**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 19, 2010**



**MARVELL TECHNOLOGY GROUP LTD.**

**(Exact name of registrant as specified in its charter)**



**Bermuda**

**0-30877**

**77-0481679**

**(State or other jurisdiction**

**of incorporation)**

**(Commission**

**File Number)**

**(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 Item 2.02 of 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 Item 2.02 of 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 19, 2010, Marvell Technology Group Ltd. (“Marvell”) issued a press release regarding its financial results for its second fiscal quarter ended July 31, 2010. 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 U.S. generally accepted accounting principles (“GAAP”), Marvell also reports non-GAAP financial measures. Pursuant to the requirements of Regulation G, Marvell has provided reconciliations with the press release of the non-GAAP financial measures to the most directly comparable GAAP financial measures included in the press release. Non-GAAP financial measures exclude the effect of stock-based compensation, amortization and write-offs of acquired intangible assets, restructuring costs and certain other expenses and benefits.

Marvell believes that the presentation of non-GAAP financial measures provides important supplemental information to management and investors regarding financial and business trends relating to its financial condition and results of operations. 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 financial measures useful in their assessment of Marvell’s operating performance and the valuation of Marvell. Internally, Marvell’s non-GAAP financial measures are used by management in the following areas:

* Management’s determination of the pro forma EPS target utilized to measure the achievement of stock-based bonus compensation for certain Marvell 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.

Non-GAAP financial measures are 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-basedcompensation 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, and customerrelationships of acquired businesses. Management considers these charges non-cash in nature and unrelated to Marvell’s core operating performance.

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* *Restructuring*. Restructuring represents charges that are not directly related to Marvell’s ongoing or core business results. Management regularlyexcludes 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’s performance against the performance of other companies without this variability.
* *Other*. From time to time, Marvell has other costs/benefits that are not directly related to Marvell’s ongoing or core business results. For example, inthe six months ended August 1, 2009, Marvell recorded a $72 million charge in connection with the settlement of a class action lawsuit related to its historical stock option granting practices. As the litigation directly related to stock compensation costs, which are consistently excluded from Marvell’s non-GAAP results, Marvell excluded the settlement costs as well.

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 stock-based 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. 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 financial measures 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.

**Item 8.01** **Other Events.**

Marvell also announced today that its Board of Directors has authorized a program to repurchase up to $500 million of its outstanding common shares, depending on market conditions and other factors. Marvell intends to effect the repurchase program in accordance with the conditions of Rule 10b-18 under the Exchange Act. The repurchase program will be subject to market conditions and other factors and does not obligate Marvell to repurchase any dollar amount or number of its common shares. The program may be extended, modified, suspended or discontinued at any time.

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

1. Exhibits.

99.1 Press Release dated August 19, 2010

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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 19, 2010

MARVELL TECHNOLOGY GROUP LTD.

By: /S/ CLYDE R. HOSEIN



**Clyde R. Hosein**

**Chief Financial Officer and Secretary**

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**EXHIBIT INDEX**

**Exhibit**

**No.** **Description**



99.1 Press Release dated August 19, 2010

**Exhibit 99.1**

|  |  |  |  |
| --- | --- | --- | --- |
| **For further information, contact:** | |  |  |
| Jeff Palmer | | Tom Hayes | |
| Investor Relations | | Corporate Marketing | |
| 408-222-8373 |  | 408-222-2815 |  |
| jpalmer@marvell.com | | tom@marvell.com | |
|  |  |  |  |

**Marvell Technology Group Ltd. Reports Second Quarter of Fiscal 2011 Results**

***Revenue: $896 Million, Up 5 Percent Sequentially***

***GAAP Net Income: $220 Million, $0.33 per share EPS***

***Free Cash Flow: $292 Million, 33 Percent of Revenue***

***Announces $500 Million Share Repurchase Plan***

**Santa Clara, California (August 19, 2010)** — Marvell Technology Group Ltd. (NASDAQ: MRVL), a global leader in integrated silicon solutions today reportedfinancial results for the second quarter of fiscal 2011, ended July 31, 2010.

