BIOTELEMETRY, INC.
Form 10-K
February 22, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______ to _______
Commission file number: 000-55039
BioTelemetry, Inc.
(Exact name of registrant as specified in its charter)

Delaware	46-2568498
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1000 Cedar Hollow Road #102

Malvern, Pennsylvania	19355
(Address of principal executive offices)	(Zip Code)

(610) 729-7000
(Registrant’s telephone number, including area code)
(Former name, former address and former fiscal year, if changed since last report)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.001 par value	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No ý
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o
Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ý No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the

Exchange Act. o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý
The aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $1.5 billion based on the closing sale price of the registrant's common stock as reported by the NASDAQ Global Select Market on the last business day of the registrant's most recently completed second fiscal quarter ended June 30, 2018. As of February 5, 2019, 33,607,798 shares of the registrant's common stock were outstanding.
DOCUMENTS INCORPORATED BY REFERENCE
Portions of the registrant's definitive proxy statement for its 2019 annual meeting of stockholders, which proxy statement will be filed no later than 120 days after the close of the registrant's fiscal year ended December 31, 2018, are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent stated herein.

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BioTelemetry, Inc.
Annual Report on Form 10-K
For The Fiscal Year Ended December 31, 2018
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Unless the context otherwise indicates or requires, the terms “we,” “our,” “us,” “BioTelemetry” and the “Company,” as used in this Annual Report on Form 10-K, refer to BioTelemetry, Inc. and its directly and indirectly owned subsidiaries as a combined entity, except where otherwise stated or where it is clear that the terms mean only BioTelemetry, Inc. exclusive of its subsidiaries. We do not use the ® or ™ symbol in each instance in which one of our registered or common law trademarks appears in this Annual Report on Form 10-K, but this should not be construed as any indication that we will not assert our rights thereto to the fullest extent permissible under applicable law.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document includes certain forward-looking statements within the meaning of the “Safe Harbor” provisions of the Private Securities Litigation Reform Act of 1995 regarding, among other things, our growth prospects, the prospects for our products and our confidence in our future. These statements may be identified by words such as “expect,” “anticipate,” “estimate,” “intend,” “plan,” “believe,” “promises” and other words and terms of similar meaning. Examples of forward-looking statements include statements we make regarding our ability to increase demand for our products and services, to leverage our Mobile Cardiac Outpatient Telemetry platform, to expand into new markets, to grow our market share, our expectations regarding revenue trends in our segments and the achievement of cost efficiencies through process improvement. Such forward-looking statements are based on current expectations and involve inherent risks and uncertainties, including important factors that could delay, divert or change any of these expectations, and could cause actual outcomes and results to differ materially from current expectations. These factors include, among other things:

- our ability to identify acquisition candidates, acquire them on attractive terms and integrate their operations into our business;
- our ability to educate physicians and continue to obtain prescriptions for our products and services;
- changes to insurance coverage and reimbursement levels by Medicare and commercial payors for our products and services;
- our ability to attract and retain talented executive management and sales personnel;
- the commercialization of new competitive products;
- acceptance of our new products and services, such as our mobile cardiac telemetry (“MCT”) patch;
- our ability to obtain and maintain required regulatory approvals for our products, services and manufacturing facilities;
- changes in governmental regulations and legislation;
- adverse regulatory action;
- our ability to obtain and maintain adequate protection of our intellectual property;
- interruptions or delays in the telecommunications systems that we use;
- our ability to successfully resolve outstanding legal proceedings; and

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• the other factors that are described in “Part I; Item 1A. Risk Factors” of this Annual Report on Form 10-K.
We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events, or otherwise, except as may be required by law.

PART I
Item 1. Business
Overview
BioTelemetry, Inc. is the leading remote medical technology company focused on delivery of health information to improve quality of life and reduce cost of care. We provide remote cardiac monitoring, remote blood glucose monitoring, centralized core lab services for clinical trials and original equipment manufacturing that serves both healthcare and clinical research customers.
With over 30,000 unique referring physicians per month, we provide cardiac monitoring and reporting for over one million patients per year, processing over four billion heart beats per day. More information can be found at www.gobio.com.
BioTelemetry operates under two reportable segments: Healthcare and Research. The Healthcare segment, which generated 85% of our revenue in 2018, is focused on the diagnosis and monitoring of cardiac arrhythmias or heart rhythm disorders. Since we focused on cardiac monitoring in 1999, we have developed a proprietary integrated patient management platform that incorporates wireless data transmission, U.S. Food and Drug Administration (“FDA”) cleared algorithms, medical devices and 24-hour monitoring service centers. We offer cardiologists, electrophysiologists, neurologists and primary care physicians a full spectrum of solutions, which provides them with a single source of cardiac monitoring services. These services range from the differentiated MCT service, to event, traditional Holter, extended-wear Holter, Pacemaker and International Normalized Ratio (“INR”) monitoring. The Research segment, which generated 13% of our revenue in 2018, is engaged in central core laboratory services providing cardiac monitoring, imaging services, scientific consulting and data management services for drug and medical device trials.
During the first quarter of 2018, as part of the LifeWatch AG (“LifeWatch”) integration, our forward-looking integration and rebranding plans, as well as re-evaluating the significance and materiality of our segments, we aggregated the Technology operating segment into the Corporate and Other category. See “Part II; Item 8. Financial Statements and Supplementary Data; Notes to Consolidated Financial Statements; Note 18. Segment Information” below for further discussions related to segments.
As of July 31, 2013, we reorganized to create a holding company structure. CardioNet, Inc., which was previously the public company, became a wholly owned subsidiary of a newly formed entity, BioTelemetry, Inc., a Delaware corporation, and all the outstanding shares of CardioNet, Inc. were exchanged, on a one-for-one basis, for shares of BioTelemetry, Inc. Our new holding company continued trading on the NASDAQ Global Select Market under our same symbol “BEAT.”

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Business Strategy

Our goals are to solidify our position as the leading provider of outpatient cardiac monitoring services, expand our presence in the research market and leverage our monitoring platform in new markets. The key elements of the business strategy by which we intend to achieve these goals include:

- Increase Overall Demand for Our Cardiac Monitoring Services. We believe that we can increase demand for our comprehensive portfolio of cardiac monitoring solutions by educating cardiologists, electrophysiologists, neurologists and primary care physicians on the benefits of using our services, including MCT, to meet their arrhythmia monitoring needs, stressing the increased diagnostic yield and their ability to use the clinically significant data to make timely interventions and guide more effective treatments. We also believe we can become further incorporated into the practices' workflow by offering solutions such as the bi-directional integration of our data into Electronic Medical Record systems.
- Expand Our Presence in the Research Market. We continue to focus our efforts on increasing our presence in the research market and on becoming a preferred global provider as it provides us with the ability to diversify our service offerings. We have experienced an increase in dual-service studies that require both cardiac and imaging service, which we see as a key element of our strategic growth plan. We are also starting to have success incorporating our proprietary ePatch™ monitor as an element of our new cardiac studies creating cross-segment, top-line synergies.
- Leverage Our Core Competencies to New Market Opportunities. We believe our core competencies can be leveraged for applications in multiple markets. While our initial focus has been on arrhythmia diagnosis and monitoring, we intend to expand into new market areas that require outpatient or ambulatory monitoring and management. During the second quarter of 2018, we announced the commercial introduction of our latest generation wireless Blood Glucose Monitoring ("BGM") system, increasing our presence in the large and rapidly growing digital population health management market. This wireless BGM system transmits real-time results to a cloud-based analytical engine, which synthesizes the data, monitors trends and provides caregivers with critical information about a patient's health status and the potential need to intervene. We continue to evaluate numerous connected health technologies and solutions to better understand where we can best leverage our capabilities.

Healthcare

The Healthcare segment, or BioTel Heart®, is focused on the diagnosis and monitoring of cardiac arrhythmias, or heart rhythm disorders. We offer cardiologists, electrophysiologists, neurologists and primary care physicians a full spectrum of solutions, which provides them with a single source of cardiac monitoring services. These services range from the differentiated MCT service, to event, traditional Holter, extended-wear Holter, Pacemaker and INR monitoring.

Our MCT services incorporate a lightweight patient-worn sensor attached to electrodes that capture two-channel electrocardiogram ("ECG") data, measuring electrical activity of the heart, on a compact wireless handheld monitor. The monitor analyzes incoming heartbeat-by-heartbeat information from the sensor on a real-time basis by applying proprietary algorithms designed to detect arrhythmias. The monitor can detect an arrhythmic event even in the absence of symptoms noticed by the patient. When the monitor detects an arrhythmic event, it automatically transmits the ECG to our monitoring centers. At our 24-hour monitoring centers, trained cardiac technicians analyze the data, respond to urgent events and report results

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in the manner prescribed by the physician. The MCT devices employ two-way wireless communications, enabling continuous transmission of patient data to the monitoring centers and permitting physicians to remotely adjust monitoring parameters and request previous ECG data from the memory stored in the monitor. The MCT devices have the capability of storing 30 days of continuous ECG data, in contrast to a maximum of 10 minutes for a typical event monitor and a maximum of 24 hours for a typical Holter monitor.

In 2016, we obtained FDA approval of our next generation MCT device, in a patch form factor. The MCT patch is a four-lead, two-channel system that provides the same best-in-class technology as our current MCT devices, in a more convenient form factor. The MCT patch was commercially launched in limited accounts during 2017, with a full launch in the first quarter of 2018.

Our event monitoring services provide physicians with the flexibility to prescribe wireless event monitors, digital loop event monitors, memory loop event monitors and non-loop event monitors. Event data is transmitted, either through automatic transmission of event data with wireless event monitors or through telephonic transmission of stored event data with our traditional event monitors, to one of our monitoring centers where our trained cardiac technicians analyze the data.

Traditional Holter and extended-wear Holter monitors locally store, on a compact memory card, ECG data of every heartbeat or irregularity. The device is mailed or the data is sent electronically through a secure web transfer to one of our Holter labs, where our trained cardiac technicians analyze the data. Our next generation Holter monitors, the CardioKey® and ePatch™ are small, lightweight cardiac monitors, which can continuously store up to 14 days of ECG data.

We market our services generally throughout the United States and receive reimbursement for the monitoring provided to patients from government and commercial payors.

Research

The Research segment, or BioTel Research™, is engaged in central core laboratory services that provide cardiac monitoring, imaging services, scientific consulting and data management services for drug and medical device trials. The centralized services include ECG, Holter monitoring, ambulatory blood pressure monitoring, echocardiography, multigated acquisition scan (“MUGA”), a full range of imaging services, protocol development, expert reporting and statistical analysis. Our imaging services offerings were bolstered by our 2016 acquisition of VirtualScopics, Inc. (“VirtualScopics”), a leading provider of clinical trial imaging solutions and services in the cardiac, oncology, musculoskeletal and neurologic therapeutic areas. Through our acquisitions, we gained global experience in central core laboratory services, which includes experience in Phase I-IV and Thorough QT Trials. We also provide a full range of support services that include project coordination, setup and management, equipment rental, data transfer, processing, analysis and 24/7 customer support and site training. Our data management systems enable complete customization for sponsors’ preferred data specifications, and our web service, CardioPortal™, provides access to data from any web browser, without client-side plug-ins. Our primary customers in this segment are pharmaceutical companies and contract research organizations.

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Other Businesses

The “Corporate and Other” category contains our other operating business brands: BioTel Care® and BioTel Alliance™, which focus on the sale, manufacturing, engineering and development of non-invasive cardiac monitors and other population health management devices for leading healthcare companies worldwide. We have been able to build successful customer relationships by providing reliable, quality products and engineering services. We offer contract manufacturing services, developing and producing devices to the specific requirements set by customers.

We manufacture various devices, including MCT monitors, cardiac event monitors and digital Holter monitors utilized by our Healthcare and Research segments. Our facilities located in San Diego, CA and Concord, MA are responsible for research and product development under FDA guidelines. Manufacturing of devices is performed in part in our Eagan, MN facility. We believe that our manufacturing capacity will be sufficient to meet our manufacturing needs for the foreseeable future.

We believe our manufacturing operations are in compliance with regulations mandated by the applicable regulatory governing bodies. We are subject to unannounced inspections by the FDA and we successfully completed routine inspections in recent years with no significant findings noted or warnings issued. Our Eagan, MN, San Diego, CA and Concord, MA facilities are ISO 13485 certified and registered with the FDA. ISO 13485 is an international quality system standard used by medical device manufacturing companies and is the basis for acquiring European Conformity Marking (“CE Marking”) for medical device product distribution in the European Union. In addition to FDA clearance, many of our devices also carry a CE Marking, which is a certification mark that indicates conformity with health, safety and environmental protection standards for products sold within the European Economic Area (“EEA”).

There are a number of critical components and sub-assemblies in the devices. The vendors for these materials are qualified through stringent evaluation and testing of their performance. We implement a strict no-change policy with our contract manufacturers to ensure that no components are changed without our approval.

Research and Development

We make significant investments in research and development activities focused on developing new products and enhancements to our existing products. We intend to continue to develop proof of superiority of our technology through clinical data. Our aim is to create products that are smaller, faster, more efficient and that provide more useful and relevant information to physicians on a more timely basis. We employ a dedicated internal core research and development team, primarily based in San Diego. We have been consolidating parts of the process across the organization to bring cross-company synergies and benefits. Our San Diego location also houses our rapid prototype lab, which has 3-D printing capability. In addition, we consult with external consultants and partners on certain projects or prototype work.

The three primary sources of clinical data that we have used to date to illustrate the clinical value of MCT include: (i) a randomized 300-patient clinical study; (ii) our cumulative actual monitoring experience from our databases; and (iii) numerous other published studies.

We sponsored and completed a 17-center, 300-patient randomized clinical trial in March 2007 - Steven A. Rothman M.D. et al. “The Diagnosis of Cardiac Arrhythmias: A Prospective Multi-Center Randomized Study Comparing Mobile Cardiac Outpatient Telemetry Versus Standard Loop Event Monitoring,” Journal of Cardiovascular Electrophysiology. We believe this study represented the largest

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randomized study comparing two non-invasive arrhythmia monitoring methods. The study was designed to evaluate patients who were suspected to have an arrhythmic cause underlying their symptoms but who were a diagnostic challenge given that they had already had a non-diagnostic 24-hour Holter monitoring session or four hours of telemetry monitoring within 45 days prior to enrollment. Patients were randomized to either MCT or to a loop event monitor for up to 30 days. Of the 300 patients who were randomized, 266 patients who completed a minimum of 25 days of monitoring were analyzed (134 patients using MCT and 132 patients using loop event monitors).
The study specifically compared the success of MCT against loop event monitors in detecting patients with clinically significant arrhythmias and demonstrated the superiority of MCT for confirming the diagnosis of these types of arrhythmias. The study also demonstrated the advantage of using MCT compared to the loop event monitor in the detection of asymptomatic atrial fibrillation (“Afib”) or flutter. Diagnosis and treatment of Afib is important because it can lead to many other medical problems, including stroke. The study concluded that MCT provided a significantly higher diagnostic yield, in detecting an arrhythmic event in patients with symptoms of cardiac arrhythmia, compared to traditional loop event monitoring, including such monitoring designed to automatically detect certain arrhythmias.
With over 30,000 unique referring physicians per month, we provide cardiac monitoring and reporting for over one million patients per year, processing over four billion heart beats per day.
In addition to the aforementioned 300-patient randomized clinical trial, MCT has been cited and referenced in over 40 publications and abstracts, which lends support to its clinical efficacy.
We also continue to research study setup automation and workflow management for use in our Research segment. Our continued efforts to integrate machine learning and artificial intelligence to improve our automated patient management tracking in our Research segment services will drive efficiencies, and we believe it will help us acquire more dual-service studies from our partners.
Additionally, we continue to build out our coaching platform for our wireless BGM, through patient and 3rd party feedback. We are analyzing data to determine where machine learning can provide additional technological leverage and efficiencies to the physician and the patient.

Sales and Marketing

We market our cardiac monitoring solutions in our Healthcare segment through our direct sales force primarily to cardiologists, electrophysiologists, neurologists and primary care physicians who most commonly diagnose and treat patients with arrhythmias. We differentiate ourselves through the seemless integration of our data in the practice’s electronic medical records.
We are the leading member of the Remote Cardiac Service Provider Group (“RCSPG”), with our Senior Vice President of Medical Affairs being the current President of the RCSPG. The RCSPG collaborates with physician specialty societies as well as the American Telemedicine Association to advocate to the Centers for Medicare and Medicaid Services (“CMS”) and Congress for appropriate valuation of remote diagnostic services that the RCSPG members provide.
Our Healthcare segment experiences some seasonality during the third quarter as well as during the year-end holiday season. We believe that this is the result of patients electing to delay our monitoring services during the summer months or holidays.

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We market our Research segment services to pharmaceutical companies, medical device companies, contract research organizations and academic research organizations. We are a founding member and the first cardiac core lab to join the Cardiac Safety Research Consortium ("CSRC"). Through the CSRC, we are able to network with key thought leaders and decision makers of major pharmaceutical companies, as well as discuss key cardiac safety issues during the drug development process. Through our integration of VirtualScopics, we have experienced an increase in acquiring studies that include both cardiac and imaging requirements. Expanding our research service offerings is a key element of our strategic growth plan, allowing us to more favorably compete for research studies requiring a wider range of research services. Our team has also had success incorporating our proprietary ePatch monitor as a critical element of new cardiac studies creating cross-segment, top-line synergies.

Our BioTel Alliance™ brand, currently included in the Corporate and Other category, markets our manufactured products to physicians, hospitals and other cardiac monitoring providers. BioTel Care® is actively working to expand our position in the digital population health space, and continues to evaluate numerous connected health technologies and solutions to better understand where we can best leverage our capabilities. Specifically, we are engaged in increasing awareness and utilization of our wireless BGM and our Diabetes Management Platform. Our commercial team is primarily focused on securing contracted relationships for our diabetes management services with:

- commercial managed care plans;
- accountable care organizations;
- integrated delivery networks;
- physicians groups;
- durable medical equipment distributors; and
- employer groups.

We attend trade shows and medical conferences to promote our various product and service offerings. The trade shows and conferences we attend are related to organizations such as: the Heart Rhythm Society, American College of Cardiology, American Telemedicine Association, Society of Thoracic Surgeons, American Heart Association, and the European Society of Cardiology. We also attend the Medica, Drug Information Association and Partnerships in Clinical Trials trade shows as well as the annual Boston Atrial Fibrillation Symposium. We have had limited product and service-based advertising in certain national newspapers and medical journals.

Healthcare Reimbursement

In the Healthcare segment, services are billed to government and commercial payors using specific codes describing the services. Those codes are part of the Current Procedural Terminology ("CPT") coding system, which was established by the American Medical Association to describe services provided by physicians and other suppliers. Physicians select the code that best describes the medical services being prescribed. Approximately 34% of our total revenue is subject to reimbursement from the Medicare program, a federal government health insurance program administered by CMS, at rates that are set nationally and adjusted for certain regional indices.

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In addition to receiving reimbursement from government payors, we enter into contracts with commercial payors to receive reimbursement at specified rates for our services. Such contracts typically provide for an initial term of between one and three years and provide for automatic renewal thereafter. Either party can typically terminate these contracts by providing between 30 and 180 days' prior notice to the other party at any time following the end of the initial term of the agreement. The contracts provide for an agreed upon reimbursement rate, which in some instances is tied to the rate of reimbursement we receive from Medicare.

In addition to receiving reimbursement from government and commercial payors, we have direct arrangements with physicians who may purchase our monitoring services and then submit claims for these services directly to government and commercial payors. In some cases, patients pay for their service out-of-pocket.

Competition

Although we believe that we have a leading market share in mobile cardiac monitoring in the U.S., the market in which our Healthcare segment operates is fragmented and characterized by a number of smaller regional service providers.

Our Research segment competes directly with other core labs as well as contract research organizations that offer core lab services. We believe that we compete favorably based on our comprehensive cardiac and imaging service offerings, the scale of our operation and our ability to support the entire life cycle of new drug development.

We also compete directly with other original diagnostic equipment manufacturers.

We believe that the principal competitive factors that impact the success of our businesses include some or all of the following:

- quality of algorithms used to detect arrhythmias;
- quality and accuracy of clinical data;
- turnaround times;
- ease of use and reliability of cardiac monitoring solutions for patients and physicians;
- technology performance, innovation, flexibility and range of application generating the highest yields;
- timeliness and clinical relevance of new product introductions;
- quality and availability of superior customer support services;
- size, experience, knowledge and training of sales and marketing staff;
- reputation;
- relationships with referring physicians, hospitals, managed care organizations and other third-party payors;
- reporting capabilities;

- providing a full spectrum of cardiac monitoring solutions, ranging from MCT services to event, traditional and extended-wear Holter monitoring;
- a widening range of clinical cardiac and imaging services and best-in-class solutions;
- perceived value; and
- extensive industry expertise.

We believe that we compete favorably based on the factors described above. However, our industry is evolving rapidly and is becoming increasingly competitive, and the basis on which we compete may change over time. In addition, if companies with substantially greater resources than ours enter our market, we will face increased competition.

Intellectual Property

We rely on a combination of intellectual property laws, non-disclosure agreements and other measures to protect our proprietary rights. We attempt to protect our intellectual property rights by filing patent applications for new features and products we develop. In addition, we also seek to maintain certain intellectual property and proprietary know-how as trade secrets, and generally require our partners to execute non-disclosure agreements prior to any substantive discussions or disclosures of our technology or business plans. Our business and competitive positions are dependent in part upon our ability to protect our proprietary technology and our ability to avoid infringing the patents or proprietary rights of others.

We hold patents in the United States as well as many international jurisdictions on our products, processes and related technologies. In furtherance of our overall global intellectual property strategy, we also have patent applications currently on file in the United States and internationally. While we have several patents expiring through 2032, including patents that relate, in part, to our key products, we do not believe such expirations will have a material impact on our ability to compete in the short term since our technology is typically covered by several patents, creating a system of protected technology.

Our trademarks, certain of which are material to our business, are registered or otherwise legally protected in the United States and in certain foreign countries and include, among others, the registered trademarks CardioNet®, BioTelemetry®, LifeWatch®, BioTel Care®, BioTel Heart® and the unregistered trademarks Mobile Cardiac Outpatient Telemetry™, MCOT™, ePatch™, CardioPortal™, BioTel Research™ and BioTel Alliance™. We also have a signi amount of copyright-protected materials.

Government Regulation

The health care industry is highly regulated, with no guarantee that the regulatory environment in which we operate will not change significantly and adversely in the future. We believe that health care legislation, rules, regulations and interpretations will change, and we expect to modify our agreements and operations in response to these changes.

U.S. Food and Drug Administration. The medical devices that we use to provide patient monitoring services are regulated by the FDA under the Federal Food, Drug, and Cosmetic Act (“FDCA”). Unless exempt, medical devices distributed in the United States must receive marketing authorization by the FDA through either a full Premarket Approval (“PMA”) or the Premarket Notification 510(k) process. Based on the classification and characteristics of a medical device, it may receive marketing authorization through

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a PMA, pathway, which requires the demonstration of safety and effectiveness through adequate and well-controlled clinical studies, or receive clearance under the 510(k) pathway after demonstrating substantial equivalence to a predicate device. In addition to marketing authorization requirements, device manufacturers must also comply generally with establishment registration, medical device listing, quality system regulation, labeling and medical device reporting requirements, and any special controls specific to a particular device and used to support reclassification.

The algorithms we use in the MCT service maintain FDA 510(k) clearance as a Class II device. On October 28, 2003, the FDA issued a guidance document entitled: "Class II Special Controls Guidance Document: Arrhythmia Detector and Alarm." In addition to conforming to the general requirements of the FDCA, including the Premarket Notification requirements described above, all of our cardiac related 510(k) submissions address the specific issues covered in this special controls guidance document. The algorithms we use in the BGM service also maintain FDA 510(k) clearance as a Class II device.

We have been named as a party to several purported class action and derivative lawsuits relating to our past option granting practices, and we may be named in additional litigation, all of which could cause our business, financial condition, results of operations and cash flows to suffer.

We have been named as a nominal defendant in purported shareholder derivative actions that name a number of our current and former directors and officers as defendants and that seek to recover damages purportedly sustained by us in connection with our option granting practices. Further, putative class actions have been filed against us and certain of our officers and directors that allege violations of the federal securities laws in connection with our option granting practices, and seek to recover damages. We may in the future be subject to additional litigation relating to our past option granting practices. We cannot predict the outcome of these lawsuits. Regardless of the outcome, these lawsuits, and any other litigation that may be brought against us or our directors and officers, could be time consuming, result in significant expense, and divert the attention and resources of our management and other key employees. An unfavorable outcome in these litigations could exceed the proceeds obtained from a recent settlement and policy release with our directors and officers liability insurers and have a material adverse effect on our business, financial condition, financial results, results of operations and cash flows, including potential impacts to certain covenants in our existing credit agreement.

Our tentative settlement of the consolidated shareholder derivative action requires the court's preliminary and final approval, and may not be approved by the court.

On or about March 5, 2008, the parties entered into a memorandum of understanding that tentatively settles and resolves the pending consolidated derivative action. This tentative settlement of the derivative action requires court approval before it becomes final. The court may not preliminarily or finally approve the tentative settlement. If the court does not approve the tentative settlement, the parties might elect or be required to continue litigating the consolidated derivative action.

Matters related to the internal review of our historical stock option granting practices and the restatement of our financial statements may result in additional litigation, regulatory proceedings and government enforcement actions, and could have a negative impact on our reputation, business, financial condition and financial results.

Our historical stock option granting practices and the restatement of our financial statements have exposed us to greater risks associated with litigation, regulatory proceedings and government enforcement actions. For more information regarding our current litigation and related inquiries, please see the discussion included in Part II, Item 1 "Legal Proceedings," of this Report as well as the other risk factors related to litigation set forth in this section. We have provided the results of our internal review to the Securities and Exchange Commission ("SEC") and the United States Attorney's Office for the Northern District of California, and in that regard we have responded to formal and informal requests for documents and additional information. On October 11, 2007, we received a "Wells Notice" from the staff of the SEC. Weili Dai, Director of Strategic Marketing and Business Development and our former Chief Operating Officer, who is no longer an officer or director of Marvell, also received a notice. The notices indicate that the staff intends to recommend to the Commission that it bring civil actions against recipients for injunctive relief and civil monetary penalties. We have responded in writing to the "Wells Notice." As previously disclosed, the Company is seeking to reach a resolution of this matter before any action is filed. We cannot be certain regarding the outcomes of litigation, regulatory proceedings or government enforcement actions relating to our past stock option practices. The resolution of these matters has been and will be time consuming and expensive, and may require the time and attention of our management. Further, we could be required to pay damages or penalties or have other remedies imposed against us, our directors, executive officers or other officers, or employees, which could harm our reputation, business, financial condition, results of operations and cash flows.

The restatement of our financial statements, the findings and recommendations of our Board's Special Committee Regarding Deriviative Litigation, the ongoing government investigations, and the pending derivative and class actions could have a negative impact on our relationships with customers, suppliers and business partners, our ability to generate revenue, our ability to obtain director and officer insurance coverage, our ability to attract and retain employees, officers, and directors, our ability to access debt and equity markets, customer and investor confidence in the board and management, and our revenue, net income, expenses, results of operations, profitability, earnings-per-share, and cash flows.

In addition, while we believe that we have, in completing the restatement of our financial statements, made appropriate judgments in determining the correct measurement dates and disclosures relating to our stock option investigation, the SEC may disagree with the manner in which we reported the results of the investigation or accounted for and reported, or did not report, the corresponding financial impact. Accordingly, it is possible that we will be required to restate further our prior financial statements, amend prior filings with the SEC, or take other actions not currently contemplated.

Class action litigation due to stock price volatility or other factors could cause us to incur substantial costs and divert our management's attention and resources.

On July 31, 2001, a putative class action suit was filed against two investment banks that participated in the underwriting of our initial public offering, or IPO, on June 29, 2000. That lawsuit, which did not name Marvell or any of our officers or directors as defendants, was filed in the United States District Court for the Southern District of New York. Plaintiffs allege that the underwriters received "excessive" and undisclosed commissions and entered into unlawful "tie-in" agreements with certain of their investment clients in violation of Section 10(b) of the Securities Exchange Act of 1934. Thereafter, on September 5, 2001, a second putative class action was filed in the Southern District of New York relating to our IPO. In this second action, plaintiffs named three underwriters as defendants and also named as defendants Marvell and two of our officers, one of whom is also a director. Relying on many of the same allegations contained in the initial complaint in which we were not named as a defendant, plaintiffs allege that the

defendants violated various provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934 in the course of our IPO. In both actions, plaintiffs seek, among other items, unspecified damages, pre-judgment interest and reimbursement of attorneys' and experts' fees. These two actions relating to our IPO have been coordinated with hundreds of other similar lawsuits filed by plaintiffs against approximately 40 underwriters and approximately 300 issuers across the United States. Defendants in the coordinated proceedings moved to dismiss the actions. In February 2003, the trial court granted the motions in part and denied them in part, thus allowing the case to proceed against us and the underwriters and us as to alleged violations of section 11 of the Securities Act of 1933 and section 10(b) of the Securities Exchange Act of 1934. Claims against the individual officers have been voluntarily dismissed with prejudice by agreement with plaintiffs. In June 2004, a stipulation of settlement and release of claims against the issuer defendants, including us, was submitted to the court for approval. On August 31, 2005, the court preliminarily approved the settlement. In December 2006, the appellate court overturned the certification of classes in the six focus cases that were selected by the underwriter defendants and plaintiffs in the coordinated proceedings (the action involving Marvell is not one of the six cases). Because class certification was a condition of the settlement, it was unlikely that the settlement would receive final court approval. On June 25, 2007, the court entered an order terminating the proposed settlement based upon a stipulation among the parties to the settlement. Plaintiffs have filed amended master allegations and amended complaints in the six focus cases and have moved for class certification. On December 21, 2007, defendants in the six focus cases filed briefs opposing plaintiffs' motion for class certification. The court has indicated it will likely hear the motion for class certification in May 2008. The parties have also fully briefed a motion to dismiss by defendants in the six focus cases; the court has not yet set a hearing date for that motion. In the past, securities class action litigation often has been brought against a company following periods of volatility in the market price of its securities. Companies in the integrated circuit industry and other technology industries are particularly vulnerable to this kind of litigation due to the high volatility of their stock prices. Accordingly, we may in the future be the target of additional securities litigation. Any securities litigation could result in substantial costs, could divert the attention and resources of our management, and could have a material adverse effect on our reputation, business, financial condition, financial results, results of operations and cash flows.

We have had and continue to have material weaknesses in internal control over financial reporting and cannot assure you that additional material weaknesses will not be identified in the future. If our internal control over financial reporting or disclosure controls and procedures are not effective, there may be errors in our financial statements that could require a restatement or our filings may not be filed on a timely basis and investors may lose confidence in our reported financial information, which could lead to a decline in our stock price.

We have assessed that we continue to have material weaknesses in internal control over financial reporting. Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. Any inability to provide reliable financial reports or prevent fraud could harm our business. The Sarbanes-Oxley Act of 2002 requires management and our auditors to evaluate and assess the effectiveness of our internal control over financial reporting.

Our management, including our Chief Executive Officer and Interim Chief Financial Officer, does not expect that our internal control over financial reporting will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, involving us have been, or will be, detected. These inherent limitations include the realities that judgments in decision making can be faulty, breakdowns can occur because of simple error or mistake and errors discovered by personnel within control systems may not be properly disclosed and addressed. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the

controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and we cannot assure you that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

We cannot assure you that material weaknesses in our internal control over financial reporting will not be identified in the future. Although we intend to continue to devote substantial resources to improve our internal control processes, we may not be able to effectively and timely implement necessary control changes and employee training to ensure continued compliance with the Sarbanes-Oxley Act and other regulatory and reporting requirements. Our rapid growth and numerous acquisitions in recent periods, and our possible future expansion through additional acquisitions, present challenges to maintain the internal control and disclosure control standards applicable to public companies. Any failure to maintain or implement required new or improved controls, or any difficulties we encounter in their implementation, could result in significant deficiencies or material weaknesses, cause us to fail to timely meet our periodic reporting obligations, or result in material misstatements in our financial statements. Any such failure could also adversely affect the results of periodic management evaluations and the effectiveness of our internal control over financial reporting required under the Sarbanes-Oxley Act. The existence of a material weakness could result in errors in our financial statements that could result in a restatement of financial statements, cause us to fail to timely meet our reporting obligations and cause investors to lose confidence in our reported financial information, leading to a decline in our stock price. If we fail to maintain effective internal controls, we could be subject to regulatory scrutiny and sanctions and investors could lose confidence in the accuracy and completeness of our financial reports. We cannot assure you that we will be able to fully comply with the requirements of the Sarbanes-Oxley Act or that management or our auditors will conclude that our internal control over financial reporting is effective in future periods.

If the recent worsening of credit market conditions continues or increases, it could have a material adverse impact on our investment portfolio.

Recent U.S. sub-prime mortgage defaults have had a significant impact across various sectors of the financial markets, causing global credit and liquidity issues. The short-term funding markets experienced credit issues during the second half of calendar 2007 and continuing into the first quarter of calendar 2008, leading to liquidity disruption in asset-backed commercial paper and failed auctions in the auction rate market. If the global credit market continues to deteriorate, our investment portfolio may be impacted and we could determine that some of our investments are impaired. This could materially adversely impact our results of operations and financial condition.

Our investment portfolio includes auction rate securities, which are investments with contractual maturities generally between 20 to 30 years. They are usually found in the form of municipal bonds, preferred stock, a pool of student loans or collateralized debt obligations whose interest rates are reset every seven to 28 or 35 days through an auction process. At the end of each reset period, investors can sell or continue to hold the securities at par. The auction rate securities held by us are primarily backed by student loans and are over-collateralized, insured and guaranteed by the United States Federal Department of Education. In addition, all auction rate securities held by us are rated by the major independent rating agencies as either AAA or Aaa.

Most of these auction rate securities were scheduled to reset subsequent to February 2, 2008. In March 2008, our auction rate securities failed auctions due to sell orders exceeding buy orders. These failures are not believed to be a credit issue, but rather caused by a lack of liquidity. Under the contractual terms, the issuer is obligated to pay penalty rates should an auction fail. In the event we need to access the funds associated with failed auctions, they are not expected to be accessible until one of the following

occurs: a successful auction occurs, the issuer redeems the issue, a buyer is found outside of the auction process or the underlying securities have matured.

We determined that no other-than-temporary impairment losses existed as of February 2, 2008 as all holdings had successful auctions. However, if the issuer of the auction rate securities is unable to successfully close future auctions or does not redeem the auction rate securities, or the United States government fails to support its guaranty of the obligations, we may be required to adjust the carrying value of the auction rate securities and record other-than-temporary impairment charges in future periods, which could materially affect our results of operations and financial condition.

***There are numerous risks with our acquisition of the Intel communications and application processor business*.**

We face significant challenges in connection with the integration of the Intel communications and application processor business that we acquired in fiscal year 2007. The integration of the Intel communications and application processor business into our Company could prove to be more difficult than we originally anticipated, which could increase our total direct costs associated with the acquisition. Moreover, this acquisition could fail to produce anticipated benefits, or could result in unforeseen liabilities or expenses such as future impairment charges of acquired assets and goodwill or other adverse effects that we currently do not foresee, which could harm our business and operating results.

The integration of these business assets and personnel has been and will continue to be a time consuming and expensive process that may disrupt our operations if it is not completed in a timely and efficient manner. If customers do not accept or are dissatisfied with the way we have integrated the manufacturing processes of the business, they may adopt competing products and solutions. If our integration efforts are not successful, our results of operations could be harmed, employee morale could decline, key employees could leave, and customer relations could be damaged. In addition, we may not achieve anticipated synergies or other benefits. The total cost of the integration may exceed our expectations, which would harm our operating results.

Our recent acquisitions and any future acquisitions could harm our operating results and share price.

In November 2006, we completed our acquisition of the communications and application processor business of Intel. We also completed several smaller acquisitions over the last 3 fiscal years.

Such acquisitions, as well as acquisitions in the future, could materially harm our operating results or liquidity as a result of possible concurrent issuances of dilutive equity securities or payment of cash. In addition, the purchase price of any acquired businesses may exceed the current fair values of the net tangible assets of the acquired businesses. As a result, we would be required to record material amounts of goodwill, and acquired in-process research and development charges and other intangible assets, which could result in significant impairment and acquired in-process research and development charges and amortization expense in future periods. It may also be necessary for us to take other financial charges and reserves as a result of acquisitions, such as inventory write-downs. These charges, in addition to the results of operations of such acquired businesses, could have a material adverse effect on our business, financial condition and results of operations. We cannot forecast the number, timing or size of future acquisitions, or the effect that any such acquisitions might have on our operating or financial results.

Under generally accepted accounting principles, we are required to review our intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. In addition, we are required to review our goodwill and indefinite-lived intangible assets on an annual basis. If presently unforeseen events or changes in circumstances arise which indicate that the carrying value of our goodwill or other intangible assets may not be recoverable, we will be required to perform impairment reviews of these assets, which had carrying values of approximately $2.4 billion as of February 2, 2008. An impairment review could result in a write-down of all or a portion of

these assets to their fair values. We intend to perform an annual impairment review during the fourth quarter of each fiscal year or more frequently if we believe indicators of impairment exist. In light of the large carrying value associated with our goodwill and intangible assets, any write-down of these assets may result in a significant charge to our statement of operations in the period any impairment is determined and could cause our stock price to decline.

We have made and may continue to make acquisitions and investments which could divert management's attention, cause ownership dilution to our shareholders, be difficult to integrate and adversely affect our financial results.

We expect to continue to make acquisitions of, and investments in, businesses that offer complementary products, services and technologies, augment our market segment coverage, or enhance our technological capabilities. We may also enter into strategic alliances or joint ventures to achieve these goals. We cannot assure you that we will be able to identify suitable acquisition, investment, alliance, or joint venture opportunities or that we will be able to consummate any such transactions or relationships on terms and conditions acceptable to us, or that such transactions or relationships will be successful.

Integrating newly acquired businesses or technologies could put a strain on our resources, could be costly and time consuming, and might not be successful. Such acquisitions could divert our management's attention from other business concerns. In addition, we might lose key employees while integrating new organizations. Acquisitions could also result in customer dissatisfaction, performance problems with an acquired company or technology, potentially dilutive issuances of equity securities or the incurrence of debt, the assumption or incurrence of contingent liabilities, possible impairment charges related to goodwill or other intangible assets or other unanticipated events or circumstances, any of which could harm our business. We might not be successful in integrating any acquired businesses, products or technologies, and might not achieve anticipated revenues and cost benefits.

Our ability to realize the expected benefits of our acquisition of the communications and application processor business of Intel Corporation and to eliminate the operating losses of that business will depend in large part on our ability to arrange for or maintain more cost-effective production of that business' products, either through the recently completed transition of the manufacturing of certain products from Intel to third-party foundries or through continuing arrangements with Intel for certain legacy products, increase the gross margin of those products, and retain the business' relationship with its principal customers, along with other matters described above relating to our ability to integrate effectively the acquired business and its technologies, operations and personnel.

A significant portion of our business is dependent on the hard disk drive industry, which is highly cyclical, experiences rapid technological change, and is facing increased competition from alternate technologies.

The hard disk drive industry is intensely competitive, and the technology changes rapidly. As a result, this industry is highly cyclical, with periods of increased demand and rapid growth followed by periods of oversupply and subsequent contraction. These cycles may affect us because our customers are suppliers to this industry. Hard disk drive manufacturers tend to order more components than they may need during growth periods, and sharply reduce orders for components during periods of contraction. In addition, advances in existing technologies and the introduction of new technologies may result in lower demand for disk drive storage devices, thereby reducing demand for our products. Rapid technological changes in the hard disk drive industry often result in significant and rapid shifts in market share among the industry's participants. If the hard disk drive manufacturers using our products do not retain or increase their market share, our sales may decrease.

Future changes in the nature of information storage products may reduce demand for traditional hard disk drives. For instance, products using alternative technologies, such as semiconductor memory, optical storage, and other storage technologies could become a significant source of competition to manufacturers

of hard disk drives. Flash memory has typically been more costly than disk drive technologies. However, flash memory manufacturers have been reducing the prices for their products, which could enable them to complete more effectively with very small form factor hard disk drive products. Demand for hard disk drives could be reduced if alternative storage technologies such as flash memory can meet customers' cost and capacity requirements.

Our sales are concentrated in a few customers and if we lose or experience a significant reduction in sales to any of these key customers, our revenues may decrease substantially.

We receive a significant amount of our revenues from a limited number of customers. For the year ended February 2, 2008 one customer accounted for more than 10% of our net revenue, for a total of 17% of our net revenue. Sales to our largest customers have fluctuated significantly from period to period primarily due to the timing and number of design wins with each customer, as well as the continued diversification of our customer base as we expand into new markets, and will likely continue to fluctuate dramatically in the future. The loss of any of our largest customers, a significant reduction in sales we make to them, or any problems we encounter collecting amounts due from them would likely harm our financial condition and results of operations. Our operating results in the foreseeable future will continue to depend on sales to a relatively small number of customers, as well as the ability of these customers to sell products that incorporate our products. In the future, these customers may decide not to purchase our products at all, purchase fewer products than they did in the past, or alter their purchasing patterns in some other way, particularly because:

- substantially all of our sales are made on a purchase order basis, which permits our customers to cancel, change or delay product purchase commitments with little or no notice to us and without penalty;

- our customers may develop their own solutions;

- our customers may purchase integrated circuits from our competitors; or

- our customers may discontinue sales or lose market share in the markets for which they purchase our products.

If we are unable to accurately predict our future sales and to appropriately budget for our expenses, our operating results could suffer.

The rapidly changing nature of the markets in which we sell our products limits our ability to accurately forecast quarterly and annual sales. Additionally, because many of our expenses are fixed in the short term or are incurred in advance of anticipated sales, we may not be able to decrease our expenses in a timely manner to offset any shortfall of sales. If our sales do not increase as anticipated, significant losses could result due to our higher expense levels. For example, although in fiscal years 2006 and 2007 we expanded our staffing and increased our expense levels in anticipation of future sales growth, in the fourth quarter of fiscal year 2008, we implemented a plan to reduce operating expenses and help meet financial targets with a worldwide reduction in force of approximately 438 employees, or approximately 8% of our total workforce. We expect cost savings from this restructuring to be used to offset market forces or to be reinvested in our businesses to strengthen our competitiveness, but we cannot be certain that we will be successful in these efforts.

Our financial and operating results may vary which may cause the price of our common stock to decline.

We currently provide guidance on revenue and gross margin on a quarterly basis. Our quarterly operating results have fluctuated in the past and are likely to do so in the future. Because our operating results are difficult to predict, you should not rely on quarterly comparisons of our results of operations as an indication of our future performance. We have made substantial investments in expanding our

operations which has resulted in an increase in our operating expenses. We may not be able to increase revenues in an amount sufficient to offset these increased expenditures, which may lead to a loss for a quarterly period.

Fluctuations in our operating results may be due to a number of factors, including, but not limited to, those listed below and those identified throughout this "Risk Factors" section:

- order or shipment cancellations, rescheduling or deferrals of significant customer orders;
- our ability to scale our operations in response to changes in demand for our existing products and services or demand for new products requested by our customers;
- gain or loss of a key customer;
- our ability to maintain a competitive cost structure for our manufacturing and assembly and test processes;
- failure to qualify our products or our suppliers' manufacturing lines;
- our ability to exercise stringent quality control measures to obtain high yields;
- effective and timely update of equipment and facilities as required for leading edge production capabilities; and
- our ability to realize the benefits expected from our recent acquisitions, including our acquisition of the Intel communications and application processor business.

Due to fluctuations in our quarterly operating results and other factors, the price at which our common stock will trade is likely to continue to be highly volatile. In future periods, if our revenues or operating results are below our estimates or the estimates or expectations of public market analysts and investors, our stock price could decline. On average, technology companies have been subject to a greater number of securities class action claims than companies in many other industries as a result of stock price volatility. If our stock price is volatile, we may become involved in this type of litigation. Any litigation could result in substantial costs and a diversion of management's attention and resources that are needed to successfully run our business.

Changes in financial accounting standards or practices or existing taxation rules or practices may cause adverse unexpected revenue and expense fluctuations and affect our reported results of operations.

A change in accounting standards or practices or a change in existing taxation rules or practices can have a significant effect on our reported results and may even affect our reporting of transactions completed before the change is effective. New accounting pronouncements and taxation rules and varying interpretations of accounting pronouncements and taxation practice have occurred and may occur in the future. Changes to existing rules or the questioning of current practices by regulators may adversely affect our reported financial results or the way we conduct our business.

For example, the Financial Accounting Standards Board ("FASB") issued its final standard on accounting for share-based payments, FASB Statement No. 123R (revised 2004), *Share-Based Payment* (FAS 123R), which required us, starting January 29, 2006, to measure compensation costs for all stock-based compensation (including stock options) at fair value and to recognize these costs as expenses in our statements of operations. The recognition of these expenses in our statements of operations will reduce our earnings per share, which could negatively impact our future stock price.

If we are unable to develop and introduce new and enhanced products that achieve market acceptance in a timely and cost-effective manner, our operating results and competitive position will be harmed.

Our future success will depend on our ability, in a timely and cost-effective manner, to develop and introduce new products and enhancements to our existing products. We must also achieve market acceptance for these products and enhancements. If we do not successfully develop and achieve market acceptance for new and enhanced products, our ability to maintain or increase revenues will suffer. The development of our products is highly complex. We occasionally have experienced delays in completing the development and introduction of new products and product enhancements, and we could experience delays in the future. Even if new and enhanced products are introduced to the market, we may not be able to achieve market acceptance of them in a timely manner.

In addition, our longstanding relationships with some of our larger customers may also deter other potential customers who compete with these customers from buying our products. To attract new customers or retain existing customers, we may offer certain customers favorable prices on our products. If these prices are lower than the prices paid by our existing customers, we would have to offer the same lower prices to certain of our customers who have contractual "most favored nation" pricing arrangements. In that event, our average selling prices and gross margins would decline. The loss of a key customer, a reduction in sales to any key customer or our inability to attract new significant customers could materially and adversely affect our business, financial condition and results of operations.

If we fail to appropriately scale our operations in response to changes in demand for our existing products and services or to the demand for new products requested by our customers, our business could be materially and adversely affected.

To achieve our business objectives, it may be necessary from time to time for us to expand or contract our operations. For example, we have experienced periods of rapid growth and expansion. Through internal growth and acquisitions, we significantly increased the scope of our operations and expanded our workforce from 1,205 employees, as of January 31, 2003, to 5,331 employees, as of February 2, 2008. Nonetheless, we may not be able to scale our workforce and operations in a sufficiently timely manner to respond effectively to changes in demand for our existing products and services or to the demand for new products requested by our customers. In that event, we may be unable to meet competitive challenges or exploit potential market opportunities, and our current or future business could be materially and adversely affected. Conversely, if we expand our operations and workforce too rapidly in anticipation of increased demand for our products, and such demand does not materialize at the pace at which we expected, the rate of increase in our operating expenses may exceed the rate of increase in our revenue, which would adversely affect our operating results.

Our past growth has placed, and any future growth is expected to continue to place, a significant strain on our management personnel, systems and resources. To implement our current business and product plans, we will need to continue to expand, train, manage and motivate our workforce. All of these endeavors will require substantial management effort. Although we have implemented an enterprise resource planning system to help us improve our planning and management processes, we anticipate that we will also need to continue to implement and improve a variety of new and upgraded operational and financial systems, as well as additional procedures and other internal management systems. These processes can be time consuming and expensive, increase management responsibilities, and divert management attention. If we are unable to effectively manage our expanding operations, we may be unable to scale our business quickly enough to meet competitive challenges or exploit potential market opportunities, or conversely, we may scale our business too quickly and the rate of increase in our expenses may exceed the rate of increase in our revenue, either of which would materially and adversely affect our current or future business.

We rely on independent foundries and subcontractors for the manufacture, assembly and testing of our integrated circuit products, and the failure of any of these third-party vendors to deliver products or otherwise perform as requested could damage our relationships with our customers, decrease our sales and limit our growth.

We do not have our own manufacturing or assembly facilities and have very limited in-house testing facilities. Therefore, we rely on third-party vendors to manufacture, assemble and test the products we design. We currently rely on several third-party foundries to produce substantially all of our integrated circuit products. We also currently rely on several third-party assembly and test subcontractors to assemble, package and test our products. This exposes us to a variety of risks, including the following:

Regional Concentration:

Substantially all of our products are manufactured by third-party foundries located in Taiwan. Currently our only alternative manufacturing sources are located in Taiwan, China and Singapore. In addition, substantially all of our assembly and testing facilities are located in Singapore, Taiwan, Malaysia and the Philippines. Because of the geographic concentration of these third-party foundries, we are exposed to the risk that their operations may be disrupted by regional disasters. For example, the risk of an earthquake in Taiwan and elsewhere in the Pacific Rim region is significant due to the proximity of major earthquake fault lines to the facilities of our foundries and assembly and test subcontractors. In September 1999, a major earthquake in Taiwan affected the facilities of several of these third-party contractors. As a consequence of this earthquake, these contractors suffered power outages and disruptions that impaired their production capacity. Major earthquakes also occurred in Taiwan in 2002, 2003, 2004 and more recently in 2006. In addition, the resurgence of severe acute respiratory syndrome, the outbreak of avian flu and any similar future outbreaks in Asia, where these foundries are located, could affect the production capabilities of our manufacturers by resulting in quarantines or closures. In the event of such a quarantine or closure, if we were unable to quickly identify alternate manufacturing facilities, our revenues, cost of revenues and results of operations would be negatively impacted. If these vendors do not provide us with high-quality products and services in a timely manner, or if one or more of these vendors terminates its relationship with us, we may be unable to obtain satisfactory replacements to fulfill customer orders on a timely basis, our relationships with our customers could suffer, our sales could decrease and harm our business, financial condition or results of operations.

No Guarantee of Capacity or Supply:

Availability of foundry capacity has from time to time in the past been constrained due to strong demand, and with limited exceptions, our vendors are not obligated to perform services or supply products to us for any specific period, in any specific quantities, or at any specific price, except as may be provided in a particular purchase order. The ability of each foundry to provide us with semiconductor devices is limited by its available capacity and existing obligations. Although we have entered into contractual commitments to supply specified levels of products to some of our customers, we may not have sufficient levels of production capacity with all of our foundries, despite signing a long-term guaranteed production capacity agreement with one of our foundries. Despite this agreement, foundry capacity may not be available when we need it or at reasonable prices. We place our orders on the basis of our customers' purchase orders or our forecast of customer demand, and the foundries can allocate capacity to the production of other companies' products and reduce deliveries to us on short notice. It is possible that foundry customers that are larger and better financed than we are or that have long-term agreements with our main foundries, may induce our foundries to reallocate capacity to those customers. This reallocation could impair our ability to secure the supply of components that we need.

Although we use several independent foundries to manufacture substantially all of our semiconductor products, most of our components are not manufactured at more than one foundry at any given time, and our products typically are designed to be manufactured in a specific process at only one of these foundries.

Accordingly, if one of our foundries is unable to provide us with components as needed, it may be difficult for us to transition the manufacture of our products to other foundries, and we could experience significant delays in securing sufficient supplies of those components. This could result in a material decline in revenues, net income, and cash flow.

In order to secure sufficient foundry capacity when demand is high and mitigate the risks described in the foregoing paragraph, we may enter into various arrangements with suppliers that could be costly and harm our operating results, such as nonrefundable deposits with or loans to foundries in exchange for capacity commitments, and contracts that commit us to purchase specified quantities of integrated circuits over extended periods. We may not be able to make any such arrangement in a timely fashion or at all, and any arrangements may be costly, reduce our financial flexibility, and not be on terms favorable to us. For example, amounts payable under our foundry capacity are non-refundable regardless of whether we are able to utilize all of any of the guaranteed wafer capacity under the terms of the agreement. Moreover, if we are able to secure foundry capacity, we may be obligated to use all of that capacity or incur penalties. These penalties may be expensive and could harm our financial results.

Uncertain Yields and Quality:

The fabrication of integrated circuits is a complex and technically demanding process. Our foundries have from time to time experienced manufacturing defects and reduced manufacturing yields. Changes in manufacturing processes or the inadvertent use of defective or contaminated materials by our foundries could result in lower than anticipated manufacturing yields or unacceptable performance. Many of these problems are difficult to detect at an early stage of the manufacturing process and may be time consuming and expensive to correct. Poor yields from our foundries, or defects, integration issues or other performance problems in our products could cause us significant customer relations and business reputation problems, harm our financial results and result in financial or other damages to our customers. Our customers could also seek damages from us for their losses. A product liability claim brought against us, even if unsuccessful, would likely be time consuming and costly to defend. In addition, defects in our existing or new products could result in significant warranty, support and repair costs, and divert the attention of our engineering personnel from our product development efforts.

Our operations located in the State of Israel may be harmed by adverse political, economic and military conditions affecting Israel.

We have substantial operations, including approximately 20% of our workforce as of the fiscal year ended February 2, 2008, in Israel. These operations are directly influenced by the political, economic and military conditions affecting Israel. Any potential hostilities involving or within Israel could disrupt these operations. For example, past hostilities between Israel and the Palestinian authority and other groups have caused substantial political unrest, which could lead to a potential economic downturn in Israel. Additionally, the ongoing situation in Iraq could lead to more economic instability and uncertainty in the State of Israel and the Middle East. Also, the interruption or curtailment of trade between Israel and its present trading partners or a significant downturn in the economic or financial condition of Israel could negatively impact the business operations and financial results of our operations in Israel.

We rely on third-party distributors and manufacturers' representatives and the failure of these distributors and manufacturers' representatives to perform as expected could reduce our future sales.

We sell many of our products to customers through distributors and manufacturers' representatives. Our relationships with some of our distributors and manufacturers' representatives have been established within the last two years, and we are unable to predict the extent to which our distributors and manufacturers' representatives will be successful in marketing and selling our products. Moreover, many of our manufacturers' representatives and distributors also market and sell competing products. Our representatives and distributors may terminate their relationships with us at any time. Our future

performance will also depend, in part, on our ability to attract additional distributors or manufacturers' representatives that will be able to market and support our products effectively, especially in markets in which we have not previously distributed our products. If we cannot retain our current distributors or manufacturers' representatives or recruit additional or replacement distributors or manufacturers' representatives, our sales and operating results will be harmed. The loss of one or more of our distributors or manufacturers' representatives could harm our sales and results of operations. We generally realize a higher gross margin on direct sales and from sales through manufacturers' representatives than on sales through distributors. Accordingly, if our distributors were to account for an increased portion of our net sales, our gross margins may decline.

We are subject to order and shipment uncertainties, and if we are unable to accurately predict customer demand, we may hold excess or obsolete inventory, which would reduce our profit margin, or, conversely, we may have insufficient inventory, which would result in lost revenue opportunities and potentially in loss of market share and damaged customer relationships.

We typically sell products pursuant to purchase orders rather than long-term purchase commitments. Customers can generally cancel or defer purchase orders on short notice without incurring a significant penalty. In the recent past, some of our customers have developed excess inventories of their own products and have, as a consequence, deferred purchase orders for our products. We cannot accurately predict what or how many products our customers will need in the future. Anticipating demand is difficult because our customers face volatile pricing and unpredictable demand for their own products and are increasingly focused more on cash preservation and tighter inventory management. In addition, as an increasing number of our chips are being incorporated into consumer products, we anticipate greater fluctuations in demand for our products, which makes it more difficult to forecast customer demand. We place orders with our suppliers based on forecasts of customer demand and, in some instances, may establish buffer inventories to accommodate anticipated demand. Our forecasts are based on multiple assumptions, each of which may introduce error into our estimates. If we overestimate customer demand, we may allocate resources to manufacturing products that we may not be able to sell when we expect to, if at all. As a result, we would hold excess or obsolete inventory, which would reduce our profit margins and adversely affect our financial results. Conversely, if we underestimate customer demand or if insufficient manufacturing capacity is available, we would forgo revenue opportunities and potentially lose market share and damage our customer relationships. In addition, any future significant cancellations or deferrals of product orders or the return of previously sold products could materially and adversely affect our profit margins, increase product obsolescence and restrict our ability to fund our operations. Furthermore, we generally recognize revenue upon shipment of products to a customer. If a customer refuses to accept shipped products or does not timely pay for these products, we could incur significant charges against our income.

Our future success depends in significant part on strategic relationships with customers. If we cannot maintain these relationships or if these customers develop their own solutions or adopt a competitor's solutions instead of buying our products, our operating results would be adversely affected.

In the past, we have relied in significant part on our strategic relationships with customers that are technology leaders in our target markets. We intend to pursue and continue to form these strategic relationships in the future but we cannot assure you that we will be able to do so. These relationships often require us to develop new products that may involve significant technological challenges. Our customers frequently place considerable pressure on us to meet their tight development schedules. Accordingly, we may have to devote a substantial amount of our limited resources to our strategic relationships, which could detract from or delay our completion of other important development projects. Delays in the development could impair our relationships with our strategic customers and negatively impact sales of the products under development. Moreover, it is possible that our customers may develop their own solutions or adopt a competitor's solution for products that they currently buy from us. If that happens, our business, financial condition and results of operations could be materially harmed.

We may experience difficulties in transitioning to smaller geometry process technologies or in achieving higher levels of design integration, which may result in reduced manufacturing yields, delays in product deliveries and increased expenses.

In order to remain competitive, we expect to continue to transition our semiconductor products to increasingly smaller line width geometries. This transition requires us to modify the manufacturing processes for our products and to redesign some products. We periodically evaluate the benefits, on a product-by-product basis, of migrating to smaller geometry process technologies to reduce our costs. In the past, we have experienced some difficulties in shifting to smaller geometry process technologies or new manufacturing processes, which resulted in reduced manufacturing yields, delays in product deliveries and increased expenses. We may face similar difficulties, delays and expenses as we continue to transition our products to smaller geometry processes. We are dependent on our relationships with our foundry subcontractors to transition to smaller geometry processes successfully. We cannot assure you that the foundries that we use will be able to effectively manage the transition or that we will be able to maintain our existing foundry relationships or develop new ones. If any of our foundry subcontractors or we experience significant delays in this transition or fail to efficiently implement this transition, we could experience reduced manufacturing yields, delays in product deliveries and increased expenses, all of which could harm our relationships with our customers and our results of operations. As smaller geometry processes become more prevalent, we expect to continue to integrate greater levels of functionality, as well as customer and third party intellectual property, into our products. However, we may not be able to achieve higher levels of design integration or deliver new integrated products on a timely basis, if at all. Moreover, even if we are able to achieve higher levels of design integration, such integration may have a short-term adverse impact on our operating results, as we may reduce our revenue by integrating the functionality of multiple chips into a single chip.

We have a large amount of debt and our debt service obligations may prevent us from taking actions that we would otherwise consider to be in our best interests.

As of February 2, 2008, the aggregate principal amount of our total consolidated debt was $394.8 million. Covenants in the agreements governing our existing debt, and debt we may incur in the future, may materially restrict our operations, including our ability to incur debt, pay dividends, make certain investments and payments, make acquisitions, and encumber or dispose of assets. In addition, financial covenants contained in agreements relating to our existing and future debt could lead to a default in the event our results of operations do not meet our plans and we are unable to amend those financial covenants. A default and acceleration under one debt instrument may also trigger cross-acceleration under our other debt instruments. An event of default under any debt instrument, if not cured or waived, could result in the lenders requiring us to repay the debt, and could make it more difficult for us to obtain additional debt financing arrangements, any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In addition, the level of our indebtedness could have significant negative consequences for our future operations, including:

- increasing our vulnerability to general adverse economic and industry conditions;

- limiting our ability to obtain additional financing for working capital, capital and research and development expenditures, and general corporate purposes;

- requiring the dedication of a substantial portion of our expected cash flow or our existing cash to service our indebtedness, thereby reducing the amount of our cash available for other purposes, including working capital, capital expenditures and research and development expenditures;

- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we compete; and

- placing us at a possible competitive disadvantage compared to less leveraged competitors and competitors that have better access to capital resources.

We are subject to the risks of owning real property.

Our U.S. headquarters located in Santa Clara California, building in Singapore, building in Malaysia, building in Switzerland and buildings in Shanghai, China subject us to the risks of owning real property, including:

- the possibility of environmental contamination and the costs associated with fixing any environmental problems;
- adverse changes in the value of these properties, due to interest rate changes, changes in the neighborhood in which the property is located, or other factors;
- the possible need for structural improvements in order to comply with zoning, seismic and other legal or regulatory requirements;
- the potential disruption of our business and operations arising from or connected with a relocation due to moving to or renovating the facility;
- increased cash commitments for improvements to the buildings or the property or both;
- increased operating expenses for the buildings or the property or both;
- possible disputes with tenants or other third parties related to the buildings or the property or both; and
- the risk of financial loss in excess of amounts covered by insurance, or uninsured risks, such as the loss caused by damage to the buildings as a result of earthquakes, floods and or other natural disasters.

We depend on key personnel with whom we do not have employment agreements to manage our business, and if we are unable to retain our current personnel and hire additional personnel, our ability to develop and successfully market our products could be harmed.

We believe our future success will depend in large part upon our ability to attract and retain highly skilled managerial, engineering and sales and marketing personnel. The loss of any key employees or the inability to attract or retain qualified personnel, including engineers and sales and marketing personnel, could delay the development and introduction of and harm our ability to sell our products. We do not have employment contracts with our key personnel, and their knowledge of our business and industry would be extremely difficult to replace.

There is currently a shortage of qualified technical personnel with significant experience in the design, development, manufacturing, marketing and sales of integrated circuits. In particular, there is a shortage of engineers who are familiar with the intricacies of the design and manufacture of products based on analog technology, and competition for these engineers is intense. Our key technical personnel represent a significant asset and serve as the source of our technological and product innovations. We may not be successful in attracting and retaining sufficient numbers of technical personnel to support our anticipated growth.

Our officers and directors own a large percentage of our voting stock, and two of them, together with another employee, are also significant shareholders and are related by blood or marriage. These factors may allow the officers and directors as a group or the three related employees to greatly influence the election of directors and the approval or disapproval of significant corporate actions.

As of February 2, 2008, our executive officers and directors beneficially owned or controlled, directly or indirectly, approximately 20% of the outstanding shares our common shares. Additionally, Dr. Sehat Sutardja, our Chief Executive Officer, and Weili Dai, who serves as our Director of Strategic Marketing and Business Development, are husband and wife and Dr. Sehat Sutardja and Dr. Pantas Sutardja, our Vice President, Chief Technology Officer, Acting Chief Operating Officer and Chief Research and Development Officer, are brothers. Together, these three individuals held approximately 19% of our outstanding common shares as of February 2, 2008. As a result, if the directors and officers as a group or any of Dr. Sehat Sutardja, Weili Dai and Dr. Pantas Sutardja act together, they will significantly influence the election of our directors and the approval or disapproval of our significant corporate actions. This influence over our affairs might be adverse to the interests of other shareholders. For instance, the voting power of these officers, directors and others could have the effect of delaying or preventing an acquisition of our company on terms that other shareholders may desire. Furthermore, we have a classified board, which could also further delay or prevent an acquisition, under certain circumstances.

Under Bermuda law, all of our officers, in exercising their powers and discharging their duties, must act honestly and in good faith with a view to our best interests and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Majority shareholders do not owe fiduciary duties to minority shareholders. As a result, the minority shareholders will not have a direct claim against the majority shareholders in the event the majority shareholders take actions that damage the interests of minority shareholders. Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda, except that Bermuda courts would be expected to follow English case law precedent, which would permit a shareholder to bring an action in our name if the directors or officers are alleged to be acting beyond our corporate power, committing illegal acts or violating our Memorandum of Association or Bye-laws. In addition, minority shareholders would be able to challenge a corporate action that allegedly constituted a fraud against them or required the approval of a greater percentage of our shareholders than actually approved it. The winning party in such an action generally would be able to recover a portion of attorneys' fees incurred in connection with the action.

We face foreign business, political and economic risks, which may harm our results of operations, because a majority of our products and our customers' products are manufactured and sold outside of the United States.

A substantial portion of our business is conducted outside of the United States and, as a result, we are subject to foreign business, political and economic risks. All of our products are manufactured outside of the United States. Our current qualified integrated circuit foundries are located in the same region within Taiwan, and our primary assembly and test subcontractors are located in the Pacific Rim region. In addition, many of our customers are located outside of the United States, primarily in Asia, which further exposes us to foreign risks. Sales to customers located in Asia represented approximately 84% of our net revenue in fiscal 2008, 89% of our net revenue in fiscal 2007 and 94% of our net revenue in fiscal 2006.

We anticipate that our manufacturing, assembly, testing and sales outside of the United States will continue to account for a substantial portion of our operations and revenue in future periods. Accordingly, we are subject to risks associated with international operations, including:

- difficulties in obtaining domestic and foreign export, import and other governmental approvals, permits and licenses;
- compliance with foreign laws, and laws and practices that favor local companies;
- difficulties in staffing and managing foreign operations;

- trade restrictions or higher tariffs;
- transportation delays;
- difficulties of managing distributors, especially because we expect to continue to increase our sales through international distributors;
- withholding tax obligations on revenues that we may not be able to offset fully against our U.S. tax obligations, including the further risk that foreign tax authorities may increase tax rates, which could result in increased tax withholdings and penalties;
- less effective protection of intellectual property than is afforded to us in the United States or other developed countries;
- political and economic instability, including wars, terrorism, other hostilities and political unrest, boycotts, curtailment of trade and other business restrictions; and
- inadequate local infrastructure.

Moreover, the international nature of our business subjects us to risk associated with the fluctuation of the dollar versus foreign currencies. Decreases in the value of the United States dollar versus currencies in jurisdictions where we have large fixed costs will increase the cost of such operations, which could harm our results of operations. For example, we have large fixed costs in Israel, which become relatively greater if the U.S. dollar declines in value versus the Israeli shekel. On January 27, 2007, the U.S. dollar - Israeli shekel exchange ratio was 4.25, but on February 2, 2008, this exchange ratio had fallen to 3.59. On the other hand, because substantially all of our sales to date have been denominated in United States dollars, increases in the value of the United States dollar will increase the price of our products so that they become relatively more expensive to customers in the local currency of a particular country, potentially leading to a reduction in sales and profitability for us in that country. A portion of our international revenue may be denominated in foreign currencies in the future, which will subject us to risks associated with fluctuations in exchange rates for those foreign currencies.

The average selling prices of products in our markets have historically decreased rapidly and will likely do so in the future, which could harm our revenues and gross profits.

The products we develop and sell are used for high volume applications. As a result, the prices of those products have historically decreased rapidly. We may not be able to maintain or improve the gross margins and our gross profits and financial results will suffer if we are unable to offset any reductions in our average selling prices by increasing our efficiency through increasing sales volumes, reducing our costs, or developing new or enhanced products on a timely basis with higher selling prices or gross profits.

Additionally, because we do not operate our own manufacturing, assembly or testing facilities, we may not be able to reduce our costs as rapidly as companies that operate their own facilities, and our costs may even increase, which could also reduce our margins. In the past, we have reduced the average selling prices of our products in anticipation of future competitive pricing pressures, new product introductions by us or our competitors and other factors. We expect that we will have to do so again in the future.

We have a lengthy and expensive product sales cycle that does not assure product sales, and that if unsuccessful, may harm our operating results.

The sales cycle for many of our products is long and requires us to invest significant resources with each potential customer without any assurance of sales to that customer. Our sales cycle typically begins with an extended evaluation and test period, also known as qualification, during which our products undergo rigorous reliability testing by our customers.

Qualification is typically followed by an extended development period by our customers and an additional three to nine month period before a customer commences volume production of equipment incorporating our products. This lengthy sales cycle creates the risk that our customers will decide to cancel or change product plans for products incorporating our integrated circuits. During our sales cycle, our engineers assist customers in implementing our products into the customers' products. We incur significant research and development and selling, general and administrative expenses as part of this process, and this process may never generate related revenues. We derive revenue from this process only if our design is selected. Once a customer selects a particular integrated circuit for use in its storage product, the customer generally uses solely that integrated circuit for a full generation of its product. Therefore, if we do not achieve a design win for a product, we will be unable to sell our integrated circuit to a customer until that customer develops a new product or a new generation of its product. Even if we achieve a design win with a customer, the customer may not ultimately ship products incorporating our products or may cancel orders after we have achieved a sale. In addition, we will have to begin the qualification process again when a customer develops a new generation of a product for which we were the successful supplier.

Our typical customer contract does not obligate the customer to any minimum purchase commitment. We may build inventory in anticipation of receiving customer orders, but if such customer demand does not develop as we anticipate, it may become necessary for us to write-off such inventory. Also, during the final production of a mature product, our customers typically exhaust their existing inventory of our integrated circuits. Consequently, orders for our products may decline in those circumstances, even if our products are incorporated into both our customers' mature and replacement products. A delay in a customer's transition to commercial production of a replacement product may cause the customer to lose sales, which would delay our ability to recover the lost sales from the discontinued mature product. In addition, customers may defer orders in anticipation of new products or product enhancements from our competitors or us.

We must keep pace with rapid technological change and evolving industry standards in the semiconductor industry to remain competitive.

Our future success will depend on our ability to anticipate and adapt to changes in technology and industry standards and our customers' changing demands. We sell products in markets that are characterized by rapid technological change, evolving industry standards, frequent new product introductions, short product life cycles and increasing demand for higher levels of integration and smaller process geometries. Our past sales and profitability have resulted, to a large extent, from our ability to anticipate changes in technology and industry standards and to develop and introduce new and enhanced products incorporating the new standards and technologies. Our ability to adapt to these changes and to anticipate future standards, and the rate of adoption and acceptance of those standards, will be a significant factor in maintaining or improving our competitive position and prospects for growth. If new industry standards emerge, our products or our customers' products could become unmarketable or obsolete, and we could lose market share. We may also have to incur substantial unanticipated costs to comply with these new standards. In addition, our target markets continue to undergo rapid growth and consolidation. A significant slowdown in any of these markets could materially and adversely affect our business, financial condition and results of operations. Our success will also depend on the ability of our customers to develop new products and enhance existing products for the markets we serve and to introduce and promote those products successfully.

We may be unable to protect our intellectual property, which would negatively affect our ability to compete.

We believe one of our key competitive advantages results from our collection of proprietary technologies that we have developed since our inception. If we fail to protect these intellectual property rights, competitors could sell products based on technology that we have developed which could harm our competitive position and decrease our revenues. We believe that the protection of our intellectual property rights is and will continue to be important to the success of our business. We rely on a combination of patent, copyright, trademark and trade secret laws, as well as nondisclosure agreements and other methods, to protect our proprietary technologies. We also enter into confidentiality or license agreements with our employees, consultants and business partners, and control access to and distribution of our documentation and other proprietary information. We have been issued several United States patents and have a number of pending United States patent applications. However, a patent may not be issued as a result of any applications or, if issued, claims allowed may not be sufficiently broad to protect our technology. In addition, it is possible that existing or future patents may be challenged, invalidated or circumvented. Despite our efforts, unauthorized parties may attempt to copy or otherwise obtain and use our products or proprietary technology. Monitoring unauthorized use of our technology is difficult, and the steps that we have taken may not prevent unauthorized use of our technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States.

We may become involved with costly and lengthy litigation, which could subject us to liability, require us to obtain or renew licenses or stop selling our products or force us to redesign our products.

Litigation involving patents and other intellectual property is widespread in the high-technology industry and is particularly prevalent in the integrated circuit industry, where a number of companies aggressively bring numerous infringement claims to protect their patent portfolios. From time to time we receive, and may continue to receive in the future, notices that claim we have infringed upon, misappropriated or misused the proprietary rights of other parties. For example, in recent years multiple claims have been made against Marvell, its customers and its competitors related to standards-based technologies such as wireless networking. In addition, we have certain patent cross licenses with third parties that are up for renewal in calendar year 2009, and if we cannot successfully renew these licenses, we could face additional claims of infringement. These claims could result in litigation, which, in turn, could subject us to significant liability for damages. Any potential intellectual property litigation also could force us to do one or more of the following:

- stop selling products or using technology that contains the allegedly infringing intellectual property;
- pay substantial damages to the party claiming infringement that could adversely impact our liquidity or operating results;
- attempt to obtain or renew licenses to the relevant intellectual property, which licenses may not be available on reasonable terms or at all; and
- attempt to redesign those products that contain the allegedly infringing intellectual property.

In addition, many of our contracts with our customers require us to indemnify our customers' products against claims alleging infringement of the proprietary rights of other parties. For example, customers have requested us to indemnify them in connection with a patent infringement lawsuits filed in Texas by Australia's Commonwealth Scientific and Industrial Research Organization (CSIRO).) which alleges its asserted patent is essential to the 802.11 wireless standard. We have also filed an action, also in Texas, against CSIRO seeking a declaratory judgment that CSIRO's patent is invalid and unenforceable and that we and our customers do not infringe the CSIRO patent. Similarly, certain customers have asked us to indemnify them in connection with patent infringement lawsuits filed in Texas by Wi-Lan, a Canadian company, who likewise alleges their asserted patents are essential to the 802.11 wireless standard. Marvell is also named as a defendant in those cases. In addition, Marvell has filed an action in California against

Wi-Lan asking the court to find that Marvell's products do not infringe certain Wi-Lan patents that it claims read on products that practice WCDMA technologies. Marvell believes it does not infringe either the asserted CSIRO or Wi-Lan patents and will vigorously defend ourselves in these matters.

We are also party to other claims and litigation proceedings arising in the normal course of business. The impact on us as a result of such claims and litigation cannot currently be ascertained. Any litigation, regardless of the outcome, is time-consuming and expensive to resolve, may require us to pay significant monetary damages and can divert management time and attention. An unfavorable ruling in litigation could require us to pay damages or one-time license fees or royalty payments, which could adversely impact gross margins in future periods, or could prevent us from manufacturing or selling some of our products or limit or restrict the type of work that employees involved in such litigation may perform for us. There can be no assurance that these matters will be resolved in a manner that is not adverse to our business, financial condition, results of operations or cash flows.

We are incorporated in Bermuda, and, as a result, it may not be possible for our shareholders to enforce civil liability provisions of the securities laws of the United States.

We are organized under the laws of Bermuda. As a result, it may not be possible for our shareholders to effect service of process within the United States upon us, or to enforce against us in United States courts judgments based on the civil liability provisions of the securities laws of the United States. Most of our executive officers and directors are residents of the United States. However, there is significant doubt as to whether the courts of Bermuda would recognize or enforce judgments of United States courts obtained against us or our directors or officers based on the civil liability provisions of the securities laws of the United States or any state or hear actions brought in Bermuda against us or those persons based on those laws. The United States and Bermuda do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not based solely on United States federal or state securities laws, would not be automatically enforceable in Bermuda.

Our Bye-laws contain a waiver of claims or rights of action by our shareholders against our officers and directors, which will severely limit our shareholders' right to assert a claim against our officers and directors under Bermuda law.

Our Bye-laws contain a broad waiver by our shareholders of any claim or right of action, both individually and on our behalf, against any of our officers and directors. The waiver applies to any action taken by an officer or director, or the failure of an officer or director to take any action, in the performance of his or her duties with or for us, other than with respect to any matter involving any fraud or dishonesty on the part of the officer or director. This waiver will limit the rights of our shareholders to assert claims against our officers and directors unless the act complained of involves actual fraud or dishonesty. Thus, so long as acts of business judgment do not involve actual fraud or dishonesty, they will not be subject to shareholder claims under Bermuda law. For example, shareholders will not have claims against officers and directors for a breach of trust, unless the breach rises to the level of actual fraud or dishonesty.

Tax benefits we receive may be terminated or reduced in the future, which would increase our costs.

Under current Bermuda law, we are not subject to tax on our income and capital gains. We have obtained from the Minister of Finance of Bermuda under the Exempt Undertakings Tax Protection Act 1966, as amended, an undertaking that, in the event that Bermuda enacts any legislation imposing tax computed on income and capital gains, those taxes should not apply to us until March 28, 2016. However, it is possible that this exemption would not be extended beyond that date.

The Economic Development Board of Singapore granted Pioneer Status to our wholly-owned subsidiary in Singapore in July 1999. Initially, this tax exemption was to expire after ten years, but the Economic Development Board in June 2006 agreed to extend the term to fifteen years. As a result, we anticipate that a significant portion of the income we earn in Singapore during this period will be exempt from the Singapore income tax. We are required to meet several requirements as to investment, headcount and activities in Singapore to retain this status. If our Pioneer Status is terminated early, our financial results could be harmed.

Under the law, including Amendment No. 60 to the law that as published in April 2005, by virtue of the "approved or benefited enterprise" status granted to certain of its enterprises, the Israeli subsidiaries are entitled to various tax benefits. The Company has nine approved programs pursuant to this law; the first was approved in 1997 and the most recent was approved in 2005. The benefit period is generally 10 to 15 years and begins commencing in the first year in which our Israeli subsidiaries earn taxable income from the approved or benefited enterprises (provided the maximum period to which it is restricted by law has not elapsed). Income from the approved or benefited enterprises is subject to reduced tax rates ranging between 1 and 10% or tax exemptions for fiscal years 2008 through 2020. As our tax holidays expire, we expect that we will start paying income tax at the statutory tax rate on our operations within these development regions which will adversely impact our effective tax rate.

During fiscal 2007, our Switzerland subsidiary received a ten-year Federal and Cantonal tax holiday on revenues from research and design and wafer supply trading activities that will expire in 2017. If certain requirements are not met in the initial five-year period, our incentive exemption would be reduced by 50 percent on the next five-year period of the tax holiday, which would adversely affect our financial results.

Our Bye-laws contain provisions that could delay or prevent a change in corporate control, even if the change in corporate control would benefit our shareholders.

Our Bye-laws contain change in corporate control provisions, which include:

- authorizing the issuance of preferred stock without shareholder approval;
- providing for a classified board of directors with staggered, three-year terms; and
- requiring a vote of two-thirds of the outstanding shares to approve any change of corporate control.

These changes in corporate control provisions could make it more difficult for a third-party to acquire us, even if doing so would be a benefit to our shareholders.

Item 1B. ***Unresolved Staff Comments***

Not applicable.

Item 2. ***Properties***

As of February 2, 2008, our primary facility, housing research and design functions as well as elements of sales, marketing, administration and operations, is located in Santa Clara, California. This location is our U.S. headquarters. The Santa Clara facility consists of approximately 993,000 square feet on 33.8 acres of land. We also own buildings in Switzerland, Malaysia and China as well as land in Singapore where we are constructing a building for our regional headquarters in Asia to be used for operations, research and design, sales, marketing and administrative functions.

In addition to these properties, we lease approximately 409,000 square feet in Israel for research and design, administration and operations, which lease term expires in August 2025 and approximately 51,000 square feet in Singapore for operations, sales, marketing and administration, which lease term expires in June 2008. We also lease smaller facilities in Bermuda, Canada, China, Finland, Germany, India, Italy,

Japan, Korea, Taiwan, the United Kingdom and the United States, which are occupied by administrative offices, sales offices, design centers and field application engineers.

Based upon our estimates of future hiring, we believe that our current facilities will be adequate to meet our requirements at least through the next fiscal year.

We also lease one additional building in California, totaling approximately 41,000 square feet, which is currently subleased to tenants as of February 2, 2008. For further discussion of this facility and their effect on our financial condition and results of operations, see "Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 12 to our Consolidated Financial Statements in "Item 8 Consolidated Financial Statements and Supplementary Data."

Item 3. ***Legal Proceedings***

We are subject to various legal proceedings and claims that are discussed below.

IPO Securities Litigation. On July 31, 2001, a putative class action suit was filed against two investment banks that participated in the underwriting of our initial public offering on June 29, 2000. That lawsuit, which did not name Marvell or any of our officers or directors as defendants, was filed in the United States District Court for the Southern District of New York. Plaintiffs allege that the underwriters received "excessive" and undisclosed commissions and entered into unlawful "tie-in" agreements with certain of their clients in violation of Section 10(b) of the Securities Exchange Act of 1934. Thereafter, on September 5, 2001, a second putative class action was filed in the Southern District of New York relating to our IPO. In this second action, plaintiffs named three underwriters as defendants and also named as defendants Marvell and two of our officers, one of whom is also a director. Relying on many of the same allegations contained in the initial complaint, plaintiffs allege that the defendants violated various provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934. In both actions, plaintiffs seek, among other items, unspecified damages, pre-judgment interest and reimbursement of attorneys' and experts' fees. These two actions have been consolidated and coordinated with hundreds of other lawsuits filed by plaintiffs against approximately 40 underwriters and approximately 300 issuers across the United States. Defendants in the coordinated proceedings moved to dismiss the actions. In February 2003, the trial court granted the motions in part and denied them in part, thus allowing the case to proceed against us and the underwriters. Claims against the individual officers have been voluntarily dismissed with prejudice by agreement with plaintiffs. In June 2004, a stipulation of settlement and release of claims against the issuer defendants, including us, was submitted to the court for approval. On August 31, 2005, the court preliminarily approved the settlement. In December 2006, the appellate court overturned the certification of classes in the six focus cases that were selected by the underwriter defendants and plaintiffs in the coordinated proceedings (the action involving Marvell is not one of the six cases). Because class certification was a condition of the settlement, it was unlikely that the settlement would receive final Court approval. On June 25, 2007, the Court entered an order terminating the proposed settlement based upon a stipulation among the parties to the settlement. Plaintiffs filed amended master allegations and amended complaints in the six focus cases. Defendants' motions to dismiss those new complaints were denied in part and granted in part. Plaintiffs have also moved for class certification in the six focus cases, which the defendants in those cases have opposed.

Section 16(b) Litigation. On October 9, 2007, a purported Marvell shareholder filed a complaint for violation of Section 16(b) of the Securities Exchange Act of 1934, which prohibits short-swing trading, against our IPO underwriters. The complaint, *Vanessa Simmonds v. The Goldman Sachs Group, et al.*, Case No. C07-1632 filed in District Court for the Western District of Washington, seeks the recovery of short-swing profits. We are named as a nominal defendant. No recovery is sought from us.

Jasmine Networks Litigation. On September 12, 2001, Jasmine Networks, Inc. ("Jasmine") filed a lawsuit in the Santa Clara County Superior Court alleging claims against three officers and us for

improperly obtaining and using information and technologies during the course of the negotiations with our personnel regarding the potential acquisition of certain Jasmine assets by us. The lawsuit claims that our officers improperly obtained and used such information and technologies after we signed a non-disclosure agreement with Jasmine. We believe the claims asserted against our officers and us are without merit and we intend to defend all claims vigorously.

On June 21, 2005, we filed a cross complaint in the above disclosed action in the Santa Clara County Superior Court asserting claims against Jasmine and unnamed Jasmine officers and employees. The cross complaint was later amended to name two individual officers of Jasmine. On May 15, 2007, we filed a second amended cross complaint to add additional causes of action for declaratory relief against Jasmine. Among other actions, the cross complaint alleges that Jasmine and its personnel engaged in fraud in connection with their effort to sell to us technology that Jasmine and its personnel wrongfully obtained from a third party in violation of such third party's rights. The cross complaint seeks declaratory judgment that our technology does not incorporate any of Jasmine's alleged technology. The cross complaint seeks further declaratory judgment that Jasmine and its personnel misappropriated certain aspects of Jasmine's alleged technology. We intend to prosecute the cross complaint against Jasmine and its personnel vigorously, including, but not limited to, filing certain dispositive motions regarding the ownership of the technology which is the subject of the cross complaint. On June 13, 2007, Jasmine filed a demurrer to the fifth, sixth, and seventh causes of action of our second amended cross-complaint. The demurrer was heard on July 19, 2007 and denied. On August 3, 2007, Jasmine filed its answer to the second amended complaint. Our motion for summary adjudication on its fifth and sixth causes of action for declaratory relief is set for November 9, 2007, which will seek, among other things, a determination that Jasmine held no propriety interest in the "JSLIP" algorithm, which was one of the core technologies Jasmine asserts was misappropriated by Marvell. The motion was denied on November 14, 2007. However, in its opposition, Jasmine admitted that JSLIP had been taken from the work of a third party and is embodied in patents held by the University of California and Cisco Systems. These admissions are significant with respect to both Jasmine's assertion of trade secret rights and any damages claimed by Jasmine.

In addition, on December 28, 2001 and January 7, 2002, the trial court issued a preliminary injunction precluding Jasmine from using, disclosing or disseminating the contents of a privileged communication between certain officers of Marvell and its counsel. The order granting injunctive relief was reversed by the California Court of Appeal, but review was granted by the California Supreme Court on a "grant and hold" basis pending the Court's decision on a case involving closely related issues, *Rico v. Mitsubishi Motors Corp*. (2004) 116 Cal.App.4th 51. The effect of the Supreme Court's grant of review was to depublish the Court of Appeal's decision. On December 13, 2007, the California Supreme Court ruled in a manner consistent with the position asserted by us that attorney work product and attorney-client privileges are not waived by inadvertent disclosure of a privileged communication, and that any party receiving such information (i) is required to notify opposing counsel immediately; and (ii) may not read such document more closely than is necessary to determine it is privileged. *Rico v. Mitsubishi Motors Corp.* (2007) 42 Cal.4th 807. On March 6, 2008, Jasmine filed a motion to dismiss the California Supreme Court's grant of review contending, *inter alia*, that review should be dismissed in light of the Supreme Court's ruling in the *Rico* case. We believe Jasmine's motion is meritless and will vigorously oppose the motion. To date the California Supreme Court has not announced its position with respect to the Company's petition for review. It is not known when the Supreme Court will address our petition for review.

CSIRO Litigation. In 2004, Australia's Commonwealth Scientific and Industrial Research Organisation ("CSIRO") sent notice letters to a number of Wi-Fi System manufacturers regarding CSIRO's patent, U.S. Patent No. 5,487,069 ("the '069 Patent") as it relates to IEEE 802.11a and 802.11g wireless standards. In May 2005, a group of system manufacturers, including customers of our 802.11a or 802.11g wireless LAN products, filed an action in the United States District Court for the Northern District of California seeking a declaratory judgment against CSIRO that the plaintiff manufacturers' products employing the IEEE 802.11a or 802.11g wireless standards do not infringe CSIRO's patent, U.S.

Patent No. 5,487,069. In September 2006, CSIRO filed an answer and counterclaims alleging that plaintiffs' products that employ those wireless standards infringe the CSIRO patent and seeking damages, including enhanced damages and attorneys' fees and costs, and an injunction against sales of infringing products. In December 2006, the district court granted CSIRO's motion to transfer the case to the United States District Court for the Eastern District of Texas, where CSIRO had brought a similar lawsuit against another company. As a result of CSIRO's counterclaims for patent infringement, several customers of ours have sought indemnification from us. Also in December 2006, CSIRO filed suit in the United States District Court for the Eastern District of Texas against several manufacturers and suppliers of wireless products, including customers of our 802.11a or 802.11g wireless LAN products. The complaint alleges that the manufacture, use and sale of wireless products compliant with the IEEE 802.11a or 802.11g wireless standards infringes on the CSIRO patent. As a result of CSIRO's claim for patent infringement, another customer of ours has sought indemnification from us. In response to these demands for indemnification, we have acknowledged the demands and incurred costs in response to them.

On May 4, 2007, we filed an action in the United States District Court for the Eastern District of Texas seeking a declaratory judgment against CSIRO that the CSIRO patent is invalid and unenforceable and that we and our customers do not infringe the CSIRO patent. The complaint also seeks damages and a license for us and our customers on reasonable and non-discriminatory terms in the event our 802.11a/g wireless LAN products are found to infringe and the CSIRO patent is found to be valid and enforceable.

On July 3, 2007, we moved to intervene in the two actions described above pending in the Eastern District of Texas, for the purposes of staying the actions as to products incorporating Marvell parts in favor of the separate action that we filed as described in the next paragraph. Alternatively we moved to disqualify the firm of Townsend, Townsend and Crew from continuing to represent CSIRO because of a conflict of interest. CSIRO opposed these motions on August 3, 2007.

On August 3, 2007, CSIRO moved to dismiss our complaint for lack of case or controversy and failure to state a claim upon which relief can be granted, or, in the alternative, to stay the case pending the resolution of the pending lawsuits described in the preceding paragraph. On October 24, 2007, the Court issued an order denying CSIRO's motion to dismiss. The Court also denied our motions to stay/intervene/disqualify. On December 5, 2007, CSIRO filed its answer to our complaint, as well as counterclaims against us for willful and deliberate infringement of the '069 Patent. CSIRO's counterclaims included a demand for increased damages and attorneys' fees.

On November 16, 2007, we filed a notice of appeal of the Court's denial of the motions to stay/intervene/disqualify. The appeal will be adjudicated by the United States Court of Appeals for the Federal Circuit. We filed our opening brief on March 5, 2008.

The Claim Construction hearing is set for June 26, 2008. Trial for our declaratory judgment our action is set to begin on May 10, 2010. CSIRO and Marvell are currently engaging in discovery and motion practice.

Shareholder Derivative Litigation. Between July 7, 2006 and August 2, 2006, three purported shareholder derivative actions were filed in the United States District Court for the Northern District of California. Each of these lawsuits names us as a nominal defendant and a number of our current and former directors and officers as defendants. Each lawsuit seeks to recover damages purportedly sustained by us in connection with our option granting processes, and seeks certain corporate governance and internal control changes. Pursuant to orders of the court dated August 17 and October 17, 2006, the three actions were consolidated as a single action, entitled *In re Marvell Technology Group Ltd. Derivative Litigation*. The plaintiffs filed an amended and consolidated complaint on November 1, 2006. On January 16, 2007, we filed a motion to dismiss the consolidated complaint for lack of standing or, in the alternative, stay proceedings. Pursuant to stipulations among the parties, our motion is currently scheduled to be heard on March 28, 2008.

On February 12, 2007, a new purported derivative action was filed in the United States District Court for the Northern District of California. Like *In re Marvell Technology Group Ltd. Derivative Litigation*, this lawsuit names us as a nominal defendant and a number of our current and former directors and officers as defendants. It seeks to recover damages purportedly sustained by us in connection with our option granting processes, and seeks certain corporate governance and internal control changes. On May 1, 2007, the court entered an order consolidating this lawsuit with *In re Marvell Technology Group Ltd. Derivative Litigation*.

On May 29, 2007, the Court entered an order staying discovery in this matter pending resolution of our motion to dismiss.

On January 25, 2008, the Court entered a stipulated order staying proceedings so that the parties could finalize a settlement agreement that would resolve the action. On or about March 5, 2008, the parties entered into a memorandum of understanding that tentatively settles and resolves the action. The terms of the memorandum of understanding include certain corporate governance enhancements and an agreement by us to pay up to $16.0 million in plaintiff attorney's fees, an amount less than what we will receive from a recent settlement with our directors and officers liability insurers. This tentative settlement of the derivative action requires court approval before it becomes final. We anticipate that the parties will finalize and submit formal settlement documentation to the court in the next few months for both preliminary and final approval.

Class Action Securities Litigation. Between October 5, 2006 and November 13, 2006, four putative class actions were filed in the United States District Court for the Northern District of California against us and certain of our officers and directors. The complaints allege that we and certain of our officers and directors violated the federal securities laws by making false and misleading statements and omissions relating to the grants of stock options. The complaints seek, on behalf of persons who purchased our common stock during the period from October 3, 2001 to October 3, 2006, unspecified damages, interest, and costs and expenses, including attorneys' fees and disbursements. Pursuant to an order of the court dated February 2, 2007, these four putative class actions were consolidated as a single action entitled *In re Marvell Technology Group Ltd. Securities Litigation*. On August 16, 2007, plaintiffs filed a consolidated class action complaint. On October 18, 2007, we filed a motion to dismiss the consolidated class action complaint. The motion is fully briefed and argued. We are awaiting the Court's order on this motion.

SEC and United States Attorney Inquiries. In July 2006, we received a letter of informal inquiry from the Securities and Exchange Commission ("SEC") requesting certain documents relating to our stock option grants and practices. We also received a grand jury subpoena from the office of the United States Attorney for the Northern District of California requesting substantially similar documents. On April 20, 2007, we were informed that the SEC is now conducting a formal investigation into this matter. On June 8, 2007 and July 3, 2007, we received document subpoenas from the SEC. On October 11, 2007, we received a "Wells Notice" from the staff of the SEC. Weili Dai, Director of Strategic Marketing and Business Development, who is not an officer or director of Marvell, also received a "Wells" notice. The SEC staff also advised us that it is not at this time recommending enforcement action against any current officers or directors of Marvell. The "Wells" notices indicate that the staff intends to recommend to the Commission that it bring civil actions against the recipients for injunctive relief and civil monetary penalties. As we have previously disclosed, we have responded in writing to the "Wells Notice" and are seeking to reach a resolution of this matter before any action is filed.

We have cooperated with the SEC and the United States Attorney regarding these matters, and intend to continue to do so. We cannot predict the outcome of these investigations.

Wi-Lan Litigation. On December 21, 2006, we received a letter from Wi-Lan, Inc. ("Wi-Lan") accusing us of infringing four United States patents allegedly owned by Wi-Lan, and one Canadian patent also allegedly owned by Wi-Lan. On October 31, 2007, Wi-Lan sued two groups of system and chip manufacturers in the United States District Court for the Eastern District of Texas, in both cases naming us

as a defendant and alleging patent infringement. In the first case, Wi-Lan alleges that defendants infringe two patents that allegedly relate to the 802.11 wireless standard. In the second case, Wi-Lan alleges that defendants infringe the same two patents asserted in the first case, and in addition Wi-Lan alleges that some of the defendants in the second case infringe a third patent that allegedly relates to Asymmetric Digital Subscriber Line ("ADSL") technology. In the second case, we are not accused of infringing the ADSL patent. We filed our answer to the complaints and our counterclaims in these actions on January 25, 2008; the court has not yet scheduled any other dates in the litigation. We believe that we do not infringe the asserted Wi-Lan patents and will vigorously defend ourselves in these matters.

On November 5, 2007, we filed a complaint against Wi-Lan in the United States District Court for the Northern District of California asking the court to find that it does not infringe three patents that Wi-Lan asserted against MSI in its December 21, 2006 letter. Two of these patents were not asserted against us in either of the two Texas litigations. These patents allegedly relate to Wideband Code Division Multiple Access technology. Also, we ask in the alternative that the Court find the patents invalid. Wi-Lan has not yet filed its answer in this action. We will vigorously pursue this matter.

General. We are also party to other legal proceedings and claims arising in the normal course of business.

The legal proceedings and claims described above could result in substantial costs and could divert the attention and resources of our management. Although the legal responsibility and financial impact with respect to these proceedings and claims cannot currently be ascertained, an unfavorable outcome in such actions could have a material adverse effect on our cash flows, including potential impacts to certain covenants under our existing credit agreement. Litigation is subject to inherent uncertainties and unfavorable rulings could occur. An unfavorable ruling in litigation could require us to pay damages or one-time license fees or royalty payments, which could adversely impact gross margins in future periods, or could prevent us from manufacturing or selling some of our products or limit or restrict the type of work that employees involved in such litigation may perform for us. There can be no assurance that these matters will be resolved in a manner that is not adverse to our business, financial condition, results of operations or cash flows.

Item 4. ***Submission of Matters to a Vote of Security Holders***

No matters were submitted to a vote of security holders during the fourth quarter of fiscal 2008.

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Market Information

Our shares of common stock are traded on the Nasdaq Global Select Market under the symbol "MRVL." Our common stock began trading on June 27, 2000, upon completion of our initial public offering. The following table shows, for the periods indicated, the high and low intra-day sale prices for our common stock on the Nasdaq Global Select Market and reflects the stock split effected in fiscal 2007. See Note 1 of Item 8 "Consolidated Financial Statements and Supplementary Data."

	Fiscal Year 2008		Fiscal Year 2007	
	High	**Low**	**High**	**Low**
First Quarter	$ 21.20	$ 16.04	$ 35.14	$ 26.80
Second Quarter	$ 20.04	$ 15.25	$ 29.54	$ 16.71
Third Quarter	$ 19.08	$ 15.27	$ 21.25	$ 15.91
Fourth Quarter	$ 18.84	$ 9.77	$ 21.85	$ 17.27

As of March 15, 2008 the approximate number of record holders of our common stock was 223 (not including beneficial owners of stock held in street name).

Stock Price Performance Graph

The graph below compares the cumulative total shareholder return of our common stock with the cumulative total return of the S&P 500 Index and the Philadelphia Semiconductor Index since February 3, 2002, through February 2, 2008. The graph assumes that $100 was invested on February 3, 2002 in our common stock and on January 31, 2002 in each index and that any dividends were reinvested. No cash dividends have been declared on our common stock since our initial public offering in 2000. Shareholder returns over the indicated periods should not be considered indicative of future stock prices or shareholder returns.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Marvell Technology Group Ltd., The S&P 500 Index
And The Philadelphia Semiconductor Index

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*

100 invested on 2/1/03 in stock or 1/31/03 on index-including reinvestment of dividends.
Index calculated on month-end basis.
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www.researchdatagroup.com/S&P.htm

Dividends

We have never declared or paid a cash dividend on our common stock and do not anticipate paying any cash dividends in the foreseeable future. Any future determination with respect to the declaration and payment of dividends will be at the discretion of our Board of Directors. The terms of our outstanding credit agreement restrict our ability to pay dividends.

Securities Authorized for Issuance under Equity Compensation Plans

Information regarding the securities authorized for issuance under our equity compensation plans can be found under Item 12 of Part III of this Report.

Recent Sales of Unregistered Securities

None.

Item 6. ***Selected Consolidated Financial Data***

The following selected consolidated financial data should be read together with "Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8 Consolidated Financial Statements and Supplementary Data" contained elsewhere in this Form 10-K.

	February 2, 2008	January 27, 2007(1)	January 28, 2006	January 29, 2005	January 31, 2004
	(In thousands, except per share amounts)				
Consolidated Statement of Operations Data:					
Net revenue	$ 2,894,693	$ 2,237,553	$ 1,670,266	$ 1,224,580	$ 819,762
Operating costs and expenses:					
Cost of goods sold	1,497,796	1,100,241	783,244	586,104	386,528
Research and development and other	988,996	658,211	366,740	304,291	253,583
Selling and marketing	211,261	176,103	104,718	90,919	77,044
General and administrative	138,640	114,154	63,044	54,461	30,024
Amortization and write-off of goodwill and acquired intangible assets and other(2)	155,734	109,987	91,738	102,534	80,390
Acquired in-process research and development(3)		77,800	4,300		
Restructuring and other(4), (5)	7,856			2,414	
Total operating costs and expenses	3,000,283	2,236,496	1,413,784	1,140,723	827,569
Operating (loss) income	(105,590)	1,057	256,482	83,857	(7,807)
Interest and other income (expense), net(6)	(2,654)	13,549	19,369	7,657	6,223
(Loss) income before income taxes	(108,244)	14,606	275,851	91,514	(1,584)
Provision for income taxes(7)	6,183	35,547	76,361	28,719	16,672
(Loss) income before change in accounting principle	(114,427)	(20,941)	199,490	62,795	(18,256)
Cumulative effect of change in accounting principle, net of tax effect(8)		8,846			
Net (loss) income	$ (114,427)	$ (12,095)	$ 199,490	$ 62,795	$ (18,256)
Basic net (loss) income per share before change in accounting principle	$ (0.19)	$ (0.04)	$ 0.35	$ 0.12	$ (0.04)
Diluted net (loss) income per share before change in accounting principle	$ (0.19)	$ (0.04)	$ 0.32	$ 0.11	$ (0.04)
Basic net (loss) income per share	$ (0.19)	$ (0.02)	$ 0.35	$ 0.12	$ (0.04)
Diluted net (loss) income per share	$ (0.19)	$ (0.02)	$ 0.32	$ 0.11	$ (0.04)
Weighted average shares basic	590,308	586,152	565,870	539,375	503,108
Weighted average shares diluted	590,308	586,152	631,289	597,653	503,108
Consolidated Balance Sheet Data:					
Cash, cash equivalents and short-term investments	$ 630,902	$ 596,380	$ 921,022	$ 660,014	$ 386,271
Working capital	920,529	636,849	1,124,394	798,805	449,519
Total assets	4,550,594	4,527,700	3,504,506	2,788,866	2,436,919
Term loan and capital lease obligations, net of current portion	394,988	411,846	24,447	11,590	19,944
Total shareholders' equity	3,411,519	3,227,184	3,007,225	2,491,631	2,193,437

(1)

Effective from the beginning of fiscal 2007, we adopted SFAS 123R, requiring us to measure and recognize compensation expense for all share-based awards to employees and directors based on

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estimated fair values. We adopted SFAS 123R under the modified prospective method, reflecting in our fiscal 2007 results the compensation expense associated with unvested options granted prior to fiscal 2007, as well as options granted during that year.

(2)

In addition to recurring amortization of acquired intangible assets, we recorded the following charges during the respective fiscal years in amortization and write-off of goodwill and acquired intangible assets and other: (a) In the first quarter of fiscal 2005, we entered into a technology license and non-assert agreement with a licensor pursuant to which the parties agreed to not take action against each other relative to the use of certain technologies. Under the arrangement, we agreed to make a one-time payment of $13.5 million which was charged to expenses in that quarter. In the second quarter of fiscal 2005, we entered into a technology license and non-assert agreement with another company pursuant to which the parties agreed to not take action against each other relative to the use of certain technologies. Under this arrangement, we agreed to make a one-time payment of $25.0 million, of which $10.0 million related to past use of certain technologies and was charged to expenses. (b) In the fourth quarter of fiscal 2004, we recorded a charge of $1.9 million related to the recognition of pre-acquisition losses due to our prior investments in RADLAN Computer Communications Ltd. which we acquired in fiscal 2004.

(3)

In the fourth quarter of fiscal 2007, we recorded an acquired in-process research and development charge of $77.8 million in connection with our acquisition of the communications and applications business of Intel Corporation. In fourth quarter of fiscal 2006, we recorded an acquired in-process research and development charge of $4.3 million in connection with our acquisition of the hard disk and tape drive controller business of QLogic Corporation.

(4)

In fiscal 2005, we recorded a facilities consolidation charge of $2.4 million related to the relocation of several leased facilities.

(5)

The fourth quarter of fiscal 2008, we recorded a restructuring charge of $7.9 million related to a worldwide reduction in force to reduce operating expenses. The workforce reduction affected all functions of our global workforce and was substantially completed in the fourth quarter of fiscal 2008.

(6)

In the fourth quarter of fiscal 2008, we recorded a one-time adjustment of $22.1 million increasing other income to reflect the release of unused credits arising from differences in the original estimate and actual product mix and yields from the termination of the supply agreement with Intel.

(7)

In the third quarter of fiscal 2008, we recorded a benefit of $15.4 million arising from the reversal of tax reserves upon the completion of a foreign tax audit.

(8)

In fiscal 2007, we recorded an adjustment of $8.8 million for the cumulative effect of a change in accounting principle related to estimating forfeitures in our adoption of SFAS 123R.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion of our financial condition and results of operations should be read in conjunction with the financial statements and related notes included in this report. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties including those discussed under Item 1A "Risk Factors." These risks and uncertainties may cause actual results to differ materially from those discussed in the forward-looking statements.

Overview

We are a leading global semiconductor provider of high-performance analog, mixed-signal, digital signal processing and embedded microprocessor integrated circuits. Our diverse product portfolio includes storage, switching, transceiver, cellular and handheld, wireless, PC connectivity, gateways, communications controller and power management solutions that serve diverse applications used in business enterprises, consumer electronics and emerging markets. We are a fabless integrated circuit company, which means that we rely on independent, third-party contractors to perform manufacturing, assembly and test functions. This approach allows us to focus on designing, developing and marketing our products and significantly reduces the amount of capital we need to invest in manufacturing products. In February 2006, we acquired the semiconductor design business of UTStarcom, Inc. for $40.8 million, including contingent consideration of $16.0 million subsequently recognized when milestones were achieved. This business designs and supplies chipsets for personal handy phone applications. In May 2006, we acquired the printer semiconductor business of Avago Technologies Limited for $288.0 million, including earnout considerations of $35.0 million subsequently recognized during fiscal 2007 and fiscal 2008 based on the achievement of a certain level of revenue. This business designs and develops system-on-chip and system level solutions for both inkjet and laser jet printer systems. In November 2006, we completed the acquisition of the communications and application processor business of Intel Corporation for approximately $605.6 million. The communications and application processor business of Intel designs and develops cellular baseband processors for multi-mode, multi-band wireless handheld devices such as cellular handsets, PDAs and smartphones. In addition, we have also completed several smaller acquisitions over the last 3 fiscal years.

We offer our customers a wide range of high-performance analog, mixed-signal, digital signal processing and embedded microprocessor integrated circuits. Our products can be utilized in a wide array of enterprise applications including hard disk drives, high-speed networking equipment, PCs, WLAN solutions for SOHO and residential gateway solutions, and consumer applications such as cell phones, printers, digital cameras, MP3 devices, speakers, game consoles and PDAs.

Historically, a relatively small number of customers have accounted for a significant portion of our revenue. In fiscal 2008, approximately 17% of our net revenue was derived from sales to one significant customer. In fiscal 2007, approximately 39% of our net revenue was derived from sales to three significant customers, each of which accounted for 10% or more of our net revenue during the period. In fiscal 2006, approximately 55% of our net revenue was derived from sales to four significant customers, each of which accounted for 10% or more of our net revenue during this period. Also, in fiscal 2008, 2007 and 2006, one distributor accounted for less than 10%, less than 10% and 11% of our net revenue, respectively. We expect to continue to experience significant customer concentration in future periods. In addition, most of our sales are made to customers located outside of the United States, primarily in Asia. Sales to customers in Asia represented approximately 84%, 89% and 94% of our net revenue for fiscal 2008, 2007 and 2006, respectively. Because many manufacturers and manufacturing subcontractors of our customers are located in Asia, we expect that most of our revenue will continue to be represented by sales to our customers in that region. Substantially all of our sales to date have been denominated in United States dollars.

Our sales have historically been made on the basis of purchase orders rather than long-term agreements. In addition, the sales cycle for our products is long, which may cause us to experience a delay

between the time we incur expenses and the time revenue is generated from these expenditures. We expect to increase our research and development, selling and marketing, and general and administrative expenditures as we seek to expand our operations. We anticipate that the rate of new orders and shipments will vary significantly from quarter to quarter. Consequently, if anticipated sales and shipments in any quarter do not occur when expected, expenses and inventory levels could be disproportionately high, and our operating results for that quarter and future quarters may be adversely affected.

Our fiscal year is the 52- or 53-week period ending on the Saturday closest to January 31. In a 52-week year, each fiscal quarter consists of 13 weeks. The additional week in a 53-week year is added to the fourth quarter, making such quarter consist of 14 weeks. Fiscal year 2008 was comprised of 53 weeks while fiscal years 2007 and 2006 were comprised of 52 weeks.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates, and such differences could affect the results of operations reported in future periods. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition. We account for our revenues under the provisions of Staff Accounting Bulletin ("SAB") No. 104, "Revenue Recognition in Financial Statements." Under this provision, we recognize revenues when there is persuasive evidence of an arrangement, delivery has occurred, the fee is fixed or determinable, and collection is reasonably assured.

Product revenue is generally recognized upon shipment of product to customers, net of accruals for estimated sales returns and allowances. However, some of our sales are made through distributors under agreements allowing for price protection and rights of return on product unsold by the distributors. Product revenue on sales made through distributors with rights of return and price protection is deferred until the distributors sell the product to end customers. Our sales to direct customers are made primarily pursuant to standard purchase orders for delivery of products. We generally allow customers to cancel or change purchase orders with limited notice prior to the scheduled shipment dates and from time to time we also may request a customer to accept a shipment of product before the original requested delivery date, in which case revenue is not recognized until there is written confirmation from the customer accepting early shipment, delivery has occurred, the fee is fixed or determinable, and collection is reasonably assured. Additionally, collection is not deemed to be "reasonably assured" if customers receive extended payment terms. As a result, revenue on sales to customers with payment terms substantially greater than our normal payment terms is deferred and is recognized as revenue when payments become due. Deferred revenue less the related cost of the inventories is reported as deferred income.

The provision for estimated sales returns and allowances on product sales is recorded in the same period the related revenues are recorded. These estimates are based on historical sales returns, analysis of credit memo data and other known factors. Actual returns could differ from these estimates.

We also enter into development agreements with some of our customers. Under these development agreements product revenue is recognized under the proportionate performance method. Revenue is recognized as related costs to complete the contract are incurred. These costs are included in research and development expense.

The provisions of EITF Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables" apply to sales arrangements with multiple arrangements that include a combination of hardware, software and /or services. For multiple element arrangements, revenue is allocated to the separate elements based on fair

value. If an arrangement includes undelivered elements that are not essential to the functionality of the delivered elements, we defer the fair value of the undelivered elements and the residual revenue is allocated to the delivered elements. If the undelivered elements are essential to the functionality of the delivered elements, no revenue is recognized. Undelivered elements typically are software warranty and maintenance services.

In arrangements that include a combination of hardware and software products that are also sold separately, where software is more than incidental and essential to the functionality of the product being sold, the Company follows the guidance in EITF Issue No. 03-05, "Applicability of AICPA Statement of Position 97-2 to Non-Software Deliverables in an Arrangement Containing More-Than-Incidental Software," accounts for the entire arrangement as a sale of software and software-related items and follows the revenue recognition criteria in SOP No. 97-2, "Software Revenue Recognition," and related interpretations.

Revenue from licensed software is recognized when persuasive evidence of an arrangement exists and delivery has occurred, provided that the fee is fixed or determinable and collectibility is probable. Revenue from post-contract customer support and any other future deliverables is deferred and earned over the support period or as contract elements are delivered.

Stock-Based Compensation. Effective January 29, 2006, we adopted FASB Statement of Financial Accounting Standards No. 123 (revised 2004), "Share Based Payment" ("SFAS 123R"). SFAS 123R requires the measurement and recognition of compensation expense for all share-based awards to employees and directors, including employee stock options, restricted stock units and employee stock purchase rights based on estimated fair values. SFAS 123R supersedes previous accounting guidance under Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations and amends SFAS No. 95, "Statement of Cash Flows." Under SFAS 123R, the benefits of tax deductions in excess of recognized compensation cost has to be reported as a financing cash flow, rather than as an operating cash flow. This may reduce future net cash flows from operations and increase future net financing cash flows. In March 2005, the SEC issued Staff Accounting Bulletin No. 107 ("SAB 107"), which provides guidance regarding the interaction of SFAS 123R and certain SEC rules and regulations. We have applied the provisions of SAB 107 in our adoption of SFAS 123R.

Prior to January 29, 2006, we accounted for our stock based compensation plans using the intrinsic value method under the provisions of APB 25 and related guidance, under the accelerated method of amortization. We adopted SFAS 123R using the modified prospective method. Under the modified prospective method, our results of operations include compensation costs of unvested options granted prior to January 29, 2006, and options granted subsequent to that date. For grants prior to January 29, 2006, we amortize stock-based compensation expense under the accelerated method. For grants from January 29, 2006, we amortize stock-based compensation expense ratably over the vesting term.

As a result of the adoption of SFAS 123R, our stock-based compensation increased from $101.0 million in fiscal 2006 to $192.1 million and $231.0 million in fiscal 2007 and 2008, respectively. In accordance with the modified prospective method, the consolidated financial statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS 123R.

SFAS 123R requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods. We have estimated the fair value of each award as of the date of grant using the Black-Scholes option pricing model, which was developed for use in estimating the value of traded options that have no vesting restrictions and that are freely transferable. The Black-Scholes model considers, among other factors, the expected life of the award and the expected volatility of our stock price. We established the expected term for employee options and awards, as well as expected forfeiture rates, based on the historical settlement experience and after giving consideration to vesting schedules. Assumptions for option exercises and pre-vesting terminations of options were stratified

by employee groups with sufficiently distinct behavior patterns. Under SFAS 123, expected terms were based on similar assumptions for all employees, taken as a whole.

The risk factor interest rate which we apply to grants quarterly is based on the average rate of the prior quarter as published by the U.S. Treasury for five year U.S. Treasury Constant Maturities.

Expected volatility under SFAS 123R was developed based on the average of our historical daily stock price volatility. Although the Black-Scholes model meets the requirements of SFAS 123R and SAB 107, the fair values generated by the model may not be indicative of the actual fair values of our awards as it does not consider other factors important to those share-based payment awards, such as continued employment, periodic vesting requirements, and limited transferability.

SFAS 123R also requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. From January 29, 2006, stock-based compensation expense was recorded net of estimated forfeitures such that expense was recorded only for those stock-based awards that are expected to vest. Previously under APB 25, previously recognized expense was reversed for the portion of awards forfeited prior to vesting as and when forfeitures occurred.

Prior to the adoption of SFAS 123R, we presented deferred compensation as a separate component of stockholders' equity. In accordance with the provisions of SFAS 123R, on January 29, 2006, we eliminated unamortized deferred compensation totaling $62.0 million on that date with a corresponding reduction in additional paid-in capital.

In November 2005, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FAS 123(R)-3, "Transition Election Related to Accounting for Tax Effects of Share-Based Payment Awards" (FSP 123R-3). We have elected to adopt the alternative transition method provided in the FSP 123R-3 for calculating the tax effects of stock-based compensation pursuant to SFAS 123R. The alternative transition method includes simplified methods to establish the beginning balance of the APIC pool related to the tax effects of employee stock-based compensation, and to determine the subsequent impact on the APIC pool and Consolidated Statements of Cash Flows of the tax effects of employee stock-based compensation awards that are outstanding upon adoption of SFAS 123R.

Accounting for Income Taxes. To prepare our consolidated financial statements, we estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating our actual tax exposure together with assessing temporary differences resulting from the differing treatment of certain items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income and, to the extent we believe that recovery is not likely, we must establish a valuation allowance.

We must also make judgments regarding the realizability of deferred tax assets. The carrying value of our net deferred tax asset is based on our belief that it is more likely than not that we will generate sufficient future taxable income in certain jurisdictions to realize these deferred tax assets. A valuation allowance has been established for deferred tax assets which we do not believe meet the "more likely than not" criteria established by SFAS No. 109, "Accounting for Income Taxes." Our judgments are based on the relative weight of both positive and negative evidence regarding future taxable income, and may change due to changes in market conditions, changes in tax laws, tax planning strategies or other factors. If our assumptions and consequently our estimates change in the future, the valuation allowances we have established may be increased or decreased, resulting in a respective increase or decrease in income tax expense. Our effective tax rate is highly dependent upon the geographic distribution of our worldwide earnings or losses, the tax regulations and tax holiday benefits in each geographic region, the availability of tax credits and carryforwards, and the effectiveness of our tax planning strategies.

Effective January 28, 2007, we adopted the provisions of Financial Interpretation No. 48, Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109, or FIN 48. The

adoption of FIN 48 did not result in any reclassifications of uncertain income tax liabilities and did not have a cumulative impact to retained earnings. Prior to adoption, our policy was to establish reserves that reflected the best estimate of known tax contingencies. FIN No. 48 requires application of a more likely than not threshold to the recognition and derecognition of uncertain tax positions. FIN 48 permits us to recognize the amount of tax benefit that has a greater than 50 percent likelihood of success upon settlement. The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and related regulations. Accordingly, we report a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. We recognize interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

Our effective tax rate is highly dependent upon the geographic distribution of our worldwide earnings or losses, the tax regulations and tax holidays in each geographic region, the availability of tax credits and carryforwards, and the effectiveness of our tax planning strategies. As a multinational corporation, we conduct our business in many countries and are subject to taxation in many jurisdictions. The taxation of our business is subject to the application of multiple and sometimes conflicting tax laws and regulations as well as multinational tax conventions. The application of tax laws and regulations is subject to legal and factual interpretation, judgment and uncertainty. Tax laws themselves are subject to change as a result of changes in fiscal policy, changes in legislation, and the evolution of regulations and court rulings. Consequently, taxing authorities may impose tax assessments or judgments against us that could materially impact our tax liability and/or our effective income tax rate.

In the event that actual results differ from these estimates or we adjust these estimates in future periods, we may need to record additional income tax expense or establish an additional valuation allowance, which could materially impact our financial position and results of operations.

During the fourth quarter of fiscal 2007, the Internal Revenue Service notified our U.S. subsidiaries that fiscal 2004 through 2006 would be audited and would include an audit of Section 409A and payroll tax issues arising out of the stock option investigation. In fiscal 2007, we accrued $24.2 million of Section 409A liabilities for each of the restated years (including interest and penalties), accrued payroll taxes (including interest and penalties), where applicable. We elected to join and completed the IRS program Announcement 2007-18 and its California equivalent. Through the close of fiscal 2008 we paid $21.8 million for Section 409A liabilities under the available programs, including interest and penalties where applicable. During fiscal 2008, based on development of our IRS payroll tax audit, we accrued an additional penalty of $7.2 million related to the conversion of incentive stock options into nonstatutory stock options due to the mispricing of the original option grant.

In November 2005, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FAS 123(R)-3, "Transition Election Related to Accounting for Tax Effects of Share-Based Payment Awards" (FSP 123R-3). The Company has elected to adopt the alternative transition method provided in the FSP 123R-3 for calculating the tax effects of stock-based compensation pursuant to SFAS 123R. The alternative transition method includes simplified methods to establish the beginning balance of the APIC pool related to the tax effects of employee stock-based compensation, and to determine the subsequent impact on the APIC pool and Consolidated Statements of Cash Flows of the tax effects of employee stock-based compensation awards that are outstanding upon adoption of SFAS 123R.

Investments. Investments designated as available-for-sale securities under SFAS No. 115, "Accounting for Investment in Certain Debt and Equity Securities," are carried at fair value based on quoted market prices or estimated based on quoted market prices for financial instruments with similar characteristics. Unrealized gains and losses of our available-for-sale securities are excluded from earnings and reported as a component of other comprehensive income (loss). Additionally, we assess whether an other-than-temporary impairment loss on our available-for-sale securities has occurred due to declines in fair value or other market conditions. Declines in fair value that are considered other than temporary are recorded as an impairment of investments in the Consolidated Statements of Operations.

In general, investments with original maturities of greater than ninety days and remaining maturities of less than one year are classified as short-term investments. Investments with maturities beyond one year may also be classified as short-term based on their highly liquid nature and because such investments represent the investment of cash that is available for current operations.

We also invest in auction rate securities that are typically over collateralized by pools of loans originated under the Federal Family Education Loan Program, or FFELP, and are guaranteed by the U.S. Department of Education, and insured. In addition, all auction rate securities held are rated by one or more of the major independent rating agencies as either AAA or Aaa at the time of purchase. Historically, all auction rate securities were classified as short-term investments because we have been able to liquidate these at our direction on seven day, twenty-eight day or thirty-five day auction cycles. When auction rate securities fail to clear at auction, which occurred with respect to a portion of our securities in February 2008 and to all of our auction rate securities in March 2008, and we are unable to estimate when the impacted auction rate securities will clear at the next auction, we classify these as long-term, consistent with the stated contractual maturities of the securities. We believe that we have the ability to hold these securities for longer than a period of twelve months. The "stated" or "contractual" maturities for these securities generally are between 20 to 30 years. A failed auction results in a lack of liquidity in the securities but does not signify a default by the issuer.

Accounts Receivable and Allowances. We perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and the customers' current credit worthiness, as determined by our review of their current credit information. We continuously monitor payments from our customers and maintain a provision for estimated credit losses based upon our historical experience and any specific customer collection issues that we have identified. While such credit losses have historically been within our expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past. Since our accounts receivable are concentrated in a relatively small number of customers, a significant change in the liquidity or financial condition of any one of these customers could have a material adverse impact on the realization of our accounts receivable and our results of operations. The accounts receivable allowance recorded in our consolidated financial statements as of February 2, 2008 is $4.3 million.

Inventory Valuation. We value our inventory at the lower of the actual cost of the inventory or the current estimated market value of the inventory, cost being determined under the first-in, first-out method. Inventory acquired under the supply agreement with Intel are at prices above what a market participant could obtain from independent foundries and assembly/test subcontractors, therefore, we write down inventory on hand to fair value. We regularly review inventory quantities on hand and record a provision for excess and obsolete inventory based primarily on our estimated forecast of product demand and production requirements. Demand for our products can fluctuate significantly from period to period. A significant decrease in demand could result in an increase in the amount of excess inventory on hand. In addition, our industry is characterized by rapid technological change, frequent new product development and rapid product obsolescence that could result in an increase in the amount of obsolete inventory quantities on hand. Additionally, our estimates of future product demand may prove to be inaccurate, in which case we may have understated or overstated the provision required for excess and obsolete inventory. In the future, if our inventory is determined to be overvalued, we would be required to recognize such costs in our cost of goods sold at the time of such determination. Likewise, if our inventory is determined to be undervalued, we may have over-reported our cost of goods sold in previous periods and would be required to recognize additional gross margin at the time the related inventory is sold. Therefore, although we make every effort to ensure the accuracy of our forecasts of future product demand, any significant unanticipated changes in demand or technological developments could have a significant impact on the value of our inventory and our results of operations. We recorded charges for excess and obsolete inventory of $62.1 million and $34.7 million for fiscal 2008 and 2007, respectively. The increase in charges for inventory excess and obsolete inventory in fiscal 2008 compared to fiscal 2007 is

largely due to higher inventory balances as well as increased volatility in our demand forecast during fiscal 2008.

Valuation of Long-lived Assets and Intangible Assets. We assess the impairment of long-lived assets and intangible assets whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. We generally assess long-lived and intangible assets on a quarterly basis. In the fourth quarter of fiscal 2008, we determined that certain of the acquisition-related intangibles associated with our acquisition of the UTStarcom business and the Intel communication and applications processor business were impaired primarily due to revised lower revenue forecasts associated with products incorporating such purchased intangibles. We measured the amount of impairment by calculating the amount by which the value of the assets exceeded their estimated fair values, which were based on projected discounted future net cash flows. We determined the fair value of the acquisition-related intangible assets based on the most current financial forecast available. The discount rate used to discount net cash flows to their present values was 12% which was determined after consideration of our estimated weighted average cost of capital. The amount of the purchased intangibles written-off in the fourth quarter of fiscal 2008 due to impairment was $7.2 million. We intend to continue to perform an annual impairment review during the fourth quarter of each year, or more frequently if we believe indicators of impairment exist.

Valuation of Goodwill. We assess the impairment of goodwill whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. We are required to perform annual assessments of goodwill impairment. Factors we consider important which could trigger a goodwill impairment review include (i) significant underperformance relative to historical or projected future operating results, (ii) significant changes in the manner of our use of the acquired assets or the strategy for our overall business, (iii) significant negative industry or economic trends, (iv) a significant decline in our stock price for a sustained period and (v) a significant change in our market capitalization relative to our net book value. The annual impairment test required under SFAS 142 was completed in the fourth quarter and did not identify any impairment of goodwill.

Litigation Costs. From time to time, we are involved in legal actions arising in the ordinary course of business. There can be no assurance these actions or other third party assertions will be resolved without costly litigation, in a manner that is not adverse to our financial position, results of operations or cash flows or without requiring royalty payments in the future, which may adversely impact gross margins. We are aggressively defending these litigation matters and believe no material adverse outcome will result. However, given uncertainties associated with any litigation, if our assessments prove to be wrong, or if additional information becomes available such that we estimate that there is a probable loss or probable range of loss associated with these contingencies, then we would record the minimum estimated liability, which could materially impact our results of operations, financial position and cash flows.

Valuation of Equity Investments. We hold minority interests in certain companies. We record an investment impairment charge when we believe an investment has experienced a decline in value that is other than temporary. Future adverse changes in market conditions or poor operating results of underlying investments could result in losses or an inability to recover the carrying value of the investments, thereby possibly requiring an impairment charge in the future. The recorded value of our equity investments in our consolidated balance sheet as of February 2, 2008 is $7.1 million.

Results of Operations

The following table sets forth information derived from our consolidated statements of operations expressed as a percentage of net revenue.

	Years Ended		
	February 2, 2008	January 27, 2007	January 28, 2006
Net revenue	100.0%	100.0%	100.0%
Operating costs and expenses:			
Cost of goods sold	51.7	49.2	46.9
Research and development	34.2	29.4	21.9
Selling and marketing	7.3	7.9	6.3
General and administrative	4.8	5.1	3.8
Amortization and write-off of goodwill and acquired intangible assets and other	5.3	4.9	5.5
Acquired in-process research and development		3.5	0.3
Restructuring	0.3		
Total operating costs and expenses	103.6	100.0	84.7
Operating (loss) income	(3.6)	0.0	15.3
Interest and other income	1.3	1.1	1.3
Interest expense	(1.4)	(0.4)	(0.1)
(Loss) income before income taxes	(3.7)	0.7	16.5
Provision for income taxes	(0.2)	1.6	4.6
(Loss) income before change in accounting principle	(3.9)	(0.9)	11.9
Cumulative effect of change in accounting principle, net of tax effect		0.4	
Net (loss) income	(3.9)%	(0.5)%	11.9%

Years Ended February 2, 2008 and January 27, 2007

Net Revenue

	Years Ended		
	February 2, 2008	January 27, 2007	% Change in 2008
Net revenue	$ 2,894,693	$ 2,237,553	29.4%

Net revenue consists primarily of product revenue from sales of our semiconductor devices, and to a much lesser extent, development revenue derived from development contracts with our customers. Net revenue is gross revenue, net of accruals for estimated sales returns and allowances and rebates. The increase in net revenue in fiscal 2008 compared to fiscal 2007 reflects a significant increase in volume shipments of our cellular and handset products, storage SOCs, wireless products and printer semiconductor solution products. The increase in net revenue for cellular and handset products was due to a full year of revenue from the acquisition of the applications and communications processor business from Intel Corporation in November 2006. Additionally, the increases in net revenue were primarily due to increased acceptance of our storage SOC products by hard disk drive manufacturers and market share gains in the PC desktop and consumer product markets with our storage SOC products and volume shipments of our wireless products from new design wins in consumer applications. The net revenue increase in printer semiconductor solution products was also due to a full year of revenue from initial product shipments from our acquisition of the printer semiconductor business from Avago in May 2006.

Net revenue derived from development contracts decreased in fiscal 2008 in both absolute dollars and as a percentage of net revenue compared to fiscal 2007, and represented less than 10% of net revenue for each year.

Cost of Goods Sold

	Years Ended		
	February 2, 2008	January 27, 2007	% Change in 2008
Cost of goods sold	$ 1,497,796	$ 1,100,241	36.1%
% of net revenue	51.7%	49.2%	
Gross margin	48.3%	50.8%	

Cost of goods sold consists primarily of the costs of manufacturing, assembly and testing of integrated circuit devices and related overhead costs, product warranty costs, royalties and compensation and associated costs relating to manufacturing support, logistics and quality assurance personnel, including stock-based compensation and excess and obsolescence provisions and purchase accounting adjustments. Gross margin is calculated as net revenue less cost of goods sold as a percentage of net revenue. The decrease in gross margin in fiscal 2008 compared to fiscal 2007 was primarily due to lower gross margins from the cellular and handset products which commenced shipment in November 2006 as a result of the acquisition of the communications and applications processor business from Intel, and due to higher inventory excess and obsolescence provisions. The inventory excess and obsolescence provision increased by $27.4 million in fiscal 2008 compared to fiscal 2007 from $34.7 million in fiscal 2007 to $62.1 million in fiscal 2008, respectively. The increase in excess and obsolescence was due to the mix and quantities on hand compared to forecasted demand for such products on hand including communications and applications processor products and wireless products. The cellular and handset inventory that we were contractually obligated to purchase under a supply agreement with Intel were recorded at estimated fair value as required under purchase accounting. Although we have met the contractual obligations under the original supply agreement and transitioned certain products to our fabrication partners, we anticipate that we will continue to source certain legacy application processor cellular and handset inventory from Intel pursuant to the terms of an amendment to the supply agreement. We recorded such inventory at what we believe to be above-market cost, which will adversely impact our gross margins relative to periods where we primarily purchased inventory at the minimum committed level. The Intel supply agreement required us to purchase inventory earlier than anticipated product shipments to our customers resulting in higher levels of inventory and associated carrying costs. As a result, the higher levels of inventory increase our risk of holding excess and obsolete inventory. Our gross margins may also fluctuate in future periods due to, among other things, changes in the mix of products sold, the timing of production ramps of new products, increased pricing pressures from our customers and competitors, particularly in the consumer product markets that we are targeting, charges for obsolete or potentially excess inventory, changes in the costs charged by our manufacturing and test subcontractors, the introduction of new products with lower margins, product warranty costs and changes in the amount of development revenue recognized.

Research and Development and Other

	Years Ended		
	February 2, 2008	January 27, 2007	% Change in 2008
Research and development and other	$ 988,996	$ 658,211	50.3%
% of net revenue	34.2%	29.4%	

Research and development and other expense consists primarily of compensation and associated costs relating to development personnel, stock-based compensation expenses, prototype costs, depreciation and

amortization expense, patent investigation and filing fees, costs associated with contract development work and allocated occupancy costs for these operations. The increase in research and development expense in absolute dollars in fiscal 2008 compared to fiscal 2007 was primarily due to additional development personnel to support the growth of our business as well as additional personnel related to our acquisitions of the communications and applications processor business of Intel in November 2006 and the printer semiconductor business from Avago in May 2006 which together resulted in an increase in salary and related costs of $161.4 million. In addition, research and development costs increased due to additional stock-based compensation expenses of $30.8 million. Additionally, we incurred increased depreciation and amortization expense of $48.1 million arising from purchases of property, equipment and technology licenses, increased costs of $19.2 million for prototype and related product tape-out costs for new product initiatives, increased costs of $7.0 million for tooling and engineering equipment expenses, increased costs of $5.4 million for patent filing fees to protect newly developed intellectual property and other allocated expenses of $29.8 million related to our expanding operations.

Research and development related costs for the year ended February 2, 2008 were $970.8 million, as compared to $645.4 million for the year ended January 27, 2007, an increase of $325.4 million or 50.4%.

Selling and Marketing

	Years Ended		
	February 2, 2008	**January 27, 2007**	**% Change in 2008**
Selling and marketing	$ 211,261	$ 176,103	20.0%
% of net revenue	7.3%	7.9%	

Selling and marketing expense consists primarily of compensation and associated costs relating to sales and marketing personnel, including stock-based compensation expenses, sales commissions, promotional and other marketing expenses, and allocated occupancy costs for these operations. The increase in selling and marketing expense in absolute dollars in fiscal 2008 compared to fiscal 2007 was primarily due to the net hiring of additional sales and marketing personnel, which resulted in an increase in salary and related costs of $14.0 million. In addition, selling and marketing expense increased due to increased stock-based compensation expenses of $7.2 million. We also incurred higher commission costs of $2.1 million due primarily to the increase in sales and increased facility and other allocated expenses of $7.6 million related to our expanding operations.

General and Administrative

	Years Ended		
	February 2, 2008	**January 27, 2007**	**% Change in 2008**
General and administrative	$ 138,640	$ 114,154	21.4%
% of net revenue	4.8%	5.1%	

General and administrative expense consists primarily of compensation and associated costs relating to general and administrative personnel, stock-based compensation expenses, fees for professional services and allocated occupancy costs for these operations. The increase in general and administrative expense in absolute dollars in fiscal 2008 compared to fiscal 2007 was primarily due to higher attorney and professional fees of $11.1 million associated with our internal review by a special committee of the Board of Directors related to our historical stock option practices and related accounting matters. General and administrative expense in fiscal 2008 also included $16.0 million accrued in the fourth quarter of fiscal 2008 related to anticipated payments pursuant to a tentative settlement in connection with derivative lawsuits related to historical stock option practices. In addition, general and administrative expense increased due to the net hiring of additional administrative personnel, which resulted in an increase in salary and related

costs of $7.5 million. Partially offsetting the increase in general and administrative expense was a decrease in stock-based compensation expenses of $4.7 million and a $5.1 million gain from the sale of an asset under construction. We anticipate that general and administrative expense will increase in absolute dollars in future periods as we hire additional general and administrative personnel to support our worldwide operations.

Amortization and Write-Off of Acquired Intangible Assets and Other

	Years Ended		
	February 2, 2008	**January 27, 2007**	**% Change in 2008**
Amortization and write-off of acquired intangible assets and other	$ 155,734	$ 109,987	41.6%
% of net revenue	5.3%	4.9%	

In fiscal 2008, we made two acquisitions in which we acquired intangible assets which are being amortized over their estimated economic lives of one to seven years. In fiscal 2007, we made five acquisitions in which we acquired intangible assets which are being amortized over their estimated economic lives of one to eight years. The increase in amortization of acquired intangible assets in fiscal 2008 compared to fiscal 2007 is due to the effects of a full year of amortization from the acquisitions made in fiscal 2007 as well as amortization of intangible assets from fiscal 2008 acquisitions. Also, in the fourth quarter of fiscal 2008, we performed the annual impairment analysis of goodwill. Accordingly, we also assessed the recoverability of the acquisition-related intangible assets by determining whether the unamortized balances could be recovered through their respective estimated undiscounted future net cash flows. We determined that certain of the acquisition-related intangibles associated with our acquisition of the UTStarcom business and the Intel communication and applications processor business were impaired primarily due to the revised lower revenue forecasts associated with products incorporation such purchased intangibles. We measured the amount of impairment by calculating the amount by which the value of the assets exceeded their estimated fair values, which were based on projected discounted future net cash flows. The amount of the purchased intangibles written-off in the fourth quarter of fiscal 2008 due to impairment was $7.2 million.

Acquired In-Process Research and Development

	Years Ended		
	February 2, 2008	**January 27, 2007**	**% Change in 2008**
Acquired in-process research and development		$ 77,800	(100.0)%
% of net revenue		3.5%	

In connection with the acquisition of the communications and application processor business of Intel Corporation on November 8, 2006, we purchased in-process research and development (IPRD) of approximately $77.8 million. The amounts allocated to IPRD were determined based on our estimates of the fair values of assets acquired using valuation techniques used in the high technology industry and were charged to expense in the fourth quarter of fiscal 2007. The projects that qualify for IPRD had not reached technical feasibility and no future use existed. In accordance with SFAS No. 2, "Accounting for Research and Development Costs," as clarified by FASB Interpretation, or FIN, No. 4, "Applicability of FASB Statement No. 2 to Business Combinations Accounted for by the Purchase Method an Interpretation of FASB Statement No. 2," amounts assigned to IPRD meeting the above stated criteria were charged to expense as part of the allocation of the purchase price.

The value assigned to in-process research and technology was determined by considering the importance of products under development to the overall development plan, estimating costs to develop

the purchased IPRD into commercially viable products, estimating the resulting net cash flows from the projects when completed and discounting the net cash flows to their present value. The fair values of IPRD were determined using the income approach, which discounts expected future cash flows to present value. The discount rates used in the present value calculations were derived from a weighted-average cost of capital analysis, adjusted to reflect additional risks related to the product's development and success as well as the product's stage of completion. Discount rates of 24.0% to 27.0% were used for valuing the IPRD.

At the time of the acquisition, there were three significant projects in-process that were approximately 56.0% complete with estimated aggregate costs to complete of $31.0 million. The projects were completed during fiscal 2008.

The estimates used in valuing in-process research and development were based upon assumptions believed to be reasonable but which are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur. Accordingly, actual results may vary from the projected results.

Restructuring

	Years Ended		
	February 2, 2008	**January 27, 2007**	**% Change in 2008**
Restructuring	$ 7,856		100.0%
% of net revenue	0.3%		

During the fourth quarter of fiscal 2008, we implemented a restructuring plan which included reductions in workforce in all functions of the organization worldwide in order to reduce our cost structure. A restructuring charge of $7.8 million was recorded relating to severance and benefits to 438 terminated employees. All expenses associated with our restructuring plan are included in "Restructuring" in the Condensed Consolidated Statements of Operations. For further discussion on our restructuring plan, please refer to Note 6, "Restructuring."

Interest and Other Income

	Years Ended		
	February 2, 2008	**January 27, 2007**	**% Change in 2008**
Interest and other income	$ 37,844	$ 23,756	59.3%
% of net revenue	1.3%	1.1%	

Interest and other income consists primarily of interest earned on cash, cash equivalents and short-term investment balances, and gains and losses on the sale of marketable securities. The increase in interest and other income is due primarily to a one-time benefit of $22.1 million credited to other income to the reflect the release of unused credits arising from differences in the original estimate used in purchase accounting and actual product mix and yields from the supply agreement with Intel. Partially offsetting the increase in interest and other income in fiscal 2008 compared to fiscal 2007 was lower interest income as a result of lower average cash balances for comparable periods as well as a decrease in interest rates.

Interest Expense

	Years Ended		
	February 2, 2008	**January 27, 2007**	**% Change in 2008**
Interest expense	$ 40,498	$ 10,207	296.8%
% of net revenue	1.4%	0.4%	

Interest expense consists primarily of interest paid on debt and capital lease obligations. The increase in interest expense in fiscal 2008 compared to fiscal 2007 was primarily due to the effects of a full year of interest expense on a term loan obligation and supply agreement incurred in November 2006. See Note 8 for further discussion on the term loan obligation and Note 2 for more information on the Intel supply agreement.

Provision for Income Taxes

	Years Ended		
	February 2, 2008	**January 27, 2007**	**% Change in 2008**
Provision for income taxes	$ 6,183	$ 35,547	(82.6)%
% of net revenue	0.2%	1.6%	

Our effective tax rate was 5.7% for fiscal 2008 compared to 243% for fiscal 2007. The decrease in the fiscal 2008 effective tax rate compared to fiscal 2007 was primarily due to foreign subsidiary net operating losses which were made available by restructuring of certain foreign entities as well as a reduction in the unrecognized tax benefits due to closure of foreign audits and lapsing of statutes of limitations. We continued to incur significant non-tax deductible expenses such as stock-based compensation, acquisition related expenses and intangible amortization resulting in lower profit before tax in jurisdictions where we are not able to utilize the tax benefits. In addition, the tax benefits associated with our tax holidays vary year to year based on the relative profitability in Israel, Singapore and Switzerland.

During fiscal 2008, our U.S. and one of our foreign subsidiaries underwent and completed corporate income tax audits of years 2004 through 2006 and years 2005 through 2007, respectively. The foreign audit closed with no material adverse impact on our financial statements, and the IRS completed its field work of the US subsidiaries with no income tax adjustments. The report is under review b the IRS national office and we expect to receive a final determination within the next year. However, the payroll tax portion of the US audit remains open with regard to stock-based compensation and related items.

Cumulative Effect of Change in Accounting Principle, net of Tax Effect

	Years Ended		
	February 2, 2008	**January 27, 2007**	**% Change in 2008**
Cumulative effect of change in accounting principle, net of tax effect		$ 8,846	(100)%
% of net income		0.4%	

During the first quarter of fiscal 2007, we recorded an adjustment for the cumulative effect of a change in accounting principle related to estimating forfeitures in our adoption of SFAS 123R.

Years Ended January 27, 2007 and January 28, 2006

Net Revenue

	Years Ended		
	January 27, 2007	January 28, 2006	% Change in 2007
Net revenue	$ 2,237,553	$ 1,670,266	34.0%

Net revenue consists primarily of product revenue from sales of our semiconductor devices, and to a much lesser extent, development revenue derived from development contracts with our customers. Net revenue is gross revenue, net of accruals for estimated sales returns and allowances. The increase in net revenue in fiscal 2007 compared to fiscal 2006 reflects a significant increase in volume shipments of our storage SOCs, which increased by $197.4 million, printer semiconductor solutions and wireless products, which increased by $153.5 million, cellular and handheld products, which increased by $95.8 million, and hard disk drive controller products, which increased by $61.4 million. The increases in net revenue were primarily due to increased acceptance of our storage SOC products by hard disk drive manufacturers, and increased market share gained in the PC desktop and consumer product markets with our storage SOC products, volume shipments of our wireless products from new design wins. The net revenue increase of printer semiconductor solutions was from initial shipments commencing in May 2006 with our acquisition of the printer semiconductor business from Avago. The increase in cellular and handheld products was from initial shipment of products in November 2006 from the acquisition of the communications and applications processor business from Intel Corporation. The increase in hard disk drive controller products was a result of our initial product shipments in November 2005 after the acquisition of the hard disk drive controller business from QLogic. Net revenue derived from development contracts decreased in fiscal 2007 in both absolute dollars and as a percentage of net revenue compared to fiscal 2006, and represented less than 10% of net revenue for each year.

Cost of Goods Sold

	Years Ended		
	January 27, 2007	January 28, 2006	% Change in 2007
Cost of goods sold	$ 1,100,241	$ 783,244	40.5%
% of net revenue	49.2%	46.9%	
Gross margin	50.8%	53.1%	

Cost of goods sold consists primarily of the costs of manufacturing, assembly and test of integrated circuit devices and related overhead costs, product warranty costs, royalties and compensation and associated costs relating to manufacturing support, logistics and quality assurance personnel, including stock-based compensation. Gross margin is calculated as net revenue less cost of goods sold as a percentage of net revenue. The decrease in gross margin in fiscal 2007 compared to fiscal 2006 was primarily due to higher inventory excess and obsolescence provision of $20.6 million, increased stock-based compensation costs of $4.7 million, product costs associated with inventory that was acquired from our acquisitions, higher overhead costs of $12.1 million and higher royalties of $7.7 million. The increase in excess and obsolescence provision was due to the mix and quantities of product on hand compared to forecasted demand for such products on hand. The increase in stock-based compensation expense was a result of our adoption of SFAS 123R. The increase in overhead costs in fiscal 2007 as compared to fiscal 2006 was due to the additional personnel, facility and related operating costs from our acquisitions during fiscal 2007. The increase in royalties in fiscal 2007 as compared to fiscal 2006 was due to higher sales of products that integrated licensed technology. Our gross margins may fluctuate in future periods due to, among other things, changes in the mix of products sold, the timing of production ramps of new products, increased pricing pressures from our customers and competitors particularly in the consumer markets we

are targeting, charges for obsolete or potentially excess inventory and changes in the costs charged by our manufacturing and test subcontractors.

Research and Development and Other

	Years Ended		
	January 27, 2007	January 28, 2006	% Change in 2007
Research and development and other	$ 658,211	$ 366,740	79.5%
% of net revenue	29.4%	21.9%	

Research and development and other expense consists primarily of compensation and associated costs relating to development personnel, including stock-based compensation expenses, prototype costs, depreciation and amortization expense, patent investigation and filing fees, costs associated with contract development work and allocated occupancy costs for these operations. The increase in research and development expense in absolute dollars in fiscal 2007 compared to fiscal 2006 was primarily due to the net hiring of additional development personnel including personnel related to our acquisitions of the hard disk and tape drive controller business of QLogic in November 2005, the semiconductor division of UTStarcom in February 2006, the printer ASIC division of Avago in May 2006 and the communications and applications processor business of Intel in November 2006 which together resulted in an increase in salary and related costs of $143.5 million. In addition, research and development costs increased due to additional stock-based compensation expenses of $69.2 million as a result of our adoption of SFAS 123R. Additionally, we incurred increased depreciation and amortization expense of $22.0 million arising from purchases of property, equipment and technology licenses, increased costs of $15.1 million for prototype and related product tape-out costs for new product initiatives, increased costs of $7.9 million for tooling and engineering equipment expenses, increased costs of $6.1 million for patent filing fees to protect newly developed intellectual property and other allocated expenses of $9.1 million related to our expanding operations.

Research and development related costs for the year ended January 27, 2007 were $645.4 million, as compared to $360.0 million for the year ended January 28, 2006, an increase of $285.4 million or 79.3%.

Selling and Marketing

	Years Ended		
	January 27, 2007	January 28, 2006	% Change in 2007
Selling and marketing	$ 176,103	$ 104,718	68.2%
% of net revenue	7.9%	6.3%	

Selling and marketing expense consists primarily of compensation and associated costs relating to sales and marketing personnel, including stock-based compensation expenses, sales commissions, promotional and other marketing expenses, and allocated occupancy costs for these operations. The increase in selling and marketing expense in absolute dollars in fiscal 2007 compared to fiscal 2006 was primarily due to the net hiring of additional sales and marketing personnel, which resulted in an increase in salary and related costs of $33.3 million. In addition, selling and marketing expense increased due to increased stock-based compensation expenses of $15.7 million as a result of our adoption of SFAS 123R. We also incurred higher commission costs of $2.7 million due primarily to the increase in sales, higher variable sales and marketing costs of $12.2 million related to expanding our sales and marketing activities as we broadened our customer and product base, and increased facility and other allocated expenses of $2.9 million related to our expanding operations.

General and Administrative

	Years Ended		
	January 27, 2007	January 28, 2006	% Change in 2007
General and administrative	$ 114,154	$ 63,044	81.1%
% of net revenue	5.1%	3.8%	

General and administrative expense consists primarily of compensation and associated costs relating to general and administrative personnel, including stock-based compensation expenses, fees for professional services and allocated occupancy costs for these operations. The increase in general and administrative expense in absolute dollars in fiscal 2007 compared to fiscal 2006 was primarily due to higher attorney and professional fees of $34.0 million associated with our internal review by a special committee of the Board of Directors related to our historical stock option practices and related accounting matters. In addition, general and administrative expense increased due to the net hiring of additional administrative personnel, which resulted in an increase in salary and related costs of $8.6 million. General and administrative expense also increased by $3.8 million due to the use of various outside services.

Amortization and Write-Off of Acquired Intangible Assets and Other

	Years Ended		
	January 27, 2007	January 28, 2006	% Change in 2007
Amortization and write-off of acquired intangible assets and other	$ 109,987	$ 91,738	19.9%
% of net revenue	4.9%	5.5%	

In fiscal 2007, we made five acquisitions in which we acquired intangible assets which are being amortized over their estimate economic lives of one to eight years. The increase in amortization of acquired intangible assets in fiscal 2007 compared to fiscal 2006 is partially offset by the absence of amortization of acquired intangible assets from historical acquisitions, which were fully amortized at the end of fiscal 2006.

Acquired In-Process Research and Development

	Years Ended		
	January 27, 2007	January 28, 2006	% Change in 2007
Acquired in-process research and development	$ 77,800	$ 4,300	1709.3%
% of net revenue	3.5%	0.3%	

In connection with the acquisition of the communications and application processor business of Intel Corporation on November 8, 2006, we purchased in-process research and development (IPRD) of approximately $77.8 million. The amounts allocated to IPRD were determined based on our estimates of the fair values of assets acquired using valuation techniques used in the high technology industry and were charged to expense in the fourth quarter of fiscal 2007. The projects that qualify for IPRD had not reached technical feasibility and no future use existed. In accordance with SFAS No. 2, "Accounting for Research and Development Costs," as clarified by FASB Interpretation, or FIN, No. 4, "Applicability of FASB Statement No. 2 to Business Combinations Accounted for by the Purchase Method an Interpretation of FASB Statement No. 2," amounts assigned to IPRD meeting the above stated criteria were charged to expense as part of the allocation of the purchase price.

The value assigned to in-process research and technology was determined by considering the importance of products under development to the overall development plan, estimating costs to develop the purchased IPRD into commercially viable products, estimating the resulting net cash flows from the projects when completed and discounting the net cash flows to their present value. The fair values of IPRD were determined using the income approach, which discounts expected future cash flows to present value. The discount rates used in the present value calculations were derived from a weighted-average cost of capital analysis, adjusted to reflect additional risks related to the product's development and success as well as the product's stage of completion. Discount rates of 24.0% to 27.0% were used for valuing the IPRD.

At the time of the acquisition, there were three significant projects in-process that were approximately 56.0% complete with estimated aggregate costs to complete of $31.0 million. The projects were completed during fiscal 2008.

In connection with the acquisition of the hard disk and tape drive controller business of QLogic Corporation on November 4, 2005, we purchased IPRD valued at $4.3 million.

The estimates used in valuing in-process research and development were based upon assumptions believed to be reasonable but which are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur. Accordingly, actual results may vary from the projected results.

Interest and Other Income

	Years Ended		
	January 27, 2007	**January 28, 2006**	**% Change in 2007**
Interest and other income	$ 23,756	$ 21,127	12.4%
% of net revenue	1.1%	1.3%	

Interest and other income consists primarily of interest earned on cash, cash equivalents and short-term investment balances, and gains on the sale of marketable securities. The increase in interest and other income in fiscal 2007 compared to fiscal 2006 was primarily due to higher interest income due to higher yields on our investments during fiscal 2007. Partially offsetting the increase in interest and other income was $5.0 million for a reserve recorded in the second quarter of fiscal 2007 for an advance payment to a company which subsequently filed for bankruptcy.

Interest Expense

	Years Ended		
	January 27, 2007	**January 28, 2006**	**% Change in 2007**
Interest expense	$ 10,207	$ 1,758	480.6%
% of net revenue	0.4%	0.1%	

Interest expense consists primarily of interest paid on debt and capital lease obligations. The increase in interest expense in fiscal 2007 compared to fiscal 2006 was primarily due to $7.0 million of interest expense on a term loan obligation in the fourth quarter of fiscal 2007 and higher interest expense from capital lease obligations.

Provision for Income Taxes

	Years Ended		
	January 27, 2007	January 28, 2006	% Change in 2007
Provision for income taxes	$ 35,547	$ 76,361	(53.4)%
% of net revenue	1.6%	4.6%	

Our effective tax rate was 243% for fiscal 2007 compared to 28% for fiscal 2006. The increase in fiscal 2007 and 2006 effective rates were primarily due to non tax-deductible expenses, mainly stock-based compensation, acquisition related expenses, and charges related to asset impairment resulting in a lower profit before tax in jurisdictions where we are unable to utilize tax benefits. For fiscal 2007 and 2006, the increases of 33.8% and 12.9%, respectively, was directly related to nondeductible officer compensation, penalties and interest expense.

During fiscal 2006, our German and Israel subsidiaries underwent and completed corporate tax audits of years 1999 through 2002 and years 2001 through 2003, respectively. During fiscal 2005, the Internal Revenue Service (IRS) completed an income tax audit for the fiscal years ended February 1, 2003, February 2, 2002 and January 27, 2001 of our U.S. consolidated return. The audits closed with no material adverse impact on our consolidated financial statements. Since the close of fiscal 2007 the IRS has commenced an audit of the U.S. consolidated returns for the fiscal years 2004, 2005 and 2006. The IRS has focused on stock based compensation and related items.

Cumulative Effect of Change in Accounting Principle, net of Tax Effect

	Years Ended		
	January 27, 2007	January 28, 2006	% Change in 2007
Cumulative effect of change in accounting principle, net of tax effect	$ 8,846		100%
% of net income	0.4%		

During the first quarter of fiscal 2007, we recorded an adjustment for the cumulative effect of a change in accounting principle related to estimating forfeitures in our adoption of SFAS 123R.

Liquidity and Capital Resources

Our principal source of liquidity as of February 2, 2008 consisted of $630.9 million of cash, cash equivalents and short-term investments. Since our inception, we have financed our operations through a combination of sales of equity securities, cash generated by operations and cash assumed in acquisitions.

Net Cash Provided by Operating Activities

During fiscal 2008, net cash provided by operating activities was $177.4 million for fiscal 2008 compared to $337.3 million for fiscal 2007 and $402.3 million for fiscal 2006. The cash inflows from operations in fiscal 2008 were primarily due to changes in working capital. Non-cash charges in fiscal 2007 included $155.7 million related to amortization of acquired intangible assets and other, $105.8 million of depreciation and amortization expense and $231.0 million of stock-based compensation. Offsetting positive non-cash charges was $109.3 million of fair market value adjustments to Intel inventory sold.

Significant working capital changes contributing to positive cash flows in fiscal 2008 included a decrease in prepaid expenses and other assets primarily due to the utilization of prepaid foundry capacity and prepaid wafers. Also contributing to positive cash flow was an increase in deferred income due to the increased levels of inventory at distributors due to the increase in revenue. Significant working capital

changes offsetting positive cash flows in fiscal 2008 included an increase inventories of $202.3 million to support increased revenue levels and from purchases of inventory under the supply agreement for which we plan to sell over periods in excess of one year. The number of days in inventory has increased at the end of fiscal 2008 to 94 days from 69 days at the end of fiscal 2007 due to the higher comparable inventory balance at the end of each respective fiscal year.

During fiscal 2007, net cash provided by operating activities was $337.3 million for fiscal 2007 compared to $402.3 million for fiscal 2006 and $221.5 million for fiscal 2005. The cash inflows from operations in fiscal 2007 were primarily the result of our generation of income during the period and changes in working capital. Non-cash charges in fiscal 2007 included $110.0 million related to amortization of acquired intangible assets and other, $77.2 million of depreciation and amortization expense, $192.1 million of stock-based compensation and $77.8 million of acquired in-process research and development. Significant working capital changes contributing to positive cash flows in fiscal 2007 included an increase of $43.9 million in accounts payable resulting primarily from amounts due to our suppliers relating to increased inventory purchases during fiscal 2007 as well as higher overall spending activity related to our expanding operations, an increase of $33.5 million in accrued employee compensation resulting from the increase in number of employees and related benefit accruals, an increase of $30.2 million in income tax payable resulting from taxable income for fiscal 2007 and an increase of $16.7 million in deferred income resulting from an increase in the number of distributors as well as increased shipments of product to our distributors.

Significant working capital changes offsetting positive cash flows in fiscal 2007 included an increase in prepaid and other assets of $113.2 million due primarily to $68.2 million in payments in connection with a capacity reservation agreement with a foundry and a $19.3 million receivable from a foundry for reimbursements under a capacity reservation agreement. Also contributing to working capital changes offsetting positive cash flow in the fiscal 2007 was an increase in accounts receivable of $83.1 million primarily due to higher net revenue in fiscal 2007 as compared to fiscal 2006. Accounts receivable increased and the days sales outstanding, or DSO, metric, which is calculated on a quarterly basis, increased to 48 days at the end of fiscal 2007 as compared to 45 days at the end of fiscal 2006. Many of our larger customers have regularly scheduled payment dates with some of the dates falling immediately before or after our fiscal year-end. As a result, our accounts receivable balance and DSO may fluctuate depending on the timing of large payments by our customers. Accrued liabilities and other also increased by $22.8 million in fiscal 2007 due to higher accruals for legal fees, royalties, interest expense and an accrual for contingent acquisition payment.

During fiscal 2006, net cash provided by operating activities was $402.3 million compared to $221.5 million for fiscal 2005. The cash inflows from operations in fiscal 2006 were primarily the result of our generation of income during the period and changes in working capital. Non-cash charges in fiscal 2006 included $91.7 million related to amortization of acquired intangible assets and other, $56.8 million of depreciation and amortization expense and $101.0 million of amortization of stock-based compensation. Significant working capital changes contributing to positive cash flows in fiscal 2006 included an increase of $66.9 million in accounts payable resulting primarily from amounts due to our suppliers relating to increased inventory purchases during fiscal 2006 as well as higher overall spending activity related to our expanding operations, an increase of $66.4 million in income tax payable resulting from taxable income for fiscal 2006, an increase of $23.8 million in accrued compensation primarily related to an increase in the number of employee contributions under the employee stock purchase plan and higher benefit related obligations as a result of the increase in number of employees and an increase of $13.8 million in deferred income resulting from increased shipments of product to our distributors as well as the increase in number of distributors.

Significant working capital changes offsetting positive cash flows in fiscal 2006 included an increase in prepaid and other assets of $128.9 million due primarily to $106.0 million in payments in connection with a capacity reservation agreement with a foundry, a $12.3 million security deposit for long-term assets under

construction, and a $19.5 million receivable from a foundry for reimbursements under a capacity reservation agreement. Also contributing to working capital changes offsetting positive cash flow in fiscal 2006 was an increase in inventory of $60.4 million, primarily a result of increased wafer starts to meet forecasted demand. As a result of the increase in inventory, the number of days in inventory, which is calculated on a quarterly basis, increased to 86 days at the end of fiscal 2006 compared to 71 days at the end of fiscal 2005. In addition, accounts receivable increased $44.2 million primarily due to higher net revenue in fiscal 2006 as compared to fiscal 2005. Although accounts receivable has increased, the days sales outstanding, or DSO, metric, which is calculated on a quarterly basis, decreased to 45 days at the end of fiscal 2006 as compared to 53 days at the end of fiscal 2005. Many of our larger customers have regularly scheduled payment dates with some of the dates falling immediately before or after our fiscal year-end. As a result, our accounts receivable balance and DSO may fluctuate depending on the timing of large payments by our customers.

Due to the nature of our business, we experience working capital needs for accounts receivable and inventory. We typically bill customers on an open account basis with net thirty to sixty day payment terms. If our sales levels were to increase as they have in prior fiscal years, it is likely that our levels of accounts receivable would also increase. Our levels of accounts receivable would also increase if customers delayed their payments or if we offered extended payment terms to our customers. Additionally, in order to maintain an adequate supply of product for our customers, we must carry a certain level of inventory. Our inventory level may vary based primarily upon orders received from our customers and our forecast of demand for these products, as well as the initial production ramp for significant design wins. Other considerations in determining inventory levels may include the product life cycle stage of our products, foundry lead times and available capacity and competitive situations in the marketplace. These considerations are balanced against risk of obsolescence or potentially excess inventory levels. Our minimum purchase commitments to Intel may also contribute to higher inventory levels.

Net Cash Used in Investing Activities

Net cash used in investing activities was $185.1 million for fiscal 2008 compared to net cash used in investing activities of $544.7 million for fiscal 2007 and net cash used in investing activities of $367.5 million for fiscal 2006. The net cash used in investing activities in fiscal 2008 was primarily due to purchases of investments of $262.9 million and purchases of property and equipment of $113.5 million partially offset by sales and maturities of investments of $230.9 million. The net cash used in investing activities in fiscal 2007 was primarily due to cash paid for various acquisitions of $892.9 million, purchases of short-term investments of $266.9 million and purchases of property and equipment of $180.7 million, partially offset by the proceeds from the sales and maturities of short-term investments of $812.8 million. The net cash used in investing activities in fiscal 2006 was primarily due to purchases of short-term investments of $710.5 million, $187.0 million in cash paid for the QLogic acquisition, purchases of property and equipment of $98.5 million, and purchases of equity investments of $2.4 million, partially offset by the proceeds from the sales and maturities of short-term investments of $631.3 million. In fiscal 2006, the significant increase in the purchases of property and equipment was due to building improvements made to buildings acquired in fiscal 2004.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was $55.4 million for fiscal 2008 compared to $427.0 million for fiscal 2007 and $147.2 million for fiscal 2006. In fiscal 2008, net cash provided by financing activities was attributable to proceeds from the issuance of common stock under our stock option and employee stock purchase plans of $65.9 million partially offset by principal payments on term loan and capital lease obligations of $10.7 million. In fiscal 2007, net cash provided by financing activities was attributable to proceeds from a term loan of $400.0 million, proceeds from the issuance of common stock under our stock option and employee stock purchase plans of $45.6 million, partially offset by principal payments on capital

lease obligations of $19.5 million. In fiscal 2006, net cash provided by financing activities was attributable to proceeds from the issuance of common stock under our stock option and employee stock purchase plans of $163.1 million, partially offset by principal payments on capital lease obligations of $15.9 million.

Contractual Obligations and Commitments

In connection with the acquisition of the Intel's communications and application processor business ("ICAP Business"), we entered into a product supply agreement with Intel. We have met the contractual obligations under the original supply agreement. Although we have transitioned certain products to our fabrication partners, we anticipate that we will continue to source certain legacy application processor cellular and handset inventory from Intel. Under terms of an amendment to the supply agreement, we have committed to purchase a minimum number of wafers through December 2008. As of February 2, 2008, we recorded $14.0 million in prepaid assets for prepayment of wafers and had non cancellable purchase orders outstanding of $32.3 million.

Under our manufacturing relationships with all other foundries, cancellation of all outstanding purchase orders are allowed but require repayment of all expenses incurred through the date of cancellation. As of February 2, 2008, these foundries had incurred approximately $188.0 million of manufacturing expenses on our outstanding purchase orders.

On February 28, 2005 and as amended on March 31, 2005, we entered into an agreement with a foundry to reserve and secure foundry fabrication capacity for a fixed number of wafers at agreed upon prices for a period of five and a half years beginning on October 1, 2005. In return, we agreed to pay the foundry $174.2 million over a period of eighteen months. The amendment extends the term of the agreement and the agreed upon pricing terms until December 31, 2015. As of February 2, 2008, payments totaling $174.2 million (included in prepaid expenses and other current assets and other noncurrent assets) have been made and approximately $128.2 million of the prepayment has been utilized as of February 2, 2008. At February 2, 2008, there are no outstanding commitments under the agreement.

As of February 2, 2008, we had approximately $58.7 million of other outstanding non-cancelable purchase orders for capital purchase obligations.

As a result of our facility move in February 2002, we obtained a sublease on one of our facilities that had a non cancellable lease. Actual sublease income approximated the estimated sublease income, but is less than our actual lease commitment, resulting in future negative cash flow over the remaining term of the sublease of approximately $1.9 million as of February 2, 2008. At February 2, 2008, cash payments of $11.6 million, net of sublease income had been made in connection with this charge. Approximately $1.9 million was accrued for this facilities consolidation charge as of February 2, 2008 of which $0.6 million is current and $1.3 million is long-term, payable through 2010.

In May 2006, we completed the acquisition of the printer semiconductor business of Avago. Under the terms of the acquisition agreement, we paid $249.6 million in exchange for certain assets and intellectual property of Avago and were committed to two additional contingent payments in cash of $10.0 million and $25.0 million upon the achievement of certain levels of revenue. In the third quarter of fiscal 2007, we recorded contingent consideration and additional goodwill for the first contingent payment of $10.0 million. In the third quarter of fiscal 2008, we recorded the second contingent payment of $25.0 million based on the achievement of certain levels of revenue during fiscal 2008.

We currently intend to fund our short and long-term capital requirements, as well as our liquidity needs, with existing cash, cash equivalents and short-term investment balances as well as cash generated by operations. We believe that our existing cash, cash equivalents and short-term investment balances will be sufficient to meet our working capital needs, capital requirements, investment requirements and commitments for at least the next twelve months. However, our capital requirements will depend on many factors, including our rate of sales growth, market acceptance of our products, costs of securing access to

adequate manufacturing capacity, the timing and extent of research and development projects, costs of making improvements to facilities and increases in operating expenses, which are all subject to uncertainty. To the extent that our existing cash, cash equivalents and investment balances and cash generated by operations are insufficient to fund our future activities, we may need to raise additional funds through public or private debt or equity financing. We may enter into additional acquisitions or other strategic arrangements in the future, which could also require us to seek additional debt or equity financing. Additional equity financing or convertible debt financing may be dilutive to our current shareholders. Additional funds may not be available on terms favorable to us or at all.

As of February 2, 2008, our investment portfolio included $45.6 million of auction rate securities, which are primarily backed by student loans originated under the Federal Family Education Loan Program, or FFELP, and are over-collateralized, insured and guaranteed by the United States Federal Department of Education. In addition, all auction rate securities held by us are rated by the major independent rating agencies as either AAA or Aaa.

Most of these auction rate securities were scheduled to reset subsequent to February 2, 2008. In March 2008, our auction rate securities failed auctions due to sell orders exceeding buy orders. These failures are not believed to be a credit issue, but rather caused by a lack of liquidity. Under the contractual terms, the issuer is obligated to pay penalty rates should an auction fail. In the near term, we will not be able to access these funds associated with the failed auctions until one of the following occurs: a successful auction occurs, the issuer redeems the issue, a buyer is found outside of the auction process or the underlying securities have matured. As a result, we have classified $45.6 million of the auction rate securities as long-term investments as of February 2, 2008. This amount represents the entire balance of the auction rate securities as of February 2, 2008 and had not been sold by the Company subsequent to the end of fiscal 2008. We believe that we have the ability to hold these securities for longer than a period of twelve months.

While the recent auction failures will limit our ability to liquidate these investments for some period of time we do not believe the auction failures will materially impact our ability to fund our working capital needs, capital expenditures, or other business requirements.

We have determined that no other-than-temporary impairment losses existed as of February 2, 2008 as all holdings had successful auctions in the periods leading up to that date. However, if the issuer of the auction rate securities is unable to successfully close future auctions or does not redeem the auction rate securities, or the United States government fails to support its guaranty of the obligations, we may be required to adjust the carrying value of the auction rate securities and record other-than-temporary impairment charges in future periods.

The following table summarizes our contractual obligations as of February 2, 2008 and the effect that such obligations are expected to have on our liquidity and cash flow in future periods (in thousands):

	Payments Due by						
	Fiscal 2009	**Fiscal 2010**	**Fiscal 2011**	**Fiscal 2012**	**Fiscal 2013**	**Thereafter**	**Total**
Contractual obligations:							
Operating leases	$ 58,445	$ 37,206	$ 27,020	$ 16,274	$ 9,388	$ 10,093	$ 158,426
Capital lease obligations	2,469	2,531	2,084	521			7,605
Purchase commitments to foundries	220,371						220,371
Capital purchase obligations	58,650						58,650
Long-term debt obligations	6,794	390,750					397,544
Total contractual cash obligations	$ 346,729	$ 430,487	$ 29,104	$ 16,795	$ 9,388	$ 10,093	$ 842,596

Included in operating lease commitments are lease payments for computer aided software license agreements and airplane lease commitments.

In addition to the above commitments and contingencies, $75.7 million of unrecognized tax benefits have been recorded as liabilities in accordance with FIN 48. There is also a recorded liability for potential penalties and interest of $12.4 million and $20.4 million, respectively as of February 2, 2008. We are uncertain when these amounts may be settled. Accruals will continue to be made and reversals will also be made as statutes lapse.

As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities of financial partnerships, such as entities often referred to as structured finance or special purpose entities (SPEs), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of February 2, 2008, we are not involved in any unconsolidated SPE transactions.

Prospective capital needs: We believe that our existing cash, cash equivalents and marketable securities, together with cash generated from operations and from exercise of employee stock options will be sufficient to cover our working capital needs, capital expenditures, investment requirements and commitments for at least the next 12 months. Additionally, we are named as defendants to several litigation actions and have received a Wells Notice from the SEC. An unfavorable outcome in such actions could have a material adverse effect on our cash flows, including potential impacts to certain covenants under our existing credit agreement. In the event that we may need or desire to raise additional funds to prepay our term loan obligation or consummate acquisitions of other businesses, assets, products or technologies, we could raise such funds by electing to sell equity or debt securities to the public or to selected investors, or by borrowing money from financial institutions. Our existing credit agreement however limits our ability to borrow additional funds. Certain covenants would have to be met.

Because one of the eligibility requirements for use of a Form S-3 filing is that an issuer must have timely filed all reports required to be filed with the SEC during the preceding twelve calendar months, we currently cannot register securities on Form S-3 and would be required register these securities using a Form S-1 registration statement, which can be more complex, time consuming and expensive. If we elect to raise additional funds, we may not be able to obtain such funds on a timely basis or on acceptable terms, if at all. If we raise additional funds by issuing additional equity or convertible debt securities, the ownership percentages of existing shareholders would be reduced. In addition, the equity or debt securities that we issue may have rights, preferences or privileges senior to our common stock.

Inflation

The impact of inflation on our business has not been material for fiscal 2008, 2007 and 2006.

Recent Accounting Pronouncements

In June 2006, the FASB ratified the Emerging Issues Task Force (EITF) consensus on EITF Issue No. 06-2, "Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43" ("EITF 06-2"). EITF 06-2 requires companies to accrue the cost of such compensated absences over the required service period. We currently accrue the cost of compensated absences for sabbatical programs when the eligible employee complete the requisite service period. We are required to apply the provision of EITF 06-2 at the beginning of fiscal 2008. EITF 06-02 allows for adoption through retrospective application to all prior periods or through a cumulative effect adjustment to retained earnings if it is impracticable to determine the period specific effects of the change on prior periods presented. We adopted EITF 06-2 in the first quarter of fiscal 2008. The adoption did not have a material impact on our financial position and results of operations.

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109" ("FIN 48"), which clarifies the accounting for uncertainty in income tax positions. This Interpretation requires that we recognize in our financial statements the impact of an income tax position if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective as of the beginning of fiscal 2008, with the cumulative effect, if any, of the change in accounting principle recorded as an adjustment to our opening retained earnings. On May 2, 2007, the FASB issued FASB Staff Position No. FIN 48-1 "Definition of Settlement in FASB Interpretation No. 48-1" ("FSP FIN 48-1"). FSP FIN 48-1 provides guidance on how an entity should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. Effective January 28, 2007, we adopted FIN 48. See Note 10 Income Taxes for further details.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("SFAS 157"). The statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal periods beginning after November 15, 2007. In November 2007, the FASB provided a one year deferral for the implementation of SFAS 157 for other nonfinancial assets and liabilities. We are currently evaluating the impact of SFAS 157 on our consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115" ("SFAS 159") which is effective for fiscal years beginning after November 15, 2007. This statement expands the standards under SFAS No. 157 which permits an entity to choose to measure many financial instruments and certain other items at fair value at specified election dates. Subsequent unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings. We are currently evaluating the potential impact of this statement.

In June 2007, the FASB ratified EITF Issue No. 07-3, "Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities" ("EITF 07-3"). This issue provides that nonrefundable advance payments for goods or services that will be used or rendered for future research and development activities should be deferred and capitalized. Such amounts should be recognized as an expense as the related goods are delivered or the related services are performed. EITF 07-3 is effective for us for fiscal years beginning February 3, 2008. The adoption of these provisions is not expected to have a material impact on our consolidated financial position, results of operations and cash flows.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS 141R"). The objective of SFAS 141 is to improve the relevance, representational faithfulness, and comparability of the information that a company provides in its financial reports about a business combination and its effects. Under SFAS 141R, a company is required to recognize the assets acquired, liabilities assumed, contractual contingencies and any estimate, contingent consideration measured at their fair value at the acquisition date. It further requires that research and development assets acquired in a business combination that have no alternative future use to be measured at their acquisition-date fair value and then immediately charged to expense, and that acquisition-related costs are to be recognized separately from the acquisition and expensed as incurred. Among other changes, this statement also required that "negative goodwill" be recognized in earnings as a gain attributable to the acquisition, and any deferred tax benefits resulted in a business combination are recognized in income from continuing operations in the period of the combination. SFAS 141R is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. We are currently evaluating the impact that SFAS 141R may have on our financial position and results of operations.

In December 2007, the FASB issued Statement No. 160, "Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51" ("SFAS 160"). The objective of this Statement is to improve the relevance, comparability, and transparency of the financial information that a company provides in its consolidated financial statements. SFAS 160 requires a company to clearly identify and present ownership interests in subsidiaries held by parties other than the company in the consolidated financial statements within the equity section but separate from the company's equity. It also requires the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income; changes in ownership interest be accounted for similarly, as equity transactions; and when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary and the gain or loss on the deconsolidation of the subsidiary be measured at fair value. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. We will assess the impact that SFAS 160 may have on our financial position and results of operations.

In December 2007, the U.S. Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin 110 (SAB 110) to amend the SEC's views discussed in Staff Accounting Bulletin 107 (SAB 107) regarding the use of the simplified method in developing an estimate of expected life of share options in accordance with SFAS No. 123(R). SAB 110 is effective beginning in the first quarter of fiscal year 2009.

Related Party Transactions

During fiscal 2008, 2007 and 2006, we incurred approximately $0.1 million, $1.0 million and $0.7 million, respectively of expenses from an unrelated third-party entity, ACM Aviation, Inc. ("ACM") for charter aircraft services provided to MSI for Estopia Air LLC ("Estopia Air"). The aircraft provided by ACM to us for such services is owned by Estopia Air. Our President and Chief Executive Officer, Dr. Sehat Sutardja and Director of Strategic Marketing and Business Development, Weili Dai, through their control and ownership in Estopia Air, own the aircraft provided by ACM. Dr. Sutardja and Weili Dai are husband and wife. Expenses were incurred for business travel use of the aircraft at a cost determined to be at fair market value.

On August 19, 2005, through our subsidiaries MSI and Marvell International Ltd., we entered into a License and Manufacturing Services Agreement (the "License Agreement") with C2 Microsystems, Inc. ("C2Micro"). The License Agreement has substantially similar terms as other license and manufacturing services agreements with other third parties. We recognized $1.3 million of revenue under the License Agreement with C2Micro during fiscal 2008. We recognized $0.3 million and deferred $25,000 of revenue under the License Agreement with C2Micro during fiscal 2007. We recognized $0.4 million and deferred $0.2 million of revenue from the License Agreement with C2Micro during fiscal 2006. As of February 2, 2008, we had a receivable of $0.6 million from C2Micro. Dr. Sehat Sutardja and Weili Dai, through their ownership and control of Estopia LLC, are indirect shareholders of C2Micro. Kuo Wei (Herbert) Chang, a member of our Board of Directors, is a member of the Board of Directors of C2Micro and through his ownership and control of C-Squared venture entities, is also an indirect shareholder of C2Micro. Dr. Pantas Sutardja, our Vice President, Chief Technology Officer, Acting Chief Operating Officer and Chief Research and Development Officer, is also a shareholder of C2Micro.

On January 8, 2007, through our subsidiary Marvell International Ltd., we entered into a Library/IP/Software Evaluation License Agreement (the "Evaluation License Agreement") with VeriSilicon Holdings Co., Ltd. ("VeriSilicon"). The Evaluation License Agreement has no consideration. We incurred $0.3 million of royalty expense from VeriSilicon under a core license agreement assumed from our acquisition of the UTStarcom Business during fiscal 2008. In addition, we incurred $37,500 of maintenance expense from VeriSilicon during fiscal 2008. Weili Dai's brother (and Dr. Sehat Sutardja's brother-in-law) is the Chairman, President and Chief Executive Officer of VeriSilicon. Ms. Dai is also a shareholder of VeriSilicon.

On September 6, 2007, through our subsidiary Marvell International Ltd., we entered into a Technology Evaluation Agreement (the "Evaluation Agreement") with Vivante Corporation ("Vivante"). The Evaluation Agreement has no consideration. On September 28, 2007, we also entered into a Memorandum of Understanding ("MOU") with Vivante to set forth the main principles for a good faith negotiation of a license agreement. The MOU has no consideration. On October 31, 2007, we entered into a License Agreement with Vivante. The License Agreement has substantially similar terms as other license agreements with other third parties. We recorded $0.5 million of expense during fiscal 2008 in connection with the License Agreement with Vivante. Dr. Sehat Sutardja and Weili Dai, through their ownership and control of Estopia LLC, are indirect shareholders of Vivante. In addition, Dr. Sehat Sutardja is also a direct shareholder and Chairman of the board of directors of Vivante. Weili Dai's brother (and Dr. Sehat Sutardja's brother-in-law) is the Chief Executive Officer of Vivante. Kuo Wei (Herbert) Chang, a member of our Board of Directors, through his ownership and control of C-Squared venture entities, is also an indirect shareholder of Vivante.

On September 28, 2007, through our subsidiary Marvell International Ltd., we entered into a Master Technology Agreement (the "Technology Agreement") with Sonics, Inc. ("Sonics"), pursuant to which we have licensed technology from Sonics. The Technology Agreement has substantially similar terms as other license agreements with other third parties. We paid $2.1 million under the Technology Agreement for the license and related maintenance during fiscal 2008. Kuo Wei (Herbert) Chang, member of our Board of Directors, and Mike Sophie, former member of our Board of Directors, both serve as members of the board of directors of Sonics and each has a direct and/or indirect ownership interest in the equity of Sonics.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

Interest Rate Risk. The primary objective of our investment activities is to preserve principal while at the same time maximize the income we receive from our investments without significantly increasing risk. Some of the securities that we have invested in may be subject to market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. For example, if we hold a security that was issued with a fixed interest rate at the then-prevailing rate and the prevailing interest rate later rises, the principal amount of our investment will probably decline. Also variable rate securities may produce less income than expected if interest rates fall. To minimize this risk, we maintain our portfolio of cash equivalents and investments in a variety of fixed and variable rate securities including money market funds; corporate debt securities; federal, state, county and municipal debt securities and auction rate securities. In general, money market funds are not subject to market risk because the interest paid on such funds fluctuates with the prevailing interest rate. The following table presents the amounts of our cash equivalents and investments that are subject to market risk by range of expected maturity and weighted-average interest rates as of February 2, 2008 (in thousands). This table does not include money market funds because those funds are not subject to market risk.

	Expected Fiscal Year Maturity Date						
	2009	2010	2011	2012	2013	Total	Fair Value
Variable Rate	$	$ 45,628	$	$	$	$ 45,628	$ 45,628
Average Interest Rate		5.44%				5.44%	
Fixed Rate	$ 15,231	$	$	$	$	$ 15,231	$ 15,254
Average Interest Rate	3.59%					3.59%	

As of February 2, 2008, our investment portfolio included $45.6 million of auction rate securities, which are investments with contractual maturities generally between 20 to 30 years. They are usually found in the form of municipal bonds, preferred stock, a pool of student loans or collateralized debt obligations whose interest rates are reset every seven to 35 days through an auction process. At the end of each reset period, investors can sell or continue to hold the securities at par.

The auction rate securities held by us are primarily backed by student loans originated under the Federal Family Education Loan Program, or FFELP, and are over-collateralized, insured and guaranteed by the United States Federal Department of Education. In addition, all auction rate securities held by us are rated by the major independent rating agencies as either AAA or Aaa.

Most of these auction rate securities were scheduled to reset subsequent to February 2, 2008. As of February 29, 2008, $23.0 million of our auction rate securities have failed auctions, and we expect that the remaining auction rate securities will fail, due to sell orders exceeding buy orders. These failures are not believed to be a credit issue, but rather caused by a lack of liquidity. Under the contractual terms, the issuer is obligated to pay penalty rates should an auction fail. In the event we need to access these funds associated with failed auctions, they are not expected to be accessible until one of the following occurs: a successful auction occurs, the issuer redeems the issue, a buyer is found outside of the auction process or the underlying securities have matured. As a result, we have classified $45.6 million of the auction rate securities as long-term investments as of February 2, 2008. This amount represents the balance of the auction rate securities as of February 2, 2008 that had not been sold by us subsequent to the end of fiscal 2008. We believe that we have the ability to hold these securities for longer than a period of twelve months.

We determined that no other-than-temporary impairment losses existed as of February 2, 2008 as all holdings had successful auctions. However, if the issuer of the auction rate securities is unable to successfully close future auctions or does not redeem the auction rate securities, or the United States government fails to support its guaranty of the obligations, we may be required to adjust the carrying value of the auction rate securities and record other-than-temporary impairment charges in future periods.

At any time, fluctuations in interest rates could affect interest earnings on our cash, cash equivalents, and short-term investments, or the fair value of our investment portfolio. A 10% move in interest rates as of February 2, 2008 would have an immaterial effect on our financial position, results of operations and cash flows.

Our term debt bears interest at the higher of the lender's prime rate or 0.5% per annum above the Federal Funds Effective Rate, as defined in the agreement, plus a 1% margin. In the case of Eurodollar loans, amounts borrowed bear interest at a rate equal to the Adjusted London Interbank Offered Rate, or LIBOR, plus a 2% margin. Such margins are subject to reductions or increases depending on our future credit rating if obtained. We pay interest and principal amounts equal to 0.25% of the aggregate principal amount of loans on a quarterly basis on the last business day of each March, June, September and December. The interest rate as of February 2, 2008 was 7.33%.

Investment Risk. We invest in equity instruments of privately-held companies for business and strategic purposes. These investments, which totaled $7.1 million at February 2, 2008, are included in other non-current assets in the accompanying balance sheets and are accounted for under the cost method because our ownership is less than 20% and we do not have the ability to exercise significant influence over the operations of these companies. We monitor these investments for impairment and make appropriate reductions in carrying value when an impairment is deemed to be other than temporary.

Foreign Currency Exchange Risk. Substantially all of our sales and the majority of our expenses to date have been denominated in United States dollars, and, as a result, we have relatively little exposure to foreign currency exchange risk. Occasionally, we will enter into short-term forward exchange contracts to hedge exposures for purchases denominated in foreign currencies such as the Singapore Dollar and the New Israeli Shekel. We do not enter into any other derivative financial instruments for trading or speculative purposes.

Item 8. ***Consolidated Financial Statements and Supplementary Data***

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Marvell Technology Group Ltd.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Marvell Technology Group Ltd. and its subsidiaries at February 2, 2008 and January 27, 2007, and the results of their operations and their cash flows for each of the three years in the period ended February 2, 2008 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of February 2, 2008, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) because a material weakness in internal control over financial reporting related to the control environment existed as of that date. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. We considered this material weakness in determining the nature, timing, and extent of audit tests applied in our audit of the 2008 consolidated financial statements, and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in management's report referred to above. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 10 to the consolidated financial statements, the Company changed the manner in which it accounts for uncertain tax positions in fiscal 2008.

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for share-based compensation in fiscal 2007.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention

or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
San Jose, California
March 26, 2008

MARVELL TECHNOLOGY GROUP LTD.

CONSOLIDATED BALANCE SHEETS

	February 2, 2008	January 27, 2007
	(In thousands, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 615,648	$ 568,008
Short-term investments	15,254	28,372
Accounts receivable, net of allowances of $4,277 and $3,641	332,020	328,283
Inventories	419,494	247,403
Prepaid expenses and other current assets	105,809	170,123
Deferred income taxes	15,516	5,846
Total current assets	1,503,741	1,348,035
Property and equipment, net	416,241	440,943
Long-term investments	45,628	
Goodwill	1,994,068	1,977,805
Acquired intangible assets	433,809	580,558
Other noncurrent assets	157,107	180,359
Total assets	$ 4,550,594	$ 4,527,700
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 231,135	$ 244,959
Accrued liabilities	122,961	259,972
Accrued employee compensation	118,101	108,895
Income taxes payable	39,132	29,078
Deferred income	69,420	50,874
Current portion of capital lease obligations	2,463	17,408
Total current liabilities	583,212	711,186
Capital lease obligations, net of current portion	4,238	17,096
Non-current income taxes payable	108,543	116,777
Term loan obligations, long-term	390,750	394,750
Other long-term liabilities	52,332	60,707
Total liabilities	1,139,075	1,300,516
Commitments and contingencies (Note 12)		
Shareholders' equity:		
Preferred stock, $0.002 par value; 8,000 shares authorized; no shares issued and outstanding		
Common stock, $0.002 par value; 992,000 shares authorized; 599,971 and 587,425 shares issued and outstanding, respectively	1,200	1,175
Additional paid-in capital	4,100,659	3,802,509
Accumulated other comprehensive income	615	28
Accumulated deficit	(690,955)	(576,528)
Total shareholders' equity	3,411,519	3,227,184

	February 2, 2008	January 27, 2007
Total liabilities and shareholders' equity	$ 4,550,594	$ 4,527,700

See accompanying Notes to Consolidated Financial Statements.

MARVELL TECHNOLOGY GROUP LTD.

CONSOLIDATED BALANCE SHEETS

MARVELL TECHNOLOGY GROUP LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS

	February 2, 2008	January 27, 2007	January 28, 2006
	(In thousands, except per share amounts)		
Net revenue	$ 2,894,693	$ 2,237,553	$ 1,670,266
Operating costs and expenses:			
Cost of goods sold	1,497,796	1,100,241	783,244
Research and development and other	988,996	658,211	366,740
Selling and marketing	211,261	176,103	104,718
General and administrative	138,640	114,154	63,044
Amortization and write-off of acquired intangible assets, net	155,734	109,987	91,738
Acquired in-process research and development		77,800	4,300
Restructuring	7,856		
Total operating costs and expenses	3,000,283	2,236,496	1,413,784
Operating (loss) income	(105,590)	1,057	256,482
Interest and other income	37,844	23,756	21,127
Interest expense	(40,498)	(10,207)	(1,758)
(Loss) income before income taxes	(108,244)	14,606	275,851
Provision for income taxes	6,183	35,547	76,361
(Loss) income before change in accounting principle	(114,427)	(20,941)	199,490
Cumulative effect of change in accounting principle, net of tax effect		8,846	
Net (loss) income	$ (114,427)	$ (12,095)	$ 199,490
Basic net (loss) income per share:			
(Loss) income before change in accounting principle	$ (0.19)	$ (0.04)	$ 0.35
Cumulative effect of change in accounting principle		0.02	
Basic net (loss) income per share	$ (0.19)	$ (0.02)	$ 0.35
Shares used in basic per share computation	590,308	586,152	565,870
Diluted net (loss) income per share:			
(Loss) income before change in accounting principle	$ (0.19)	$ (0.04)	$ 0.32
Cumulative effect of change in accounting principle		0.02	
Diluted net (loss) income per share	$ (0.19)	$ (0.02)	$ 0.32
Shares used in diluted per share computation	590,308	586,152	631,289

See accompanying Notes to Consolidated Financial Statements.

MARVELL TECHNOLOGY GROUP LTD.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock						
	Shares	Amount	Additional Paid-in Capital	Deferred Stock-based Compensation	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
	(In thousands)						
Balance at January 29, 2005	555,204	$ 1,110	$ 3,335,006	$ (78,755)	$ (1,807)	$ (763,923)	$ 2,491,631
Common stock options exercised	23,044	46	143,169				143,215
Issuance of common stock under the employee stock purchase plan	1,640	3	19,908				19,911
Issuance of common stock and options in connection with acquisitions and other	2,888	6	45,868				45,874
Issuance of stock options			84,347	(84,347)			
Reversal of deferred stock-based compensation			(103)	103			
Amortization of deferred stock-based compensation				101,012			101,012
Tax benefit from employee stock transactions			6,044				6,044
Comprehensive income:							
Unrealized gain on available-for-sale investments, net of tax					48		48
Net income						199,490	199,490
Total comprehensive income							199,538
Balance at January 28, 2006	582,776	1,165	3,634,239	(61,987)	(1,759)	(564,433)	3,007,225
Common stock options exercised	3,719	8	22,414				22,422
Issuance of common stock under the employee stock purchase plan	895	2	13,613				13,615
Issuance of common stock and options in connection with acquisitions	35						
Elimination of deferred stock-based compensation in relation to the adoption of SFAS 123R			(61,987)	61,987			
Stock-based compensation			192,932				192,932
Proceeds from recovery of stock option exercise price modification			9,609				9,609
Tax benefit from employee stock transactions			535				535
Impact of change in accounting principle, net of tax effect			(8,846)				(8,846)
Comprehensive income (loss):							
Unrealized gain on available-for-sale investments, net of tax					1,787		1,787
Net loss						(12,095)	(12,095)
Total comprehensive loss							(10,308)
Balance at January 27, 2007	587,425	1,175	3,802,509		28	(576,528)	3,227,184
Shares issued pursuant to stock options and awards, net	11,243	22	49,775				49,797
Issuance of common stock under the employee stock purchase plan	1,303	3	17,332				17,335
Stock-based compensation			230,980				230,980

	Common Stock						
Tax benefit from employee stock transactions			63				63
Comprehensive income (loss):							
Unrealized gain on available-for-sale investments, net of tax					587		587
Net loss						(114,427)	(114,427)
Total comprehensive loss							(113,840)
Balance at February 2, 2008	599,971	$ 1,200	$ 4,100,659	$	$ 615	$ (690,955)	$ 3,411,519

See accompanying Notes to Consolidated Financial Statements.

MARVELL TECHNOLOGY GROUP LTD.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Continued)

MARVELL TECHNOLOGY GROUP LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	February 2, 2008	January 27, 2007	January 28, 2006
		(In thousands)	
Cash flows from operating activities:			
Net (loss) income	$ (114,427)	$ (12,095)	$ 199,490
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of change in accounting principle, net		(8,846)	
Depreciation and amortization	105,812	77,160	56,760
Stock-based compensation	230,980	192,121	101,012
Amortization and write-off of acquired intangible assets and other	155,734	109,987	91,738
Acquired in-process research and development		77,800	4,300
Fair market value adjustment to Intel inventory sold	(109,262)	(37,593)	
Termination of supply contract	(22,069)		
Interest expense related to supply contract	5,833		
Gain from disposal of assets	(1,822)		
Deferred tax (provision) benefit	(13,783)	(2,224)	5,869
Excess tax benefits from stock-based compensation	(278)	(889)	
Accelerated vesting on stock options and other			290
Changes in assets and liabilities, net of assets acquired and liabilities assumed in acquisitions:			
Accounts receivable	(1,763)	(83,100)	(44,210)
Inventories	(202,275)	(15,908)	(60,439)
Prepaid expenses and other assets	108,321	(113,159)	(128,883)
Accounts payable	(8,187)	43,891	66,878
Accrued liabilities and other	10,880	30,375	6,932
Accrued employee compensation	8,852	33,484	23,797
Accrued facilities consolidation charge		(571)	(1,517)
Income taxes payable	1,845	30,192	66,445
Deferred income	22,961	16,686	13,835
Net cash provided by operating activities	177,352	337,311	402,297
Cash flows from investing activities:			
Cash paid for acquisitions, net of cash acquired	(19,987)	(892,867)	(184,032
Purchases of investments	(262,886)	(266,938)	(710,488)
Sales and maturities of investments	230,906	812,831	631,264
Purchases of equity investments and loans advanced	(323)		(2,420)
Acquisition related transaction costs	(1,340)	(9,032)	(2,369)
Purchases of property and equipment	(113,462)	(180,696)	(98,500)
Proceeds from sale of asset under construction	5,122		
Purchases of technology licenses	(23,175)	(8,029)	(1,000)
Net cash used in investing activities	(185,145)	(544,731)	(367,545)
Cash flows from financing activities:			
Proceeds from the issuance of common stock and received from Section 16 officers	65,903	45,645	163,126
Proceeds from term loan obligations		400,000	
Principal payments on capital lease and term loan obligations	(10,748)	(19,537)	(15,918)
Excess tax benefits from stock-based compensation	278	889	
Net cash provided by financing activities	55,433	426,997	147,208

	February 2, 2008	January 27, 2007	January 28, 2006
Net increase in cash and cash equivalents	47,640	219,577	181,960
Cash and cash equivalents at beginning of period	568,008	348,431	166,471
Cash and cash equivalents at end of period	$ 615,648	$ 568,008	$ 348,431
Supplemental cash flow information:			
Cash paid for interest	$ 41,840	$ 6,072	$ 1,755
Cash paid for income taxes, net	$ 16,878	$ 7,132	$ 3,390
Acquisition of property and equipment under capital lease obligations	$	$ 15,868	$ 47,174
Elimination of deferred stock-based compensation due to FAS 123R	$	$ 61,987	$
Common stock issued in connection with acquisition	$	$	$ 45,583

See accompanying Notes to Consolidated Financial Statements.

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 The Company and its Significant Accounting Policies:

The Company

Marvell Technology Group Ltd. (the "Company"), a Bermuda company, is a leading global semiconductor provider of high-performance analog, mixed-signal, digital signal processing and embedded microprocessor integrated circuits. The Company's diverse product portfolio includes switching, transceiver, wireless, PC connectivity, gateway, communications controller, storage and power management solutions that serve diverse applications used in business enterprise, consumer electronics and emerging markets.

Basis of Presentation

The Company's fiscal year is the 52 or 53-week period ending on the Saturday closest to January 31. In a 52-week year, each fiscal quarter consists of 13 weeks. The additional week in a 53-week year is added to the fourth quarter, making such quarter consist of 14 weeks. Fiscal year 2008 was comprised of 53 weeks while fiscal years 2007 and 2006 were comprised of 52 weeks.

On February 21, 2006, the Board of Directors approved a 2 for 1 stock split of the Company's common stock, to be effected pursuant to the issuance of additional shares as a stock dividend. The stock split was subject to shareholder approval of an increase in the Company's authorized share capital at the Company's 2006 Annual General Meeting. On June 9, 2006, shareholders at the Company's 2006 Annual General Meeting approved an increase in the authorized share capital by 500.0 million shares of common stock. Stock certificates representing one additional share for each share held were delivered on July 24, 2006 (payment date) to all shareholders of record at the close of business on July 10, 2006 (record date). All share and per share amounts in these consolidated financial statements and related notes have been retroactively adjusted to reflect the stock split for all periods presented.

Use of Estimates

The preparation of consolidated financial statements in conformity with accepted accounting principles in the United States requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to uncollectible receivables, the useful lives of long-lived assets including property and equipment, investment fair values, goodwill and other intangible assets, income taxes, and contingencies. In addition, the Company uses assumptions when employing the Black-Scholes option valuation model to calculate the fair value of stock-based awards granted. The Company bases its estimates of the carrying value of certain assets and liabilities on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, when these carrying values are not readily available from other sources. Actual results could differ from these estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. The functional currency of the Company and its significant subsidiaries is the United States dollar.

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less from the date of purchase to be cash equivalents. Cash and cash equivalents also consist of cash on deposit with banks, money market funds and commercial deposits.

Investments

Investments designated as available-for-sale securities under SFAS No. 115, "Accounting for Investment in Certain Debt and Equity Securities," are carried at fair value based on quoted market prices or estimated based on quoted market prices for financial instruments with similar characteristics. Unrealized gains and losses of the Company's available-for-sale securities are excluded from earnings and reported as a component of other comprehensive income (loss). Additionally, the Company assesses whether an other-than-temporary impairment loss on its available-for-sale securities has occurred due to declines in fair value or other market conditions. Declines in fair value that are considered other than temporary are recorded as an impairment of investments in the Consolidated Statements of Operations.

In general, investments with original maturities of greater than ninety days and remaining maturities of less than one year are classified as short-term investments. Investments with maturities beyond one year may also be classified as short-term based on their highly liquid nature and because such investments represent the investment of cash that is available for current operations.

The Company also invests in auction rate securities that are typically over collateralized by pools of loans originated under the Federal Family Education Loan Program, or FFELP, and are guaranteed by the U.S. Department of Education, and insured. In addition, all auction rate securities held are rated by one or more of the major independent rating agencies as either AAA or Aaa. See Note 3 for further details on the Company's investments.

The Company also has equity investments in privately-held companies. These investments are recorded at cost because the Company does not have the ability to exercise significant influence over the operating and financial policies of these companies. These investments are included in other non-current assets on the accompanying balance sheets. The Company monitors these investments for impairment by considering available evidence generally including financial, operational and economic data and makes appropriate reductions in carrying values when an impairment is deemed to be other than temporary.

Concentration of Credit Risk and Significant Customers

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash equivalents, short-term investments and accounts receivable. The Company places its cash primarily in checking and money market accounts. Cash equivalents and short-term investment balances are maintained with high quality financial institutions, the composition and maturities of which are regularly monitored by management. The Company believes that the concentration of credit risk in its trade receivables with respect to its served markets, as well as the limited customer base, located primarily in the Far East, are substantially mitigated by the Company's credit evaluation process, relatively short collection terms and the high level of credit worthiness of its customers. The Company performs ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary based upon payment history and the customer's current credit worthiness, but generally requires no collateral. The Company regularly reviews the allowance for bad debt and doubtful accounts by considering factors such as historical experience, credit quality, age of the accounts receivable balances and current economic conditions that may affect a customer's ability to pay. The Company recorded provisions for allowance for bad debt and doubtful accounts of none, $50,000 and none in fiscal

2008, 2007 and 2006, respectively. Net credits transferred to the allowance aggregated to $9,000, $122,000 and none in fiscal 2008, 2007 and 2006, respectively. Net receivables written off against the allowance aggregated none, none and $254,000 and in fiscal 2008, 2007 and 2006, respectively. Net deductions to the allowance for bad debt and doubtful accounts aggregated $1.2 million, none and none in fiscal 2008, 2007 and 2006, respectively. The allowance for bad and doubtful accounts at February 2, 2008, January 27, 2007 and January 28, 2006 was $0.4 million, $2.0 million and $1.5 million, respectively. Refer to the Revenue Recognition policies for additional information on sales returns and allowances.

The following table sets forth sales to end customers comprising 10% or more of the Company's net revenue for the periods indicated:

	Years Ended		
Customer	**February 2, 2008**	**January 27, 2007**	**January 28, 2006**
Western Digital	17%	16%	17%
Toshiba	*	12%	14%
Samsung	*	11%	14%
Fujitsu	*	*	10%

* Less than 10% of net revenue

The Company's accounts receivable were concentrated with three customers at February 2, 2008 representing 14%, 11%, and 11% of gross accounts receivable, and were concentrated with two customers at January 27, 2007, representing 13% and 12% of gross accounts receivable.

In fiscal 2008, 2007 and 2006, one distributor accounted for less than 10%, less than 10% and 11% of the Company's net revenue, respectively. This distributor also accounted for 11% of total accounts receivable as of February 2, 2008 and less than 10% of total accounts receivable as of January 27, 2007 and January 28, 2006, respectively. The Company continuously monitors the creditworthiness of its distributors and believes their sales to diverse end customers and to diverse geographies further serve to mitigate the Company's exposure to credit risk.

Concentration of Other Risk

The semiconductor industry is characterized by rapid technological change, competitive pricing pressures, and cyclical market patterns. The Company's results of operations are affected by a wide variety of factors, including general economic conditions, both at home and abroad; economic conditions specific to the semiconductor industry; demand for the Company's products; the timely introduction of new products; implementation of new manufacturing technologies; manufacturing capacity; the ability to manufacture efficiently; the availability and cost of materials and supplies; competition; the ability to safeguard patents and intellectual property in a rapidly evolving market; and reliance on assembly and wafer fabrication subcontractors and on independent distributors and sales representatives. As a result, the Company may experience substantial period-to-period fluctuations in future operating results due to the factors mentioned above or other factors.

Inventory

Inventory is stated at the lower of cost or market, cost being determined under the first-in, first-out method. The Company has taken provisions to write-down the cost of obsolete and excess inventory to the estimated market value based on historical and forecasted demand for its products. If actual future

demand for the Company's products is less than currently forecasted, additional inventory provisions may be required. Once a provision is recorded, it is maintained until the product to which it relates to is sold or otherwise disposed of. This treatment is in accordance with Accounting Research Bulletin 43 and Staff Accounting Bulletin 100, "Restructuring and Impairment Charges." The Company recorded charges for inventory excess and obsolescence of $62.1 million, $34.7 million and $14.1 million, for fiscal 2008, 2007 and 2006, respectively. The Company also recorded $109.3 million and $6.7 million of fair market value adjustments to Intel inventory sold in fiscal 2008 and 2007, respectively.

Property and Equipment

Property and equipment, including capital leases and leasehold improvements, are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which ranges from three to five years. Buildings are depreciated over an estimated useful life of thirty years and building improvements are depreciated over estimated useful lives of fifteen years. Land is not depreciated. Assets held under capital leases and leasehold improvements are amortized over the shorter of term of the lease or their estimated useful lives.

Goodwill

Goodwill is recorded when the consideration paid for an acquisition exceeds the fair value of net tangible and intangible assets acquired. Goodwill is measured and tested for impairment on an annual basis or more frequently if we believe indicators of impairment exist. The performance of the test involves a two-step process. The first step requires comparing the fair value of the reporting unit to its net book value, including goodwill. The Company has one reporting unit. The fair value of the reporting unit is determined by taking the market capitalization of the reporting unit as determined through quoted market prices. A potential impairment exists if the fair value of the reporting unit is lower than its net book value. The second step of the process is only performed if a potential impairment exists, and it involves determining the difference between the fair value of the reporting unit's net assets other than goodwill to the fair value of the reporting unit and if the difference is less than the net book value of goodwill an impairment exists and is recorded. In the event that the Company determines that the value of goodwill has become impaired, the Company will record an accounting charge for the amount of impairment during the fiscal quarter in which the determination is made. The Company has not been required to perform this second step of the process since its implementation of SFAS 142 because the fair value of the reporting unit has exceeded its net book value at every measurement date.

Long-Lived Assets and Intangible Assets

Long-lived assets include equipment, furniture and fixtures, privately held equity investments and intangible assets. Whenever events or changes in circumstances suggest that the carrying amount of long-lived assets may not be recoverable, we estimate the future cash flows expected to be generated by the asset from its use or eventual disposition. If the sum of the expected future cash flows, which includes revenue, is less than the carrying amount of those assets, we recognize an impairment loss based on the excess of the carrying amount over the fair value of the assets.

Acquisition-related identified intangible assets are amortized on a straight-line basis over their estimated economic lives of one to seven years for purchased technology, one to eight years for core technology and four to seven years for customer contracts. See Note 5 for further details regarding impairment of acquisition-related identified intangible assets.

Foreign Currency Transactions

The functional currency of substantially all of the Company's non-United States operations is the United States dollar. Monetary accounts maintained in currencies other than the United States dollar are re-measured using the foreign exchange rate at the balance sheet date. Operational accounts and nonmonetary balance sheet accounts are measured and recorded at the rate in effect at the date of the transaction. The effects of foreign currency re-measurement are reported in current operations. The effect of foreign currency re-measurement was not significant in fiscal 2008, 2007 or 2006.

Reclassifications

Certain items have been reclassified to be consistent with current presentation.

Revenue Recognition

The Company accounts for its revenues under the provisions of Staff Accounting Bulletin ("SAB") No. 104, "Revenue Recognition in Financial Statements." Under this provision, the Company recognizes revenues when there is persuasive evidence of an arrangement, delivery has occurred, the fee is fixed or determinable, and collection is reasonably assured.

Product revenue is generally recognized upon shipment of product to customers, net of accruals for estimated sales returns and allowances. However, some of the Company's sales are made through distributors under agreements allowing for price protection and rights of return on product unsold by the distributors. Product revenue on sales made through distributors with rights of return and price protection is deferred until the distributors sell the product to end customers. The Company's sales to direct customers are made primarily pursuant to standard purchase orders for delivery of products. The Company generally allows customers to cancel or change purchase orders with limited notice prior to the scheduled shipment dates and from time to time it also may request a customer to accept a shipment of product before the original requested delivery date, in which case revenue is not recognized until there is written confirmation from the customer accepting early shipment, delivery has occurred, the fee is fixed or determinable, and collection is reasonably assured. Additionally, collection is not deemed to be "reasonably assured" if customers receive extended payment terms. As a result, revenue on sales to customers with payment terms substantially greater than the Company's normal payment terms is deferred and is recognized as revenue as the payments become due. Deferred revenue less the related cost of the inventories is reported as deferred income.

The provision for estimated sales returns and allowances on product sales is recorded in the same period the related revenues are recorded. These estimates are based on historical sales returns, analysis of credit memo data and other known factors. Actual returns could differ from these estimates. The Company recorded charges for sales returns and allowances on product sales of $1,892,000, $441,000 and $150,000 in fiscal 2008, 2007 and 2006, respectively. Amounts written off against the sales return and allowance reserve aggregated none in fiscal 2008, 2007 and 2006, respectively. The sales return and allowance reserve at February 2, 2008, January 27, 2007 and January 28, 2006 was $3.9 million, $2.0 million and $1.6 million, respectively.

The Company also enters into development agreements with some of its customers. Under these development agreements product revenue is recognized under the proportionate performance method. Revenue is recognized as related costs to complete the contract are incurred. These costs are included in research and development expense.

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The provisions of EITF Issue No. 00-21 apply to sales arrangements with multiple arrangements that include a combination of hardware, software and /or services. For multiple element arrangements, revenue is allocated to the separate elements based on fair value. If an arrangement includes undelivered elements that are not essential to the functionality of the delivered elements, the Company defers the fair value of the undelivered elements and the residual revenue is allocated to the delivered elements. If the undelivered elements are essential to the functionality of the delivered elements, no revenue is recognized. Undelivered elements typically are software warranty and maintenance services.

In arrangements that include a combination of hardware and software products that are also sold separately, where software is more than incidental and essential to the functionality of the product being sold, the Company follows the guidance in EITF Issue No. 03-05, "Applicability of AICPA Statement of Position 97-2 to Non-Software Deliverables in an Arrangement Containing More-Than-Incidental Software," accounts for the entire arrangement as a sale of software and software-related items and follows the revenue recognition criteria in SOP No. 97-2, "Software Revenue Recognition," and related interpretations.

Revenue from licensed software is recognized when persuasive evidence of an arrangement exists and delivery has occurred, provided that the fee is fixed or determinable and collectibility is probable. Revenue from post-contract customer support and any other future deliverables is deferred and earned over the support period or as contract elements are delivered.

The Company accounts for rebates in accordance with EITF Issue No. 01-9, Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products), and, accordingly, records reductions to revenue for rebates in the same period that the related revenue is recorded. The amount of these reductions is based upon the terms included in the Company's various rebate agreements.

Research and Development and Other

Research and development and other costs consist primarily of $970.8 million, $645.4 million and $360.0 million of research and development costs for fiscal years 2008, 2007 and 2006, respectively, as well as costs related to patent investigation and filings for fiscal years 2008, 2007 and 2006 which were $18.2 million, $12.8 million, and $6.7 million, respectively. Research and development and other costs are expensed as incurred.

Advertising Expenses

Advertising costs are expensed as incurred.

Stock-Based Compensation

Effective from January 29, 2006, the Company adopted FASB Statement of Financial Accounting Standards No. 123 (revised 2004), "Share Based Payment" ("SFAS 123R"). SFAS 123R requires the measurement and recognition of compensation expense for all share-based awards to employees and directors, including employee stock options, restricted stock units and employee stock purchase rights based on estimated fair values. SFAS 123R supersedes previous accounting guidance under Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations and amends SFAS No.95, "Statement of Cash Flows." Under SFAS 123R, the benefits of tax deductions in excess of recognized compensation cost has to be reported as a financing cash flow, rather than as an operating cash flow. This may reduce future net cash flows from operations and increase future net financing cash flows. In March 2005, the SEC issued Staff Accounting Bulletin No. 107

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

("SAB 107"), which provides guidance regarding the interaction of SFAS 123R and certain SEC rules and regulations. The Company has applied the provisions of SAB 107 in its adoption of SFAS 123R.

Prior to January 29, 2006, the Company accounted for its stock based compensation plans using the intrinsic value method under the provisions of APB 25 and related guidance, under the accelerated method of amortization.

The Company adopted SFAS 123R using the modified prospective method. Under the modified prospective method, results of operations include compensation costs of unvested options granted prior to January 29, 2006, and options granted subsequent to that date. For grants prior to January 29, 2006, the Company amortizes stock-based compensation expense under the accelerated method. For grants from January 29, 2006, the Company amortizes stock-based compensation expense ratably over the vest term.

Cumulative Effect of Change in Accounting Principle

The adoption of SFAS 123R resulted in a cumulative benefit from change in accounting principle of $8.8 million, net of tax as of the year ended January 27, 2007, reflecting the net cumulative impact of estimated forfeitures that were previously not included in the determination of historic stock based compensation expense in periods prior to January 28, 2006.

Stock-based compensation increased from $192.1 million and $101.0 million in fiscal 2007 and 2006, respectively, to $231.0 million in fiscal 2008. Stock-based compensation of $0.8 million was capitalized in inventory as of February 2, 2008 and January 27, 2007, respectively. There was no stock-based compensation included in inventory as of January 28, 2006. In accordance with the modified prospective method, the consolidated financial statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS 123R. Total stock compensation expense for fiscal 2008, 2007 and 2006 are represented by expense categories in the table below (in thousands):

	Year Ended		
	February 2, 2008	**January 27, 2007**	**January 28, 2006**
Cost of goods sold	$ 15,530	$ 11,339	$ 6,612
Research and development	152,249	121,481	52,292
Selling and marketing	39,022	30,452	14,762
General and administrative	24,179	28,849	27,346
	$ 230,980	$ 192,121	$ 101,012

SFAS 123R requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods. The Company estimated the fair value of each award as of the date of grant using the Black-Scholes option pricing model, which is consistent with that used for pro forma disclosures under SFAS No. 123, Accounting for Stock-Based Compensation ("SFAS 123") prior to the adoption of SFAS 123R. The Black-Scholes option pricing model was developed for use in estimating the value of traded options that have no vesting restrictions and that are freely transferable. In addition, the Black-Scholes model incorporates various highly subjective assumptions including expected term of awards and expected future stock price volatility. Although the Black-Scholes model meets the requirements of SFAS 123R and SAB 107, the fair values generated by the model may not be indicative of the actual fair values of awards as it does not consider other factors important to those share-based payment awards, such as continued employment, periodic vesting requirements, and limited

transferability. The following assumptions were used to calculate the Black-Scholes values for each type of stock instrument:

	Stock Option Plans			ESPP		
	Year Ended			Year Ended		
	February 2, 2008	January 27, 2007	January 28, 2006	February 2, 2008	January 27, 2007	January 28, 2006
Estimated fair value	$ 7.21	$ 12.85	$ 12.61	$ 6.06	$ 3.56	$ 6.01
Volatility, range	45%	59%	59% - 73%	45%	41%	59% - 73%
Volatility, weighted average	45%	59%	67%	45%	41%	66%
Expected term (in years), weighted average	4.9	4.7	5.2	1.3	1.3	1.3
Risk-free interest rate, range	4.4%	4.7%	3.9% - 4.7%	4.7%	5.0%	3.9%
Dividend yield						

In refining estimates used in the adoption of SFAS 123R, the Company established the expected term for employee options and awards, as well as expected forfeiture rates, based on the historical settlement experience and after giving consideration to vesting schedules. Assumptions for option exercises and pre-vesting terminations of options were stratified by employee groups with sufficiently distinct behavior patterns. Under SFAS 123, expected terms were based on similar assumptions for all employees, taken as a whole.

Expected volatility under SFAS 123R was developed based on the average of the Company's historical daily stock price volatility, which is consistently developed in the same manner as that in prior years under SFAS 123.

SFAS 123R also requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. From January 29, 2006, stock-based compensation expense was recorded net of estimated forfeitures such that expense was recorded only for those stock-based awards that are expected to vest. Previously under APB 25, previously recognized expense was reversed for the portion of awards forfeited prior to vesting as and when forfeitures occurred.

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Prior to the adoption of SFAS 123R, the Company provided disclosures required under SFAS 123. The following table illustrates the effect on loss and net loss per share, net of tax effects for fiscal 2006, as if the Company had applied the fair value recognition provisions of SFAS 123 to stock based awards (in thousands, except for per share data):

		Year Ended January 28, 2006
Net income:		
As reported	$	199,490
Adjustments:		
Stock-based employee compensation expense included in reported net income, net of tax effect		101,012
Stock-based employee compensation expense determined under fair value based method for all awards, net of tax effect of zero		(185,391)
Pro forma	$	115,111
Basic net income per share:		
As reported	$	0.35
Pro forma	$	0.20
Diluted net income per share:		
As reported	$	0.32
Pro forma	$	0.18

Prior to the adoption of SFAS 123R, the Company accounted for its stock based compensation plans using the intrinsic value method under the provisions of APB 25 and related guidance, under the accelerated method of amortization. The Company estimated the fair value of each award as of the date of grant using the Black-Scholes option pricing model, which is consistent with that used for pro forma disclosures under SFAS 123. The Black-Scholes model considers, among other factors, the expected life of the award and the expected volatility of the Company's stock price. Prior to the adoption of SFAS 123R, the Company presented deferred compensation as a separate component of stockholders' equity. In accordance with the provisions of SFAS 123R, on January 29, 2006, unamortized deferred compensation totaling $62.0 million on that date was eliminated with a corresponding reduction in additional paid-in capital.

In November 2005, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FAS 123(R)-3, "Transition Election Related to Accounting for Tax Effects of Share-Based Payment Awards" (FSP 123R-3). The Company has elected to adopt the alternative transition method provided in the FSP 123R-3 for calculating the tax effects of stock-based compensation pursuant to SFAS 123R. The alternative transition method includes simplified methods to establish the beginning balance of the APIC pool related to the tax effects of employee stock-based compensation, and to determine the subsequent impact on the APIC pool and Consolidated Statements of Cash Flows of the tax effects of employee stock-based compensation awards that are outstanding upon adoption of SFAS 123R.

Comprehensive Income (Loss)

For the years ended February 2, 2008, January 27, 2007 and January 28, 2006, comprehensive income (loss) is comprised of net income (loss) and unrealized gains and losses on available-for-sale securities, net of tax. For the years ended February 2, 2008, January 27, 2007 and January 28, 2006, $0.6 million, $1.8 million and $48,000, respectively of net unrealized gains (losses) were reclassified as realized gains

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(losses) and recognized in the accompanying statement of operations upon the sale of the related securities.

Accumulated other comprehensive income (loss), as presented on the accompanying balance sheets, consists of net unrealized gains and losses on available-for-sale securities, net of tax.

Net (Loss) Income Per Share

The Company reports both basic net (loss) income per share, which is based upon the weighted average number of common shares outstanding excluding contingently issuable or returnable shares, and diluted net (loss) income per share, which is based on the weighted average number of common shares outstanding and dilutive potential common shares.

Accounting for Income Taxes

To prepare the Company's consolidated financial statements, the Company estimates its income taxes in each of the jurisdictions in which it operates. This process involves estimating the Company's actual tax exposure together with assessing temporary differences resulting from the differing treatment of certain items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within the Company's consolidated balance sheet. The Company must then assess the likelihood that its deferred assets will be recovered from future taxable income and, to the extent that it believes that recovery is not likely, the Company must establish a valuation allowance.

The Company must also make judgments regarding the realizability of deferred tax assets. The carrying value of the Company's net deferred tax asset is expected to be realized as management has concluded that it is more likely than not that the Company will generate sufficient future taxable income in certain jurisdictions to realize these deferred tax assets. A valuation allowance has been established for deferred tax assets in those jurisdictions where management does not believe the "more likely than not" criteria established by SFAS No. 109, "Accounting for Income Taxes" has been satisfied. The Company's judgments regarding future taxable income may change due to changes in market conditions, changes in tax laws, tax planning strategies or other factors. If the Company's assumptions and consequently its estimates change in the future, the valuation allowances we have established may be increased or decreased, resulting in a respective increase or decrease in income tax expense. The Company's effective tax rate is highly dependent upon the geographic distribution of its worldwide earnings or losses, the tax regulations and tax holidays in each geographic region, the availability of tax credits and carryforwards, and the effectiveness of its tax planning strategies.

Warranty

The Company's products are generally subject to warranty, which provides for the estimated future costs of repair, replacement or customer accommodation upon shipment of the product in the accompanying statements of operations. The Company's products typically carry a standard 90-day warranty with certain exceptions in which the warranty period can range from one to five years. The warranty accrual is estimated based on historical claims compared to historical revenues and assumes that the Company will have to replace products subject to a claim. For new products, the Company uses a historical percentage for the appropriate class of product.

Recent Accounting Pronouncements

In June 2006, the FASB ratified EITF consensus on EITF Issue No. 06-2, "Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43" ("EITF 06-2"). EITF 06-2

requires companies to accrue the cost of such compensated absences over the required service period. The Company currently accrues the cost of compensated absences for sabbatical programs when the eligible employee complete the requisite service period. The Company is required to apply the provision of EITF 06-2 at the beginning of fiscal 2008. EITF 06-02 allows for adoption through retrospective application to all prior periods or through a cumulative effect adjustment to retained earnings if it is impracticable to determine the period specific effects of the change on prior periods presented. The Company adopted EITF 06-2 in the first quarter of fiscal 2008. The adoption did not have a material impact on the Company's financial position and results of operations.

In July 2006, the FASB issued FIN 48, which clarifies the accounting for uncertainty in income tax positions. This Interpretation requires that the Company recognize in its financial statements the impact of a tax position if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective as of the beginning of the Company's fiscal 2008, with the cumulative effect, if any, of the change in accounting principle recorded as an adjustment to opening retained earnings. On May 2, 2007, the FASB issued FASB Staff Position No. FIN 48-1 "Definition of Settlement in FASB Interpretation No. 48-1" ("FSP FIN 48-1"). FSP FIN 48-1 provides guidance on how an entity should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. Effective January 28, 2007, the Company adopted FIN 48. See Note 10 Income Taxes for further details.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("SFAS 157"). The statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal periods beginning after November 15, 2007. In November 2007, the FASB provided a one year deferral for the implementation of SFAS 157 for other nonfinancial assets and liabilities. The Company is currently evaluating the impact of SFAS 157 on the Company's consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115" ("SFAS 159") which is effective for fiscal years beginning after November 15, 2007. This statement expands the standards under SFAS No. 157 which permits an entity to choose to measure many financial instruments and certain other items at fair value at specified election dates. Subsequent unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings. The Company is currently evaluating the potential impact of this statement.

In June 2007, the FASB ratified EITF Issue No. 07-3, "Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities" ("EITF 07-3"). This issue provides that nonrefundable advance payments for goods or services that will be used or rendered for future research and development activities should be deferred and capitalized. Such amounts should be recognized as an expense as the related goods are delivered or the related services are performed. EITF 07-3 is effective for the Company for fiscal years beginning February 3, 2008. The adoption of these provisions is not expected to have a material impact on the Company's consolidated financial position, results of operations and cash flows.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS 141R"). The objective of SFAS 141 is to improve the relevance, representational faithfulness, and comparability of the information that a company provides in its financial reports about a business combination and its effects. Under SFAS 141R, a company is required to recognize the assets acquired, liabilities assumed, contractual contingencies and any estimate, contingent consideration measured at their

fair value at the acquisition date. It further requires that research and development assets acquired in a business combination that have no alternative future use to be measured at their acquisition-date fair value and then immediately charged to expense, and that acquisition-related costs are to be recognized separately from the acquisition and expensed as incurred. Among other changes, this statement also required that "negative goodwill" be recognized in earnings as a gain attributable to the acquisition, and any deferred tax benefits resulted in a business combination are recognized in income from continuing operations in the period of the combination. SFAS 141R is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company is currently evaluating the impact that SFAS 141R may have on its financial position and results of operations.

In December 2007, the FASB issued Statement No. 160, "Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51" ("SFAS 160"). The objective of this Statement is to improve the relevance, comparability, and transparency of the financial information that a company provides in its consolidated financial statements. SFAS 160 requires a company to clearly identify and present ownership interests in subsidiaries held by parties other than the company in the consolidated financial statements within the equity section but separate from the company's equity. It also requires the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income; changes in ownership interest be accounted for similarly, as equity transactions; and when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary and the gain or loss on the deconsolidation of the subsidiary be measured at fair value. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Company will assess the impact that SFAS 160 may have on its financial position and results of operations.

In December 2007, the U.S. Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin 110 (SAB 110) to amend the SEC's views discussed in Staff Accounting Bulletin 107 (SAB 107) regarding the use of the simplified method in developing an estimate of expected life of share options in accordance with SFAS No. 123(R). SAB 110 is effective for the Company beginning in the first quarter of fiscal year 2009.

Note 2 Business Combinations:

Fiscal 2008

During fiscal 2008, the Company completed the acquisition of two unrelated private companies. One of the companies was acquired for $9.7 million and designed and developed software for optical storage applications. The second company was acquired for $13.4 million and provided IP Multimedia Subsystem middleware and applications for multi-mode cellular mobile devices. Under the purchase method of accounting, the total purchase price was allocated to net tangible and intangible assets based on their fair values as of the date of the completion of the respective acquisitions. The Company recorded acquired net tangible assets of $4.1 million, a deferred tax asset of $0.9 million, a deferred tax liability of $3.8 million, amortizable intangible assets of $9.2 million and goodwill of $12.7 million. The intangible assets are being amortized over their useful lives ranging from one to seven years.

Fiscal 2007

The Company acquired the semiconductor division of UTStarcom, Inc ("UTStarcom Business"), the printer semiconductor division of Avago Technologies Limited ("Avago Business"), Intel's communications

and applications business ("ICAP Business") and assets of two other businesses from unrelated parties during fiscal 2007.

ICAP Business

The Company acquired the ICAP Business from Intel on November 8, 2006. The ICAP Business designs, manufactures, and markets applications and communications processors for cellular phones, personal digital assistants, and other personal devices. The primary purpose and benefits of the acquisition were to permit the Company's entry into the wireless handheld device market, leverage its portfolio of complementary technology and obtain important wireless systems level knowledge. These factors contributed to a purchase price that was in excess of the fair value of the ICAP Business net tangible and intangible assets acquired. The Company recorded goodwill, which is not deductible for tax purposes, in connection with this transaction.

The purchase price of the acquisition was $605.6 million, determined as follows (in thousands):

Cash	$	600,000
Transaction costs		5,644
Total purchase price	$	605,644

Under the purchase method of accounting, the total purchase price was allocated to net tangible and intangible assets based on their fair values as of the date of completion of the acquisition as follows (in thousands):

Prepaid expenses	$	3,847
Fixed assets		45,076
Deferred tax asset		4,550
Other assets		4,864
Severance pay fund		13,301
Long-term deferred tax asset		813
Accrued liabilities		(6,342)
Accrued compensation		(12,236)
Accrued supply agreement		(200,662)
Long-term liabilities		(14,831)
		(161,620)
Amortizable intangible assets:		
Existing technology		190,700
Core technology		136,300
Customer relationships		59,900
In-process research and development		77,800
Goodwill		302,564
Total purchase price allocation	$	605,644

The amortizable intangible assets of $386.9 million were determined based on valuation techniques such as discounted cash flows and weighted average cost of capital methods used in the high technology industry using assumptions and estimates from management. The amortizable intangible assets will be amortized over useful lives ranging from one to seven years. The existing technology comprises of products which have reached technological feasibility and includes the chipsets which have been completed and

shipping in volume to customers. Core technology represents a combination of processes, patents and trade secrets developed though years of experience in design and development of the products. Customer relationships represent future projected revenue that will be derived from sales of future versions of existing products that will be sold to existing customers. The Company has not provided a deferred tax liability on $386.9 million of purchased intangibles during the year as the intangibles are recorded in Bermuda at a zero tax rate.

Of the total purchase price, $77.8 million was allocated to in-process research and development ("IPRD") based upon the fair values of assets acquired and was charged to expense in the fourth quarter of fiscal 2007. The ICAP Business was developing new products that had not reached technological feasibility and which had no alternative use and therefore were immediately written-off. The projects in process consisted of the development of new features and functionalities for sophisticated processors necessary to address customer needs, drive market acceptance and fuel the overall revenue growth profile of the acquired products. The values assigned to IPRD were determined by considering the importance of products under development to the overall development plan, estimating costs to develop the purchased IPRD into commercially viable products, estimating the resulting net cash flows from the projects when completed and discounting the net cash flows to their present value. The fair values of IPRD were determined using the income approach, which discounts expected future cash flows to present value. The discount rates used in the present value calculations were derived from a weighted-average cost of capital analysis, adjusted to reflect additional risks related to the product's development and success as well as the product's stage of completion. Discount rates ranging from 24.0% to 27.0% were used for IPRD. At the time of the acquisition, there were three significant projects in progress that were approximately 56.0% complete with aggregate costs to complete of $31.0 million. The projects were completed during fiscal 2008.

The estimates used in valuing in-process research and development were based upon assumptions believed to be reasonable but which are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur. Accordingly, actual results may vary from the projected results.

The weighted average useful lives of acquired intangibles from the ICAP Business are 4.2 years for existing technology, 7.0 years for core technology and 7.0 year for customer relationships.

In conjunction with the acquisition of the ICAP Business, the Company entered into a supply agreement with Intel. The supply agreement obligated the Company to purchase certain finished product and sorted wafers at a contracted price from Intel for a contracted period of time. The contracted purchase period differed between finished products and sorted wafers. Intel's pricing to the Company was greater than comparable prices available to the Company in the market in almost all cases. Accordingly, the Company recorded a liability upon the signing of the contract representing the difference between Intel prices and comparable market prices for those products for which the Company had a contractual obligation.

The Company reduced its inventory carrying value as product was purchased. Since the Company was obligated to purchase finished products and sorted wafers at prices above which a market participant could obtain from independent foundries and assembly/test subcontractors, the Company recorded inventory on hand at fair value with the difference between actual purchase price and fair values reducing the supply agreement liability. The Company also imputed and recorded interest expense on the supply agreement since the supply agreement liability was incurred over multiple quarters into the future and thus the liability was initially recorded at net present value. See Note 4 for changes in the supply contract liability and Note 12 for the contractual commitments of the supply agreement.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company has met the contractual obligations under the original supply agreement and can purchase products from its own foundries and subcontractors or continue to use Intel until the products have transitioned to the Company's foundries and subcontractors. Although the Company has transitioned certain products to its fabrication partners, the Company anticipates that it will continue to source certain legacy application processor cellular and handset inventory from Intel. In the fourth quarter of fiscal 2008, the Company amended the supply agreement. Under terms of the amendment, the Company has committed to purchase a minimum amount of wafers through December 2008.

The results of operations of the UTStarcom Business, the Avago Business and the ICAP Business have been included in the Company's consolidated statements of operations since their respective acquisition dates. The following unaudited pro forma information presents a summary of the results of operations of the Company assuming the acquisition of these businesses occurred at the beginning of the periods presented (in thousands, except for per share amounts):

	Year Ended	
	January 27, 2007	**January 28, 2006**
Net revenue	$ 2,610,079	$ 2,195,926
Net loss	$ (475,150)	$ (413,331)
Basic net loss per share	$ (0.81)	$ (0.73)
Diluted net loss per share	$ (0.81)	$ (0.73)

Avago Business

The Company acquired the Avago Business on May 1, 2006. The Avago Business focuses on the design and development of system-on-chip and system level solutions for both inkjet and laser jet printer systems. The primary purpose and benefits of the acquisition were to permit the Company's entry into the printer market, leverage its portfolio of complementary technology, obtain important printer systems level knowledge and strengthen the Company's relationship with the only customer of the products. These factors contributed to a purchase price that was in excess of the fair value of the Avago Business net tangible and intangible assets acquired. The Company recorded goodwill, which is not deductible for tax purposes, in connection with this transaction.

Under the terms of the agreement, the Company paid $249.6 million in cash and an additional $35.0 million in cash for the contingent consideration. The purchase price of the acquisition, including the contingent consideration recorded of $35.0 million, was $288.0 million and was determined as follows (in thousands):

Cash	$ 284,591
Transaction costs	3,388
Total estimated purchase price	$ 287,979

In the third quarter of fiscal 2007, the Company recorded additional purchase consideration with a corresponding increase in goodwill of $10.0 million based on the achievement of certain levels of revenue of the past year. Additionally, in the third quarter of fiscal 2007, the Company recorded an adjustment of $1.9 million relating to inventory acquired at the acquisition date, resulting in a corresponding reduction in goodwill. In the first quarter of fiscal 2008, the Company recorded an adjustment of $1.3 million relating to a reduction of an accrued liability recorded in the original purchase accounting resulting in a corresponding decrease in goodwill. In the third quarter of fiscal 2008, the Company recorded the final

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

purchase consideration with a corresponding increase in goodwill of $25.0 million based on the achievement of a certain level of revenue for the one year period ending October 2007.

Under the purchase method of accounting, the total purchase price (including the contingent consideration recorded of $35.0 million) was allocated to net tangible and intangible assets based on their fair values as of the date of completion of the acquisition, as adjusted, as follows (in thousands):

Accounts receivable	$	1,871
Current assets		3,704
Deferred tax asset		2,183
Inventories		23,896
Fixed assets		14,305
Other current assets		2,750
Accrued liabilities		(11,940)
Accrued employee benefits		(3,998)
		32,771
Amortizable intangible assets:		
Existing technology		55,800
Core technology		40,200
Customer relationships		53,400
Goodwill		105,808
Total purchase price allocation	$	287,979

The amortizable intangible assets of $149.4 million were determined based on valuation techniques such as discounted cash flows and weighted average cost of capital methods used in the high technology industry using assumptions and estimates from management. The amortizable intangible assets will be amortized over useful lives ranging from three to six years. The existing technology represents personal laser jet, laser jet systems technology and other technology that the Avago Business has developed. Core technology represents the combination of processes, patents, and trade secrets that are the building blocks for current and planned new products. Customer relationships represent future projected revenue that will be derived from sales of future versions of existing products that will be sold to existing customers. The Company has not provided a deferred tax liability on $149.4 million of purchased intangibles during the year as the intangibles have been stepped up for tax purposes under Singapore tax law to $149.4 million.

The weighted average useful lives of acquired intangibles from the Avago Business are 3.2 years for existing technology, 4.9 years for core technology and 5.0 years for customer relationships.

UTStarcom Business

The Company acquired the UTStarcom Business on February 16, 2006. The UTStarcom Business focuses on the design and development of personal handyphone systems (PHS) and next generation cellular communications technology. The primary reasons for the acquisition of the semiconductor division of UTStarcom were to strengthen and augment its software engineering workforce and enhance its technological capabilities for emerging cellular strategies, obtain an established product being utilized in wireless communications technology, reduce the time required to develop new products and bring them to market for next generation cellular technology and to complement the Company's existing wireless offerings. These factors contributed to a purchase price that was in excess of the fair value of the UTStarcom Business net tangible and intangible assets acquired. The Company recorded goodwill, which is not deductible for tax purposes, in connection with this transaction.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Under the terms of the agreement, the Company paid $24.0 million in cash and an additional $16.0 million based on the achievement of certain defined milestones. The purchase price of the acquisition was $40.8 million, including the contingent consideration recorded of $16.0 million, and was determined as follows (in thousands):

Cash	$	40,008
Transaction costs		792
Total purchase price	$	40,800

In the third quarter of fiscal 2007, the Company recorded additional purchase consideration of $16.0 million upon the achievement of the contingent milestones as defined in the purchase agreement. A liability of approximately $8.7 million was preliminarily recorded, representing the excess of the fair value of net tangible and intangible assets acquired over the purchase price. As a result of the contingent consideration, additional goodwill of $7.3 million was recorded.

Under the purchase method of accounting, the total purchase price was allocated to net tangible and intangible assets based on their fair values as of the date of the completion of the acquisition as follows (in thousands):

Inventories	$	2,097
Fixed assets		611
		2,708
Amortizable intangible assets:		
Existing technology		11,900
Core technology		4,100
Supply contract		900
Customer relationships		13,900
Goodwill		7,292
Total purchase price allocation	$	40,800

The amortizable intangible assets of $30.8 million were determined based on valuation techniques such as discounted cash flows and weighted average cost of capital methods used in the high technology industry using assumptions and estimates from management. The amortizable intangible assets will be amortized over useful lives ranging from three to four years. The existing technology represents personal handyphone systems technology and other technology that UTStarcom has developed. Core technology represents the combination of processes, patents, and trade secrets that are the building blocks for current and planned new products. Customer relationships represent future projected revenue that will be derived from sales of future versions of existing products that will be sold to existing customers. The value determined for the supply contract with UTStarcom represents the fair value of estimated revenues and net operating cash flows to be derived from the supply contract for the duration of the five-year contract. The Company has not provided a deferred tax liability on $30.8 million of purchased intangibles during the year as the intangibles are recorded in Bermuda at a zero tax rate.

The weighted average useful lives of acquired intangibles from the UTStarcom Business are 3.0 years for existing technology, 4.0 years for core technology, 4.0 years for the supply contract, and 4.0 years for customer relationships.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other acquisitions

Fiscal 2007

During fiscal 2007, the Company completed the acquisition of the assets of two other businesses from unrelated parties with purchase prices totaling $16.7 million. Under the purchase method of accounting, the total purchase price was allocated to net tangible and intangible assets based on their fair values as of the date of the completion of the respective acquisitions. The Company recorded acquired net tangible assets of $0.4 million, deferred tax liability of $3.0 million, amortizable intangible assets of $10.1 million and goodwill of $11.2 million. The intangible assets are being amortized over their useful lives ranging from one to eight years.

Fiscal 2006

The Company acquired the hard disk and tape drive controller semiconductor business of QLogic Corporation ("QLogic Business") during fiscal 2006.

QLogic Business

The Company acquired the QLogic Business on November 4, 2005. The QLogic Business designs and supplies controller chips for data storage peripherals, such as hard disk and tape drives. The QLogic Business provides controller chip products which the Company believes will be able to provide complementary products to its customers in the hard disk market while improving its ability to address the overall data storage market. These factors contributed to a purchase price that was in excess of the fair value of the QLogic Business net tangible and intangible assets acquired. The Company recorded goodwill, which is not deductible for tax purposes, in connection with this transaction.

Under terms of the agreement, the Company issued a combination of $184.0 million in cash and 1,960,998 shares of its common stock valued at $45.6 million for total consideration of $229.6 million. The agreement also provided for $12.0 million of the consideration to be placed in escrow for up to one year from the closing date to secure QLogic's obligations under certain representation and warranty provisions. The escrow was released for the full amount in November 2006.

The purchase price of the QLogic Business of $232.5 million was determined as follows (in thousands):

Cash	$	184,032
Value of common stock issued		45,583
Transaction costs		2,920
Total purchase price	$	232,535

The value of the 1,960,998 shares of the Company's common stock issued was determined based on the average price of the Company's common stock over a 5-day period including the two days before and after August 29, 2005 (the announcement date), or $23.25 per share.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Under the purchase method of accounting, the total purchase price was allocated to the QLogic Business' net tangible and intangible assets based on their fair values as of the date of the completion of the acquisition as follows (in thousands):

Net tangible assets acquired	$ 25,073
Amortizable intangible assets:	
Existing technology	42,700
Core technology	26,400
Customer relationships	54,200
In-process technology	4,300
Goodwill	79,862
Total purchase price allocation	$ 232,535

The Company acquired tangible assets of approximately $25.1 million consisting of inventory and fixed assets, net of assumed liabilities and was recorded at its estimated fair value. The amortizable intangible assets of $123.3 million were determined based on valuation techniques such as discounted cash flows and weighted average cost of capital methods used in the high technology industry using assumptions and estimates from management. The amortizable intangible assets will be amortized over useful lives ranging from one to four years. Existing technology comprised products that have reached technological feasibility and includes the fibre channel hard disk controller ("HDC"), Small Computer System Interface ("SCSI") HDC and the tape drive products of the hard disk and tape drive controller business of QLogic. The core technology represents technology that is embedded in the existing technology that was separately valued. Customer relationships represent future projected revenues that are derived from sales of future versions of existing products that will be sold to existing customers.

Of the total purchase price, $4.3 million was allocated to in-process research and development ("IPRD") based upon the fair values of assets acquired and was charged to expense in the fourth quarter of fiscal 2006. The QLogic Business was developing new products that had not reached technological feasibility and which had no alternative use and therefore was immediately written-off. The projects in process consisted of a product based on a combined SCSI HDC and fibre channel HDC that would help customers transition from a SCSI market. The values assigned to IPRD were determined by considering the importance of products under development to the overall development plan, estimating costs to develop the purchased IPRD into commercially viable products, estimating the resulting net cash flows from the projects when completed and discounting the net cash flows to their present value. The fair values of IPRD were determined using the income approach, which discounts expected future cash flows to present value. The discount rates used in the present value calculations were derived from a weighted-average cost of capital analysis, adjusted to reflect additional risks related to the product's development and success as well as the product's stage of completion. A discount rate of 21.0% was used for IPRD. At the time of the acquisition, the project was approximately 25.0% complete with aggregate costs to complete of $2.7 million. The project was completed in fiscal 2007. The Company has not provided a deferred tax liability on $73.4 million of purchased intangibles during the year as the intangibles are recorded in Bermuda at a zero tax rate.

The weighted average useful lives of acquired intangibles from the QLogic Business are 1.2 years for existing technology, 3.0 years for core technology and 4.0 years for customer relationships.

The results of operations of the QLogic Business have been included in the Company's consolidated statements of operations since the completion of the acquisition on November 4, 2005. The following unaudited pro forma information presents a summary of the results of operations of the Company

assuming the acquisition of the QLogic Business occurred at the beginning of the period presented (in thousands, except for per share amounts):

	Year Ended January 28, 2006
Net revenue	$ 1,751,758
Net income	$ 236,458
Basic net income per share	$ 0.42
Diluted net income per share	$ 0.37

Note 3 Available-for-Sale Securities:

The following tables summarize the Company's available-for-sale securities (in thousands):

	As of February 2, 2008			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Short-term investments:				
U.S. Federal, State, county and municipal debt securities	$ 15,231	$ 23	$	$ 15,254
Total short-term investments	$ 15,231	$ 23	$	$ 15,254
Long-term investments:				
Auction rate securities	$ 45,628	$	$	$ 45,628
Total long-term investments	$ 45,628	$	$	$ 45,628
Total available-for-sale securities	$ 60,859	$ 23	$	$ 60,882

	As of January 27, 2007			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate debt securities	$ 3,547	$	$ (56)	$ 3,491
U.S. Federal, State, county and municipal debt securities	25,300		(419)	24,881
Total available-for-sale securities	$ 28,847	$	$ (475)	$ 28,372

Auction rate securities are investments with contractual maturities generally between 20 to 30 years. They are usually found in the form of municipal bonds, preferred stock, a pool of student loans or collateralized debt obligations whose interest rates are reset every seven to 35 days through an auction process. At the end of each reset period, investors can sell or continue to hold the securities at par.

As of February 2, 2008, the Company's investment portfolio included $45.6 million of auction rate securities, which are primarily backed by student loans originated under the Federal Family Education Loan Program, or FFELP, and are over-collateralized, insured and guaranteed by the United States Federal Department of Education. In addition, all auction rate securities held by the Company are rated by the major independent rating agencies as either AAA or Aaa at the time of purchase.

Most of these auction rate securities were scheduled to reset subsequent to February 2, 2008. As of February 29, 2008, $23.0 million of the Company's auction rate securities have failed auctions, and the Company anticipates that the remaining auction rate securities may continue to fail in the short-term due to sell orders exceeding buy orders. These failures are not believed to be a credit issue, but rather caused by a lack of liquidity. Under the contractual terms, the issuer is obligated to pay penalty rates should an auction fail. In the near term, the Company will not be able to access these funds associated with the failed auctions until one of the following occurs: a successful auction occurs, the issuer redeems the issue, a buyer is found outside of the auction process or the underlying securities have matured. As a result, the Company has classified $45.6 million of the auction rate securities as long-term investments as of February 2, 2008. This amount represents the entire balance of the auction rate securities as of February 2, 2008 and had not been sold by the Company subsequent to the end of fiscal 2008. The Company believes that it has the ability to hold these securities for longer than a period of twelve months.

The Company determined that no other-than-temporary impairment losses existed as of February 2, 2008 as all holdings had successful auctions in the periods leading up to that date. However, if the issuer of the auction rate securities is unable to successfully close future auctions or does not redeem the auction rate securities, or the United States government fails to support its guaranty of the obligations, the Company may be required to adjust the carrying value of the auction rate securities and record other-than-temporary impairment charges in future periods.

The Company is evaluating the impact of these failed auctions on the fair value of these securities. If the Company determines that the fair value of these auction rate securities is temporarily impaired, the Company would record a temporary impairment, within other comprehensive loss, a component of shareholders' equity, in the period such temporary decline in fair value is determined. If it is determined that the fair value of these securities is other than temporarily impaired, the Company would record a loss, which could be material, in its statement of operations in the period such other than temporary decline in fair value is determined.

The contractual maturities of available-for-sale debt securities at February 2, 2008 and January 27, 2007 are presented in the following table (in thousands):

	February 2, 2008		January 27, 2007	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 15,231	$ 15,254	$ 8,581	$ 8,499
Due between one and five years			20,266	19,873
Due over five years	45,628	45,628		
	$ 60,859	$ 60,882	$ 28,847	$ 28,372

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following tables summarize the investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position (in thousands):

	February 2, 2008					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Gain	Fair Value	Unrealized Gain	Fair Value	Unrealized Gain
U.S. Federal, State, county and municipal debt securities	$	$	$ 15,254	$ 23	$ 15,254	$ 23
Auction rate securities			45,628		45,628	
Total securities	$	$	$ 60,882	$ 23	$ 60,882	$ 23

	January 27, 2007					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate debt securities	$	$	$ 3,491	$ (56)	$ 3,491	$ (56)
U.S. Federal, State, county and municipal debt securities			24,881	(419)	24,881	(419)
Total securities	$	$	$ 28,372	$ (475)	$ 28,372	$ (475)

Note 4 Supplemental Financial Information (in thousands):

Inventories

	February 2, 2008	January 27, 2007
Work-in-process	$ 270,449	$ 97,529
Finished goods	149,045	149,874
	$ 419,494	$ 247,403

Prepaid expenses and other current assets

	February 2, 2008	January 27, 2007
Prepayments for foundry capacity	$ 23,200	$ 40,340
Prepayments for wafers (see Note 12)	13,938	29,973
Receivable from foundry	10,240	19,336
Other	58,431	80,474

	February 2, 2008	January 27, 2007
	$ 105,809	$ 170,123

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Property and equipment, net

	February 2, 2008	January 27, 2007
Machinery and equipment	$ 315,797	$ 269,586
Computer software	72,736	131,869
Furniture and fixtures	22,303	20,551
Leasehold improvements	33,659	12,283
Buildings	105,091	81,274
Building improvements	44,340	36,098
Land	61,096	51,500
Construction in progress	32,287	78,579
	687,309	681,740
Less: Accumulated depreciation and amortization	(271,068)	(240,797)
	$ 416,241	$ 440,943

Property and equipment included $9.1 million and $54.4 million of assets acquired under capital lease at February 2, 2008 and January 27, 2007, respectively. Accumulated depreciation related to these assets was $3.2 million and $25.6 million at February 2, 2008 and January 27, 2007, respectively.

Other noncurrent assets

	February 2, 2008	January 27, 2007
Long-term prepayments for foundry capacity	$ 22,800	$ 46,000
Equity investments in private companies	7,058	11,679
Severance fund	50,235	32,161
Technology licenses	25,209	26,680
Deferred tax assets, non-current	22,975	18,332
Other	28,830	45,507
	$ 157,107	$ 180,359

Accrued liabilities

	February 2, 2008	January 27, 2007
Supply agreement liability (see below)	$	$ 174,724
Term loan obligations, current portion	4,000	4,000
Accrued royalties	8,859	7,791
Accrued rebates	22,756	8,877
Accrued legal and professional services	9,380	16,382
Accrued contingent consideration (see Note 12)	27,000	10,000
Other	50,966	47,075
	$ 122,961	$ 268,849

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table presents the changes in the supply agreement liability (in thousands):

	Year Ended	
	February 2, 2008	**January 27, 2007**
Supply agreement liability (included in accrued liabilities):		
Beginning balance	$ 174,724	$ 219,000
Fair market value adjustment to Intel inventory sold	(109,262)	(37,593)
Net fair market value adjustment to Intel inventory	(30,888)	(6,683)
Adjustment to goodwill arising from cancellation of purchase obligations	(18,338)	
Adjustment to other income for unused portion	(22,069)	
Interest expense	5,833	
Ending balance	$	$ 174,724

During the fourth quarter of fiscal 2008, the Company amended the supply agreement with Intel (see Note 2). The Company recorded an adjustment of $18.3 million to the supply agreement liability and goodwill as a reduction to reflect the proper characterization of the supply agreement. Additionally, a one-time benefit was credited to other income to reflect the release of unused amounts arising from differences between the original estimate and actual product mix and yields of $22.1 million. As of February 2, 2008, $36.7 million in credits have been adjusted against inventory to reflect fair market value and $0.8 million has been adjusted to deferred cost of goods sold. This amount will be recognized in cost of goods sold as and when the related inventory is depleted in future periods.

Other long-term liabilities

	February 2, 2008	**January 27, 2007**
Accrued severance	$ 49,819	$ 34,326
Long-term facilities consolidation charge	1,326	2,447
Other	1,187	23,934
	$ 52,332	$ 60,707

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Net (loss) income per share

The computations of basic and diluted net income per share are presented in the following table (in thousands, except per share amounts):

	Year Ended		
	February 2, 2008	**January 27, 2007**	**January 28, 2006**
Numerator:			
(Loss) income before change in accounting principle	$ (114,427)	$ (20,941)	$ 199,490
Net (loss) income	$ (114,427)	$ (12,095)	$ 199,490
Denominator:			
Weighted average shares of common stock outstanding	590,308	586,152	565,870
Less: unvested common shares subject to repurchase			
Weighted average shares basic	590,308	586,152	565,870
Effect of dilutive securities			
Warrants			1,677
Contingently issuable shares			341
Common stock options, restricted stock units and other			63,401
Weighted average shares diluted	590,308	586,152	631,289
(Loss) income before change in accounting principle			
Basic	$ (0.19)	$ (0.04)	$ 0.35
Diluted	$ (0.19)	$ (0.04)	$ 0.32
Net (loss) income per share			
Basic	$ (0.19)	$ (0.02)	$ 0.35
Diluted	$ (0.19)	$ (0.02)	$ 0.32

The anti-dilutive effects of warrants, common stock options, restricted stock and other securities totaling 38,745,678 shares were excluded from diluted net loss per share for fiscal 2008.

The anti-dilutive effects of warrants, common stock options, restricted stock and other securities totaling 46,869,920 shares were excluded from diluted net loss per share for fiscal 2007.

Options to purchase 1,452,594 common shares at a weighted average price of $24.89 per share have been excluded from the computation of diluted net income per share because their exercise prices were greater than the average market price of the common shares for fiscal 2006.

Note 5 Goodwill and Acquired Intangible Assets:

The Company performs an annual impairment review during the fourth quarter of each year or more frequently if indicators of impairment exist. The Company performed its annual assessment of goodwill in fiscal 2008 and 2007, and concluded that there were no impairments.

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The carrying amounts of intangible assets are as follows (in thousands):

	February 2, 2008			January 27, 2007		
	Gross Carrying Amounts	**Accumulated Amortization**	**Net Carrying Amount**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**
Purchased technology	$ 708,398	$ (538,765)	$ 169,633	$ 703,398	$ (462,403)	$ 240,995
Core technology	212,650	(62,758)	149,892	209,700	(23,508)	186,192
Trade name	350	(130)	220	100	(100)	
Customer contracts	183,300	(70,029)	113,271	183,000	(30,318)	152,682
Supply contract	900	(642)	258	900	(211)	689
Non competition	700	(165)	535			
Total intangible assets	$ 1,106,298	$ (672,489)	$ 433,809	$ 1,097,098	$ (516,540)	$ 580,558

The increase in goodwill during fiscal 2008 was due primarily to $25.0 million of goodwill for contingent consideration recorded from the acquisition of the Avago Business (see Note 2), $2.0 million of goodwill for contingent consideration from the acquisition of a private company in fiscal 2007 and $12.7 million of goodwill from the acquisition of two private companies in fiscal 2008. The reduction in existing goodwill in fiscal 2008 was due to an $18.3 million decrease to reflect the proper characterization of the supply agreement. Additional reductions to goodwill in fiscal 2008 resulted from the recognition of the benefits of pre-acquisition income tax net operating losses of former subsidiaries from acquisitions.

In the fourth quarter of fiscal 2008, the Company performed the annual impairment analysis of goodwill. Also, the Company assessed the recoverability of the acquisition-related intangible assets by determining whether the carrying value could be recovered through their respective estimated undiscounted future net cash flows. The Company determined that certain of the acquisition-related intangibles associated with the acquisition of the UTStarcom business and the Intel communication and applications processor business were impaired primarily due to the revised lower revenue forecasts associated with products incorporating such purchased intangibles. The Company measured the amount of the impairment by calculating the amount by which the value of the assets exceeded their estimated fair values, which were based on projected discounted future net cash flows. The Company determined the fair value of the acquisition-related intangible assets based on the most current financial forecast available. The discount rate used to discount net cash flows to their present values was 12% which was determined after consideration of the Company's estimated weighted average cost of capital. The amount of the purchased intangibles written-off in the fourth quarter of fiscal 2008 due to impairment was $7.2 million.

Purchased technology is amortized on a straight-line basis over their estimated useful lives of one to six years. Core technology is amortized on a straight-line basis over its estimated useful lives of one to eight years. Trade name is amortized on a straight-line basis over its estimated useful life of one to five years. Customer contracts and related relationships are amortized on a straight-line basis over their estimated useful lives of four to seven years. The supply contract in connection with the UTStarcom acquisition is amortized on a straight-line basis over its estimated useful life of four years. Non-competition is amortized on a straight-line basis over three years. The aggregate accumulated amortization of identified intangible assets was $148.7 million in fiscal 2008. Amortization expense is expected to be $137.9 million in fiscal 2009, $113.5 million in fiscal 2010, $83.3 million in fiscal 2011, $41.7 million in fiscal 2012, $35.0 million in fiscal 2013, $21.9 million in fiscal 2014 and $0.6 million for fiscal 2015.

Note 6 Restructuring:

During the fourth quarter of fiscal 2008 the Company implemented a restructuring plan which included reductions in workforce in all functions of the organization worldwide in order to reduce the Company's cost structure. A restructuring charge of $7.9 million was recorded all of which related to severance and benefits to 438 terminated employees. All expenses associated with the Company's restructuring plans are included in "Restructuring" in the Condensed Consolidated Statements of Operations.

The following table sets forth an analysis of the components of the restructuring charges and the payments made through February 2, 2008 (in thousands):

	Beginning Balance	Charges	Payments	Adjustments	Ending Balance
Severance and related charges	$	$ 7,856	$ 7,039	$	$ 817

The Company anticipates that the restructuring reserve balance of $0.8 million will be paid out in cash in the first quarter of fiscal 2009.

Note 7 Facilities Consolidation Charge:

During fiscal 2003, the Company recorded a total of $19.6 million of charges associated with costs of consolidation of its facilities ("2003 facilities consolidation") of which $6.0 million related to non-cash charges. As of February 2, 2008, cash payments of $11.6 million, net of sublease income, had been made in connection with these charges. Approximately $1.9 million is accrued for the facilities consolidation charge as of February 2, 2008, of which $0.6 million represents the current portion and is included in accrued liabilities. The long-term portion totaling $1.3 million is payable through 2010, and is included in other long-term liabilities.

Activities of accrued losses related to the 2003 facilities consolidation during fiscal 2008, 2007 and 2006 were as follows (in thousands):

	Year Ended		
	February 2, 2008	January 27, 2007	January 28, 2006
Beginning balance	$ 2,920	$ 3,578	$ 5,053
Net cash payments	(1,006)	(658)	(1,475)
Non-cash charges			
Ending balance	$ 1,914	$ 2,920	$ 3,578

In addition to the 2003 facilities consolidation, the Company recorded a facility consolidation charge of $2.4 million of costs associated with the costs of consolidating and relocating operations in Israel during the third quarter of fiscal 2005. The charges included $2.3 million associated with the write-down of certain property and leasehold improvements related to the abandoned facilities, which reduced the carrying amount of the impaired assets, and $0.1 million of remaining lease commitments for these facilities.

Note 8 Term Loans:

In November 2006, the Company borrowed $400.0 million from a group of lenders in the form of term loans to partially finance the acquisition of the communications and applications processor business of

Intel. Debt issuance costs of approximately $5.7 million are being amortized to interest expense over the term of the loan through November 9, 2009.

Amounts borrowed under the credit agreement bear interest at the higher of the lender's prime rate or 0.5% per annum above the Federal Funds Effective Rate, as defined in the agreement, plus a 1% margin. In the case of Eurodollar loans, amounts borrowed bear interest at a rate equal to the Adjusted LIBOR plus a 2% margin. Such margins are subject to reductions or increases depending on the Company's credit rating. The Company pays interest and principal amounts equal to 0.25% of the aggregate principal amount of loans on a quarterly basis on the last business day of each March, June, September and December. The interest rate as of February 2, 2008 was 7.33%.

The credit agreement contains customary covenants including financial covenants with which the Company was in compliance as of February 2, 2008. The Company may repay the term loans in part or in full at any time without premium or penalty. The Company must also prepay the term loans depending on certain specified events. Certain of the Company's subsidiaries have guaranteed the obligations under the credit agreement. In connection with the credit agreement, the Company and three of its subsidiaries entered into pledge agreements with the lender to which each such entity has granted the lender a security interest in the equity interests held by such entity in certain affiliates. In May 2007, in accordance with the credit agreement, the Company entered into additional security agreements with six subsidiaries of the Company, which included a security interest on the property on which the Company's U.S. headquarters is located. The additional security agreements were required as the Company had not received a credit rating by an agreed upon date.

Of the contractual obligations under term-loan arrangements totaling $394.8 million as of February 2, 2008, $4.0 million is repayable in fiscal 2009 and $390.8 million in fiscal 2010.

Note 9 Shareholders' Equity:

Common and Preferred Stock

As of February 2, 2008, the Company is authorized to issue 992,000,000 shares of $0.002 par value common stock and 8,000,000 shares of $0.002 par value preferred stock. The Company has the authority to issue undesignated preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption and liquidation preferences. As of February 2, 2008 and January 27, 2007, no shares of preferred stock were outstanding.

1995 Stock Option Plan

In April 1995, the Company adopted the 1995 Stock Option Plan (the "Option Plan"). The Option Plan, as amended, had 353,671,071 shares of common stock reserved for issuance thereunder as of February 2, 2008. The Option Plan allows for an annual increase in shares reserved for issuance on the first day of each fiscal year equal to the lesser of (i) 40,000,000 shares, (ii) 5.0% of the outstanding shares of capital stock on such date, or (iii) an amount of shares determined by the Board of Directors. The Option Plan allows for the issuance of incentive and nonqualified stock options to employees and consultants of the Company.

Options granted under the Option Plan generally have a term of ten years and generally must be issued at prices not less than 100% and 85% for incentive and nonqualified stock options, respectively, of the fair market value of the stock on the date of grant. Incentive stock options granted to shareholders who own greater than 10% of the outstanding stock are for periods not to exceed five years and must be issued

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

at prices not less than 110% of the fair market value of the stock on the date of grant. The options generally vest 20% one year after the vesting commencement date, and the remaining shares vest one-sixtieth per month over the remaining forty-eight months. Options granted under the Option Plan prior to March 1, 2000 may be exercised prior to vesting.

In addition, the Company can also grant stock awards, which may be subjected to vesting. Further, the Company can grant stock unit awards. Stock unit awards are denominated in shares of stock, but may be settled in cash or tradable shares of the Company's common stock upon vesting, as determined by the Company at the time of grant.

1997 Directors' Stock Option Plan

In August 1997, the Company adopted the 1997 Directors' Stock Option Plan (the "Directors' Plan"). Under the Directors' Plan, an outside director was granted 30,000 options upon appointment to the Board of Directors. These options vested 20% one year after the vesting commencement date and remaining shares vest one-sixtieth per month over the remaining forty-eight months. An outside director was also granted 6,000 options on the date of each annual meeting of the shareholders. These options vested one-twelfth per month over twelve months after the fourth anniversary of the vesting commencement date. Options granted under the Directors' Plan may be exercised prior to vesting. The Directors' Plan was terminated in October 2007.

2007 Directors' Stock Incentive Plan

In October 2007, the Company adopted the 2007 Directors' Stock Incentive Plan (the "2007 Directors' Plan"). Under the 2007 Directors' Plan, an outside director is granted options of 50,000 common shares upon appointment to the Board of Directors. These options vest 1/3rd on the one year anniversary of the date of grant and 1/3rd of the shares on each anniversary thereafter. An outside director who has served on the board of directors for the prior six months is also granted options of 12,000 common shares on the date of each annual meeting of the shareholders. These options vest 100% on the one year anniversary of the date of grant.

2000 Employee Stock Purchase Plan

In June 2000, the Company adopted the 2000 Employee Stock Purchase Plan (the "Purchase Plan"). The Purchase Plan had 41,871,612 shares of common stock reserved for issuance thereunder as of February 2, 2008. The Purchase Plan allows for an annual increase in shares reserved for issuance on January 1 of each year equal to the lesser of (i) 4,000,000 shares or (ii) 1.5% of the outstanding shares of capital stock on such date. Under the Purchase Plan, employees are granted the right to purchase shares of common stock at a price per share that is 85% of the lesser of the fair market value of the shares at (i) the participant's entry date into the two-year offering period, or (ii) the end of each six-month purchase period within the offering period. Participants purchase stock using payroll deductions, which may not exceed 20% of their total cash compensation. Effective on May 30, 2007, offering and purchase periods begin on December 8 and June 8 of each year. During fiscal 2008, a total of 1,303,155 shares were issued under the Purchase Plan at a weighted-average price of $13.30. During fiscal 2007, a total of 895,170 shares were issued under the Purchase Plan at a weighted-average price of $15.21. During fiscal 2006, a total of 1,639,694 shares were issued under the Purchase Plan at a weighted-average price of $12.14. At February 2, 2008, 29,294,745 shares were available for future issuance under the Purchase Plan.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Warrants

In connection with an acquisition in June 2003, the Company issued 2,172,732 warrants to purchase shares of common stock at an exercise price of $4.61 per share. The warrants have a five-year life from the date of issuance. The warrant value was included in the purchase accounting of the acquisition. As of February 2, 2008, approximately 66,144 warrants had been exercised for a net issuance of 49,998 shares of common stock. As of February 2, 2008, 2,106,588 warrants were outstanding.

Combined Option Plan and Stock Award Activity

The following table summarizes the activity under the Option Plan, the Directors' Plan, the 2007 Directors' Plan and other stock based arrangements (in thousands, except for prices):

	Shares Available	Options Outstanding	Weighted Average Exercise Price of Options	Restricted Stock Outstanding
Balance at January 29, 2005	55,020	100,464	$ 6.83	
Additional shares authorized	27,760			
Granted	(19,832)	19,832	$ 21.00	
Canceled/Forfeited	2,922	(3,008)	$ 9.32	
Expired				
Exercised or issued		(23,044)	$ 6.22	
Balance at January 28, 2006	65,870	94,244	$ 9.88	
Additional shares authorized	29,139			
Granted	(32,836)	32,836	$ 24.13	2,580
Canceled/Forfeited	4,655	(4,706)	$ 15.71	(12)
Expired	29	(29)	$ 22.40	
Exercised or issued		(3,718)	$ 6.03	
Balance at January 27, 2007	66,857	118,627	$ 13.72	2,568
Additional shares authorized	29,381			
Granted	(12,577)	12,577	$ 16.21	3,611
Canceled/Forfeited	13,841	(13,841)	$ 17.39	(463)
Expired	51	(51)	$ 0.12	
Exercised or issued		(8,154)	$ 6.83	(3,692)
Balance at February 2, 2008	97,553	109,158	$ 14.64	2,024
Vested and expected to vest at February 2, 2008		102,927	$ 14.22	1,855
Exercisable at February 2, 2008		63,712	$ 10.29	

Included in the preceding table are 1,483,800 shares of option granted to certain officers at exercise prices of $24.80 and $14.01 that will become exercisable only upon the achievement of specified annual earnings per share targets through fiscal 2010.

The Company has granted performance based options to executives contingent upon achieving pro forma earnings per share targets (EPS). Pro forma EPS will be calculated by adjusting diluted net income per share under generally accepted accounting principles (GAAP EPS) for the impact of (i) non-cash stock-based compensation charges by adding to GAAP EPS non-cash stock-based compensation expense recognized under SFAS 123R, and (ii) non-cash charges associated with purchase accounting, including

purchase accounting adjustments for inventory and other write-off related expenses by adding to GAAP EPS amortization and write-off of acquired intangible assets and other and acquired in-process research and development. Share options were granted at the fair market value on the date of grant and fully vest upon achievement of these earnings per share targets within a four-year period. The contractual lives of the options are 10 years from the date of grant. The fair value of the each performance option grant that is expected to vest under these conditions was estimated on the date of grant using the same option valuation model for options granted under the Company's Option Plan. If such goals are not met, no compensation expense is recognized and any recognized compensation expense is reversed.

The aggregate intrinsic value and weighted average remaining contractual term of options vested and expected to vest at February 2, 2008 was $280.7 million and 6.3 years, respectively. The aggregate intrinsic value and weighted average remaining contractual term of options exercisable at February 2, 2008 was $275.9 million and 5.1 years, respectively. The aggregate intrinsic value is calculated based on the Company's closing stock price for all in-the-money options as of February 2, 2008.

The aggregate intrinsic value and weighted average remaining contractual term of restricted stock vested and expected to vest as of February 2, 2008 was $23.7 million and 1.1 years, respectively.

Included in the following table is activity related to the nonvested portion of the stock-based arrangement as follows (in thousands, except for prices):

	Nonvested Restricted Stock Outstanding	Weighted Average Grant Date Fair Value
Balance at January 27, 2007	2,708	$ 20.10
Granted	3,611	$ 12.10
Vested	(3,745)	$ 14.33
Canceled/Forfeited	(463)	$ 19.05
Balance at February 2, 2008	2,111	$ 16.89

As of February 2, 2008, compensation costs related to nonvested awards not yet recognized amounted to $497.0 million. The unamortized compensation expense for stock options and restricted stock will be amortized on a straight-line basis and is expected to be recognized over a weighted-average period of 2.4 years and 1.8 years, respectively. Historically, the Company issued new shares to satisfy option exercises.

The total intrinsic value of stock options exercised during fiscal 2008, 2007 and 2006 was $71.1 million, $76.1 million and $432.0 million, respectively. 3,744,722 shares of vested restricted stock were released during fiscal 2008. There were no releases of vested restricted stock during fiscal 2007 and 2006.

The Company also issued restricted stock awards of 140,000 at a weighted average grant date fair value of $32.21. At February 2, 2008, 86,668 nonvested awards remained outstanding. Based on the closing price of the Company's stock of $12.76, on February 2, 2008, the total pretax intrinsic value of all outstanding restricted stock was $1.1 million.

In December 2006, the options granted to five officers and directors of the Company were reformed to reflect higher exercise prices. There was no incremental compensation cost resulting from the modification.

Under applicable securities laws, the Company suspended all stock option exercise transactions under its Stock Option Plan effective on the close of business on September 7, 2006. On September 8, 2006,

management communicated the trading suspension, which lasted until July 13, 2007 when the Company filed all its delinquent SEC reports, to all option holders. As a result, the exercisability of all outstanding options, including vested awards held by certain separated employees, was modified. The Company recorded incremental compensation costs of $8.7 million representing the excess of the fair value of the modified award over the fair value of the original award immediately before filing of the Company's delinquent SEC reports, on affected awards in the second quarter of fiscal 2008.

In connection with the remediation steps from the recommendations of the Board's Special Committee Regarding Deriviative Litigation upon completion of the review of the Company's past stock option practices during the second quarter of fiscal 2008, the Company's Chief Executive Officer, Dr. Sehat Sutardja agreed to reduce the number of shares received in his December 26, 2003 option grant by 2,000,000 shares, which is the amount of underlying shares mistakenly awarded by the Executive Compensation Committee in excess of that authorized under the applicable stock option plan. Dr. Sutardja continued employment with the Company as Chief Executive Officer. Additionally, the outstanding options of the Company's former Chief Operating Officer, Weili Dai that were unvested as of May 6, 2007 have been cancelled and the exercisability of already vested options have been limited, notwithstanding her continued employment. The cancellations of grants were not accompanied by concurrent replacement grants or other valuable consideration. As a result, the cancellations were considered a repurchase with no consideration and in accordance with SFAS 123R, the Company recorded stock compensation expense of $8.4 million in the second quarter of fiscal 2008 for the remaining unrecognized compensation cost as of the date of the cancellation of the awards.

In November 2007, the Company filed a tender offer to correct the misdated stock options. The tender offer permitted the Company to give employees the opportunity to correct the §409A United States tax issues with the stock options and therefore exercise stock options without incurring a penalty tax. The tender offer amended certain outstanding options and provided restrictive stock unit grants and/or cash payments as set forth under the Offer to Amend the Exercise Price of Certain Options to employees with misdated options. In the fourth quarter of fiscal 2008, the tender offer was completed and stock compensation expense was recorded in connection with the granting of restricted stock to compensate employees for the increase in the exercise price in correcting the misdated options.

As a result of the Company's acquisitions, the Company assumed stock options previously granted by the acquired companies. As of February 2, 2008, a total of 2,136,004 shares of common stock were reserved for issuance upon exercise of outstanding options assumed from the acquisitions. The related options are included in the preceding tables. The options vest over four to five years and have eight to ten year terms.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 10 Income Taxes:

The provision for income taxes consists of the following (in thousands):

	Year Ended		
	February 2, 2008	January 27, 2007	January 28, 2006
Current income tax expense:			
Federal	$ 9,832	$ 13,858	$ 22,795
State	321	375	1,233
Foreign	9,813	23,538	46,464
Total current income tax expense	19,966	37,771	70,492
Deferred income tax expense (benefit):			
Federal	(2,135)	(6,976)	5,410
State	(758)	(1,559)	1,348
Foreign	(10,890)	6,311	(889)
Total deferred income tax expense (benefit)	(13,783)	(2,224)	5,869
Total provision for income taxes	$ 6,183	$ 35,547	$ 76,361

Deferred tax assets (liabilities) consist of the following (in thousands):

	February 2, 2008	January 27, 2007
Deferred tax assets:		
Federal and California research and other tax credits	$ 92,665	$ 51,170
Reserves and accruals	32,083	18,448
Stock compensation	4,173	3,483
Net operating losses	11,956	7,597
Gross deferred tax assets	140,877	80,698
Valuation allowance	(96,977)	(56,135)
Total deferred tax assets	43,900	24,563
Total deferred tax liabilities	(5,410)	(385)
Net deferred tax assets	$ 38,490	$ 24,178

The non-current portion of the Deferred Tax Assets as of February 2, 2008 and January 27, 2007 was $23.0 million and $18.3 million respectively, and are included with the Other Noncurrent Assets.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of January 27, 2007, with the adoption of SFAS No. 123(R), the Company has derecognized $53.1 million of deferred tax related to tax benefits obtained from stock options which are in excess of historical stock-based compensation. These benefits were previously reflected in our research tax credit carryforwards and the offsetting valuation allowance. Consistent with prior years, the excess tax benefit reflected in our research tax credit carryforwards, in the amount of $1.7 million as of February 2, 2008, will be accounted for as a credit to stockholders' equity, when realized. In determining when excess tax benefits have been realized, the Company elected to do a "with-and-without" approach with respect to such excess tax benefits. The Company has also elected to fully recognize the indirect tax effects related to research tax credit in income from continuing operations on a prospective basis.

As of February 2, 2008, the Company had net operating loss carryforwards available to offset future taxable income of approximately $62.6 million, $6.9 million and $3.0 million for Foreign, U.S. Federal and State of California purposes, respectively. The Federal carryforwards will expire in various fiscal years between 2010 and 2028, and the California carryforwards will expire at various fiscal years between 2011 and 2018, if not utilized before these years. The foreign losses have an indefinite carryforward limit. The Company has for U.S. Federal income tax return purposes research tax credit carryforwards of approximately $68.8 million that expire through fiscal 2028. As of February 2, 2008, the Company had unused California research and tax credit carryforwards of approximately $72.2 million which will carryforward indefinitely. Included in the U.S. Federal and California carryforward amounts are $29.1 million and $25.7 million, respectively, that are attributable to excess tax benefits from stock options. Upon realization, the benefit associated with these credits will increase additional paid-in capital. Upon realization, the benefit associated with these credits will increase additional paid-in capital. The Company also has unused research tax credits and investment tax credit carryforwards of approximately $6.2 million in other states that expire through fiscal 2023.

Based on the available objective positive and negative evidence, the Company has determined that it is more likely than not the Federal and California research credits and certain acquired net operating losses will not be realized and therefore the Company has provided a full valuation allowance against these benefits.

During fiscal 2008, deferred tax assets and corresponding valuation allowance related to research credits which were increased $40.8 million from the end of fiscal 2007 net of increases in current year unutilized Federal and California research credits. Of the $40.8 million increase $21.3 million relates to fiscal 2008 activity, $7.5 million relates to benefits from the fiscal 2007 acquisitions and the remaining balance of $12.0 million relates to changes in estimates associated with fiscal 2007. Approximately $0.5 million of valuation allowance at the end of fiscal 2008 will be allocated to reduce goodwill, other non-current intangible assets, or reserves, when realized, from companies that the Company had acquired. During fiscal 2007, there was a net increase in Federal and California research credits of $31.5 million with a derecognition of $53.1 million of deferred tax related to tax benefits obtained from stock options due to the adoption of SFAS No. 123(R) and a $0.5 million increase in deferred tax assets related to acquired companies. During fiscal 2006, the change in the valuation allowance was an increase of $19.4 million in Federal and California research credits and a $0.8 million increase in deferred tax assets related to acquired companies.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Reconciliation of the statutory federal income tax to the Company's effective tax:

	Year Ended		
	February 2, 2008	**January 27, 2007**	**January 28, 2006**
Provision at federal statutory rate	(35.0)%	35.0%	34.0%
Non-deductible stock-based compensation	75.8	459.9	13.8
Non-deductible officers' compensation	1.1	33.8	12.9
Difference in U.S. and non-U.S. tax rates	(32.1)	(524.6)	(30.4)
State taxes, net of federal benefit	(0.1)	1.7	(1.0)
Generation of general business credits	(24.4)	(37.5)	(1.7)
Valuation allowance, net of credit utilization	19.8)	41.2	
In-process research and development		234.2	
Other	0.6	(0.3)	0.1
Effective tax rate	5.7%	243.4%	27.7%

The U.S. and non-U.S. components of income before income taxes are (in thousands):

	Year Ended		
	February 2, 2008	**January 27, 2007**	**January 28, 2006**
U.S. operations	$ 21,998	$ 16,728	$ 753
Non-U.S. operations	(130,242)	(2,122)	275,098
	$ (108,244)	$ 14,606	$ 275,851

Uncertain Tax Positions

Effective January 28, 2007, the Company adopted the provisions of FIN 48. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109 and prescribes a recognition threshold of more-likely-than-not to be sustained upon examination. Upon adoption of FIN 48, the Company's policy to include interest and penalties related to gross unrecognized tax benefits within our provision for income taxes did not change.

The following table summarizes the activity related to our gross unrecognized tax benefits from January 28, 2007 to February 2, 2008 (in thousands):

	February 2, 2008
Balance as of January 27, 2007	$ 77,639
Increases related to current year tax positions	12,948
Releases of prior year foreign tax positions due to audit closures and statute lapses	(13,680)
Balance as of February 2, 2008	$ 76,907

As of February 2, 2008, the Company had accrued $20.4 million for payment of interest and $12.4 million for potential penalties.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company has not provided deferred tax on all non-Bermuda earnings under APB 23 as Bermuda does not have a tax system and therefore, there would not be an impact to the financial statements due to repatriation of cash from all non-Bermuda subsidiaries.

With the exception of the current IRS audit (see discussion below), there are no other audits currently in process. During fiscal 2009 the Company will continue to review its tax positions and provide for or reverse unrecognized tax benefits as issues arise. At this time we do not see any significant increases or decreases in the unrecognized tax benefits during fiscal 2009. If released, the unrecognized tax benefit amount would impact the effective income tax rate.

As a multinational corporation, the Company conducts its business in many countries and is subject to taxation in many jurisdictions. The taxation of the Company's business is subject to the application of multiple and sometimes conflicting tax laws and regulations as well as multinational tax conventions. The application of tax laws and regulations is subject to legal and factual interpretation, judgment and uncertainty. Tax laws themselves are subject to change as a result of changes in fiscal policy, changes in legislation, evolution of regulation and court rulings. Consequently, taxing authorities may impose tax assessments or judgments against the Company that could materially impact its tax liability and/or its effective income tax rate. During fiscal 2009, the Company will continue to accrue for unrecognized tax benefits and will make adjustments to statutes of limitations which will lapse during the fiscal year.

During the fourth quarter of fiscal 2007, the Internal Revenue Service notified the Company's U.S. subsidiaries that fiscal 2004 through 2006 would be audited and would include an audit of Section 409A and payroll tax issues arising out of the stock investigation. In fiscal 2007, the Company accrued $24.2 million of Section 409A liabilities for each of the restated years (including interest and penalties), accrued payroll taxes (including interest and penalties) where applicable. The Company elected to join and completed the IRS program Announcement 2007-18 and its California equivalent. Through the close of fiscal 2008, the Company paid out $21.8 million for Section 409A liabilities under the available programs, including interest and penalties where applicable. During fiscal 2008, based on developments of the Company's IRS payroll tax audit, the Company accrued an additional penalty of $7.2 million for employment taxes related to the conversion of incentive stock options into nonstatutory stock options due to the mispricing of the original option grant. The IRS has completed their field work and the results are currently under review by the IRS national office. The Company expects to receive a final determination within the next year. The Company is not under tax audit in any other material jurisdiction.

The Company has an undertaking from the government of Bermuda that it will not be subject to tax on its income and capital gains. The Company has obtained from the Minister of Finance of Bermuda under the Exempt Undertakings Tax Protection Act 1966, as amended that in the event that Bermuda enacts any legislation imposing tax computed on income and capital gains, those taxes should not apply to the Company until March 28, 2016. However, it is possible that this exemption would not be extended beyond that date. The profits and or losses recorded in Bermuda are not subject to tax. The benefit or determent of this is included in the Company's effective tax rate.

The Economic Development Board of Singapore granted Pioneer Status to the Company's wholly-owned subsidiary in Singapore in July 1999. Initially this tax exemption was to expire after ten years, but the Economic Development Board in June 2006 agreed to extend the term to fifteen years through 2014. Fiscal years 2008 and 2007 tax savings associated with this tax holiday are approximately $10.4 million and $7.4 million, respectively, which if paid would impact the Company's earning per share result by $0.02 and $.01 per share.

Under the law, including Amendment No. 60 to the law that as published in April 2005, by virtue of the "approved or benefited enterprise" status granted to certain of its enterprises, the Israeli subsidiaries

are entitled to various tax benefits. During the period of benefits 10-15 years commencing in the first year in which the subsidiaries earned taxable income from the approved or benefited enterprises (provided the maximum period to which it is restricted by law has not elapsed), income from the approved or benefited enterprises is subject to reduced tax rates or tax exemptions. Income from the approved or benefited enterprises is subject to reduced tax rates ranging between 1 and 10% or tax exemptions for fiscal years 2008 through 2020. For fiscal 2008 the benefit associated with these Approved Enterprise programs was $15.0 million, which provided an earnings per share benefit of $.03. For fiscal 2007 there was no savings or earnings per share benefit due to the utilization of prior year net operating loss carryforwards.

During fiscal 2007, the Swiss Federal Department of Economy and the Vaud Cantonal Tax Administration each granted Marvell Switzerland Sarl a total of a ten year tax holiday commencing with its fiscal year beginning January 29, 2006. The fiscal 2008 tax savings associated with this tax holiday is approximately $6.1 million, which provided an earnings per share benefit of $.01. For fiscal 2007 the Swiss holiday did not have a significant earnings per share benefit.

Note 11 Benefit Plans:

The Company sponsors a 401(k) savings and investment plan which allows all employees to participate by making pre-tax contributions to the 401(k) plan ranging from 1% to 20% of eligible earnings subject to a required annual limit. The Company may make discretionary contributions to the 401(k) plan upon approval by the Board of Directors. In fiscal 2005, the Board of Directors approved a resolution to allow the Company to provide an employer match to the 401(k) plan. The employer match will be made on a semi-annual basis and the maximum contribution will be $500 per eligible employee at each semi-annual period ending on July 31 and January 31. The participant must be employed by the Company on the last day of the semi-annual period to qualify for the match. Each semi-annual period will be treated separately, in which a participant must contribute at least $500 per semi-annual period to be eligible to receive a matching contribution. The Company made matching contributions to employees of $2.1 million, $1.3 million and $0.9 million during fiscal 2008, fiscal 2007 and fiscal 2006, respectively. As of February 2, 2008, the 401(k) plan offers a variety of 17 investment alternatives, representing different asset classes. Employees may not invest in the Company's common stock through the 401(k) plan.

Under Israeli law, the Company is required to make severance payments to its retired or dismissed Israeli employees and Israeli employees leaving its employment in certain other circumstances. The Company's severance pay liability to its Israeli employees, which is calculated based on the salary of each employee multiplied by the years of such employee's employment, is reflected in the Company's balance sheet in other long-term liabilities on an accrual basis, and is partially funded by the purchase of insurance policies in the name of the employees. The surrender value of the insurance policies is recorded in other noncurrent assets. The severance pay expenses for fiscal 2008, 2007 and 2006 were $14.4 million, $6.5 million and $2.7 million, respectively. The severance pay detail is as follows (in thousands):

	Year Ended		
	February 2, 2008	**January 27, 2007**	**January 28, 2006**
Accrued severance	$ 49,346	$ 34,118	$ 13,083
Less amount funded	50,235	32,092	10,299
Unfunded (funded) portion, net accrued severance pay	$ (889)	$ 2,026	$ 2,784

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 12 Commitments and Contingencies:

Warranty Obligations

The Company's products typically carry a standard 90-day warranty with certain exceptions in which the warranty period can range from one to five years. The following table presents changes in the warranty accrual included in accrued liabilities in the Company's consolidated balance sheet during fiscal 2008, 2007 and 2006, respectively (in thousands):

	Years Ended January 31,		
	February 2, 2008	**January 27, 2007**	**January 28, 2006**
Beginning balance	$ 2,567	$ 3,914	$ 1,571
Warranties issued	1,493	479	3,670
Settlements	(1,528)	(1,826)	(1,327)
Ending balance	$ 2,532	$ 2,567	$ 3,914

Lease Commitments

The Company leases some of its facilities under noncancelable operating leases and leases certain property and equipment under capital leases. Future minimum lease payments, net of estimated sublease income under the operating and capital leases as of February 2, 2008 are presented in the following table (in thousands):

Fiscal Year:	**Operating Leases**	**Estimated Sublease Income**	**Net Operating Leases**	**Capital Leases**
2009	$ 59,067	$ (622)	$ 58,445	$ 2,469
2010	37,857	(651)	37,206	2,531
2011	27,644	(624)	27,020	2,084
2012	16,274		16,274	521
2013	9,388		9,388	
Thereafter	10,093		10,093	
Total future minimum lease payments	$ 160,323	$ (1,897)	$ 158,426	7,605
Less: amount representing interest				(904)
Present value of future minimum lease payments				6,701
Less: current portion				(2,463)
Long-term lease obligations				$ 4,238

Rent expense, net of sublease income on the operating leases for fiscal 2008, 2007 and 2006 was approximately $18.0 million, $10.1 million and $9.1 million, respectively.

In October 2001, the Company entered into a lease agreement for a building in Sunnyvale, California consisting of approximately 213,000 square feet. The lease commenced on January 1, 2002 and was amended in the third quarter of fiscal 2006 to end December 31, 2005. During the first quarter of fiscal 2003, the Company consolidated its three existing facilities in California into this new building. The leases on two of the

Company's former facilities expired in February 2002 and June 2005, respectively, but the

Company has an ongoing, non-cancelable lease for the remaining facility. As a result, the Company recorded a facilities consolidation charge and obtained a sublease for the remaining facility (see Note 7). The future minimum lease payments at February 2, 2008 for the remaining unoccupied facility net of sublease income aggregated $1.9 million and are included in the above lease commitment table.

Included in operating lease commitments are lease payments for computer aided software license agreements and airplane lease commitments.

Other Commitments

In addition to the above commitments and contingencies, $75.7 million of unrecognized tax benefits have been recorded as liabilities in accordance with FIN 48. There is also a recorded liability for potential penalties and interest of $12.4 million and $20.4 million, respectively as of February 2, 2008. The Company is uncertain when these amounts may be settled. Accruals will continue to be made and reversals will also be made as statutes lapse.

Purchase Commitments

In connection with the acquisition of the ICAP Business, the Company entered into a product supply agreement with Intel. Although the Company has met the contractual obligations under the original supply agreement and has transitioned certain products to its fabrication partners, the Company anticipates that it will continue to source certain legacy application processor cellular and handset inventory from Intel. Under terms of an amended agreement with Intel, the Company has committed to purchase a minimum number of wafers through December 2008. As of February 2, 2008, the Company recorded $14.0 million as a prepaid asset for advance payment for wafers and had non cancellable purchase orders outstanding of $32.3 million under this arrangement.

Under the Company's manufacturing relationships with all other foundries, cancellation of all outstanding purchase orders are allowed but require repayment of all expenses incurred through the date of cancellation. As of February 2, 2008, these foundries had incurred approximately $188.0 million of manufacturing expenses on the Company's outstanding purchase orders.

On February 28, 2005 and as amended on March 31, 2005, the Company entered into an agreement with a foundry to reserve and secure foundry fabrication capacity for a fixed number of wafers at agreed upon prices for a period of five and a half years beginning on October 1, 2005. In return, the Company agreed to pay the foundry $174.2 million over a period of eighteen months. The amendment extends the term of the agreement and the agreed upon pricing terms until December 31, 2015. As of February 2, 2008, payments totaling $174.2 million (included in prepaid expenses and other current assets and other noncurrent assets) have been made and approximately $128.2 million of the prepayment has been utilized as of February 2, 2008. At February 2, 2008, there are no outstanding commitments under the agreement.

As of February 2, 2008, the Company had approximately $58.7 million of other outstanding non-cancelable purchase orders for capital purchase obligations.

Contingencies

IPO Securities Litigation. On July 31, 2001, a putative class action suit was filed against two investment banks that participated in the underwriting of the Company's initial public offering on June 29, 2000. That lawsuit, which did not name the Company or any of its officers or directors as defendants, was filed in the United States District Court for the Southern District of New York. Plaintiffs allege that the underwriters received "excessive" and undisclosed commissions and entered into unlawful "tie-in"

agreements with certain of their clients in violation of Section 10(b) of the Securities Exchange Act of 1934. Thereafter, on September 5, 2001, a second putative class action was filed in the Southern District of New York relating to the Company's IPO. In this second action, plaintiffs named three underwriters as defendants and also named as defendants the Company and two of its officers, one of whom is also a director. Relying on many of the same allegations contained in the initial complaint, plaintiffs allege that the defendants violated various provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934. In both actions, plaintiffs seek, among other items, unspecified damages, pre-judgment interest and reimbursement of attorneys' and experts' fees. These two actions have been consolidated and coordinated with hundreds of other lawsuits filed by plaintiffs against approximately 40 underwriters and approximately 300 issuers across the United States. Defendants in the coordinated proceedings moved to dismiss the actions. In February 2003, the trial court granted the motions in part and denied them in part, thus allowing the case to proceed against the Company and the underwriters. Claims against the individual officers have been voluntarily dismissed with prejudice by agreement with plaintiffs. In June 2004, a stipulation of settlement and release of claims against the issuer defendants, including the Company, was submitted to the court for approval. On August 31, 2005, the court preliminarily approved the settlement. In December 2006, the appellate court overturned the certification of classes in the six focus cases that were selected by the underwriter defendants and plaintiffs in the coordinated proceedings (the action involving Marvell is not one of the six cases). Because class certification was a condition of the settlement, it was unlikely that the settlement would receive final Court approval. On June 25, 2007, the Court entered an order terminating the proposed settlement based upon a stipulation among the parties to the settlement. Plaintiffs filed amended master allegations and amended complaints in the six focus cases. Defendants' motions to dismiss those new complaints were denied in part and granted in part Plaintiffs have also moved for class certification in the six focus cases, which the defendants in those cases have opposed.

Section 16(b) Litigation. On October 9, 2007, a purported Marvell shareholder filed a complaint for violation of Section 16(b) of the Securities Exchange Act of 1934, which prohibits short-swing trading, against the Company's IPO underwriters. The complaint, *Vanessa Simmonds v. The Goldman Sachs Group, et al.*, Case No. C07-1632 filed in District Court for the Western District of Washington, seeks the recovery of short-swing profits. The Company is named as a nominal defendant. No recovery is sought from the Company.

Jasmine Networks Litigation. On September 12, 2001, Jasmine Networks, Inc. ("Jasmine") filed a lawsuit in the Santa Clara County Superior Court alleging claims against three officers and the Company for improperly obtaining and using information and technologies during the course of the negotiations with our personnel regarding the potential acquisition of certain Jasmine assets by the Company. The lawsuit claims that the Company's officers improperly obtained and used such information and technologies after the Company signed a non-disclosure agreement with Jasmine. The Company believes the claims asserted against its officers and the Company are without merit and the Company intends to defend all claims vigorously.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On June 21, 2005, the Company filed a cross complaint in the above disclosed action in the Santa Clara County Superior Court asserting claims against Jasmine and unnamed Jasmine officers and employees. The cross complaint was later amended to name two individual officers of Jasmine. On May 15, 2007, the Company filed a second amended cross complaint to add additional causes of action for declaratory relief against Jasmine. Among other actions, the cross complaint alleges that Jasmine and its personnel engaged in fraud in connection with their effort to sell to the Company technology that Jasmine and its personnel wrongfully obtained from a third party in violation of such third party's rights. The cross complaint seeks declaratory judgment that the Company's technology does not incorporate any of Jasmine's alleged technology. The cross complaint seeks further declaratory judgment that Jasmine and its personnel misappropriated certain aspects of Jasmine's alleged technology. The Company intends to prosecute the cross complaint against Jasmine and its personnel vigorously, including, but not limited to, filing certain dispositive motions regarding the ownership of the technology which is the subject of the cross complaint. On June 13, 2007, Jasmine filed a demurrer to the fifth, sixth, and seventh causes of action of the Company's second amended cross-complaint. The demurrer was heard on July 19, 2007 and denied. On August 3, 2007, Jasmine filed its answer to the second amended complaint. The Company's motion for summary adjudication on its fifth and sixth causes of action for declaratory relief is set for November 9, 2007, which will seek, among other things, a determination that Jasmine held no propriety interest in the "JSLIP" algorithm, which was one of the core technologies Jasmine asserts was misappropriated by Marvell. The motion was denied on November 14, 2007. However, in its opposition, Jasmine admitted that JSLIP had been taken from the work of a third party and is embodied in patents held by the University of California and Cisco Systems. These admissions are significant with respect to both Jasmine's assertion of trade secret rights and any damages claimed by Jasmine.

In addition, on December 28, 2001 and January 7, 2002, the trial court issued a preliminary injunction precluding Jasmine from using, disclosing or disseminating the contents of a privileged communication between certain officers of the Company and its counsel. The order granting injunctive relief was reversed by the California Court of Appeal, but review was granted by the California Supreme Court on a "grant and hold" basis pending the Court's decision on a case involving closely related issues, *Rico v. Mitsubishi Motors Corp*. (2004) 116 Cal.App.4th 51. The effect of the Supreme Court's grant of review was to depublish the Court of Appeal's decision. On December 13, 2007, the California Supreme Court ruled in a manner consistent with the position asserted by the Company that attorney work product and attorney-client privileges are not waived by inadvertent disclosure of a privileged communication, and that any party receiving such information (i) is required to notify opposing counsel immediately; and (ii) may not read such document more closely than is necessary to determine it is privileged. *Rico v. Mitsubishi Motors Corp.* (2007) 42 Cal.4th 807. On March 6, 2008, Jasmine filed a motion to dismiss the California Supreme Court's grant of review contending, *inter alia*, that review should be dismissed in light of the Supreme Court's ruling in the *Rico* case. The Company believes Jasmine's motion is meritless and will vigorously oppose the motion. To date the California Supreme Court has not announced its position with respect to the Company's petition for review. It is not known when the Supreme Court will address the Company's petition for review.

CSIRO Litigation. In 2004, Australia's Commonwealth Scientific and Industrial Research Organisation ("CSIRO") sent notice letters to a number of Wi-Fi System manufacturers regarding CSIRO's patent, U.S. Patent No. 5,487,069 (the 069 Patent) as it relates to IEEE 802.11a and 802.11g wireless standards. In May 2005, a group of system manufacturers, including customers of our 802.11a or 802.11g wireless LAN products, filed an action in the United States District Court for the Northern District of California seeking a declaratory judgment against CSIRO that the plaintiff manufacturers' products employing the IEEE 802.11a or 802.11g wireless standards do not infringe CSIRO's patent, U.S.

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Patent No. 5,487,069. In September 2006, CSIRO filed an answer and counterclaims alleging that plaintiffs' products that employ those wireless standards infringe the CSIRO patent and seeking damages, including enhanced damages and attorneys' fees and costs, and an injunction against sales of infringing products. In December 2006, the district court granted CSIRO's motion to transfer the case to the United States District Court for the Eastern District of Texas, where CSIRO had brought a similar lawsuit against another company. As a result of CSIRO's counterclaims for patent infringement, several customers have sought indemnification from the Company. Also in December 2006, CSIRO filed suit in the United States District Court for the Eastern District of Texas against several manufacturers and suppliers of wireless products, including customers of our 802.11a or 802.11g wireless LAN products. The complaint alleges that the manufacture, use and sale of wireless products compliant with the IEEE 802.11a or 802.11g wireless standards infringes on the CSIRO patent. As a result of CSIRO's claim for patent infringement, another customer of ours has sought indemnification from us. In response to these demands for indemnification, the Company has acknowledged the demands and incurred costs in response to them.

On May 4, 2007, the Company filed an action in the United States District Court for the Eastern District of Texas seeking a declaratory judgment against CSIRO that the CSIRO patent is invalid and unenforceable and that the Company and its customers do not infringe the CSIRO patent. The complaint also seeks damages and a license for the Company and its customers on reasonable and non-discriminatory terms in the event the Company's 802.11a/g wireless LAN products are found to infringe and the CSIRO patent is found to be valid and enforceable.

On July 3, 2007, the Company moved to intervene in the two actions described above pending in the Eastern District of Texas, for the purposes of staying the actions as to products incorporating Marvell parts in favor of the separate action that the Company filed as described in the next paragraph. Alternatively the Company moved to disqualify the firm of Townsend, Townsend and Crew from continuing to represent CSIRO because of a conflict of interest. CSIRO opposed these motions on August 3, 2007.

On August 3, 2007, CSIRO moved to dismiss the Company's complaint for lack of case or controversy and failure to state a claim upon which relief can be granted, or, in the alternative, to stay the case pending the resolution of the pending lawsuits described in the preceding paragraph. On October 24, 2007, the Court issued an order denying CSIRO's motion to dismiss. The Court also denied the Company's motions to stay/intervene/disqualify. On December 5, 2007, CSIRO filed its answer to our complaint, as well as counterclaims against us for willful and deliberate infringement of the '069 Patent. CSIRO's counterclaims included a demand for increased damages and attorneys' fees.

On November 16, 2007, the Company filed a notice of appeal of the Court's denial of the motions to stay/intervene/disqualify. The appeal will be adjudicated by the United States Court of Appeals for the Federal Circuit. The Company filed its opening appellate brief on March 5, 2008.

The Claim Construction hearing is set for June 26, 2008. Trial for the Company's declaratory judgment action is set to begin on May 10, 2010. CSIRO and the Company are currently engaging in discovery and motion practice.

Shareholder Derivative Litigation. Between July 7, 2006 and August 2, 2006, three purported shareholder derivative actions were filed in the United States District Court for the Northern District of California. Each of these lawsuits names the Company as a nominal defendant and a number of the Company's current and former directors and officers as defendants. Each lawsuit seeks to recover damages purportedly sustained by the Company in connection with its option granting processes, and seeks certain corporate governance and internal control changes. Pursuant to orders of the court dated August 17 and October 17, 2006, the three actions were consolidated as a single action, entitled *In re Marvell Technology*

Group Ltd. Derivative Litigation. The plaintiffs filed an amended and consolidated complaint on November 1, 2006. On January 16, 2007, the Company filed a motion to dismiss the consolidated complaint for lack of standing or, in the alternative, stay proceedings. Pursuant to stipulations among the parties, the Company's motion is currently scheduled to be heard on March 28, 2008.

On February 12, 2007, a new purported derivative action was filed in the United States District Court for the Northern District of California. Like *In re Marvell Technology Group Ltd. Derivative Litigation*, this lawsuit names the Company as a nominal defendant and a number of the Company's current and former directors and officers as defendants. It seeks to recover damages purportedly sustained by the Company in connection with its option granting processes, and seeks certain corporate governance and internal control changes. On May 1, 2007, the court entered an order consolidating this lawsuit with *In re Marvell Technology Group Ltd. Derivative Litigation*.

On May 29, 2007, the Court entered an order staying discovery in this matter pending resolution of the Company's motion to dismiss.

On January 25, 2008, the Court entered a stipulated order staying proceedings so that the parties could finalize a settlement agreement that would resolve the action. On or about March 5, 2008, the parties entered into a memorandum of understanding that tentatively settles and resolves the action. The terms of the memorandum of understanding include certain corporate governance enhancements and an agreement by the Company to pay up to $16.0 million in plaintiff attorney's fees, an amount less than what the Company will receive from a recent settlement with its directors and officers liability insurers. This tentative settlement of the derivative action requires court approval before it becomes final. The Company anticipates that the parties will finalize and submit formal settlement documentation to the court in the next few months for both preliminary and final approval.

Class Action Securities Litigation. Between October 5, 2006 and November 13, 2006, four putative class actions were filed in the United States District Court for the Northern District of California against the Company and certain of its officers and directors. The complaints allege that the Company and certain of its officers and directors violated the federal securities laws by making false and misleading statements and omissions relating to the grants of stock options. The complaints seek, on behalf of persons who purchased the Company's common stock during the period from October 3, 2001 to October 3, 2006, unspecified damages, interest, and costs and expenses, including attorneys' fees and disbursements. Pursuant to an order of the court dated February 2, 2007, these four putative class actions were consolidated as a single action entitled *In re Marvell Technology Group Ltd. Securities Litigation*. On August 16, 2007, plaintiffs filed a consolidated class action complaint. On October 18, 2007, the Company filed a motion to dismiss the consolidated class action complaint. The motion is fully briefed and argued. The Company is awaiting the Court's order on this motion.

SEC and United States Attorney Inquiries. In July 2006, the Company received a letter of informal inquiry from the Securities and Exchange Commission ("SEC") requesting certain documents relating to the Company's stock option grants and practices. The Company also received a grand jury subpoena from the office of the United States Attorney for the Northern District of California requesting substantially similar documents. On April 20, 2007, the Company was informed that the SEC is now conducting a formal investigation into this matter. On June 8, 2007 and July 3, 2007, the Company received document subpoenas from the SEC. On October 11, 2007, the Company received a "Wells Notice" from the staff of the SEC. Weili Dai, Director of Strategic Marketing and Business Development, who is not an officer or director of Marvell, also received a "Wells" notice. The SEC staff also advised the Company that it is not at this time recommending enforcement action against any current officers or directors of Marvell. The "Wells" notices indicate that the staff intends to recommend to the Commission that it bring civil actions

against the recipients for injunctive relief and civil monetary penalties. As the Company has previously disclosed, it has responded in writing to the "Wells Notice" and is seeking to reach a resolution of this matter before any action is filed.

The Company has cooperated with the SEC and the United States Attorney regarding these matters, and intend to continue to do so. The Company cannot predict the outcome of these investigations.

Wi-Lan Litigation. On December 21, 2006, Marvell Semiconductor, Inc. ("MSI") received a letter from Wi-Lan, Inc. ("Wi-Lan") accusing MSI of infringing four United States patents allegedly owned by Wi-Lan, and one Canadian patent also allegedly owned by Wi-Lan. On October 31, 2007, Wi-Lan sued two groups of system and chip manufacturers in the United States District Court for the Eastern District of Texas, in both cases naming MSI as a defendant and alleging patent infringement. In the first case, Wi-Lan alleges that defendants infringe two patents that allegedly relate to the 802.11 wireless standard. In the second case, Wi-Lan alleges that defendants infringe the same two patents asserted in the first case, and in addition Wi-Lan alleges that some of the defendants in the second case infringe a third patent that allegedly relates to Asymmetric Digital Subscriber Line ("ADSL") technology. In the second case, MSI is not accused of infringing the ADSL patent. MSI believes it does not infringe the asserted Wi-Lan patents and will vigorously defend itself in these matters.

On November 5, 2007, MSI filed a Complaint against Wi-Lan in the United States District Court for the Northern District of California asking the Court to find that it does not infringe three patents that Wi-Lan asserted against MSI in its December 21, 2006 letter. Two of these patents were not asserted against MSI in either of the two Texas litigations. These patents allegedly relate to Wideband Code Division Multiple Access technology. Also, MSI asks in the alternative that the Court find the patents invalid. Wi-Lan has not yet filed its answer in this action. MSI will vigorously pursue this matter.

General. The Company is also party to other legal proceedings and claims arising in the normal course of business.

The legal proceedings and claims described above could result in substantial costs and could divert the attention and resources of the Company's management. Although the legal responsibility and financial impact with respect to these proceedings and claims cannot currently be ascertained, an unfavorable outcome in such actions could have a material adverse effect on the Company's cash flows, including potential impacts to certain covenants under its existing credit agreement. Litigation is subject to inherent uncertainties and unfavorable rulings could occur. An unfavorable ruling in litigation could require the Company to pay damages or one-time license fees or royalty payments, which could adversely impact gross margins in future periods, or could prevent the Company from manufacturing or selling some of its products or limit or restrict the type of work that employees involved in such litigation may perform for the Company. There can be no assurance that these matters will be resolved in a manner that is not adverse to the Company's business, financial condition, results of operations or cash flows.

Indemnities, Commitments and Guarantees

During its normal course of business, the Company has made certain indemnities, commitments and guarantees under which it may be required to make payments in relation to certain transactions. These indemnities include intellectual property indemnities to the Company's customers in connection with the sales of its products, indemnities for liabilities associated with the infringement of other parties' technology based upon the Company's products, indemnities to various lessors in connection with facility leases for certain claims arising from such facility or lease, and indemnities to directors and officers of the Company to the maximum extent permitted under the laws of Bermuda. In addition, the Company has contractual

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commitments to various customers, which could require the Company to incur costs to repair an epidemic defect with respect to its products outside of the normal warranty period if such defect were to occur. The duration of these indemnities, commitments and guarantees varies, and in certain cases, is indefinite. The majority of these indemnities, commitments and guarantees do not provide for any limitation of the maximum potential future payments that the Company could be obligated to make. The Company has not recorded any liability for these indemnities, commitments and guarantees in the accompanying consolidated balance sheets. The Company does, however, accrue for losses for any known contingent liability, including those that may arise from indemnification provisions, when future payment is probable.

Note 13 Segment and Geographic Information:

SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information ("SFAS 131"), establishes standards for the way that public business enterprises report information about operating segments in annual consolidated financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. SFAS 131 also establishes standards for related disclosures about products and services, geographic areas and major customers. The Company operates in one reportable segment the design, development and sale of integrated circuits.

The fact that the Company operates in only one reportable segment is based on the following factors. The Company uses a highly integrated approach in developing its products in that discrete technologies developed by the Company are frequently integrated across many of its products. Also, the Chief Operating Decision Maker, as defined by SFAS 131, makes financial decisions for the Company based on the consolidated financial performance and not necessarily based on any discrete financial information. The sale of integrated circuits represents the only material source of revenue for the Company. Finally, substantially all of the Company's integrated circuits are manufactured under similar manufacturing processes.

The Chief Executive Officer has been identified as the Chief Operating Decision Maker.

The following tables present net revenue and long-lived asset information based on geographic region. Net revenue is based on the destination of the shipments and long-lived assets are based on the physical location of the assets (in thousands):

	Year Ended		
Net Revenue:	**February 2, 2008**	**January 27, 2007**	**January 28, 2006**
Canada	$ 286,570	$ 38,185	$ 2,337
China	666,084	495,683	265,621
Japan	354,432	245,753	226,515
Korea	232,610	226,652	199,586
Malaysia	254,905	290,499	303,331
Philippines	135,907	171,692	141,214
Singapore	158,736	200,884	145,635
Taiwan	262,842	163,459	160,641
Thailand	329,501	173,744	87,911
United States	118,869	107,204	74,308
Others	94,237	123,798	63,167
	$ 2,894,693	$ 2,237,553	$ 1,670,266

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Long-lived Assets:	February 2, 2008	January 27, 2007
Bermuda	$ 2,455,272	$ 2,486,710
Israel	92,688	86,975
Singapore	55,206	222,786
United States	297,417	315,407
Others	77,667	49,455
	$ 2,978,250	$ 3,161,333

The following table presents net revenue for groups of similar products (in thousands):

	Year Ended		
Net Revenue:	February 2, 2008	January 27, 2007	January 28, 2006
Storage products	$ 1,554,584	$ 1,253,383	$ 1,058,697
Communications products	1,340,109	984,170	611,569
	$ 2,894,693	$ 2,237,553	$ 1,670,266

Note 14 Related Party Transactions:

During fiscal 2008, 2007 and 2006, the Company incurred approximately $0.1 million, $1.0 million and $0.7 million, respectively, of expenses from an unrelated third-party entity, ACM Aviation, Inc. ("ACM"), for charter aircraft services provided to Marvell Semiconductor, Inc. ("MSI") for Estopia Air LLC ("Estopia Air"). The aircraft provided by ACM to the Company for such services is owned by Estopia Air. The Company's Chairman, President and Chief Executive Officer, Dr. Sehat Sutardja and the Company's Director of Strategic Marketing and Business Development, Weili Dai, through their control and ownership of Estopia Air, own the aircraft provided by ACM. Dr. Sutardja and Weili Dai are husband and wife. Expenses were incurred for business travel use of the aircraft at a cost determined to be at fair market value.

On August 19, 2005, the Company, through its subsidiaries MSI and Marvell International Ltd., entered into a License and Manufacturing Services Agreement (the "License Agreement") with C2 Microsystems, Inc. ("C2Micro"). The License Agreement has substantially similar terms as other license and manufacturing services agreements with other third parties. The Company recognized $1.3 million of revenue under the License Agreement with C2 Micro during fiscal 2008. The Company recognized $0.3 million of revenue and deferred $25,000 of revenue under the License Agreement with C2 Micro during fiscal 2007. As of February 2, 2008, the Company had a receivable of $0.6 million from C2Micro. Dr. Sehat Sutardja and Weili Dai, through their ownership and control of Estopia LLC, are indirect shareholders of C2Micro. Kuo Wei (Herbert) Chang, a member of the Company's Board of Directors, through his ownership and control of C-Squared venture entities, is also an indirect shareholder of C2Micro. Dr. Pantas Sutardja, the Company's Vice President, Chief Technology Officer, Acting Chief Operating Officer and Chief Research and Development Officer, is also a shareholder of C2Micro.

On January 8, 2007, the Company, through its subsidiary Marvell International Ltd., entered into a Library/IP/Software Evaluation License Agreement (the "Evaluation License Agreement") with VeriSilicon Holdings Co., Ltd. ("VeriSilicon"). The Evaluation License Agreement has no consideration. The Company also incurred $0.3 million of royalty expense from VeriSilicon under a core license agreement assumed from its acquisition of the UTStarcom Business during fiscal 2008. In addition, the

Company incurred $37,500 of maintenance expense from VeriSilicon during fiscal 2008. Weili Dai's brother (and Dr. Sehat Sutardja's brother-in-law) is the Chairman, President and Chief Executive Officer of VeriSilicon. Ms. Dai is also a shareholder of VeriSilicon.

On September 6, 2007, the Company, through its subsidiary Marvell International Ltd., entered into a Technology Evaluation Agreement (the "Evaluation Agreement") with Vivante Corporation ("Vivante"). The Evaluation Agreement has no consideration. On September 28, 2007, the Company also entered into a Memorandum of Understanding ("MOU") with Vivante to set forth the main principles for a good faith negotiation of a license agreement. The MOU has no consideration. On October 31, 2007, the Company entered into a License Agreement with Vivante. The License Agreement has substantially similar terms as other license agreements with other third parties. The Company recorded $0.5 million of expense during fiscal 2008 in connection with the License Agreement with Vivante. Dr. Sehat Sutardja and Weili Dai, through their ownership and control of Estopia LLC, are indirect shareholders of Vivante. In addition, Dr. Sehat Sutardja is also a direct shareholder and Chairman of the board of directors of Vivante. Weili Dai's brother (and Dr. Sehat Sutardja's brother-in-law) is the Chief Executive Officer of Vivante. Kuo Wei (Herbert) Chang, a member of the Company's Board of Directors, through his ownership and control of C-Squared venture entities, is also an indirect shareholder of Vivante.

On September 28, 2007, the Company, through its subsidiary Marvell International Ltd., entered into a Master Technology Agreement (the "Technology Agreement") with Sonics, Inc. ("Sonics"), pursuant to which the Company licensed technology from Sonics. The Technology Agreement has substantially similar terms as other license agreements with other third parties. The Company paid $2.1 million under the Technology Agreement for the license and related maintenance during fiscal 2008. Kuo Wei (Herbert) Chang, member of the Company's Board of Directors and Mike Sophie, former member of the Company's Board of Directors, both serve as members of the board of directors of Sonics and each has a direct and/or indirect ownership interest in the equity of Sonics.

Note 15 Subsequent Event

In March 2008, the Company reached an agreement with its directors and officers liability insurance carriers whereby the carriers will pay the Company an amount to resolve coverage dispute in connection with various securities actions, various related investigations and other matters. This amount will be recorded as an operating gain in the first quarter of fiscal 2009, the period when the amount became realizable.

Supplementary Data (Unaudited)

The following table presents the unaudited consolidated statements of operations data for each of the eight quarters in the period ended February 2, 2008. In management's opinion, this information has been presented on the same basis as the audited consolidated financial statements included in a separate section of this report, and all necessary adjustments, consisting only of normal recurring adjustments, have been included in the amounts below to fairly state the unaudited quarterly results when read in conjunction with the audited consolidated financial statements and related notes. The operating results for any period should not be considered indicative of results to be expected in any future period. We expect the quarterly

operating results to fluctuate in future periods due to a variety of reasons, including those discussed in Item 1A" "Risk Factors."

	Fiscal 2008			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share amounts)			
Net revenue	$ 635,050	$ 656,711	$ 758,246	$ 844,686
Gross profit	307,633	321,181	362,037	406,046
Net (loss) income(1)	(52,828)	(56,456)	(6,436)	1,293
Net (loss) income per share:				
Basic	$ (0.09)	$ (0.10)	$ (0.01)	$ 0.00
Diluted	$ (0.09)	$ (0.10)	$ (0.01)	$ 0.00

	Fiscal 2007			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share amounts)			
Net revenue	$ 521,196	$ 573,985	$ 520,398	$ 621,974
Gross profit	280,963	294,910	264,308	297,131
Income (loss) before change in accounting principle	68,717	44,881	6,046	(140,585)
Net income (loss)(2)	77,563	44,881	6,046	(140,585)
Income (loss) per share before change in accounting principle:				
Basic	$ 0.12	$ 0.08	$ 0.01	$ (0.24)
Diluted	$ 0.11	$ 0.07	$ 0.01	$ (0.24)
Net income (loss) per share:				
Basic	$ 0.13	$ 0.08	$ 0.01	$ (0.24)
Diluted	$ 0.12	$ 0.07	$ 0.01	$ (0.24)

(1) Includes gain of $5.1 million from sale of asset under construction in Q208, income tax benefit of $15.4 million related to the reversals of tax reserves after conclusion of a foreign tax audit in Q308, accrual of $16.0 million expense related to anticipated payments pursuant to a tentative settlement in Q408, interest and penalties of $7.2 million associated with payroll tax on certain stock option exercises included in the respective operating costs and expenses in Q408, $7.2 million intangible asset write-off in Q408, other income of $22.1 million associated with one-time adjustment related to termination of supply contract in Q408 and an income tax benefit of $7.3 million related to the recognition of tax net operating losses which were considered to be realizable.

(2) Includes IPR&D of $77.8 million in Q407 and $24.2 million of Section 409A liability on certain stock options included in the respective operating costs and expenses recorded in Q407

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

Not applicable.

Item 9A. ***Controls and Procedures***

Management's Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our interim Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) as of February 2, 2008. Disclosure controls and procedures are designed to ensure that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and that such information is accumulated and communicated to management, including the Chief Executive Officer and interim Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and interim Chief Financial Officer, concluded that our disclosure controls and procedures were not effective as of February 2, 2008 because of the material weaknesses described below. Notwithstanding the material weaknesses described below, our current management has concluded that the consolidated financial statements for the periods covered by and included in this Annual Report on Form 10-K are fairly stated in all material respects in accordance with generally accepted accounting principles in the United States for each of the periods presented herein.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has evaluated the effectiveness of our internal control over financial reporting as of February 2, 2008 using the criteria set forth in the *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

A material weakness is a deficiency, or a combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. Management has determined that we have the following material weakness in our internal control over financial reporting as of February 2, 2008:

Control environment. We did not maintain an effective control environment based on criteria established in the COSO framework. Specifically: (1) internal control deficiencies were not remediated in a timely manner as our management did not exercise the necessary rigor and commitment to internal control over financial reporting and senior management was unable to timely implement the planned remediation actions of the control deficiencies identified in fiscal year 2007; (2) we did not maintain a sufficient complement of personnel with a level of accounting knowledge, experience and training in the application of generally accepted accounting principles commensurate with our financial reporting requirements; and (3) we did not maintain effective, timely and sufficient communication within our finance department and between our finance department and other departments of the Company.

These control deficiencies resulted in audit adjustments relating to the valuation of intangible assets, valuation of goodwill in purchase accounting, completeness of litigation accrual, valuation of inventory, valuation of deferred tax assets, valuation of accounts receivable, certain other accounts and the related financial disclosures. Additionally, these control deficiencies could result in misstatements to substantially all financial statement accounts and disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected. Accordingly, our management has determined that these control deficiencies constitute a material weakness.

As a result of the material weakness described above, management concluded that our internal control over financial reporting was not effective as of February 2, 2008 based on the criteria established in *Internal Control Integrated Framework* issued by the COSO.

The effectiveness of our internal control over financial reporting as of February 2, 2008 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report included in this Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Remediation of Fiscal 2007 Deficiencies

As previously disclosed in our Annual Report on Form 10-K for fiscal 2007 we had a material weakness in our control environment and a material weakness in our controls over stock-based compensation expense. As of February 2, 2008, we have remediated the material weakness in our controls over stock-based compensation expense. As noted above in Management's Report on Internal Control Over Financial Reporting, the control environment material weakness continues to exist, however, we have remediated the deficiency with respect to certain individuals involved in the stock option process that said they did not feel able to provide frank advice to senior management regarding controls over processing, recording and reporting of stock option transactions. The following corrective actions were implemented throughout fiscal 2008, in addition to the various measures previously disclosed in our Annual Report on Form 10-K for fiscal 2007, relating to both the control environment and stock-based compensation expense material weaknesses:

- Certain management personnel involved in the processing, recording and reporting of stock option transactions have either been terminated or reassigned to other positions in the Company that have no role in the equity award grant process.

- During fiscal year 2008 we hired a new Vice President of Human Resources whose responsibilities include providing oversight of the equity award grant process and implementing directives of the Executive Compensation Committee with respect thereto.

- During fiscal year 2008, a number of our senior management personnel completed training programs as planned for fiscal year 2008 to ensure better governance of the company and a more open environment.

- The Executive Compensation Committee and Board adopted and enforced an equity award grant policy during fiscal year 2008.

- All equity awards granted during fiscal year 2008 were memorialized in minutes of the Executive Compensation Committee.

- The Company significantly enhanced its controls over stock-based compensation expense, including enhancements to improve the rigor of our review process.

During the fourth quarter of fiscal year 2008, we hired an interim Chief Financial Officer and an interim General Counsel. To date, we have increased the number of independent members of our Board by one compared to fiscal year 2007.

Remediation Plan of Fiscal 2008 Material Weakness

We plan to implement further remedial actions related to the 2008 material weakness, specifically:

We are conducting a search for a permanent Chief Financial Officer and General Counsel and, following completion of our recruitment of a permanent Chief Financial Officer, we are planning to conduct a search for a permanent Chief Operating Officer and a Vice President of Compliance. The Vice President of Compliance will report directly to the Audit Committee of the Board. The Board's Governance Committee is continuing its search for additional independent directors to fill existing vacancies, and an independent director will succeed Dr. Sutardja as Chairman of the Board.

We also plan to further strengthen our controls over the monthly closing and financial reporting processes by continuing to hire additional personnel, including personnel with knowledge, experience and training in the application of U.S. generally accepted accounting principles commensurate with our financial reporting requirements. The hiring and retention of additional, qualified personnel is critical to the building of a finance organization with the depth and breadth of knowledge to support our planned operations. Additionally, we are evaluating our resource and automation requirements in related functions to adequately support the finance organization.

We further plan to enhance communications through the design of formalized inter-departmental information exchanges on a recurring basis, and enhancements to the design of certain internal controls to enable a more detailed review process to occur on a timely basis.

Item 9B. ***Other Information***

Not applicable.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

Directors and Executive Officers

The information required by Items 401, 406 and 407(c)(3),(d)(4) and (d)(5) of Regulation S-K with respect to our directors, director nominees, executive officers and corporate governance is incorporated by reference to the information set forth in our Definitive Proxy Statement in connection with our 2008 Annual General Meeting of Shareholders (the "2008 Proxy Statement"), which will be filed with the Securities and Exchange Commission no later than 120 days after February 2, 2008. The information regarding our current executive officers required by this item is also included in Part I, Item 1 hereof under the caption "Executive Officers of Registrant."

Section 16(a) Beneficial Ownership Reporting Compliance

The information required by Item 405 of Regulation S-K is incorporated by reference to the information set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in our 2008 Proxy Statement.

Code of Ethics

We have adopted a code of ethics and business conduct that applies to all of our directors, officers (including our Chief Executive Officer (our principal executive officer), Chief Financial Officer (our principal financial and accounting officer), Corporate Controller and any person performing similar functions) and employees. The code of ethics and business conduct is available on our web site www.marvell.com. We will disclose future amendments to or waivers from, our code of ethics and business conduct on our website.

Committees of the Board of Directors and Attendance

The information required by this item concerning our audit committee and audit committee financial expert is incorporated by reference from the information set forth in the section titled "Board of Directors and Committees of the Board" in our 2008 Proxy Statement.

Item 11. *Executive Compensation*

The information required by Items 402, 407(e)(4) and 407(e)(5) of Regulation S-K is incorporated by reference to the information set forth under the caption "Executive Compensation" in our 2008 Proxy Statement.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholders Matters*

The information required by Item 403 of Regulation S-K is incorporated by reference to the information set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" in our 2008 Proxy Statement.

Securities Authorized for Issuance under Equity Compensation Plans

Equity Compensation Plan Information

The following table provides certain information with respect to all of our equity compensation plans in effect as of February 2, 2008:

Plan Category	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants, and Rights	Number of Securities Remaining Available for Future Issuance under equity compensation plans (Excluding Securities Reflected in Column
Equity compensation plans approved by security holders(1)(2)	110,865,369	$ 14.77	126,847,745
Equity compensation plans not approved by security holders(3)	317,342	$ 0.15	
Total	111,182,711	$ 14.73	126,847,745

(1) Includes the 1995 Stock Option Plan, the 1997 Directors' Stock Option Plan, the 2000 Employee Stock Purchase Plan the 2007 Directors' Stock Option Plan and shares of common stock reserved for issuance under option plans we assumed in connection with our acquisition of Galileo Technology Ltd. No further options will be awarded under the Galileo option plans.

(2) The number of shares reserved for grant under the 1995 Stock Option Plan (the "1995 Plan") is subject to an annual increase in shares reserved for issuance equal to the lesser of (a) 40,000,000 shares, (b) 5.0% of the outstanding shares of capital stock on such date, or (c) an amount of shares determined by our Board of Directors. The number of shares reserved for issuance under the 2000 Employee Stock Purchase Plan includes an annual increase in shares reserved for issuance equal to the lesser of (a) 8,000,000 shares or (b) 1.5% of the outstanding shares of our capital stock. Stock options, restricted stock, restricted stock units or stock appreciation rights may be awarded under the 1995 Plan.

(3) Consists of 106,966 shares of common stock reserved for issuance under options we granted to former option holders of SysKonnect GmbH in connection with our acquisition of SysKonnect GmbH, 187,968 shares of common stock reserved for issuance under options granted by the Company to former option holders of RADLAN Computer Communications Ltd. in connection with our acquisition of RADLAN Computer Communications Ltd. and 22,408 shares of common stock reserved for issuance under options we granted to former option holders of Asica, Inc. in connection with our acquisition of Asica, Inc.

Item 13. ***Certain Relationships and Related Transactions and Director Independence***

The information required by Items 404 and 407(a) of Regulation S-K is incorporated by reference to the information set forth under the caption "Related Party Transactions" in our 2008 Proxy Statement.

Item 14. ***Principal Accounting Fees and Services***

The information required by Item 9(e) of Schedule 14A is incorporated by reference to the information set forth under the caption "Information Concerning Independent Registered Public Accounting Firm" in our 2008 Proxy Statement.

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

(a) The following documents are filed as part of this Annual Report on Form 10-K:

1. *Financial Statements:*

	Page Reference
Consolidated Balance Sheets as of February 2, 2008 and January 27, 2007	80
Consolidated Statements of Operations for the years ended February 2, 2008, January 27, 2007 and January 28, 2006	81
Consolidated Statements of Shareholders' Equity for the years ended February 2, 2008, January 27, 2007 and January 28, 2006	82
Consolidated Statements of Cash Flows for the years ended February 2, 2008, January 27, 2007, January 28, 2006	83
Notes to Consolidated Financial Statements	84

2. *Financial Statement Schedules:*

Schedules not listed above have been omitted because they are not applicable or required, or the information required to be set forth therein is included in the Consolidated Financial Statements or Notes thereto.

3. *Exhibits.*

See Item 15(b) below.

(b) *Index to Exhibits*

Exhibit No.	Description
2.1	Purchase and Sale Agreement dated as of February 17, 2006, by and among Avago Technologies Limited, Avago Technologies Imaging Holding (Labuan) Corporation, other sellers and Marvell Technology Group Ltd. and Marvell International Technology Ltd., incorporated by reference to Exhibit 2.1 of the registrant's annual report on Form 10-K for the year ended January 28, 2006 as filed on April 13, 2006
2.2	Asset Purchase Agreement dated as of June 26, 2006 by and between Intel Corporation and Marvell Technology Group Ltd., incorporated by reference to Exhibit 2.1 of the registrant's current report on Form 8-K for the period dated November 8, 2006 as filed on November 14, 2006
3.1	Memorandum of Association of the registrant, incorporated by reference to Exhibit 3.1 of the registrant's registration statement on Form S-1 (file no. 333-33086), as filed on March 23, 2000
3.2	Second Amended and Restated Bye-laws of the registrant, incorporated by reference to Appendix A of the registrant's Definitive Proxy Statement, as filed on May 21, 2001
3.3	Memorandum of Increase of Share Capital of Marvell Technology Group Ltd., incorporated by reference to Exhibit 3.1 of the registrant's current report on Form 8-K for the period dated June 29, 2006 as filed on July 6, 2006

Exhibit No.	Description
4.1	Specimen common stock certificate of the registrant, incorporated by reference to Exhibit 4.1 of the registrant's registration statement on Form S-1/A (file no. 333-33086), as filed on May 5, 2000

10.1#	1997 Directors' Stock Option Plan, incorporated by reference to Exhibit 10.2 of the registrant's registration statement on Form S-1 (file no. 333-33086), as filed on March 23, 2000
10.2	Galileo Technology Ltd. 1997 Employees' Stock Option Plan, incorporated by reference to Exhibit 10.4 of the registrant's annual report on Form 10-K for the year ended January 27, 2001 as filed on April 27, 2001
10.3	Galileo Technology Ltd. 1997 GTI Stock Option Plan, incorporated by reference to Exhibit 10.5 of the registrant's annual report on Form 10-K for the year ended January 27, 2001 as filed on April 27, 2001
10.4	Investors Rights Agreement dated September 10, 1999, incorporated by reference to Exhibit 10.6 of the registrant's registration statement on Form S-1 (file no. 333-33086), as filed on March 23, 2000
10.5	Wafer Purchase Agreement by and between Marvell Technology Group Ltd. and Taiwan Semiconductor Manufacturing Corporation dated June 30, 1997, incorporated by reference to Exhibit 10.7 of the registrant's registration statement on Form S-1/A (file no. 333-33086), as filed on May 5, 2000
10.6*	Master Development, Purchasing and License Agreement between Intel Corporation and Marvell Semiconductor, Inc., incorporated by reference to Exhibit 10.8 of the registrant's registration statement on Form S-1/A (file no. 333-33086) , as filed on June 23, 2000
10.7	Lease Agreement dated June 30, 2000 by and between Galileo Technology Ltd. and Zanker Development Co., incorporated by reference to Exhibit 10.12 of the registrant's annual report on Form 10-K for the year ended January 27, 2001 as filed on April 27, 2001
10.8*	Technology License Agreement dated April 23, 2001 by and between Marvell International Limited and ARM Limited, incorporated by reference to Exhibit 10.13 of the registrant's quarterly report on Form 10-Q for the period ended April 28, 2001 as filed on June 12, 2001
10.9*	Amendment Number 2 to Master Development, Purchasing and License Agreement dated July 17, 2001 between Intel Corporation and Marvell Semiconductor, Inc., incorporated by reference to Exhibit 10.14 of the registrant's quarterly report on Form 10-Q for the period ended July 28, 2001 as filed on September 12, 2001
10.10*	Supply Agreement for the Fabrication and Purchase of Semiconductor Products dated June 13, 2002 by and between Marvell Semiconductor, Inc., Marvell Asia Pte Ltd. and Western Digital Technologies, Inc., incorporated by reference to Exhibit 10.16 of the registrant's quarterly report on Form 10-Q for the period ended August 3, 2002 as filed on September 17, 2002
10.11*	Amendment Number 3 to Master Development, Purchasing and License Agreement dated October 10, 2002 by and between Intel Corporation and Marvell Semiconductor, Inc., incorporated by reference to Exhibit 10.17 of the registrant's quarterly report on Form 10-Q for the period ended November 2, 2002 as filed on December 17, 2002
10.12*	Volume Supply Requirements Agreement dated as of December 2, 2002, by and among Marvell Asia Pte Ltd. and Seagate Technology LLC incorporated by reference to Exhibit 10.18 of the registrant's annual report on Form 10-K for the year ended February 1, 2003 as filed on May 2, 2003
10.13	Amended 2000 Employee Stock Purchase Plan, incorporated by reference to Exhibit 10.19 of the registrant's quarterly report on Form 10-Q for the period ended August 2, 2003 as filed on September 15, 2003

10.14#	Amended and Restated 1995 Stock Option Plan Restricted Stock Agreement, incorporated by reference to Exhibit 10.20 of the registrant's annual report on Form 10-K for the year ended January 28, 2006 as filed on April 13, 2006
10.15#	Form of Option Agreement for use with the Amended and Restated 1995 Stock Option Plan, incorporated by reference to Exhibit 10.21 of the registrant's annual report on Form 10-K for the year ended January 28, 2006 as filed on April 13, 2006
10.16#	Amended and Restated 1995 Stock Option Plan, incorporated by reference to Exhibit 10.24 of the registrant's quarterly report on 10-Q for the period ended July 30, 2005 as filed on September 8, 2005
10.17#	Form of Performance-Based Vesting Option Agreement, incorporated by reference to Exhibit 10.23 of the registrant's current report on Form 8-K for the period dated May 25, 2006 as filed on May 30, 2006
10.18	Credit Agreement dated as of November 8, 2006 among Marvell Technology Group Ltd., the Lenders Party thereto, Credit Suisse, Cayman Islands Branch, as Administrative Agent, LaSalle Bank National Association, as Syndication Agent, and KeyBank National Association and Commerzbank AG, as Co-Documentation Agents, incorporated by reference to Exhibit 10.1 of the registrant's current report on Form 8-K for the period dated November 8, 2006 as filed on November 14, 2006
10.19	U.S. Pledge Agreement dated as of November 8, 2006 among Marvell Technology Group Ltd., Marvell Technology, Inc. and Credit Suisse, Cayman Islands Branch, as Administrative Agent, incorporated by reference to Exhibit 10.2 of the registrant's current report on Form 8-K for the period dated November 8, 2006 as filed on November 14, 2006
10.20	Bermuda Pledge Agreement dated as of November 8, 2006 among Marvell Technology Group Ltd., Marvell Technology, Inc. and Credit Suisse, Cayman Islands Branch, as Administrative Agent, incorporated by reference to Exhibit 10.3 of the registrant's current report on Form 8-K for the period dated November 8, 2006 as filed on November 14, 2006
10.21	Share Charge dated as of November 8, 2006 between Marvell International Ltd. and Credit Suisse, Cayman Islands Branch, as Administrative Agent, incorporated by reference to Exhibit 10.4 of the registrant's current report on Form 8-K for the period dated November 8, 2006 as filed on November 14, 2006
10.22#	Reformation of Stock Option Agreement dated December 27, 2006 by and between Sehat Sutardja and Marvell Technology Group Ltd., incorporated by reference to Exhibit 10.1 of the registrant's current report on Form 8-K for the period dated December 27, 2006 as filed on January 4, 2007
10.23#	Reformation of Stock Option Agreement dated December 27, 2006 by and between Weili Dai and Marvell Technology Group Ltd., incorporated by reference to Exhibit 10.2 of the registrant's current report on Form 8-K for the period dated December 27, 2006 as filed on January 4, 2007
10.24#	Reformation of Stock Option Agreement dated December 28, 2006 by and between Pantas Sutardja and Marvell Technology Group Ltd., incorporated by reference to Exhibit 10.3 of the registrant's current report on Form 8-K for the period dated December 27, 2006 as filed on January 4, 2007

10.25#	Reformation of Stock Option Agreement dated December 28, 2006 by and between George Hervey and Marvell Technology Group Ltd., incorporated by reference to Exhibit 10.4 of the registrant's current report on Form 8-K for the period dated December 27, 2006 as filed on January 4, 2007
10.26#	Reformation of Stock Option Agreement dated May 6, 2007 between Marvell Technology Group Ltd. and Dr. Sehat Sutardja, incorporated by reference to Exhibit 10.1 of the registrant's current report on Form 8-K for the period dated May 2, 2007 as filed on May 8, 2007
10.27#	Amendment of Stock Option Agreement dated May 6, 2007 between Marvell Technology Group Ltd. and Weili Dai, incorporated by reference to Exhibit 10.2 of the registrant's current report on Form 8-K for the period dated May 2, 2007 as filed on May 8, 2007
10.28	Deed of Trust, Security Agreement, Assignment of Rents and Leases and Fixture Filing by and from Marvell Technology, Inc., First American Title Insurance Company and Credit Suisse, Cayman Island Branch dated May 18, 2007, incorporated by reference to Exhibit 10.1 of the registrant's current report on Form 8-K for the period dated May 18, 2007 as filed on May 24, 2007
10.29	Security Agreement among Marvell Technology, Inc., Marvell Semiconductor, Inc., SysKonnect, Inc., Avago Technologies Imaging (U.S.A.), Inc., Zenographics, Inc. and Marvell Semiconductor Ltd., the Guarantors party thereto and Credit Suisse, Cayman Islands Branch dated May 18, 2007, incorporated by reference to Exhibit 10.2 of the registrant's current report on Form 8-K for the period dated May 18, 2007 as filed on May 24, 2007
10.30	Form of Restricted Stock Unit Agreement, incorporated by reference to Exhibit 10.34 of the registrant's annual report on Form 10-K for the year ended January 27, 2007 as filed on July 2, 2007
10.31#	Description of patent issuance bonus plan, incorporated by reference to Exhibit 10.35 of the registrant's annual report on Form 10-K for the year ended January 27, 2007 as filed on July 2, 2007
10.32#	Description of vice president focal bonus plan, incorporated by reference to Exhibit 10.36 of the registrant's annual report on Form 10-K for the year ended January 27, 2007 as filed on July 2, 2007
10.33	Description of Indemnification Rights for certain current and former directors, officers and employees, incorporated by reference to Exhibit 10.37 of the registrant's quarterly report on Form 10-Q for the period ended July 28, 2007 as filed on September 6, 2007
10.34#	2007 Director Stock Incentive Plan, as amended and restated, incorporated by reference to Exhibit 10.1 of the registrant's current report on Form 8-K for the period dated October 20, 2007 as filed on October 25, 2007
10.35#	Form of Stock Option Agreement for use under the 2007 Director Stock Incentive Plan Initial Award, incorporated by reference to Exhibit 10.2 of the registrant's current report on Form 8-K for the period dated October 20, 2007 as filed on October 25, 2007
10.36#	Form of Stock Option Agreement for use under the 2007 Director Stock Incentive Plan Annual Award, incorporated by reference to Exhibit 10.3 of the registrant's current report on Form 8-K for the period dated October 20, 2007 as filed on October 25, 2007
10.37#	Form of Notice of Grant of Stock Options (performance-based vesting), incorporated by reference to Exhibit 10.1 of the registrant's current report on Form 8-K for the period dated December 28, 2007 as filed on January 2, 2008

10.38#	Amendment of Stock Option between the Registrant and Michael Rashkin dated December 31, 2007, incorporated by reference to Exhibit 10.2 of the registrant's current report on Form 8-K for the period dated December 28, 2007 as filed on January 2, 2008
10.39	2000 Employee Stock Purchase Plan Form of Subscription Agreement, incorporated by reference to Exhibit 10.5 of the registrant's Form S-8 as filed on January 11, 2008
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* Certain portions of this exhibit have been omitted pursuant to request for confidential treatment granted by the Securities and Exchange Commission.

~ In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 33-8238 and 34-47986, Final Rule: Management's Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Form 10-K and will not be deemed "filed" for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

(c) *Financial Statements Required by Regulation S-X which are excluded from the annual report to Shareholders by Rule 14a-3(b).*

Not applicable.

SIGNATURES

Pursuant to the requirements of section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MARVELL TECHNOLOGY GROUP LTD.

Dated: March 28, 2008

By: /s/ DR. SEHAT SUTARDJA

Dr. Sehat Sutardja
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Dr. Sehat Sutardja and George de Urioste, and each of them individually, as his or her attorney-in-fact, each with full power of substitution, for him or her in any and all capacities, to sign any and all amendments to this Report on Form 10-K, and to file the same, with exhibits thereto and all other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact, or his or substitute, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Name and Signature	Title	Date
/s/ SEHAT SUTARDJA Dr. Sehat Sutardja	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	March 28, 2008
/s/ GEORGE DE URIOSTE George de Urioste	Interim Chief Financial Officer (Principal Financial and Accounting Officer)	March 28, 2008
/s/ PANTAS SUTARDJA Dr. Pantas Sutardja	Chief Technology Officer and Director	March 28, 2008
/s/ HERBERT CHANG Herbert Chang	Director	March 28, 2008
/s/ PAUL R. GRAY Dr. Paul R. Gray	Director	March 28, 2008
/s/ JUERGEN GROMER Juergen Gromer	Director	March 28, 2008
/s/ ARTURO KRUEGER Arturo Krueger	Director	March 28, 2008

Name and Signature	Title	Date
/s/ DAVID MILLS David Mills	Director	March 28, 2008

INDEX TO EXHIBITS

Exhibit No.	Description
2.1	Purchase and Sale Agreement dated as of February 17, 2006, by and among Avago Technologies Limited, Avago Technologies Imaging Holding (Labuan) Corporation, other sellers and Marvell Technology Group Ltd. and Marvell International Technology Ltd., incorporated by reference to Exhibit 2.1 of the registrant's annual report on Form 10-K for the year ended January 28, 2006 as filed on April 13, 2006
2.2	Asset Purchase Agreement dated as of June 26, 2006 by and between Intel Corporation and Marvell Technology Group Ltd., incorporated by reference to Exhibit 2.1 of the registrant's current report on Form 8-K for the period dated November 8, 2006 as filed on November 14, 2006
3.1	Memorandum of Association of the registrant, incorporated by reference to Exhibit 3.1 of the registrant's registration statement on Form S-1 (file no. 333-33086), as filed on March 23, 2000
3.2	Second Amended and Restated Bye-laws of the registrant, incorporated by reference to Appendix A of the registrant's Definitive Proxy Statement, as filed on May 21, 2001
3.3	Memorandum of Increase of Share Capital of Marvell Technology Group Ltd., incorporated by reference to Exhibit 3.1 of the registrant's current report on Form 8-K for the period dated June 29, 2006 as filed on July 6, 2006
4.1	Specimen common stock certificate of the registrant, incorporated by reference to Exhibit 4.1 of the registrant's registration statement on Form S-1/A (file no. 333-33086), as filed on May 5, 2000
10.1#	1997 Directors' Stock Option Plan, incorporated by reference to Exhibit 10.2 of the registrant's registration statement on Form S-1 (file no. 333-33086), as filed on March 23, 2000
10.2	Galileo Technology Ltd. 1997 Employees' Stock Option Plan, incorporated by reference to Exhibit 10.4 of the registrant's annual report on Form 10-K for the year ended January 27, 2001 as filed on April 27, 2001
10.3	Galileo Technology Ltd. 1997 GTI Stock Option Plan, incorporated by reference to Exhibit 10.5 of the registrant's annual report on Form 10-K for the year ended January 27, 2001 as filed on April 27, 2001
10.4	Investors Rights Agreement dated September 10, 1999, incorporated by reference to Exhibit 10.6 of the registrant's registration statement on Form S-1 (file no. 333-33086), as filed on March 23, 2000
10.5	Wafer Purchase Agreement by and between Marvell Technology Group Ltd. and Taiwan Semiconductor Manufacturing Corporation dated June 30, 1997, incorporated by reference to Exhibit 10.7 of the registrant's registration statement on Form S-1/A (file no. 333-33086), as filed on May 5, 2000
10.6*	Master Development, Purchasing and License Agreement between Intel Corporation and Marvell Semiconductor, Inc., incorporated by reference to Exhibit 10.8 of the registrant's registration statement on Form S-1/A (file no. 333-33086) , as filed on June 23, 2000

10.7	Lease Agreement dated June 30, 2000 by and between Galileo Technology Ltd. and Zanker Development Co., incorporated by reference to Exhibit 10.12 of the registrant's annual report on Form 10-K for the year ended January 27, 2001 as filed on April 27, 2001
10.8*	Technology License Agreement dated April 23, 2001 by and between Marvell International Limited and ARM Limited, incorporated by reference to Exhibit 10.13 of the registrant's quarterly report on Form 10-Q for the period ended April 28, 2001 as filed on June 12, 2001
10.9*	Amendment Number 2 to Master Development, Purchasing and License Agreement dated July 17, 2001 between Intel Corporation and Marvell Semiconductor, Inc., incorporated by reference to Exhibit 10.14 of the registrant's quarterly report on Form 10-Q for the period ended July 28, 2001 as filed on September 12, 2001
10.10*	Supply Agreement for the Fabrication and Purchase of Semiconductor Products dated June 13, 2002 by and between Marvell Semiconductor, Inc., Marvell Asia Pte Ltd. and Western Digital Technologies, Inc., incorporated by reference to Exhibit 10.16 of the registrant's quarterly report on Form 10-Q for the period ended August 3, 2002 as filed on September 17, 2002
10.11*	Amendment Number 3 to Master Development, Purchasing and License Agreement dated October 10, 2002 by and between Intel Corporation and Marvell Semiconductor, Inc., incorporated by reference to Exhibit 10.17 of the registrant's quarterly report on Form 10-Q for the period ended November 2, 2002 as filed on December 17, 2002
10.12*	Volume Supply Requirements Agreement dated as of December 2, 2002, by and among Marvell Asia Pte Ltd. and Seagate Technology LLC incorporated by reference to Exhibit 10.18 of the registrant's annual report on Form 10-K for the year ended February 1, 2003 as filed on May 2, 2003
10.13	Amended 2000 Employee Stock Purchase Plan, incorporated by reference to Exhibit 10.19 of the registrant's quarterly report on Form 10-Q for the period ended August 2, 2003 as filed on September 15, 2003
10.14#	Amended and Restated 1995 Stock Option Plan Restricted Stock Agreement, incorporated by reference to Exhibit 10.20 of the registrant's annual report on Form 10-K for the year ended January 28, 2006 as filed on April 13, 2006
10.15#	Form of Option Agreement for use with the Amended and Restated 1995 Stock Option Plan, incorporated by reference to Exhibit 10.21 of the registrant's annual report on Form 10-K for the year ended January 28, 2006 as filed on April 13, 2006
10.16#	Amended and Restated 1995 Stock Option Plan, incorporated by reference to Exhibit 10.24 of the registrant's quarterly report on 10-Q for the period ended July 30, 2005 as filed on September 8, 2005
10.17#	Form of Performance-Based Vesting Option Agreement, incorporated by reference to Exhibit 10.23 of the registrant's current report on Form 8-K for the period dated May 25, 2006 as filed on May 30, 2006
10.18	Credit Agreement dated as of November 8, 2006 among Marvell Technology Group Ltd., the Lenders Party thereto, Credit Suisse, Cayman Islands Branch, as Administrative Agent, LaSalle Bank National Association, as Syndication Agent, and KeyBank National Association and Commerzbank AG, as Co-Documentation Agents, incorporated by reference to Exhibit 10.1 of the registrant's current report on Form 8-K for the period dated November 8, 2006 as filed on November 14, 2006

10.19	U.S. Pledge Agreement dated as of November 8, 2006 among Marvell Technology Group Ltd., Marvell Technology, Inc. and Credit Suisse, Cayman Islands Branch, as Administrative Agent, incorporated by reference to Exhibit 10.2 of the registrant's current report on Form 8-K for the period dated November 8, 2006 as filed on November 14, 2006
10.20	Bermuda Pledge Agreement dated as of November 8, 2006 among Marvell Technology Group Ltd., Marvell Technology, Inc. and Credit Suisse, Cayman Islands Branch, as Administrative Agent, incorporated by reference to Exhibit 10.3 of the registrant's current report on Form 8-K for the period dated November 8, 2006 as filed on November 14, 2006
10.21	Share Charge dated as of November 8, 2006 between Marvell International Ltd. and Credit Suisse, Cayman Islands Branch, as Administrative Agent, incorporated by reference to Exhibit 10.4 of the registrant's current report on Form 8-K for the period dated November 8, 2006 as filed on November 14, 2006
10.22#	Reformation of Stock Option Agreement dated December 27, 2006 by and between Sehat Sutardja and Marvell Technology Group Ltd., incorporated by reference to Exhibit 10.1 of the registrant's current report on Form 8-K for the period dated December 27, 2006 as filed on January 4, 2007
10.23#	Reformation of Stock Option Agreement dated December 27, 2006 by and between Weili Dai and Marvell Technology Group Ltd., incorporated by reference to Exhibit 10.2 of the registrant's current report on Form 8-K for the period dated December 27, 2006 as filed on January 4, 2007
10.24#	Reformation of Stock Option Agreement dated December 28, 2006 by and between Pantas Sutardja and Marvell Technology Group Ltd., incorporated by reference to Exhibit 10.3 of the registrant's current report on Form 8-K for the period dated December 27, 2006 as filed on January 4, 2007
10.25#	Reformation of Stock Option Agreement dated December 28, 2006 by and between George Hervey and Marvell Technology Group Ltd., incorporated by reference to Exhibit 10.4 of the registrant's current report on Form 8-K for the period dated December 27, 2006 as filed on January 4, 2007
10.26#	Reformation of Stock Option Agreement dated May 6, 2007 between Marvell Technology Group Ltd. and Dr. Sehat Sutardja, incorporated by reference to Exhibit 10.1 of the registrant's current report on Form 8-K for the period dated May 2, 2007 as filed on May 8, 2007
10.27#	Amendment of Stock Option Agreement dated May 6, 2007 between Marvell Technology Group Ltd. and Weili Dai, incorporated by reference to Exhibit 10.2 of the registrant's current report on Form 8-K for the period dated May 2, 2007 as filed on May 8, 2007
10.28	Deed of Trust, Security Agreement, Assignment of Rents and Leases and Fixture Filing by and from Marvell Technology, Inc., First American Title Insurance Company and Credit Suisse, Cayman Island Branch dated May 18, 2007, incorporated by reference to Exhibit 10.1 of the registrant's current report on Form 8-K for the period dated May 18, 2007 as filed on May 24, 2007

10.29	Security Agreement among Marvell Technology, Inc., Marvell Semiconductor, Inc., SysKonnect, Inc., Avago Technologies Imaging (U.S.A.), Inc., Zenographics, Inc. and Marvell Semiconductor Ltd., the Guarantors party thereto and Credit Suisse, Cayman Islands Branch dated May 18, 2007, incorporated by reference to Exhibit 10.2 of the registrant's current report on Form 8-K for the period dated May 18, 2007 as filed on May 24, 2007
10.30	Form of Restricted Stock Unit Agreement, incorporated by reference to Exhibit 10.34 of the registrant's annual report on Form 10-K for the year ended January 27, 2007 as filed on July 2, 2007
10.31#	Description of patent issuance bonus plan, incorporated by reference to Exhibit 10.35 of the registrant's annual report on Form 10-K for the year ended January 27, 2007 as filed on July 2, 2007
10.32#	Description of vice president focal bonus plan, incorporated by reference to Exhibit 10.36 of the registrant's annual report on Form 10-K for the year ended January 27, 2007 as filed on July 2, 2007
10.33	Description of Indemnification Rights for certain current and former directors, officers and employees, incorporated by reference to Exhibit 10.37 of the registrant's quarterly report on Form 10-Q for the period ended July 28, 2007 as filed on September 6, 2007
10.34#	2007 Director Stock Incentive Plan, as amended and restated, incorporated by reference to Exhibit 10.1 of the registrant's current report on Form 8-K for the period dated October 20, 2007 as filed on October 25, 2007
10.35#	Form of Stock Option Agreement for use under the 2007 Director Stock Incentive Plan Initial Award, incorporated by reference to Exhibit 10.2 of the registrant's current report on Form 8-K for the period dated October 20, 2007 as filed on October 25, 2007
10.36#	Form of Stock Option Agreement for use under the 2007 Director Stock Incentive Plan Annual Award, incorporated by reference to Exhibit 10.3 of the registrant's current report on Form 8-K for the period dated October 20, 2007 as filed on October 25, 2007
10.37#	Form of Notice of Grant of Stock Options (performance-based vesting), incorporated by reference to Exhibit 10.1 of the registrant's current report on Form 8-K for the period dated December 28, 2007 as filed on January 2, 2008
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