

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

	<u>Q3'10</u>	<u>Q4'10</u>	<u>Q1'11</u>	<u>Q2'11</u>	<u>Q3'11</u>	<u>Q4'11</u>	<u>Q1'12</u>	<u>Q2'12</u>
Net revenue	\$ 803,098	\$ 842,535	\$ 855,579	\$ 896,474	\$ 959,327	\$ 900,513	\$ 802,402	\$ 897,520
Cost of goods sold	341,617	339,790	343,985	366,682	390,808	371,799	334,475	378,117
Gross profit	<u>461,481</u>	<u>502,745</u>	<u>511,594</u>	<u>529,792</u>	<u>568,519</u>	<u>528,714</u>	<u>467,927</u>	<u>519,403</u>
Operating expenses:								
Research and development	212,873	213,024	219,111	228,211	218,420	231,836	242,537	249,604
Selling and marketing	35,442	37,144	38,423	36,863	39,751	40,444	38,152	40,390
General and administrative	16,660	22,506	23,108	25,440	29,576	26,706	24,784	23,631
Amortization and writeoff of acquired intangible assets	26,450	24,282	22,549	21,214	21,770	14,005	14,341	11,138
Total operating expenses	<u>291,425</u>	<u>296,956</u>	<u>303,191</u>	<u>311,728</u>	<u>309,517</u>	<u>312,991</u>	<u>319,814</u>	<u>324,763</u>
Operating income	170,056	205,789	208,403	218,064	259,002	215,723	148,113	194,640
Interest and other income (expense), net	(1,303)	10,309	(3,701)	4,253	(1,634)	10,496	(207)	2,064
Interest expense	(70)	(60)	(51)	(41)	(31)	(21)	(11)	-
Income before income taxes	168,683	216,038	204,651	222,276	257,337	226,198	147,895	196,704
Provision (benefit) for income taxes	(32,916)	11,217	(1,116)	2,499	1,605	3,345	1,034	4,312
Net income	<u>\$ 201,599</u>	<u>\$ 204,821</u>	<u>\$ 205,767</u>	<u>\$ 219,777</u>	<u>\$ 255,732</u>	<u>\$ 222,853</u>	<u>\$ 146,861</u>	<u>\$ 192,392</u>
Net income per share - basic	<u>0.32</u>	<u>0.32</u>	<u>0.32</u>	<u>0.34</u>	<u>0.39</u>	<u>0.34</u>	<u>0.23</u>	<u>0.32</u>
Net income per share - diluted	<u>0.31</u>	<u>0.31</u>	<u>0.30</u>	<u>0.33</u>	<u>0.38</u>	<u>0.33</u>	<u>0.22</u>	<u>0.31</u>
Weighted average shares — basic	<u>623,613</u>	<u>631,118</u>	<u>640,926</u>	<u>648,028</u>	<u>649,782</u>	<u>654,650</u>	<u>638,946</u>	<u>608,511</u>
Weighted average shares — diluted	<u>659,739</u>	<u>668,623</u>	<u>678,059</u>	<u>675,220</u>	<u>674,789</u>	<u>679,445</u>	<u>657,140</u>	<u>623,132</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	2,389	2,375	2,236	1,692	1,818	1,776	1,695	1,916
Research and development	24,134	21,702	18,851	22,089	19,795	21,789	19,593	22,128
Selling and marketing	4,087	3,841	3,173	2,397	3,208	2,991	2,654	3,207
General and administrative	3,767	2,641	2,636	4,511	4,720	4,723	3,538	3,104

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

	<u>Q3'10</u>	<u>Q4'10</u>	<u>Q1'11</u>	<u>Q2'11</u>	<u>Q3'11</u>	<u>Q4'11</u>	<u>Q1'12</u>	<u>Q2'12</u>
Cash flows from operating activities:								
Net income	\$ 201,599	\$ 204,821	\$ 205,767	\$ 219,777	\$ 255,732	\$ 222,853	\$ 146,861	\$ 192,392
Adjustments to reconcile net income to net cash provided by operating activities:								
Depreciation and amortization	24,571	24,238	23,078	22,773	23,140	24,199	24,037	22,437
Stock-based compensation	34,377	30,559	26,896	30,689	29,541	31,279	27,480	30,355
Amortization and writeoff of acquired intangible assets	26,450	24,282	22,549	21,214	21,770	14,005	14,341	11,138
Facilities impairment	-	3,986	-	1,140	-	-	-	-
Other (income) expense, net	-	1,667	2,035	2,777	4,756	3,940	3,854	3,291
Fair market value adjustment to acquired inventory sold	(10,807)	(1,626)	(942)	(1,048)	(401)	-	-	-
Excess tax benefits from stock-based compensation	(136)	(472)	(185)	(44)	(440)	(230)	(3)	(11)
(Gain) on equity investment	-	(4,938)	-	-	-	(5,927)	-	-
Changes in assets and liabilities:								
Restricted cash	24,500	-	-	-	-	-	-	-
Accounts receivable	(65,857)	37,523	(91,897)	(42,062)	22,780	8,569	33,938	19,711
Inventories	(17,039)	(889)	35,417	(31,501)	11,940	(17,120)	(53,107)	(22,897)
Prepaid expenses and other assets	(1,099)	(4,660)	10,381	(5,384)	(15,201)	64,553	644	16,794
Accounts payable	38,281	(30,060)	6,703	91,740	(34,508)	(21,471)	(5,295)	12,294
Accrued liabilities and other	(116,675)	10,420	2,362	2,071	13,515	(56,007)	(5,450)	5,359
Accrued employee compensation	36,123	(1,857)	(10,506)	4,406	33,065	(5,755)	(14,880)	(14,387)
Deferred income	29,246	(11,877)	23,933	2,690	2,197	(12,055)	4,729	(13,063)
Net cash provided by operating activities	<u>203,534</u>	<u>281,117</u>	<u>255,591</u>	<u>319,238</u>	<u>367,886</u>	<u>250,833</u>	<u>177,149</u>	<u>263,413</u>
Cash flows from investing activities:								
Purchases of marketable securities	(426,998)	(377,981)	(186,878)	(522,932)	(312,890)	(240,817)	(677,179)	(462,705)
Purchases of strategic investments	-	(2,000)	(1,000)	-	-	-	(1,750)	(503)
Sales and maturities of investments	10,268	108,044	149,440	198,305	330,993	190,021	272,547	408,522
Cash paid for acquisitions, net	-	-	-	(20,679)	-	(8,767)	(16,330)	(430)
Proceeds from sales of equity investments	-	-	-	-	-	9,192	-	-
Purchases of technology licenses	-	(3,048)	(2,250)	(4,569)	(5,830)	(10,495)	(3,290)	(3,325)
Purchases of property and equipment	(7,629)	(25,006)	(16,395)	(22,903)	(23,969)	(26,906)	(17,018)	(25,227)
Net cash used in investing activities	<u>(424,359)</u>	<u>(299,991)</u>	<u>(57,083)</u>	<u>(372,778)</u>	<u>(11,696)</u>	<u>(87,772)</u>	<u>(443,020)</u>	<u>(83,668)</u>
Cash flows from financing activities:								
Repurchase of common stock	-	-	-	-	(60,594)	(26,892)	(803,501)	(135,740)
Proceeds from employee stock plans	13,728	76,896	48,688	31,789	17,196	68,281	5,207	36,548
Principal payments on capital lease obligations	(451)	(461)	(470)	(480)	(490)	(500)	(511)	-
Excess tax benefits from stock-based compensation	136	472	185	44	440	230	3	11
Net cash (used in) provided by financing activities	<u>13,413</u>	<u>76,907</u>	<u>48,403</u>	<u>31,353</u>	<u>(43,448)</u>	<u>41,119</u>	<u>(798,802)</u>	<u>(99,181)</u>
Net increase (decrease) in cash and cash equivalents	(207,412)	58,033	246,911	(22,187)	312,742	204,180	(1,064,673)	80,564
Cash and cash equivalents at beginning of period	1,254,807	1,047,395	1,105,428	1,352,339	1,330,152	1,642,894	1,847,074	782,401
Cash and cash equivalents at end of period	<u>\$ 1,047,395</u>	<u>\$ 1,105,428</u>	<u>\$ 1,352,339</u>	<u>\$ 1,330,152</u>	<u>\$ 1,642,894</u>	<u>\$ 1,847,074</u>	<u>\$ 782,401</u>	<u>\$ 862,965</u>
Unaudited Supplemental Financial Information								
GAAP net cash provided by operating activities	\$ 203,534	\$ 281,117	\$ 255,591	\$ 319,238	\$ 367,886	\$ 250,833	\$ 177,149	\$ 263,413
Purchases of technology licenses	-	(3,048)	(2,250)	(4,569)	(5,830)	(10,495)	(3,290)	(3,325)
Purchases of property and equipment	(7,629)	(25,006)	(16,395)	(22,903)	(23,969)	(26,906)	(17,018)	(25,227)
Free cash flow	<u>\$ 195,905</u>	<u>\$ 253,063</u>	<u>\$ 236,946</u>	<u>\$ 291,766</u>	<u>\$ 338,087</u>	<u>\$ 213,432</u>	<u>\$ 156,841</u>	<u>\$ 234,861</u>

