

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

	<u>Q3'12</u>	<u>Q4'12</u>	<u>Q1'13</u>	<u>Q2'13</u>	<u>Q3'13</u>	<u>Q4'13</u>	<u>Q1'14</u>	<u>Q2'14</u>
Net revenue	\$ 950,417	\$ 742,701	\$ 796,351	\$ 816,104	\$ 780,881	\$ 775,294	\$ 734,369	\$ 807,056
Cost of goods sold	412,100	341,113	366,322	381,839	374,503	370,833	335,438	386,059
Gross profit	<u>538,317</u>	<u>401,588</u>	<u>430,029</u>	<u>434,265</u>	<u>406,378</u>	<u>404,461</u>	<u>398,931</u>	<u>420,997</u>
Operating expenses:								
Research and development	266,255	255,282	255,970	264,175	263,615	273,685	279,052	292,642
Selling and marketing	40,500	40,392	40,066	41,034	38,398	42,319	39,989	38,548
General and administrative	29,021	23,184	25,705	25,718	24,514	32,577	26,323	27,192
Amortization and write-off of acquired intangible assets	11,155	12,723	14,355	13,023	13,054	12,268	10,686	10,638
Total operating expenses	<u>346,931</u>	<u>331,581</u>	<u>336,096</u>	<u>343,950</u>	<u>339,581</u>	<u>360,849</u>	<u>356,050</u>	<u>369,020</u>
Operating income	191,386	70,007	93,933	90,315	66,797	43,612	42,881	51,977
Interest and other income, net	7,729	5,338	1,057	5,864	2,387	6,225	3,160	8,253
Income before income taxes	199,115	75,345	94,990	96,179	69,184	49,837	46,041	60,230
Provision (benefit) for income taxes	3,994	(5,372)	447	3,105	368	(315)	(7,168)	(1,596)
Net income	<u>\$ 195,121</u>	<u>\$ 80,717</u>	<u>\$ 94,543</u>	<u>\$ 93,074</u>	<u>\$ 68,816</u>	<u>\$ 50,152</u>	<u>\$ 53,209</u>	<u>\$ 61,826</u>
Net income per share - basic	<u>0.32</u>	<u>0.14</u>	<u>0.16</u>	<u>0.17</u>	<u>0.12</u>	<u>0.10</u>	<u>0.11</u>	<u>0.13</u>
Net income per share - diluted	<u>0.32</u>	<u>0.13</u>	<u>0.16</u>	<u>0.16</u>	<u>0.12</u>	<u>0.09</u>	<u>0.11</u>	<u>0.12</u>
Weighted average shares — basic	<u>600,504</u>	<u>583,466</u>	<u>580,024</u>	<u>562,362</u>	<u>553,049</u>	<u>525,804</u>	<u>502,180</u>	<u>494,293</u>
Weighted average shares — diluted	<u>613,499</u>	<u>599,300</u>	<u>594,739</u>	<u>570,325</u>	<u>559,348</u>	<u>528,082</u>	<u>505,387</u>	<u>500,625</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	1,940	1,444	2,123	1,775	1,944	2,300	1,867	1,868
Research and development	21,905	22,298	17,174	22,413	22,565	24,997	23,279	28,982
Selling and marketing	3,402	3,657	3,036	3,458	3,101	3,683	3,392	3,648
General and administrative	3,364	4,018	4,859	5,582	2,764	5,506	4,975	6,593

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

	<u>Q3'12</u>	<u>Q4'12</u>	<u>Q1'13</u>	<u>Q2'13</u>	<u>Q3'13</u>	<u>Q4'13</u>	<u>Q1'14</u>	<u>Q2'14</u>
Cash flows from operating activities:								
Net income	\$ 195,121	\$ 80,717	\$ 94,543	\$ 93,074	\$ 68,816	\$ 50,152	\$ 53,209	\$ 61,826
Adjustments to reconcile net income to net cash provided by operating activities:								
Depreciation and amortization	20,179	21,801	21,199	21,285	22,317	26,227	24,966	25,697
Stock-based compensation	30,611	31,416	27,192	33,228	30,374	36,486	33,513	41,091
Amortization and write-off of acquired intangible assets	11,155	12,723	14,355	13,023	13,054	12,268	10,686	10,638
Other expense, net	4,266	3,779	2,903	2,272	1,260	957	2,523	1,816
Excess tax benefits from stock-based compensation	(85)	(65)	(41)	(3)	(5)	(9)	(7)	(25)
Changes in assets and liabilities:								
Accounts receivable	(45,351)	46,252	(10,119)	26,610	16,002	44,532	(40,112)	(60,524)
Inventories	12,037	(37,142)	201	7,832	21,601	73,468	(20,123)	(64,170)
Prepaid expenses and other assets	16,791	(6,738)	4,242	11,393	358	(15,861)	6,802	12,503
Accounts payable	(2,806)	(51,288)	21,249	6,288	(54,674)	2,833	28,936	54,933
Accrued liabilities and other non-current liabilities	(17,939)	(3,583)	18,143	(4,204)	(3,653)	(2,272)	(20,081)	(13,013)
Accrued employee compensation	36,191	(19,489)	(648)	(24,033)	29,509	(24,878)	4,423	(471)
Deferred income	1,417	(9,285)	5,454	2,427	(8,382)	692	(880)	16,195
Net cash provided by operating activities	<u>261,587</u>	<u>69,098</u>	<u>198,673</u>	<u>189,192</u>	<u>136,577</u>	<u>204,595</u>	<u>83,855</u>	<u>86,496</u>
Cash flows from investing activities:								
Purchases of available-for-sale securities	(443,008)	(268,804)	(421,652)	(225,255)	(558,457)	(338,538)	(306,838)	(164,631)
Sales and maturities of available-for-sale securities	402,145	378,950	558,777	322,532	436,435	517,911	335,771	162,909
Investments in privately-held-companies	(1,250)	(500)	(5,000)	(750)	-	(3,000)	-	(750)
Cash paid for acquisitions, net	(2,000)	(75,156)	-	-	(1,000)	-	(2,551)	-
Purchases of technology licenses	(2,978)	(4,230)	(2,045)	(4,407)	(4,235)	(24,315)	(5,860)	(1,750)
Purchases of property and equipment	(20,085)	(26,449)	(18,904)	(10,830)	(19,356)	(19,096)	(20,080)	(18,981)
Net cash (used in) provided by investing activities	<u>(67,176)</u>	<u>3,811</u>	<u>111,176</u>	<u>81,290</u>	<u>(146,613)</u>	<u>132,962</u>	<u>442</u>	<u>(23,203)</u>
Cash flows from financing activities:								
Repurchase of common stock	(215,155)	(186,480)	(223,157)	(250,327)	(202,987)	(260,464)	(216,694)	(88,114)
Proceeds from employee stock plans	8,942	50,474	17,803	39,526	8,915	38,692	19,805	53,316
Minimum tax withholding paid on behalf of employees for net share settlement	(304)	(3,010)	(8,879)	(598)	(345)	(277)	(9,378)	(510)
Dividend payment to shareholders	-	-	-	(33,537)	(33,476)	(31,748)	(30,253)	(29,791)
Payment on technology license obligations	-	-	-	-	-	-	(5,317)	(984)
Excess tax benefits from stock-based compensation	85	65	41	3	5	9	7	25
Net cash used in financing activities	<u>(206,432)</u>	<u>(138,951)</u>	<u>(214,192)</u>	<u>(244,933)</u>	<u>(227,888)</u>	<u>(253,788)</u>	<u>(241,830)</u>	<u>(66,058)</u>
Net increase (decrease) in cash and cash equivalents	(12,021)	(66,042)	95,657	25,549	(237,924)	83,769	(157,533)	(2,765)
Cash and cash equivalents at beginning of period	862,965	850,944	784,902	880,559	906,108	668,184	751,953	594,420
Cash and cash equivalents at end of period	<u>\$ 850,944</u>	<u>\$ 784,902</u>	<u>\$ 880,559</u>	<u>\$ 906,108</u>	<u>\$ 668,184</u>	<u>\$ 751,953</u>	<u>\$ 594,420</u>	<u>\$ 591,655</u>
Unaudited Supplemental Financial Information								
GAAP net cash provided by operating activities	\$ 261,587	\$ 69,098	\$ 198,673	\$ 189,192	\$ 136,577	\$ 204,595	\$ 83,855	\$ 86,496
Purchases of technology licenses	(2,978)	(4,230)	(2,045)	(4,407)	(4,235)	(24,315)	(5,860)	(1,750)
Purchases of property and equipment	(20,085)	(26,449)	(18,904)	(10,830)	(19,356)	(19,096)	(20,080)	(18,981)
Payment on technology license obligations	-	-	-	-	-	-	(5,317)	(984)
Free cash flow	<u>\$ 238,524</u>	<u>\$ 38,419</u>	<u>\$ 177,724</u>	<u>\$ 173,955</u>	<u>\$ 112,986</u>	<u>\$ 161,184</u>	<u>\$ 52,598</u>	<u>\$ 64,781</u>

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

	<u>Q3'12</u>	<u>Q4'12</u>	<u>Q1'13</u>	<u>Q2'13</u>	<u>Q3'13</u>	<u>Q4'13</u>	<u>Q1'14</u>	<u>Q2'14</u>
Assets								
Current assets:								
Cash, cash equivalents, and short-term investments	\$ 2,424,698	\$ 2,246,498	\$ 2,202,681	\$ 2,134,193	\$ 2,016,799	\$ 1,918,990	\$ 1,732,643	\$ 1,726,198
Accounts receivable, net	451,108	407,263	417,382	390,772	374,770	330,238	370,350	430,874
Inventories	309,968	354,119	353,387	345,712	323,997	250,420	270,652	335,320
Prepaid expenses and other current assets	61,741	71,081	68,176	58,904	62,264	85,698	79,269	66,238
Total current assets	<u>3,247,515</u>	<u>3,078,961</u>	<u>3,041,626</u>	<u>2,929,581</u>	<u>2,777,830</u>	<u>2,585,346</u>	<u>2,452,914</u>	<u>2,558,630</u>
Property and equipment, net	359,175	369,426	368,077	366,935	362,297	372,971	370,634	363,486
Long-term investments	23,218	23,215	23,215	18,103	18,103	16,769	16,550	16,299
Goodwill and acquired intangible assets, net	2,112,094	2,173,496	2,159,141	2,146,118	2,134,061	2,121,793	2,114,893	2,104,255
Other non-current assets	125,373	122,521	126,466	123,815	133,663	164,885	166,176	161,574
Total assets	<u>\$ 5,867,375</u>	<u>\$ 5,767,619</u>	<u>\$ 5,718,525</u>	<u>\$ 5,584,552</u>	<u>\$ 5,425,954</u>	<u>\$ 5,261,764</u>	<u>\$ 5,121,167</u>	<u>\$ 5,204,244</u>
Liabilities and Shareholders' Equity								
Current liabilities:								
Accounts payable	\$ 355,404	\$ 304,695	\$ 323,392	\$ 335,100	\$ 291,366	\$ 286,552	\$ 307,393	\$ 355,164
Accrued liabilities	237,119	224,900	244,739	223,508	249,645	261,186	246,432	242,953
Deferred income	69,244	59,959	65,413	67,840	59,458	60,150	59,270	75,465
Total current liabilities	<u>661,767</u>	<u>589,554</u>	<u>633,544</u>	<u>626,448</u>	<u>600,469</u>	<u>607,888</u>	<u>613,095</u>	<u>673,582</u>
Other non-current liabilities	166,309	164,047	162,451	154,990	149,191	169,281	155,631	138,152
Total liabilities	<u>828,076</u>	<u>753,601</u>	<u>795,995</u>	<u>781,438</u>	<u>749,660</u>	<u>777,169</u>	<u>768,726</u>	<u>811,734</u>
Shareholders' equity:								
Common stock	3,791,348	3,684,279	3,496,707	3,318,693	3,154,536	2,946,660	2,790,522	2,802,304
Accumulated other comprehensive income (loss)	(295)	776	2,317	1,378	3,375	1,148	2,176	(1,572)
Retained earnings	1,248,246	1,328,963	1,423,506	1,483,043	1,518,383	1,536,787	1,559,743	1,591,778
Total shareholders' equity	<u>5,039,299</u>	<u>5,014,018</u>	<u>4,922,530</u>	<u>4,803,114</u>	<u>4,676,294</u>	<u>4,484,595</u>	<u>4,352,441</u>	<u>4,392,510</u>
Total liabilities and shareholders' equity	<u>\$ 5,867,375</u>	<u>\$ 5,767,619</u>	<u>\$ 5,718,525</u>	<u>\$ 5,584,552</u>	<u>\$ 5,425,954</u>	<u>\$ 5,261,764</u>	<u>\$ 5,121,167</u>	<u>\$ 5,204,244</u>
GAAP inventory turns	5.2	4.1	4.1	4.4	4.5	5.2	5.1	5.1
GAAP days in inventory	70	89	88	83	81	76	71	71

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

	<u>Q3'12</u>	<u>Q4'12</u>	<u>Q1'13</u>	<u>Q2'13</u>	<u>Q3'13</u>	<u>Q4'13</u>	<u>Q1'14</u>	<u>Q2'14</u>
GAAP Net income	\$ 195,121	\$ 80,717	\$ 94,543	\$ 93,074	\$ 68,816	\$ 50,152	\$ 53,209	\$ 61,826
(1) Cost of goods sold								
Stock-based compensation	1,940	1,444	2,123	1,775	1,944	2,300	1,867	1,868
Acquisition related costs	-	1,457	1,929	1,054	-	-	-	-
Legal/Tax related matters	-	-	-	-	-	5,698	-	4,728
(2) Research and development:								
Stock-based compensation	21,905	22,298	17,174	22,413	22,565	24,997	23,279	28,982
Acquisition related costs	-	279	442	466	458	262	400	(1,135)
Restructuring	1	420	2	42	2	1	-	-
Legal/Tax related matters	3,137	-	-	-	-	(690)	-	-
(3) Selling and marketing:								
Stock-based compensation	3,402	3,657	3,036	3,458	3,101	3,683	3,392	3,648
Acquisition related costs	-	40	46	50	57	14	45	34
Restructuring	-	8	(7)	7	(3)	-	-	-
(4) General and administrative:								
Stock-based compensation	3,364	4,018	4,859	5,582	2,764	5,506	4,975	6,593
Acquisition related costs	-	185	39	7	8	19	20	20
Restructuring	104	137	120	810	130	153	228	178
Legal/Tax related matters	4,322	(750)	-	250	-	-	-	500
(5) Other operating costs and expenses:								
Amortization and write-off of acquired intangible assets	11,155	12,723	14,355	13,023	13,054	12,268	10,686	10,638
Non-GAAP Net income	<u>\$ 244,451</u>	<u>\$ 126,633</u>	<u>\$ 138,661</u>	<u>\$ 142,011</u>	<u>\$ 112,896</u>	<u>\$ 104,363</u>	<u>\$ 98,101</u>	<u>\$ 117,880</u>
Non-GAAP Operating Income	<u>\$ 240,716</u>	<u>\$ 115,923</u>	<u>\$ 138,051</u>	<u>\$ 139,252</u>	<u>\$ 110,877</u>	<u>\$ 97,823</u>	<u>\$ 87,773</u>	<u>\$ 108,031</u>
GAAP Wighted average shares — diluted	613,499	599,300	594,739	570,325	559,348	528,082	505,387	500,625
Non-GAAP adjustment	1,558	6,397	10,814	16,302	18,452	16,196	17,094	15,021
Non-GAAP Wighted average shares — diluted	<u>615,057</u>	<u>605,697</u>	<u>605,553</u>	<u>586,627</u>	<u>577,800</u>	<u>544,278</u>	<u>522,481</u>	<u>515,646</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.