**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): November 17, 2011**



**MARVELL TECHNOLOGY GROUP LTD.**

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



**Bermuda**

**000-30877**

**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 November 17, 2011, Marvell Technology Group Ltd. (“Marvell”) issued a press release regarding its financial results for its third fiscal quarter ended October 29, 2011. 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 utilized to measure the achievement of stock-based awards (adjustments may vary from award to award) 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.

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* *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.
* *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. Excluding thisdata provides investors with a basis to compare Marvell’s performance 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 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 9.01** **Financial Statements and Exhibits.**

1. Exhibits.

99.1 Press Release dated November 17, 2011

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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: November 17, 2011

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 November 17, 2011

**Exhibit 99.1**

|  |  |  |
| --- | --- | --- |
| **For further information, contact:** | |  |
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| Investor Relations | | Media Relations |
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| sukhi@marvell.com |  | yoo@marvell.com |

**Marvell Technology Group Ltd. Reports Third Quarter of Fiscal 2012**

**Financial Results**

***Revenue: $950 Million, a 6 percent sequential increase***

***GAAP Net Income: $195 Million, EPS of $0.32***

***Non GAAP Net Income: $244 Million, EPS of $0.40***

***Free Cash Flow: $239 Million, 25 Percent of Revenue***

**Santa Clara, Calif. (November 17, 2011)** — Marvell Technology Group Ltd. (NASDAQ: MRVL), a global leader in integrated silicon solutions, today reportedfinancial results for the third quarter of fiscal 2012, ended October 29, 2011.

Revenue for the third quarter of fiscal 2012 was $950 million, a 6 percent sequential increase from $898 million in the second quarter of fiscal 2012, ended July 30, 2011, and down 1 percent from $959 million in the third quarter of fiscal 2011, ended October 30, 2010.

GAAP net income was $195 million, or $0.32 per share (diluted), for the third quarter of fiscal 2012, compared with GAAP net income of $192 million, or $0.31 per share (diluted) in the second quarter of fiscal 2012, and $256 million, or $0.38 per share (diluted), for the third quarter of fiscal 2011.

Non-GAAP net income was $244 million, or $0.40 per share (diluted), for the third quarter of fiscal 2012, compared with non-GAAP net income of $234 million, or $0.38 per share (diluted) for the second quarter of fiscal 2012 and $307 million, or $0.45 per share (diluted), for the third quarter of fiscal 2011.

“We are pleased with our third quarter results as we demonstrated solid growth in the quarter driven by our Mobile and Wireless end market, which grew over 20% sequentially. Our TD mobile phone platforms have been extremely well received by customers,” said Dr. Sehat Sutardja, Marvell’s Chairman and Chief Executive

Officer. “We are now serving over 15 mobile customers with over 30 handsets ramping. Also, in the third quarter, we started shipping our WCDMA solutions to new customers. Our overall profitability remains solid, and during the last 12 months we generated over $840 million in free cash flow with the third quarter of fiscal 2012 representing the 17th consecutive quarter of positive free cash flow for the company. We also have a strong balance sheet that will allow us to better manage the impact from the flooding that occurred throughout parts of Thailand. The damage caused by the floods will have a near term impact on us, but we expect to emerge from this even stronger. Our diversified revenue profile gives us the ability to withstand such unpredictable events and continue to deliver solid profitability to our shareholders.”

Marvell reports net income, basic and diluted net income 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 to non-GAAP net income for the three months ended October 29, 2011, July 30, 2011 and October 30, 2010 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 one-time expenses or benefits.

GAAP gross margin for the third quarter of fiscal 2012 was 56.6 percent, compared to 57.9 percent for the second quarter of fiscal 2012 and 59.3 percent for the third quarter of fiscal 2011.

Non-GAAP gross margin for the third quarter of fiscal 2012 was 56.8 percent, compared to 58.1 percent for the second quarter of fiscal 2012 and 59.5 percent for the third quarter of fiscal 2011.

Shares used to compute GAAP net income per diluted share for the third quarter of fiscal 2012 were 613 million shares, compared with 623 million shares in the second quarter of fiscal 2012 and 675 million shares in the third quarter of fiscal 2011. Shares used to compute non-GAAP net income per diluted share for the third quarter of fiscal 2012 were 615 million shares, compared with 625 million shares for the second quarter of fiscal 2012 and 677 million shares for the third quarter of fiscal 2011. The decrease in shares used to compute both Marvell’s GAAP and non-GAAP net income per diluted share was primarily due to Marvell’s share repurchase program.

Cash flow from operations for the third quarter of fiscal 2012 was $262 million, down slightly from the $263 million reported in the second quarter of fiscal 2012 and down from the $368 million in the third quarter of

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fiscal 2011. Free cash flow for the third quarter of fiscal 2012 was $239 million, up from the $235 million reported in the second quarter of fiscal 2012 and down from the $338 million in third quarter of fiscal 2011. Despite the cyclical nature of the semiconductor industry and even through broader economic downturns, Marvell’s proven business model has generated positive free cash flow. Free cash flow as presented above is defined as cash flow from operations, less capital expenditures and purchases of IP licenses.

Under the share repurchase program, Marvell repurchased approximately 15 million shares for a total of $215 million in the third quarter of fiscal 2012. Over the past five quarters, Marvell has repurchased and retired over 79 million, or about 12 percent, of its outstanding shares demonstrating its commitment to returning shareholder value.

**Conference Call**

Marvell will be conducting a conference call on November 17, 2011 at 1:45 p.m. Pacific Time to discuss results for the third quarter of fiscal 2012. Interested parties may join the conference call by dialing **1-800-659-2032 or 1**-**617-614-2712, pass-code 64240159**. 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 December 19, 2011.

**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 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

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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 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 “Marvell” refers to Marvell Technology Group Ltd. and its subsidiaries. For more information please visit www.marvell.com.

**Forward-Looking Statements under the Private Securities Litigation Reform Act of 1995**

This press release contains forward-looking statements that involve risks and uncertainties, including statements regarding market acceptance of Marvell’s TD platforms; ability to manage through the impact of the recent flooding in Thailand; ability to withstand unpredictable events in the future; and statements concerning Marvell’s use of non-GAAP net income and net income per share 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, Marvell’s reliance on a few customers for a significant portion of its revenue; Marvell’s ability to develop and introduce new and enhanced products in a timely and cost effective manner; the impact of the recent flooding in Thailand; uncertainty in the worldwide economic environment; seasonality in sales of consumer devices in which our products are incorporated; Marvell’s ability to compete in products and prices in an intensely competitive industry; Marvell’s ability to recruit and retain skilled

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personnel; and other risks detailed in Marvell’s SEC filings from time to time. When Marvell files its Form 10-Q for the third quarter of fiscal 2012, 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. Marvell’s results also remain subject to review by Marvell’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 Quarterly Report on Form 10-Q for the quarter ended July 30, 2011, 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.

*Marvell® and the Marvell logo are registered trademarks of Marvell and/or its affiliates.*

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**Marvell Technology Group Ltd.**

**Condensed Consolidated Statements of Operations**

**(Unaudited)**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Three Months Ended** | | | |  |  |  |  |  | **Nine Months Ended** | | | | |  |
|  |  | **October** | |  |  |  |  |  | **October** |  |  |  |  |  |  |  |  |  |
|  |  |  | **29,** |  |  | **July 30,** | |  | **30,** |  |  | **October 29,** | | | **October 30,** | | |  |
|  |  |  | **2011** |  |  | **2011** |  |  | **2010** |  |  |  | **2011** |  |  | **2010** |  |  |
|  | Net revenue | $ | 950,417 |  | $ | 897,520 |  | $ | 959,327 |  |  | $ | 2,650,339 |  | $ | 2,711,380 |  |  |
|  | Cost of goods sold |  | 412,100 |  |  | 378,117 |  |  | 390,808 | |  |  | 1,124,692 |  |  | 1,101,475 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Gross profit |  | 538,317 |  |  | 519,403 |  |  | 568,519 | |  |  | 1,525,647 |  |  | 1,609,905 | |  |
|  | Operating expenses: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Research and development |  | 266,255 |  |  | 249,604 |  |  | 218,420 | |  |  | 758,396 |  |  | 665,742 | |  |
|  | Selling and marketing |  | 40,500 |  |  | 40,390 |  |  | 39,751 | |  |  | 119,042 | |  | 115,037 | |  |
|  | General and administrative |  | 29,021 |  |  | 23,631 |  |  | 29,576 | |  |  | 77,436 |  |  | 78,124 | |  |
|  | Amortization of acquired intangible assets |  | 11,155 |  |  | 11,138 |  |  | 21,770 | |  |  | 36,634 |  |  | 65,533 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Total operating expenses |  | 346,931 |  |  | 324,763 |  |  | 309,517 | |  |  | 991,508 |  |  | 924,436 | |  |
| Operating income | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | 191,386 |  |  | 194,640 |  |  | 259,002 | |  |  | 534,139 |  |  | 685,469 | |  |
|  | Interest and other income (expense), net |  | 7,729 |  |  | 2,064 |  |  | (1,665) | |  |  | 9,575 |  |  | (1,205) | |  |
| Income before income taxes | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | 199,115 |  |  | 196,704 |  |  | 257,337 | |  |  | 543,714 |  |  | 684,264 | |  |
|  | Provision for income taxes |  | 3,994 |  |  | 4,312 |  |  | 1,605 | |  |  | 9,340 |  |  | 2,988 | |  |
| Net income | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| $ | 195,121 |  | $ | 192,392 |  | $ | 255,732 | | $ | | 534,374 |  | $ | 681,276 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Basic net income per share | $ | 0.32 |  | $ | 0.32 |  | $ | 0.39 | | $ | | 0.87 |  | $ | 1.05 | |  |
| Diluted net income per share | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| $ | 0.32 | $ | | 0.31 |  | $ | 0.38 | | $ | | 0.85 |  | $ | 1.01 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Shares used in computing basic earnings per share |  | 600,504 |  |  | 608,511 |  |  | 649,782 | |  |  | 615,987 |  |  | 646,246 | |  |
|  | Shares used in computing diluted earnings per share |  | 613,499 |  |  | 623,132 |  |  | 674,789 | |  |  | 631,257 |  |  | 676,023 | |  |

**Marvell Technology Group Ltd.**

**Reconciliations from GAAP to Non-GAAP**

**(Unaudited)**

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

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | **Three Months Ended** | | | |  |  |  |  |  | **Nine Months Ended** | | | | |  |
|  |  |  | **October 29,** | | | |  |  | **July 30,** | | **October 30,** | |  |  | **October 29,** | | | **October 30,** | |  |  |
|  |  |  |  | **2011** |  |  |  |  | **2011** |  |  | **2010** |  |  |  | **2011** |  |  | **2010** |  |  |
|  | GAAP net income |  | $ | 195,121 |  |  |  | $ | 192,392 |  | $ | 255,732 |  |  | $ | 534,374 |  | $ | 681,276 |  |  |
|  | Stock-based compensation |  |  | 30,611 | |  |  |  | 30,355 |  |  | 29,541 | |  |  | 88,446 |  |  | 87,126 | |  |
|  | Amortization of acquired intangible assets |  |  | 11,155 | |  |  |  | 11,138 |  |  | 21,770 | |  |  | 36,634 |  |  | 65,533 | |  |
|  | Restructuring |  |  | 105 | |  |  |  | 567 |  |  | 259 | |  |  | 1,291 |  |  | 2,504 | |  |
|  | Legal/Tax related matters*(a)* |  |  | 7,459 |  |  |  |  | — |  |  | — |  |  |  | 7,459 |  |  | 4,373 |  |  |
| Non-GAAP net income | | $ | | 244,451 | |  | $ | | 234,452 |  | $ | 307,302 | | $ | | 668,204 |  | $ | 840,812 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | GAAP weighted average shares—diluted |  |  | 613,499 | |  |  |  | 623,132 |  |  | 674,789 | |  |  | 631,257 |  |  | 676,023 | |  |
|  | Non-GAAP adjustment |  |  | 1,558 |  |  |  |  | 1,645 |  |  | 2,710 |  |  |  | 2,983 |  |  | 3,050 |  |  |
|  | Non-GAAP weighted average shares diluted*(b)* |  |  | 615,057 |  |  |  |  | 624,777 |  |  | 677,499 |  |  |  | 634,240 |  |  | 679,073 |  |  |
| GAAP diluted net income per share | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| $ | | 0.32 | |  | $ | | 0.31 |  | $ | 0.38 | | $ | | 0.85 |  | $ | 1.01 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Non-GAAP diluted net income per share | $ | | 0.40 | |  | $ | | 0.38 |  | $ | 0.45 | | $ | | 1.05 |  | $ | 1.24 | |  |
| GAAP gross profit: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| $ | | 538,317 | |  | $ | | 519,403 |  | $ | 568,519 | | $ | | 1,525,647 |  | $ | 1,609,905 | |  |
|  | Stock-based compensation |  |  | 1,940 | |  |  |  | 1,916 |  |  | 1,818 | |  |  | 5,551 |  |  | 5,746 | |  |
|  | Legal/Tax related matters*(a)* |  |  | — |  | |  |  | — |  |  | — |  |  |  | — |  |  | 4,373 |  |  |
|  | Non-GAAP gross profit | $ | | 540,257 | |  | $ | | 521,319 |  | $ | 570,337 | | $ | | 1,531,198 |  | $ | 1,620,024 | |  |
| GAAP gross profit as a % of revenue | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | 56.6% | | |  |  | 57.9% | |  | 59.3% | |  |  | 57.6% | |  | 59.4% | |  |
|  | Stock-based compensation |  |  | 0.2% | | |  |  | 0.2% | |  | 0.2% | |  |  | 0.2% | |  | 0.2% | |  |
|  | Legal/Tax related matters*(a)* |  |  | — |  | |  |  | — |  |  | — |  |  |  | — |  |  | 0.1% | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Non-GAAP gross profit |  |  | 56.8% | | |  |  | 58.1% | |  | 59.5% | |  |  | 57.8% | |  | 59.7% | |  |
| GAAP research and development: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| $ | | 266,255 | |  | $ | | 249,604 |  | $ | 218,420 | | $ | | 758,396 |  | $ | 665,742 | |  |
|  | Stock-based compensation |  |  | (21,905) | | |  |  | (22,128) | |  | (19,795) | |  |  | (63,626) | |  | (60,735) | |  |
|  | Restructuring |  |  | (1) | | |  |  | (139) | |  | (187) | |  |  | (308) | |  | (1,686) | |  |
|  | Legal/Tax related matters*(a)* |  |  | (3,137) | | |  |  | — | |  | — | |  |  | (3,137) | |  | — | |  |
| Non-GAAP research and development | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| $ | | 241,212 | |  | $ | | 227,337 |  | $ | 198,438 | | $ | | 691,325 |  | $ | 603,321 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | GAAP selling and marketing: | $ | | 40,500 | |  | $ | | 40,390 |  | $ | 39,751 | | $ | | 119,042 | | $ | 115,037 | |  |
|  | Stock-based compensation |  |  | (3,402) | | |  |  | (3,207) | |  | (3,208) | |  |  | (9,263) | |  | (8,778) | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Non-GAAP selling and marketing | $ | | 37,098 | |  | $ | | 37,183 |  | $ | 36,543 | | $ | | 109,779 |  | $ | 106,259 | |  |
| GAAP general and administrative: | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| $ | | 29,021 | |  | $ | | 23,631 |  | $ | 29,576 | | $ | | 77,436 |  | $ | 78,124 | |  |
|  | Stock-based compensation |  |  | (3,364) | | |  |  | (3,104) | |  | (4,720) | |  |  | (10,006) | |  | (11,867) | |  |
|  | Restructuring |  |  | (104) | | |  |  | (428) | |  | (72) | |  |  | (983) | |  | (818) | |  |
|  | Legal/Tax related matters*(a)* |  |  | (4,322) | | |  |  | — | |  | — | |  |  | (4,322) | |  | — | |  |
| Non-GAAP general and administrative | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| $ | | 21,231 | |  | $ | | 20,099 |  | $ | 24,784 | | $ | | 62,125 |  | $ | 65,439 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

1. The nine months ended October 30, 2010 and the three and nine months ended October 29, 2011 include portions of settlements related to previous periods. The three and nine months ended October 29, 2011 include assessments of payroll taxes on employee benefits in certain jurisdictions.
2. 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.

**Marvell Technology Group Ltd.**

**Condensed Consolidated Balance Sheets**

**(Unaudited)**

**(In thousands)**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **October 29,** | | |  | **January 29,** | | |
|  |  |  |  | **2011** |  |  |  | **2011** |  |
|  | **Assets** |  |  |  |  |  |  |  |  |
|  | Current assets: |  |  |  |  |  |  |  |  |
|  | Cash, cash equivalents, and short-term investments | $ | | 2,424,698 |  | $ | | 2,930,030 |  |
|  | Accounts receivable, net |  |  | 451,108 |  |  |  | 459,406 |  |
|  | Inventories |  |  | 309,968 |  |  |  | 245,448 |  |
|  | Prepaid expenses and other current assets |  |  | 61,741 |  |  |  | 77,763 |  |
|  | Total current assets |  |  | 3,247,515 |  |  |  | 3,712,647 |  |
|  | Property and equipment, net |  |  | 373,628 |  |  |  | 358,440 |  |
|  | Long-term investments |  |  | 23,218 |  |  |  | 26,226 |  |
|  | Goodwill and acquired intangible assets, net |  |  | 2,112,094 | |  |  | 2,129,464 |  |
|  | Other non-current assets |  |  | 110,920 | |  |  | 111,380 |  |
|  | Total assets |  | $ | 5,867,375 |  |  | $ | 6,338,157 |  |
|  |  |  |  |  |  |  |  |  |  |
|  | **Liabilities and Shareholders’ Equity** |  |  |  |  |  |  |  |  |
|  | Current liabilities: |  |  |  |  |  |  |  |  |
|  | Accounts payable | $ | | 355,404 |  | $ | | 332,007 |  |
|  | Accrued liabilities |  |  | 237,119 | |  |  | 232,518 |  |
|  | Deferred income |  |  | 69,244 |  |  |  | 76,161 |  |
|  | Total current liabilities |  |  | 661,767 |  |  |  | 640,686 |  |
|  | Other long-term liabilities |  |  | 166,309 |  |  |  | 175,602 |  |
|  | Total liabilities |  |  | 828,076 |  |  |  | 816,288 |  |
|  | Shareholders’ equity: |  |  |  |  |  |  |  |  |
|  | Common stock |  |  | 1,179 |  |  |  | 1,317 |  |
|  | Additional paid-in capital |  |  | 3,790,169 |  |  |  | 4,805,588 |  |
|  | Accumulated other comprehensive income |  |  | (295) | |  |  | 1,092 |  |
|  | Retained earnings |  |  | 1,248,246 |  |  |  | 713,872 |  |
|  | Total shareholders’ equity |  |  | 5,039,299 |  |  |  | 5,521,869 |  |
|  | Total liabilities and shareholders’ equity | $ | | 5,867,375 |  | $ | | 6,338,157 |  |
|  |  |  |  |  |  |  |  |  |  |

**Marvell Technology Group Ltd.**

**Condensed Consolidated Statements of Cash Flows**

**(Unaudited)**

**(in thousands)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended** | | | | |  | **Nine Months Ended** | | | | |  |
|  |  | **October 29,** | | **October 30,** | |  |  | **October 29,** | |  | **October 30,** |  |  |
|  |  | **2011** |  |  | **2010** |  |  | **2011** |  |  | **2010** |  |  |
|  | Cash flows from operating activities: |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Net income | $ 195,121 |  | $ | 255,732 | | $ | 534,374 | | $ | 681,276 | |  |
|  | Adjustments to reconcile net income to net cash provided by operating activities: |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Depreciation and amortization | 20,179 |  |  | 23,140 | |  | 66,653 | |  | 68,991 | |  |
|  | Stock-based compensation | 30,611 |  |  | 29,541 | |  | 88,446 | |  | 87,126 | |  |
|  | Amortization of acquired intangible assets | 11,155 |  |  | 21,770 | |  | 36,634 | |  | 65,533 | |  |
|  | Other (income) expense, net | 4,266 |  |  | 4,756 | |  | 11,411 | |  | 9,568 | |  |
|  | Facilities impairment | — | |  | — | |  | — | |  | 1,140 | |  |
|  | Fair market value adjustment to acquired inventory sold | — | |  | (401) | |  | — | |  | (2,391) | |  |
|  | Excess tax benefits from stock-based compensation | (85) | |  | (440) | |  | (99) | |  | (669) | |  |
|  | Changes in assets and liabilities: |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Accounts receivable | (45,351) | |  | 22,780 | |  | 8,298 | |  | (111,179) | |  |
|  | Inventories | 12,037 |  |  | 11,940 | |  | (63,967) | |  | 15,856 | |  |
|  | Prepaid expenses and other assets | 16,791 |  |  | (15,201) | |  | 34,229 | |  | (10,204) | |  |
|  | Accounts payable | (2,806) | |  | (34,508) | |  | 4,193 | |  | 63,935 | |  |
|  | Accrued liabilities and other | (17,939) | |  | 13,515 | |  | (18,030) | |  | 17,948 | |  |
|  | Accrued employee compensation | 36,191 |  |  | 33,065 | |  | 6,924 | |  | 26,965 | |  |
|  | Deferred income | 1,417 |  |  | 2,197 | |  | (6,917) | |  | 28,820 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Net cash provided by operating activities | 261,587 |  |  | 367,886 | |  | 702,149 | |  | 942,715 | |  |
|  | Cash flows from investing activities: |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Purchases of marketable securities | (443,008) | |  | (312,890) | |  | (1,582,892) | |  | (1,021,950) | |  |
|  | Purchases of strategic investments | (1,250) | |  | — | |  | (3,503) | |  | (1,750) | |  |
|  | Sales and maturities of investments | 402,145 |  |  | 330,993 | |  | 1,083,214 | |  | 678,738 | |  |
|  | Cash paid for acquisitions, net | (2,000) | |  | — | |  | (18,760) | |  | (20,679) | |  |
|  | Purchases of technology licenses | (2,978) | |  | (5,830) | |  | (9,593) | |  | (12,649) | |  |
|  | Purchases of property and equipment | (20,085) | |  | (23,969) | |  | (62,330) | |  | (63,267) | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Net cash used in investing activities | (67,176) | |  | (11,696) | |  | (593,864) | |  | (441,557) | |  |
|  | Cash flows from financing activities: |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Repurchase of common stock | (215,155) | |  | (60,594) | |  | (1,154,396) | |  | (60,594) | |  |
|  | Proceeds from employee stock plans | 8,638 |  |  | 17,196 | |  | 50,393 | |  | 97,673 | |  |
|  | Principal payments on capital lease and term loan obligations | — | |  | (490) | |  | (511) | |  | (1,440) | |  |
|  | Excess tax benefits from stock-based compensation | 85 |  |  | 440 | |  | 99 | |  | 669 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Net cash (used in) provided by financing activities | (206,432) | |  | (43,448) | |  | (1,104,415) | |  | 36,308 | |  |
| Net increase (decrease) in cash and cash equivalents | |  |  |  |  |  |  |  |  |  |  |  |  |
| (12,021) | |  | 312,742 | |  | (996,130) | |  | 537,466 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Cash and cash equivalents at beginning of period | 862,965 |  |  | 1,330,152 | |  | 1,847,074 | |  | 1,105,428 | |  |
| Cash and cash equivalents at end of period | |  |  |  |  |  |  |  |  |  |  |  |  |
| $ 850,944 |  | $ | 1,642,894 | | $ | 850,944 | | $ | 1,642,894 | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |