

Marvell Technology Group Ltd.
Unaudited Consolidated Statements of Operations
(In thousands, except per share amounts)

	<u>Q3'11</u>	<u>Q4'11</u>	<u>Q1'12</u>	<u>Q2'12</u>	<u>Q3'12</u>	<u>Q4'12</u>	<u>Q1'13</u>	<u>Q2'13</u>
Net revenue	\$ 959,327	\$ 900,513	\$ 802,402	\$ 897,520	\$ 950,417	\$ 742,701	\$ 796,351	\$ 816,104
Cost of goods sold	390,808	371,799	334,475	378,117	412,100	341,113	366,322	381,839
Gross profit	<u>568,519</u>	<u>528,714</u>	<u>467,927</u>	<u>519,403</u>	<u>538,317</u>	<u>401,588</u>	<u>430,029</u>	<u>434,265</u>
Operating expenses:								
Research and development	218,420	231,836	242,537	249,604	266,255	255,282	255,970	264,175
Selling and marketing	39,751	40,444	38,152	40,390	40,500	40,392	40,066	41,034
General and administrative	29,576	26,706	24,784	23,631	29,021	23,184	25,705	25,718
Amortization of acquired intangible assets	21,770	14,005	14,341	11,138	11,155	12,723	14,355	13,023
Total operating expenses	<u>309,517</u>	<u>312,991</u>	<u>319,814</u>	<u>324,763</u>	<u>346,931</u>	<u>331,581</u>	<u>336,096</u>	<u>343,950</u>
Operating income	<u>259,002</u>	<u>215,723</u>	<u>148,113</u>	<u>194,640</u>	<u>191,386</u>	<u>70,007</u>	<u>93,933</u>	<u>90,315</u>
Interest and other income (expense), net	<u>(1,665)</u>	<u>10,475</u>	<u>(218)</u>	<u>2,064</u>	<u>7,729</u>	<u>5,338</u>	<u>1,057</u>	<u>5,864</u>
Income before income taxes	<u>257,337</u>	<u>226,198</u>	<u>147,895</u>	<u>196,704</u>	<u>199,115</u>	<u>75,345</u>	<u>94,990</u>	<u>96,179</u>
Provision (benefit) for income taxes	<u>1,605</u>	<u>3,345</u>	<u>1,034</u>	<u>4,312</u>	<u>3,994</u>	<u>(5,372)</u>	<u>447</u>	<u>3,105</u>
Net income	<u>\$ 255,732</u>	<u>\$ 222,853</u>	<u>\$ 146,861</u>	<u>\$ 192,392</u>	<u>\$ 195,121</u>	<u>\$ 80,717</u>	<u>\$ 94,543</u>	<u>\$ 93,074</u>
Net income per share - basic	<u>0.39</u>	<u>0.34</u>	<u>0.23</u>	<u>0.32</u>	<u>0.32</u>	<u>0.14</u>	<u>0.16</u>	<u>0.17</u>
Net income per share - diluted	<u>0.38</u>	<u>0.33</u>	<u>0.22</u>	<u>0.31</u>	<u>0.32</u>	<u>0.13</u>	<u>0.16</u>	<u>0.16</u>
Weighted average shares — basic	<u>649,782</u>	<u>654,650</u>	<u>638,946</u>	<u>608,511</u>	<u>600,504</u>	<u>583,466</u>	<u>580,024</u>	<u>562,362</u>
Weighted average shares — diluted	<u>674,789</u>	<u>679,445</u>	<u>657,140</u>	<u>623,132</u>	<u>613,499</u>	<u>599,300</u>	<u>594,739</u>	<u>570,325</u>

The following table presents details of total stock-based compensation expense included in each functional line item in the unaudited condensed consolidated statements of income above:

Cost of goods sold	1,818	1,776	1,695	1,916	1,940	1,444	2,123	1,775
Research and development	19,795	21,789	19,593	22,128	21,905	22,298	17,174	22,413
Selling and marketing	3,208	2,991	2,654	3,207	3,402	3,657	3,036	3,458
General and administrative	4,720	4,723	3,538	3,104	3,364	4,018	4,859	5,582

Marvell Technology Group Ltd.
Unaudited Condensed Consolidated Statements of Cash Flows

	<u>Q3'11</u>	<u>Q4'11</u>	<u>Q1'12</u>	<u>Q2'12</u>	<u>Q3'12</u>	<u>Q4'12</u>	<u>Q1'13</u>	<u>Q2'13</u>
Cash flows from operating activities:								
Net income	\$ 255,732	\$ 222,853	\$ 146,861	\$ 192,392	\$ 195,121	\$ 80,717	\$ 94,543	\$ 93,074
Adjustments to reconcile net income to net cash provided by operating activities:								
Depreciation and amortization	23,140	24,199	24,037	22,437	20,179	21,801	21,199	21,285
Stock-based compensation	29,541	31,279	27,480	30,355	30,611	31,416	27,192	33,228
Amortization of acquired intangible assets	21,770	14,005	14,341	11,138	11,155	12,723	14,355	13,023
Other (income) expense, net	4,756	(1,987)	3,854	3,291	4,266	3,779	2,903	2,272
Excess tax benefits from stock-based compensation	(440)	(230)	(3)	(11)	(85)	(65)	(41)	(3)
Changes in assets and liabilities:								
Accounts receivable	22,780	8,569	33,938	19,711	(45,351)	46,252	(10,119)	26,610
Inventories	11,539	(17,120)	(53,107)	(22,897)	12,037	(37,142)	201	7,832
Prepaid expenses and other assets	(15,201)	64,553	644	16,794	16,791	(6,738)	4,242	11,393
Accounts payable	(34,508)	(21,471)	(5,295)	12,294	(2,806)	(51,288)	21,249	6,288
Accrued liabilities and other	13,515	(56,007)	(5,450)	5,359	(17,939)	(3,583)	18,143	(4,204)
Accrued employee compensation	33,065	(5,755)	(14,880)	(14,387)	36,191	(19,489)	(648)	(24,033)
Deferred income	2,197	(12,055)	4,729	(13,063)	1,417	(9,285)	5,454	2,427
Net cash provided by operating activities	<u>367,886</u>	<u>250,833</u>	<u>177,149</u>	<u>263,413</u>	<u>261,587</u>	<u>69,098</u>	<u>198,673</u>	<u>189,192</u>
Cash flows from investing activities:								
Purchases of marketable securities	(312,890)	(240,817)	(677,179)	(462,705)	(443,008)	(268,804)	(421,652)	(225,255)
Purchases of strategic investments	-	-	(1,750)	(503)	(1,250)	(500)	(5,000)	(750)
Sales and maturities of investments	330,993	190,021	272,547	408,522	402,145	378,950	558,777	322,532
Cash paid for acquisitions, net	-	(8,767)	(16,330)	(430)	(2,000)	(75,156)	-	-
Proceeds from sales of equity investments	-	9,192	-	-	-	-	-	-
Purchases of technology licenses	(5,830)	(10,495)	(3,290)	(3,325)	(2,978)	(4,230)	(2,045)	(4,407)
Purchases of property and equipment	(23,969)	(26,906)	(17,018)	(25,227)	(20,085)	(26,449)	(18,904)	(10,830)
Net cash (used in) provided by investing activities	<u>(11,696)</u>	<u>(87,772)</u>	<u>(443,020)</u>	<u>(83,668)</u>	<u>(67,176)</u>	<u>3,811</u>	<u>111,176</u>	<u>81,290</u>
Cash flows from financing activities:								
Repurchase of common stock	(60,594)	(26,892)	(803,501)	(135,740)	(215,155)	(186,480)	(223,157)	(250,327)
Proceeds from employee stock plans	17,427	74,465	9,841	36,782	8,942	50,474	17,803	39,526
Minimum tax withholding paid on behalf of employees for net share settlement	(231)	(6,184)	(4,634)	(234)	(304)	(3,010)	(8,879)	(598)
Dividend payment to shareholder	-	-	-	-	-	-	-	(33,537)
Principal payments on capital lease obligations	(490)	(500)	(511)	-	-	-	-	-
Excess tax benefits from stock-based compensation	440	230	3	11	85	65	41	3
Net cash (used in) provided by financing activities	<u>(43,448)</u>	<u>41,119</u>	<u>(798,802)</u>	<u>(99,181)</u>	<u>(206,432)</u>	<u>(138,951)</u>	<u>(214,192)</u>	<u>(244,933)</u>
Net increase (decrease) in cash and cash equivalents	312,742	204,180	(1,064,673)	80,564	(12,021)	(66,042)	95,657	25,549
Cash and cash equivalents at beginning of period	1,330,152	1,642,894	1,847,074	782,401	862,965	850,944	784,902	880,559
Cash and cash equivalents at end of period	<u>\$ 1,642,894</u>	<u>\$ 1,847,074</u>	<u>\$ 782,401</u>	<u>\$ 862,965</u>	<u>\$ 850,944</u>	<u>\$ 784,902</u>	<u>\$ 880,559</u>	<u>\$ 906,108</u>

Unaudited Supplemental Financial Information

GAAP net cash provided by operating activities	\$ 367,886	\$ 250,833	\$ 177,149	\$ 263,413	\$ 261,587	\$ 69,098	\$ 198,673	\$ 189,192
Purchases of technology licenses	(5,830)	(10,495)	(3,290)	(3,325)	(2,978)	(4,230)	(2,045)	(4,407)
Purchases of property and equipment	(23,969)	(26,906)	(17,018)	(25,227)	(20,085)	(26,449)	(18,904)	(10,830)
Free cash flow	<u>\$ 338,087</u>	<u>\$ 213,432</u>	<u>\$ 156,841</u>	<u>\$ 234,861</u>	<u>\$ 238,524</u>	<u>\$ 38,419</u>	<u>\$ 177,724</u>	<u>\$ 173,955</u>

Marvell Technology Group Ltd.
Unaudited Condensed Consolidated Balance Sheets
(In thousands)

	<u>Q3'11</u>	<u>Q4'11</u>	<u>Q1'12</u>	<u>Q2'12</u>	<u>Q3'12</u>	<u>Q4'12</u>	<u>Q1'13</u>	<u>Q2'13</u>
Assets								
Current assets:								
Cash, cash equivalents, and short-term investments	\$ 2,675,273	\$ 2,930,030	\$ 2,267,839	\$ 2,399,787	\$ 2,424,698	\$ 2,246,498	\$ 2,202,681	\$ 2,134,193
Accounts receivable, net	467,975	459,406	425,468	405,757	451,108	407,263	417,382	390,772
Inventories	227,936	245,448	299,108	322,005	309,968	354,119	353,387	345,712
Prepaid expenses and other current assets	78,576	77,763	80,154	70,842	61,741	71,081	68,176	58,904
Total current assets	<u>3,449,760</u>	<u>3,712,647</u>	<u>3,072,569</u>	<u>3,198,391</u>	<u>3,247,515</u>	<u>3,078,961</u>	<u>3,041,626</u>	<u>2,929,581</u>
Property and equipment, net	347,588	358,440	354,483	363,764	373,628	383,801	382,374	381,154
Long-term investments	30,865	26,226	26,070	26,070	23,218	23,215	23,215	18,103
Goodwill and acquired intangible assets, net	2,131,666	2,129,464	2,130,342	2,119,649	2,112,094	2,173,496	2,159,141	2,146,118
Other non-current assets	161,793	111,380	109,143	120,689	110,920	108,146	112,169	109,596
Total assets	<u>\$ 6,121,672</u>	<u>\$ 6,338,157</u>	<u>\$ 5,692,607</u>	<u>\$ 5,828,563</u>	<u>\$ 5,867,375</u>	<u>\$ 5,767,619</u>	<u>\$ 5,718,525</u>	<u>\$ 5,584,552</u>
Liabilities and Shareholders' Equity								
Current liabilities:								
Accounts payable	\$ 352,216	\$ 332,007	\$ 321,687	\$ 353,992	\$ 355,404	\$ 304,695	\$ 323,392	\$ 335,100
Accrued liabilities	241,520	232,007	210,837	207,156	237,119	224,900	244,739	223,508
Deferred income	88,216	76,161	80,890	67,827	69,244	59,959	65,413	67,840
Current portion of capital lease obligations	1,011	511	-	-	-	-	-	-
Total current liabilities	<u>682,963</u>	<u>640,686</u>	<u>613,414</u>	<u>628,975</u>	<u>661,767</u>	<u>589,554</u>	<u>633,544</u>	<u>626,448</u>
Other long-term liabilities	210,703	175,602	175,789	173,457	166,309	164,047	162,451	154,990
Total liabilities	<u>893,666</u>	<u>816,288</u>	<u>789,203</u>	<u>802,432</u>	<u>828,076</u>	<u>753,601</u>	<u>795,995</u>	<u>781,438</u>
Shareholders' equity:								
Common stock	4,733,385	4,806,905	4,036,091	3,967,254	3,791,348	3,684,279	3,496,707	3,318,693
Accumulated other comprehensive income (loss)	3,602	1,092	6,580	5,752	(295)	776	2,317	1,378
Retained earnings	491,019	713,872	860,733	1,053,125	1,248,246	1,328,963	1,423,506	1,483,043
Total shareholders' equity	<u>5,228,006</u>	<u>5,521,869</u>	<u>4,903,404</u>	<u>5,026,131</u>	<u>5,039,299</u>	<u>5,014,018</u>	<u>4,922,530</u>	<u>4,803,114</u>
Total liabilities and shareholders' equity	<u>\$ 6,121,672</u>	<u>\$ 6,338,157</u>	<u>\$ 5,692,607</u>	<u>\$ 5,828,563</u>	<u>\$ 5,867,375</u>	<u>\$ 5,767,619</u>	<u>\$ 5,718,525</u>	<u>\$ 5,584,552</u>
GAAP inventory turns	6.7	6.2	4.9	4.9	5.2	4.1	4.1	4.4
GAAP days in inventory	54	59	74	75	70	89	88	83

Marvell Technology Group Ltd.
Unaudited Reconciliations from GAAP to Non-GAAP
(In thousands, except per share amounts)

	<u>Q3'11</u>	<u>Q4'11</u>	<u>Q1'12</u>	<u>Q2'12</u>	<u>Q3'12</u>	<u>Q4'12</u>	<u>Q1'13</u>	<u>Q2'13</u>
GAAP Net income	\$ 255,732	\$ 222,853	\$ 146,861	\$ 192,392	\$ 195,121	\$ 80,717	\$ 94,543	\$ 93,074
(1) Cost of goods sold								
Stock-based compensation	1,818	1,776	1,695	1,916	1,940	1,444	2,123	1,775
Acquisition related costs	-	-	-	-	-	1,457	1,929	1,054
Legal/Tax related matters	-	4,062	-	-	-	-	-	-
(2) Research and development:								
Stock-based compensation	19,795	21,789	19,593	22,128	21,905	22,298	17,174	22,413
Acquisition related costs	-	-	-	-	-	279	442	466
Restructuring	187	280	168	139	1	420	2	42
Legal/Tax related matters	-	-	-	-	3,137	-	-	-
(3) Selling and marketing:								
Stock-based compensation	3,208	2,991	2,654	3,207	3,402	3,657	3,036	3,458
Acquisition related costs	-	-	-	-	-	41	46	50
Restructuring	-	-	-	-	-	8	(7)	7
(4) General and administrative:								
Stock-based compensation	4,720	4,723	3,538	3,104	3,364	4,018	4,859	5,582
Acquisition related costs	-	-	-	-	-	185	39	7
Restructuring	72	399	451	428	104	137	120	810
Legal/Tax related matters	-	-	-	-	4,322	(750)	-	250
(5) Other operating costs and expenses:								
Amortization of acquired intangible assets	21,770	14,005	14,341	11,138	11,155	12,723	14,355	13,023
Non-GAAP Net income	<u>\$ 307,302</u>	<u>\$ 272,878</u>	<u>\$ 189,301</u>	<u>\$ 234,452</u>	<u>\$ 244,451</u>	<u>\$ 126,634</u>	<u>\$ 138,661</u>	<u>\$ 142,011</u>
Non-GAAP Operating Income	<u>\$ 310,572</u>	<u>\$ 265,748</u>	<u>\$ 190,553</u>	<u>\$ 236,700</u>	<u>\$ 240,716</u>	<u>\$ 115,924</u>	<u>\$ 138,051</u>	<u>\$ 139,252</u>
GAAP Wighted average shares — diluted	674,789	679,445	657,140	623,132	613,499	599,300	594,739	570,325
Non-GAAP adjustment	2,710	5,760	5,808	1,645	1,558	6,397	10,814	16,302
Non-GAAP Wighted average shares — diluted	<u>677,499</u>	<u>685,205</u>	<u>662,948</u>	<u>624,777</u>	<u>615,057</u>	<u>605,697</u>	<u>605,553</u>	<u>586,627</u>

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.