such recipient).

(e) Limitation of Liability. No Party shall have any liability to any other Party in the event that any information exchanged or provided pursuant to this Section 6.5 is found to be inaccurate. No Party shall have any liability to any other Party if any information is destroyed or lost after reasonable commercial efforts by such Party to comply with the provisions of Section 6.5(d).

(f) Other Agreements Providing For Exchange of Information. The rights and obligations granted under this Section 6.5 are subject to any specific limitations, qualifications or additional provisions on the sharing, exchange or confidential treatment of information set forth in this Agreement.

(g) Production of Witnesses; Records; Cooperation. In the case of a legal or other proceeding between one Party and a third party relating to the Business, Purchased Assets, the Transferred Business Intellectual Property, the Transferred Business Intellectual Property Rights, the Purchased Seller Subsidiaries, Licensed Business Intellectual Property Rights, Licensed Business Technology, Assumed Liabilities, Excluded Liabilities, this Agreement (including any matters subject to indemnification hereunder) or the transactions contemplated hereby, or any other Transaction Documents, each Party shall use its reasonable commercial efforts to make available to the other Party (and Seller Parties shall use their commercially reasonable efforts to cause Angel to make available to Purchaser), upon written request, the former (to the extent

38

practicable), current (to the extent practicable) and future officers, employees, other personnel and agents of such Party (or Angel) as witnesses and any books, records or other documents within its control or which it otherwise has the ability to make available (other than materials covered by the attorney-client privilege), to the extent that any such Person (giving consideration to business demands of such directors, officers, employees, other personnel and agents) or books, records or other documents may reasonably be required in connection with any legal, administrative or other proceeding in which the requesting Party may from time to time be involved, regardless of whether such legal, administrative or other proceeding is a matter with respect to which indemnification may be sought hereunder. The requesting Party shall bear all out-of-pocket costs and expenses in connection with the foregoing. The foregoing shall not limit any of rights of the Parties in respect of the foregoing under Section 9.4.

(h) Confidential Information. Nothing in this Section 6.5 shall require either Party to violate any agreement with any third parties regarding the confidentiality of confidential and proprietary information; provided, however, that in the event that either Party is required under this Section 6.5 to disclose any such information, that Party shall use all commercially reasonable efforts to seek to obtain such third party's consent to the disclosure of such information and implement requisite procedures to enable the disclosure of such information.

6.6 Employee Relations and Benefits.

(a) The Parties intend that there shall be continuity of employment with respect to all Business Employees as follows:

(i) Automatic Transferred Employees shall not be terminated upon Closing and the rights, powers, duties, liabilities and obligations of Seller (or the relevant Subsidiary of Seller) to the employees in respect of the material terms of employment with the employees in force immediately before Closing shall be transferred to Purchaser in accordance with local employment Laws.

(ii) For non-Automatic Transferred Employees, Purchaser shall offer employment to each Business Employee effective on the Closing Date, each such offer to be at the same general location and substantially the same terms and conditions of employment, including (A) the same or superior base salary or base wage rate, (B) substantially the same position, and (C) cash bonus and other non-equity based incentive compensation opportunities substantially similar in the aggregate as those provided to such employees by Seller or its Subsidiaries immediately prior to the Closing Date (unless otherwise required by local Law, in which case such offer shall comply with local law) (the "Current Employment Terms"). Notwithstanding anything to the contrary, all offers pursuant to this Section 6.6(a)(ii) to employees in jurisdictions outside the United States will be on such terms as are necessary to avoid giving rise to any severance or similar Liabilities of Seller and its Subsidiaries as a result of any requirements of applicable local Law.

(iii) Seller Parent shall not, and shall cause its Subsidiaries not to (and shall not encourage or assist its Affiliates to), engage in any activity intended to discourage any Business Employee from accepting an offer of employment from Purchaser and/or one of

39

its Subsidiaries, and Seller Parent shall not, and shall cause its Subsidiaries not to (and shall not encourage or assist its Affiliates to), offer employment with any business of Seller Parent or any of its Subsidiaries or Affiliates (other than the Business) after the date hereof and prior to the Closing Date (other than Business Employees who have applied for a position with Seller Parent or one of its Subsidiaries or Affiliates outside the Business prior to the date hereof; provided, however, that Seller Parent and its Subsidiaries shall be permitted to take any action they are legally required to take in order to comply with local employment Laws.

(iv) Those employees who are transferred to Purchaser and/or one of its Subsidiaries in accordance with clause (i) above and those who accept the offer of employment from Purchaser and/or one of its Subsidiaries in accordance with clause (ii) above and, in each case, who commence employment with Purchaser and/or one of its Subsidiaries shall be referred to herein as "Transferred Employees." For purposes hereof, the date on which any Transferred Employee is deemed to "commence employment" shall be the Closing Date.

(v) Except as set forth in Section 6.6(a)(v) of the Disclosure Letter, starting on the Closing Date and ending on the date one (1) year after the Closing Date or any longer period as required under local employment Laws, each Transferred Employee who remains employed by Purchaser and/or one of its Subsidiaries shall be employed by Purchaser and/or one of its Subsidiaries on terms no less favorable than the Current Employment Terms and participate in employee benefit plans, agreements, programs, policies and arrangements of Purchaser and/or one of its Subsidiaries (the "Purchaser Plans") that are substantially similar in the aggregate to the employee benefit plans, programs, policies and

arrangements in effect immediately prior to the Closing Date with respect to such Transferred Employee and not inconsistent with the Current Employment Terms, and shall be offered any other additional terms and conditions of employment by Purchaser and/or one of its Subsidiaries required by local employment Laws; provided, however, that nothing herein shall obligate Purchaser or one of its Subsidiaries to provide the Transferred Employees with any defined benefit pension plans; and provided, further, that Purchaser shall provide U.S. Transferred Employees with the retiree medical benefits described in Section 6.6(a)(v) of the Disclosure Letter.

(vi) Notwithstanding anything to the contrary in this Agreement, starting on the Closing Date, Purchaser shall, for a period ending on the date one (1) year after the Closing Date, maintain a severance pay practice for the benefit of each Transferred Employee that is no less favorable than the severance pay practice provided in Section 6.6(a)(vi) of the Disclosure Letter. Purchaser shall assume and shall indemnify Seller and its Subsidiaries against all liabilities and obligations to provide any severance or similar payments to (A) any Automatic Transferred Employees, (B) any Non-U.S. Employees who are entitled to severance or similar payments under applicable local Laws due to Purchaser's noncompliance with Sections 6.6 or 6.7, and (C) except as otherwise provided in Section 6.6(k) or with respect to any payments under a Seller Plan, any Transferred Employee whose employment is terminated by Purchaser or its Subsidiaries following the Closing Date.

40

(b) Seller shall retain responsibility for and continue to pay all medical, life insurance, disability and other welfare plan expenses and benefits for each Transferred Employee with respect to claims incurred by such Transferred Employees or their covered dependents prior to the Closing Date. Expenses and benefits with respect to claims incurred by Transferred Employees or their covered dependents on or after the Closing Date shall be the responsibility of Purchaser. For purposes of this paragraph, a claim is deemed incurred: in the case of medical or dental benefits, when the services that are the subject of the claim are performed; in the case of life insurance, when the death occurs; in the case of disability benefits, when the disability occurs; in the case of workers compensation benefits, when the event giving rise to the benefits occurs; and otherwise, at the time the Transferred Employee or covered dependent becomes entitled to payment of a benefit (assuming that all procedural requirements are satisfied and claims applications properly and timely completed and submitted).

(c) With respect to any plan that is a "welfare benefit plan" (as defined in Section 3(1) of ERISA), or any plan that would be a "welfare benefit plan" (as defined in Section 3(1) of ERISA) if it were subject to ERISA, maintained by Purchaser, Purchaser shall (i) cause there to be waived any pre-existing condition and waiting periods and (ii) give effect, in determining any deductible and maximum out-of-pocket limitations, to claims incurred and amounts paid by, and amounts reimbursed to, such employees during the plan year of the applicable plan sponsored by Seller or one of its Subsidiaries during which the Closing occurs with respect to similar plans maintained by Seller and its Affiliates immediately prior to the Closing Date.

(d) Transferred Employees shall be given credit for all service with Seller, any of its Subsidiaries, and any predecessor employer for which Seller credited service, including without limitation, Angel, Hewlett Packard or their Subsidiaries, to the same extent as such service was credited for such purpose by Seller, under each Purchaser Plan in which such Transferred Employees are eligible to participate for purposes of eligibility, vesting and benefits accrual (other than under any equity or quasi-equity compensation plan or under a defined benefit pension plan either (A) in which no assets are transferred or for which no other compensation, including an adjustment to the Purchase Price, is received by Purchaser pursuant to this Agreement or (B) which would result in the duplication of benefits accrual for the same period of service).

(e) Except as required by applicable Law or as may be agreed to by Seller and Purchaser, as of the Closing Date the Transferred Employees shall cease to accrue further benefits under the employee benefit plans and arrangements maintained by Seller and its Subsidiaries and shall commence participation in the Purchaser Plans. Seller and Seller Parent shall take all necessary actions to allow such Transferred Employees to rollover any associated loan notes to the extent permitted under the Seller 401(k) plan. Purchaser shall take all steps necessary to permit each such Transferred Employee who has received an eligible rollover distribution (as defined in Section 402(c)(4) of the Code) from the Seller 401(k) Plan, if any, to roll such eligible rollover distribution, including any associated loans, as part of any lump sum distribution to the extent permitted by the Seller 401(k) Plan into an account under a 401(k) plan maintained by Purchaser (the "Purchaser's 401(k) Plan"). Notwithstanding the foregoing, Seller and Purchaser may mutually agree following the date hereof, but prior to the Closing Date, to

41

provide for a trust to trust transfer of the account balances of Transferred Employees under the Seller 401(k) Plan to the Purchaser's 401(k) Plan.

(f) Promptly after the Closing, Seller shall transfer and Purchaser shall accept the flexible spending account elections and accounts (maintained pursuant to Code Sections 105 and 129) of the Transferred Employees under Seller's Section 125 plan flexible spending arrangement. Promptly after the Closing, Seller and Seller Parent shall cause to be transferred to Purchaser the aggregate net cash amount (determined immediately prior to the Closing) for contributions paid (but not yet reimbursed or subject to a pending claim for reimbursement) by or on behalf of the Transferred Employees under Seller's Section 125 plan flexible spending arrangement.

(g) With respect to any accrued but unused vacation time (including flexible time off and sick pay) as of the Closing Date to which any Transferred Employee is entitled pursuant to the vacation policy immediately prior to the Closing Date (the "Vacation Policy"), to the extent permitted by law, Purchaser shall assume the liability for such accrued but unused vacation time and allow such Transferred Employee to use such accrued vacation; provided, however, that Purchaser shall be liable for and pay in cash an amount equal to such accrued but unused vacation time to any Transferred Employee whose employment terminates for any reason subsequent to the Closing Date and Purchaser shall indemnify Seller for an amount equal to such accrued but unused vacation time paid by Seller to any Transferred Employee who is, or was, entitled to an accrued but unused vacation time payout on termination from Angel or Seller under local Law and who elects, or elected, not to transfer such accrued but unused vacation time from Angel or Seller Parent.

(h) Purchaser or its Affiliates shall pay or otherwise make arrangements for the payment of each of the obligations described in Section 6.6(h) of the Disclosure Letter.

(i) Seller shall retain full responsibility for compliance with those provisions of the Worker's Adjustment and Retraining Notification Act of 1988, as amended ("WARN Act") or any comparable provision of state or local law that are binding upon Seller under any such law and shall indemnify Purchaser for any Liabilities and Losses related thereto.

(j) Purchaser shall indemnify and hold harmless Seller and its Subsidiaries with respect to any liability under COBRA or similar applicable Laws in the United States arising from the actions (or inactions) of Purchaser or its Subsidiaries after the Closing Date. Seller shall retain all liabilities, including with respect to any “qualifying event,” (as defined under COBRA) and liabilities under similar applicable Laws incurred on or prior to the Closing Date or arising as a result of the transactions described herein.

(k) Purchaser shall have no liabilities associated with any retention or severance plans entered into by Seller or its Subsidiaries with regard to any Designated Employee. “Designated Employees” are Business Employees who have been chosen by Seller Parent, Seller and/or its Subsidiaries for retention or dismissal under any current retention or severance plan of Seller prior to the Closing Date, but either whose period of retention has not been completed prior to the Closing Date or whose dismissal has not been carried out prior to the Closing Date; provided, however, that Designated Employees shall not include any employee chosen by Seller, after

42

consultation with Purchaser, as a result of the transactions contemplated by this Agreement. Seller Parent’s and Seller’s liability with regard to Designated Employees is subject to the rules of the retention and severance plans of Seller as in force prior to or on the Closing Date.

(l) The Parties acknowledge and agree that all provisions contained in this Section 6.6 with respect to employees are included for the sole benefit of the respective Parties and shall not create any right (i) in any other Person, including, without limitation, any employees, former employees, any participant in any Seller Plan or Angel Plan or any beneficiary thereof or (ii) to continued employment with Seller or Purchaser.

6.7 Non-U.S. Employees.

In addition to Section 6.6 as applicable to Non-U.S. Employees, this Section 6.7 applies only to Non-U.S. Employees and certain former non-U.S. Employees (“Non-U.S. Former Employees”).

(a) This Section 6.7 shall contain covenants and agreements of the Parties on and as of the Closing Date with respect to:

(i) the Non-U.S. Employees; and

(ii) Non-U.S. Benefit Plans listed in Section 6.7(a)(ii) of the Disclosure Letter, which shall be provided to Purchaser within thirty (30) days following the date of this Agreement, provided or covering such Non-U.S. Employees and Non-U.S. Former Employees.

(b) Seller Parent, Seller and Purchaser and their respective Subsidiaries shall comply with all obligations either under the Transfer Regulations or other applicable Laws to notify and/or consult with Non-U.S. Employees or employee representatives, unions, works councils or other employee representative bodies, if any, and shall provide such information to the other Party as is required by that Party to comply with its notification and/or consultation obligations. Seller Parent, Seller and Purchaser shall indemnify each other against all Losses resulting from any failure of the other to notify and/or consult or to provide such information in a timely manner.

(c) Seller and its Subsidiaries will not, without Purchaser’s consent, make any material changes to the working conditions of the Non-U.S. Employees that have not either been announced or agreed to under a collectively bargained agreement between the signing of this Agreement and the Closing Date.

(d) Seller shall provide Purchaser with a supplemental schedule of collective bargaining agreements in those countries that are not covered by Section 4.14 of the Disclosure Letter no later than 30 days prior to the Closing Date.

(e) The Parties acknowledge and agree that all provisions contained in this Section 6.7 with respect to employees are included for the sole benefit of the respective Parties and shall not create any right (i) in any other Person, including, without limitation, any

43

employees, former employees, any participant in any Seller Plan or any beneficiary thereof or (ii) to continued employment with Seller or Purchaser.

(f) Seller Parent, Seller and Purchaser agree that to the extent the transactions contemplated by this Agreement would result in an acceleration of maturity of amounts payable under obligations described in Section 6.7(f) of the Disclosure Letter (the “Section 6.7(f) Obligations”), unless otherwise required by Law, Seller Parent, Seller and their Subsidiaries and Purchaser will waive any such acceleration and to the extent necessary will amend or modify such Section 6.7(f) Obligations to provide for such Section 6.7(f) Obligations when held by Purchaser after the Closing to mature on the same terms as would have applied to such Section 6.7(f) Obligations if the transactions contemplated hereby did not occur.

6.8 Other Arrangements.

(a) At the Closing, Seller or an Affiliate of Seller and Purchaser shall execute and deliver a transition services agreement (the “Master Separation Agreement”) in substantially the form attached hereto as Exhibit D.

(b) At the Closing, Purchaser and Seller shall execute and deliver a trademark license agreement with Angel in substantially the form attached hereto as Exhibit G (the “Trademark License Agreement”) with respect to the licensing of certain Angel trademarks on inventory.

(c) The Seller Parties shall use their commercially reasonable efforts to cause Angel to execute and deliver the Angel Intellectual Property License Agreement within sixty (60) days following the Closing Date.

(d) Prior to the Closing, the Seller Parties will identify which Purchased Assets will not be owned by the Purchased Seller Subsidiaries and which Subsidiary of Seller owns such Purchased Assets. Seller will cause each of such Subsidiaries to execute a joinder to this Agreement in the form attached hereto as Exhibit I (the “Joinder”).

6.9 Non-Competition.

(a) In order that Purchaser may have and enjoy the full benefit of the Business, the Other Sellers and Seller agree that for a period of three (3) years commencing on the Closing Date, Seller Parent, the Other Sellers and Seller will not, and will cause their Subsidiaries not to and any other Seller Party not to, without the express written approval of Purchaser, engage, directly or indirectly, in a Competing Business or acquire more than fifteen percent (15%) of the outstanding equity interest in any Business Competitor, in each case other than the Retained Business. Seller agrees, upon the reasonable request of Purchaser, to use its commercially reasonable efforts to cause its Affiliates to enforce their rights for the benefit of Purchaser under the non-competition provisions of the Asset Purchase Agreement between Angel and an Affiliate of Seller, dated as of August 14, 2005, as amended (the “Semiconductor Business Purchase Agreement”); provided that all costs and expenses incurred in connection with the enforcement of such rights shall be borne exclusively by Purchaser. For purposes of this Section 6.9: (i) “Competing Business” shall mean developing, manufacturing, selling or servicing any of the Printer Products for or to third parties and (ii) “Business Competitor” shall mean any Person that derived more than 40% of its consolidated gross revenues from Competing Businesses during the

44

four fiscal quarters prior to the Seller Parent, Other Sellers, Seller or any of their Subsidiaries’ entering into an agreement providing for the investment in or acquisition of such Person, for which financial statements are available. Notwithstanding the foregoing, none of the Seller Parent, Other Sellers, Seller or any of their Subsidiaries shall be precluded from: (a) engaging in those businesses that are engaged in as of the date of the Closing through the Retained Business, and reasonably expected or foreseeable extensions of those businesses and the products manufactured or sold, and the services developed or provided in connection therewith; (b) acquiring, merging with or consolidating with an entity which, at the time of the parties’ agreement to enter into such transaction is not a Business Competitor and extensions of any business of such entity or its Subsidiaries; (c) being acquired by means of any business combination (including an asset purchase, merger or consolidation) by any Person; (d) engaging in any merger, consolidation or any other business combination with any Person not subject to clause (c) if the stockholders of the Seller Parent, Other Sellers or Seller immediately prior to consummation of such transaction will own 50% or less of the outstanding common stock of the resulting or surviving entity (or the parent thereof); (e) the development, manufacture, supply, distribution, sale, support and maintenance of Printer Products as a component of a product sold by, or incidental to, a Retained Business, a reasonably expected or foreseeable extension of a Retained Business, or any other business of the Other Sellers, Seller or their Subsidiaries that is not itself a violation of Section 6.9; or (f) engaging in any Competing Business engaged in by the Other Sellers, Seller or their Subsidiaries as a result of any transaction contemplated by clause (b) or (d) and any extensions of such Competing Business. Following any acquisition as described in the foregoing clause (c), the provisions of this Section 6.9 shall continue to apply solely to Seller Parent, Seller and their Subsidiaries, and not to any other Affiliates of Seller. Notwithstanding the foregoing, the provisions of this Section 6.9 shall not restrict the Seller Parent, Other Sellers and Seller or any of their Subsidiaries from acquiring and operating any Business Competitor so long as (i) the Seller Parent, Other Sellers, Seller or such Subsidiary divests all or a portion of the Competing Business conducted by such Business Competitor within one year of such transaction such that an acquisition by the Seller Parent, Other Sellers, Seller or such Subsidiary of the retained portion of the Competing Business would be permissible under the terms of the foregoing clause (b); and (ii) while owned, the Seller Parent, Other Sellers and Seller and their Subsidiaries do not provide such Business Competitor with any Licensed Business Technology or Licensed Business Intellectual Property Rights held by the Other Sellers, Seller or their Subsidiaries prior to the date of such acquisition.

(b) If Seller Parent, Seller, or Other Seller or any of their Subsidiaries is acquired by a Competing Business, or transfers or sells any or all of the Retained Businesses to a third party, including an Affiliate (such acquiring or third party buyer, the “Successor”) during the three-year term commencing on the Closing Date, then Seller Parent, Seller or Other Seller or any of their Subsidiaries will not grant the Successor a Patent license to make, have made, import, offer to sell or sell Printer Products for the remainder of the three-year non-competition period and will only transfer Licensed Business Patents to a Successor subject to the license granted under the Intellectual Property License Agreement and subject to a contractual restriction preventing the Successor from exercising its rights under the transferred Licensed Business Patents for the remainder of the three-year non-competition period.

(c) During the three-year non-competition term, Seller Parent, Seller, the Other Sellers and their Subsidiaries will not grant any license to make, have made, import, offer to sell

45

or sell Printer Products nor will Seller Parent, Seller, the Other Sellers or their Subsidiaries provide the Licensed Business Technology to any third party during such three-year non-competition period; provided that the foregoing shall not apply to licenses or disclosures that are incidental to the development or the sale of products and services of the Retained Business or are specifically included in the definition of Retained Business.

6.10 Non-Solicitation.

(a) Seller Parent, the Other Sellers and Seller agree that for a period of two (2) years from and after the Closing Date it shall not, and it shall cause each of their Subsidiaries not to (and shall not encourage or assist any of its Affiliates to), without the prior written consent of Purchaser, directly or indirectly, solicit to hire (or cause or seek to cause to leave the employ of Purchaser or any of its Subsidiaries) (i) any Transferred Employee or (ii) any other Person employed by Purchaser who became known to or was identified to the Seller Parent, Other Sellers or Seller or any of their Affiliates prior to the Closing in connection with the transactions contemplated by this Agreement, unless in each case such Person ceased to be an employee of Purchaser or its Subsidiaries prior to such action by the Seller Parent, Other Sellers or Seller or any of their Affiliates, or, in the case of such Person’s voluntary termination of employment with Purchaser or any of its Subsidiaries, at least three (3) months prior to such action by the Seller Parent, Other Sellers or Seller or any of their Affiliates. Seller Parent agrees, upon the reasonable request of Purchaser, to use its commercially reasonable efforts to cause its Affiliates to enforce their rights for the benefit of Purchaser under the non-solicitation provisions of the Semiconductor Business Purchase Agreement; provided that all costs and expenses incurred in connection with the enforcement of such rights shall be borne exclusively by Seller Parent.

(b) Purchaser agrees that for a period of two (2) years from and after the Closing Date it shall not, and it shall cause its Subsidiaries not to (and shall not encourage or assist any of its Affiliates to), without the prior written consent of Seller, directly or indirectly, solicit to hire (or cause or seek to cause to leave the employ of the Other Sellers or Seller or any of their Affiliates) any Person that it or they know to be employed by the Other Sellers or Seller or any of their Affiliates as of the Closing Date unless such Person ceased to be an employee of the Other Sellers or Seller or any of their Affiliates prior to such action by Purchaser or any of its Subsidiaries, or, in the case of such Person’s voluntary termination of employment with the Other Sellers or Seller or any of their Affiliates, at least three (3) months prior to such action by Purchaser or any of its Subsidiaries.

(c) Notwithstanding the foregoing, the restrictions set forth in Sections 6.10(a) and 6.10(b) shall not apply to (i) bona fide public advertisements for employment placed by any Party and not specifically targeted at the employees of any other Party, or (ii) any employee who is not a manager or an individual contributor who is engaged in the design of Printer Products or processes. Section 6.10(a) shall not apply to any Person who is hired by the Other Sellers or Seller or any of their Affiliates (A) pursuant to any existing agreement with employee representatives (such as a works council agreement) by which the Other Sellers or Seller or any of their Affiliates is bound or (B) as a result of actions required to be taken by the Other Sellers or Seller or any of their Affiliates in order to comply with local employment Laws.

6.11 Intellectual Property License Agreement.

At the Closing, Seller Parent and Purchaser shall execute and deliver a license agreement (the “Intellectual Property License Agreement”) in the form of the agreement attached hereto as Exhibit E.

6.12 [Reserved].

6.13 Insurance Matters.

Purchaser acknowledges that the policies and insurance coverage that will be maintained on behalf of the Business are part of the corporate insurance program maintained by Seller (the “Seller Corporate Policies”), and such coverage will not be available or transferred to Purchaser (except with respect to Assumed Liabilities for which claims have been made by Seller Parent, Seller, the Other Sellers or any of their respective Subsidiaries against third party insurers under such policies on or prior to the Closing Date, subject to Purchaser’s paying any applicable deductible with respect to such claim). In furtherance and not in limitation of the foregoing, Purchaser agrees not to bring any claim for recovery under any of the Seller Corporate Policies, whether or not Purchaser may be so entitled in accordance with the terms of such Seller Corporate Policies.

6.14 Tax Matters.

(a) Transfer Taxes.

(i) For purposes of this Agreement, the term “Transfer Taxes” shall mean all transfer, filing, recordation, *ad valorem*, value added, bulk sales, stamp duties, excise, GST, license or similar fees or taxes. The liability for Transfer Taxes attributable to the transactions occurring pursuant to this Agreement shall be borne one-half by Purchaser and one-half by Seller; provided, however, that Purchaser shall diligently pursue the recovery of any recoverable Transfer Taxes, and if Purchaser actually receives any recoverable Transfer Taxes, Purchaser shall promptly, but in no case later than twenty (20) days after such recovery, pay to Seller an amount equal to one-half of such recovered Transfer Taxes. Seller and Purchaser shall cooperate with each other in the provision of any information or preparation of any documentation that may be necessary or useful for obtaining any available mitigation, reduction or exemption from any Transfer Taxes. For the avoidance of doubt, Purchaser shall have no Liability of any kind and shall be indemnified against Transfer Taxes arising out of or attributable to the acquisition of the Business from Angel or the transfer of any assets (including the Transferred Business Intellectual Property and the Transferred Business Intellectual Property Rights) to the Purchased Seller Subsidiaries.

(ii) Unless the Parties mutually agree otherwise, any Tax Returns that must be filed in connection with any Transfer Taxes shall be prepared by the Party that bears the responsibility for such Transfer Taxes, as required by applicable Law. For any Tax Return required by law to be filed by a Party (the “Filing Party”) other than the Party that is responsible for preparing such Tax Return pursuant to this Section 6.14 (the “Preparing Party”), the Filing Party shall pay the Transfer Taxes shown on such Tax Return and shall

collect the Preparing Party’s applicable share of the Transfer Tax from Preparing Party determined in accordance with Section 6.14(a)(i) hereof. The Preparing Party shall use its commercially reasonable efforts to provide to the Filing Party any Tax Returns which it is required to file at least ten days before such Tax Returns are due to be filed. The Preparing Party shall make such changes to the applicable Tax Return as reasonably requested by the Filing Party. Such Tax Returns shall be consistent with the allocation of the Purchase Price as determined pursuant to Section 3.4.

(b) Other Tax Returns and Payment of Taxes.

(i) Except as provided in Section 6.14(a), Seller and the Other Sellers, respectively, shall be liable for and shall remit when due or cause to be remitted when due any amount of Taxes owed by or attributable to the Purchased Seller Subsidiaries, the Purchased Assets, the Transferred Business Intellectual Property or the Transferred Business Intellectual Property Rights for any taxable period ending on or before the Closing Date. Seller or the Other Sellers shall duly file or cause to be duly filed any Tax Return required to be filed in respect of any Tax which it is required to pay pursuant to the immediately preceding sentence. Such Tax Returns shall be subject to the review and approval of Purchaser, which approval shall not be unreasonably withheld or delayed.

(ii) Purchaser shall be liable for and shall remit when due or cause to be remitted when due any amount of Taxes due in connection with the Purchased Assets and the Purchased Seller Subsidiaries for any taxable period beginning after the Closing Date. Purchaser shall duly file or cause to be duly filed any Tax Return required to be filed in respect of any Tax which it is required to pay pursuant to the immediately preceding sentence.

(iii) Purchaser shall prepare or cause to be prepared and file or cause to be filed any Tax Returns with respect to the Purchased Assets and the Purchased Seller Subsidiaries for taxable periods that begin before the Closing Date and end after the Closing Date (a “Straddle Period”). Seller or the applicable Other Seller, as applicable, shall pay to Purchaser within five days after the date on which Taxes are paid with respect to a Straddle Period an amount equal to the portion of such Taxes which relates to the portion of such Straddle Period ending on the Closing Date. For purposes of this Section 6.14(b)(iii), in the case of any Taxes that are imposed on a periodic basis and are payable for a Straddle Period, the portion

of such Tax that relates to the portion of such taxable period ending on the Closing Date shall (x) in the case of any Taxes other than Taxes based upon or related to income or receipts, be deemed to be the amount of such Tax for the entire taxable period multiplied by a fraction the numerator of which is the number of days in the taxable period ending on and including the Closing Date and the denominator of which is the number of days in the entire taxable period, and (y) in the case of any Tax based upon or related to income or receipts be deemed to be equal to the amount which would be payable if the relevant taxable period ended on and included the Closing Date. Any credits relating to a Straddle Period shall be taken into account as though the relevant taxable period ended on the Closing Date.

(iv) If, after the Closing, Purchaser or any of its Affiliates receives any refund that relates to a Pre-Closing Tax Period of the Purchased Seller Subsidiaries or that is an Excluded Asset or utilizes the benefit of any overpayment or prepayment of Taxes of a Purchased Seller Subsidiary that relates to a Pre-Closing Tax Period or that otherwise are Excluded Assets, Purchaser shall, or shall cause such Affiliate to, promptly remit or cause to be remitted to Seller or the applicable Other Seller, as the case may be, the entire amount of the refund or overpayment (including any interest paid by the Governmental Authority paying the refund or the overpayment, but net of any Taxes that may be due on such refund or interest amount after giving effect to any deductions in respect of the payment of such amounts to Seller or the applicable Other Subsidiary, as applicable) received or utilized by Purchaser or such Affiliate. If any such refund or benefit is subsequently reduced as a result of an adjustment required by any Governmental Authority, this Section 6.14(c) shall take such adjusted refund or benefit into account. If Purchaser or any of its Affiliates pays any amount to Seller or an Other Seller pursuant to this Section 6.14(c) prior to such adjustment, Seller or the applicable Other Seller shall repay the difference between the amount paid and the adjusted amount of the refund or benefit, as the case may be, to Purchaser, if the adjusted amount is less than the amount paid by Purchaser or such Affiliate to Seller or an Other Seller pursuant to this Section 6.14(c), and Purchaser shall pay the difference between the adjusted amount of the refund or benefit and the amount paid by Purchaser or such Affiliate to Seller or the applicable Other Seller if the amount paid by Purchaser or such Affiliate to Seller or the applicable Other Seller is less than the adjusted amount.

(c) Cooperation and Assistance.

(i) The Parties shall cooperate with each other in the filing of any Tax Returns and the conduct of any audit or other proceeding. They each shall execute and deliver such powers of attorney and make available such other documents as are reasonably necessary to carry out the intent of this Section 6.14.

(ii) If (A) any party is liable under this Section 6.14, including amounts due to Section 6.14(b), for any portion of a Tax shown due on any Tax Return required to be filed by the other Party pursuant to this Section 6.14, subject to Section 6.14(a)(ii), the Party obligated to file such Tax Return pursuant to this Section 6.14 shall deliver a copy of the relevant portions of such Tax Return to the liable Party for such Party's review and comment within 30 days prior to the due date for filing such Tax Return (taking into account any extensions, if applicable). Subject to Section 6.14(a)(ii), the Party who is required to file such Tax Return will make such changes to the Applicable Tax Return as reasonably requested by the other Party. If the Parties disagree as to the treatment of any item shown on such Tax Return or with respect to any calculation with respect to any Tax Return to be filed pursuant to this Section 6.14, an internationally recognized accounting firm mutually agreed upon by Purchaser and Seller or the applicable Other Seller, as the case may be, shall determine how the disputed item is to be treated on such Tax Return. Any payments made by a Party to another Party pursuant to this Section 6.14 shall be made no later than the later of 10 days prior to the due date of the applicable Tax Return and 5 business days after the receipt of the applicable Tax Return by the Party from whom payment is required.

(iii) Upon request or upon payment, each Party shall deliver to the tax director of the other Party certified copies of all receipts for any foreign Tax with respect to which such other Party or any of its Affiliates could claim a foreign tax credit and any supporting documents required in connection with claiming or supporting a claim for such a foreign tax credit.

(iv) The Parties shall retain records, documents, accounting data and other information in whatever form that are necessary for the preparation and filing, or for any Tax audit, of any and all Tax Returns with respect to any Taxes that relate to taxable periods that do not begin after the Closing Date. Such retention shall be in accordance with the record retention policy of the respective Party, but in no event shall any Party destroy or otherwise dispose of such records, documents, accounting data and other information prior to the expiration of the applicable statute of limitations (including extensions) and without first providing the other Party with a reasonable opportunity to review and copy the same. Each Party shall give any other Party reasonable access to all such records, documents, accounting data and other information as well as to its personnel and premises to the extent necessary for a reasonable review or a Tax audit of such Tax Returns and relevant to an obligation under this Section 6.14.

(v) Seller and the Other Sellers shall use their commercially reasonable efforts to provide Purchaser with a clearance certificate or similar document(s) which may be required by any taxing authority to relieve Purchaser of any obligation to withhold any portion of the payments to Seller or the Other Sellers pursuant to this Agreement, the Ancillary Agreements, the Intellectual Property License Agreement or the Trademark License Agreement.

(vi) Upon reasonable request by a Party, the other Party shall cooperate in good faith to effectuate modifications to this Agreement that are otherwise economically neutral to the other Party in order to better accommodate the business and financial goals of the requesting Party.

(d) Tax Controversies. A Party shall promptly notify the other Party in writing promptly upon (but in no event later than 30 days after) (a "Notification") receipt of notice of any pending or threatened audits or assessments with respect to Taxes for which such other Party (or any of its Affiliates) is liable under Section 6.14. Failure to give such Notification shall not relieve the indemnifying party from liability under Section 6.14, except if and to the extent that the indemnifying party is actually prejudiced thereby. Each Party shall be entitled to take control of the complete defense of any tax audit or administrative or court proceeding (a "Tax Claim") relating to Taxes for which it may be liable, and to employ counsel of its choice at its expense; provided, that Seller or the applicable Other Subsidiary and Purchaser shall jointly control the defense of any Tax Claim relating to Taxes with respect to a Straddle Period for which Taxes are allocated to both Seller or the applicable Other Subsidiary, as the case may be, and Purchaser under Section 6.14(b)(iii) of this Agreement. Notwithstanding the immediately preceding sentence, each Party shall be entitled to take control of the complete defense of any Tax Claim relating to Taxes for which it is obligated to file a Tax Return (but does not have any indemnification obligation hereunder) under this Section 6.14 (or by Law), and to employ counsel of its choice at its expense; provided, that such Party unconditionally releases in writing

the other Party from its indemnification obligation hereunder with respect to such Tax Claim; provided further, that such Party shall take control of such Tax Claim within 60 days of the earlier of (x) the date on which such Notification is provided or (y) the date such Notification is due pursuant to the first sentence of this Section 6.14(d). If one Party takes control of any such audit or proceeding, the other Party shall be entitled to participate, at its expense, in the defense of such audit or proceeding, and the Party controlling such audit or proceeding shall consider in good faith any suggestions made or points raised by the other Party. The Parties may not agree to settle any claim for Taxes for which the other may be liable without the prior written consent of such other Party, which consent shall not be unreasonably withheld. This Section 6.14(d) shall govern to the extent it would otherwise be inconsistent with Section 9.3(a).

(e) Indemnification. The Seller Parties shall indemnify, save and hold the Purchaser Indemnified Parties harmless from and against any and all Purchaser Losses incurred in connection with, arising out of, resulting from or incident to (i) any Taxes of any of the Purchased Seller Subsidiaries or with respect to the Purchased Assets, Transferred Business Intellectual Property or Transferred Business Intellectual Property Rights for any Tax year or portion thereof ending on or before the Closing Date (or for any Straddle Period, to the extent allocable to the portion of such period beginning before and ending on the Closing Date, determined accordance with 6.14(b)(iii)), (ii) any failure of any representation or warranty of Seller or the Other Sellers set forth in Section 4.10 to be true and correct; (iii) any Taxes arising out of or attributable to the acquisition of the Business from Angel; (iv) any withholding Taxes (whenever arising) attributable to the payment of the Purchase Price; and (v) the unpaid Taxes of any Person (other than either of the Purchased Seller Subsidiaries) under Treasury regulations Section 1.1502-6 (or any similar provision of state, local or foreign law), as a transferee or successor, by contract, or otherwise.

6.15 Mail Handling.

(a) To the extent that Purchaser and/or any of its Subsidiaries receives any mail or packages addressed to any Seller Parent, any Other Seller or Seller or its Subsidiaries and delivered to Purchaser not relating to the Business, the Purchased Subsidiary Interests, the Purchased Assets, the Transferred Business Intellectual Property, the Transferred Intellectual Property Rights or the Assumed Liabilities, Purchaser shall promptly deliver such mail or packages to Seller. After the Closing Date, Purchaser may deliver to Seller any checks or drafts made payable to Seller Parent, the Other Sellers, Seller or its Subsidiaries that constitutes a Purchased Asset, and Seller shall promptly deposit such checks or drafts, and, upon receipt of funds, reimburse Purchaser within five Business Days for the amounts of all such checks or drafts, or, if so requested by Purchaser, endorse such checks or drafts to Purchaser for collection. To the extent any Seller Parent, any Other Seller, Seller or its Subsidiaries receives any mail or packages addressed and delivered to Seller Parent, any Other Seller, Seller or its Subsidiaries but relating to the Business, the Purchased Subsidiary Interests, the Purchased Assets or the Assumed Liabilities, Seller shall promptly deliver such mail or packages to Purchaser. After the Closing Date, to the extent that Purchaser receives cash or checks or drafts made payable to Purchaser that constitutes an Excluded Asset, Purchaser shall promptly use such cash to, or deposit such checks or drafts and upon receipt of funds from such checks or drafts, reimburse Seller within five Business days for such amount received, or, if so requested by Seller, endorse

such checks or drafts to Seller for collection. The Parties may not assert any set-off, hold-back, escrow or other restriction against any payment described in this Section 6.15.

6.16 [Reserved].

6.17 Shared Contracts.

Seller Parent and Seller agree to use their reasonable commercial efforts to seek the consent, if requested by Purchaser, of the counterparty to any Contract which is used primarily in the Business but is not included within Transferred Contracts to partially assign or otherwise separate for the benefit of Purchaser the portion of such Contract relating to the Business. Seller Parent and Seller will use their commercially reasonable efforts to identify such Contracts to Purchaser as soon as practicable following the execution of this Agreement.

6.18 Licenses.

(a) With respect to the CAD Licenses that prior to the Closing Date are used in the Business, but that are not used exclusively in the Business, Seller and Purchaser shall cooperate diligently prior to the Closing Date to obtain the consent of the respective licensors of such CAD Licenses (the "CAD Licensors") to a partial assignment, or grant of a sublicense by Seller or of a new license to Purchaser by the CAD Licensor, as the case may be, of Seller's rights thereunder applicable to the Business. Purchaser acknowledges that any rights to be sublicensed to it may be limited as set forth in such CAD Licenses; that the terms of any new license to be granted to it by the CAD Licensors may be different from the terms of Seller's existing licenses; and that Seller cannot control and is not responsible for the actions of any of the CAD Licensors. Seller and Purchaser further agree that any division of rights, responsibilities and credits (including credits for pre-paid fees) between them under the existing CAD Licenses or any successors thereto shall be in proportion to the actual usage (by seat count) of such licenses by the Business prior to the Closing Date, compared to the usage of such licenses by the Retained Business prior to the Closing Date or as set forth on Schedule 6.18.