Net revenue for the second quarter of fiscal 2011 was $896 million, a 40 percent increase from $641 million in the second quarter of fiscal 2010, ended August 1, 2009, and a 5 percent sequential increase from $856 million in the first quarter of fiscal 2011, ended May 1, 2010.

GAAP net income was $220 million, or $0.33 per share (diluted), for the second quarter of fiscal 2011, compared with a GAAP net income of $58 million, or

$0.09 per share (diluted), for the second quarter of fiscal 2010. GAAP net income in the first quarter of fiscal 2011 was $206 million, or $0.30 per share (diluted).

Non-GAAP net income was $273 million, or $0.40 per share (diluted), for the second quarter of fiscal 2011, as compared with non-GAAP net income of $119 million, or $0.18 per share (diluted), for the second quarter of fiscal 2010. Non-GAAP net income for the first quarter of fiscal 2011 was $260 million, or $0.38 per share (diluted).

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“We delivered excellent results for the second quarter,” said Dr. Sehat Sutardja, Marvell’s Chairman and Chief Executive Officer. “We experienced significant revenue growth in our mobile and wireless end market which increased over 50 percent sequentially, and over 140 percent year over year, while revenue from our networking end market grew 4 percent sequentially, and over 30 percent year over year. Despite the challenges of a softening macroeconomic environment for PCs, we continue to deliver best in class profitability on both operating and cash flow margins, demonstrating the robustness of our long-term business model driven by the transformation of our revenues to the mobile and wireless semiconductor end market. Given the long-term confidence we have in our business model, we are pleased to announce the Board of Directors has authorized a share repurchase program of $500 million.”

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 months ended July 31, 2010, May 1, 2010 and August 1, 2009 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, restructuring costs and certain other expenses or benefits.

GAAP gross margin for the second quarter of fiscal 2011 was 59.1 percent, compared to 55.0 percent for the second quarter of fiscal 2010 and 59.8 percent for the first quarter of fiscal 2011.

Non-GAAP gross margin for the second quarter of fiscal 2011 was 59.3 percent, compared to 55.3 percent for the second quarter of fiscal 2010 and 60.6 percent for the first quarter of fiscal 2011.

Shares used to compute GAAP net income per diluted share for the second quarter of fiscal 2011 were 675 million shares, compared with 648 million shares in the second quarter of fiscal 2010 and 678 million shares in the first quarter of fiscal 2011. Shares used to compute non-GAAP net income per diluted share for the second quarter of fiscal 2011 were 678 million shares, compared with 652 million shares for the second quarter of fiscal 2010 and 681 million shares for the first quarter of fiscal 2011.

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Cash flow from operations for the second quarter of fiscal 2011 was $319 million, up from the $182 million in the second quarter of fiscal 2010 and up from the $256 million reported in the first quarter of fiscal 2011. Free cash flow for the second quarter of fiscal 2011 was $292 million, up from the $175 million reported in second quarter of fiscal 2010, and up from the $237 million reported in the first quarter of fiscal 2011. Free cash flow as presented above is defined as cash flow from operations, less capital expenditures and purchases of technology licenses.

**Share Repurchase Program**

Marvell also announced today that its Board of Directors has authorized a program to repurchase up to $500 million of its outstanding common shares, depending on market conditions and other factors.

Marvell intends to effect the repurchase program in accordance with the conditions of Rule 10b-18 under the Securities Exchange Act of 1934, as amended. The repurchase program will be subject to market conditions and other factors and does not obligate Marvell to repurchase any dollar amount or number of its common shares. The program may be extended, modified, suspended or discontinued at any time. The repurchases, which are expected to be funded from Marvell’s current cash and short-term position of over $2.3 billion, may occur in open market, privately negotiated or block transactions. As of July 31, 2010, Marvell had approximately 650 million common shares outstanding.

**Conference Call**

Marvell will be conducting a conference call on August 19, 2010 at 1:45 p.m. Pacific Time to discuss results for the second quarter of fiscal 2011. Interested parties may join the conference call by dialing **1-866-314-5050, pass-code 24135453**. The call will be webcast by Thomson Reuters and can be accessed at the Marvell Investor Relations website at http://investor.marvell.com/ with a replay available following the call until September 19, 2010.

