**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **August 28, 2008**

**MARVELL TECHNOLOGY GROUP LTD.**

(Exact name of registrant as specified in its charter)

**Bermuda**

(State or other jurisdiction of

incorporation)

**0-30877**

(Commission File Number)

**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)

**N/A**

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions (see General Instruction A.2. below):

* Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
* Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
* Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
* Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))



**Item 2.02 Results of Operations and Financial Condition.**

The information in this Current Report, including the accompanying exhibit, is being furnished and shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of Section 18. The information in this Current Report shall not be incorporated by reference into any registration statement or other document filed pursuant to the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language contained in such filing.

On August 28, 2008, Marvell Technology Group Ltd. (“Marvell”) issued a press release regarding its financial results for its second fiscal quarter ended August 2, 2008. A copy of the press release is furnished herewith as Exhibit 99.1 and is incorporated by reference herein.

**Discussion of Non-GAAP Financial Measures**

In addition to disclosing financial results calculated in accordance with GAAP, Marvell also reports adjusted net income and net income per share, referred to respectively as “non-GAAP net income” and “non-GAAP net income per share.” Non-GAAP measures exclude the effect of stock-based compensation, amortization of acquired intangible assets and restructuring costs.

Non-GAAP net income consists of net income (loss) excluding stock-based compensation expense as well as charges related to acquisitions and other charges and gains that are driven primarily by discrete events that management does not consider to be directly related to Marvell’s core operating performance. Non-GAAP net earnings per share is calculated by dividing non-GAAP net income by adjusted GAAP weighted average shares outstanding (diluted). For purposes of calculating non-GAAP earnings per share, the GAAP weighted average shares outstanding (diluted) is adjusted to exclude the potential benefits of compensation costs expected to be incurred in future periods, but not yet recognized in the financial statements. The expected compensation costs are treated as proceeds assumed to be used to repurchase shares under the GAAP treasury stock method and also include the dilutive/antidilutive effects of warrants, common stock options and restricted stock.

Marvell believes that the presentation of non-GAAP net income and non-GAAP net income per share provides important supplemental information to management and investors regarding financial and business trends relating to its financial condition and results of operations. While Marvell uses non-GAAP financial measures as a tool to enhance its understanding of certain aspects of its financial performance, Marvell does not consider these measures to be a substitute for, or superior to, the information provided by GAAP financial measures. Consistent with this approach, Marvell believes that disclosing non-GAAP financial measures to the readers of its financial statements provides such readers with useful supplemental data that, while not a substitute for GAAP financial measures, allows for greater transparency in the review of its financial and operational performance. Marvell has chosen to provide this information to investors to enable them to perform comparisons of operating results in a manner similar to how Marvell analyzes its operating results

internally. Management also believes that these non-GAAP financial measures may be used to facilitate comparisons of Marvell’s results with that of other companies in its industry.

Externally, management believes that investors may find Marvell’s non-GAAP net income information useful in their assessment of Marvell’s operating performance and the valuation of Marvell. Internally, Marvell’s non-GAAP net income and non-GAAP net income per share are used by management in the following areas:

* Management’s determination of pro forma EPS target-based stock-based bonus compensation for Marvell’s executive officers;
* Management’s evaluation of Marvell’s operating performance;
* Management’s establishment of internal operating budgets; and
* Management’s performance comparisons with internal forecasts and targeted business models.

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Non-GAAP net income reflects net income adjusted by the exclusion of the following items:

* *Stock-based compensation*. Stock-based compensation relates primarily to employee stock options and restricted stock units issued. Stock-based compensation expense is a non-cash expense that is difficult to predict as its valuation is affected by changes in market forces, such as the price of Marvell’s common shares, which is not within the control of management. Accordingly, management excludes this item from its internal operating forecasts and models.
* *Amortization and write-off of acquired intangible assets*. Purchased intangible assets relate primarily to existing and core technology, andcustomer relationships of acquired businesses. Management considers these charges non-cash in nature and unrelated to Marvell’s core operating performance.
* *Restructuring*. Restructuring represents charges/losses that are not directly related to Marvell’s ongoing or core business results.Management regularly excludes such items from internal operating forecasts and models because they are not considered a core operating activity for Marvell and because the frequency and variability in the nature of the charges can vary significantly from period to period. Excluding this data provides investors with a basis to compare Marvell against the performance of other companies without this variability.

