

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

	<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>	<u>Q3'12</u>
Net revenue	\$ 842,535	\$ 855,579	\$ 896,474	\$ 959,327	\$ 900,513	\$ 802,402	\$ 897,520	\$ 950,417
Cost of goods sold	339,790	343,985	366,682	390,808	371,799	334,475	378,117	412,100
Gross profit	502,745	511,594	529,792	568,519	528,714	467,927	519,403	538,317
Operating expenses:								
Research and development	213,024	219,111	228,211	218,420	231,836	242,537	249,604	266,255
Selling and marketing	37,144	38,423	36,863	39,751	40,444	38,152	40,390	40,500
General and administrative	22,506	23,108	25,440	29,576	26,706	24,784	23,631	29,021
Amortization and writeoff of acquired intangible assets	24,282	22,549	21,214	21,770	14,005	14,341	11,138	11,155
Total operating expenses	296,956	303,191	311,728	309,517	312,991	319,814	324,763	346,931
Operating income	205,789	208,403	218,064	259,002	215,723	148,113	194,640	191,386
Interest and other income (expense), net	10,309	(3,701)	4,253	(1,634)	10,496	(207)	2,064	7,729
Interest expense	(60)	(51)	(41)	(31)	(21)	(11)	-	-
Income before income taxes	216,038	204,651	222,276	257,337	226,198	147,895	196,704	199,115
Provision (benefit) for income taxes	11,217	(1,116)	2,499	1,605	3,345	1,034	4,312	3,994
Net income	<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>	<u>\$ 195,121</u>
Net income per share - basic	<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>	<u>0.32</u>
Net income per share - diluted	<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>	<u>0.32</u>
Weighted average shares — basic	<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>	<u>600,504</u>
Weighted average shares — diluted	<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>	<u>613,499</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	2,375	2,236	1,692	1,818	1,776	1,695	1,916	1,940
Research and development	21,702	18,851	22,089	19,795	21,789	19,593	22,128	21,905
Selling and marketing	3,841	3,173	2,397	3,208	2,991	2,654	3,207	3,402
General and administrative	2,641	2,636	4,511	4,720	4,723	3,538	3,104	3,364

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

	<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>	<u>Q3'12</u>
Cash flows from operating activities:								
Net income	\$ 204,821	\$ 205,767	\$ 219,777	\$ 255,732	\$ 222,853	\$ 146,861	\$ 192,392	\$ 195,121
Adjustments to reconcile net income to net cash provided by operating activities:								
Depreciation and amortization	24,238	23,078	22,773	23,140	24,199	24,037	22,437	20,179
Stock-based compensation	30,559	26,896	30,689	29,541	31,279	27,480	30,355	30,611
Amortization and writeoff of acquired intangible assets	24,282	22,549	21,214	21,770	14,005	14,341	11,138	11,155
Facilities impairment	3,986	-	1,140	-	-	-	-	-
Other (income) expense, net	1,667	2,035	2,777	4,756	3,940	3,854	3,291	4,266
Fair market value adjustment to acquired inventory sold	(1,626)	(942)	(1,048)	(401)	-	-	-	-
Excess tax benefits from stock-based compensation	(472)	(185)	(44)	(440)	(230)	(3)	(11)	(85)
(Gain) on equity investment	(4,938)	-	-	-	(5,927)	-	-	-
Changes in assets and liabilities:								
Restricted cash	-	-	-	-	-	-	-	-
Accounts receivable	37,523	(91,897)	(42,062)	22,780	8,569	33,938	19,711	(45,351)
Inventories	(889)	35,417	(31,501)	11,940	(17,120)	(53,107)	(22,897)	12,037
Prepaid expenses and other assets	(4,660)	10,381	(5,384)	(15,201)	64,553	644	16,794	16,791
Accounts payable	(30,060)	6,703	91,740	(34,508)	(21,471)	(5,295)	12,294	(2,806)
Accrued liabilities and other	10,420	2,362	2,071	13,515	(56,007)	(5,450)	5,359	(17,939)
Accrued employee compensation	(1,857)	(10,506)	4,406	33,065	(5,755)	(14,880)	(14,387)	36,191
Deferred income	(11,877)	23,933	2,690	2,197	(12,055)	4,729	(13,063)	1,417
Net cash provided by operating activities	<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>	<u>261,587</u>
Cash flows from investing activities:								
Purchases of marketable securities	(377,981)	(186,878)	(522,932)	(312,890)	(240,817)	(677,179)	(462,705)	(443,008)
Purchases of strategic investments	(2,000)	(1,000)	-	-	-	(1,750)	(503)	(1,250)
Sales and maturities of investments	108,044	149,440	198,305	330,993	190,021	272,547	408,522	402,145
Cash paid for acquisitions, net	-	-	(20,679)	-	(8,767)	(16,330)	(430)	(2,000)
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)	(2,978)
Purchases of property and equipment	(25,006)	(16,395)	(22,903)	(23,969)	(26,906)	(17,018)	(25,227)	(20,085)
Net cash used in investing activities	<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>	<u>(67,176)</u>
Cash flows from financing activities:								
Repurchase of common stock	-	-	-	(60,594)	(26,892)	(803,501)	(135,740)	(215,155)
Proceeds from employee stock plans	76,896	48,688	31,789	17,196	68,281	5,207	36,548	8,638
Principal payments on capital lease obligations	(461)	(470)	(480)	(490)	(500)	(511)	-	-
Excess tax benefits from stock-based compensation	472	185	44	440	230	3	11	85
Net cash (used in) provided by financing activities	<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>	<u>(206,432)</u>
Net increase (decrease) in cash and cash equivalents	58,033	246,911	(22,187)	312,742	204,180	(1,064,673)	80,564	(12,021)
Cash and cash equivalents at beginning of period	1,047,395	1,105,428	1,352,339	1,330,152	1,642,894	1,847,074	782,401	862,965
Cash and cash equivalents at end of period	<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>	<u>\$ 850,944</u>
Unaudited Supplemental Financial Information								
GAAP net cash provided by operating activities	\$ 281,117	\$ 255,591	\$ 319,238	\$ 367,886	\$ 250,833	\$ 177,149	\$ 263,413	\$ 261,587
Purchases of technology licenses	(3,048)	(2,250)	(4,569)	(5,830)	(10,495)	(3,290)	(3,325)	(2,978)
Purchases of property and equipment	(25,006)	(16,395)	(22,903)	(23,969)	(26,906)	(17,018)	(25,227)	(20,085)
Free cash flow	<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>	<u>\$ 238,524</u>

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

	<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>	<u>Q3'12</u>
Assets								
Current assets:								
Cash, cash equivalents, and short-term investments	\$ 1,796,717	\$ 2,079,203	\$ 2,379,951	\$ 2,675,273	\$ 2,930,030	\$ 2,267,839	\$ 2,399,787	\$ 2,424,698
Accounts receivable, net	356,796	448,693	490,755	467,975	459,406	425,468	405,757	451,108
Inventories	241,541	206,643	239,320	227,936	245,448	299,108	322,005	309,968
Prepaid expenses and other current assets	70,491	62,640	72,045	78,576	77,763	80,154	70,842	61,741
Total current assets	<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>	<u>3,247,515</u>
Property and equipment, net	342,497	340,641	343,445	347,588	358,440	354,483	363,764	373,628
Long-term investments	34,281	34,235	34,184	30,865	26,226	26,070	26,070	23,218
Goodwill and acquired intangible assets, net	2,176,763	2,154,244	2,153,424	2,131,666	2,129,464	2,130,342	2,119,649	2,112,094
Other non-current assets	151,854	154,283	154,153	161,793	111,380	109,143	120,689	110,920
Total assets	<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>	<u>\$ 5,867,375</u>
Liabilities and Shareholders' Equity								
Current liabilities:								
Accounts payable	\$ 283,362	\$ 296,402	\$ 391,134	\$ 352,216	\$ 332,007	\$ 321,687	\$ 353,992	\$ 355,404
Accrued liabilities	207,189	195,856	203,172	241,520	232,007	210,837	207,156	237,119
Deferred income	59,396	83,329	86,019	88,216	76,161	80,890	67,827	69,244
Current portion of capital lease obligations	1,940	1,981	1,501	1,011	511	-	-	-
Total current liabilities	<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>	<u>661,767</u>
Capital lease obligations, net of current portion	511	-	-	-	-	-	-	-
Other long-term liabilities	200,563	203,286	202,546	210,703	175,602	175,789	173,457	166,309
Total liabilities	<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>	<u>828,076</u>
Shareholders' equity:								
Common stock	1,277	1,288	1,300	1,297	1,317	1,218	1,207	1,179
Additional paid-in capital	4,607,844	4,683,490	4,745,787	4,732,088	4,805,588	4,034,873	3,966,047	3,790,169
Accumulated other comprehensive income (loss)	(885)	(560)	531	3,602	1,092	6,580	5,752	(295)
Retained earnings (accumulated deficit)	<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>	<u>1,248,246</u>
Total shareholders' equity	<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>	<u>5,039,299</u>
Total liabilities and shareholders' equity	<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>	<u>\$ 5,867,375</u>
GAAP inventory turns	5.7	6.1	6.6	6.7	6.2	4.9	4.9	5.2
GAAP days in inventory	64	59	55	54	59	74	75	70

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

	<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>	<u>Q3'12</u>
GAAP Net income	\$ 204,821	\$ 205,767	\$ 219,777	\$ 255,732	\$ 222,853	\$ 146,861	\$ 192,392	\$ 195,121
(1) Cost of goods sold								
Stock-based compensation	2,375	2,236	1,692	1,818	1,776	1,695	1,916	1,940
Legal/Tax related matters	-	4,373	-	-	4,062	-	-	-
(2) Research and development:								
Stock-based compensation	21,702	18,851	22,089	19,795	21,789	19,593	22,128	21,905
Adjustment of payroll related liabilities initially recorded in connection with historic stock option granting practices								
Restructuring	4,342	129	1,370	187	280	168	139	1
Legal/Tax related matters	-	-	-	-	-	-	-	3,137
(3) Selling and marketing:								
Stock-based compensation	3,841	3,173	2,397	3,208	2,991	2,654	3,207	3,402
Adjustment of payroll related liabilities initially recorded in connection with historic stock option granting practices	-	-	-	-	-	-	-	-
Restructuring	(1)	-	-	-	-	-	-	-
(4) General and administrative:								
Stock-based compensation	2,641	2,636	4,511	4,720	4,723	3,538	3,104	3,364
Legal/Tax related matters	-	-	-	-	-	-	-	4,322
Restructuring	2,111	457	289	72	399	451	428	104
(5) Other operating costs and expenses:								
Amortization and writeoff of acquired intangible assets	24,282	22,549	21,214	21,770	14,005	14,341	11,138	11,155
Non-GAAP Net income	<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>	<u>\$ 244,451</u>
Non-GAAP Operating Income	<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>	<u>\$ 240,716</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.