**Discussion of Non-GAAP Financial Measures**

Non-GAAP financial measures exclude stock-based compensation expense as well as charges related to acquisitions, restructuring, gains and other charges 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

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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 common stock options and restricted stock.

Marvell believes that the presentation of non-GAAP financial measures provide important supplemental information to management and investors regarding financial and business trends relating to Marvell’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.

**About Marvell**

Marvell Technology Group Ltd. (NASDAQ: MRVL) is a global 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 term the “Company” and “Marvell” refer to Marvell Technology Group Ltd. and its subsidiaries. For more information please visit www.marvell.com.

**Forward-Looking Statements**

This press release contains forward-looking statements that involve risks and uncertainties, including statements regarding the sustainability of the Company’s long term business model to deliver best in class profitability on both operating and cash flow margins; the Company’s ability to fund common share purchases out of the

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Company’s current cash position; the types of transactions pursuant to which repurchases will be made under the share repurchase program; and statements concerning the Company’s use of non-GAAP financial measures as important supplemental information. These statements are not guarantees of results and should not be considered as an indication of future performance. Actual events or results may differ materially from those described in this document due to a number of risks and uncertainties, including, among others, the Company’s financial condition and results of operations may vary from quarter to quarter; the impact of global economic conditions on the Company’s business; significant dependence on the hard disk drive industry; highly competitive nature of the markets in which the Company competes; reliance on a few customers; market acceptance of the Company’s products; and the impact of current or future intellectual property litigation and claims for indemnification. For other factors that could cause Marvell’s results to vary from expectations, please see the risk factors identified in Marvell’s latest Annual Report on Form 10-K for the year ended January 30, 2010, subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K as filed with the SEC. When Marvell files its Form 10-Q for the second quarter of fiscal 2011, 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. 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** | | | | |  |
|  |  |  |  | **July 31,** |  |  | **May 1,** | |  | **August 1,** | |  |  |  | **July 31,** |  |  | **August 1,** |  |  |
|  |  |  |  | **2010** |  |  | **2010** |  |  |  | **2009** |  |  |  | **2010** |  |  | **2009** |  |  |
|  | Net revenue | $ | | 896,474 | $ | | 855,579 | | $ | | 640,620 | | $ | | 1,752,053 | $ | | 1,162,054 | |  |
|  | Cost of goods sold |  |  | 366,682 |  |  | 343,985 | |  |  | 288,059 | |  |  | 710,667 |  |  | 545,689 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Gross profit |  |  | 529,792 |  |  | 511,594 | |  |  | 352,561 | |  |  | 1,041,386 |  |  | 616,365 | |  |
|  | Operating expenses: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Research and development |  |  | 228,211 |  |  | 219,111 | |  |  | 196,190 | |  |  | 447,322 |  |  | 402,279 | |  |
|  | Selling and marketing |  |  | 36,863 |  |  | 38,423 | |  |  | 32,908 | |  |  | 75,286 |  |  | 66,818 | |  |
|  | General and administrative |  |  | 25,440 |  |  | 23,108 | |  |  | 29,468 | |  |  | 48,548 |  |  | 132,196 | |  |
|  | Amortization and write-off of acquired intangible assets |  |  | 21,214 |  |  | 22,549 | |  |  | 26,446 | |  |  | 43,763 |  |  | 56,802 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Total operating expenses |  |  | 311,728 |  |  | 303,191 | |  |  | 285,012 | |  |  | 614,919 |  |  | 658,095 | |  |
| Operating income (loss) | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | 218,064 |  |  | 208,403 | |  |  | 67,549 | |  |  | 426,467 |  |  | (41,730) | |  |
|  | Interest and other income (expense), net |  |  | 4,212 |  |  | (3,752) | |  |  | 279 | |  |  | 460 |  |  | 119 | |  |
| Income (loss) before income taxes | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | 222,276 |  |  | 204,651 | |  |  | 67,828 | |  |  | 426,927 |  |  | (41,611) | |  |
|  | Provision (benefit) for income taxes |  |  | 2,499 |  |  | (1,116) | |  |  | 9,335 | |  |  | 1,383 |  |  | 11,353 | |  |
| Net income (loss) | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | $ | 219,777 | $ | | 205,767 | | $ | | 58,493 | | $ | | 425,544 |  |  | (52,964) | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic net income (loss) per share |  | $ | 0.34 | $ | | 0.32 | | $ | | 0.09 | | $ | | 0.66 | $ | | (0.09) | |  |
| Diluted net income (loss) per share | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| $ | | 0.33 | $ | | 0.30 | | $ | | 0.09 | | $ | | 0.63 | $ | | (0.09) | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Shares used in computing basic earnings (loss) per share |  |  | 648,028 |  |  | 640,926 | |  |  | 620,881 | |  |  | 644,477 |  |  | 619,779 | |  |
|  | Shares used in computing diluted earnings (loss) per share |  |  | 675,220 |  |  | 678,059 | |  |  | 648,110 | |  |  | 676,639 |  |  | 619,779 | |  |
|  |  | 6 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

**Marvell Technology Group Ltd.**

**Reconciliation of GAAP Net Income to Non-GAAP Net Income**

**(Unaudited)**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Three Months Ended** | | | |  |  |  |  |  |  | **Six Months Ended** | | | | |  |
|  |  |  | **July 31,** | |  |  | **May 1,** | |  | **August 1,** | |  |  |  | **July 31,** | | **August 1,** | |  |  |
|  |  |  | **2010** |  |  |  | **2010** |  |  |  | **2009** |  |  |  | **2010** |  |  | **2009** |  |  |
|  | GAAP net income (loss) | $ | 219,777 |  | $ | | 205,767 | | $ | | 58,493 | | $ | | 425,544 |  | $ | (52,964) | |  |
|  | Stock-based compensation |  | 30,689 |  |  |  | 26,896 | |  |  | 30,015 | |  |  | 57,585 |  |  | 61,663 | |  |
|  | Amortization and write-off of acquired intangible assets |  | 21,214 |  |  |  | 22,549 | |  |  | 26,446 | |  |  | 43,763 |  |  | 56,802 | |  |
|  | Restructuring *(a)* |  | 1,660 |  |  |  | 586 | |  |  | 4,956 | |  |  | 2,246 |  |  | 13,292 | |  |
|  | Legal/Tax related matters *(b)* |  | — | |  |  | 4,373 | |  |  | (1,202) | |  |  | 4,373 |  |  | 70,798 | |  |
|  | Other *(c)* |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  | 990 |  |  |
|  | Non-GAAP net income | $ | 273,340 |  | $ | | 260,171 | | $ | | 118,708 | | $ | | 533,511 |  | $ | 150,581 | |  |
|  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| GAAP weighted average shares - diluted | |  | 675,220 |  |  |  | 678,059 | |  |  | 648,110 | |  |  | 676,639 |  |  | 619,779 | |  |
|  | Non-GAAP adjustment |  | 3,131 |  |  |  | 3,310 |  |  |  | 3,651 |  |  |  | 3,273 |  |  | 24,404 |  |  |
| Non-GAAP weighted average shares diluted *(d)* | |  | 678,351 |  |  |  | 681,369 | |  |  | 651,761 | |  |  | 679,912 |  |  | 644,183 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| GAAP diluted net income (loss) per share | $ | 0.33 |  | $ | | 0.30 | | $ | | 0.09 | | $ | | 0.63 |  | $ | (0.09) | |  |
| Non-GAAP diluted net income per share | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| $ | 0.40 |  | $ | | 0.38 | | $ | | 0.18 | | $ | | 0.78 |  | $ | 0.23 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| GAAP gross profit: | $ | 529,792 |  | $ | | 511,594 | | $ | | 352,561 | | $ | | 1,041,386 |  | $ | 616,365 | |  |
|  | Stock-based compensation |  | 1,692 |  |  |  | 2,236 | |  |  | 1,810 | |  |  | 3,928 |  |  | 5,926 | |  |
|  | Other |  | — |  |  |  | 4,373 |  |  |  | — |  |  |  | 4,373 |  |  | 990 |  |  |
| Non-GAAP gross profit | | $ | 531,484 |  | $ | | 518,203 | | $ | | 354,371 | | $ | | 1,049,687 |  | $ | 623,281 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| GAAP gross profit as a % of revenue |  | 59.1% | |  |  | 59.8% | |  |  | 55.0% | |  |  | 59.4% | |  | 53.0% | |  |
|  | Stock-based compensation |  | 0.2% | |  |  | 0.3% | |  |  | 0.3% | |  |  | 0.2% | |  | 0.5% | |  |
|  | Other |  | — |  |  |  | 0.5% | |  |  | — | |  |  | 0.3% | |  | 0.1% | |  |
| Non-GAAP gross profit | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | 59.3% | |  |  | 60.6% | |  |  | 55.3% | |  |  | 59.9% | |  | 53.6% | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| GAAP research and development: | $ | 228,211 |  | $ | | 219,111 | | $ | | 196,190 | | $ | | 447,322 |  | $ | 402,279 | |  |
|  | Stock-based compensation |  | (22,089) | |  |  | (18,851) | |  |  | (22,193) | |  |  | (40,940) | |  | (43,930) | |  |
|  | Restructuring |  | (1,370) | |  |  | (129) | |  |  | (3,526) | |  |  | (1,499) | |  | (9,366) | |  |
|  | Legal/Tax settlement |  | — |  |  |  | — |  |  |  | 1,820 |  |  |  | — |  |  | 1,820 |  |  |
|  | Non-GAAP research and development | $ | 204,752 |  | $ | | 200,131 | | $ | | 172,291 | | $ | | 404,883 |  | $ | 350,803 | |  |
|  | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| GAAP selling and marketing: | | $ | 36,863 |  | $ | | 38,423 | | $ | | 32,908 | | $ | | 75,286 |  | $ | 66,818 | |  |
|  | Stock-based compensation |  | (2,397) | |  |  | (3,173) | |  |  | (3,659) | |  |  | (5,570) | |  | (7,370) | |  |
|  | Restructuring |  | — | |  |  | — | |  |  | (524) | |  |  | — | |  | (1,788) | |  |
|  | Legal/Tax settlement |  | — |  |  |  | — |  |  |  | 659 |  |  |  | — |  |  | 659 |  |  |
| Non-GAAP selling and marketing | | $ | 34,466 |  | $ | | 35,250 | | $ | | 29,384 | | $ | | 69,716 |  | $ | 58,319 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| GAAP general and administrative: | $ | 25,440 |  | $ | | 23,108 | | $ | | 29,468 | | $ | | 48,548 |  | $ | 132,196 | |  |
|  | Stock-based compensation |  | (4,511) | |  |  | (2,636) | |  |  | (2,353) | |  |  | (7,147) | |  | (4,437) | |  |
|  | Restructuring |  | (290) | |  |  | (457) | |  |  | (906) | |  |  | (747) | |  | (2,138) | |  |
|  | Legal/Tax settlement |  |  |  |  |  | — |  |  |  | 158 |  |  |  | — |  |  | (71,842) | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Non-GAAP general and administrative | $ | 20,639 |  | $ | | 20,015 | | $ | | 26,367 | | $ | | 40,654 |  | $ | 53,779 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

1. Amounts represent restructuring related charges including severance costs from reductions in force, asset impairment and a charge related to facilities impairment.
2. Fiscal quarter ended May 1, 2010 includes an amount representing the portion of an IP litigation settlement related to previous fiscal years from 2003 through 2010. The six months ended August 1, 2009 includes a $72.0 million charge in connection with the settlement of the class action litigation. Fiscal quarter ended August 1, 2009 includes the net impact of our settlement with the IRS related to our historical stock option practices. As the composition of the settlement was different than the initial reserve, the net benefit includes a $2.6 million benefit to operating expense with an offset of $1.4 million of interest expense.
3. The six months ended August 1, 2009 includes underutilization charges recorded in connection with the rampdown of the Malaysia test operations.
4. For purposes of calculating non-GAAP diluted net income per share, the GAAP diluted weighted average shares outstanding is adjusted to exclude the benefits of stock compensation costs attributable to future services and not yet recognized in the financial statements.

7

**Marvell Technology Group Ltd.**

**Condensed Consolidated Balance Sheets**

**(Unaudited)**

**(In thousands)**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **July 31,** |  | **January 30,** | | |  |
|  |  |  |  | **2010** |  |  | **2010** |  |  |
|  | **Assets** |  |  |  |  |  |  |  |  |
|  | Current assets: |  |  |  |  |  |  |  |  |
|  | Cash, cash equivalents, and short-term investments | $ | | 2,379,951 | $ | | 1,796,717 | |  |
|  | Accounts receivable, net |  |  | 490,755 |  |  | 356,796 | |  |
|  | Inventories |  |  | 239,320 |  |  | 241,541 | |  |
|  | Prepaid expenses and other current assets |  |  | 72,045 |  |  | 70,491 |  |  |
|  | Total current assets |  |  | 3,182,071 |  |  | 2,465,545 | |  |
|  | Property and equipment, net |  |  | 343,445 |  |  | 342,497 | |  |
|  | Long-term investments |  |  | 34,184 |  |  | 34,281 | |  |
|  | Goodwill and acquired intangible assets, net |  |  | 2,153,424 |  |  | 2,176,763 | |  |
|  | Other non-current assets |  |  | 154,153 |  |  | 151,854 |  |  |
|  | Total assets | $ | | 5,867,277 | $ | | 5,170,940 | |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| **Liabilities and Shareholders’ Equity** |  |  |  |  |  |  |  |  |
|  | Current liabilities: |  |  |  |  |  |  |  |  |
|  | Accounts payable | $ | | 385,509 | $ | | 277,405 | |  |
|  | Accrued liabilities |  |  | 201,787 |  |  | 207,877 | |  |
|  | Income taxes payable |  |  | 19,204 |  |  | 19,992 | |  |
|  | Deferred income |  |  | 86,019 |  |  | 59,396 | |  |
|  | Current portion of capital lease obligations |  |  | 1,501 |  |  | 1,940 |  |  |
|  | Total current liabilities |  |  | 694,020 |  |  | 566,610 | |  |
|  | Capital lease obligations, net of current portion |  |  | — |  |  | 511 | |  |
|  | Other long-term liabilities |  |  | 190,352 |  |  | 185,840 |  |  |
|  | Total liabilities |  |  | 884,372 |  |  | 752,961 | |  |
| Shareholders’ equity: | |  |  |  |  |  |  |  |  |
|  | Common stock |  |  | 1,300 |  |  | 1,277 | |  |
|  | Additional paid-in capital |  |  | 4,745,787 |  |  | 4,607,844 | |  |
|  | Accumulated other comprehensive gain (loss) |  |  | 531 |  |  | (885) | |  |
|  | Retained earnings (accumulated deficit) |  |  | 235,287 |  |  | (190,257) | |  |
|  | Total shareholders’ equity |  |  | 4,982,905 |  |  | 4,417,979 |  |  |
|  | Total liabilities and shareholders’ equity | $ | | 5,867,277 | $ | | 5,170,940 | |  |
|  |  | 8 |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |

**Marvell Technology Group Ltd.**

**Condensed Consolidated Statements of Cash Flows**

**(Unaudited)**

**(in thousands)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **Three Months Ended** | | | | | |  | **Six Months Ended** | | | | |  |
|  |  |  | **July 31,** | |  |  | **August 1,** |  |  | **July 31,** | |  | **August 1,** |  |  |
|  |  |  | **2010** |  |  |  | **2009** |  |  | **2010** |  |  | **2009** |  |  |
|  | Cash flows from operating activities: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Net income (loss) | $ | 219,777 | | $ | | 58,493 |  | $ | 425,544 | | $ | (52,964) | |  |
|  | Adjustments to reconcile net income (loss) to net cash provided by operating activities: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Depreciation and amortization |  | 22,773 | |  |  | 25,030 |  |  | 45,851 | |  | 50,405 | |  |
|  | Stock-based compensation |  | 30,689 | |  |  | 30,015 |  |  | 57,585 | |  | 61,663 | |  |
|  | Amortization and write-off of acquired intangible assets |  | 21,214 | |  |  | 26,446 |  |  | 43,763 | |  | 56,802 | |  |
|  | Amortization of marketable securities premium |  | 2,777 | |  |  | — | |  | 4,812 | |  | — | |  |
|  | Facilities impairment |  | 1,140 | |  |  | — | |  | 1,140 | |  | — | |  |
|  | Fair market value adjustment to Intel inventory sold |  | (1,048) | |  |  | (1,733) | |  | (1,990) | |  | (3,076) | |  |
|  | Excess tax benefits from stock-based compensation |  | (44) | |  |  | (40) | |  | (229) | |  | (69) | |  |
|  | Deferred income taxes |  | (1,457) | |  |  | 5,868 |  |  | (1,457) | |  | 5,868 | |  |
|  | Changes in assets and liabilities: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Accounts receivable |  | (42,062) | |  |  | (43,095) | |  | (133,959) | |  | (106,361) | |  |
|  | Inventories |  | (31,501) | |  |  | (5,694) | |  | 3,916 | |  | 100,587 | |  |
|  | Prepaid expenses and other assets |  | (3,927) | |  |  | (5,409) | |  | 6,454 | |  | 8,921 | |  |
|  | Accounts payable |  | 93,949 | |  |  | 103,043 |  |  | 98,775 | |  | 133,781 | |  |
|  | Accrued liabilities and other |  | (50) | |  |  | 5,604 |  |  | 2,248 | |  | 69,059 | |  |
|  | Accrued employee compensation |  | 4,406 | |  |  | (14,007) | |  | (6,100) | |  | (974) | |  |
|  | Income taxes payable |  | (88) | |  |  | 3,585 |  |  | 1,853 | |  | 4,928 | |  |
|  | Deferred income |  | 2,690 | |  |  | (5,773) | |  | 26,623 | |  | (1,708) | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Net cash provided by operating activities |  | 319,238 | |  |  | 182,333 |  |  | 574,829 | |  | 326,862 | |  |
|  | Cash flows from investing activities: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Purchases of investments |  | (522,932) | |  |  | — | |  | (710,810) | |  | — | |  |
|  | Sales and maturities of securities |  | 198,305 | |  |  | 50 |  |  | 347,745 | |  | 50 | |  |
|  | Cash paid for acquisitions, net |  | (20,679) | |  |  | — | |  | (20,679) | |  | — | |  |
|  | Purchases of technology licenses |  | (4,569) | |  |  | (3,250) | |  | (6,819) | |  | (12,550) | |  |
|  | Purchases of property and equipment |  | (22,903) | |  |  | (3,765) | |  | (39,298) | |  | (7,179) | |  |
|  | Net cash used in investing activities |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | (372,778) | |  |  | (6,965) | |  | (429,861) | |  | (19,679) | |  |
|  | Cash flows from financing activities: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Proceeds from the issuance of common shares |  | 31,789 | |  |  | 20,636 |  |  | 80,477 | |  | 21,021 | |  |
|  | Principal payments on capital lease obligations |  | (480) | |  |  | (442) | |  | (950) | |  | (875) | |  |
|  | Excess tax benefits from stock-based compensation |  | 44 | |  |  | 40 |  |  | 229 | |  | 69 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Net cash provided by financing activities |  | 31,353 | |  |  | 20,234 |  |  | 79,756 | |  | 20,215 | |  |
| Net increase (decrease) in cash and cash equivalents | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | (22,187) | |  |  | 195,602 |  |  | 224,724 | |  | 327,398 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cash and cash equivalents at beginning of period |  | 1,352,339 | |  |  | 1,059,205 |  |  | 1,105,428 | |  | 927,409 | |  |
| Cash and cash equivalents at end of period | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| $ | 1,330,152 | | $ | | 1,254,807 |  | $ | 1,330,152 | | $ | 1,254,807 | |  |
| 9 | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |