

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

	<u>Q1'15</u>	<u>Q2'15</u>	<u>Q3'15</u>	<u>Q4'15</u>	<u>Q1'16</u>	<u>Q2'16</u>
Net revenue	\$ 957,830	\$ 961,545	\$ 930,136	\$ 857,452	\$ 724,288	\$ 710,492
Cost of goods sold	493,860	477,741	454,974	417,131	351,153	461,719
Gross profit (loss)	<u>463,970</u>	<u>483,804</u>	<u>475,162</u>	<u>440,321</u>	<u>373,135</u>	<u>248,773</u>
Operating expenses:						
Research and development	295,363	294,764	288,435	285,497	280,114	297,321
Selling and marketing	38,358	33,949	34,410	37,235	36,174	30,841
General and administrative	30,573	31,333	33,473	34,651	41,027	36,563
Carnegie Mellon University litigation settlement	-	-	-	-	-	654,667
Amortization and write-off of acquired intangible assets	6,689	3,304	3,304	3,100	2,568	2,568
Total operating expenses	<u>370,983</u>	<u>363,350</u>	<u>359,622</u>	<u>360,483</u>	<u>359,883</u>	<u>1,021,960</u>
Operating income (loss)	92,987	120,454	115,540	79,838	13,252	(773,187)
Interest and other income, net	1,925	12,263	4,764	4,382	5,167	6,790
Income before income (loss) taxes	94,912	132,717	120,304	84,220	18,419	(766,397)
Provision (benefit) for income taxes	(4,567)	(6,153)	5,000	2,527	4,329	5,543
Net income (loss)	<u>\$ 99,479</u>	<u>\$ 138,870</u>	<u>\$ 115,304</u>	<u>\$ 81,693</u>	<u>\$ 14,090</u>	<u>\$ (771,940)</u>
Net income (loss) per share - basic	<u>0.20</u>	<u>0.27</u>	<u>0.22</u>	<u>0.16</u>	<u>0.03</u>	<u>(1.49)</u>
Net income (loss) per share - diluted	<u>0.19</u>	<u>0.27</u>	<u>0.22</u>	<u>0.16</u>	<u>0.03</u>	<u>(1.49)</u>
Weighted average shares — basic	<u>505,105</u>	<u>511,821</u>	<u>513,859</u>	<u>513,574</u>	<u>516,228</u>	<u>516,368</u>
Weighted average shares — diluted	<u>520,751</u>	<u>520,269</u>	<u>519,907</u>	<u>522,112</u>	<u>527,167</u>	<u>516,368</u>

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

Cost of goods sold	2,299	1,733	1,934	2,006	1,547	2,012
Research and development	20,368	24,276	24,198	25,590	24,781	27,807
Selling and marketing	2,928	2,617	2,855	3,069	2,577	2,707
General and administrative	4,374	6,394	5,307	7,298	4,316	4,148

Marvell Technology Group Ltd.
Unaudited Condensed Consolidated Statements of Cash Flows
(In thousands)

	<u>Q1'15</u>	<u>Q2'15</u>	<u>Q3'15</u>	<u>Q4'15</u>	<u>Q1'16</u>	<u>Q2'16</u>
Cash flows from operating activities:						
Net income (loss)	\$ 99,479	\$ 138,870	\$ 115,304	\$ 81,693	\$ 14,090	\$ (771,940)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:						
Depreciation and amortization	27,006	26,263	26,515	26,464	26,620	25,191
Share-based compensation	29,969	35,020	34,294	37,963	33,221	36,674
Amortization and write-off of acquired intangible assets	7,174	3,789	3,789	3,585	3,053	3,053
Other expense (income), net	1,470	(7,596)	(6,034)	(1,699)	(561)	2,283
Non-cash restructuring and other related charges	-	-	-	3,230	573	900
Excess tax benefits from share-based compensation	(44)	(32)	(2)	(67)	(18)	(7)
Changes in assets and liabilities:						
Accounts receivable	(63,578)	33,419	40,214	25,719	27,141	(23,907)
Inventories	(3,105)	(43,194)	37,506	48,247	(31,318)	12,903
Prepaid expenses and other assets	(2,161)	(24,996)	18,536	4,087	1,969	9,358
Accounts payable	85,128	2,558	(70,749)	(60,808)	17,125	(5,167)
Accrued liabilities and other non-current liabilities	(7,134)	10,096	(24,997)	(12,189)	(11,576)	19,634
Carnegie Mellon University accrued litigation settlement	-	-	-	-	-	733,557
Accrued employee compensation	30,001	(7,451)	19,101	1,910	(14,424)	(14,507)
Deferred income	30,932	(9,792)	(12,053)	(2,714)	(7,027)	(1,441)
Net cash provided by operating activities	<u>235,137</u>	<u>156,954</u>	<u>181,424</u>	<u>155,421</u>	<u>58,868</u>	<u>26,584</u>
Cash flows from investing activities:						
Purchases of available-for-sale securities	(181,889)	(153,881)	(448,526)	(344,023)	(392,900)	(173,465)
Sales and maturities of available-for-sale securities	182,311	190,099	205,685	248,215	247,495	222,295
Net proceeds from sale of a product line	-	-	-	-	-	-
Distribution from (investments in) privately-held-companies	(441)	-	(260)	-	-	208
Proceeds from sale of an investment in a privately-held company	-	-	13,220	-	-	-
Purchases of technology licenses	(8,111)	(1,298)	(5,105)	(1,910)	(3,606)	(2,071)
Purchases of property and equipment	(16,131)	(15,823)	(16,661)	(14,415)	(7,334)	(16,986)
Purchase of equipment previously leased	-	-	-	-	(10,240)	-
Net proceeds from sale of equipment held for sale	-	-	-	-	-	-
Net cash provided by (used in) investing activities	<u>(24,261)</u>	<u>19,097</u>	<u>(251,647)</u>	<u>(112,133)</u>	<u>(166,585)</u>	<u>29,981</u>
Cash flows from financing activities:						
Repurchase of common stock	-	-	(43,774)	(21,188)	(20,273)	(175,311)
Proceeds from employee stock plans	19,092	49,282	2,934	41,049	13,013	44,161
Minimum tax withholding paid on behalf of employees for net share settlement	(24,286)	(637)	(663)	(908)	(22,310)	(697)
Dividend payment to shareholders	(30,172)	(30,820)	(30,867)	(30,942)	(30,910)	(31,194)
Payments on technology license obligations	-	(2,677)	(5,951)	(4,382)	(4,067)	(4,732)
Excess tax benefits from share-based compensation	44	32	2	67	18	7
Net cash provided by (used in) financing activities	<u>(35,322)</u>	<u>15,180</u>	<u>(78,319)</u>	<u>(16,304)</u>	<u>(64,529)</u>	<u>(167,766)</u>
Net increase (decrease) in cash and cash equivalents	175,554	191,231	(148,542)	26,984	(172,246)	(111,201)
Cash and cash equivalents at beginning of period	965,750	1,141,304	1,332,535	1,183,993	1,210,977	1,038,731
Cash and cash equivalents at end of period	<u>\$ 1,141,304</u>	<u>\$ 1,332,535</u>	<u>\$ 1,183,993</u>	<u>\$ 1,210,977</u>	<u>\$ 1,038,731</u>	<u>\$ 927,530</u>
Unaudited Supplemental Financial Information						
GAAP net cash provided by operating activities	\$ 235,137	\$ 156,954	\$ 181,424	\$ 155,421	\$ 58,868	\$ 26,584
Purchases of technology licenses	(8,111)	(1,298)	(5,105)	(1,910)	(3,606)	(2,071)
Purchases of property and equipment	(16,131)	(15,823)	(16,661)	(14,415)	(7,334)	(16,986)
Payment on technology license obligations	-	(2,677)	(5,951)	(4,382)	(4,067)	(4,732)
Free cash flow	<u>\$ 210,895</u>	<u>\$ 137,156</u>	<u>\$ 153,707</u>	<u>\$ 134,714</u>	<u>\$ 43,861</u>	<u>\$ 2,795</u>

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

	<u>Q1'15</u>	<u>Q2'15</u>	<u>Q3'15</u>	<u>Q4'15</u>	<u>Q1'16</u>	<u>Q2'16</u>
Assets						
Current assets:						
Cash, cash equivalents, and short-term investments	\$ 2,146,445	\$ 2,300,004	\$ 2,402,778	\$ 2,529,555	\$ 2,500,915	\$2,337,647
Accounts receivable, net	517,074	498,484	445,050	420,955	393,814	417,721
Inventories	350,649	393,957	356,417	308,162	339,859	327,103
Prepaid expenses and other current assets	72,815	96,561	82,117	85,368	91,151	86,106
Total current assets	<u>3,086,983</u>	<u>3,289,006</u>	<u>3,286,362</u>	<u>3,344,040</u>	<u>3,325,739</u>	<u>3,168,577</u>
Property and equipment, net	349,321	344,836	343,101	340,639	325,754	322,262
Long-term investments	13,456	13,422	10,077	10,226	10,111	10,123
Goodwill and acquired intangible assets, net	2,071,806	2,068,017	2,064,228	2,060,643	2,057,590	2,054,537
Other non-current assets	161,406	150,413	145,039	128,839	122,855	110,457
Total assets	<u>\$ 5,682,972</u>	<u>\$ 5,865,694</u>	<u>\$ 5,848,807</u>	<u>\$ 5,884,387</u>	<u>\$ 5,842,049</u>	<u>\$5,665,956</u>
Liabilities and Shareholders' Equity						
Current liabilities:						
Accounts payable	\$ 409,005	\$ 415,718	\$ 341,431	\$ 282,899	\$ 297,050	\$ 289,023
Accrued liabilities	288,076	293,378	293,143	286,357	258,345	287,007
Carnegie Mellon University accrued litigation settlement	-	-	-	-	-	733,557
Deferred income	92,679	82,887	70,834	68,120	61,093	59,652
Total current liabilities	<u>789,760</u>	<u>791,983</u>	<u>705,408</u>	<u>637,376</u>	<u>616,488</u>	<u>1,369,239</u>
Other non-current liabilities	123,725	112,177	109,489	100,922	94,289	82,720
Total liabilities	<u>913,485</u>	<u>904,160</u>	<u>814,897</u>	<u>738,298</u>	<u>710,777</u>	<u>1,451,959</u>
Shareholders' equity:						
Common stock	2,967,113	3,050,892	3,042,422	3,100,578	3,102,809	2,990,026
Accumulated other comprehensive income (loss)	409	627	(2,964)	308	80	(1,278)
Retained earnings	1,801,965	1,910,015	1,994,452	2,045,203	2,028,383	1,225,249
Total shareholders' equity	<u>4,769,487</u>	<u>4,961,534</u>	<u>5,033,910</u>	<u>5,146,089</u>	<u>5,131,272</u>	<u>4,213,997</u>
Total liabilities and shareholders' equity	<u>\$ 5,682,972</u>	<u>\$ 5,865,694</u>	<u>\$ 5,848,807</u>	<u>\$ 5,884,387</u>	<u>\$ 5,842,049</u>	<u>\$5,665,956</u>
GAAP inventory turns	5.7	5.1	4.9	5.0	4.3	5.5
GAAP days in inventory	64	71	75	72	84	66

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

	<u>Q1'15</u>	<u>Q2'15</u>	<u>Q3'15</u>	<u>Q4'15</u>	<u>Q1'16</u>	<u>Q2'16</u>
GAAP Net income (loss)	\$ 99,479	\$ 138,870	\$ 115,304	\$ 81,693	\$ 14,090	\$ (771,940)
(1) Cost of goods sold						
Share-based compensation	2,299	1,733	1,934	2,006	1,547	2,012
Restructuring and related charges	-	-	-	-	-	-
Amortization of acquired intangible assets	925	925	925	925	925	778
Litigation settlement	-	-	(3,998)	-	(1,700)	81,390
Other	-	-	-	1,000	-	-
(2) Research and development:						
Share-based compensation	20,368	24,276	24,198	25,590	24,781	27,807
Acquisition related costs	-	-	-	-	-	-
Restructuring and other exit related	4,682	412	88	67	-	11,680
Litigation matters	-	-	-	-	-	5,000
Other	-	-	-	-	-	134
(3) Selling and marketing:						
Share-based compensation	2,928	2,617	2,855	3,069	2,577	2,707
Restructuring and other exit related	48	(48)	-	-	-	-
Litigation settlement	-	-	1,600	-	-	-
Other	-	-	-	-	-	-
(4) General and administrative:						
Share-based compensation	4,374	6,394	5,307	7,298	4,316	4,148
Acquisition related costs	-	-	-	-	-	-
Restructuring and other exit related	358	371	1,115	3,345	592	1,320
Litigation settlement	2,000	475	-	-	-	661,727
Other	-	2,155	2,318	2,764	18,302	2,748
(5) Other operating costs and expenses:						
Amortization and write-off of acquired intangible assets	6,689	3,304	3,304	3,100	2,568	2,568
(6) Gain from sale of a product line:	-	-	-	-	-	-
(7) Provision for income taxes:						
Other	-	-	-	-	3,080	7,323
Non-GAAP Net income	<u>\$ 144,150</u>	<u>\$ 181,484</u>	<u>\$ 154,950</u>	<u>\$ 130,857</u>	<u>\$ 71,078</u>	<u>\$ 39,402</u>
Non-GAAP Operating income	<u>\$ 137,658</u>	<u>\$ 163,068</u>	<u>\$ 155,186</u>	<u>\$ 129,002</u>	<u>\$ 67,160</u>	<u>\$ 30,832</u>
GAAP Weighted average shares — diluted	520,751	520,269	519,907	522,112	527,167	516,368
Non-GAAP adjustment	9,625	13,201	12,905	10,688	7,993	16,574
Non-GAAP Weighted average shares — diluted	<u>530,376</u>	<u>533,470</u>	<u>532,812</u>	<u>532,800</u>	<u>535,160</u>	<u>532,942</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.