The calculation of non-GAAP net income per share is adjusted for the following item:

* Non-GAAP net income per share is calculated by dividing non-GAAP net income by non-GAAP weighted average shares (diluted). For purposes of calculating non-GAAP net income per share, the GAAP weighted average shares outstanding (diluted) is adjusted to exclude the potential benefits of SFAS 123R compensation costs expected to be incurred in future periods but not yet recognized in the financial statements. The expected compensation costs are treated as proceeds assumed to be used to repurchase shares under the GAAP treasury stock method. GAAP weighted average shares outstanding (diluted) also includes the dilutive/antidilutive effects of warrants, common stock options and restricted stock. Since Marvell’s non-GAAP net income does not reflect the effects of these compensation costs, management believes these amounts should not be applied to the repurchase of shares in calculating non-GAAP net income per share.

Non-GAAP net income and non-GAAP net income per share should be considered supplemental to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. Non-GAAP financial measures have limitations in that they do not reflect all of the costs associated with the operations of Marvell’s business as determined in accordance with GAAP. As a result, you should not consider these measures in isolation or as a substitute for analysis of Marvell’s results as reported under GAAP. Marvell expects to continue to incur expenses similar to the non-GAAP adjustments described above, and exclusion of these items from Marvell’s non-GAAP net income should not be construed as an inference that these costs are unusual, infrequent or non-recurring. Some of the limitations in relying on non-GAAP net income and non-GAAP net income per share are:

* Non-GAAP net income does not account for stock compensation expense related to equity awards granted to Marvell’s employees. Marvell’s stock incentive plans are important components of its employee incentive compensation arrangements and are reflected as expenses in Marvell’s GAAP results under SFAS 123R, effective as of January 29, 2006. Prior to the adoption of SFAS 123R, Marvell’s GAAP results reflect stock compensation expense under Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees” and related guidance.
* While amortization of purchased intangible assets does not directly affect Marvell’s current cash position, such expense represents the declining value of the technology and other intangible assets that Marvell has acquired over their respective expected economic lives. The expense associated with this decline in value is excluded from the non-GAAP net income presentation, and therefore non-GAAP net income does not reflect the costs of acquired intangible assets that supplement Marvell’s research and development efforts.

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**Item 9.01** **Financial Statements and Exhibits.**

1. Exhibits.

99.1Press Release dated August 28, 2008.

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**SIGNATURE**

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

Dated: August 28, 2008

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | MARVELL TECHNOLOGY GROUP LTD. | |  |
|  |  | By: /s/ Clyde Hosein | |  |
|  |  |  | Clyde Hosein |  |
|  |  |  | Chief Financial Officer |  |
|  |  | 5 |  |  |
|  |  |  | |  |
|  |  | **EXHIBIT INDEX** | |  |
| **Exhibit No.** | | **Description** | |  |
| 99.1 |  | Press Release dated August 28, 2008. | |  |
|  |  |  |  |  |



**Exhibit 99.1**

**For further information, contact:**

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**Marvell Technology Reports Fiscal Second Quarter Results**

* **F2Q09 Revenue: $843 Million, up 28% Year-on-Year**
* **F2Q09 Net Income: $71 Million (GAAP), $154 Million (non-GAAP)**
* **F2Q09 EPS: $0.11 (GAAP), $0.24 (non-GAAP)**
* **F2Q09 Free Cash Flow: $167 Million**

**Santa Clara, California (August 28, 2008)** — Marvell Technology Group Ltd. (NASDAQ: MRVL), a leader in storage, communications and consumersilicon solutions, today reported financial results for the second quarter of fiscal year 2009, ended August 2, 2008.

Net revenue for the second quarter of fiscal 2009 was $842.6 million, an increase of 28 percent over $656.7 million in the second quarter of fiscal 2008, ended July 28, 2007, and a 4.8 percent sequential increase from $804 million in the first quarter of fiscal 2009, ended May 3, 2008.

“The results for our second quarter were better than we had anticipated. We demonstrated significant year over year revenue growth, sustained profitability and excellent free cash flow generation,” said Dr. Sehat Sutardja, Marvell Chairman and Chief Executive Officer. “We also continued to realize recurring benefits from our improved efficiency which combined with our revenue performance enabled us to achieve increased sequential growth in gross and operating margins.”

Marvell reports net income (loss), basic and diluted net income (loss) per share in accordance with U.S. generally accepted accounting principles (GAAP) and on a non-GAAP basis as outlined below. Reconciliations of GAAP net income (loss) to non-GAAP net income for the three and six months ended August 2, 2008 and July 28, 2007 appear in the financial statements below. Non-GAAP net income, where applicable, excludes the effect of stock-based compensation, amortization and write-offs of acquired intangible assets and restructuring costs.



GAAP net income was $71.4 million, or $0.11 per share (diluted), for the second quarter of fiscal 2009, compared with a GAAP net loss of $56.5 million, or a loss of $0.10 per share for the second quarter of fiscal 2008. In the first quarter of fiscal 2009 GAAP net income was $69.9 million, or $0.11 per share (diluted).

Non-GAAP net income increased to $154 million, or $0.24 per share (diluted) for the second quarter of fiscal 2009, a 288 percent increase compared with non-GAAP net income of $39.7 million, or $0.06 per share (diluted) for the second quarter of fiscal 2008 and an increase of 2 percent from non-GAAP net income of $150.4 million, or $0.24 per share (diluted) for the first quarter of fiscal 2009. Results for the first fiscal quarter of 2009 included one time benefits of $14.5 million, or approximately $0.02 per share.

Non-GAAP gross margin for the second quarter of fiscal 2009 was 52.3 percent, compared to non-GAAP gross margin of 52.0 percent for the first quarter of fiscal 2009 and non-GAAP gross margin of 49.4 percent for the second quarter of fiscal 2008.

Shares used to compute GAAP net income per share, for the second quarter of fiscal 2009 were 638 million shares (diluted), compared with 588 million shares in the second quarter of fiscal 2008 and 624 million shares (diluted) in the first quarter of fiscal 2009. Shares used to compute non-GAAP net income per diluted share for the second quarter of fiscal 2009 were 640 million shares compared with 630 million shares for the second quarter of fiscal 2008 and 624 million shares for the first quarter of fiscal 2009.

Cash flow from operations for the second quarter of fiscal 2009 was $183 million, up 40% sequentially from the $130 million reported in the first quarter of fiscal 2009. Free cash, defined as cash flow from operations, less investments in property, plant and equipment, was $167 million, up 67% sequentially from the $100 million reported in the first quarter of fiscal 2009.

**Conference Call**

Marvell will be conducting a conference call on August 28, 2008 at 1:45 p.m. PDT to discuss its second quarter of fiscal 2009 financial performance. The call is being webcast by Thomson/CCBN and can be accessed at Marvell’s web site at www.marvell.com. The conference call will also be available via the web at www.marvell.com. Please visit Marvell’s website, under the Investor Events section of the Investor Relations page. Replay on the Internet will be available until September 4, 2009.

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**Discussion of Non-GAAP Financial Measures**

Non-GAAP net income consists of net income excluding stock-based compensation expense as well as charges related to acquisitions and other charges and gains that are driven primarily by discrete events that management does not consider to be directly related to Marvell’s core operating performance. Non-GAAP earnings per share is calculated by dividing non-GAAP net income by non-GAAP weighted average shares outstanding (diluted). For purposes of calculating non-GAAP earnings per share, the GAAP weighted average shares outstanding (diluted) is adjusted to exclude the potential benefits of compensation costs expected to be incurred in future periods, but not yet recognized in the financial statements. The expected compensation costs are treated as proceeds assumed to be used to repurchase shares under the GAAP treasury stock method and also include the dilutive/antidilutive effects of warrants, common stock options and restricted stock.

Marvell believes that the presentation of non-GAAP net income and non-GAAP net income per share provides important supplemental information to management and investors regarding financial and business trends relating to the company’s financial condition and results of operations. While Marvell uses non-GAAP financial measures as a tool to enhance its understanding of certain aspects of its financial performance, Marvell does not consider these measures to be a substitute for, or superior to, the information provided by GAAP financial measures. Consistent with this approach, Marvell believes that disclosing non-GAAP financial measures to the readers of its financial statements provides such readers with useful supplemental data that, while not a substitute for GAAP financial measures, allows for greater transparency in the review of its financial and operational performance. For further information regarding why Marvell believes that these non-GAAP measures provide useful information to investors, the specific manner in which management uses these measures, and some of the limitations associated with the use of these measures, please refer to Marvell’s Current Report on Form 8-K filed today with the SEC. The Form 8-K is available on the SEC’s website at **www.sec.gov** as well as on the Marvell website in the Investor Relations section at www.marvell.com.

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**About Marvell**

Marvell Technology (NASDAQ: MRVL) is a leader in the development of storage, communications and consumer silicon solutions. Marvell’s diverse product portfolio includes switching, transceiver, communications controller, wireless, and storage solutions that power the entire communications infrastructure, including enterprise, metro, home, and storage networking. As used in this release, the terms “Company” and “Marvell” refer to Marvell Technology Group Ltd. and its subsidiaries. For more information visit www.marvell.com

**Forward-Looking Statements**

This press release contains forward-looking statements that involve risks and uncertainties concerning the Company’s use of non-GAAP net income and net income per share as important supplemental information. Actual events or results may differ materially from those described in this document due to a number of risks and uncertainties. These statements are not guarantees of results and are subject to risks and uncertainties that could cause actual results to differ materially from those anticipated in the forward-looking statements, including the Company’s reliance on major customers and suppliers; market acceptance of new products; and other risks detailed in Marvell’s SEC filings. When Marvell files its Form 10-Q for the second quarter of fiscal 2009, the financial statements may differ from the results disclosed in this press release because judgments and estimates that management used in preparing the financial results reported in this press release may need to be updated to the date of the filing. The Company’s results also remain subject to review by the Company’s independent registered public accounting firm. For other factors that could cause Marvell’s results to vary from expectations, please see the risk factors identified in the Marvell’s latest Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as filed with the SEC and other factors detailed from time to time in Marvell’s filings with the SEC. Marvell undertakes no obligation to revise or update publicly any forward-looking statements.

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**Marvell Technology Group Ltd.**

**Condensed Consolidated Statements of Operations**

**(Unaudited)**

**(In thousands, except per share amounts)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Three Months Ended** | | | |  |  |  |  |  | **Six Months Ended** | | | | | |  |
|  |  |  |  | **August 2,** | |  |  | **May 3,** | |  | **July 28,** |  |  |  | **August 2,** | |  |  | **July 28,** |  |  |
|  |  |  |  | **2008** |  |  |  | **2008** |  |  | **2007** |  |  |  | **2008** |  |  |  | **2007** |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net revenue | $ | | 842,575 | | $ | | 804,075 | | $ | 656,711 | | $ | | 1,646,650 |  | $ | | 1,291,761 | |  |
|  | Cost of goods sold |  |  | 405,913 | |  |  | 388,842 | |  | 335,530 |  |  |  | 794,755 | |  |  | 662,947 | |  |
|  | Gross profit |  |  | 436,662 |  |  |  | 415,233 |  |  | 321,181 |  |  |  | 851,895 |  |  |  | 628,814 |  |  |
|  | Operating expenses: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Research and development and other |  |  | 249,714 | |  |  | 238,475 | |  | 236,194 |  |  |  | 488,189 | |  |  | 470,327 | |  |
|  | Selling and marketing |  |  | 41,834 | |  |  | 46,088 | |  | 53,942 | |  |  | 87,922 | |  |  | 104,334 | |  |
|  | General and administrative |  |  | 30,989 | |  |  | 12,951 | |  | 33,775 | |  |  | 43,940 | |  |  | 57,763 | |  |
|  | Amortization of acquired intangible assets |  |  | 34,988 | |  |  | 35,247 | |  | 37,293 | |  |  | 70,235 | |  |  | 74,613 | |  |
|  | Total operating expenses |  |  | 357,525 |  |  |  | 332,761 |  |  | 361,204 |  |  |  | 690,286 |  |  |  | 707,037 |  |  |
|  | Operating income (loss) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | 79,137 |  |  | 82,472 |  | (40,023) |  |  | 161,609 |  |  | (78,223) |  |
|  | Interest and other income (expense), net |  |  | (2,690) | |  |  | (3,959) | |  | (6,814) | |  |  | (6,649) | |  |  | (15,470) | |  |
|  | Income (loss) before income taxes |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | 76,447 |  |  | 78,513 |  | (46,837) |  |  | 154,960 |  |  | (93,693) |  |
|  | Provision for income taxes |  |  | 5,080 | |  |  | 8,574 | |  | 9,619 |  |  |  | 13,654 | |  |  | 15,591 | |  |
|  | Net income (loss) |  | $ | 71,367 |  |  | $ | 69,939 |  | $ | (56,456) |  |  |  | 141,306 |  |  |  | (109,284) |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic net income (loss) per share | $ | | 0.12 | | $ | | 0.12 | | $ | (0.10) | | $ | | 0.23 | | $ | | (0.19) | |  |
|  | Diluted net income (loss) per share |  | $ | 0.11 |  |  | $ | 0.11 |  | $ | (0.10) |  |  | $ | 0.22 |  |  | $ | (0.19) |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Shares used in computing basic earnings per share |  |  | 606,860 | |  |  | 601,222 | |  | 587,534 |  |  |  | 604,041 | |  |  | 587,480 | |  |
|  | Shares used in computing diluted earnings per share |  |  | 637,832 | |  |  | 624,351 | |  | 587,534 |  |  |  | 631,091 | |  |  | 587,480 | |  |

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**Marvell Technology Group Ltd.**

**Reconciliation of Non-GAAP Adjustments**

**(Unaudited)**

**(In thousands, except per share amounts)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Three Months Ended** | | | | | |  |  |  |  |  | **Three Months Ended** | | | | | |  |  |  |
|  |  |  |  |  |  | **August 2, 2008** | | |  |  |  |  |  |  |  |  | **July 28, 2007** | | |  |  |  |  |  |
|  |  |  | **GAAP** | |  | **Adjustments** | | |  |  | **Non-GAAP** |  |  | **GAAP** | |  | **Adjustments** | | |  |  | **Non-GAAP** |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net revenue | $ | 842,575 | | $ | | — | | $ | | 842,575 | | $ | 656,711 | | $ | | — | | $ | | 656,711 | |  |
|  | Cost of goods sold |  | 405,913 | |  |  | 3,755 | | (a) | | 402,158 | |  | 335,530 | |  |  | 3,275 | | (a) | | 332,255 | |  |
|  | Gross profit |  | 436,662 |  |  |  | 3,755 |  |  |  | 440,417 |  |  | 321,181 |  |  |  | 3,275 |  |  |  | 324,456 |  |  |
|  | Gross margin |  | 51.8% | |  |  |  |  |  |  | 52.3% | |  | 48.9% | |  |  |  |  |  |  | 49.4% | |  |
|  | Operating expenses: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Research and development and other |  | 249,714 | |  |  | 32,998 | | (a) | | 216,716 | |  | 236,194 | |  |  | 34,591 | | (a) | | 201,603 | |  |
|  | Selling and marketing |  | 41,834 | |  |  | 6,159 | | (a) | | 35,675 | |  | 53,942 | |  |  | 10,977 | | (a) | | 42,965 | |  |
|  | General and administrative |  | 30,989 | |  |  | 4,715 | | (a) | | 26,274 | |  | 33,775 | |  |  | 10,033 | | (a) | | 23,742 | |  |
|  | Amortization of acquired intangible assets |  | 34,988 | |  |  | 34,988 | | (b) | | — | |  | 37,293 | |  |  | 37,293 | | (b) | | — | |  |
|  | Total operating expenses |  | 357,525 |  |  |  | 78,860 |  |  |  | 278,665 |  |  | 361,204 |  |  |  | 92,894 |  |  |  | 268,310 |  |  |
|  | Operating income (loss) |  | 79,137 |  |  |  | 82,615 |  |  |  | 161,752 |  |  | (40,023) |  |  |  | 96,169 |  |  |  | 56,146 |  |  |
|  | Interest and other income (expense), net |  | (2,690) | |  |  | — | |  |  | (2,690) | |  | (6,814) | |  |  | — | |  |  | (6,814) | |  |
|  | Income (loss) before income taxes |  | 76,447 |  |  |  | 82,615 |  |  |  | 159,062 |  |  | (46,837) |  |  |  | 96,169 |  |  |  | 49,332 |  |  |
|  | Provision for income taxes |  | 5,080 | |  |  | — | |  |  | 5,080 | |  | 9,619 | |  |  | — | |  |  | 9,619 | |  |
|  | Net income (loss) | $ | 71,367 |  |  | $ | 82,615 |  |  | $ | 153,982 |  | $ | (56,456 | ) |  | $ | 96,169 |  |  | $ | 39,713 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic net income (loss) per share | $ | 0.12 | |  |  |  |  | $ | | 0.25 | | $ | (0.10) | |  |  |  |  | $ | | 0.07 | |  |
|  | Diluted net income (loss) per share |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | $ | 0.11 |  |  |  |  | $ | 0.24 | $ | (0.10) | |  |  |  |  | $ | 0.06 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Shares used in computing basic earnings per |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | share |  | 606,860 | |  |  |  |  |  |  | 606,860 | |  | 587,534 | |  |  |  |  |  |  | 587,534 | |  |
|  | Shares used in computing diluted earnings per |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | share |  | 637,832 | |  |  |  |  |  |  | 640,147 | |  | 587,534 | |  |  |  |  |  |  | 630,258 | |  |



(a) Consists of

For three months ending August 2, 2008, employee stock-based compensation expense of $3,755 cost of goods sold, $32,998 research and development, $6,159 selling and marketing and $4,715 general and administrative

For three months ending July 28, 2007, employee stock-based compensation expense of $3,275 cost of goods sold, $34,591 research and development, $10,977 selling and marketing and $10,033 general and administrative

(b) Consists of

For three months ending August 2, 2008, amortization of intangible assets of $34,988 resulting from prior acquisitions For three months ending July 28, 2007, amortization of intangible assets of $37,293 resulting from prior acquisitions

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**Marvell Technology Group Ltd.**

**Reconciliation of Non-GAAP Adjustments**

**(Unaudited)**

**(In thousands, except per share amounts)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  | **Six Months Ended** | | |  |  |  |  |  |  |  | **Six Months Ended** | | |  |  |  |  |  |
|  |  |  |  |  |  |  | **August 2, 2008** | |  |  |  |  |  |  |  |  | **July 28, 2007** | |  |  |  |  |  |
|  |  |  | **GAAP** | |  |  | **Adjustments** | |  |  | **Non-GAAP** |  |  | **GAAP** | |  | **Adjustments** | |  |  | **Non-GAAP** |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net revenue | $ | 1,646,650 | | $ | | — | | $ | | 1,646,650 |  | $ | 1,291,761 | | $ | — | | $ | | 1,291,761 | |  |
|  | Cost of goods sold |  | 794,755 | |  |  | 6,828 | | (a) | | 787,927 |  |  | 662,947 | |  | 6,293 |  |  |  | 656,654 | |  |
|  | Gross profit |  | 851,895 |  |  |  | 6,828 |  |  |  | 858,723 |  |  | 628,814 |  |  | 6,293 |  |  |  | 635,107 |  |  |
|  | Gross margin |  | 51.7% | |  |  |  |  |  |  | 52.1% | |  | 48.7% | |  |  |  |  |  | 49.2% | |  |
|  | Operating expenses: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Research and development and |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | other |  | 488,189 | |  |  | 62,930 | | (a) | | 425,259 |  |  | 470,327 | |  | 66,633 | | (a) | | 403,694 | |  |
|  | Selling and marketing |  | 87,922 | |  |  | 13,507 | | (a) | | 74,415 | |  | 104,334 | |  | 18,148 | | (a) | | 86,186 | |  |
|  | General and administrative |  | 43,940 | |  |  | 9,588 | | (a) | | 34,352 | |  | 57,763 | |  | 14,590 | | (a) | | 43,173 | |  |
|  | Amortization of acquired |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | intangible assets |  | 70,235 | |  |  | 70,235 | | (b) | | — | |  | 74,613 | |  | 74,613 | | (b) | | — | |  |
|  | Total operating expenses |  | 690,286 |  |  |  | 156,260 |  |  |  | 534,026 |  |  | 707,037 |  |  | 173,984 |  |  |  | 533,053 |  |  |
|  | Operating income (loss) |  | 161,609 |  |  |  | 163,088 |  |  |  | 324,697 |  |  | (78,223) |  |  | 180,277 |  |  |  | 102,054 |  |  |
|  | Interest and other income |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | (expense), net |  | (6,649) | |  |  | — | |  |  | (6,649) | |  | (15,470) | |  | — | |  |  | (15,470) | |  |
|  | Income (loss) before income taxes |  | 154,960 |  |  |  | 163,088 |  |  |  | 318,048 |  |  | (93,693) |  |  | 180,277 |  |  |  | 86,584 |  |  |
|  | Provision for income taxes |  | 13,654 | |  |  | — | |  |  | 13,654 | |  | 15,591 | |  | — | |  |  | 15,591 | |  |
|  | Net income (loss) | $ | 141,306 |  |  | $ | 163,088 |  |  | $ | 304,394 |  | $ | (109,284) |  | $ | 180,277 |  |  | $ | 70,993 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic net income (loss) per share | $ | 0.23 | |  |  |  |  | $ | | 0.50 | | $ | (0.19) | |  |  |  | $ | | 0.12 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Diluted net income (loss) per share $ | | | 0.22 | | $ | | 0.48 | | $ | (0.19) | | $ | | 0.11 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Shares used in computing basic | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | earnings per share | | 604,041 | |  |  | 604,041 |  |  | 587,480 | |  |  | 587,480 | |  |
|  | Shares used in computing diluted | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | earnings per share | | 631,091 | |  |  | 632,294 |  |  | 587,480 | |  |  | 632,010 | |  |



(a) Consists of

For six months ending August 2, 2008, employee stock-based compensation expense of $6,828 cost of goods sold, $62,930 research and development, $13,507 selling and marketing and $9,588 general and administrative

For six months ending July 28, 2007, employee stock-based compensation expense of $6,293 cost of goods sold, $66,633 research and development, $18,148 selling and marketing and $14,590 general and administrative

(b) Consists of

For six months ending August 2, 2008, amortization of intangible assets of $70,235 resulting from prior acquisitions For six months ending July 28, 2007, amortization of intangible assets of $74,613 resulting from prior acquisitions

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**Marvell Technology Group Ltd.**

**Condensed Consolidated Balance Sheets**

**(Unaudited)**

**(In thousands)**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **August 2,** | |  | **February 2,** | |  |  |
|  |  |  |  | **2008** |  |  | **2008** |  |  |  |
|  | **Assets** |  |  |  |  |  |  |  |  |  |
|  | Current assets: |  |  |  |  |  |  |  |  |  |
|  | Cash, cash equivalents and short-term investments | $ | | 888,898 | | $ | 630,903 | |  |  |
|  | Accounts receivable, net |  |  | 470,646 | |  | 332,020 | |  |  |
|  | Inventory |  |  | 326,924 | |  | 419,493 | |  |  |
|  | Prepaid expenses and other current assets |  |  | 94,103 | |  | 121,325 | |  |  |
|  | Total current assets |  |  | 1,780,571 |  |  | 1,503,741 |  |  |  |
|  | Property and equipment, net |  |  | 412,988 | |  | 416,241 | |  |  |
|  | Long-term investments |  |  | 40,293 | |  | 45,628 | |  |  |
|  | Goodwill and acquired intangible assets |  |  | 2,357,606 | |  | 2,427,877 | |  |  |
|  | Other non-current assets |  |  | 132,627 | |  | 157,107 | |  |  |
|  | Total assets |  | $ | 4,724,085 |  | $ | 4,550,594 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
| **Liabilities and Shareholders’ Equity** |  |  |  |  |  |  |  |  |  |
|  | Current liabilities: |  |  |  |  |  |  |  |  |  |
|  | Accounts payable | $ | | 237,039 | | $ | 231,135 | |  |  |
|  | Accrued liabilities |  |  | 217,629 | |  | 241,062 | |  |  |
|  | Income taxes payable |  |  | 37,008 | |  | 39,132 | |  |  |
|  | Deferred income |  |  | 62,005 | |  | 69,420 | |  |  |
|  | Current portion of capital lease obligations |  |  | 1,933 | |  | 2,463 | |  |  |
|  | Total current liabilities |  |  | 555,614 |  |  | 583,212 |  |  |  |
|  | Capital lease obligations |  |  | 3,363 | |  | 4,238 | |  |  |
|  | Term loan obligations |  |  | 288,750 | |  | 390,750 | |  |  |
|  | Other long-term liabilities |  |  | 169,666 | |  | 160,875 | |  |  |
|  | Total liabilities |  |  | 1,017,393 |  |  | 1,139,075 |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
| Shareholders’ equity: |  |  |  |  |  |  |  |  |  |
|  | Common stock |  |  | 1,221 | |  | 1,200 | |  |  |
|  | Additional paid-in capital |  |  | 4,256,384 | |  | 4,100,659 | |  |  |
|  | Accumulated other comprehensive income (loss) |  |  | (1,264) | |  | 615 | |  |  |
|  | Accumulated deficit |  |  | (549,649) | |  | (690,955) | |  |  |
|  | Total shareholders’ equity |  |  | 3,706,692 |  |  | 3,411,519 |  |  |  |
|  | Total liabilities and shareholders’ equity |  | $ | 4,724,085 |  | $ | 4,550,594 |  |  |  |
|  |  | 8 |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |



**Marvell Technology Group Ltd.**

**Condensed Consolidated Statements of Cash Flows**

**(Unaudited)**

**(in thousands)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | **Six Months Ended** | | | |
|  | **August 2,** |  |  | **July 28,** |  |
|  | **2008** |  |  | **2007** |  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Cash flows from operating activities: |  |  |  |  |  |  |  |  |
| Net income (loss) | $ | 141,306 |  | $ | (109,284) | |  |  |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |  |  |  |  |  |  |  |  |
| Depreciation and amortization |  | 56,650 | |  | 52,420 | |  |  |
| Stock-based compensation |  | 92,853 | |  | 105,664 |  |  |  |
| Amortization of acquired intangible assets |  | 70,235 | |  | 74,613 | |  |  |
| Loss from disposal of assets |  | — | |  | (5,122) | |  |  |
| Fair market value adjustment to Intel inventory sold |  | (10,757) | |  | (77,641) | |  |  |
| Interest expense related to supply contract |  | — | |  | 3,023 |  |  |  |
| Excess tax benefits from stock-based compensation |  | (494) | |  | (235) | |  |  |
| Changes in assets and liabilities, net of acquisitions: |  |  |  |  |  |  |  |  |
| Restricted cash |  | (24,500) | |  | — | |  |  |
| Accounts receivable |  | (138,626) | |  | (28,702) | |  |  |
| Inventories |  | 103,327 |  |  | (88,748) | |  |  |
| Prepaid expenses and other assets |  | 42,810 | |  | 53,992 | |  |  |
| Accounts payable |  | 5,878 |  |  | 22,334 | |  |  |
| Accrued liabilities and other |  | (33,999) | |  | (26,199) | |  |  |
| Accrued employee compensation |  | 9,995 |  |  | 855 | |  |  |
| Income taxes payable |  | 5,814 |  |  | 3,928 |  |  |  |
| Deferred income |  | (7,415) | |  | 8,318 |  |  |  |
| Net cash provided by (used in) operating activities |  | 313,077 |  |  | (10,784) |  |  |  |
| Cash flows from investing activities: |  |  |  |  |  |  |  |  |
| Cash paid in acquisitions, net |  | — | |  | (7,141) | |  |  |
| Purchases of short-term and long-term investments |  | (10,172) | |  | (113,651) | |  |  |
| Sales and maturities of short-term and long-term investments |  | 23,793 | |  | 50,021 | |  |  |
| Acquisition costs |  | — | |  | (1,138) | |  |  |
| Purchases of property and equipment |  | (46,532) | |  | (64,513) | |  |  |
| Purchases of technology licenses |  | (1,250) | |  | (16,850) | |  |  |
| Proceeds from sale of assets under construction |  | — | |  | 5,122 |  |  |  |
| Net cash used in investing activities |  | (34,161) |  |  | (148,150) |  |  |  |
| Cash flows from financing activities: |  |  |  |  |  |  |  |  |
| Proceeds from the issuance of common stock and other |  | 67,656 | |  | 2,681 |  |  |  |
| Principal payments on capital lease and debt obligations |  | (103,405) | |  | (7,811) | |  |  |
| Excess tax benefits from stock-based compensation |  | 494 | |  | 235 | |  |  |
| Net cash used in financing activities |  | (35,255) |  |  | (4,895) |  |  |  |
| Net increase (decrease) in cash and cash equivalents |  | 243,661 |  |  | (163,829) |  |  |  |
| Cash and cash equivalents at beginning of period |  | 615,648 |  |  | 568,008 |  |  |  |
| Cash and cash equivalents at end of period | $ | 859,309 |  | $ | 404,179 |  |  |  |
| 9 |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |