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

	<u>Q3'10</u>	<u>Q4'10</u>	<u>Q1'11</u>	<u>Q2'11</u>	<u>Q3'11</u>	<u>Q4'11</u>	<u>Q1'12</u>	<u>Q2'12</u>
Assets								
Current assets:								
Cash, cash equivalents, and short-term investments	\$ 1,464,187	\$ 1,796,717	\$ 2,079,203	\$ 2,379,951	\$ 2,675,273	\$ 2,930,030	\$ 2,267,839	\$ 2,399,787
Accounts receivable, net	394,319	356,796	448,693	490,755	467,975	459,406	425,468	405,757
Inventories	239,209	241,541	206,643	239,320	227,936	245,448	299,108	322,005
Prepaid expenses and other current assets	72,796	70,491	62,640	72,045	78,576	77,763	80,154	70,842
Total current assets	<u>2,170,511</u>	<u>2,465,545</u>	<u>2,797,179</u>	<u>3,182,071</u>	<u>3,449,760</u>	<u>3,712,647</u>	<u>3,072,569</u>	<u>3,198,391</u>
Property and equipment, net	349,276	342,497	340,641	343,445	347,588	358,440	354,483	363,764
Long-term investments	39,274	34,281	34,235	34,184	30,865	26,226	26,070	26,070
Goodwill and acquired intangible assets, net	2,201,016	2,176,763	2,154,244	2,153,424	2,131,666	2,129,464	2,130,342	2,119,649
Other non-current assets	127,643	151,854	154,283	154,153	161,793	111,380	109,143	120,689
Total assets	<u>\$ 4,887,720</u>	<u>\$ 5,170,940</u>	<u>\$ 5,480,582</u>	<u>\$ 5,867,277</u>	<u>\$ 6,121,672</u>	<u>\$ 6,338,157</u>	<u>\$ 5,692,607</u>	<u>\$ 5,828,563</u>
Liabilities and Shareholders' Equity								
Current liabilities:								
Accounts payable	\$ 317,233	\$ 283,362	\$ 296,402	\$ 391,134	\$ 352,216	\$ 332,007	\$ 321,687	\$ 353,992
Accrued liabilities	203,130	207,189	195,856	203,172	241,520	232,007	210,837	207,156
Deferred income	71,273	59,396	83,329	86,019	88,216	76,161	80,890	67,827
Current portion of capital lease obligations	1,901	1,940	1,981	1,501	1,011	511	-	-
Total current liabilities	<u>593,537</u>	<u>551,887</u>	<u>577,568</u>	<u>681,826</u>	<u>682,963</u>	<u>640,686</u>	<u>613,414</u>	<u>628,975</u>
Capital lease obligations, net of current portion	1,011	511	-	-	-	-	-	-
Other long-term liabilities	186,872	200,563	203,286	202,546	210,703	175,602	175,789	173,457
Total liabilities	<u>781,420</u>	<u>752,961</u>	<u>780,854</u>	<u>884,372</u>	<u>893,666</u>	<u>816,288</u>	<u>789,203</u>	<u>802,432</u>
Shareholders' equity:								
Common stock	1,249	1,277	1,288	1,300	1,297	1,317	1,218	1,207
Additional paid-in capital	4,501,258	4,607,844	4,683,490	4,745,787	4,732,088	4,805,588	4,034,873	3,966,047
Accumulated other comprehensive income (loss)	(1,129)	(885)	(560)	531	3,602	1,092	6,580	5,752
Retained earnings (accumulated deficit)	<u>(395,078)</u>	<u>(190,257)</u>	<u>15,510</u>	<u>235,287</u>	<u>491,019</u>	<u>713,872</u>	<u>860,733</u>	<u>1,053,125</u>
Total shareholders' equity	<u>4,106,300</u>	<u>4,417,979</u>	<u>4,699,728</u>	<u>4,982,905</u>	<u>5,228,006</u>	<u>5,521,869</u>	<u>4,903,404</u>	<u>5,026,131</u>
Total liabilities and shareholders' equity	<u>\$ 4,887,720</u>	<u>\$ 5,170,940</u>	<u>\$ 5,480,582</u>	<u>\$ 5,867,277</u>	<u>\$ 6,121,672</u>	<u>\$ 6,338,157</u>	<u>\$ 5,692,607</u>	<u>\$ 5,828,563</u>
GAAP inventory turns	6.1	5.7	6.1	6.6	6.7	6.2	4.9	4.9
GAAP days in inventory	60	64	59	55	54	59	74	75

Marvell Technology Group Ltd.
Unaudited Reconciliation of Non-GAAP Adjustments
(In thousands, except per share amounts)

	<u>Q3'10</u>	<u>Q4'10</u>	<u>Q1'11</u>	<u>Q2'11</u>	<u>Q3'11</u>	<u>Q4'11</u>	<u>Q1'12</u>	<u>Q2'12</u>
GAAP Net income	\$ 201,599	\$ 204,821	\$ 205,767	\$ 219,777	\$ 255,732	\$ 222,853	\$ 146,861	\$ 192,392
(1) Cost of goods sold								
Stock-based compensation	2,389	2,375	2,236	1,692	1,818	1,776	1,695	1,916
Litigation settlement included in general and administrative	-	-	4,373	-	-	4,062	-	-
(2) Research and development:								
Stock-based compensation	24,134	21,702	18,851	22,089	19,795	21,789	19,593	22,128
Adjustment of payroll related liabilities initially recorded in connection with historic stock option granting practices								
Restructuring	1,338	4,342	129	1,370	187	280	168	139
(3) Selling and marketing:								
Stock-based compensation	4,087	3,841	3,173	2,397	3,208	2,991	2,654	3,207
Adjustment of payroll related liabilities initially recorded in connection with historic stock option granting practices	-	-	-	-	-	-	-	-
Restructuring	51	(1)	-	-	-	-	-	-
(4) General and administrative:								
Stock-based compensation	3,767	2,641	2,636	4,511	4,720	4,723	3,538	3,104
Adjustment of payroll related liabilities initially recorded in connection with historic stock option granting practices	-	-	-	-	-	-	-	-
Litigation settlement included in general and administrative	-	-	-	-	-	-	-	-
Restructuring	530	2,111	457	289	72	399	451	428
(5) Other operating costs and expenses:								
Amortization and writeoff of acquired intangible assets	26,450	24,282	22,549	21,214	21,770	14,005	14,341	11,138
Adjustment of payroll related liabilities initially recorded in connection with historic stock option granting practices	-	-	-	-	-	-	-	-
Tax related matter	(32,569)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Non-GAAP Net income	<u>\$ 231,776</u>	<u>\$ 266,114</u>	<u>\$ 260,171</u>	<u>\$ 273,339</u>	<u>\$ 307,302</u>	<u>\$ 272,878</u>	<u>\$ 189,301</u>	<u>\$ 234,452</u>
Non-GAAP Operating Income	<u>\$ 200,233</u>	<u>\$ 267,082</u>	<u>\$ 262,807</u>	<u>\$ 271,626</u>	<u>\$ 310,572</u>	<u>\$ 265,748</u>	<u>\$ 190,553</u>	<u>\$ 236,700</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.