6.19 NDAs.

The Parties agree that with respect to the confidentiality and proprietary development agreements to which the Seller Parent, Other Sellers, Seller or their Subsidiaries is a party with the Business Employees of Seller Parent or any of its Affiliates (the "NDAs"), Seller Parent, the Other Sellers, Seller or an Affiliate, as applicable, will enter into a partial assignment with respect to such NDAs, assigning that portion of the NDAs relating to the Business to Purchaser.

6.20 Patents Licensed Non-exclusively to the Purchaser.

In the event that a Seller Party transfers any Patent that is licensed on a non-exclusive basis to Purchaser pursuant to the Intellectual Property License Agreement, such Seller Party shall upon execution of a definitive agreement for transfer of such Patent, give notice of such transfer to Purchaser and shall, upon request by Purchaser within ten (10) days after the giving of notice, use its commercially reasonable efforts to obtain access to the Seller Party patent files pertaining to the Patent to be transferred.

ARTICLE VII

CONDITIONS TO CLOSING

7.1 Conditions Precedent to Obligations of Purchaser, Seller and the Other Sellers.

The respective obligations of the Parties to consummate and cause the consummation of the transactions contemplated by this Agreement shall be subject to the satisfaction (or waiver by the Party for whose benefit such condition exists) on or prior to the Closing Date of each of the following conditions:

- (a) No Injunction, etc. No Governmental Authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any Law which is in effect on the Closing Date which has or would have the effect of prohibiting, enjoining or restraining the consummation of the transactions contemplated by this Agreement to occur on the Closing Date or otherwise making such transactions illegal; and
- (b) Regulatory Authorizations. (i) All material Consents of any Governmental Authorities shall have been obtained and shall be in full force and effect, and (ii) the applicable waiting period under the HSR Act shall have expired or been terminated.

7.2 Conditions Precedent to Obligation of Seller and the Other Sellers.

The obligation of Seller Parent, Seller and the Other Sellers to consummate and cause the consummation of the transactions contemplated by this Agreement shall be subject to the satisfaction (or waiver by Seller Parent, Seller or the Other Sellers) on or prior to the Closing Date of each of the following conditions:

- (a) Accuracy of Purchaser's Representations and Warranties. The representations and warranties of Purchaser contained in this Agreement (i) that are qualified as to "Purchaser Material Adverse Effect" shall be true and correct on the date of this Agreement and on the Closing Date as though made on the Closing Date (except to the extent such representations and warranties by their terms speak as of an earlier date, in which case they shall be true and correct as of such date); and (ii) that are not qualified as to "Purchaser Material Adverse Effect" shall be true and correct on the date of this Agreement and on the Closing Date (except to the extent such representations and warranties by their terms speak as of an earlier date, in which case they shall be true and correct as of such date), except for such failures to be true and correct which would not, individually or in the aggregate, have a Purchaser Material Adverse Effect; and Seller shall have received a certificate signed by an authorized officer of Purchaser to such effect.
- (b) Covenants of Purchaser. Purchaser shall have complied in all material respects with all covenants contained in this Agreement and the other Transaction Documents to be performed by it prior to the Closing; and Seller shall have received a certificate dated as of the Closing Date and signed by an authorized officer of Purchaser to such effect.
- (c) Ancillary Agreements. Purchaser shall have executed and delivered the Ancillary Agreements and other agreements and documents contemplated by Section 2.3(a) to the extent a

party thereto, and each such agreement and document shall be in full force and effect and shall not have been breached in any material respect by Purchaser.

- (d) License Agreements. Purchaser shall have executed and delivered the Intellectual Property License Agreement, and such agreement shall be in full force and effect and shall not have been breached in any material respect by Purchaser.

7.3 Conditions Precedent to Obligation of Purchaser.

The obligation of Purchaser to consummate and cause the consummation of the transactions contemplated by this Agreement shall be subject to the satisfaction (or waiver by Purchaser) on or prior to the Closing Date of each of the following conditions:

- (a) Accuracy of Representations and Warranties of Seller and the Other Sellers. The representations and warranties of Seller Parent, Seller and the Other Sellers contained in this Agreement and the other Transaction Documents (i) that are qualified as to "Seller Material Adverse Effect" shall be true and correct on the date of this Agreement and on the Closing Date as though made on the Closing Date (except to the extent such representations and warranties by their terms speak as of an earlier date, in which case they shall be true and correct as of such date); and (ii) that are not qualified as to "Seller Material Adverse Effect" shall be true and correct on the date of this Agreement and on the Closing Date (except to the extent such representations and warranties by their terms speak as of an earlier date, in which case they shall be true and correct as of such date), except for such failures to be true and correct which would not, individually or in the aggregate, have a Seller Material Adverse Effect; and Purchaser shall have received a certificate signed by an authorized officer of Seller Parent, Seller and the Other Sellers to such effect.
- (b) Covenants of Seller and the Other Sellers. Seller Parent, Seller and the Other Sellers shall have complied in all material respects with all covenants contained in this Agreement and the other Transaction Documents to be performed by it prior to the Closing; and Purchaser shall have received a certificate dated as of the Closing Date and signed by an authorized officer of Seller Parent, Seller and the Other Sellers to such effect.
- (c) Ancillary Agreements. Seller Parent, Seller and the Other Sellers shall have executed and delivered or caused each of the relevant Purchased Seller Subsidiary to execute and deliver, the Ancillary Agreements and other agreements and documents contemplated by Section 2.3(a) to the extent a party thereto, and each such agreement and document shall be in full force and effect and shall not have been breached in any material respect by the Other Sellers, Seller, Seller Parent or the relevant Purchased Seller Subsidiary, as the case may be.
- (d) License Agreements. Avago Technologies General IP (Singapore) Pte. Ltd. shall have executed and delivered the Intellectual Property License Agreement and the Trademark License Agreement and each such agreement shall be in full force and effect and shall not have been breached in any

material respect by General IP.

(e) Consents. (i) Each of the Consents set forth on Section 7.3(e) of the Disclosure Letter shall have been obtained in a form reasonably acceptable to Purchaser and shall be in full force and effect, and (ii) all other Consents required to be obtained in connection with the

54

transactions contemplated by this Agreement shall have been obtained and shall be in full force and effect, except in the case of clause (ii) where the failure to obtain any such Consents has not had and could not reasonably be expected to have, individually or in the aggregate, a Seller Material Adverse Effect.

(f) No Seller Material Adverse Effect. Since the date of this Agreement there shall have been no event, condition, change or development, worsening of any existing event, condition, change or development (except as relates to Excluded Assets, the failure to transfer to Purchaser the Excluded Assets or any failure to obtain a consent with respect to CAD Licenses to the extent provided in Section 6.18 hereto) that, individually or in combination with any other event, condition, change, development or worsening thereof, has had or would reasonably be expected to have a Seller Material Adverse Effect.

(g) FIRPTA Certificate. Purchaser shall have duly received certifications, duly executed and acknowledged, in form and substance reasonably satisfactory to Purchaser, certifying that the transactions contemplated hereunder are exempt from withholding under Section 1445 of the Code.

ARTICLE VIII

CLOSING

8.1 Closing Date.

Unless this Agreement shall have been terminated pursuant to Article X hereof, the closing of the sale and transfer of the Purchased Assets and the other transactions hereunder (the "Closing") shall take place at the offices of Latham & Watkins LLP, 135 Commonwealth Drive, Menlo Park, CA 94025 at 7:00 a.m., local time, and in such other places as are necessary to effect the transactions to be consummated at the Closing, on the second Business Day immediately following the satisfaction or, to the extent permitted, waiver of all of the conditions in Article VII (other than those conditions which by their nature are to be satisfied or, to the extent permitted, waived at the Closing but subject to the satisfaction or, to the extent permitted, waiver of such conditions), or at such other time, date and place as shall be fixed by mutual agreement of the Parties (such date of the Closing being herein referred to as the "Closing Date"). The effective time ("Effective Time") of the Closing for tax, operational and all other matters shall be deemed to be 12:01 a.m., local time in each jurisdiction in which the Business is conducted, on the Closing Date.

8.2 Purchaser Obligations.

At the Closing, Purchaser shall (i) deliver to Seller the payments required to be made on the Closing Date, as provided in Section 3.2(a), and (ii) execute and deliver to Seller the following in such form and substance as are reasonably acceptable to the Other Sellers and Seller:

- (a) the documents described in Section 7.2;

55

(b) such instruments of conveyance with respect to the Purchased Assets, the Transferred Business Intellectual Property, the Transferred Business Intellectual Property Rights, Purchased Seller Subsidiaries and Assumed Liabilities as are referred to in Section 2.3(a) and such other assignment and conveyance documents as shall be necessary to convey the Purchased Assets, the Transferred Business Intellectual Property, the Transferred Business Intellectual Property Rights and the Purchased Seller Subsidiaries and consummate the other transactions contemplated hereby in each jurisdiction; and

(c) such other documents and instruments as counsel for Purchaser and Seller mutually agree to be reasonably necessary to consummate the transactions described herein.

8.3 Seller Parent, the Other Sellers and Seller Obligations.

At the Closing, Seller Parent, the Other Sellers and Seller, as applicable, shall execute and deliver to Purchaser, and Seller Parent and Seller shall cause such of its Subsidiaries as are party thereto to execute and deliver to Purchaser, the following in such form and substance as are reasonably acceptable to Purchaser:

- (a) the documents described in Section 7.3;

(b) such instruments of conveyance with respect to the Purchased Assets, the Transferred Business Intellectual Property, the Transferred Business Intellectual Property Rights, Purchased Seller Subsidiaries and Assumed Liabilities as are referred to in Section 2.3(a) and such other assignment and conveyance documents as shall be necessary to convey the Purchased Assets, the Transferred Business Intellectual Property and the Transferred Business Intellectual Property Rights, and consummate the other transactions contemplated hereby including the sublicense, transfer or acquisition of the sublicense of CAD licenses as and to the extent provided in Section 6.18; and

(c) such other documents and instruments as counsel for Purchaser and Seller mutually agree to be reasonably necessary to consummate the transactions described herein.

ARTICLE IX

INDEMNIFICATION

9.1 Indemnification.

(a) Following the Closing and subject to the terms and conditions of this Article IX, Seller Parent, Seller and the Other Sellers shall indemnify, defend and hold harmless Purchaser, its Affiliates, and their respective officers, directors, employees, stockholders, assigns and successors (each, a “Purchaser Indemnified Party”) from and against, and shall compensate and reimburse each Purchaser Indemnified Party for, all Losses imposed upon or incurred by such Purchaser Indemnified Party (“Purchaser Losses”), with respect to (i) any failure of any representation or warranty of Seller set forth in this Agreement (other than Section 4.10, indemnification for the breach of which is covered by Section 6.14(e)) or in the certificate delivered pursuant to Section 7.2(a) to be true and correct, (ii) any breach of any covenant or agreement of Seller herein or (iii) any Excluded Liabilities, it being understood that each

56

Purchaser Loss shall be calculated net of any Tax Benefit realized by such Purchaser Indemnified Party, as set forth more fully in Section 9.3(c). Seller shall act as agent for Seller Parent and the Other Sellers in connection with this Article IX. Purchaser shall not be entitled to recover more than once for the same Purchaser Loss.

(b) Following the Closing and subject to the terms and conditions provided in this Article IX, Purchaser shall indemnify, defend and hold harmless the Other Sellers, Seller and their Affiliates and their respective officers, directors, employees, stockholders, assigns and successors (each, a “Seller Indemnified Party”) from and against, and shall compensate and reimburse each Seller Indemnified Party for, all Losses imposed upon or incurred by such Seller Indemnified Party (“Seller Losses”), with respect to (i) the failure of any representation or warranty of Purchaser set forth in this Agreement or in the certificate delivered pursuant to Section 7.3(a) to be true and correct, (ii) any breach of any covenant or agreement of Purchaser herein, or (iii) any of the Assumed Liabilities, it being understood that each Seller Loss shall be calculated net of any Tax Benefit realized by such Seller Indemnified Party, as set forth more fully in Section 9.3(c). The Other Sellers and Seller shall not be entitled to recover more than once for the same Seller Loss.

(c) For purposes of the foregoing Sections 9.1(a)(i) and 9.1(b)(i), in determining the amount of any Purchaser Losses or Seller Losses, as the case may be, no effect shall be given to any qualification in the relevant representations and warranties as to materiality or Seller Material Adverse Effect (other than for purposes of clause (b) of Section 4.7, Section 4.8(i), Section 4.16(b) and the last sentence of Section 4.18, none of which shall be subject to this Section 9.1(c)); provided that full effect shall be given to all such qualifications for purposes of determining the existence of a breach of any representation or warranty.

(d) Notwithstanding the foregoing, Purchaser Losses and Seller Losses shall not include, and in no event shall any Purchaser Loss or Seller Loss be recoverable under the terms of this Agreement to the extent it consists of, punitive, special or exemplary damages, except to the extent such punitive, special or exemplary damages are awarded against any Purchaser Indemnified Party or Seller Indemnified Party, as the case may be, in a third-party claim.

9.2 Certain Limitations.

(a) Notwithstanding anything contained herein to the contrary, Seller Parent, Seller and Other Sellers shall not be obligated to indemnify Purchaser Indemnified Parties for aggregate Purchaser Losses under this Agreement pursuant to Section 9.1(a)(i) in excess of \$24,000,000; provided, however, that such limitation shall not apply with respect to a breach of a representation or warranty made by Seller (its Subsidiaries or the Other Sellers) in Section 4.1, 4.2(a), 4.3, 4.5, 4.9 or 4.10. In addition, Seller Parent, Seller and the Other Sellers shall not be obligated to indemnify Purchaser Indemnified Parties for aggregate Purchaser Losses under this Agreement (including pursuant to Section 9.1(a)(ii), 9.1(a)(iii) or 6.13(e)) in excess of an amount equal to the Purchase Price.

(b) Notwithstanding anything contained herein to the contrary, Seller Parent, Seller and the Other Sellers shall not be obligated to indemnify Purchaser Indemnified Parties under this Agreement pursuant to Section 9.1(a)(i), (x) with respect to any individual Purchaser Loss

57

or series of related Purchaser Losses of less than fifty thousand dollars (\$50,000) (the “Minimum Amount”) and (y) unless and until the aggregate Purchaser Losses (excluding individual Purchaser Losses or related Purchaser Losses less than the Minimum Amount) subject to such indemnification collectively exceed one percent (1.0%) of the Purchase Price (the “Threshold”), whereupon such indemnification shall be made by Seller only with respect to the amount of such Purchaser Losses (excluding individual Purchaser Losses or related Purchaser Losses less than the Minimum Amount) in excess of the Threshold; provided, however, that the Threshold shall not apply to any breach of a representation or warranty made by Seller in Sections 4.1, 4.2(a), 4.3, 4.5, 4.9 or 4.10.

(c) The representations and warranties of the Seller Parties and Purchaser contained in Article IV and Article V, respectively, of this Agreement shall survive the Closing until September 15, 2007; provided that the representations and warranties set forth in Sections 4.1, 4.2(a), 4.3, 4.5, 4.9, 5.1, 5.2(a) and 5.5 shall survive indefinitely and the representations and warranties set forth in Section 4.10 shall survive until the expiration of the applicable statute of limitations. The covenants and agreements contained in this Agreement shall survive the Closing until the date or dates explicitly specified therein or, if not so specified, until the expiration of the applicable statute of limitations with respect to the matters contained therein.

(d) The obligations to indemnify and hold harmless a Party pursuant to Sections 6.14(e), 9.1(a)(i), 9.1(a)(ii), 9.1(b)(i) or 9.1(b)(ii) shall terminate when the applicable representation, warranty or covenant terminates pursuant to Section 9.2(c); provided, however, that such obligations to indemnify and hold harmless shall not terminate with respect to any item as to which the Seller Indemnified Party or Purchaser Indemnified Party, as the case may be, to be indemnified (each, an “Indemnified Party”) shall have, before the expiration of the applicable survival period, previously made a claim by delivering a written notice (stating in reasonable detail the basis of such claim) to the Indemnifying Party.

9.3 Procedures for Third-Party Claims and Excluded Liabilities.

(a) General Procedures. Promptly (but in no event later than ten (10) days) after the receipt by any Indemnified Party of a notice of any Proceeding by any third party that may be subject to indemnification under this Article IX, including any Proceeding relating to any Excluded Liability or Assumed Liability, such Indemnified Party shall give written notice of such Proceeding to the indemnifying Party hereunder (the “Indemnifying Party”), stating in reasonable detail the nature and basis of each claim made in the Proceeding and the amount thereof, to the extent known, along with copies of the relevant documents received by the Indemnified Party evidencing the Proceeding and the basis for indemnification sought. Failure of the Indemnified Party to

give such notice shall not relieve the Indemnifying Party from liability on account of this indemnification, except if and only to the extent that the Indemnifying Party is actually prejudiced thereby. Thereafter, the Indemnified Party shall deliver to the Indemnifying Party, promptly after the Indemnified Party's receipt thereof, copies of all notices and documents (including court papers) received by the Indemnified Party relating to the Proceeding. The Indemnifying Party shall have the right to assume the defense of the Indemnified Party against the third party claim upon written notice to the Indemnified Party delivered within thirty (30) days after receipt of the particular notice from the Indemnified Party; provided, however, that the Indemnifying Party shall not have the right to assume the defense of

the third party claim if it (x) seeks as a remedy the imposition of an equitable remedy that is binding upon Purchaser or the Business or (y) the amounts of Losses could be reasonably expected to exceed the amounts for which the Indemnifying Party is obligated to indemnify. So long as the Indemnifying Party has assumed the defense of the third party claim in accordance herewith and notified the Indemnified Party in writing thereof, (i) the Indemnified Party may retain separate co-counsel at its sole cost and expense and participate in the defense of the third party claim, it being understood that the Indemnifying Party shall pay all reasonable costs and expenses of counsel for the Indemnified Party after such time as the Indemnified Party has notified the Indemnifying Party of such third party claim and prior to such time as the Indemnifying Party has notified the Indemnified Party that it has assumed the defense of such third party claim, (ii) the Indemnified Party shall not file any papers or consent to the entry of any judgment or enter into any settlement with respect to the third party claim without the prior written consent of the Indemnifying Party (not to be unreasonably withheld, conditioned or delayed) and (iii) the Indemnifying Party will not consent to the entry of any judgment or enter into any settlement with respect to the third party claim (other than a judgment or settlement that is solely for money damages in an amount less than the remaining balance of the limitations on indemnity set forth in Section 9.2 and is accompanied by a release of all indemnifiable claims against the Indemnified Party) without the prior written consent of the Indemnified Party (not to be unreasonably withheld, conditioned or delayed). Whether or not the Indemnifying Party shall have assumed the defense, such Indemnifying Party shall not be obligated to indemnify and hold harmless the Indemnified Party hereunder for any settlement entered into without the Indemnifying Party's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, the provisions of this Section 9.3(a) shall not apply to any claim with respect to Taxes, which shall be governed solely by Section 6.14.

(b) Equitable Remedies. In the case of any third party claims where the Indemnifying Party reasonably believes that it would be appropriate to settle such claim using equitable remedies (i.e., remedies involving the future activity and conduct of the Business), the Indemnifying Party and the Indemnified Party shall work together in good faith to agree to a settlement; provided, however, that no Party shall be under any obligation to agree to any such settlement.

(c) Treatment of Indemnification Payments; Insurance Recoveries. Any payment made pursuant to the indemnification obligations arising under this Agreement shall be treated as an adjustment to the Purchase Price. Any indemnity payment under this Agreement shall be decreased by any amounts actually recovered by the Indemnified Party under third party insurance policies with respect to such Loss (net of any premiums paid by such Indemnified Party under the relevant insurance policy), each Party agreeing (i) to use all reasonable efforts to recover all available insurance proceeds and (ii) to the extent that any indemnity payment under this Agreement has been paid by the Indemnifying Party to the Indemnified Party prior to the recovery by the Indemnified Party of such insurance proceeds, such amounts actually recovered by the Indemnified Party shall be promptly paid to the Indemnifying Party. If the amount of any Loss for which indemnification is provided under this Agreement (an "Indemnity Claim") gives rise to a current deduction to the Indemnified Party making the claim, the indemnity payment shall be reduced by the amount of the Tax Benefit of such current deduction available to the Indemnified Party making the claim. "Tax Benefit" means, with respect to any indemnity

payment, the excess, if any, of (i) the Indemnified Party's pro forma tax Liability for the taxable year in which it accrues the indemnity payment, calculated on the basis of the facts and circumstances actually pertaining to the Indemnified Party, but assuming for purposes of this calculation that the Indemnified Party had not suffered the loss giving rise to the Indemnification Claim or accrued the indemnity payment, over (ii) the Indemnified Party's Adjusted Actual Tax Liability for such taxable year in each case as calculated in good faith by the Indemnified Party. The "Adjusted Actual Tax Liability" is the actual Tax Liability of the Indemnified Party, taking into account the items excluded from the calculation in clause (i).

9.4 Certain Procedures.

(a) The Indemnified Party shall notify the Indemnifying Party promptly of its discovery of any matter that may give rise to a claim for indemnification pursuant hereto. The Indemnified Party shall cooperate and assist the Indemnifying Party in determining the validity of any claim for indemnity by the Indemnified Party and in otherwise resolving such matters. Subject to the provisions of Section 9.3, in connection with any actual or threatened claims by, or actual or threatened litigation or other disputes with, third parties relating to Assumed Liabilities or Excluded Liabilities, any such claims, litigation and disputes being referred to as "claims" for purposes of this Section 9.4, the Indemnified Party shall cooperate in the defense by the Indemnifying Party of such claim (and the Indemnified Party and the Indemnifying Party agree with respect to all such claims that a common interest privilege agreement exists between them), including, (i) permitting the Indemnifying Party to discuss the claim with such officers, employees, consultants and representatives of the Indemnified Party as the Indemnifying Party reasonably requests, (ii) permitting the Indemnifying Party to have reasonable access to the properties, books, records, papers, documents, plans, drawings, electronic mail, databases and computers of the Indemnified Party at reasonable hours to review information and documentation relative to the properties, books, records, papers, documents, plans, drawings, electronic mail, databases and computers, contracts, commitments and other records of the Indemnified Party, (iii) providing to the Indemnifying Party copies of documents and samples of Printer Products as the Indemnifying Party reasonably requests in connection with defending such claim, (iv) permitting the Indemnifying Party to conduct privileged interviews and witness preparation of officers, employees and representatives of the Indemnified Party as the Indemnifying Party reasonably requests, (v) preserving all properties, books, records, papers, documents, plans, drawings, electronic mail and databases of the Business relating to matters relating to Excluded Liabilities (in the case of the Purchaser) and Assumed Liabilities (in the case of the Other Sellers) in accordance with such Party's corporate documents retention policies, or longer to the extent reasonably requested by the other Party in connection with any actual or threatened action that would reasonably be expected to result in a claim for indemnification hereunder, (vi) promptly collecting documents and extracting information from documents for the Indemnifying Party's review and use, as the Indemnifying Party reasonably requests, or allowing the Indemnifying Party's representatives to do the same, (vii) notifying the Indemnifying Party promptly of receipt by the Indemnified Party of any subpoena or other third party request for documents or interviews and testimony, (viii) providing to the Indemnifying Party copies of any documents produced by the Indemnified Party in response to or compliance with any subpoena or other third party request for documents, and (ix) permitting the Indemnifying Party to conduct such other reasonable investigations and studies, and take such other actions, as are reasonably necessary in connection with the Indemnifying Party's defense or

investigation of such claim. In connection with any claims, except to the extent inconsistent with the Indemnified Party's obligations under applicable Law and except to the extent that to do so would subject the Indemnified Party or its employees, agents or representatives to criminal or civil sanctions, (1) unless ordered by a court to do otherwise, the Indemnified Party shall not produce documents to a third party until the Indemnifying Party has been provided a reasonable opportunity to review, copy and assert privileges covering such documents, (2) the transfer to the Indemnified Party by the Indemnifying Party of documents covered by the Indemnifying Party's attorney/client or work product privileges shall not constitute a waiver of such privileges, (3) unless otherwise ordered by a court, the Indemnified Party shall withhold from production to any third party any documents as to which the Indemnifying Party asserts a privilege, (4) the Indemnified Party shall defend in court any such privilege asserted by the Indemnifying Party and (5) the Indemnified Party shall permit the Indemnifying Party to prepare any employees of the Indemnified Party required or requested to testify or otherwise be deposed or interviewed in connection with any claim and to be present during any such testimony or interviews.

(b) Notwithstanding anything in this Agreement or in any Local Asset Transfer Agreement to the contrary, Purchaser shall not make any claim for indemnification or otherwise in any circumstances whatsoever against any Other Seller other than by means of a claim against Seller as agent for such Subsidiary or Other Seller pursuant to the terms of this Agreement unless Seller fails to satisfy its obligations under this Article IX, and Purchaser shall indemnify Seller on its own behalf and as agent for the Other Sellers against any claim for indemnification made against the Other Seller contrary to this Section 9.4(b).

9.5 Remedies Exclusive.

Following the Closing, with the exception of remedies based on fraud or Section 6.14(e), the remedies set forth in this Article IX shall constitute the sole and exclusive remedy for money damages and shall be in lieu of any other remedies for money damages that may be available to the Indemnified Parties under any other agreement or pursuant to any statutory or common law (including Environmental Law) with respect to any Losses of any kind or nature incurred directly or indirectly resulting from or arising out of any of this Agreement, the Business, the Purchased Assets, the Assumed Liabilities or the Excluded Liabilities (it being understood that nothing in this Section 9.5 or elsewhere in this Agreement shall affect the Parties' rights to specific performance or other similar non-monetary equitable remedies with respect to the covenants referred to in this Agreement to be performed after the Closing). The Other Sellers, Seller Parent, Seller and Purchaser each hereby waive any provision of any applicable Law to the extent that it would limit or restrict the agreement contained in this Section 9.5.

ARTICLE X

TERMINATION

10.1 Termination Events.

Without prejudice to other remedies which may be available to the Parties by Law or this Agreement, this Agreement may be terminated and the transactions contemplated herein may be abandoned:

61

(a) by mutual consent of the Parties;

(b) after April 18, 2006 (the "Outer Date"), by any Party by notice to the other Party if the Closing shall not have been consummated on or prior to the Outer Date; provided, however, that the right to terminate this Agreement under this Section 10.1(b) shall not be available to any Party whose failure or whose Affiliate's failure to perform in all material respects any of its obligations under this Agreement has been the cause of, or resulted in, the failure of the Closing to occur on or before such date;

(c) by any Party by notice to the other Party, if (i) a final, non-appealable order, decree or ruling enjoining or otherwise prohibiting consummation of the transactions contemplated by this Agreement to occur on the Closing Date has been issued by any federal or state court in the United States having jurisdiction (unless such order, decree or ruling has been withdrawn, reversed or otherwise made inapplicable) or any U.S. federal or state Law has been enacted that would make the consummation of the transactions contemplated by this Agreement to occur on the Closing Date illegal.

10.2 Effect of Termination.

In the event of any termination of this Agreement as provided in Section 10.1, this Agreement shall forthwith become wholly void and of no further force and effect, all further obligations of the parties under this Agreement shall terminate and there shall be no liability on the part of any Party (or any stockholder, director, officer, employee, agent, consultant or representative of such Party) to any other Party (or such other persons or entities), except that the provisions of Sections 6.2(b), 6.4 and Article XI of this Agreement shall remain in full force and effect and the Parties shall remain bound by and continue to be subject to the provisions thereof. Notwithstanding the foregoing, the provisions of this Section 10.2 shall not relieve either party of any liability for willful breach of this Agreement.

ARTICLE XI

MISCELLANEOUS AGREEMENTS OF THE PARTIES

11.1 Dispute Resolution.

Except as otherwise set forth herein, resolution of any and all disputes arising from or in connection with this Agreement, whether based on contract, tort, or otherwise (collectively, "Disputes"), shall be exclusively governed by and settled in accordance with the provisions of this Section 11.1.

(a) Negotiation. The Parties shall make a good faith attempt to resolve any Dispute arising out of or relating to this Agreement through negotiation. Within 30 days after notice of a Dispute is given by either Party to the other Party, each Party shall select a first tier negotiating team comprised of director or general manager level employees of such Party and shall meet and make a good faith attempt to resolve such Dispute and shall continue to negotiate in good faith in an effort to resolve the Dispute or renegotiate the applicable Section or provision without the necessity of any formal proceedings. If the first tier negotiating teams are unable to agree within

62

30 days of their first meeting, then each Party shall select a second tier negotiating team comprised of vice president level employees of such Party and shall meet within 30 days after the end of the first 30 day negotiating period to attempt to resolve the matter. During the course of negotiations under this Section 11.1, all reasonable requests made by one Party to the other for information, including requests for copies of relevant documents, will be honored. The specific format for such negotiations will be left to the discretion of the designated negotiating teams but may include the preparation of agreed upon statements of fact or written statements of position furnished to the other Party. All negotiations between the Parties pursuant to this Section 11.1(a) shall be treated as compromise and settlement negotiations. Nothing said or disclosed, nor any document produced, in the course of such negotiations that is not otherwise independently discoverable shall be offered or received as evidence or used for impeachment or for any other purpose in any current or future litigation.

(b) Failure to Resolve Disputes. In the event that any Dispute arising out of or related to this Agreement is not settled by the Parties within 15 days after the first meeting of the second tier negotiating teams under Section 11.1(a), the Parties may seek any remedies to which they may be entitled in accordance with the terms of this Agreement.

(c) Proceedings. Nothing herein, however, shall prohibit either Party from initiating litigation or other judicial or administrative proceedings if such Party would be substantially harmed by a failure to act during the time that such good faith efforts are being made to resolve the Dispute through negotiation. In the event that litigation is commenced under this Section 11.1(c), the Parties agree to continue to attempt to resolve any Dispute according to the terms of Section 11.1(a) during the course of such litigation proceedings under this Section 11.1(c).

(d) Pay and Dispute. Except as provided herein, in the event of any dispute regarding payment of a third-party invoice (subject to standard verification of receipt of products or services), the Party named in a third party's invoice must make timely payment to such third party, even if the Party named in the invoice desires to pursue the dispute resolution procedures outlined in this Section 11.1. If the Party that paid the invoice is found pursuant to this Section 11.1 to not be responsible for such payment, such paying Party shall be entitled to reimbursement, with interest accrued at an annual rate of the Prime Rate, from the Party found responsible for such payment.

11.2 Notices

All communications provided for hereunder shall be in writing and shall be deemed to be given when delivered in person, upon receipt by the sender of answer-back confirmation when telefaxed, or on the next Business Day when sent by overnight courier, and

63

If to Purchaser:

Marvell International Technology Ltd.
c/o Marvell Semiconductor, Inc.
5488 Marvell Lane, MS- 5.2.589
Santa Clara, CA 95054
Attention: Vice President and General Counsel
Fax: (408) 222-9177

with a copy to:

Pillsbury Winthrop Shaw Pittman LLP
50 Fremont Street
San Francisco, CA 94105
Attention: Nathaniel M. Cartmell III, Esq.
Stanton D. Wong, Esq.
Fax: (415) 983-1200

If to Seller Parent or the Other Sellers:

Avago Technologies Limited
c/o Avago Technologies US Inc.
350 West Trimble Road
Building 90
San Jose, CA 95131
Attention: Rex S. Jackson, Esq.
Fax: (408) 435-6050

with a copy to:

Latham & Watkins LLP
135 Commonwealth Drive
Menlo Park, CA 94025
Attention: Peter F. Kerman, Esq.
Christopher Kaufman, Esq.
Fax: (650) 463-2600

or to such other address as any such Party shall designate by written notice to the other Party.

11.3 Bulk Transfers.

Purchaser waives compliance with the provisions of all applicable Laws relating to bulk transfers in connection with the transfer of the Purchased Assets.

11.4 Severability.

If any provision of this Agreement shall be declared by any court of competent jurisdiction to be illegal, void or unenforceable, all other provisions of this Agreement and the application of such provision to other persons or circumstances other than those which it is determined to be illegal, void or unenforceable, shall not be impaired or otherwise affected and

shall remain in full force and effect to the fullest extent permitted by applicable Law, and the Other Sellers, Seller and Purchaser shall negotiate in good faith to replace such illegal, void or unenforceable provision with a provision that corresponds as closely as possible to the intentions of the Parties as expressed by such illegal, void or unenforceable provision.

11.5 Purchaser Parent Guarantee.

Purchaser Parent does hereby irrevocably and unconditionally guarantee the performance by Purchaser of each and every obligation of Purchaser under this Agreement, including the obligation to make all payments which become due from Purchaser hereunder. In addition, Purchaser Parent shall be responsible for the accuracy of each and every representation and warranty made by Purchaser under this Agreement. The guaranty set forth in this Section 11.5 shall in all respects be a continuing, absolute and unconditional guaranty, and shall remain in full force until all guaranteed obligations are performed in full. Notwithstanding the foregoing, Purchaser Parent shall be entitled to assert any defenses to payment or performance that would be available to Purchaser in any action commenced by any Seller Party to enforce the foregoing guaranty

11.6 Further Assurances; Further Cooperation.

Subject to the terms and conditions hereof (including Section 6.3), each of the Parties agrees to use commercially reasonable efforts to execute and deliver, or cause to be executed and delivered, all documents and to take, or cause to be taken, all actions that may be reasonably necessary or appropriate, in the reasonable opinion of counsel for Seller and Purchaser, to effectuate the provisions of this Agreement, provided that all such actions are in accordance with applicable Law. From time to time, whether at or after the Closing, the Seller Parties (as appropriate) will execute and deliver such further instruments of conveyance, transfer and assignment and take such other action, at Purchaser's sole expense, as Purchaser may reasonably require to more effectively convey and transfer to Purchaser any of the Purchased Assets, the Transferred Business Intellectual Property, the Transferred Business Intellectual Property Rights or the Purchased Seller Subsidiaries, including documentation necessary to permit Purchaser to record the transfer of the Transferred Business Intellectual Property with the United States Patent and Trademark Office, and Purchaser will execute and deliver such further instruments and take such other action, at the Seller Parties' sole expense, as the Seller Parties may reasonably require to more effectively assume the Assumed Liabilities.

11.7 Counterparts.

This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. Copies of executed counterparts transmitted by telecopy, telefax or other electronic transmission service shall be considered original executed counterparts for purposes of this Section 11.7.

11.8 Expenses.

Except as otherwise expressly provided herein, whether or not the Closing occurs, the Parties shall each pay their respective expenses (such as legal, investment banker and accounting

fees) incurred in connection with the negotiation and execution of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby.

11.9 Assignment.

This Agreement shall not be assigned by either Party without the prior written consent of the other Party, and any attempted assignment, without such consent, shall be null and void; provided, however, Purchaser may assign any or all of its rights and obligations under this Agreement to any wholly-owned (other than director qualifying shares) direct or indirect Subsidiary of Purchaser (provided that no such assignment shall release Purchaser from any obligation under this Agreement) or to a lender of Purchaser as collateral for bona fide indebtedness for money borrowed or in connection with a merger, consolidation, conversion or sale of assets of Purchaser. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by the Parties and their respective successors and permitted assigns.

11.10 Amendment; Waiver.

This Agreement may be amended, supplemented or otherwise modified only by a written instrument executed by both Parties. No waiver by either Party of any of the provisions hereof shall be effective unless explicitly set forth in writing and executed by the Party so waiving. Except as provided in the preceding sentence, no action taken pursuant to this Agreement, including any investigation by or on behalf of any Party, or a failure or delay by any Party in exercising any power, right or privilege under this Agreement shall be deemed to constitute a waiver by the Party taking such action of compliance with any representations, warranties, covenants, or agreements contained herein, and in any documents delivered or to be delivered pursuant to this Agreement and in

connection with the Closing hereunder. The waiver by any Party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

11.11 Specific Performance.

The Parties agree that irreparable damage would occur if any provision of this Agreement was not performed in accordance with the terms hereof and thereof and that the Parties shall be entitled (without the requirement to post a bond or other security) to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in addition to any other remedy to which they are entitled at law or in equity. The rights and remedies of the Parties shall be cumulative (and not alternative).

11.12 Third Parties.

This Agreement does not create any rights, claims or benefits inuring to any Person that is not a Party nor create or establish any third party beneficiary hereto (including with respect to any Business Employee) other than the provisions of Article IX hereof with respect to indemnification.

66

11.13 Governing Law.

This Agreement and all claims arising out of this Agreement shall be governed by, and construed in accordance with, the Laws of the State of California, without regard to any conflicts of law principles that would result in the application of any law other than the law of the State of California.

11.14 Consent to Jurisdiction; Waiver of Jury Trial.

Each Party irrevocably submits to the exclusive jurisdiction of the United States District Court located in Santa Clara County, California, or if such court does not have jurisdiction, the superior courts of the State of California located in Santa Clara County, for the purposes of any suit, action or other proceeding arising out of this Agreement or any transaction contemplated hereby. Each of the Parties, further agrees that service of any process, summons, notice or document by U.S. registered mail to such Party's respective address set forth in Section 11.2 shall be effective service of process for any action, suit or proceeding in California with respect to any matters to which it has submitted to jurisdiction as set forth above in the immediately preceding sentence. Each of the Parties, irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding set forth above arising out of this Agreement or the transactions contemplated hereby, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum. The Parties hereby irrevocably and unconditionally waive trial by jury in any legal action or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby and for any counterclaim with respect thereto.

11.15 Disclosure Letter.

Disclosures included in the Disclosure Letter shall be considered to be made for purposes of all other sections to the Disclosure Letter to the extent that the relevance of any disclosure to any such other section of the Disclosure Letter is reasonably apparent. Inclusion of any matter or item in the Disclosure Letter does not imply that such matter or item would, under the provisions of this Agreement, have to be included in the Disclosure Letter or that such matter or item is otherwise material.

11.16 Entire Agreement.

The Confidentiality Agreement, the Transaction Documents, Annex A, the Disclosure Letter and the Exhibits hereto and any other agreements between Purchaser and the Seller Parties entered into on the date hereof set forth the entire understanding of the Parties with respect to the subject matter hereof and there are no agreements, understandings, representations or warranties between the Parties or their respective Subsidiaries other than those set forth or referred to herein or therein. In the event of any inconsistency between the provisions of this Agreement and any other Transaction Document, the provisions of this Agreement shall prevail.

11.17 Time is of the Essence.

Time is of the essence with respect to the performance of this Agreement.

67

11.18 Section Headings; Table of Contents.

The section headings contained in this Agreement and the Table of Contents to this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

[SIGNATURE PAGES FOLLOW]

68

IN WITNESS WHEREOF, the Parties have caused this Purchase and Sale Agreement to be duly executed as of the date first above written.

AVAGO TECHNOLOGIES LIMITED

By: /s/ Kenneth Y. Hao
Name: Kenneth Y. Hao
Title: Director

AVAGO TECHNOLOGIES IMAGING
HOLDING (LABUAN) CORPORATION

By: /s/ Kenneth Y. Hao
Name: Kenneth Y. Hao
Title: Director

[SIGNATURE PAGE OF SELLER PARENT AND SELLER TO THE PURCHASE AND SALE AGREEMENT – PURCHASER’S SIGNATURE PAGE
FOLLOWS]

69

MARVELL TECHNOLOGY GROUP LTD.

By: /s/ George Hervey
Name: George Hervey
Title: VP & CFO

MARVELL INTERNATIONAL
TECHNOLOGY LTD.

By: /s/ Carol Feathers
Name: Carol Feathers
Title:

[SIGNATURE PAGE OF PURCHASER PARENT AND PURCHASER TO
PURCHASE AND SALE AGREEMENT]

70

ANNEX A

“Adjusted Actual Tax Liability” shall have the meaning set forth in Section 9.3(c).

“Affiliate” of a Person means a Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the first mentioned Person. For purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through ownership of voting securities or by contract or otherwise, and the terms “controlling” and “controlled by” have meanings correlative to the foregoing.

“Angel” shall mean Agilent Technologies, Inc., a Delaware corporation.

“Angel Plans” shall mean each employee benefit plan in which the Business Employees participated, as an employee of Angel or its Subsidiaries, immediately prior to the close of the Semiconductor Business Purchase Agreement.

“Agreement” shall have the meaning set forth in the Recitals to the Agreement.

“Allocation Schedule” shall have the meaning set forth in Section 3.3.

“Ancillary Agreements” shall have the meaning as set forth in Section 2.3.

“Antitrust Regulations” shall have the meaning set forth in Section 4.2(b).

“Applicable Revenues” shall have the meaning set forth in Section 3.3(a)(i).

“Applicable Revenues Statement” shall have the meaning set forth in Section 3.3(d)(i).

“Assigned Leases” shall have the meaning set forth in Section 4.5(b).

“Assigned Real Property” shall have the meaning set forth in Section 4.5(b).

“Assignment and Assumption Agreement” shall have the meaning set forth in Section 2.3(a).

“Assignment Consent” shall have the meaning set forth in Section 6.3(a).

“Assumed Liabilities” shall have the meaning set forth in Section 2.2(a).

“Audited Semiconductor Business Financial Statements” shall mean the audited combined balance sheets of the Semiconductor Products Business of Angel for the fiscal years ended October 31, 2005 and October 31, 2004 and the related audited combined statements of operations, of invested equity and of cash flows for each of the three years in the period ended October 31, 2005.

“Automatic Transferred Employees” shall mean those Business Employees where local employment Laws, including but not limited to the Transfer Regulations, provide for an

automatic transfer of employees upon the transfer of a business as a going concern and such transfer occurs by operation of Law.

“Base Inventory” shall mean Thirteen Million Seven Hundred Thousand U.S. Dollars (\$13,700,000).

“Bill of Sale” shall have the meaning set forth in Section 2.3(a).

“Boise Lease” shall have the meaning set forth in Section 4.5(c).

“Books and Records” shall have the meaning set forth in Section 6.5(d).

“Business” means the business of the design, development, research, manufacture, supply, distribution, sale, support and maintenance of Printer Products.

“Business Competitor” shall have the meaning set forth in Section 6.9.

“Business Day” means any day other than a Saturday, a Sunday or a day on which banks in New York City are permitted or required by Law to close.

“Business Employee” shall mean (i) the employees of Seller Parent, the Other Sellers, Seller, Angel and their Subsidiaries set forth in Section A of the Disclosure Letter, including (A) any such employees on temporary leave for purposes of jury or annual two-week national service/military duty, employees on vacation and employees on a regularly scheduled day off from work and (B) any such employees who on the Closing Date are on maternity or paternity leave, education leave, military leave with veteran’s re-employment rights under federal Law, leave under the Family Medical Leave Act of 1993 or equivalent provisions in other jurisdictions, approved personal leave, short-term disability leave or medical leave but, unless otherwise required under local employment Laws, excluding any such employees on long-term disability or whose employment with Seller Parent and its Subsidiaries has terminated prior to the Closing, (ii) each additional employee of the Other Sellers, Seller, Seller Parent and their Subsidiaries hired by the Business between the date hereof and the Closing Date in the ordinary course of business or hired by the Other Sellers, Seller, Seller Parent, Angel and their Subsidiaries in the ordinary course of business to replace employees identified in Section A of the Disclosure Letter who have terminated employment or taken leave between the date hereof and the Closing Date and (iii) each other employee of the Other Sellers, Seller, Seller Parent and their Subsidiaries that Seller and Purchaser have mutually agreed to prior to the Closing Date or whose transfer to Purchaser and its Subsidiaries is required under local Law.

“Business Environmental Liabilities” means any liability, obligation, judgment, penalty, fine, cost or expense, of any kind or nature, or the duty to indemnify, defend or reimburse any Person with respect to: (i) the presence at any time of any Hazardous Materials as of, prior to or following the Closing Date in the soil, groundwater, surface water, air or building materials of the Assigned Real Property (“Business Contamination”); (ii) the migration at any time as of, prior to or after the Closing Date of Business Contamination to any other real property, or the soil, groundwater, surface water, air or building materials thereof; (iii) any Hazardous Materials Activity conducted on the Assigned Real Property at any time as of, prior to or following the Closing Date (“Business Hazardous Materials Activities”); (iv) the exposure of any person to

Hazardous Materials in the course of or as a consequence of any Business Hazardous Materials Activities or to Business Contamination, without regard to whether any health effect of the exposure has been manifested as of the Closing Date; (v) the violation of any Environmental Laws to the extent (but only to the extent) arising out of or relating to the Business or the Purchased Assets or in connection with any Business Hazardous Materials Activities; and (vi) any actions or proceedings brought or threatened by any third party with respect to any of the foregoing.

“Business Financial Statements” shall have the meaning set forth in Section 4.16(a).

“Business Intellectual Property Licenses” shall mean any agreement under which (i) a third party has licensed any Business Intellectual Property Rights to a Seller Party or General IP that is used exclusively in the Business, or (ii) a Seller Party or General IP has licensed any Business Intellectual Property Rights to any third party, other than Customer Contracts and Supplier Contracts.

“Business Intellectual Property Rights” means Intellectual Property Rights in and to Business Technology and Intellectual Property Rights owned or used in the Business.

“Business Technology” means any Technology that is used in the conduct of the Business as of the Closing.

“CAD Licenses” shall have the meaning set forth in Section 2.3(a).

“CAD Licensor” shall have the meaning set forth in Section 6.18(a).

“China Lease” shall have the meaning set forth in Section 4.5(b).

“Closing” shall have the meaning set forth in Section 8.1.

“Closing Date” shall have the meaning set forth in Section 8.1.

“COBRA” means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Competing Business” shall have the meaning set forth in Section 6.9.

“Confidential Information” shall have the meaning set forth in Section 6.2(b).

“Confidentiality Agreement” shall mean that certain letter agreement dated January 30, 2006 by and between Seller Parent and Purchaser Parent.

“Contract” means any written or oral commitment, contract, subcontract, license, sublicense, lease, understanding, instrument, indenture, note or legally binding commitment or undertaking of any nature.

“Corvallis Lease” shall have the meaning set forth in Section 4.5(b).

73

“Current Employment Terms” shall have the meaning set forth in Section 6.6(a)(ii).

“Customer Contract” means any Contract between any of the Seller Parties or any of their Subsidiaries on the one hand and a customer, distributor or dealer of Seller or any of its Subsidiaries on the other hand for the purchase, sale, distribution, marketing, servicing, support or manufacturing (or similar matters) of Printer Products.

“Designated Employees” shall have the meaning set forth in Section 6.6(k).

“Disclosure Letter” shall have the meaning set forth in the first sentence of Article IV.

“Disputes” shall have the meaning set forth in Section 11.1.

“DOJ” shall have the meaning set forth in Section 6.3(c).

“Dollars” or “\$”, when used in this Agreement or any other Transaction Document, shall mean United States dollars unless otherwise stated.

“Earnout Arbitrator” shall have the meaning set forth in Section 3.3(d)(iv).

“Earnout Discussion Period” shall have the meaning set forth in Section 3.3(d)(iv).

“Earnout Proposed Adjustment Notice” shall have the meaning set forth in Section 3.3(d)(iii).

“Earnout Review Period” shall have the meaning set forth in Section 3.3(d)(ii).

“Effective Time” shall have the meaning set forth in Section 8.1.

“Environmental Claim” shall mean any written claim, proceeding, suit, complaint, or notice of violation alleging violation of, or liability under, any Environmental Laws.

“Environmental Laws” shall mean any applicable foreign, federal, state or local Laws, statutes, regulations, codes, ordinances, permits, decrees, orders or common law relating to, or imposing standards regarding the protection or clean-up of the environment, any Hazardous Material Activity, the preservation or protection of waterways, groundwater, drinking water, air, wildlife, plants or other natural resources, or the exposure of any individual to Hazardous Materials, including without limitation protection of health and safety of employees. Environmental Laws shall include, without limitation, the Federal Insecticide, Fungicide Rodenticide Act, Resource Conservation & Recovery Act, Clean Water Act, Safe Drinking Water Act, Atomic Energy Act, Occupational Safety and Health Act, Toxic Substance Control Act, Clean Air Act, Comprehensive Environmental Response, Compensation and Liability Act, Emergency Planning and Community Right-to-Know Act, Hazardous Materials Transportation Act and all analogous or related foreign, federal state or local law, each as amended.

“ERISA Affiliate” shall have the meaning set forth in Section 4.11(f).

“Estimated Inventory” shall have the meaning set forth in Section 3.2(b).

74

“Excluded Assets” shall mean the assets of Seller and its Subsidiaries other than the Purchased Assets and the Purchased Seller Subsidiaries, including those assets identified on Exhibit F.

“Excluded Liabilities” shall have the meaning set forth in Section 2.2(b).

“Filing Party” shall have the meaning set forth in Section 6.14(a)(ii).

“Final Closing Statement of Inventory” shall have the meaning set forth in Section 3.2(d).

“Final Inventory” shall have the meaning set forth in Section 3.2(c).

“ETC” shall have the meaning set forth in Section 6.3(c).

“FY2006” shall have the meaning set forth in Section 3.3(a)(ii).

“FY2007” shall have the meaning set forth in Section 3.3(a)(ii).

“GAAP” means United States generally accepted accounting principles as in effect from time to time applied consistently with the principles used in preparing the Audited Semiconductor Business Financial Statements.

“Governmental Authority” shall have the meaning set forth in Section 4.4.

“Hazardous Materials” shall mean any infectious, carcinogenic, radioactive, toxic or hazardous chemical or chemical compound, or any pollutant, contaminant or hazardous substance, material or waste, in each case, whether solid, liquid or gas, including, without limitation, petroleum, petroleum products, by-products or derivatives and asbestos and any other substance, material or waste that is subject to regulation, control or remediation under any Environmental Law.

“Hazardous Materials Activity” means the transportation, transfer, recycling, storage, use, disposal, arranging for disposal, treatment, manufacture, removal, remediation, release, exposure of others to, sale, or distribution of any Hazardous Material or any product or waste containing a Hazardous Material, or product manufactured with Ozone depleting substances, including, without limitation, any required labeling, payment of waste fees or charges (including so-called e-waste fees) and compliance with any product take-back or product content requirements.

“HSR Act” shall have the meaning set forth in Section 6.3(b).

“Indebtedness” means (i) all outstanding obligations for senior debt and subordinated debt and any other outstanding obligation for borrowed money, including that evidenced by notes, bonds, debentures or other instruments (and including all outstanding principal, prepayment premiums, if any, and accrued interest, fees and expenses related thereto), (ii) any outstanding obligations under capital leases and purchase money obligations (other than as included in Accounts Payable), (iii) any amounts owed with respect to drawn letters of credit and

(iv) any outstanding guarantees of obligations of the type described in clauses (i) through (iii) above.

“Indemnified Party” shall mean a Purchaser Indemnified Party or a Seller Indemnified Party, as the case may be.

“Indemnifying Party” shall have the meaning set forth in Section 9.3(a).

“Indemnity Claim” shall have the meaning set forth in Section 9.3(c).

“India Lease” shall have the meaning set forth in Section 4.5(b).

“Industry-Wide Plan” means any scheme, plan, fund or arrangement, which provides Retirement Benefits to or in respect of Automatic Transfer Employees in which employers may participate even if they are not within the same corporate group as the other participating employers.

“Intellectual Property License Agreement” shall have the meaning set forth in Section 6.11.

“Intellectual Property Rights” means the rights associated with the following: (a) United States and foreign patents and applications therefor (including any continuations, continuations in part, divisionals, reissues, renewals, extensions or modifications for any of the foregoing) (“Patents”); (b) trade secret rights and all other rights in or to confidential business or technical information (“Trade Secrets”); (c) copyrights, copyright registrations and applications therefor and all other rights corresponding thereto (“Copyrights”); (d) trademarks, trade names, service marks, service names, trade dress rights and similar designation of origin and rights therein, and all goodwill symbolized thereby and associated therewith (“Trademarks”); (e) Uniform Resource Locators, Web site addresses and domain names (“Internet Properties”); (f) industrial design rights and any registrations and applications therefore (“Industrial Designs”); (g) rights in databases and data collections (including knowledge databases, customer lists and customer databases) under the laws of the United States or any other jurisdiction, whether registered or unregistered, and any applications for registration thereof (“Database Rights”); (h) mask works, and mask work registrations and applications therefor (“Mask Works”); and (i) any similar, corresponding or equivalent rights to any of the foregoing any where in the world. Intellectual Property Rights specifically excludes contractual rights (including license grants) and also excludes the tangible embodiment of any of the foregoing.

“Inventory” shall have the meaning set forth in Section 3.2(c).

“Inventory Arbitrator” shall have the meaning set forth in Section 3.2(g).

“Inventory Deficiency Amount” shall have the meaning set forth in Section 3.2(c).

“Inventory Discussion Period” shall have the meaning set forth in Section 3.2(g).

“Inventory Excess Amount” shall have the meaning set forth in Section 3.2(c).

“Inventory Proposed Adjustment Notice” shall have the meaning set forth in Section 3.2(f).

“Inventory Review Period” shall have the meaning set forth in Section 3.2(e).

“IPC” shall have the meaning set forth in the Recitals to the Agreement.

“IPC Capital Stock” shall have the meaning set forth in the Recitals to the Agreement.

“IRS” shall mean the United States Internal Revenue Service.

“IT Infrastructure” means all IT systems; network or telecommunications equipment and software; desktop computer software; accounting, finance and database software; general software development and control systems; and tools, environments and other general IT functionality used in the operation of both the Retained Business and the Business but excluding Transferred IT Infrastructure. For the avoidance of doubt, “IT Infrastructure” does not include any data or other information with respect to the Business contained in such software, systems, tools, or environments.

“Joinder” shall mean a joinder agreement substantially in form of Exhibit I.

To “the knowledge of” a Party shall mean, with respect to Seller, actual knowledge of Richard Chang, Adam Clammer, Ken Hao, Tony Ling, James Stewart, Kathy Breidenbach, Floyd Anderson and Rex Jackson, and with respect to Purchaser, the actual knowledge of George Hervey and Matthew Gloss.

“Landlord” shall mean a landlord, sublandlord, licensor or other party granting the right to use or occupy real property.

“Landlord Consent” shall have the meaning set forth in Section 2.6(a).

“Law” means any law, treaty, statute, ordinance, rule, principle of common law or equity, code or regulation of a Governmental Authority or judgment, decree, order, writ, award, injunction or determination of an arbitrator or court or other Governmental Authority.

“Lease” shall mean a lease, sublease, license or other agreement permitting the use or occupancy of real property, including any amendments, modifications, supplements, renewals, extensions and guaranties related thereto.

“Liabilities” shall have the meaning set forth in Section 2.2(a).

“Licensed Business Intellectual Property Rights” means Business Intellectual Property Rights which as of the Closing Date are owned by Seller or any Subsidiary, or to which Seller or any Subsidiary has the right to grant licenses to Purchaser of the scope granted in the Intellectual Property License Agreement without the payment of royalties or other consideration to third parties, in each case other than Transferred Business Intellectual Property Rights.

“Licensed Business Technology” means Business Technology that as of the Closing Date is owned by Seller or any Affiliate, or to which Seller or any Affiliate has the right to grant licenses to Purchaser of the scope granted in the Intellectual Property License Agreement without the payment of royalties or other consideration to third parties, in each case other than Transferred Business Technology.

“Liens” shall mean any mortgage, easement, lease, sublease, right of way, trust or title retention agreement, pledge, lien (including any lien for unpaid Taxes), charge, security interest, option or any restriction or other encumbrance of any kind.

“Local Asset Transfer Agreement” shall have the meaning set forth in Section 2.3.

“Losses” means any and all losses, damages, liabilities, costs (including reasonable out-of-pocket costs of investigation) and expenses, including interest, penalties, settlement costs, judgments, awards, fines, costs of mitigation, losses in connection with any Environmental Law (including any clean-up or remedial action), court costs and fees (including reasonable attorneys’ fees and expenses).

“Master Separation Agreement” shall have the meaning set forth in Section 6.8(a).

“Minimum Amount” shall have the meaning set forth in Section 9.2(b).

“NDAs” shall have the meaning set forth in Section 6.19.

“Non-U.S. Angel Plans” means employee benefit plan in which the non-U.S. Employees participated, as an employee of Angel or its Subsidiaries, immediately prior to the close of the Semiconductor Business Purchase Agreement.

“Non-U.S. Benefit Plans” means each plan, scheme, fund or arrangement of Seller and its Subsidiaries within the Business operated outside the United States which provides Retirement Benefits to or in respect of Non-U.S. Employees, including any such plan, scheme, fund or arrangement which has not been disclosed to Purchaser, but not including any mandatory government or social security pension arrangements, or any other plans, funds or arrangements operated entirely within the United States or primarily for the benefit of employees of Seller and its Subsidiaries who are not Non-U.S. Employees.

“Non-U.S. Employees” means each Business Employee employed other than in the United States by Seller or any of its Subsidiaries, other than any employees considered to be U.S. expatriates by Seller.

“Non-U.S. Former Employees” shall have the meaning set forth in Section 6.7.

“Notification” shall have the meaning set forth in Section 6.14(d).

“ordinary course of business” means in the ordinary course of the operation of the Business, consistent with past practices of the Business.

“Other Sellers” shall have the meaning set forth in the Preamble.

78

“Outer Date” shall have the meaning set forth in Section 10.1(b).

“Party” and “Parties” shall have the respective meanings set forth in the Recitals to this Agreement.

“Parent” shall have the meaning set forth in the Recitals.

“Permits” shall have the meaning set forth in Section 4.13.

“Permitted Liens” shall mean (i) Liens for Taxes, assessments and other governmental charges not yet due and payable or, if due, either (A) not delinquent or (B) being contested in good faith by appropriate proceedings, (ii) mechanics’, workmen’s, repairmen’s, warehousemen’s, carriers’ or other similar Liens, including all statutory Liens, arising or incurred in the ordinary course of business, (iii) protective filings related to operating leases with third parties entered into in the ordinary course of business, (iv) Liens that do not materially affect the ownership or use of the underlying Purchased Asset or Purchased Seller Subsidiaries for the purpose it is being utilized for by Seller or its Subsidiaries on the Closing Date, and (v) for purposes of Sections 4.5 and 6.8, Liens which would not, take together with all other Liens described in clauses (i) through (iv) above, reasonably be expected to have a Seller Material Adverse Effect.

“Person” means an individual, corporation, partnership, limited liability company, association, trust, incorporated organization, other entity or group (as defined in Section 13(d)(3) of the Securities Exchange Act of 1934).

“Preparing Party” shall have the meaning set forth in Section 6.14(a).

“Prime Rate” shall mean the rate of interest as announced from time to time by JPMorgan Chase at its principal office in New York City as its prime lending rate, the Prime Rate to change when and if such prime lending rate changes.

“Printer Products” means digital CMOS application specific integrated circuits (“ASICs”) and systems on chips (“SOCs”) specifically designed for image processing associated with inkjet and laser jet printer systems. For each of the above, “Printer Products” includes the board level designs for, and the software and firmware incorporated with, such Printer Products. “Printer Products” do not include ASICs or SOC for analog signal processing, optoelectronic functionality, motion control or navigation purposes or other electronic components for driving motors, or pens and toner cartridges.

“Proceeding” means any claim, action, arbitration, audit, hearing, inquiry, examination, proceeding, investigation, litigation or suit (whether civil, criminal, administrative or investigative) commenced, brought, conducted, or heard by or before, or otherwise involving any Governmental Authority or arbitrator.

“Purchase Price” shall have the meaning set forth in Section 3.1.

“Purchased Assets” shall mean the assets set forth in Exhibit H and all of the goodwill associated therewith.

79

“Purchased Seller Subsidiaries” shall have the meaning set forth in the Recitals to the Agreement.

“Purchased Subsidiary Interests” shall have the meaning set forth in the Recitals to the Agreement.

“Purchaser” shall have the meaning set forth in the Recitals to the Agreement.

“Purchaser Disclosure Letter” shall have the meaning set forth in ARTICLE V.

“Purchaser Indemnified Party” shall have the meaning set forth in Section 9.1(a).

“Purchaser Losses” shall have the meaning set forth in Section 9.1(a).

“Purchaser Material Adverse Effect” means a material adverse effect on the ability of Purchaser to consummate the transactions contemplated hereby and any documents delivered or entered into in connection herewith.

“Purchaser Parent” shall have the meaning set forth in the Recitals.

“Purchaser Plans” shall have the meaning set forth in Section 6.6(a)(v).

“Purchaser’s 401(k) Plan” shall have the meaning set forth in Section 6.6(e).

“Release” shall be defined as that term is defined in 42 U.S.C. § 9601 (22).

“Restructuring” shall mean the formation of any Subsidiaries or Affiliates of Seller Parent and the transfer, assignment, conveyance of assets and rights from Seller Parent or Seller to such Affiliates and the assumption of Liabilities by such Affiliates from Seller Parent or Seller.

“Retained Business” means the design, manufacture and sale of semi-conductor products by Seller and its Affiliates other than the Business.

“Retirement Benefits” means any pension, lump sum, gratuity or similar benefit provided or to be provided on or after retirement (including early retirement), death or disability in respect of an Employee’s employment, but excluding benefits provided under an arrangement, the sole purpose of which is to provide benefits on the accidental injury or death of an Automatic Transfer Employee.

“SEC” shall have the meaning set forth in Section 4.2(b).

“Section 6.7(f) Obligations” shall have the meaning set forth in Section 6.7(f).

“Securities Act” shall mean the Securities Act of 1933, as amended.

“Seller” shall have the meaning set forth in the Recitals to this Agreement.

“Seller Corporate Policies” shall have the meaning set forth in Section 6.13.

80

“Seller Facility” shall have the meaning set forth in Section 2.3(b).

“Seller Fiscal Years” shall have the meaning set forth in Section 3.3(a)(ii).

“Seller Indemnified Party” shall have the meaning set forth in Section 9.1(a).

“Seller Losses” shall have the meaning set forth in Section 9.1(a).

“Seller Material Adverse Effect” means any change, circumstance, event or effect that is materially adverse to the Purchased Assets or to the business, operations, financial condition or results of operations of the Business, in each case taken as a whole, provided that none of the following shall be deemed, either alone, or in combination, to constitute a Seller Material Adverse Effect: any change, circumstance, event or effect resulting from or arising out of (a) the public announcement of the entering into of this Agreement or the other Transaction Documents or the pendency of the transactions contemplated hereby or thereby, (b) except for the transactions contemplated by Sections 2.1, 2.2 and 2.3, the performance by Seller or any Other Seller of its obligations under this Agreement or the other Transaction Documents, (c) general economic conditions, including prevailing interest rates, (d) general conditions in the industry in which the Business is conducted, (e) any change related to the Excluded Assets that does not materially adversely affect the Business, the Purchased Assets, the Transferred Business Intellectual Property, the Transferred Business Intellectual Property Rights or the Purchased Seller Subsidiaries, (f) any change in the relationship between any of the Seller Parties and The Hewlett-Packard Company (including (i) any decision by The Hewlett-Packard Company to refuse to give any Consent under any Transferred Contract in connection with the transactions contemplated by this Agreement or any of the Transaction Documents or to assert any infringement claims against the Seller Parties or Purchaser as a result of the transfer of the Business pursuant to this Agreement, or (ii) any indication by The Hewlett-Packard Company of its intention to terminate or otherwise materially adversely change its relationship with the Business), (g) any natural disaster or any act of terrorism, sabotage, military action or war (whether or not declared) or any escalation or worsening thereof unless, in the case of the foregoing clauses (c),(d) and (g), such changes, circumstances, events or effects referred to therein materially disproportionately impact the Business relative to the industry in which the Business competes as a whole; provided that in determining whether a Seller Material Adverse Effect has occurred with respect to changes, circumstances, events or effects resulting from or arising out of one or more Contracts, it shall be taken into consideration whether such alternatives or replacements to such Contracts are commercially available on comparable terms without disruption to the Business.

“Seller Parent” shall have the meaning set forth in the Recitals to this Agreement.

“Seller Parties” shall mean Seller Parent, Seller and all Affiliates of Seller Parent and Seller that own, lease, license or hold any Purchased Assets, Transferred Business Intellectual Property and Transferred Business Intellectual Property Rights, or operates any portion of the Business.

“Seller Plans” shall mean each “employee benefit plan” (within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”)),

81

and each severance, change in control, retention or employment plan, program or agreement, and vacation, incentive, bonus, stock option, stock purchase, and restricted stock plan, program or policy under which any employee or former employee of the Business has any present or future right to benefits and under which Seller Parent, Seller or any of their ERISA Affiliates has had or has any present or future liability.

“Semiconductor Business Purchase Agreement” shall have the meaning set forth in Section 6.9(a).

“Statement of Operating Revenue and Expenses” shall have the meaning set forth in Section 4.16(a).

“Statement of Purchased Net Assets” shall have the meaning set forth in Section 4.16.

“Straddle Period” shall have the meaning set forth in Section 6.14(b)(iii).

“Sublease” shall have the meaning set forth in Section 4.5(b).

"Subleased Real Property" shall have the meaning set forth in Section 4.5(b).

"Subsidiary" or "Subsidiaries" of Purchaser, Seller or any other Person means any corporation, partnership or other legal entity of which Purchaser, Seller or such other Person, as the case may be (either alone or through or together with any other Subsidiary), owns, directly or indirectly, more than 50% of the stock or other equity interests the holder of which is generally entitled to vote for the election of the board of directors or other governing body of such corporation or other legal entity.

"Supplier Contract" means any Contract between the Seller Parties or any of their Subsidiaries on the one hand and a supplier of Seller Parties or any of their Subsidiaries on the other hand for the purchase or sale of components, subsystems, complete systems or other materials used in the manufacture of the Printer Products or to the extent relating to the Business, and agreements or arrangements with regard to purchase or return of inventory of such components, subsystems, complete systems, materials or Printer Products.

"Tax" or "Taxes" shall mean any and all U.S. federal, state, local and non-U.S. taxes, assessments and other governmental charges, duties, impositions and liabilities, including taxes based upon or measured by gross receipts, income, profits, sales, use and occupation, and value added, ad valorem, GST, transfer, franchise, withholding, payroll, recapture, employment, excise and property taxes, together with all interest, penalties and additions imposed with respect to such amounts.

"Tax Benefit" shall have the meaning set forth in Section 9.3(c).

"Tax Claim" shall have the meaning set forth in Section 6.14(d).

"Tax Return" shall mean any return, declaration, report, election, disclosure, form, estimated return and information statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

82

"Technology" means tangible embodiments, whether in electronic, written or other media, of technology, including designs, design and manufacturing documentation (such as bill of materials, build instructions and test reports), schematics, algorithms, routines, formulae, software, databases, lab notebooks, specifications, development and lab equipment, processes, prototypes, know-how and devices. "Technology" does not include Intellectual Property Rights, including any Intellectual Property Rights in any of the foregoing.

"Threshold" shall have the meaning set forth in Section 9.2(b).

"Trademark License Agreement" shall mean a license agreement substantially in the form of Exhibit G.

"Transaction Documents" shall have the meaning set forth in Section 4.2(a).

"Transfer Regulations" means the Council Directive 77/187/EEC of 14 February 1977 on the approximation of the laws of the Member States relating to the safeguarding of employees' rights in the event of transfers of undertakings, businesses or parts of businesses (and its amendments) (collectively referred to as "Acquired Rights Directive") and the legislation and regulations of any EU Member State implementing such Acquired Rights Directive.

"Transfer Taxes" shall have the meaning set forth in Section 6.14(a)(i).

"Transferred Business Intellectual Property" means (i) the Patents listed on Schedule 1 hereto with such changes as may be further agreed to in writing prior to the Closing Date, the Trademarks listed on Schedule 2 hereto, and the Internet Properties listed on Schedule 3 hereto, and (ii) those Trade Secrets, Copyrights, Industrial Designs, Database Rights and Mask Works incorporated in the Transferred Business Technology that are owned by the Seller Parties as of the Closing Date.

"Transferred Business Intellectual Property Assignment" shall have the meaning set forth on Exhibit F.

"Transferred Business Intellectual Property Rights" means all rights relating to the Transferred Business Intellectual Property and all Intellectual Property Rights (other than Patents, Trademarks and Internet Properties) incorporated in the Transferred Business Technology and in the tangible embodiments thereof.

"Transferred Business Technology" means the Business Technology pertaining exclusively to the Business.

"Transferred Contracts" shall mean the Contracts described on Exhibit H.

"Transferred Employees" shall have the meaning set forth in Section 6.6(a)(iv).

"Transferred IT Infrastructure" means:

(a) at the Assigned Real Property and the Subleased Real Property, all desktop computers and or laptops used by Transferred Employees and all servers, printers

83

and other such hardware for which 80% or more of their usage is for the benefit of Transferred Employees; and

(b) to the extent not included in (a) above, all IT systems; network or telecommunications equipment and software; desktop computer software; accounting, finance and database software; general software development and control systems; and tools, environments and other general

IT functionality; in each case which is used exclusively in the operation of the Business;

in each case, to the extent such Transferred IT Infrastructure is transferable (including upon receipt of a third-party consent to such transfer) and, with respect to any Transferred IT Infrastructure that is leased or licensed from a third party, subject to the terms of such lease or license and the inclusion in the Assumed Liabilities of the obligations of Seller and its Subsidiaries under such lease or license to the extent (but only to the extent) related to such Transferred IT Infrastructure.

“Transferred Material Contracts” shall have the meaning set forth in Section 4.6(a).

“U.S. R&D” shall have the meaning set forth in the Recitals to the Agreement.

“U.S. R&D Capital Stock” shall have the meaning set forth in the Recitals to the Agreement.

“Vacation Policy” shall have the meaning set forth in Section 6.6(g).

“WARN Act” shall have the meaning set forth in Section 6.6(i).

84

EXHIBIT A

Bill of Sale

85

EXHIBIT B

Assignment and Assumption Agreement

86

EXHIBIT C

Local Asset Transfer Agreement

87

EXHIBIT D

Master Separation Agreement

88

EXHIBIT E

Intellectual Property License Agreement

89

EXHIBIT F

Transferred Business Intellectual Property Assignment

90

EXHIBIT F

Excluded Assets

The Excluded Assets include the following:

- (a) cash, bank accounts, certificates of deposit and other cash equivalents;
 - (b) any and all accounts receivable with third parties due in connection with the Business;
 - (c) except as provided for in Section 6.13, all insurance policies and any rights, claims or chooses in action under such insurance policies;
 - (c) all rights to refunds of any Tax payments, or prepayments or overpayments of any Tax, with respect to periods prior to the Closing, including recoverable payments of VAT or similar Taxes;
 - (d) notwithstanding anything to the contrary contained herein, (i) all Intellectual Property Rights other than the Transferred Business Intellectual Property, Transferred Business Intellectual Property Rights and Intellectual Property Rights held by the Purchased Seller Subsidiaries, (ii) any Business Technology that is owned by a third party that Seller and its Subsidiaries do not have the right to provide to Purchaser hereunder and (iii) any Intellectual Property Rights under non-transferable portfolio cross-licenses;
 - (e) enterprise-deployed, centrally managed computer software and hardware used by Seller or its Subsidiaries prior to the Closing, including any such computer software or hardware that is used by or for the Business prior to or as of the Closing, and all licenses or other agreements with third parties concerning the use thereof other than the hardware and software included in the Transferred IT Infrastructure and other than CAD Licenses to the extent provided in Section 6.18;
 - (f) all of Seller's enterprise-wide procurement contracts;
 - (g) fixtures and leasehold improvements at all locations; and office furniture and office equipment at all locations other than the Assigned Real Property and the Subleased Real Property;
 - (h) all IT Infrastructure;
 - (i) all interests in real property other than the Assigned Real Property and the Subleased Real Property;
 - (j) assets and Contracts relating to any Seller Plan or Non-U.S. Benefits Plan, except as expressly provided in Sections 6.6 and 6.7 or Schedule 6.7 of the Disclosure Letter;
-

(k) all equity or other ownership interests in any Person other than the Purchased Subsidiary Interests and the Subsidiaries of IPC set forth in Section 4.17 of the Disclosure Letter;

(l) all assets and other rights sold or otherwise transferred or disposed of between the date of this Agreement and the Closing not in violation of the terms of this Agreement;

(m) all rights of Seller and its Subsidiaries under this Agreement and the Transaction Documents;

(n) all books, records and other information prepared by Seller and its Subsidiaries in connection with the transactions contemplated hereby; and

(o) all rights arising from Excluded Liabilities.

EXHIBIT G

Trademark License Agreement

EXHIBIT H

Purchased Assets

Purchased Assets consist of the following assets related to the Business:

- (a) Any fixtures, leasehold improvements, machinery, equipment and tangible personal property attached to or located on the Assigned Real Property or the Subleased Real Property that (i) relate primarily to or are used or held for use primarily in connection with the Business, or (ii) that relate exclusively to or are held for use exclusively by the Business and are located in those portions of the Assigned Real Property or the Subleased Real Property that are occupied by or shared with the Retained Business and excluding any facility equipment shared by the Business and the Retained Business such as air handling units, chillers and similar items;
- (b) all inventories to the extent used or held primarily for use in the Business (including raw materials, purchased goods, parts, containers, recycled materials, work in process, supplies, finished goods and demo and consignment inventory) on the books of the Seller Parties or their Subsidiaries, held by vendors or which otherwise are used or primarily held for use in the Business;

- (c) to the extent not of a category or type described in clause (a) above, all machinery, equipment, vehicles, furniture, fixtures, tools, instruments, spare parts, supplies (including storeroom supplies), pallets, office and laboratory equipment, testing facilities, materials, fuel and other personal property, owned or leased, not normally included in inventory, that are used or held primarily for use in connection with the Business (collectively, the “Personal Property”) other than Personal Property that is part of the Seller Parties’ centralized services for information technology or other matters, which shall be Excluded Assets;
- (d) except as otherwise specifically provided in the Agreement, all transferable warranties, guarantees, claims, rights, credits, causes of action, or rights of setoff, against third parties to the extent relating to or arising from any of the Business, the Purchased Assets, the Transferred Business Intellectual Property or the Transferred Business Intellectual Property Rights;
- (e) all transferable permits, certificates, licenses (excluding licenses relating to Intellectual Property Rights), orders, franchises, registrations, variances, Tax abatements, approvals and other similar rights or authorizations of any Governmental Authority exclusively related to the ownership, maintenance and operation of the Business;
- (f) all customers’ files, credit information, supplier lists, parts lists, vendor lists, business correspondence, business lists, sales literature, promotional literature and other selling and advertising materials and all other assets and rights primarily related to the distribution, sale or marketing of the Printer Products; provided, however, that to the extent any such materials also relate to or arise from or are used in connection with the Retained Business, or any such information is commingled with information used in the

Retained Business, Seller shall have the right to use and license others to use such materials and information (provided such use and licenses to use are not in violation of or otherwise inconsistent with the terms of Section 6.9 of this Agreement, the Intellectual Property License Agreement or the Master Separation Agreement), and the original version of all such materials and of all tangible embodiments of such information shall not be a Purchased Asset and shall be retained by the Seller Parties with accurate and complete copies thereof to be provided to Purchaser at Closing;

- (g) to the extent transferable (assuming receipt of a third-party consent to such transfer), all right, title or interest of the Seller Parties and their Subsidiaries in or to: (A) the Business Intellectual Property Licenses and (B) the Customer Contracts, Supplier Contracts, the maintenance or service agreements, purchase orders for materials and other services, dealer and distributorship agreements, advertising and promotional agreements, equipment leases, licenses (but excluding licenses relating to Intellectual Property Rights other than Business Intellectual Property Licenses), joint ventures, partnership agreements or other Contracts (including any agreements of the Seller Parties or its Subsidiaries with suppliers, sales representatives, distributors, agents, lessees of Personal Property, licensors, licensees, consignors and consignees specified therein (but excluding licenses related to Intellectual Property Rights other than Business Intellectual Property Licenses)) in each case in this clause (B) that are exclusively related to the Business and any utility, electricity, gas, water, sanitary, sewer and similar property-specific Contracts exclusively related to the Assigned Real Property and the Subleased Real Property (collectively, the “Transferred Contracts”), and with respect to (x) any of the foregoing types or categories of Contracts in clause (B) that are primarily but not exclusively related to the Business, the portion thereof relating to the Business to the extent the Seller Parties obtain the consent of the counterparty thereto to assign in part or otherwise divide such Contracts between Purchaser and Seller or its Subsidiaries in accordance with Section 6.17 hereof and upon receipt of such consent such portion thereof shall become a Transferred Contract;
 - (h) all Transferred Business Technology and all Transferred IT Infrastructure;
 - (i) all marketing, personnel, financial and other books and all other documents, microfilm and business records and correspondence wherever located, primarily related to the Business; provided, however, that to the extent any such documents also relate to or arise from or are used in connection with the Retained Business, or any such information is commingled with information used in the Retained Business, the original version of such information shall not be a Purchased Asset (and Seller shall have the right to use such information, provided such use and licenses to use are not in violation of or otherwise inconsistent with the terms of Sections 6.9 or 6.10 of this Agreement, the Intellectual Property License Agreement or the Master Separation Agreement) and shall be retained by Seller with accurate and complete copies thereof to be provided to Purchaser at Closing; provided, however, upon reasonable request, the Seller Parties will provide the Purchaser with reasonable access to the foregoing information that relates to the Business but does not primarily relate to the Business;
-
- (j) all automobiles and other vehicles owned by the Seller Parties and their Subsidiaries and used exclusively by Transferred Employees, and, to the extent transferable, leasehold interests in all leases of automobiles and other vehicles leased by the Seller Parties or their Subsidiaries and used exclusively by Transferred Employees;
 - (k) any and all assets associated with or allocated to Transferred Employees in accordance with Section 6.6 or 6.7;
 - (l) Section 6.7(g) Obligations;
 - (m) the China Lease and the Sublease; and
 - (n) all other assets and rights of Seller and its Subsidiaries to the extent such assets are used primarily in the Business, are not Excluded Assets identified on Exhibit F and are not of a category or type described in the foregoing clauses (a) through (m).

With respect to the Purchased Assets identified in foregoing clauses (a), (b) and (c), to the extent such Purchased Assets are leased or licensed from a third party, the transfer to Purchaser will be subject to the terms of such lease or license and the inclusion in the Assumed Liabilities of the obligations of Seller and its Subsidiaries under such lease or license to the extent (but only to the extent) related to such Purchased Assets.

For an asset to be deemed to be “primarily” used or held for use by the Business, 80% or more of its usage must be for the benefit of the Business.

Notwithstanding the foregoing, (i) the Purchased Assets will not include any Excluded Assets and (ii) all transfers, deliveries or transmissions of information included in the Purchased Assets pursuant to the foregoing paragraphs (g) and (j) shall be made pursuant to the terms of the Master Separation Agreement.

EXHIBIT I

Joinder

AMENDMENT NO. 1 TO PURCHASE AND SALE AGREEMENT

This Amendment No. 1 to Purchase and Sale Agreement (this “Amendment”) is dated as of April 11, 2006, by and among Avago Technologies Limited, a company organized under the laws of Singapore (“Seller Parent”), Avago Technologies Imaging Holding (Labuan) Corporation, a company organized under the laws of Labuan (“Seller”), Marvell Technology Group Ltd., a Bermuda corporation (“Purchaser Parent”), and Marvell International Technology Ltd., a Bermuda corporation (“Purchaser”) (each, a “Party” and collectively, the “Parties”).

W I T N E S S E T H:

WHEREAS, the Parties have previously entered into a Purchase and Sale Agreement dated as of February 17, 2006 (the “Signing Date” and such Purchase and Sale Agreement being hereinafter referred to as the “Purchase Agreement”);

WHEREAS, the Purchase Agreement provides that the parties thereto may amend such agreement at any time by written agreement of each party thereto;

WHEREAS, capitalized terms not defined in this Amendment have the respective meanings ascribed to such terms in the Purchase Agreement;

WHEREAS, Section 8.1 of the Purchase Agreement provides that the Closing shall take place on the second Business Day immediately following the satisfaction or, to the extent permitted, waiver of all of the conditions in Article VII (other than those conditions which by their nature are to be satisfied or, to the extent permitted, waived at the Closing but subject to the satisfaction or, to the extent permitted, waiver of such conditions), or at such other time, date and place as shall be fixed by the mutual agreement of the Parties; and

WHEREAS, the Parties desire that the Closing occur on May 1, 2006, or as soon thereafter as reasonably practicable.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, agree as follows:

1.1 Section 7.1(b)

Section 7.1(b) of the Purchase Agreement is hereby amended and restated in its entirety to read “Reserved.”

1.2 Section 7.3(a)

Section 7.3(a) of the Purchase Agreement is hereby amended and restated in its entirety to read as follows:

“Accuracy of Representations and Warranties of Seller and the Other Sellers. The representations and warranties of Seller Parent, Seller and the Other Sellers contained in this Agreement and the other Transaction Documents (i) that are qualified as to “Seller Material Adverse Effect” shall be true and correct on

the date of this Agreement and on the Closing Date as though made on the Closing Date (except (y) to the extent such representations and warranties by their terms speak as of an earlier date, in which case they shall be true and correct as of such date and (z) for those representations and warranties set forth in Sections 4.5 through 4.8, Sections 4.10 through 4.23 and Section 4.26, which shall be true and correct on the date of this Agreement and on April 4, 2006 as though made on April 4, 2006); and (ii) that are not qualified as to “Seller Material Adverse Effect” shall be true and correct on the date of this Agreement and on the Closing Date as though made on the Closing Date (except (y) to the extent such representations and warranties by their terms speak as of an earlier date, in which case they shall be true and correct as of such date and (z) for those representations and warranties set forth in Sections 4.5 through 4.8, Sections 4.10 through 4.23 and Section 4.26, which shall be true and correct on the date of this Agreement and on April 4, 2006 as though made on April 4, 2006), except for such failures to be true and correct which would not, individually or in the aggregate, have a Seller Material Adverse Effect; and Purchaser shall have received a certificate signed by an authorized officer of Seller Parent, Seller and the Other Sellers to such effect.”

1.3 Covenants

Purchaser hereby agrees, including for purposes of the last sentence of Section 4.27 of the Purchase Agreement, that, to Purchaser’s Knowledge, Seller, Parent Seller and the Other Sellers have been in material compliance through April 4, 2006 with the covenants contained in the Purchase Agreement. Accordingly, notwithstanding Section 4.27 of the Purchase Agreement, Purchaser shall not be entitled to assert a failure of the Closing condition contained in Section 7.3(b) of the Purchase Agreement to the extent Purchaser had Knowledge of Seller’s, Parent Seller’s or the Other Sellers’ failure to be in material compliance through April 4, 2006 with any covenant contained in the Purchase Agreement.

1.4 Section 7.3(e)

Section 7.3(e) of the Purchase Agreement is hereby amended and restated in its entirety to read “Reserved.”

1.5 Section 7.3(f)

Section 7.3(f) of the Purchase Agreement is hereby amended and restated in its entirety to read as follows:

“No Seller Material Adverse Effect. Between the date of this Agreement and April 4, 2006, there shall have been no event, condition, change or development, worsening of any existing event, condition, change or development (except as relates to Excluded Assets, the failure to transfer to Purchaser the Excluded Assets or any failure to obtain a consent with respect to CAD Licenses to the extent provided in Section 6.18 hereto) that, individually or in combination

with any other event, condition, change, development or worsening thereof, has had or would reasonably be expected to have a Seller Material Adverse Effect.”

1.6 Section 8.1

Section 8.1 of the Purchase Agreement is hereby amended and restated in its entirety to read as follows:

“Unless this Agreement shall have been terminated pursuant to Article X hereof, the closing of the sale and transfer of the Purchased Assets and the other transactions hereunder (the “Closing”) shall take place at the offices of Latham & Watkins LLP, 135 Commonwealth Drive, Menlo Park, CA 94025 at 7:00 a.m., local time, and in such other places as are necessary to effect the transactions to be consummated at the Closing, on May 1, 2006 (such date of the Closing being herein referred to as the “Closing Date”), subject to the satisfaction or, to the extent permitted, waiver of all of the conditions in Article VII (other than those conditions which by their nature are to be satisfied or, to the extent permitted, waived at the Closing but subject to the satisfaction or, to the extent permitted, waiver of such conditions), or if such satisfaction or waiver has not occurred, the second Business Day immediately following such satisfaction or, to the extent permitted, waiver. The effective time (“Effective Time”) of the Closing for tax, operational and all other matters shall be deemed to be 12:01 a.m., local time in each jurisdiction in which the Business is conducted, on the Closing Date. No later than April 24, 2006 (the “Notice Delivery Date”), each party shall deliver to the other a written notice (a “Closing Notice”) identifying any circumstances of which it has Knowledge that would reasonably be expected to cause any of the conditions in Article VII to not be satisfied as of the Notice Delivery Date (other than those conditions which by their nature are to be satisfied at the Closing) (it being understood that a party shall not be entitled to refuse to consummate the transactions contemplated by this Agreement for failure of any condition in Article VII to be satisfied to the extent such refusal is based on any circumstance of which such party had Knowledge on the Notice Delivery Date if such circumstance would reasonably have been expected to cause any of the conditions in Article VII to not be satisfied as of the Notice Delivery Date (other than those conditions which by their nature are to be satisfied at the Closing) and if such party did not describe such circumstance in reasonable detail in such party’s Closing Notice).”

1.7 Section 10.1(b)

Section 10.1(b) of the Purchase Agreement is hereby amended by substituting “May 31, 2006” for “April 18, 2006.”

1.8 Section 4.5(b)

Clause (iv) of the first sentence of Section 4.5(b) of the Purchase Agreement is hereby amended and restated in its entirety to read as follows:

“(iv) a subleasehold interest pursuant to the form of sublease attached hereto as Exhibit J (the “Sublease”) in certain real property located at 4238 SW Research Way, Corvallis, OR 97333 pursuant to that certain Lease Agreement dated April 21, 2000 by and between Owyhee River LLC, as landlord, and Angel, as predecessor in interest to U.S. R&D, as tenant (the “Corvallis Lease”).”

1.9 Elective FTO; Malaysia Pay In Lieu of Notice; China Severance

(a) Notwithstanding the provisions of Section 6.6(g) of the Purchase Agreement, to the extent Seller pays (whether by way of direct payment, reimbursement, adjustment to working capital or otherwise) Angel (in an amount not to exceed \$250,000) or, at the direction of Purchaser, any Transferred Employee the amount of any accrued but unused vacation time (including flexible time off and sick leave, the “FTO Liabilities”) for Transferred Employees in Malaysia, California or elsewhere, as to which indemnification by the Purchaser is not required under Section 6.6(g) of the Purchase Agreement, together with any employment taxes payable to a Governmental Authority by Seller or Angel that are related thereto (the “Employment Taxes”), then Purchaser shall reimburse Seller the amount of such FTO Liabilities and Employment Taxes in cash within thirty (30) days of Purchaser’s receipt of Seller’s written notice of the payment thereof.

(b) Notwithstanding anything in the Purchase Agreement to the contrary, Purchaser agrees to indemnify, defend and hold harmless each Seller Indemnified Party from and against, and shall compensate and reimburse each Seller Indemnified Party for, all Losses imposed upon or incurred by such Seller Indemnified Party with respect to any claims for pay in lieu of notice (whether based on a contractual claim or applicable Law) made by or on behalf of any Transferred Employee in Malaysia that arise out of the termination of such Transferred Employee in connection with the transactions contemplated by the Purchase Agreement.

(c) Notwithstanding anything in the Purchase Agreement to the contrary, Purchaser agrees to indemnify, defend and hold harmless each Seller Indemnified Party from and against, and shall compensate and reimburse each Seller Indemnified Party for, one-half of all Losses imposed upon or incurred by such Seller Indemnified Party with respect to any claims that may arise as a result of, or are in any way related to, the termination of the employment relationship between the Business Employees in the People’s Republic of China and Seller, including, but not limited to, any claims for severance, claims for wrongful termination, or claims for insufficient notice or payment in lieu of notice, but only to the extent such Losses do not arise from the gross negligence or willful misconduct of such Seller Indemnified Party. Seller Parent, Seller and the Other Sellers represent and warrant to Purchaser that, to Seller’s knowledge, neither Seller nor any Seller Party has any Liabilities relating to or arising out of the termination of the employment relationship between the Business Employees in the People’s Republic of China and Seller.

1.10 New Exhibit J

The Purchase Agreement is hereby amended by adding as Exhibit J thereto the form of Sublease attached hereto as Attachment 1.

1.11 Delayed Closing; Transition Issues

(a) The Parties acknowledge and agree that notwithstanding the provisions of the Purchase Agreement, including without limitation Sections 2.1, 6.6 and 6.7, the consummation of the transfer and conveyance to Purchaser's Affiliate in Malaysia of the Purchased Assets located in Malaysia and the employment by Purchaser or one or more of its Affiliates of Transferred Employees in Penang, Malaysia (such consummation, the "Delayed Closing") will not occur on the Closing Date and will instead be consummated as soon as practicable thereafter and no later than the six-month anniversary of the Closing Date, and no breach or default of the Purchase Agreement will be deemed to have occurred as a result of not transferring such assets or employing such Transferred Employees at the Closing. The Parties will enter into, or will cause their respective applicable Subsidiaries to enter into, on or prior to the Closing, the following agreements on terms and conditions mutually acceptable to each of the Parties, in addition to such other agreements or other instruments as the parties may agree: (i) an amendment to the Master Separation Agreement providing for the provision of services by Seller Parent's Subsidiaries to Purchaser in Penang, Malaysia (such services (y) to include, without limitation, the sorting, assembly and testing of all semiconductor wafers supplied by Purchaser and drop shipping to Purchaser's customers or warehouse, and the dedication of the Business Employees in Malaysia as set forth in such amendment, and (z) to be billed monthly in advance at Seller's fully loaded cost, without proration of fixed costs for either (1) the provision of services for less than a full month or (2) for a reduction in the usage of services by Purchaser compared to the usage set forth in Annex A to the Master Separation Agreement, as in effect on the Closing Date); and (ii) with respect to the Purchased Assets in Malaysia, Local Asset Transfer Agreements providing for the transfer of the Purchased Assets in Malaysia (it being understood that the transfer of such assets may take place in stages, and that the Parties will enter into one or more Local Asset Transfer Agreements, as required by local law, to effectuate the transfer of title in such Purchased Assets on the schedule to be mutually agreed upon by the Parties, but in any event no later than the six-month anniversary of the Closing Date). To the extent permitted by Law and to the extent not recovered by Seller or one of its Affiliates under the Master Separation Agreement, as such agreement may be amended from time to time, or any Separation Agreements entered into in connection therewith, Purchaser (a) shall assume the Assumed Liabilities with respect to Malaysia as of the Closing Date, and (b) to the extent any such Assumed Liabilities are not assumed as of such Closing Date, shall indemnify each Seller Indemnified Party with respect thereto pursuant to Section 9.1(b)(iii) of the Purchase Agreement. After the Closing, there will be no conditions to closing with respect to the Delayed Closing.

(b) The Parties further acknowledge and agree that, notwithstanding the provisions of the Purchase Agreement, including without limitation Section 2.3(b), Seller Parent shall cause its Subsidiaries to provide reasonable access to their respective facilities to Purchaser and its Affiliates for purposes of ensuring that the transfer of the Purchased Assets can be accomplished as expeditiously as possible and without unreasonable disruption to the operation of the Business from and after the Closing.

5

In connection therewith:

(i) with respect to the Shanghai facility, the Parties shall cooperate with one another to have executed as soon as possible by the landlord under the China Lease and by the Chinese Affiliate of Purchaser a new lease identical to the China Lease (but for the term thereof, which shall be solely for the remaining term of the China Lease) in order to permit such Affiliate to obtain the Consent of the relevant Governmental Authority to operate a branch office for the Business on the premises covered by the China Lease;

(ii) with respect to the Boise facility, Seller shall cause U.S. R&D to promptly execute the Fourth Amendment to the Boise Lease in the form attached hereto as Attachment 2 (the "Fourth Amendment") and shall cause U.S. R&D to use commercially reasonable efforts to cause Owyhee River LLC (the "Boise Lessor") to promptly execute the Fourth Amendment. In connection with the execution of the Fourth Amendment, (y) Seller shall cause U.S. R&D to use commercially reasonable efforts to cause the Boise Lessor to undertake and diligently prosecute to completion the capital improvements as contemplated by the Fourth Amendment to be made to the Boise facility (the "Capital Improvements"), and (z) Purchaser Parent and Purchaser confirm they have reviewed, consented to and approved U.S. R&D's execution of the Fourth Amendment and that all expenses Seller or any Seller Subsidiaries incur in connection with the Capital Improvements to the extent that such expenses are not reimbursed as a component of the Suite 125 Work (as defined in the Fourth Amendment) covered by the Tenant Allowance (as defined in the Fourth Amendment) from the date hereof through the Closing shall be for the account of the Purchaser and shall be reimbursed to Seller on the Closing Date (or, to the extent such expenses have not been invoiced as of the Closing Date, no later than 30 days after the receipt by Purchaser of such invoice);

(iii) with respect to the Corvallis facility, the Parties shall enter into a letter agreement in the form attached here to as Attachment 3 which provides for certain rights and obligations with regard to the installation of certain information technology equipment as more particularly set forth therein (it being understood that: (x) no failure of either Party to perform its obligations thereunder shall give rise to a right of the other Party to delay the Closing; (y) Purchaser Parent hereby indemnifies, defends and holds harmless each Seller Indemnified Party from and against, and shall compensate and reimburse each Seller Indemnified Party for, all Losses imposed upon or incurred by such Seller Indemnified Party as a result of any claim arising from or otherwise related to the performance by Purchaser and its Affiliates of their respective obligations under such letter agreement; and (z) no work contemplated by such letter agreement may be commenced without the lessor's prior written consent, if required (which U.S. R&D shall use commercially reasonable efforts to obtain as promptly as practicable));

(iv) with respect to each of the Boise facility and the Corvallis facility, Seller shall, and shall cause the Seller Subsidiaries to, permit Purchaser or its agents access to the Boise facility and the Corvallis facility from the date hereof to the Closing Date for the purposes of connecting Purchaser's networks and systems to the existing cabling and wiring; and

(v) Purchaser Parent hereby indemnifies, defends and holds harmless each Seller Indemnified Party from and against, and shall compensate and reimburse each Seller Indemnified Party for, all Losses imposed upon or incurred by such Seller Indemnified Party as a

6

result of any claim arising from or otherwise related to the access to the facilities of Seller Parent and its Subsidiaries afforded to Purchaser and its Affiliates under this clause Section 1.11(b).

1.12 HP License Agreement

At the Closing, Purchaser Parent shall execute and deliver to Seller Parent the license agreement attached hereto as Attachment 4 and shall pay to Seller Parent \$2,750,000, which amount Seller Parent shall promptly remit to The Hewlett-Packard Company.

1.13 Insurance Proceeds

From and after April 4, 2006, upon acquiring knowledge of any damage (other than immaterial damage), destruction or loss to, or condemnation of, any material Purchased Asset or any facility located at the Assigned Real Property or the Subleased Real Property, Seller agrees, or shall cause its Affiliates, to (a) promptly notify Purchaser, (b) make all available claims against insurance policies covering such Purchased Asset or facility (the “Pre-Closing Insurance Claims”) and (c) consult with Purchaser as to the application of any and all insurance proceeds with respect thereto to repair, replace or restore such Purchased Asset or facility. Any and all proceeds received by Seller Parent, Seller or any Seller Party in connection with the Pre-Closing Insurance Claims (other than such proceeds used to replace the damaged or destroyed Purchased Assets or facilities in accordance with clause (c) of the immediately preceding sentence) shall be Purchased Assets, notwithstanding anything to the contrary contained in Exhibit F to the Purchase Agreement.

1.14 Miscellaneous

(a) Except as specifically provided for in this Amendment, the terms of the Purchase Agreement shall be unmodified and shall remain in full force and effect.

(b) This Amendment may be executed in counterparts, each of which shall be deemed to be an original and both of which together shall be deemed to be one and the same instrument. Copies of executed counterparts transmitted by telecopy, telefax or other electronic transmission service shall be considered original executed counterparts for purposes of this Amendment.

(c) This Amendment shall be binding upon and shall inure to the benefit of the Parties and their respective successors and permitted assigns, except that neither this Amendment nor any rights or obligations hereunder shall be assigned or delegated by either Party; provided, however, Purchaser may assign any or all of its rights and obligations under this Amendment to any wholly-owned (other than director qualifying shares) direct or indirect Subsidiary of Purchaser (provided that no such assignment shall release Purchaser from any obligation under this Amendment) or to a lender of Purchaser as collateral for bona fide indebtedness for money borrowed in connection with a merger, consolidation, conversion or sale of assets of Purchaser. This Amendment is not intended to confer upon any person or entity other than the Parties and their permitted assigns any rights or remedies.

(d) This Amendment may be amended only by a written instrument signed by each of the Parties. No provision of this Amendment may be extended or waived orally, but only by a

7

written instrument signed by the Party against whom enforcement of such extension or waiver is sought. All notices and other communications provided for herein shall be dated and in writing.

(e) Any indemnification required under this Amendment shall be subject to Sections 9.3 and 9.4 of the Purchase Agreement.

(f) This Amendment and all claims arising out of this Amendment shall be governed by, and construed in accordance with, the Laws of the State of California, without regard to any conflicts of law principles that would result in the application of any law other than the law of the State of California.

[SIGNATURE PAGES FOLLOW]

8

IN WITNESS WHEREOF, the Parties have caused this Amendment No. 1 to Purchase and Sale Agreement to be duly executed as of the date first above written.

AVAGO TECHNOLOGIES LIMITED

By: /s/ James H. Greene
Name: James H. Greene, Jr.
Title: Director

AVAGO TECHNOLOGIES IMAGING
HOLDING (LABUAN) CORPORATION

By: /s/ Rex Jackson
Name: Rex Jackson
Title: Director

MARVELL TECHNOLOGY GROUP LTD.

By: /s/ Tom Crickett
Name: Tom Crickett
Title: Asst. General Manager

MARVELL INTERNATIONAL
TECHNOLOGY LTD.

By: /s/ Tom Crickett
Name: Tom Crickett
Title: Alternate Director

[SIGNATURE PAGE TO PSA AMENDMENT NO. 1]

ATTACHMENT 1

EXHIBIT J
FORM OF SUBLEASE
(see attached)

ATTACHMENT 2

BOISE LEASE 4TH AMENDMENT
(see attached)

ATTACHMENT 3

CORVALLIS LETTER AGREEMENT
(see attached)

ATTACHMENT 4

HP LICENSE AGREEMENT
(see attached)

**MARVELL TECHNOLOGY GROUP LTD.
AMENDED & RESTATED 1995 STOCK OPTION PLAN
RESTRICTED STOCK AGREEMENT**

SECTION 1. PAYMENT FOR SHARES.

No payment is required for the shares that you are receiving.

SECTION 2. GOVERNING PLAN.

The shares that you are receiving are granted pursuant and subject in all respects to the applicable provisions of the Marvell Technology Group Ltd. Amended & Restated 1995 Stock Option Plan (the "Plan"), which is incorporated herein by reference. Terms not otherwise defined in this Agreement have meanings ascribed to them in the Plan.

SECTION 3. VESTING.

The shares that you are receiving will vest in installments, as shown in the Notice of Restricted Stock Award.

No additional shares vest after your service as an Employee or a Consultant has terminated for any reason.

SECTION 4. SHARES RESTRICTED.

Unvested shares will be considered "Restricted Shares." You may not sell, transfer, pledge or otherwise dispose of Restricted Shares without the written consent of the Company, except as provided in the next sentence. You may transfer Restricted Shares to your spouse, children or grandchildren or to a trust established by you for the benefit of yourself or your spouse, children or grandchildren. However, a transferee of Restricted Shares must agree in writing on a form prescribed by the Company to be bound by all provisions of this Agreement.

SECTION 5. FORFEITURE.

If your service terminates for any reason, then your shares will be forfeited to the extent that they have not vested before the termination date and do not vest as a result of termination. This means that the Restricted Shares will immediately revert to the Company. You receive no payment for Restricted Shares that are forfeited. The Company determines when your service terminates for this purpose.

SECTION 6. LEAVES OF ABSENCE, TRANSFER, CHANGE IN STATUS AND PART-TIME WORK.

For purposes of this award, your service does not terminate when you (i) go on any leave of absence approved by the Company; (ii) transfer between locations of the Company or between the Company, a Subsidiary or any successor; or (iii) change your status from an Employee to Consultant to Outside Director or from Consultant to Outside Director or Employee. But your service terminates when the approved leave ends, unless you immediately return to active work.

If you go on a leave of absence, then the vesting schedule specified in the Notice of Restricted Stock Award may be adjusted in accordance with the Company's leave of absence policy or the terms of your leave. If you commence working on a part-time basis, then the vesting schedule specified in the Notice of Restricted Stock Award may be adjusted in accordance with the Company's part-time work policy or the terms of an agreement between you and the Company pertaining to your part-time schedule.

SECTION 7. STOCK CERTIFICATES.

The certificates for Restricted Shares have stamped on them a special legend referring to the forfeiture restrictions. In addition to or in lieu of imposing the legend, the Company may hold the certificates in escrow. As your vested percentage increases, you may request (at reasonable intervals) that the Company release to you a non-legended certificate for your vested shares.

SECTION 8. SHAREHOLDER RIGHTS.

During the period of time between the date of grant and the date the shares become vested, you shall have all the rights of a shareholder with respect to the shares except for the right to transfer the shares, as set forth in Section 4. Accordingly, you shall have the right to vote the shares and to receive any cash dividends paid with respect to the shares.

SECTION 9. WITHHOLDING TAXES.

No stock certificates will be released to you unless you have made acceptable arrangements to pay withholding taxes that may be due as a result of this award or the vesting of the shares. With the Company's consent, these arrangements may include (a) withholding shares of Company stock that otherwise would be delivered to you when they vest or (b) surrendering shares that you previously acquired. The fair market value of the shares you surrender, determined as of the date when taxes otherwise would have been withheld in cash, will be applied as credit against the withholding taxes.

SECTION 10. RESTRICTIONS ON RESALE.

You agree not to sell any shares at a time when applicable laws, Company policies or an agreement between the Company and its underwriters prohibit a sale. This restriction will apply as long as your service continues and for such period of time after the termination of your service as the Company may specify.

SECTION 11. NO RETENTION RIGHTS.

Your award or this Agreement does not give you the right to be employed or retained by the Company or a subsidiary of the Company in any capacity. The Company and its subsidiaries reserve the right to terminate your service at any time, with or without cause.

SECTION 12. ADJUSTMENTS.

In the event of a stock split, a stock dividend or a similar change in Company stock, or a merger or a reorganization of the Company, the forfeiture provision of Section 5 will apply to all new, substitute or additional securities or other properties to which you are entitled by reason of your ownership of the shares.

SECTION 13. THE PLAN AND OTHER AGREEMENTS.

The text of this Plan is incorporated in this Agreement by reference. This Agreement and the Plan constitute the entire understanding between you and the Company regarding this award. Any prior agreements, commitments or negotiations concerning this award are superseded. This Agreement may be amended only by another written agreement between the parties.

SECTION 14. SUCCESSORS AND ASSIGNS.

The rights and benefits of this Agreement shall inure to the benefit of, and be enforceable by, the Company's successors and assigns. Your rights and obligations under this Agreement may only be assigned with the prior written consent of the Company.

SECTION 15. NOTICE.

Any notice required or permitted under this Agreement shall be given in writing and shall be deemed effectively given upon the earliest of personal delivery, receipt or the third full day following deposit in the United States Post Office with postage and fees prepaid, addressed to the other party hereto at the address last known or at such other address as such party may designate by ten (10) days' advance written notice to the other party hereto.

SECTION 16. NO ORAL MODIFICATION.

No modification of this Agreement shall be valid unless made in writing and signed by the parties hereto.

II. OPTION AGREEMENT

1. Grant of Option. The Company hereby grants to the optionee named in the attached Notice of Grant (the "Optionee"), the Option to purchase the Shares, at the exercise price per Share set forth in the Notice of Grant (the "Exercise Price") subject to the terms, definitions and provisions of the Marvell Technology Group Ltd. Amended and Restated 1995 Stock Option Plan, as the same may be amended as set forth therein and herein (the "Plan"), which is incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Option Agreement and the Notice of Grant.

If designated in the Notice of Grant as an Incentive Stock Option, this Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code. However, if this Option is intended to be an Incentive Stock Option, to the extent that it exceeds the \$100,000 rule of Code Section 422(d) it shall be treated as a Nonstatutory Stock Option.

2. Exercise of Option. This Option shall be exercisable during its term and shall vest in accordance with the Vesting Schedule and with the provisions of Section 9 of the Plan as follows:

(i) Right to Exercise.

(a) This Option may not be exercised for a fraction of a Share.

(b) In the event of Optionee's death, disability or other termination of Optionee's Continuous Service, the exercisability of this Option shall be governed by Sections 5, 6 and 7 below.

(c) In no event may this Option be exercised after the date of expiration of the term of this Option as set forth in the Notice of Grant.

(ii) Method of Exercise.

(a) This Option shall be exercisable by written notice (in the form attached as Exhibit A) which shall state the election to exercise this Option, the number of Shares in respect of which this Option is being exercised, and such other representations and agreements as to as may reasonably be required by the Company. Such written notice shall be signed by Optionee and shall be delivered in person or by certified mail to the Secretary of the Company. The written notice shall be accompanied by payment of the aggregate Exercise Price for the number of Shares in respect of which the Option is being exercised. This Option shall be deemed to be exercised upon receipt by the Company of such written notice accompanied by the aggregate Exercise Price for the number of Shares in respect of which the Option is being exercised.

(b) No Shares will be issued pursuant to the exercise of an Option unless such issuance and such exercise shall comply with all relevant provisions of law and the requirements of any stock exchange or interdealer quotation system upon which the Shares may then be listed or traded. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to Optionee on the date on which this Option is exercised with respect to such Shares.

(c) If this Option is being exercise by the representative of the Optionee, the exercise notice shall be accompanied by proof (satisfactory to the Company) of the representative's right to exercise this Option.

3. Payment.

(a) Payment of the Exercise Price shall be by any of the following, or a combination thereof, at the election of Optionee: (i) cash, (ii) check, (iii) other Shares that have a Fair Market Value on the date of payment equal to the aggregate exercise price of the Shares as to which this Option is being exercised, provided that at such time the Company is legally able to purchase its shares, or (iv) delivery by a broker or brokerage firm approved by the Administrator of a properly executed exercise notice together with payment of the Exercise Price and such other documentation as the Administrator shall require.

(b) Neither the Optionee nor the Optionee's representative shall have any rights as a shareholder with respect to any Shares subject to this Option until the Optionee or the Optionee's representative becomes entitled to receive such Shares by filing a notice of exercise and paying the aggregate Exercise Price pursuant to Section 2.0 and Section 3(a).

4. Restrictions on Exercise. This Option may not be exercised until such time as the Plan has been approved by the shareholders of the Company, or if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable federal or state securities or other law or regulation, including any rule under Part 207 of Title 12 of the Code of Federal Regulations ("Regulation G") as promulgated by the Federal Reserve Board. As a condition to the exercise of this Option, the Company may require Optionee to make any representation and warranty to the Company as may be required by any applicable law or regulation.

5. Termination of Relationship. In the event an Optionee's Continuous Status as an Employee or Consultant terminates, Optionee may, to the extent this Option was vested at the date of such termination (the "Termination Date"), exercise this Option at any time during the 30 day period immediately following the Termination Date. To the extent that Optionee was not vested in this Option at the date of such termination, or if Optionee does not exercise this Option within the time specified herein, this Option shall terminate. Notwithstanding the foregoing, in no event shall any Option be exercisable later than the Term/Expiration Date as provided in the Notice of Grant.

6. Disability of Optionee. Notwithstanding the provisions of Section 5 above, in the event of termination of an Optionee's Continuous Status as an Employee or Consultant as a result of his or her disability, Optionee may, but only within the 180 day period (or such other period of time in excess of 180 days as is determined by the Administrator in its absolute discretion) immediately following the date of such termination, exercise this Option to the extent this Option was vested at the date of such termination; provided, however, that if such disability is not a "disability" as such term is defined in Section 22(e) (3) of the Code, in the case of an Incentive Stock Option such Incentive Stock Option shall cease to be treated as an Incentive Stock Option and shall be

treated for tax purposes as a Nonstatutory Stock Option on the ninety-first (91st) day following such termination. To the extent that Optionee was not vested in this Option at the date of termination, or

if Optionee does not exercise this Option within the time specified herein, this Option shall terminate, and the Shares covered by this Option shall revert to the Plan. Notwithstanding the foregoing, in no event shall any Option be exercisable later than the Expiration Date as provided in the Notice of Grant.

7. Death of Optionee. Notwithstanding the provisions of Section 5 above, in the event of termination of Optionee's Continuous Status as an Employee or Consultant as a result of the death of Optionee, this Option may be exercised at any time within the 360 day period immediately following the date of death, by Optionee's estate or by a person who acquired the right to exercise this Option by bequest or inheritance, but only to the extent Optionee could exercise this Option at the date of death. Notwithstanding the foregoing, in no event shall any Option be exercisable later than the Expiration Date as provided in the Notice of Grant. To the extent that Optionee is not vested in this Option at the date of death, or if this Option is not exercised within the time specified herein, this Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

8. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Optionee only by Optionee. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of Optionee.

9. Term of Option. This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option. The limitations set out in Section 6 of the Plan regarding Options designated as Incentive Stock Options that are granted to more than ten percent (10%) shareholders shall apply to this Option. All expiration periods set forth in this Option Agreement and the Plan shall terminate at 5:00 p.m. California time on the date provided in this Option Agreement or the Plan.

10. Tax Consequences. Optionee acknowledges that he or she has read the description of tax consequences in the Plan Prospectus and has consulted his or her personal tax advisor regarding the same to the extent he or she has determined advisable. Optionee is not relying on the Company, or any of its officers, directors, employees or advisors, for any tax advice or planning information whatsoever. Set forth below is a brief summary as of the date of this Option of some of the federal and state tax consequences of exercise of this Option and disposition of the Shares. THIS SUMMARY IS NECESSARILY INCOMPLETE, AND THE TAX LAWS AND REGULATIONS ARE SUBJECT TO CHANGE. OPTIONEE SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

(i) Exercise of Incentive Stock Option. If this Option qualifies as an Incentive Stock Option, there will be no regular federal income tax liability or state income tax liability upon the exercise of this Option, although the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price will be treated as an adjustment to the alternative minimum tax for federal tax purposes and may subject Optionee to the alternative minimum tax in the year of exercise.

(ii) Exercise of Incentive Stock Option Following Disability. If Optionee's Continuous Status as an Employee or Consultant terminates as a result of disability that is not total

and permanent disability as defined in Section 22(e)(3) of the Code, to the extent permitted on the date of termination, Optionee must exercise an Incentive Stock Option within 90 days of such termination for the Incentive Stock Option to be qualified as an Incentive Stock Option.

(iii) Exercise of Nonstatutory Stock Option. There may be a regular federal income tax liability and state income tax liability upon the exercise of a Nonstatutory Stock Option. Optionee will be treated as having received compensation income (taxable at ordinary income tax rates) equal to the excess, if any, of the Fair Market Value of the Shares on the date of exercise over the Exercise Price. If Optionee is an Employee or a former Employee, the Company will be required to withhold from Optionee's compensation or collect from Optionee and pay to the applicable taxing authorities an amount in cash equal to a percentage of this compensation income at the time of exercise, and may refuse to honor the exercise and refuse to deliver Shares if such withholding amounts are not delivered at the time of exercise. If this Optionee is subject to Section 16 of the Securities Act of 1934, as amended, the date of income recognition may be deferred for up to six months.

(iv) Disposition of Shares. In the case of a Nonstatutory Stock Option, if Shares are held for at least one year, any gain realized on disposition of the Shares will be treated as long-term capital gain for federal and state income tax purposes. In the case of an Incentive Stock Option, if Shares transferred pursuant to this Option are held for at least one year after exercise and are disposed of at least two years after the Date of Grant, any gain realized on disposition of the Shares will also be treated as long-term capital gain for federal and California income tax purposes. If Shares purchased under an Incentive Stock Option are disposed of within such one-year period or within two years after the Date of Grant, any gain realized on such disposition will be treated as compensation income (taxable at ordinary income rates) to the extent of the difference between the Exercise Price and the lesser of (1) the Fair Market Value of the Shares on the date of exercise, or (2) the sale price of the Shares.

(v) Notice of Disqualifying Disposition of Incentive Stock Option Shares. If this Option granted to Optionee herein is an Incentive Stock Option, and if Optionee sells or otherwise disposes of any of the Shares acquired pursuant to the Incentive Stock Option on or before the later of (1) the date two years after the Date of Grant, or (2) the date one year after the date of exercise, Optionee shall immediately notify the Company in writing of such disposition. Optionee agrees that Optionee may be subject to income tax withholding by the Company on the compensation income recognized by Optionee.

11. Tax Withholding. If the Company determines that it is required to withhold any tax as a result of the exercise of this Option, the Optionee, as a condition to the exercise of this Option, shall make arrangements satisfactory to the Company to enable it to satisfy all withholding requirements. The Optionee shall also make arrangements satisfactory to the Company to enable it to timely satisfy any withholding requirements that may arise in connection with the vesting or disposition of Shares subject to this Option.

12. Entire Agreement; Governing Law. The Plan is incorporated herein by reference. The Plan, the Notice of Grant and this Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements and all contemporaneous oral undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, including but not limited to the grant or promise of any right or option to purchase shares of capital stock of the Company to Optionee pursuant to any employment agreement or offer letter delivered by the Company to Optionee or otherwise, and may not be modified to materially and adversely affect the Optionee's interest except by means of a writing signed by the Company and Optionee. This Option Agreement is governed by California law except for that body of law pertaining to its conflict of laws.

13. Optionee Acknowledgments. OPTIONEE ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE OPTION HEREOF IS EARNED ONLY BY CONTINUING CONSULTANCY OR EMPLOYMENT AT THE WILL OF THE COMPANY (NOT THROUGH ANY OTHER MEANS, INCLUDING WITHOUT LIMITATION, THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER). OPTIONEE FURTHER ACKNOWLEDGES AND AGREES THAT NOTHING IN THIS AGREEMENT, NOR IN THE PLAN WHICH IS INCORPORATED HEREIN BY REFERENCE, SHALL CONFER UPON OPTIONEE ANY RIGHT WITH RESPECT TO CONTINUATION OF EMPLOYMENT OR CONSULTANCY BY THE COMPANY, NOR SHALL IT INTERFERE IN ANY WAY WITH OPTIONEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE OPTIONEE'S EMPLOYMENT OR CONSULTANCY AT ANY TIME, WITH OR WITHOUT CAUSE.

Optionee acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Option subject to all of the terms and provisions thereof. Optionee has reviewed the Plan, this Option Agreement and the Notice of Grant in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option and fully understands all provisions of such documents. Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, the Notice of Grant or this Option Agreement. Notwithstanding the foregoing, if any party brings any action, suit, counterclaim, cross-claim, appeal, arbitration, or mediation for any relief against the other to enforce the terms of or to declare rights under this Plan or the Option Agreement, in addition to any damages and costs which the prevailing party otherwise would be entitled, the non-prevailing party shall pay to the prevailing party a reasonable sum for attorneys' fees and costs incurred in bringing and prosecuting or defending such action or enforcing any judgment, order, ruling, or award. Optionee agrees to timely notify the Company upon any change in the residence address indicated below, and acknowledges that the Company may at in its discretion deliver share certificates representing Shares issued pursuant to the exercise of this Option to such address. Optionee agrees to provide the Company within 7 days of the execution of this Option Agreement the Consent of Spouse attached hereto if applicable, or within 7 days of any event that would cause such consent to be applicable. Optionee acknowledges that the Company will rely on such agreement.

SUBSIDIARIES OF MARVELL

Subsidiary	Jurisdiction of Organization
Marvell UK Limited	United Kingdom
Marvell Asia Pte Ltd	Singapore
Marvell GmbH	Germany
Marvell Hong Kong Limited	Hong Kong
Marvell International Ltd.	Bermuda
Marvell Japan K.K.	Japan
Marvell Technology Japan Y.K.	Japan
Marvell Semiconductor, Inc.	California, United States
Marvell Semiconductor Israel Ltd.	Israel
Marvell Semiconductor Korea, Ltd.	Korea
Marvell T.I. Ltd.	Israel
Marvell Taiwan Ltd.	Taiwan
Marvell Technology, Inc.	Delaware, United States
Marvell World Trade Ltd.	Barbados
Radlan Computer Communications Ltd.	Israel
Radlan, Inc.	New Jersey, United States
Schneider & Koch Training and Consulting GmbH	Germany
SysKonnnect Inc.	California, United States
SysKonnnect GmbH	Germany
Marvell Technology (Beijing) Ltd.	China
Marvell Italia S.r.l.	Italy
Marvell Switzerland S.A.R.L.	Switzerland
Marvell India Private Limited	India

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-106833 and 333-129834) and S-8 (No. 333-56322, 333-55974, 333-54188, 333-40154, 333-40152, 333-87322, 333-91124, 333-104925, 333-106683, 333-108334, 333-111133, 333-114434 and 333-124072) of Marvell Technology Group Ltd. of our report dated April 13, 2006 relating to the consolidated financial statements, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
San Jose, California
April 13, 2006

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

I, Dr. Sehat Sutardja, certify that:

1. I have reviewed this annual report on Form 10-K 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: April 13, 2006

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 annual report on Form 10-K 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: April 13, 2006

By: /s/ GEORGE A. HERVEY

George A. Hervey
Vice President and Chief Financial Officer

CERTIFICATION 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 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge,

- (i) the Annual Report of the Company on Form 10-K for the fiscal year ended January 31, 2006 (the “Report”), fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934, as amended; 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: April 13, 2006

CERTIFICATION 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 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge,

- (i) the Annual Report of the Company on Form 10-K for the fiscal year ended January 31, 2006 (the "Report"), fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934, as amended; 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: April 13, 2006
