FACTSET RESEARCH SYSTEMS INC
Form 8-K
February 14, 2007

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# Form 8-K

**CURRENT REPORT**
**Pursuant to Section 13 or 15(d) of the**
**Securities Exchange Act of 1934**

Date of report (Date of earliest event reported): **February 13, 2007**

# FactSet Research Systems Inc.

(Exact name of Registrant as specified in its charter)

| **Delaware** | **1-11869** | **13-3362547** |
|---|---|---|
| (State or other jurisdiction of incorporation or organization) | (Commission File Number) | (I.R.S. Employer Identification Number) |

**601 Merritt 7**
**Norwalk, Connecticut 06851**
(Address of principal executive offices)

**(203) 810-1000**
(Registrant s telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

|_| Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
|_| Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
|_| Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
|_| Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 5.02: Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.**

On February 13, 2007, the Board of Directors of FactSet Research Systems Inc. (the "Company") elected a new director, Mr. Joseph Zimmel. Mr. Zimmel has not yet been appointed to serve on any of the committees of the Board.

Mr. Zimmel is currently a private investor. From December 2001 until November 2002, Mr. Zimmel served as an Advisory Director to the Goldman Sachs Group. Prior to that engagement, Mr. Zimmel held the position of Managing Director of the Communications, Media & Entertainment Group for the placecountry-regionAmericas in the investment banking division at Goldman, Sachs & Co., from 1999 to 2001. Mr. Zimmel served as a Managing Director and the co-head of that group from 1992 to 1999. Mr. Zimmel also serves on the board of directors of CenturyTel, Inc.

There are no arrangements or understandings between Mr. Zimmel and any other persons pursuant to which Mr. Zimmel was selected as a director. Mr. Zimmel does not have a direct or indirect material interest in any currently proposed transaction to which the Company is to be party, nor has Mr. Zimmel had a direct or indirect material interest in any such transaction since the beginning of the Company s last fiscal year. Mr. Zimmel will stand for re-election by a vote of stockholders at the Company s 2009 annual meeting of stockholders.

A press release, dated February 14, 2007, announcing the election of Mr. Zimmel is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

**Item 9.01 Financial Statements and Exhibits**

**(c) Exhibits**

| Exhibit No. | Description |
|---|---|
| 99.1 | Press Release dated February 14, 2007 |

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## SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

FACTSET RESEARCH SYSTEMS INC.
(Registrant)
By:

Date: February 14, 2007

/s/ Peter G. Walsh

Peter G. Walsh
Senior Vice President,
Chief Financial Officer and Treasurer

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**EXHIBIT 99.1**

EXHIBIT INDEX

| Exhibit No. | Description of Document |
|---|---|
| 99.1 | Press Release dated February 14, 2007 |

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# News Release

FOR IMMEDIATE RELEASE

**FactSet Research Systems Names Joseph Zimmel to Board of Directors**

February 14, 2007 (Norwalk, CT) -- FactSet Research Systems Inc. (NYSE: FDS), today announced the election of Joseph R. Zimmel to its Board of Directors.

Mr.Zimmel, age 53, is a private investor and a retired Managing Director of Goldman, Sachs & Co. From December 2001 until November 2002, Mr. Zimmel served as an Advisory Director to the Goldman Sachs Group. In the investment banking division at Goldman, Sachs & Co., Mr. Zimmel held the position of Managing Director of the Communications, Media & Entertainment Group for the Americas from 1999 to 2001, after acting as a Managing Director and a co-head of the group from 1992 to 1999.

Phil Hadley, Chairman and Chief Executive Officer of FactSet said, We are pleased to welcome Joseph Zimmel to our Board of Directors. Joseph brings to our Board a comprehensive understanding of the inner-workings of large investment banks; his insight into this aspect of our sell-side business will be a great asset.

Mr. Zimmel holds an MBA from the Wharton School of the University of Pennsylvania and a BA from Georgetown University. In addition to his appointment to FactSet s Board of Directors, Mr. Zimmel currently serves as a member of the board of directors of CenturyTel, Inc. He has also served on the board of directors of Digitas Inc.

**About FactSet**
FactSet Research Systems Inc. combines integrated financial information, analytical applications, and client service to enhance the workflow and productivity of the global investment community. The Company, headquartered in Norwalk, Connecticut, was formed in 1978 and now conducts operations along with its affiliates from more than twenty-two locations worldwide, including Boston, New York, Chicago, San Mateo, London, Frankfurt, Paris, Milan, Tokyo, Hong Kong, and Sydney.

Contact:
Peter Walsh
FactSet Research Systems Inc.
203.810.1000

:Times New Roman" SIZE="2">Fourth Quarter $9.60 $6.98 $16.29 $13.13

As of March 21, 2013, the approximate number of record holders of our common shares was 190 (not including beneficial owners of stock held in street name).

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**Stock Price Performance Graph**

*This performance graph shall not be deemed filed for purposes of Section 18 of the Exchange Act or incorporated by reference into any filings under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.*

The graph below compares the cumulative total shareholder return of our common shares with the cumulative total return of the S&P 500 Index and the Philadelphia Semiconductor Index since February 2, 2008 through February 2, 2013. The graph compares a $100 investment on February 2, 2008 in our common share with a $100 investment on February 2, 2008 in each index and assumes that any dividends were reinvested. Shareholder returns over the indicated periods should not be considered indicative of future stock prices or shareholder returns.

| | 2/2/08 | 1/31/09 | 1/30/10 | 1/29/11 | 1/28/12 | 2/2/13 |
|---|---|---|---|---|---|---|
| **Marvell Technology Group Ltd.** | **100.00** | **57.13** | **136.60** | **150.16** | **123.75** | **75.82** |
| **S&P 500** | **100.00** | **61.37** | **81.71** | **99.84** | **104.05** | **121.51** |
| **PHLX Semiconductor** | **100.00** | **68.67** | **102.78** | **137.07** | **145.54** | **164.92** |

**Dividends**

In May 2012, we announced the initiation of paying our first quarterly dividend of $0.06 per share. Our board of directors declared quarterly cash dividends of $0.06 per share payable to holders of our common shares in each of the last three quarters of fiscal 2013. As a result, cash dividends of $31.7 million were paid in the three

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months ended February 2, 2013 and a total of $98.8 million were paid in the fiscal year ended February 2, 2013. The payment of future quarterly cash dividends is subject to, among other things, the best interests of our shareholders, our results of operations, cash balances and future cash requirements, financial condition, statutory requirements of Bermuda law, and other factors that the board of directors may deem relevant.

**Equity Compensation Plan Information**

Information regarding the securities authorized for issuance under our equity compensation plans can be found under Part III, Item 12 of this Annual Report on Form 10-K under the caption Equity Compensation Plan Information.

**Recent Sales of Unregistered Securities**

None.

**Issuer Purchases of Equity Securities**

The following table presents details of our repurchases during the three months ended February 2, 2013 (in thousands, except per share data):

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximated Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1) |
|---|---|---|---|---|
| October 28 November 24, 2012 | 1,500 | $ 7.68 | 1,500 | $ 383,654 |
| November 25 December 22, 2012 | 14,082 | $ 8.51 | 14,082 | $ 763,861 |
| December 23, 2012 February 2, 2013 | 18,093 | $ 8.36 | 18,093 | $ 612,552 |
| Total | 33,675 | $ 8.39 | 33,675 | $ 612,552 |

(1) In August 2010, our board of directors initially authorized our current share repurchase program to repurchase up to $500 million of our outstanding common shares. During fiscal 2012, our board of directors authorized an additional $1.5 billion to be used to repurchase our common shares under the share repurchase program. In May and December 2012, we announced additional increases of $500 million to the share repurchase program. This increases the total available under the repurchase program to $3.0 billion. We intend to effect the repurchase program in accordance with the conditions of Rule 10b-18 under the Exchange Act. The repurchase program will be subject to market conditions and other factors and does not obligate us to repurchase any dollar amount or number of our common shares. The repurchase program may be extended, modified, suspended or discontinued at any time. We may make repurchases in open market or privately negotiated transactions in order to effect our repurchases.

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

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

| | February 2, 2013 (1) | January 28, 2012 (2) | January 29, 2011 (3) | January 30, 2010 (4) | January 31, 2009 (5) |
|---|---|---|---|---|---|
| | (in thousands, except per share amounts and number of employees) | | | | |
| **Consolidated Statements of Operations Data:** | | | | | |
| Net revenue | $ 3,168,630 | $ 3,393,040 | $ 3,611,893 | $ 2,807,687 | $ 2,950,563 |
| Cost of goods sold | $ 1,493,497 | $ 1,465,805 | $ 1,473,274 | $ 1,227,096 | $ 1,426,624 |
| Research and development | $ 1,057,445 | $ 1,013,678 | $ 897,578 | $ 828,176 | $ 935,272 |
| Operating income | $ 294,657 | $ 604,146 | $ 901,192 | $ 334,115 | $ 165,176 |
| Net income | $ 306,585 | $ 615,091 | $ 904,129 | $ 353,456 | $ 147,242 |
| Basic net income per share | $ 0.55 | $ 1.01 | $ 1.39 | $ 0.57 | $ 0.24 |
| Diluted net income per share | $ 0.54 | $ 0.99 | $ 1.34 | $ 0.54 | $ 0.23 |
| Weighted average shares basic | 555,310 | 607,857 | 648,347 | 623,934 | 608,747 |
| Weighted average shares diluted | 563,123 | 623,268 | 676,878 | 653,741 | 630,328 |
| **Consolidated Balance Sheet Data:** | | | | | |
| Cash, cash equivalents, restricted cash and short-term investments | $ 1,918,990 | $ 2,246,498 | $ 2,930,030 | $ 1,796,717 | $ 951,909 |
| Working capital | $ 1,977,458 | $ 2,489,407 | $ 3,071,961 | $ 1,913,658 | $ 1,150,667 |
| Total assets | $ 5,261,764 | $ 5,767,619 | $ 6,338,157 | $ 5,170,940 | $ 4,414,200 |
| Term loan and capital lease obligations, net of current portion | $ | $ | $ | $ 511 | $ 2,451 |
| Total shareholders equity | $ 4,484,595 | $ 5,014,018 | $ 5,521,869 | $ 4,417,979 | $ 3,829,067 |
| Cash dividends declared per share | $ 0.18 | $ | $ | $ | $ |
| Number of employees | 7,259 | 6,970 | 5,893 | 5,241 | 5,552 |

(1) Fiscal 2013 includes $5.7 million for an expense related to an ongoing litigation matter and $4.9 million for expenses related to acquisitions in prior fiscal years.

(2) Fiscal 2012 includes $6.7 million for litigation settlements and assessments of payroll taxes on employee benefits in certain jurisdictions.

(3) Fiscal 2011 includes $8.5 million for litigation settlements.

(4) Fiscal 2010 includes a $72.0 million charge in connection with the settlement of a class action litigation. This is offset by a $27.3 million benefit in fiscal 2010 resulting from the expiration of the statute of limitations related to a tax contingency reserve, in addition to a $5.3 million income tax benefit related to the adjustment of a prior year deferred tax asset.

(5) In fiscal 2009, we wrote-off $15.6 million of intangible assets that were determined to be impaired due to declining revenue from products acquired and to a delay in the deployment of technology within a certain industry.

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**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 Annual Report on Form 10-K. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties including those discussed under Part I, 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 application-specific standard products. Our core strength of expertise is the development of complex SoC devices, leveraging our extensive technology portfolio of intellectual property in the areas of analog, mixed-signal, digital signal processing, and embedded ARM-based microprocessor integrated circuits. We also develop platforms that we define as integrated hardware along with software that incorporates digital computing technologies designed and configured to provide an optimized computing solution compared to individual components. Our broad product portfolio includes devices for data storage, enterprise-class Ethernet data switching, Ethernet PHY, mobile handsets and other consumer electronics, wireless networking, personal area networking, Ethernet-based PC connectivity, control plane communications controllers, video-image processing and power management solutions. Our products serve diverse applications used in carrier, metropolitan, enterprise and PC-client data communications and storage systems. Additionally, we serve the consumer electronics market for the convergence of voice, video and data applications. 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.

Historically, a small number of customers have accounted for a significant portion of our net revenue. The following table sets forth sales to end customers comprising 10% or more of our net revenue for the periods indicated:

| | | Year Ended | |
|---|---|---|---|
| **Customer** | **February 2, 2013** | **January 28, 2012** | **January 29, 2011** |
| Western Digital | 24% | 19% | 21% |
| Toshiba | 10% | * | * |
| Seagate | 10% | * | * |
| Research in Motion | * | * | 14% |

* Less than 10% of net revenue

In fiscal 2013, Western Digital acquired Hitachi s HDD unit and in fiscal 2012, Seagate acquired the HDD operations of Samsung.

We expect to continue to experience significant customer concentration in future periods and most of our sales are made to customers located outside of the United States, primarily in Asia. Sales to customers in Asia represented approximately 90%, 88% and 81% of our net revenue for fiscal 2013, 2012 and 2011, respectively. Because many manufacturers and manufacturing subcontractors of our customers are located in Asia, we expect that most of our net 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 U.S. dollars.

A significant number of our products are being incorporated into consumer electronics products, including gaming devices and personal computers, which are subject to significant seasonality and fluctuations in demand. Holiday and back to school buying trends may at times negatively impact our results in the first and fourth quarter and positively impact our results in the second and third quarter of our fiscal years.

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A relatively large portion of 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 anticipate that the rate of new orders may 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 2013 had a 53-week period. Fiscal 2012 and 2011 each had a 52-week period.

**Critical Accounting Policies and Estimates**

The preparation of consolidated financial statements in conformity with GAAP 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, we evaluate our estimates, including those related to performance-based compensation, revenue recognition, provisions for sales returns and allowances, inventory excess and obsolescence, investment fair values, goodwill and other intangible assets, income taxes, litigation and other contingencies. In addition, we use assumptions when employing the Monte Carlo simulation and Black-Scholes valuation models to calculate the fair value of stock-based awards granted. We base our 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, 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 recognize revenue 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 rebates. However, some of our sales are made through distributors under agreements allowing for price protection, shipped from stock pricing adjustment rights, and limited rights of stock rotation on product unsold by the distributors. Although title passes to the distributor upon shipment terms and payment by our distributors is not contingent on resale of the product, product revenue on sales made through distributors with price protection, shipped from stock pricing adjustment rights and stock rotation rights are deferred until the distributors sell the product to end customers. Deferred revenue less the related cost of the inventories is reported as deferred income. We do not believe that there is any significant exposure related to impairment of deferred cost of sales, as our historical returns have been minimal and inventory turnover for our distributors generally ranges from 60 to 90 days. Our sales to direct customers are made primarily pursuant to standard purchase orders for delivery of products.

A portion of our net revenue is derived from sales through third party logistics providers, who maintain warehouses in close proximity to our customer s facilities. Revenue from sales through these third party logistics providers is not recognized until the product is pulled from stock by the customer.

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 account for rebates by recording reductions to revenue in the same period that the related revenue is recorded. The amount of these reductions is based upon the terms agreed to with the customers.

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*Stock-Based Compensation.* Stock-based compensation is measured at the grant date, based on the fair value of the award, and is recognized as expense over the requisite service period. We amortize stock-based compensation expense for time-based and market-based awards under the straight-line attribution method over the vesting period, which is generally four years for annual grants to employees and five years for new hire grants. Performance-based awards are amortized using the accelerated method.

We estimate the fair value of time-based stock option awards on the date of grant using the Black Scholes option-pricing model. The fair value of market-based option awards is estimated on the date of grant using a Monte Carlo simulation model. The value of the portion of the awards that is ultimately expected to vest is recognized as expense over the requisite service periods. The Black-Scholes and Monte Carlo models incorporate various highly subjective assumptions including expected term of awards, expected future stock price volatility and expected forfeiture rates.

In developing estimates used to calculate assumptions, we establish the expected term for employee options, as well as expected forfeiture rates, based on the historical settlement experience and after giving consideration to vesting schedules. Assumptions for stock option exercises and pre-vesting terminations of stock options were stratified by employee groups with sufficiently distinct behavior patterns. Expected volatility was developed based on an equally weighted combination of historical stock price volatility and implied volatility derived from traded options on our stock in the marketplace. The expected dividend yield is calculated by dividing annualized dividend payments by the closing stock price on the grant date of the option.

Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. Stock-based compensation expense is recorded net of estimated forfeitures such that expense is recorded only for those stock-based awards that are expected to vest. Previously recognized expense is reversed for the portion of awards forfeited prior to vesting as and when forfeitures occurred.

The fair value of each restricted stock unit is estimated based on the market price of the Company s common shares on the date of grant less the expected dividend yield.

In addition, for both stock options and restricted stock units, we are required to estimate forfeiture rates, and true up these forfeiture rates when actual results are different from our estimates. Assumptions for forfeitures are stratified by employee groups with sufficiently distinct behavior patterns. Changes in the estimated forfeiture rate can have a significant effect on reported stock-based compensation expense, as the effect of adjusting the rate for all expense amortization is recognized in the period the forfeiture estimate is changed. If the actual forfeiture rate is higher than the estimated forfeiture rate, then an adjustment will be made to increase the estimated forfeiture rate, which will result in a decrease to the expense recognized in the financial statements. If the actual forfeiture rate is lower than the estimated forfeiture rate, then an adjustment will be made to lower the estimated forfeiture rate, which will result in an increase to the expense recognized in the financial statements. The expense we recognize in future periods could be affected by changes in the estimated forfeiture rate and may differ significantly from amounts recognized in the current period and/or our forecasts.

Additionally, for certain of our performance-based awards, we must make subjective assumptions regarding the likelihood that the related performance metrics will be met. These assumptions are based on various revenue and operating performance criteria. Changes in our actual performance could cause a significant adjustment in future periods for these performance-based awards.

*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 return and financial statement purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheets.

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We recognize income taxes using an asset and liability approach. This approach requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our consolidated financial statements or tax returns. The measurement of current and deferred taxes is based on provisions of the enacted tax law and the effects of future changes in tax laws or rates are not anticipated.

Evaluating the need for an amount of a valuation allowance for deferred tax assets often requires judgment and analysis of all the positive and negative evidence available to determine whether all or some portion of the deferred tax assets will not be realized. A valuation allowance must be established for deferred tax assets when it is more likely than not that they will not be realized. Based on the available evidence and judgment, we have determined that it is more likely than not that U.S. research credits and certain acquired net operating losses will not be realized and therefore we have provided a full valuation allowance against these credits. If there is a change in our ability to realize our deferred tax assets, then our tax provision may decrease in the period in which we determine that realization is more likely than not.

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 various and sometimes conflicting tax laws and regulations as well as multinational tax conventions. 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. 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.

We are subject to income tax audits by the respective tax authorities in all of the jurisdictions in which we operate. We recognize the effect of income tax positions only if these positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is more than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. We record interest and penalties related to unrecognized tax benefits in income tax expense. The calculation of our tax liabilities involves the inherent uncertainty associated with the application of GAAP and complex tax laws. We believe we have adequately provided for in our financial statements additional taxes that we estimate may be required to be paid as a result of such examinations. While we believe that we have adequately provided for all tax positions, amounts asserted by tax authorities could be greater or less than our accrued position. These tax liabilities, including the interest and penalties, are released pursuant to a settlement with tax authorities, completion of audit or expiration of various statutes of limitation. The material jurisdictions in which we may be subject to potential examination by tax authorities throughout the world include China, Israel, Singapore, Switzerland and the United States.

The recognition and measurement of current taxes payable or refundable and deferred tax assets and liabilities require that we make certain estimates and judgments. Changes to these estimates or a change in judgment may have a material impact on our tax provision in a future period.

*Inventories.* We value our inventory at the lower of cost or market, cost being determined under the first-in, first-out method. 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. The estimate of future demand is compared to our inventory levels, including open purchase commitments, to determine the amount, if any, of obsolete or excess inventory. 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.

*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. Circumstances which could trigger a review include, but are not limited to the following:

- significant decreases in the market price of the asset;
- significant adverse changes in the business climate or legal factors;
- accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of the asset;
- current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset; and
- current expectation that the asset will more likely than not be sold or disposed of significantly before the end of its estimated useful life.

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 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. Significant management judgment is required in the forecasts of future operating results that are used in the discounted cash flow method of valuation.

During fiscal 2013, we recorded a charge of $0.8 million to write off in-process research and development related to an abandoned project. As of February 2, 2013, we had a total of $89.7 million in acquired intangible assets, of which $9.7 million represented the remaining in-process research and development.

*Goodwill.* We evaluate goodwill for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Factors we consider important which could trigger a goodwill impairment review include;

- significant underperformance relative to historical or projected future operating results;
- significant changes in the manner of our use of the acquired assets or the strategy for our overall business;
- significant negative industry or economic trends;

a significant decline in our stock price for a sustained period; and

a significant change in our market capitalization relative to our net book value.

When performing our assessment, we include a control premium, in addition to our fair value to reflect the full value and amount that a buyer would be willing to pay for the company. Since our inception, we have not recognized any impairment of goodwill.

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*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 does not adversely impact 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. We record a liability when it is probable that a loss has been incurred and the amount can be reasonably estimated. In determining the probability of a loss and consequently, determining a reasonable estimate, management is required to use significant judgment. Given the uncertainties associated with any litigation, the actual outcome can be different than our estimates and could adversely affect our results of operations, financial position and cash flows.

**Results of Operations**

Fiscal 2013 was a disappointing year for us. Within the storage end market, we experienced a decline in net revenue in our HDD products due to a weaker PC market. Within our mobile end market, we saw a continued decline in net revenue from our leading North American handset customer due to continued competitive challenges that they face. In addition, later in the year, we endured product transitions within the TD-SCDMA market in China, which led to a reduction in our fourth fiscal quarter revenue. Our net revenue of $3.2 billion in fiscal 2013 was 7% lower compared to net revenue of $3.4 billion in fiscal 2012. Net income for fiscal 2013 was $306.6 million, or $0.54 per share, compared to net income of $615.1 million in fiscal 2012, or $0.99 per share.

Despite these results, we remain confident in our investments and multiple near-term and long-term growth opportunities such as:

- In the mobile market, we believe we have a strong roadmap based on our unified platform. We are encouraged by the early design activities from our customers who are building phones for both the TD-SCDMA and WCDMA markets. In fact, we have started initial production shipments of our dual-core devices with leading OEMs for smartphone and tablet designs. We have also recently introduced our new quad-core device for our unified 3G platform and expect production units to ship in fiscal 2014. As the world rapidly transitions to LTE, we are accelerating our TD and FDD LTE roadmap, and we expect customers to upgrade to these 4G platform solutions over the course of the next year to 18 months.

- In wireless connectivity, we have historically focused on providing integrated 1x1 combo solutions for the mobile market, which demand the lowest power consumption, and high-performance 4x4 solutions for the enterprise market, which demand the highest possible throughput. We are gaining significant traction for our 4x4 solutions as global enterprise carriers are realizing this design is the necessary architecture for HD video distribution. In addition to our continued established presence in the 1x1 and 4x4 markets, we are now expanding our footprint by offering integrated 2x2 combo solutions for the tablet and ultrabook markets.

- In our storage business, we have made solid progress this past year. Despite the overall demand challenges within the PC market, we have gained market share within HDDs as we have seen strong growth for our 500 gigabyte per platter products. Based on our product roadmap and engagement with all the HDD OEMs, we believe we are well positioned for major new design wins. Within the SSD market, our revenue has continued to grow, and we are seeing excellent traction with our products at major SSD OEMs.

- In the networking market, we have outperformed the market during the past year, growing revenue by introducing products in new growth areas such as in passive optical network (GPON and EPON) and 10GbE switching, as well as programmable network processors introduced following our acquisition of Xelerated. Our customers are increasingly using our programmable network processors to manage both rising consumer bandwidth requirements and rising connected devices in the network. The change to programmable architectures is making software a key element and our investment in software for networking has been critical in quickly enabling differentiated platforms for our customers.

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Our financial position is strong and we also remain committed to deliver shareholder value through our share repurchase and dividend programs.

Our cash, cash equivalents and short-term investments were $1.9 billion at February 2, 2013 and we generated cash flow from operations of $729.0 million during fiscal 2013.

In May 2012, we announced our first quarterly dividend of $0.06 per share. As a result, we paid cash dividends for a total of $98.8 million in fiscal 2013 and we recently announced another dividend of $0.06 per share to be paid during the first quarter of fiscal 2014.

We repurchased a total of 91.0 million of our common shares for $959.1 million in cash during fiscal 2013.

We are currently involved in a patent litigation action with CMU (See Risk Factors under Item 1A of this Report on Form 10-K and Note 10 Commitments and Contingencies in the Notes to the Consolidated Financial Statements for a further discussion of the risks associated with this matter and other patent litigation matters). We strongly believe that we do not infringe on the methods described in the CMU patents and that our products use our own internally developed patented read channel technology. As a result, we have filed multiple post trial motions to overturn the jury verdict and if necessary, we will go through the appeal process.

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

| | Year Ended | | |
|---|---|---|---|
| | **February 2, 2013** | **January 28, 2012** | **January 29, 2011** |
| Net revenue | 100% | 100% | 100% |
| Operating costs and expenses: | | | |
| Cost of goods sold | 47.1 | 43.2 | 40.8 |
| Research and development | 33.4 | 29.9 | 24.9 |
| Selling and marketing | 5.1 | 4.7 | 4.3 |
| General and administrative | 3.4 | 3.0 | 2.9 |
| Amortization and write-off of acquired intangible assets | 1.7 | 1.4 | 2.2 |
| Total operating costs and expenses | 90.7 | 82.2 | 75.1 |
| Operating income | 9.3 | 17.8 | 24.9 |
| Interest and other income, net | 0.5 | 0.4 | 0.3 |
| Income before income taxes | 9.8 | 18.2 | 25.2 |
| Provision for income taxes | 0.1 | 0.1 | 0.2 |
| Net income | 9.7% | 18.1% | 25.0% |

***Years Ended February 2, 2013 and January 28, 2012***

*Net Revenue*

| | Year Ended | | |
|---|---|---|---|
| | **February 2, 2013** | **January 28, 2012** | **% Change in 2013** |

| | (in thousands, except percentage) | | |
|---|---|---|---|
| Net revenue | $ 3,168,630 | $ 3,393,040 | (6.6)% |

Net revenue is gross revenue, net of accruals for estimated sales returns and rebates. The revenue decline during fiscal 2013 was primarily due to declines in the mobile and wireless end market, and to a lesser extent, a decline in the storage end market. Within our mobile and wireless end market, revenue from our leading North

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American handset customer declined year-over-year due to the continued competitive challenges that they face. Within the storage end market, revenue declined in fiscal 2013 compared to the prior year primarily as a result of the slowdown in the global market for PC s. The flooding in Thailand during the second half of fiscal 2012 impacted our overall HDD revenue in both fiscal 2012 and fiscal 2013. One of our customers, for which we entered the year with a relatively low market segment share of their products, was impacted the least by the flooding in Thailand in the second half of fiscal 2012, which negatively impacted our revenue towards the beginning of the year. However, during the year, we continued to grow our share of revenue with this customer, offsetting most of the negative impacts from the floods. In addition, sales of our SSD products increased significantly in fiscal 2013 compared to fiscal 2012 as our products began to gain acceptance in the market. SSD sales still make up a small percentage of our total storage revenue, however, they are growing and making up an increasingly larger percentage of overall revenue. Net revenue from our networking end market increased slightly in fiscal 2013 compared to the prior fiscal year, due to growth in our PON and networking processing unit products as well as growth in switching products.

In the first quarter of fiscal 2014, we expect net revenue to be in the range of $700 million to $740 million, a decline of 7% at the midpoint, driven mainly by seasonality, as well as the impacts of Chinese New Year, which benefited our business in the fourth quarter of fiscal 2013.

*Cost of Goods Sold*

| | Year Ended | | |
|---|---|---|---|
| | **February 2, 2013** | **January 28, 2012** | **% Change in 2013** |
| | **(in thousands, except percentage)** | | |
| Cost of goods sold | $ 1,493,497 | $ 1,465,805 | 1.9% |
| % of net revenue | 47.1% | 43.2% | |

Cost of goods sold as a percentage of net revenue in fiscal 2013 increased by 390 basis points, from 43.2% in fiscal 2012 to 47.1% in fiscal 2013. This increase was primarily due to product pricing declines outpacing the cost reductions received from our manufacturing partners. Unfavorable changes to the gross margin mix of our products sold compared to fiscal 2012, driven by growth in businesses with lower gross margins further contributed to the increase. Our cost of goods sold as a percentage of net revenue 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 product markets that we are targeting; charges for obsolete or potentially excess inventory; changes in the costs charged by our foundry; assembly and test subcontractors; product warranty costs; changes in commodity prices such as gold; and the margin profiles of our new product introductions.

We currently expect that cost of goods sold as a percentage of net revenue in the first quarter of fiscal 2014 will be slightly higher than the amount in the fourth quarter of fiscal 2013 based on the midpoint of our expected range.

*Share-Based Compensation Expense*

| | Year Ended | |
|---|---|---|
| | **February 2, 2013** | **January 28, 2012** |
| | **(in thousands)** | |
| Cost of goods sold | $ 8,142 | $ 6,995 |
| Research and development | 87,149 | 85,924 |
| Selling and marketing | 13,278 | 12,920 |
| General and administrative | 18,711 | 14,024 |
| | $ 127,280 | $ 119,863 |

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We recognized higher share-based compensation expense as a result of higher headcount in fiscal 2013, combined with the effect of an increase in expense related to the employee stock purchase plan. The offering price of the employee stock purchase plan was reset in June 2012 and also in December 2012 due to the decline in our stock price. Although share-based compensation expense increased by $7.4 million in fiscal 2013 compared to fiscal 2012, it included the recovery of previously recognized expense associated with unvested share-based awards that were cancelled as a result of the resignation in October 2012 of our then chief financial officer.

*Research and Development*

| | Year Ended | | |
|---|---|---|---|
| | February 2, 2013 | January 28, 2012 | % Change in 2013 |
| | (in thousands, except percentage) | | |
| Research and development | $ 1,057,445 | $ 1,013,678 | 4.3% |
| % of net revenue | 33.4% | 29.9% | |

Research and development expense increased by $43.8 million in fiscal 2013 compared to fiscal 2012, primarily due to higher personnel-related costs as a result of increased headcount in fiscal 2013 compared to fiscal 2012. In addition, since fiscal 2013 was a 53-week year, overall research and development expense were higher due to the additional week. The increase in the fiscal 2013 research and development expense was partially offset by a higher amount of product development funding from our customers.

We currently expect that research and development expense for the first quarter of fiscal 2014 will be approximately flat in the first quarter of fiscal 2014 compared to the fourth quarter of fiscal 2013.

*Selling and Marketing*

| | Year Ended | | |
|---|---|---|---|
| | February 2, 2013 | January 28, 2012 | % Change in 2013 |
| | (in thousands, except percentage) | | |
| Selling and marketing | $ 161,817 | $ 159,434 | 1.5% |
| % of net revenue | 5.1% | 4.7% | |

Selling and marketing expense increased by $2.4 million in fiscal 2013 compared to fiscal 2012. The increase was primarily due to increased trade show and marketing communication activities combined with higher expenses for other professional services. Although fiscal 2013 was a 53-week year, the increase in overall expense for the additional week was essentially offset by lower expenses for contractor services as we continue to tightly manage this spending.

We currently expect that selling and marketing expenses will be slightly lower in the first quarter of fiscal 2014 compared to the fourth quarter of fiscal 2013.

*General and Administrative*

| | Year Ended | | |
|---|---|---|---|
| | February 2, 2013 | January 28, 2012 | % Change in 2013 |
| | (in thousands, except percentage) | | |
| General and administrative | $ 108,514 | $ 100,620 | 7.8% |
| % of net revenue | 3.4% | 3.0% | |

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General and administrative expense increased by $7.9 million in fiscal 2013 compared to fiscal 2012. The increase was primarily attributed to an increase in legal expenses, a significant portion of which related to the CMU trial towards the end of the fiscal year (See Note 10 Commitments and Contingencies in the Notes to the Consolidated Financial Statements). In addition, since fiscal 2013 was a 53-week year, overall general and administrative expense were higher due to the additional week.

We currently expect that general and administrative expense will be slightly lower in the first quarter of fiscal 2014 compared to the fourth quarter of fiscal 2013.

*Amortization and Write-Off of Acquired Intangible Assets*

| | Year Ended | | |
|---|---|---|---|
| | February 2, 2013 | January 28, 2012 | % Change in 2013 |
| | (in thousands, except percentage) | | |
| Amortization and write-off of acquired intangible assets | $ 52,700 | $ 49,357 | 6.8% |
| % of net revenue | 1.7% | 1.4% | |

Amortization and write-off of acquired intangible assets increased by $3.3 million in fiscal 2013 compared to fiscal 2012. This increase was primarily due to additional amortization expense related to the intangible assets acquired in the fourth quarter of fiscal 2012 and the additional week of expense since fiscal 2013 was a 53-week year.

*Interest and Other Income, net*

| | Year Ended | | |
|---|---|---|---|
| | February 2, 2013 | January 28, 2012 | % Change in 2013 |
| | (in thousands, except percentage) | | |
| Interest and other income, net | $ 15,533 | $ 14,913 | 4.2% |
| % of net revenue | 0.5% | 0.4% | |

Interest and other income, net, consists primarily of interest earned on cash, cash equivalents and short-term investment balances, gains and losses on the sale of marketable and equity securities and foreign currency impacts, net of interest. The increase in interest and other income, net in fiscal 2013 compared to fiscal 2012 was primarily due to higher gains on sales of marketable securities. This was partially offset by lower interest income in fiscal 2013 from lower average cash and investment balances, as well as a lower rate of return.

*Provision for Income Taxes*

| | Year Ended | | |
|---|---|---|---|
| | February 2, 2013 | January 28, 2012 | % Change in 2013 |
| | (in thousands, except percentage) | | |
| Provision for income taxes | $ 3,605 | $ 3,968 | (9.1)% |
| % of net revenue | 0.1% | 0.1% | |

During fiscal 2013, the provision for income taxes consisted of the current income tax liability of $20.1 million, which was primarily offset by net reductions in unrecognized tax benefits of $18.8 million due to the expiration of the statutes of limitations in multiple jurisdictions less increases in unrecognized tax benefits including interest and penalties. The fiscal 2013 provision for income taxes also included $2.3 million in tax expense that mainly resulted from tax provision-to-tax return adjustments in various countries. This compares to the provision for income taxes in fiscal 2012 consisting of the current income tax liability of $12.4 million, which

was primarily offset by net reductions in unrecognized tax benefits of $6.1 million due to the expiration of the statutes of limitations in multiple jurisdictions less increases in unrecognized tax benefits including interest and penalties. The fiscal 2012 provision for income taxes also included a benefit of $2.3 million from a decrease in tax expense that mainly resulted from tax provision-to-tax return adjustments in various countries and from the settlements of audits in non-U.S. jurisdictions.

***Years Ended January 28, 2012 and January 29, 2011***

*Net Revenue*

| | Year Ended | | |
|---|---|---|---|
| | January 28, 2012 | January 29, 2011 | % Change in 2012 |
| | (in thousands, except percentage) | | |
| Net revenue | $ 3,393,040 | $ 3,611,893 | (6.1)% |

The revenue decline during fiscal 2012 was primarily driven by challenges within our mobile and wireless end markets as well as the impact of natural disasters on our storage end markets. Within our mobile and wireless end markets, our leading handset customer faced challenges against their competition. Our mobile and wireless revenues were negatively impacted as our leading handset customer shifted their product volumes to more 2G and 2.5G devices that address several of the emerging markets around the world. This shift significantly impacted the demand for our 3G solutions. This decline was partially offset by the ramp of our mobile SoC products for the TD handset market in China, which were introduced during the first quarter of fiscal 2012 and ramped up over the course of the year. Within our storage end markets, our net revenue was negatively impacted by both the earthquakes in Japan at the tail end of the first quarter of fiscal 2012 as well as the floods in Thailand during the later part of our fiscal third quarter, which also impacted the fourth quarter of fiscal 2012. These natural disasters caused serious restrictions on our HDD customers ability to build drives, which in turn affected demand for our SoC solutions for these customers. Over the course of the year, we experienced the ramp up of a significant new customer and the growth in our SSD business, helping to partially offset the negative effects described above. Within our networking end markets, our net revenue increased moderately as demand increased with our largest customer along with the ramp of our EPON and GPON products during fiscal 2012.

*Cost of Goods Sold*

| | Year Ended | | |
|---|---|---|---|
| | January 28, 2012 | January 29, 2011 | % Change in 2012 |
| | (in thousands, except percentage) | | |
| Cost of goods sold | $ 1,465,805 | $ 1,473,274 | (0.5)% |
| % of net revenue | 43.2% | 40.8% | |

Cost of goods sold as a percentage of net revenue in fiscal 2012 increased by 240 basis points, from 40.8% in fiscal 2011 to 43.2% in fiscal 2012. The increase during fiscal 2012 was primarily driven by declines in the average selling prices of our products, which outpaced the cost reductions received from our manufacturing partners, the volume and costs of new product tapeouts in advanced technology nodes and higher commodity costs in the assembly of our products. Specifically, the cost of gold increased significantly over the past year.

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*Share-Based Compensation Expense*

| | Year Ended | |
|---|---|---|
| | January 28, 2012 | January 29, 2011 |
| | (in thousands) | |
| Cost of goods sold | $ 6,995 | $ 7,522 |
| Research and development | 85,924 | 82,524 |
| Selling and marketing | 12,920 | 11,769 |
| General and administrative | 14,024 | 16,590 |
| | $ 119,863 | $ 118,405 |

Share-based compensation expense increased by $1.5 million in fiscal 2012 compared to fiscal 2011. The increase was due to the change in the look-back period for the employee stock purchase plan in fiscal 2012, which was partially offset by the restricted stock units granted under a tender offer exchange program that fully vested by the end of fiscal 2011.

*Research and Development*

| | Year Ended | | |
|---|---|---|---|
| | January 28, 2012 | January 29, 2011 | % Change in 2012 |
| | (in thousands, except percentage) | | |
| Research and development | $ 1,013,678 | $ 897,578 | 12.9% |
| % of net revenue | 29.9% | 24.9% | |

Research and development expenses increased by $116.1 million in fiscal 2012 compared to fiscal 2011, primarily due to an increase in personnel-related costs as a result of increased headcount, contractor services and other professional services. The impact of the higher headcount was slightly offset by lower incentive compensation, as a result of lower profitability. In addition, contributing to the increase were higher costs for third party intellectual property and various other research and development expenses to support our larger organization. The overall increase was partially offset by a decrease in depreciation expense.

*Selling and Marketing*

| | Year Ended | | |
|---|---|---|---|
| | January 28, 2012 | January 29, 2011 | % Change in 2012 |
| | (in thousands, except percentage) | | |
| Selling and marketing | $ 159,434 | $ 155,481 | 2.5% |
| % of net revenue | 4.7% | 4.3% | |

Selling and marketing expense increased by $4.0 million in fiscal 2012 compared to fiscal 2011 primarily due to an increase in personnel-related costs, including contractor services and other professional services. The increase was partially offset by a decrease in general selling and marketing expense, as we reduced trade show and public relations expenses.

*General and Administrative*

| | Year Ended | | |
|---|---|---|---|
| | January 28, 2012 | January 29, 2011 | % Change in 2012 |

| | (in thousands, except percentage) | | |
|---|---|---|---|
| General and administrative | $ 100,620 | $ 104,830 | (4.0)% |
| % of net revenue | 3.0% | 2.9% | |

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General and administrative expense decreased by $4.2 million in fiscal 2012 compared to fiscal 2011. This included a decrease in legal expenses, primarily due to the conclusion of a significant legal case in the prior fiscal year, and a decrease in stock-based compensation, as a result of adjustments recorded on certain grants connected to performance targets that were not achieved. In addition, incentive compensation expenses were slightly lower due to lower profitability.

*Amortization and Write-Off of Acquired Intangible Assets*

| | Year Ended | | |
|---|---|---|---|
| | January 28, 2012 | January 29, 2011 | % Change in 2012 |
| | (in thousands, except percentage) | | |
| Amortization and write-off of acquired intangible assets | $ 49,357 | $ 79,538 | (37.9)% |
| % of net revenue | 1.4% | 2.2% | |

The decrease in amortization and write-off of acquired intangible assets of $30.2 million in fiscal 2012 compared to fiscal 2011 was primarily due to certain intangible assets becoming fully amortized during the year.

*Interest and Other Income, net*

| | Year Ended | | |
|---|---|---|---|
| | January 28, 2012 | January 29, 2011 | % Change in 2012 |
| | (in thousands, except percentage) | | |
| Interest and other income, net | $ 14,913 | $ 9,270 | 60.9% |
| % of net revenue | 0.4% | 0.3% | |

Interest and other income, net consists primarily of interest earned on cash, cash equivalents and short-term investment balances, gains and losses on the sale of marketable and equity securities and foreign currency impacts, net of interest paid. The increase in interest and other income, net in fiscal 2012 compared to fiscal 2011 was primarily due to higher interest income on our investments due to a slightly higher rate of return and lower currency translation losses. These increases were partially offset by net gains in fiscal 2011 on sales of investments in privately held companies of $5.9 million.

*Provision for Income Taxes*

| | Year Ended | | |
|---|---|---|---|
| | January 28, 2012 | January 29, 2011 | % Change in 2012 |
| | (in thousands, except percentage) | | |
| Provision for income taxes | $ 3,968 | $ 6,333 | (37.3)% |
| % of net revenue | 0.1% | 0.2% | |

During fiscal 2012, the provision for income taxes consisted of the current income tax liability of $12.4 million, which was primarily offset by net reductions in unrecognized tax benefits of $6.1 million due to the expiration of the statutes of limitations in multiple jurisdictions less increases in unrecognized tax benefits including interest and penalty. The fiscal 2012 provision for income taxes also included a benefit of $2.3 million from a decrease in tax expense that mainly resulted from tax provision-to-tax return adjustments in various countries and from the settlements of audits in non-U.S. jurisdictions. This compares to the provision for income taxes in fiscal 2011 consisting of the current income tax liability of $13.8 million, which was primarily offset by net reductions in unrecognized tax benefits of $5.1 million due to the expiration of the statutes of limitations in multiple jurisdictions less increases in unrecognized tax benefits including interest and penalty. The fiscal 2011 provision for income taxes also included a net tax benefit of $3.4 million due to the release of a valuation allowance from the completion of a non-U.S. audit.

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**Liquidity and Capital Resources**

Our principal source of liquidity as of February 2, 2013 consisted of approximately $1.9 billion of cash, cash equivalents and short-term investments.

***Net Cash Provided by Operating Activities***

Net cash provided by operating activities was $729.0 million for fiscal 2013 compared to $771.2 million for fiscal 2012 and $1.2 billion for fiscal 2011. The cash inflows from operations for fiscal 2013 were primarily due to $592.0 million of net income adjusted for non-cash items and positive working capital changes of $137.0 million. The positive change in working capital for fiscal 2013 was primarily driven by a decrease in inventories due to increased shipment towards the end of the current year and a decrease in accounts receivable due to improved collections in the fourth quarter of fiscal 2013 compared to the fourth quarter of fiscal 2012.

The cash inflows from operations for fiscal 2012 were primarily due to $884.5 million of net income adjusted for non-cash items, as compared to $1.2 billion during fiscal 2011. Within working capital during fiscal 2012, accounts receivable decreased due to lower levels of revenue in the fourth quarter of fiscal 2012 compared to the fourth quarter of fiscal 2011. Inventories increased due primarily to two factors: (1) the floods in Thailand which increased our inventories of hard drive products at the end of fiscal 2012, and (2) the increased use of hubs managed by third party logistics providers. When products are shipped to these third party managed locations, the inventory remains on our books until pulled by the customer. Accounts payable decreased due to lower levels of purchasing activities near the end of fiscal 2012.

The cash inflows from operations for fiscal 2011 were primarily due to $1.2 billion of net income adjusted for non-cash items. Within working capital during fiscal 2011, accounts payable increased due to higher levels of purchasing to support our business. Deferred income increased as the inventory levels at our distributors were higher at the end of fiscal 2011. Accrued employee compensation increased due to higher accruals for incentive compensation programs due to the higher levels of revenue and operating income in fiscal 2011 compared to fiscal 2010. Accounts receivable increased due to higher levels of revenue. During fiscal 2011, other non-current assets and other long-term liabilities both decreased significantly compared to fiscal 2010, primarily as a result of the conversion of our severance plan for our employees in Israel.

***Net Cash Provided by and (Used in) Investing Activities***

Net cash provided by investing activities was $178.8 million for fiscal 2013 compared to net cash used in investing activities of $590.1 million for fiscal 2012 and $529.3 million for fiscal 2011. For fiscal 2013, net cash provided by investing activities was primarily generated from net sale and maturities of available-for-sale securities of $291.8 million. The net cash inflow from available-for-sale securities in fiscal 2013 was partially offset by the purchases of $68.2 million of property and equipment, and $35.0 million of IP licenses.

For fiscal 2012, net cash used in investing activities was primarily due to net purchases of available-for-sale securities of $393.5 million. In addition, we paid $93.9 million for acquisitions, purchased $88.8 million of property and equipment mainly to support additional capacity, and purchased $13.8 million of technology licenses in fiscal 2012.

For fiscal 2011, net cash used in investing activities was primarily due to net purchases of available-for-sale securities of $395.8 million. In addition, we purchased $90.2 million of property and equipment mainly to support additional capacity, paid $29.4 million for acquisitions and purchased $23.1 million of technology licenses in fiscal 2011.

***Net Cash (Used in) Provided by Financing Activities***

Net cash used in financing activities was $940.8 million for fiscal 2013 compared to $1.2 billion for fiscal 2012 and net cash provided by financing activities of $77.4 million for fiscal 2011. For fiscal 2013, net cash used

in financing activities was primarily attributable to repurchases under our share repurchase program of 91.0 million of our common shares in the open market for $959.1 million. Of this amount, $22.2 million was unpaid and included in accrued liabilities as of February 2, 2013. We also paid cash dividends of $98.8 million in fiscal 2013. The cash outflow was partially offset by net proceeds of $94.8 million from the issuance of our common shares under our share-based plans less the minimum tax withholding paid on behalf of employees for net share settlements.

For fiscal 2012, net cash used in financing activities was primarily attributable to repurchases under our share repurchase program of 87.8 million of its common shares in the open market for $1.3 billion. The cash outflow was partially offset net by proceeds of $97.9 million from the issuance of common shares under our share-based plans less the minimum tax withholding paid on behalf of employees for net share settlements.

For fiscal 2011, net cash provided by financing activities was attributable to net proceeds of $166.0 million from the issuance of common shares under our share-based plans less the minimum tax withholding paid on behalf of employees for net share settlement, which was partially offset by share repurchases under our share repurchase program. We repurchased 4.9 million common shares for a total of $87.5 million in fiscal 2011.

**Contractual Obligations and Commitments**

Under our manufacturing relationships with our foundry partners, cancellation of outstanding purchase orders is allowed but require repayment of all expenses incurred through the date of cancellation. As of February 2, 2013, these foundries had incurred approximately $212.1 million of manufacturing costs and expenses relating to our outstanding purchase orders.

The following table summarizes our contractual obligations as of February 2, 2013 and the effect that such obligations are expected to have on our liquidity and cash flow in future periods (in thousands):

| | Payment Obligations by Fiscal Year | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2014** | **2015** | **2016** | **2017** | **2018** | **Thereafter** | **Total** |
| Contractual obligations: | | | | | | | |
| Facilities operating leases, net | $ 22,462 | $ 19,430 | $ 14,289 | $ 4,698 | $ 375 | $ 599 | $ 61,853 |
| CAD and other operating leases | 26,074 | 24,202 | 12,518 | 1,933 | 1,078 | 2,337 | 68,142 |
| Purchase commitments to foundries | 212,069 | | | | | | 212,069 |
| Capital purchase obligations | 32,394 | | | | | | 32,394 |
| Technology license obligations | 9,351 | 9,579 | 9,807 | 7,869 | 9,180 | | 45,786 |
| Other non-current obligations (1) | | 10,165 | 4,830 | 419 | | 2,972 | 18,386 |
| Total contractual cash obligations | $ 302,350 | $ 63,376 | $ 41,444 | $ 14,919 | $ 10,633 | $ 5,908 | $ 438,630 |

(1) Amounts represent anticipated future cash payments, including anticipated interest payments not recorded in the consolidated balance sheet.

In addition to the above commitments and contingencies, as of February 2, 2013, we have $61.6 million of unrecognized tax benefits as liabilities. We also have a liability for potential interest and penalties of $33.8 million as of February 2, 2013. During the next 12 months, it is reasonably possible that the amount of unrecognized tax benefits could decrease due to potential settlement with tax authorities and the expiration of applicable statutes of limitations. However, the amount cannot be reasonably estimated as we will have negotiations with various tax authorities throughout the year. At this time, we are unable to make a reasonably reliable estimate of the amount of payments in individual years beyond 12 months due to uncertainties in the timing of tax audit outcomes.

*Off-balance sheet arrangements:* 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, 2013, we were not involved in any unconsolidated SPE transactions.

*Prospective capital needs:* We believe that our existing cash, cash equivalents and short-term investments, together with cash generated from operations, exercise of employee stock options and purchases under our employee stock purchase plan will be sufficient to cover our working capital needs, capital expenditures, investment requirements and commitments for at least the next 12 months. 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 and increases in operating expenses, which are all subject to uncertainty. However, we are named as defendants to several litigation actions and an unfavorable outcome in such actions could have a material adverse effect on our cash flows and results of operations.

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 of businesses, purchase assets or enter into other strategic arrangements in the future, which could also require us to seek debt or equity financing. Additional equity financing or convertible debt financing may be dilutive to our current shareholders. 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 shares.

**Recent Accounting Pronouncements**

Please see Note 1 The Company and its Significant Accounting Policies Recent Accounting Pronouncements for further details in our Notes to the Consolidated Financial Statements set forth in Part II, Item 8 of this Form 10-K.

**Related Party Transactions**

Please see Note 14 Related Party Transactions for further details in our Notes to the Consolidated Financial Statements set forth in Part II, Item 8 of this Form 10-K.

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

*Interest Rate Risk.* Our interest rate risk relates primarily to our fixed income short-term investment portfolio as we did not have any outstanding debt as of February 2, 2013. We maintain an investment policy that requires minimum credit ratings, diversification of credit risk and limits the long-term interest rate risk by requiring maturities of less than five years. We invest our excess cash primarily in highly liquid debt instruments of the U.S. government and its agencies, time deposits, money market mutual funds and corporate debt securities. These investments are generally classified as available-for-sale and, consequently, are recorded on our balance sheets at fair market value with their related unrealized gain or loss reflected as a component of accumulated other comprehensive income in shareholders equity. Investments in both fixed rate and floating rate interest earning securities carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than predicted if interest rates fall.

To provide an assessment of the interest rate risk associated with our investment portfolio, we performed a sensitivity analysis to determine the impact that an adverse change in interest rates would have on the value of the investment portfolio. Based on investment positions as of February 2, 2013, a hypothetical 100 basis point increase in interest rates across all maturities would result in a $15.6 million incremental decline in the fair market value of the portfolio. Due to our positive cash flow from operations, the relatively short-term nature of our investment portfolio and our ability to hold investments to maturity, such change in fair market value would likely not have resulted in any cash flow impact.

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As of February 2, 2013, our investment portfolio included $19.5 million in par value of auction rate securities. Beginning in February 2008, liquidity issues in the global credit markets resulted in a failure of auction rate securities, as the amount of securities submitted for sale in those auctions exceeded the amount of bids. To estimate the fair value of the auction rate securities since that time, we have used a discounted cash flow model based on estimated timing and amount of future interest and principal payments, credit quality of the underlying securities and liquidity considerations, the collateralization of underlying security investments, the credit worthiness of the issuer of the securities, the probability of full repayment and other considerations. As of February 2, 2013, the fair value of auction rate securities was $2.7 million less than par value and recorded in long-term investments.

Based on our balance of approximately $1.9 billion in cash, cash equivalents and short-term investments as of February 2, 2013 and the fact that we continue to generate positive cash flow on a quarterly basis, we do not anticipate having to sell these securities below par value in order to operate our business. We do not have the intent to sell these auction rate securities until recovery and it is more likely than not that we will not be required to sell the auction rate securities prior to recovery. Thus we consider the impairment to be temporary and record the unrealized loss to accumulated other comprehensive income, a component of shareholders equity.

*Investment Risk.* We invest in equity instruments of privately held companies for strategic purposes. We account for these investments under the cost method when we do not have the ability to exercise significant influence or control over the operations of these companies and under the equity method when we have the ability to exercise significant influence, but do not have control. Carrying value of these equity investments was $14.5 million at February 2, 2013, and was included in other non-current assets in our balance sheets. We monitor these investments for impairment and make appropriate reductions in carrying value when an impairment is deemed to be other-than-temporary.

*Commodity Price Risk.* We are subject to risk from fluctuating market prices of certain commodity raw materials, particularly gold, that are incorporated into our end products. Supplies for such commodities may from time-to-time become restricted, or general market factors and conditions may affect the pricing of such commodities. Over the past few years, the price of gold has increased and certain of our supply chain partners assess surcharges to compensate for the rising commodity prices. We are currently restructuring certain manufacturing processes to use copper instead of gold in our products. In addition, the cost of assembling and testing our products is susceptible to changes in the price of oil, as our products are transported across locations throughout their lifecycle. While we continue to attempt to mitigate the risk of similar increases in commodities-related costs, there can be no assurance that we will be able to successfully safeguard against potential short-term and long-term commodities price fluctuations. We do not enter into formal hedging arrangements to mitigate against commodity risk.

*Foreign Currency Exchange Risk.* Substantially all of our sales and the majority of our expenses are denominated in U.S. dollars. Since we operate in many countries, we pay certain payroll and other operating expenses in local currencies and these expenses may be higher or lower in U.S. dollar terms. Furthermore, our operation in Israel represents a large portion of our total foreign currency exposure. We may also hold certain assets and liabilities, including potential tax liabilities in local currency on our balance sheet. These tax liabilities would be settled in local currency. Therefore, foreign exchange gains and losses from remeasuring the tax liabilities are recorded to other income and expense. The related effects of foreign exchange fluctuations on local currency expenses are recorded to operating expenses. Significant fluctuations in exchange rates in countries where we incur expenses or record assets or liabilities in local currency could affect our business and operating results in the future. There is also a risk that our customers may be negatively impacted in their ability to purchase our products priced in U.S. dollars when there has been significant volatility in foreign currency exchange rates.

We engage in hedging transactions to help mitigate some of the volatility to forecasted cash flows due to changes in foreign exchange rates, and in particular hedge a portion of the forecasted Israeli shekel expenses. We enter into certain short-term forward exchange contracts, typically less than 12 months in duration, to hedge

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exposures for expenses and purchases denominated in foreign currencies when the currency exposure is significant and there is a high certainty of the underlying cash flow. We do not enter into derivative financial instruments for trading or speculative purposes. We may choose not to hedge certain foreign exchange exposures due to immateriality, offsetting exposures, prohibitive economic cost of hedging a particular currency, and limited availability of appropriate hedging instruments. To the extent our foreign currency hedges are effective, the results of the hedge activities offset the underlying expense within the operating expense. Financial instruments not designated as hedges or hedges deemed ineffective are recorded in interest and other income, net. We do not hedge our tax liabilities denominated in local currency on our balance sheet as the timing of these tax liabilities becoming cash flows is not deemed to be certain.

To provide an assessment of the foreign currency exchange risk associated with our foreign currency exposures within operating expense, we performed a sensitivity analysis to determine the impact that an adverse change in exchange rates would have on our financial statements. If the U.S. dollar weakened by 10%, our operating expense could increase by 3%. We expect our hedges of foreign currency exposures to be highly effective and offset a significant portion of the short-term impact of changes in exchange rates.

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**Item 8.** ***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 consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Marvell Technology Group Ltd. and its subsidiaries at February 2, 2013 and January 28, 2012 and the results of their operations and their cash flows for each of the three years in the period ended February 2, 2013 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 2, 2013, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements and financial statement schedule, 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 on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, 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.

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 29, 2013

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**MARVELL TECHNOLOGY GROUP LTD.**

**CONSOLIDATED BALANCE SHEETS**

**(In thousands, except par value per share)**

| | February 2, 2013 | January 28, 2012 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 751,953 | $ 784,902 |
| Short-term investments | 1,167,037 | 1,461,596 |
| Accounts receivable, net of provision for sales returns and allowances of $7,921 and $2,663 in fiscal 2013 and 2012, respectively | 330,238 | 407,263 |
| Inventories | 250,420 | 354,119 |
| Prepaid expenses and other current assets | 77,282 | 60,412 |
| Deferred income taxes | 8,416 | 10,669 |
| Total current assets | 2,585,346 | 3,078,961 |
| Property and equipment, net | 387,027 | 383,801 |
| Long-term investments | 16,769 | 23,215 |
| Goodwill | 2,032,138 | 2,031,991 |
| Acquired intangible assets, net | 89,655 | 141,505 |
| Other non-current assets | 150,829 | 108,146 |
| Total assets | $ 5,261,764 | $ 5,767,619 |
| **LIABILITIES AND SHAREHOLDERS EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 286,552 | $ 304,695 |
| Accrued liabilities | 143,991 | 87,655 |
| Accrued employee compensation | 117,195 | 137,245 |
| Deferred income | 60,150 | 59,959 |
| Total current liabilities | 607,888 | 589,554 |
| Non-current income taxes payable | 112,871 | 131,579 |
| Other non-current liabilities | 56,410 | 32,468 |
| Total liabilities | 777,169 | 753,601 |
| Commitments and contingencies (Note 10) | | |
| 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; 508,338 and 583,671 shares issued and outstanding in fiscal 2013 and 2012, respectively | 1,017 | 1,167 |
| Additional paid-in capital | 2,945,643 | 3,683,112 |
| Accumulated other comprehensive income | 1,148 | 776 |
| Retained earnings | 1,536,787 | 1,328,963 |
| Total shareholders equity | 4,484,595 | 5,014,018 |
| Total liabilities and shareholders equity | $ 5,261,764 | $ 5,767,619 |

See accompanying Notes to Consolidated Financial Statements.

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**MARVELL TECHNOLOGY GROUP LTD.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**(In thousands, except per share amounts)**

| | Year Ended | | |
|---|---|---|---|
| | **February 2, 2013** | **January 28, 2012** | **January 29, 2011** |
| Net revenue | $ 3,168,630 | $ 3,393,040 | $ 3,611,893 |
| Operating costs and expenses: | | | |
| Cost of goods sold | 1,493,497 | 1,465,805 | 1,473,274 |
| Research and development | 1,057,445 | 1,013,678 | 897,578 |
| Selling and marketing | 161,817 | 159,434 | 155,481 |
| General and administrative | 108,514 | 100,620 | 104,830 |
| Amortization and write-off of acquired intangible assets | 52,700 | 49,357 | 79,538 |
| Total operating costs and expenses | 2,873,973 | 2,788,894 | 2,710,701 |
| Operating income | 294,657 | 604,146 | 901,192 |
| Interest and other income, net | 15,533 | 14,913 | 9,270 |
| Income before income taxes, net | 310,190 | 619,059 | 910,462 |
| Provision for income taxes | 3,605 | 3,968 | 6,333 |
| Net income | $ 306,585 | $ 615,091 | $ 904,129 |
| Net income per share: | | | |
| Basic | $ 0.55 | $ 1.01 | $ 1.39 |
| Diluted | $ 0.54 | $ 0.99 | $ 1.34 |
| Weighted average shares: | | | |
| Basic | 555,310 | 607,857 | 648,347 |
| Diluted | 563,123 | 623,268 | 676,878 |
| Cash dividends declared per share | $ 0.18 | $ | $ |

See accompanying Notes to Consolidated Financial Statements.

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**MARVELL TECHNOLOGY GROUP LTD.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**(In thousands)**

| | Year Ended | | |
|---|---|---|---|
| | **February 2, 2013** | **January 28, 2012** | **January 29, 2011** |
| Net income | $ 306,585 | $ 615,091 | $ 904,129 |
| Other comprehensive income (loss), net of tax: | | | |
| Available-for-sale securities: | | | |
| Change in unrealized gain on marketable securities | 2,141 | 2,087 | 3,007 |
| Less: Reclassification adjustments for net realized gains on marketable securities included in net income | (3,101) | (1,889) | (590) |
| Change in unrealized loss on auction rate securities | (1,396) | 339 | 695 |
| Derivative financial instruments: | | | |
| Change in unrealized gain (loss) on cash flow hedges | 233 | 757 | (8) |
| Less: Reclassification adjustments for net realized loss (gain) on cash flow hedges included in net income | 2,495 | (1,605) | (1,126) |
| Other | | (5) | (1) |
| Other comprehensive income (loss), net | 372 | (316) | 1,977 |
| Comprehensive income | $ 306,957 | $ 614,775 | $ 906,106 |

See accompanying Notes to Consolidated Financial Statements.

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**MARVELL TECHNOLOGY GROUP LTD.**

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY**

**(In thousands except per share amounts)**

| | Common Stock | | Additional Paid-in | Accumulated Other Comprehensive Income | Accumulated Income | |
|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | (Loss) | (Deficit) | Total |
| **Balance at January 30, 2010** | 638,341 | $ 1,277 | $ 4,607,844 | $ (885) | $ (190,257) | $ 4,417,979 |
| Shares issued pursuant to stock options and awards, net | 15,077 | 30 | 108,585 | | | 108,615 |
| Issuance of common stock under the employee stock purchase plan | 10,885 | 22 | 57,316 | | | 57,338 |
| Share-based compensation | | | 118,857 | | | 118,857 |
| Tax benefit from employee stock transactions | | | 460 | | | 460 |
| Repurchase of common stock | (4,931) | (10) | (87,476) | | | (87,486) |
| Net income | | | | | 904,129 | 904,129 |
| Other comprehensive income | | | | 1,977 | | 1,977 |
| **Balance at January 29, 2011** | 659,372 | 1,319 | 4,805,586 | 1,092 | 713,872 | 5,521,869 |
| Shares issued pursuant to stock options and awards, net | 7,210 | 14 | 36,989 | | | 37,003 |
| Issuance of common stock under the employee stock purchase plan | 4,875 | 10 | 60,844 | | | 60,854 |
| Share-based compensation | | | 120,390 | | | 120,390 |
| Tax benefit from employee stock transactions | | | 3 | | | 3 |
| Repurchase of common stock | (87,786) | (176) | (1,340,700) | | | (1,340,876) |
| Net income | | | | | 615,091 | 615,091 |
| Other comprehensive income | | | | (316) | | (316) |
| **Balance at January 28, 2012** | 583,671 | 1,167 | 3,683,112 | 776 | 1,328,963 | 5,014,018 |
| Shares issued pursuant to stock options and awards, net | 8,090 | 17 | 28,394 | | | 28,411 |
| Issuance of common stock under the employee stock purchase plan | 7,578 | 15 | 66,411 | | | 66,426 |
| Share-based compensation | | | 126,683 | | | 126,683 |
| Tax deficiency from employee stock transactions | | | (52) | | | (52) |
| Repurchase of common stock | (91,001) | (182) | (958,905) | | | (959,087) |
| Cash dividends declared and paid (cumulatively $0.18 per share) | | | | | (98,761) | (98,761) |
| Net income | | | | | 306,585 | 306,585 |
| Other comprehensive income | | | | 372 | | 372 |
| **Balance at February 2, 2013** | 508,338 | $ 1,017 | $ 2,945,643 | $ 1,148 | $ 1,536,787 | $ 4,484,595 |

See accompanying Notes to Consolidated Financial Statements.

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**MARVELL TECHNOLOGY GROUP LTD.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(In thousands)**

| | Year Ended | | |
|---|---|---|---|
| | **February 2, 2013** | **January 28, 2012** | **January 29, 2011** |
| **Cash flows from operating activities:** | | | |
| Net income | $ 306,585 | $ 615,091 | $ 904,129 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 91,028 | 88,454 | 93,190 |
| Share-based compensation | 127,280 | 119,863 | 118,405 |
| Amortization and write-off of acquired intangible assets | 52,700 | 49,357 | 79,538 |
| Facility impairment | | | 1,140 |
| Other expense, net | 7,392 | 15,190 | 7,581 |
| Excess tax benefits from stock-based compensation | (58) | (164) | (899) |
| Deferred income tax | 7,026 | (3,245) | 4,113 |
| Changes in assets and liabilities, net of assets acquired and liabilities assumed in acquisitions: | | | |
| Accounts receivable | 77,025 | 54,550 | (102,610) |
| Inventories | 103,102 | (101,109) | (3,655) |
| Prepaid expenses and other assets | (6,894) | 30,736 | 50,236 |
| Accounts payable | (24,304) | (47,095) | 42,464 |
| Accrued liabilities and other non-current liabilities | 8,014 | (21,614) | (38,059) |
| Accrued employee compensation | (20,050) | (12,565) | 21,210 |
| Deferred income | 191 | (16,202) | 16,765 |
| Net cash provided by operating activities | 729,037 | 771,247 | 1,193,548 |
| **Cash flows from investing activities:** | | | |
| Purchases of available-for-sale securities | (1,543,902) | (1,851,696) | (1,262,767) |
| Purchases of strategic investments | (8,750) | (4,003) | (1,750) |
| Sales and maturities of available-for-sale securities | 1,835,655 | 1,462,164 | 868,759 |
| Cash paid for acquisitions, net | (1,000) | (93,916) | (29,446) |
| Proceeds from sale of equity investments | | | 9,192 |
| Purchases of technology licenses | (35,002) | (13,823) | (23,144) |
| Purchases of property and equipment | (68,186) | (88,779) | (90,173) |
| Net cash provided by (used) in investing activities | 178,815 | (590,053) | (529,329) |
| **Cash flows from financing activities:** | | | |
| Repurchase of common stock | (936,935) | (1,340,876) | (87,486) |
| Proceeds from employee stock plans | 104,936 | 106,039 | 175,359 |
| Minimum tax withholding paid on behalf of employees for net share settlement | (10,099) | (8,182) | (9,405) |
| Dividend payments to shareholders | (98,761) | | |
| Principal payments on capital lease | | (511) | (1,940) |
| Excess tax benefits from stock-based compensation | 58 | 164 | 899 |
| Net cash (used in) provided by financing activities | (940,801) | (1,243,366) | 77,427 |
| Net (decrease) increase in cash and cash equivalents | (32,949) | (1,062,172) | 741,646 |
| Cash and cash equivalents at beginning of the year | 784,902 | 1,847,074 | 1,105,428 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Cash and cash equivalents at end of the year | $ | 751,953 | $ | 784,902 | $ | 1,847,074 |
| **Supplemental cash flow information:** | | | | | | |
| Cash paid for interest | $ | 563 | $ | 722 | $ | 144 |
| Cash paid for income taxes, net | $ | 16,813 | $ | 14,096 | $ | 12,239 |
| **Non-Cash Investing and Financing Activities:** | | | | | | |
| Purchase of intellectual property under license obligations | $ | 42,692 | $ | | $ | |

See accompanying Notes to Consolidated Financial Statements.

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**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1 The Company and its Significant Accounting Policies:**

***The Company***

Marvell Technology Group Ltd., a Bermuda company (the Company ), is a leading global semiconductor provider of high-performance application specific standard products. The Company s core strength of expertise is the development of complex System-on-a-Chip devices leveraging its extensive technology portfolio of intellectual property in the areas of analog, mixed-signal, digital signal processing, and embedded and stand alone ARM-based microprocessor integrated circuits. The Company develops platforms that it defines as integrated hardware along with software that incorporates digital computing technologies designed and configured to provide an optimized computing solution compared to individual components. The Company s broad product portfolio includes devices for data storage, enterprise-class Ethernet data switching, Ethernet physical-layer transceivers, mobile handsets and other consumer electronics, Ethernet-based wireless networking, personal area networking, Ethernet-based PC connectivity, control plane communications controllers, video-image processing and power management solutions.

***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 2013 had a 53-week period. Fiscal 2012 and 2011 each had a 52-week period.

Certain reclassifications have been made to prior period balances in order to conform to the current period s presentation.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States ( GAAP ) 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 performance-based compensation, revenue recognition, provisions for sales returns and allowances, inventory excess and obsolescence, investment fair values, goodwill and other intangible assets, income taxes, litigation and other contingencies. In addition, the Company uses assumptions when employing the Monte Carlo simulation and Black-Scholes valuation models to calculate the fair value of stock-based awards that are granted. Actual results could differ from these estimates, and such differences could affect the results of operations reported in future periods.

***Principles of Consolidation***

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

***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 consist of cash on deposit with banks, time deposits, federal agency notes, commercial paper and money market funds.

**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Investments***

The Company s marketable investments are classified as available-for-sale and are reported at fair value. The Company determines any realized gains or losses on the sale of available-for-sale securities on a specific identification method, and such gains and losses are recorded as a component of interest and other income, net. Unrealized gains and losses of the available-for-sale securities are excluded from earnings and reported as a component of accumulated other comprehensive income. 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 interest and other income, net within the consolidated statements of operations.

In general, investments with original maturities of greater than 90 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 has equity investments in privately-held companies. If the Company has the ability to exercise significant influence over the investee, but not control, or if the investee is a partnership type investment, the Company accounts for the investments under the equity method. If the Company does not have the ability to exercise significant influence over the operations of the investee, the Company accounts for the investment under the cost method. Investments in privately-held companies are included in other non-current assets.

***Impairment of Investments***

If a debt security s market value is below amortized cost and the Company either intends to sell the security or it is more likely than not that the Company will be required to sell the security before its anticipated recovery, the Company records an other-than-temporary impairment charge to interest and other income, net within the consolidated statements of operations.

Investments in privately-held companies are subject to a periodic impairment review. Investments are considered impaired when the fair value is below the investment s cost basis and the decline in value is judged to be other-than-temporary. This assessment is based on a qualitative and quantitative analysis, including, but not limited to, the investee s revenue and earnings trends, available cash and liquidity, and the status of the investee s products and the related market for such products.

***Derivative Financial Instruments***

The Company accounts for its derivative instruments as either assets or liabilities and carries them at fair value. For derivative instruments that hedge the exposure to variability in expected future cash flows and are designated as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of accumulated other comprehensive income in shareholders equity and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of the gain or loss on the derivative instrument is recognized in current earnings. To receive hedge accounting treatment, cash flow hedges must be highly effective in offsetting changes to expected future cash flows on hedged transactions. Derivatives that are not designated as hedges must be adjusted to fair value through earnings.

**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Concentration of Credit Risk and Significant Customers***

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist principally of cash equivalents, short-term investments and accounts receivable. Cash, cash equivalents and short-term investments 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, which consists of a customer base located primarily in the Asia Pacific Region, is 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 conditions 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 allowance for doubtful accounts at February 2, 2013 and January 28, 2012 was $1.0 million and $1.3 million, respectively. Please see Note 1 The Company and its Significant Accounting Policies Revenue Recognition 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:

| | | Year Ended | |
|---|---|---|---|
| **Customer** | **February 2, 2013** | **January 28, 2012** | **January 29, 2011** |
| Western Digital | 24% | 19% | 21% |
| Toshiba | 10% | * | * |
| Seagate | 10% | * | * |
| Research in Motion | * | * | 14% |

* Less than 10% of net revenue

In fiscal 2013, Western Digital acquired Hitachi s HDD unit and in fiscal 2012, Seagate acquired the HDD operations of Samsung.

The Company s accounts receivable were concentrated with two customers at February 2, 2013, representing 19% and 15% of gross accounts receivable, respectively, and were concentrated with three customers at January 28, 2012, representing 15%, 12% and 11% of gross accounts receivable, respectively.

In each of fiscal 2013 and 2012, one distributor accounted for more than 10% of the Company s net revenue, and no distributor accounted for more than 10% of the Company s net revenue in fiscal 2011. The Company continuously monitors the creditworthiness of its distributors and believes these distributors sales to diverse end customers and to diverse geographies further serve to mitigate the Company s exposure to credit risk.

***Inventories***

Inventory is stated at the lower of cost or market, cost being determined under the first-in, first-out method. The Company records inventory excess and obsolescence provisions for estimated obsolete or unsellable inventory equal to the difference between the cost of inventory and estimated net realizable value based upon assumptions about future demand and market conditions. If actual future demand for the Company s products is

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**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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. Shipping and handling costs are classified as a component of cost of goods sold in the consolidated statements of operations. In fiscal 2012, the Company recorded $4.4 million of step-up fair market value adjustments to inventory acquired in acquisitions, based on the estimated selling price less reasonable profit allowance for the selling effort.

***Property and Equipment, Net***

Property and equipment, net, are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which ranges from three to seven years for machinery and equipment, computer software, and furniture and fixtures. Buildings are depreciated over an estimated useful life of 30 years and building improvements are depreciated over estimated useful lives of 15 years.

***Goodwill***

Goodwill is recorded when the consideration paid for a business acquisition exceeds the fair value of net tangible and intangible assets acquired. Goodwill is measured and tested for impairment annually or more frequently if the Company believes indicators of impairment exist. First, the Company assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the company concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then a two-step quantitative impairment test is performed. The first step requires comparing the fair value of the reporting unit to its net book value, including goodwill. As the Company has only one reporting unit, the fair value of the reporting unit is determined by taking the market capitalization of the Company as determined through quoted market prices and adjusted for control premiums and other relevant factors. 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 and the fair value of the reporting unit. If the difference is less than the net book value of goodwill, 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 because the fair value of the reporting unit has sufficiently exceeded its net book value at every measurement date.

***Long-Lived Assets and Intangible Assets***

Long-lived assets include property and equipment, technology licenses and intangible assets. Whenever events or changes in circumstances indicate that the carrying amount of long-lived assets may not be recoverable, the Company estimates the future cash flows, undiscounted and without interest charges, expected to result from the use of those assets and their eventual disposition. If the sum of the expected future cash flows is less than the carrying amount of those assets, the Company recognizes an impairment loss based on the excess of the carrying amount over the fair value of the assets. Please see Note 7 Goodwill and Acquired Intangible Assets for further details regarding impairment of acquisition-related identified intangible assets.

Acquisition-related identified intangible assets are amortized on a straight-line basis over their estimated economic lives of 4 to 7 years for purchased technology, 5 to 8 years for core technology, 5 to 7 years for customer intangibles, and 5 years for trade name. In-process research and development ( IPR&D ) is not amortized until the completion of the related development.

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**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Foreign Currency Transactions***

The functional currency of all of the Company s non-U.S. operations is the U.S. dollar. Monetary accounts maintained in currencies other than the U.S. 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.

***Revenue Recognition***

The Company recognizes revenue 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 rebates. However, some of the Company s sales are made through distributors under agreements allowing for price protection, shipped from stock pricing adjustment rights, and limited rights of stock rotation on products unsold by the distributors. Although title passes to the distributor upon shipment terms and payment by the Company s distributors is not contingent on resale of the product, product revenue on sales made through distributors with price protection, shipped from stock pricing adjustment rights and stock rotation rights are deferred until the distributors sell the product to end customers. Deferred revenue less the related cost of the inventories is reported as deferred income. The Company does not believe that there is any significant exposure related to impairment of deferred cost of sales, as its historical returns have been minimal and inventory turnover for its distributors generally ranges from 60 to 90 days. The Company s sales to direct customers are made primarily pursuant to standard purchase orders for delivery of products.

A portion of the Company s net revenue is derived from sales through third party logistics providers, who maintain warehouses in close proximity to the customer s facilities. Revenue from sales through these third party logistics providers is not recognized until the product is pulled from stock by the end customer.

The provision for estimated sales returns on product sales is recorded in the same period the related revenues are recorded. These estimates are based on historical returns, analysis of credit memo data and other known factors. Actual returns could differ from these estimates. The Company accounts for rebates by recording 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 agreed to with the customer.

***Advertising Expense***

Advertising costs are expensed as incurred.

***Stock-Based Compensation***

Stock-based compensation is measured at the grant date, based on the fair value of the award, and is recognized as expense over the requisite service period. The Company amortizes stock-based compensation expense for time-based and market-based awards under the straight-line attribution method over the vesting period, which is generally four years for annual grants to employees and five years for new hire grants. Performance-based awards are amortized using the accelerated method.

The Company estimates the fair value of time-based stock option awards on the date of grant using the Black Scholes option-pricing model. The fair value of market-based stock option awards is estimated on the date

**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

of grant using a Monte Carlo simulation model. The value of the portion of the awards that is ultimately expected to vest is recognized as expense over the requisite service periods. The Black Scholes and Monte Carlo models incorporate various highly subjective assumptions including expected term of awards, expected future stock price volatility and expected forfeiture rates.

In developing estimates used to calculate assumptions, the Company establishes the expected term for employee stock options, as well as expected forfeiture rates, based on the historical settlement experience and after giving consideration to vesting schedules. Assumptions for stock option exercises and pre-vesting terminations of stock options were stratified by employee groups with sufficiently distinct behavior patterns. Expected volatility was developed based on equally weighted combination of historical stock price volatility and implied volatility derived from traded options on the Company s stock in the marketplace. The expected dividend yield is calculated by dividing annualized dividend payments by the closing stock price on the grant date of the option.

Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. Stock-based compensation expense is recorded net of estimated forfeitures such that expense is recorded only for those stock-based awards that are expected to vest. Previously recognized expense is reversed for the portion of awards forfeited prior to vesting as and when forfeitures occurred.

The fair value of each restricted stock unit is estimated based on the market price of the Company s common shares on the date of grant less the expected dividend yield.

***Comprehensive Income***

Comprehensive income is comprised of net income and unrealized gains and losses on available-for-sale securities and foreign exchange contracts. Accumulated other comprehensive income, as presented on the accompanying balance sheets, consists of net unrealized gains and losses on available-for-sale securities and foreign exchange contracts, net of tax.

***Accounting for Income Taxes***

The Company recognizes income taxes using an asset and liability approach. This approach requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in the Company s consolidated financial statements or tax returns. The measurement of current and deferred taxes is based on provisions of the enacted tax law and the effects of future changes in tax laws or rates are not anticipated.

Evaluating the need for an amount of a valuation allowance for deferred tax assets often requires judgment and analysis of all the positive and negative evidence available to determine whether all or some portion of the deferred tax assets will not be realized. A valuation allowance must be established for deferred tax assets when it is more likely than not that they will not be realized. Based on the available evidence and judgment, the Company has determined that it is more likely than not that U.S. research credits and certain acquired net operating losses will not be realized and therefore the Company has provided a full valuation allowance against these credits. If there is a change in the Company s ability to realize its deferred tax assets, then the Company s tax provision may decrease in the period in which it determines that realization is more likely than not.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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 various and sometimes conflicting tax laws and regulations as well as multinational tax conventions. 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. 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 the Company that could materially impact its tax liability and/or its effective income tax rate.

The Company is subject to income tax audits by the respective tax authorities in all of the jurisdictions in which the Company operates. The Company recognizes the effect of income tax positions only if these positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is more than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest and penalties related to unrecognized tax benefits in income tax expense. The calculation of the Company s tax liabilities involves the inherent uncertainty associated with the application of GAAP and complex tax laws. The Company believes it has adequately provided for in its financial statements additional taxes that it estimates may be required to be paid as a result of such examinations. While the Company believes that it has adequately provided for all tax positions, amounts asserted by tax authorities could be greater or less than the Company s accrued position. These tax liabilities, including the interest and penalties, are released pursuant to a settlement with tax authorities, completion of audit or expiration of various statutes of limitation. The material jurisdictions in which the Company may be subject to potential examination by tax authorities throughout the world include China, Israel, Singapore, Switzerland and the United States.

***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. The Company s products carry a standard 90 day warranty, with certain exceptions in which the warranty period can extend to more than one year based on contractual agreements. The warranty accrual is primarily estimated based on historical claims compared to historical revenues and assumes that the Company will have to replace products subject to a claim. From time to time, the Company becomes aware of specific warranty situations, and it records specific accruals to cover these exposures.

***Accounting Pronouncements Recently Adopted***

The Company adopted the new accounting standard that provides additional guidance on fair value measurements and related disclosures at the beginning of fiscal 2013. This guidance clarifies the application of existing guidance on fair value measurement for non-financial assets and requires the disclosure of quantitative information about the unobservable inputs used in a fair value measurement. The adoption of this guidance had no impact on the Company s financial statements.

The Company also adopted the new accounting standard that permits an entity the option to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements at the beginning of fiscal 2013. This amended guidance eliminates the option to present the components of other

**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

comprehensive income as part of the statement of changes in shareholders equity. The Company has separately presented the statements of comprehensive income as part of its audited consolidated financial statements.

The Company also adopted the new accounting standard that amends the previous guidance regarding the testing of goodwill for impairment at the beginning of fiscal 2013. This amended guidance allows an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. An entity no longer is required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The adoption of this guidance had no impact on the Company s financial statements.

***Accounting Pronouncements Not Yet Effective for Fiscal 2013***

In July 2012, the Financial Accounting Standards Board ( FASB ) issued an amendment to its guidance regarding the testing of indefinite-lived intangible assets for impairment. This amended guidance allows an entity first to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test in accordance with the guidance on the impairment of intangible assets other than goodwill. This amended guidance is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The adoption of this guidance is not expected to have an impact on the Company s financial statements.

In February 2013, the FASB issued an amendment to its guidance regarding the reporting of amounts reclassified out of accumulated other comprehensive income. The amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either in the financial statements or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. This amended guidance is effective prospectively for annual periods beginning after December 15, 2012 and interim periods within those years. The adoption of this guidance is not expected to have an impact on the Company s financial statements.

**Note 2 Business Combinations:**

***Acquisitions in fiscal 2013***

There were no significant acquisitions individually or in aggregate during fiscal 2013.

***Acquisitions in prior years***

In December 2011, the Company acquired Xelerated AB ( Xelerated ), a company which specializes in network processing and programmable Ethernet switching solutions. The total purchase price was $75.2 million in cash, net of cash acquired. In addition to leveraging the existing acquired business and customer base, the objective of the acquisition was to expand the Company s technology portfolio and enable more comprehensive integrated solutions for the networking market. The goodwill of $22.3 million was attributed to synergies specific to the Company in delivering these integrated solutions with its product portfolio, as well as the assembled workforce.

The terms of the Xelerated acquisition included contingent consideration of up to $5.0 million, based on specific revenue targets for the acquired business during calendar year 2011. Based on the actual results through the date of acquisition, the Company assessed there was no possibility of any of the earnout being paid, therefore the Company assigned no value to the contingent consideration. After the end of calendar year 2011, the Company concluded that the earnout requirements were not met.

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**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The purchase price of Xelerated was allocated as follows (in thousands):

| | |
|---|---|
| Accounts receivable | $ 2,407 |
| Inventory | 6,481 |
| Prepaid and other current assets | 111 |
| Property and equipment | 441 |
| Tangible assets acquired | 9,440 |
| Goodwill | 22,324 |
| Intangible assets | 51,800 |
| Total assets acquired | 83,564 |
| Accounts payable | (256) |
| Accrued liabilities | (7,152) |
| Deferred tax liability | (1,000) |
| Net assets acquired | $ 75,156 |

Costs that were recognized separately from the acquisition were not significant and were expensed in fiscal 2012. In addition to the consideration for the acquisition, the agreement included retention bonuses totaling $4.3 million in cash over the two years following the close of the acquisition. These amounts are being expensed as compensation expense over the course of the retention period, as payment is contingent upon future employment.

The acquired intangible assets from Xelerated were recognized as follows based upon their fair value as of the acquisition date (in thousands):

| | Fair value | Estimated useful lives |
|---|---|---|
| **Intangible assets:** | | |
| Purchased technology | $ 25,800 | 6 years |
| Customer intangible | 24,700 | 5 years |
| Trade name | 1,300 | 5 years |
| Total | $ 51,800 | |

The value of the purchased technology and the trade name of $25.8 million and $1.3 million, respectively, were determined based on the relief from royalty method, and the value of the customer intangible was determined using discounted cash flows.

In April 2011, the Company acquired the physical-layer transceivers business of a company, which specializes in the design of networking devices. Under the acquisition method of accounting, the total purchase price was determined to be $16.3 million and was allocated to tangible assets for $1.1 million, intangible assets for $13.6 million and goodwill for $1.6 million.

In December 2010, the Company completed the acquisition of a mobile software consulting firm specializing in user interface application software. The purchase consideration was determined to be $11.8 million and was allocated to intangible assets based on their fair values as of the date of the completion of the purchase under the acquisition method of accounting. The Company recorded the purchase price allocation to amortizable intangible assets of $7.5 million and goodwill of $4.3 million. Additional consideration of $9.3 million, which will be paid to

employees, is contingent on continuing employment and therefore is being expensed as compensation over the course of the retention period.

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**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In July 2010, the Company purchased the assets of a company engaged in the development of powerline communications for home networking and broadband over powerline applications. Under the acquisition method of accounting, the total purchase price of $20.7 million was allocated to tangible and intangible assets based on their fair values as of the date of the completion of the purchase. The Company recorded the purchase price allocation to tangible assets of $0.3 million, amortizable intangible assets of $7.8 million, IPR&D of $9.7 million and goodwill of $2.9 million.

The completed acquisitions in fiscal 2012 and 2011 both individually and in the aggregate were not significant to the Company s consolidated statements of operations. The goodwill acquired is not deductible for tax purposes.

**Note 3 Investments:**

The following tables summarize the Company s investments (in thousands):

| | As of February 2, 2013 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| **Short-term investments:** | | | | |
| Available-for-sale: | | | | |
| Corporate debt securities | $ 577,120 | $ 2,886 | $ (382) | $ 579,624 |
| Asset backed securities | 76,629 | 50 | (64) | 76,615 |
| Foreign government | 4,320 | | (1) | 4,319 |
| U.S. federal and state debt securities | 318,226 | 258 | (5) | 318,479 |
| Time deposits | 188,000 | | | 188,000 |
| Total short-term investments | 1,164,295 | 3,194 | (452) | 1,167,037 |
| **Long-term investments:** | | | | |
| Available-for-sale: | | | | |
| Auction rate securities | 19,450 | | (2,681) | 16,769 |
| Total long-term investments | 19,450 | | (2,681) | 16,769 |
| Total investments | $ 1,183,745 | $ 3,194 | $ (3,133) | $ 1,183,806 |

| | As of January 28, 2012 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| **Short-term investments:** | | | | |
| Available-for-sale: | | | | |
| Corporate debt securities | $ 685,563 | $ 3,081 | $ (799) | $ 687,845 |
| Foreign government | 2,033 | 3 | | 2,036 |
| U.S. federal and state debt securities | 770,298 | 1,437 | (20) | 771,715 |
| Total short-term investments | 1,457,894 | 4,521 | (819) | 1,461,596 |
| **Long-term investments:** | | | | |

| | | | | |
|---|---|---|---|---|
| Available-for-sale: | | | | |
| Auction rate securities | 24,500 | | (1,285) | 23,215 |
| Total long-term investments | 24,500 | | (1,285) | 23,215 |
| Total investments | $ 1,482,394 | $ 4,521 | $ (2,104) | $ 1,484,811 |

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**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The investment in foreign government debt as of February 2, 2013 and January 28, 2012 was in Canadian province debt. As of February 2, 2013, the Company s investment portfolio included auction rate securities with an aggregate par value of $19.5 million. To estimate the fair value of the auction rate securities, the Company uses a discounted cash flow model based on estimated timing and amount of future interest and principal payments. In developing the cash flow model, the Company considers the credit quality and liquidity of the underlying securities and related issuer, the collateralization of underlying security investments and other considerations. The fair value of the auction rate securities as of February 2, 2013 was $2.7 million less than the par value and was recorded in long-term investments. Based on the Company s balance of approximately $1.9 billion in cash, cash equivalents and short-term investments, and the fact that the Company continues to generate positive cash flow from operations on a quarterly basis, the Company does not anticipate having to sell these securities below par value and does not have the intent to sell these auction rate securities until recovery. Since the Company considers the impairment to be temporary, the Company recorded the unrealized loss to accumulated other comprehensive income, a component of shareholders equity.

The gross realized gains on sales of available-for-sale securities for fiscal 2013, 2012 and 2011 were $3.6 million, $2.4 million and $0.6 million, respectively. The gross realized losses on sales of available-for-sale securities for fiscal 2013, 2012 and 2011 were $0.3 million, $1.0 million and $0.2 million, respectively.

The contractual maturities of available-for-sale securities are presented in the following table (in thousands):

| | February 2, 2013 | | January 28, 2012 | |
|---|---|---|---|---|
| | **Amortized Cost** | **Estimated Fair Value** | **Amortized Cost** | **Estimated Fair Value** |
| Due in one year or less | $ 519,006 | $ 519,537 | $ 641,433 | $ 642,317 |
| Due between one and five years | 627,769 | 629,991 | 816,461 | 819,279 |
| Due over five years | 36,970 | 34,278 | 24,500 | 23,215 |
| | $ 1,183,745 | $ 1,183,806 | $ 1,482,394 | $ 1,484,811 |

For individual securities that have been in a continuous unrealized loss position, the fair value and gross unrealized loss for these securities aggregated by investment category and length of time in an unrealized position are presented in the following tables (in thousands):

| | February 2, 2013 | | | | | |
|---|---|---|---|---|---|---|
| | **Less than 12 months** | | **12 months or more** | | **Total** | |
| | **Fair Value** | **Unrealized Loss** | **Fair Value** | **Unrealized Loss** | **Fair Value** | **Unrealized Loss** |
| Corporate debt securities | $ 141,915 | $ (382) | $ | $ | $ 141,915 | $ (382) |
| U.S. federal and state debt securities | 14,677 | (5) | | | 14,677 | (5) |
| Auction rate securities | | | 16,769 | (2,681) | 16,769 | (2,681) |
| Asset backed securities | 43,882 | (64) | | | 43,882 | (64) |
| Foreign government | 4,319 | (1) | | | 4,319 | (1) |
| Total securities | $ 204,793 | $ (452) | $ 16,769 | $ (2,681) | $ 221,562 | $ (3,133) |

| | January 28, 2012 | | |
|---|---|---|---|
| | **Less than 12 months** | **12 months or more** | **Total** |

| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
|---|---|---|---|---|---|---|
| Corporate debt securities | $ 146,963 | $ (799) | $ | $ | $ 146,963 | $ (799) |
| U.S. federal and state debt securities | 107,603 | (20) | | | 107,603 | (20) |
| Auction rate securities | | | 23,215 | (1,285) | 23,215 | (1,285) |
| Total securities | $ 254,566 | $ (819) | $ 23,215 | $ (1,285) | $ 277,781 | $ (2,104) |

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**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 4 Supplemental Financial Information (in thousands):**

| | February 2, 2013 | January 28, 2012 |
|---|---|---|
| **Cash and cash equivalents** | | |
| Cash | $ 583,527 | $ 503,095 |
| Cash equivalents: | | |
| Corporate debt securities | | 12,500 |
| Time deposits | 119,874 | 205,060 |
| Money market mutual fund | 21,523 | 64,247 |
| U.S. federal and state debt securities | 27,029 | |
| Total cash and cash equivalents | $ 751,953 | $ 784,902 |

| | February 2, 2013 | January 28, 2012 |
|---|---|---|
| **Inventories:** | | |
| Work-in-process | $ 140,805 | $ 190,779 |
| Finished goods | 109,615 | 163,340 |
| Inventories | $ 250,420 | $ 354,119 |

| | February 3, 2013 | January 28, 2012 |
|---|---|---|
| **Property and equipment, net:** | | |
| Machinery and equipment | $ 532,420 | $ 489,481 |
| Buildings | 144,320 | 144,320 |
| Computer software | 89,548 | 81,852 |
| Land | 69,246 | 69,246 |
| Building improvements | 49,516 | 42,083 |
| Leasehold improvements | 46,205 | 37,237 |
| Furniture and fixtures | 25,301 | 24,726 |
| Construction in progress | 5,333 | 9,846 |
| | 961,889 | 898,791 |
| Less: Accumulated depreciation and amortization | (574,862) | (514,990) |
| Property and equipment, net | $ 387,027 | $ 383,801 |

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**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The Company recorded depreciation expense of $70.7 million, $63.5 million and $72.2 million for fiscal 2013, 2012 and 2011, respectively.

| | February 2, 2013 | January 28, 2012 |
|---|---|---|
| **Other non-current assets:** | | |
| Technology and other licenses | $ 81,523 | $ 50,212 |
| Deferred tax assets | 26,291 | 31,064 |
| Deposits | 10,451 | 11,532 |
| Investments in privately held companies | 14,486 | 6,309 |
| Deferred compensation | 3,220 | 5,419 |
| Other | 14,858 | 3,610 |
| Other non-current assets | $ 150,829 | $ 108,146 |

Amortization of technology and other licenses was $20.3 million, $24.9 million, and $21.0 million in fiscal 2013, 2012 and 2011, respectively.

| | February 2, 2013 | January 28, 2012 |
|---|---|---|
| **Accrued liabilities:** | | |
| Accrued rebates | $ 51,712 | $ 24,420 |
| Accrued share repurchases | 22,152 | |
| Accrued legal expense | 18,357 | 13,999 |
| Accrued royalties | 12,695 | 16,896 |
| Technology license obligations | 9,865 | 5,250 |
| Other | 29,210 | 27,090 |
| Accrued liabilities | $ 143,991 | $ 87,655 |

In connection with the Company s repurchases of its common shares during fiscal 2013, approximately $22.2 million of the repurchases was made in the final 3 days of the fiscal year and is included in accrued share repurchases in the consolidated balance sheet. The repurchased shares were retired immediately after the repurchases were completed.

| | February 2, 2013 | January 28, 2012 |
|---|---|---|
| **Other non-current liabilities:** | | |
| Technology license obligations | $ 34,270 | $ |
| Long-term accrued employee compensation | 6,205 | 10,059 |
| Other | 15,935 | 22,409 |
| Other non-current liabilities | $ 56,410 | $ 32,468 |

| | February 2, 2013 | January 28, 2012 |
|---|---|---|
| **Accumulated other comprehensive income:** | | |
| Unrealized gain on marketable securities | $ 2,742 | $ 3,702 |
| Unrealized loss on auction rate securities | (2,681) | (1,285) |
| Unrealized gain (loss) on cash flow hedges | 1,087 | (1,641) |
| Accumulated other comprehensive income | $ 1,148 | $ 776 |

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**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Net income per share***

The Company reports both basic net income per share, which is based on the weighted average number of common shares outstanding, and diluted net income per share, which is based on the weighted average number of common shares outstanding and potentially dilutive common shares. 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, 2013** | **January 28, 2012** | **January 29, 2011** |
| Numerator: | | | |
| Net income: | $ 306,585 | $ 615,091 | $ 904,129 |
| Denominator: | | | |
| Weighted average common shares outstanding: | 555,310 | 607,857 | 648,347 |
| Effect of dilutive securities: | | | |
| Common share-based awards | 7,813 | 15,411 | 28,531 |
| Weighted average shares diluted | 563,123 | 623,268 | 676,878 |
| Net income per share: | | | |
| Basic | $ 0.55 | $ 1.01 | $ 1.39 |
| Diluted | $ 0.54 | $ 0.99 | $ 1.34 |

| | | Year Ended | |
|---|---|---|---|
| | **February 2, 2013** | **January 28, 2012** | **January 29, 2011** |
| Anti-dilutive potential common shares: | | | |
| Weighted average shares outstanding from stock options | 28,124 | 21,014 | 12,211 |
| Weighted-average exercise price: | $ 17.48 | $ 18.79 | $ 21.39 |

Anti-dilutive potential common shares for stock options are excluded from the calculation of diluted earnings per share for the periods reported above because their exercise price exceeded the average market price during the period. The anti-dilutive shares reported above also include shares from stock options that contain market conditions for vesting since the market value of the Company s stock as of February 2, 2013, January 28, 2012 and January 29, 2011 was lower than the required market condition. There were 3.0 million anti-dilutive shares in each of fiscal 2013 and 2012 and 3.1 million anti-dilutive shares in fiscal 2011, from stock options that contain market conditions. See Note 12 Shareholders Equity for additional details.

**Note 5 Derivative Financial Instruments:**

The Company manages some of its foreign currency exchange rate risk through the purchase of foreign currency exchange contracts that hedge against the short-term effect of currency fluctuations. The Company s policy is to enter into foreign currency forward contracts with maturities generally less than 12 months that mitigate the effect of rate fluctuations on certain local currency denominated operating expenses. All derivative instruments are recorded at fair value in either prepaid expenses and other current assets or accrued liabilities. The Company reports cash flows from derivative instruments in cash flows from operating activities. The Company uses quoted prices to value its derivative instruments.

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**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The notional amounts of outstanding forward contracts were as follows (in thousands):

| | Buy Contracts | |
|---|---|---|
| | **February 2, 2013** | **January 28, 2012** |
| Israeli shekel | $ 38,249 | $ 42,637 |

*Cash Flow Hedges.* The Company designates and documents its foreign currency forward exchange contracts as cash flow hedges for certain operating expenses denominated in Israeli shekels. The Company evaluates and calculates the effectiveness of each hedge at least quarterly. The effective change is recorded in accumulated other comprehensive income and is subsequently reclassified to operating expense when the hedged expense is recognized. Ineffectiveness is recorded in interest and other income, net.

*Other Foreign Currency Forward Contracts.* The Company enters into foreign currency forward exchange contracts to hedge certain assets and liabilities denominated in various foreign currencies that it does not designate as hedges for accounting purposes. The maturities of these contracts are generally less than 12 months. Gains or losses arising from the remeasurement of these contracts to fair value each period are recorded in interest and other income, net.

The fair value of foreign currency exchange contracts was not significant as of any period presented.

**Note 6 Fair Value Measurements:**

Fair value is an exit price representing the amount that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, the accounting guidance establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 Observable inputs that reflect quoted prices for identical assets or liabilities in active markets.

Level 2 Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 Unobservable inputs that are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Company s Level 1 assets include institutional money-market funds that are classified as cash equivalents and marketable investments in U.S. federal and state debt securities, which are valued primarily using quoted market prices. The Company s Level 2 assets and liabilities include its marketable investments in corporate debt securities, foreign government debt securities and asset back securities as the market inputs to value these instruments consist of market yields, reported trades and broker/dealer quotes, which are corroborated with observable market data. In addition, foreign currency exchange contracts are classified within Level 2 as the valuation inputs are based on quoted prices and market observable data of similar instruments. The Company s Level 3 assets include its investments in auction rate securities, which are classified within Level 3 because there are currently no active markets for the auction rate securities and consequently the Company is unable to obtain independent valuations from market sources. Therefore, the auction rate securities are valued using a discounted cash flow model. Some of the inputs to the cash flow model are unobservable in the market. The total amount of assets measured using Level 3 valuation methodologies represented 0.3% of total assets as of February 2, 2013.

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**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The tables below set forth, by level, the Company s financial assets that were accounted for at fair value as of February 2, 2013 and January 28, 2012. The tables do not include assets and liabilities that are measured at historical cost or any basis other than fair value (in thousands):

| | Level 1 | Level 2 | Level 3 | Portion of Carrying Value Measured at Fair Value at February 2, 2013 |
|---|---|---|---|---|
| Items measured at fair value on a recurring basis: | | | | |
| Assets | | | | |
| Cash equivalents: | | | | |
| Money market funds | $ 21,523 | $ | $ | $ 21,523 |
| U.S. federal and state debt securities | 27,029 | | | 27,029 |
| Time deposits | | 119,874 | | 119,874 |
| Short-term investments: | | | | |
| U.S. federal and state debt securities | 318,479 | | | 318,479 |
| Corporate debt securities | | 579,624 | | 579,624 |
| Foreign government | | 4,319 | | 4,319 |
| Asset backed securities | | 76,615 | | 76,615 |
| Time deposits | | 188,000 | | 188,000 |
| Prepaid expenses and other current assets: | | | | |
| Forward contracts | | 1,144 | | 1,144 |
| Long-term investments: | | | | |
| Auction rate securities | | | 16,769 | 16,769 |
| Other non-current assets: | | | | |
| Severance pay fund | | 1,977 | | 1,977 |
| Total assets | $ 367,031 | $ 971,553 | $ 16,769 | $ 1,355,353 |

| | Level 1 | Level 2 | Level 3 | Portion of Carrying Value Measured at Fair Value at January 28, 2012 |
|---|---|---|---|---|
| Items measured at fair value on a recurring basis: | | | | |
| Assets | | | | |
| Cash equivalents: | | | | |
| Money market funds | $ 64,247 | $ | $ | $ 64,247 |
| Corporate debt securities | | 12,500 | | 12,500 |
| Time deposits | | 205,060 | | 205,060 |
| Short-term investments: | | | | |
| U.S. federal and state debt securities | 771,715 | | | 771,715 |
| Corporate debt securities | | 687,845 | | 687,845 |
| Foreign government | | 2,036 | | 2,036 |

| | | | | |
|---|---|---|---|---|
| Long-term investments: | | | | |
| Auction rate securities | | | 23,215 | 23,215 |
| Other non-current assets: | | | | |
| Severance pay fund | | 1,734 | | 1,734 |
| Total assets | $ 835,962 | $ 909,175 | $ 23,215 | $ 1,768,352 |
| Liabilities | | | | |
| Accrued liabilities: | | | | |
| Forward contracts | $ | $ 1,520 | $ | $ 1,520 |

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**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table summarizes the change in fair values for Level 3 assets for the year ended February 2, 2013 and January 28, 2012 (in thousands):

| | Level 3 |
|---|---|
| **Changes in fair value during the year (pre-tax):** | |
| Beginning balance at January 29, 2011 | $ 26,226 |
| Purchases | |
| Sales, redemption and settlement | (3,350) |
| Realized loss on sale | |
| Unrealized gain included in accumulated other comprehensive income | 339 |
| Ending balance at January 28, 2012 | 23,215 |
| Purchases | |
| Sales, redemption and settlement | (5,050) |
| Realized loss on sale | |
| Unrealized loss included in accumulated other comprehensive income | (1,396) |
| Ending balance at February 2, 2013 | $ 16,769 |

**Note 7 Goodwill and Acquired Intangible Assets:**

***Goodwill***

During the second half of fiscal 2013, the Company experienced a decline in its stock price and a decrease in its outstanding shares from its share repurchase activity, resulting in a lower market capitalization. As a result, the Company performed an impairment assessment in each of its last two fiscal quarters. Since the Company has only one reporting unit, it determined the fair value of the reporting unit by taking the market capitalization of the Company as determined through quoted market prices and adjusted for control premiums and other relevant factors. As a result, the Company concluded there was no impairment of its goodwill in fiscal 2013. In fiscal 2012, the Company performed a similar annual assessment of goodwill impairment at the beginning of its fourth quarter of fiscal 2012 and as a result, concluded that there was no impairment.

The following table summarizes the activity related to the carrying value of goodwill (in thousands):

| | |
|---|---|
| Balance at January 29, 2011 | $ 2,004,833 |
| Additions due to business combinations | 27,158 |
| Balance at January 28, 2012 | 2,031,991 |
| Additions due to business combinations | 147 |
| Balance at February 2, 2013 | $ 2,032,138 |

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**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Acquired Intangible Assets***

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

| | | February 2, 2013 | | | January 28, 2012 | | |
|---|---|---|---|---|---|---|---|
| | Range of Useful Lives | Gross Carrying Amounts | Accumulated Amortization and Write-Offs | Net Carrying Amount | Gross Carrying Amounts | Accumulated Amortization and Write-Offs | Net Carrying Amount |
| Purchased technology | 4 - 7 years | $ 54,690 | $ (18,552) | $ 36,138 | $ 103,490 | $ (50,906) | $ 52,584 |
| Core technology | 5 - 8 years | 138,650 | (123,298) | 15,352 | 178,000 | (142,932) | 35,068 |
| Trade names | 5 years | 1,300 | (308) | 992 | 1,500 | (232) | 1,268 |
| Customer intangibles | 5 - 7 years | 89,400 | (61,927) | 27,473 | 89,900 | (47,856) | 42,044 |
| IPR&D | * | 9,700 | | 9,700 | 10,541 | | 10,541 |
| Total intangible assets, net | | $ 293,740 | $ (204,085) | $ 89,655 | $ 383,431 | $ (241,926) | $ 141,505 |

* Upon completion of the project, the related IPR&D assets will be amortized over its estimated useful life. If any of the projects are abandoned or the forecast of the project indicates that the fair value is less than the carrying amount, the Company will be required to impair the related IPR&D asset.

Intangible assets, along with the related accumulated amortization, are removed for purposes of the above table at the end of the fiscal year they become fully amortized. In fiscal 2013, the Company wrote-off $0.8 million of IPR&D related to an abandoned project, which is included in amortization and write-off of acquired intangible assets in the consolidated statement of operations. There was no impairment of acquired intangible assets recorded in fiscal 2012 and 2011.

Based on the identified intangible assets recorded at February 2, 2013, the future amortization expense of identified intangibles excluding IPR&D for the next five fiscal years is as follows (in thousands):

| Fiscal Year | |
|---|---|
| 2014 | $ 35,778 |
| 2015 | 14,942 |
| 2016 | 12,203 |
| 2017 | 11,018 |
| 2018 | 5,590 |
| Thereafter | 424 |
| | $ 79,955 |

**Note 8 Restructuring:**

In fiscal 2013, the Company recorded a restructuring charge when the sublease of one of its previously vacated facilities was terminated. The Company also continued to make payments and incur on-going operating expenses related to previously vacated facilities during fiscal 2013 and 2012.

In fiscal 2012, the Company decided to vacate a leased facility it assumed in connection with the Xelerated acquisition immediately after the close of the transaction. As a result, the Company recorded an insignificant restructuring charge for the lease obligation. In fiscal 2012, the Company also completed the sale of its building that was previously classified as held for sale in fiscal 2011. The building was sold to an unrelated third party for

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

$6.8 million, equal to its revised carrying value. In anticipation of the sale, the carrying value of this building was written down to its fair value and classified as held for sale within prepaid and other current assets in fiscal 2011. As a result, the Company recorded a charge of $1.1 million to research and development expenses in fiscal 2011.

The following table presents details of restructuring charges by functional line item (in thousands):

| | | Year Ended | |
|---|---|---|---|
| | February 2, 2013 | January 28, 2012 | January 29, 2011 |
| Research and development | $ 47 | $ 728 | $ 1,966 |
| Selling and marketing | (3) | 8 | |
| General and administrative | 1,213 | 1,120 | 1,217 |
| | $ 1,257 | $ 1,856 | $ 3,183 |

The following table sets forth a summary of the activity in the accrued liability for the years ended (in thousands):

| | | Year Ended | |
|---|---|---|---|
| | February 2, 2013 | January 28, 2012 | January 29, 2011 |
| Restructuring liabilities, beginning of period | $ 2,917 | $ 3,306 | $ 5,397 |
| Facilities and related charges | 553 | 1,619 | 3,420 |
| Equipment and other related charges | | 237 | 94 |
| Non-cash adjustment | 10 | (506) | (1,272) |
| Net cash payments | (1,329) | (1,739) | (4,002) |
| Adjustments to previous assumptions | 704 | | (331) |
| Restructuring liabilities, end of period | $ 2,855 | $ 2,917 | $ 3,306 |

The remaining restructuring liabilities will be paid out through fiscal 2018.

**Note 9 Income Taxes:**

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

| | | Year Ended | |
|---|---|---|---|
| | February 2, 2013 | January 28, 2012 | January 29, 2011 |
| U.S. operations | $ 34,900 | $ 28,039 | $ 22,647 |
| Non-U.S. operations | 275,290 | 591,020 | 887,815 |
| | $ 310,190 | $ 619,059 | $ 910,462 |

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

| | Year Ended | | |
|---|---|---|---|
| | **February 2, 2013** | **January 28, 2012** | **January 29, 2011** |
| Current income tax expense (benefit): | | | |
| Federal | $ 4,461 | $ 8,183 | $ 1,111 |
| State | 407 | 99 | 49 |
| Foreign | (8,289) | (1,069) | 3,282 |
| Total current income tax expense (benefit) | (3,421) | 7,213 | 4,442 |
| Deferred income tax expense (benefit): | | | |
| Federal | 6,306 | (1,361) | 7,025 |
| State | 90 | 1,078 | 3,037 |
| Foreign | 630 | (2,962) | (8,171) |
| Total deferred income tax expense (benefit) | 7,026 | (3,245) | 1,891 |
| Total provision for income taxes | $ 3,605 | $ 3,968 | $ 6,333 |

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

| | **February 2, 2013** | **January 28, 2012** |
|---|---|---|
| Deferred tax assets: | | |
| Federal and California research and other tax credits | $ 299,475 | $ 259,635 |
| Reserves and accruals | 27,830 | 32,328 |
| Stock compensation | 3,523 | 2,678 |
| Net operating losses | 20,553 | 21,813 |
| Gross deferred tax assets | 351,381 | 316,454 |
| Valuation allowance | (299,449) | (259,316) |
| Total deferred tax assets | 51,932 | 57,138 |
| Total deferred tax liabilities | (17,225) | (15,405) |
| Net deferred tax assets | $ 34,707 | $ 41,733 |

The non-current portion of the deferred tax assets as of February 2, 2013 and January 28, 2012 was $26.3 million and $31.1 million, respectively, and is included in other non-current assets. During fiscal 2013, deferred tax assets, net of a corresponding valuation allowance decreased $7.0 million from the end of fiscal 2012, mostly due to electing bonus depreciation for assets placed in service in the United States which created a deferred tax liability of $4.6 million. Bonus depreciation was recently extended for assets placed in service before January 1, 2014 under the American Taxpayer Relief Act of 2012.

As of February 2, 2013, the Company had net operating loss carryforwards available to offset future taxable income of approximately $80.5 million, $2.2 million and $7.5 million for foreign, U.S. federal and state of California purposes, respectively. The federal carryforwards will expire in various fiscal years between 2021 and 2027, and the California carryforwards will expire at various fiscal years between 2016 and 2033, if not utilized before these years. The losses in non-U.S. companies can be carried forward indefinitely. For U.S. federal income tax return purposes, the Company had research tax credit and solar credit carryforwards of approximately $194.4 million that expire through fiscal 2033. As of February 2, 2013, the Company had unused California research and tax credit carryforwards of approximately $193.7 million, which can be carryforward indefinitely. Included in the U.S. federal and California carryforward amounts are $51.7 million and $53.5 million, respectively, that are

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

attributable to excess tax benefits from stock options. Upon realization, the benefit associated with these credits will increase additional paid-in capital. The Company also has research and investment tax credit carryforwards of approximately $16.7 million in other U.S. states that expire through fiscal 2028 due to the statute of limitation.

At the end of fiscal 2013, the Company has provided a full valuation allowance against its federal and various state research credits which it earns in excess of its current year tax liabilities, as well as its net operating loss carryforwards. Based on the available objective positive and negative evidence, the Company has determined that it is more likely than not that these research credits and acquired net operating losses will not be realized. Therefore, the Company has recorded a valuation allowance of $299.5 million, an increase of $40.1 million from fiscal 2012.

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

| | | Year Ended | |
|---|---|---|---|
| | February 2, 2013 | January 28, 2012 | January 29, 2011 |
| Provision at U.S. notional statutory rate | 35.0% | 35.0% | 35.0% |
| Non-deductible stock-based compensation | 15.4 | 6.9 | 5.6 |
| Difference in U.S. and non-U.S. tax rates | (48.8) | (40.7) | (40.0) |
| Benefits from utilization of general business credits | (13.8) | (6.8) | (3.7) |
| Change in valuation allowance | 12.9 | 5.6 | 3.4 |
| Other | 0.5 | 0.6 | 0.4 |
| Effective tax rate | 1.2% | 0.6% | 0.7% |

The following table reflects changes in the unrecognized tax benefits (in thousands):

| | | Year Ended | |
|---|---|---|---|
| | February 2, 2013 | January 28, 2012 | January 29, 2011 |
| Unrecognized tax benefits as the beginning of the period | $ 96,294 | $ 102,612 | $ 103,334 |
| Increases related to prior year tax positions | 1,106 | 987 | 494 |
| Decreases related to prior year tax positions | | (307) | (149) |
| Increases related to current year tax positions | 1,139 | 1,229 | 1,317 |
| Settlements | (3,956) | (243) | |
| Lapse in the statute of limitations | (15,543) | (9,529) | (10,293) |
| Foreign exchange (gain) loss | (9) | 1,545 | 7,909 |
| Gross amounts of unrecognized tax benefits as of the end of the period | $ 79,031 | $ 96,294 | $ 102,612 |

Included in the balances as of February 2, 2013 is $61.6 million of unrecognized tax benefit that would affect the effective income tax rate if recognized.

The amounts in the table above do not include the related interest and penalties. The amount of interest and penalties accrued as of February 2, 2013 was approximately $33.8 million, as of January 28, 2012 was approximately $35.3 million, and as of January 29, 2011 was approximately $33.4 million. The consolidated statements of operations for fiscal 2013, 2012 and 2011 included $5.8 million, $5.9 million and $7.0 million, respectively, of interest and penalties related to the unrecognized tax benefits.

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**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The Company is subject to income tax audits by the respective tax authorities in all of the jurisdictions in which it operates. The examination of tax liabilities in each of these jurisdictions requires the interpretation and application of complex and sometimes uncertain tax laws and regulations. As of February 2, 2013, the material jurisdictions that are subject to examination include China, Israel, Singapore, Switzerland and the United States for the Company s fiscal years 2003 through 2013. As of February 2, 2013, three of the Company s non-U.S. entities are under examination for fiscal years encompassing 2006 through 2010, and two of the Company s U.S. entities are under exam for fiscal 2010 through fiscal 2012.

During fiscal 2013, the Company will continue to review its tax positions and provide for or reverse unrecognized tax benefits as issues arise. During the next 12 months, it is reasonably possible that the amount of unrecognized tax benefits could decrease due to potential settlement with tax authorities and the expiration of applicable statutes of limitations. However, the amount cannot be reasonably estimated as the Company will have negotiations with various tax authorities throughout the year.

The Economic Development Board of Singapore (the EDB ) initially granted a 10 year Pioneer Status in July 1999 to the Company s subsidiary in Singapore if the Company meets several requirements as to investments, headcount and activities. In June 2006, the EDB agreed to extend the Pioneer Status to 15 years to June 2014 rather than 10 years. Fiscal 2013, 2012 and 2011 tax savings associated with this tax holiday were approximately $13.6 million, $3.1 million and $7.9 million, respectively, which if paid would impact the Company s earnings per share results by $0.02 per share for fiscal 2013 and $0.01 per share for fiscal 2012 and fiscal 2011. As a result, the Company anticipates that a significant portion of the income it earns in Singapore during this period will be exempt from the Singapore income tax.

Under the Israeli Encouragement law of approved or benefited enterprise, two branches of Marvell Israel (M.I.S.L) Ltd. ( MISL ), the GTL branch and the cellular branch (formerly Marvell DSPC), are entitled to approved and benefited tax programs that include reduced tax rates and exemption of certain income. The first program was approved for MISL in fiscal 1996 and the most recent was started in fiscal 2013. The cellular branch has five approved programs and three benefited programs with the first approved in fiscal 1991 and the most recent benefited enterprise started in fiscal 2011. The benefit period is generally 10 to 15 years and begins in the first year in which the Company s Israeli divisions earn taxable income from the approved or benefited enterprises, provided the maximum period has not elapsed. Income from the approved or benefited enterprises is subject to reduced tax rates ranging between 0% and 10% or tax exemptions for fiscal years 2008 through fiscal 2027. A new amendment to the Encouragement law, which was approved by the Israeli government in December 2011, came into effect January 1, 2012. For fiscal 2013, 2012 and 2011, the benefit associated with these approved or benefited enterprise programs was $13.8 million and $13.6 million and $18.4 million, respectively, which provided earnings per share benefit of $0.02 per share for fiscal 2013 and 2012 and $0.03 for fiscal 2011.

During fiscal 2007, each of the Swiss Federal Department of Economy and the Vaud Cantonal Tax Administration granted the Company s subsidiary in Switzerland a 10 year tax holiday on revenues from research and design wafer supply trading activities commencing with its fiscal 2007. The fiscal 2013, 2012 and 2011 tax savings associated with this tax holiday is approximately $4.6 million, $4.7 million and $4.5 million, respectively, which provided an earnings per share benefit of less than $0.01 for all three years.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Note 10 Commitments and Contingencies:**

***Warranty Obligations***

The Company s products carry a standard 90 day warranty with certain exceptions in which the warranty period can extend to more than one year based on contractual agreements. The following table presents changes in the warranty accrual included in accrued liabilities in the Company s consolidated balance sheets (in thousands):

| | | Year Ended | |
|---|---|---|---|
| | February 2, 2013 | January 28, 2012 | January 29, 2011 |
| Beginning balance | $ 2,354 | $ 2,439 | $ 1,965 |
| Warranty expense | 679 | 1,126 | 2,291 |
| Acquisitions | | 408 | |
| Payments and other charges | (1,097) | (1,619) | (1,817) |
| Ending balance | $ 1,936 | $ 2,354 | $ 2,439 |

***Lease Commitments***

The Company leases some of its facilities, equipment and computer aided design software under non-cancelable operating leases. Rent expense, net of sublease income for fiscal 2013, 2012 and 2011 was approximately $23.7 million, $20.5 million and $17.1 million, respectively. The Company also purchases certain intellectual property under technology license obligations. Future minimum lease payments, net of estimated sublease, and payments under technology license obligations as of February 2, 2013, are presented in the following tables (in thousands):

| Fiscal Year: | Minimum Lease Payments | Sublease Income | Net Operating Leases |
|---|---|---|---|
| 2014 | $ 48,751 | $ (215) | $ 48,536 |
| 2015 | 43,704 | (72) | 43,632 |
| 2016 | 26,882 | (75) | 26,807 |
| 2017 | 6,677 | (46) | 6,631 |
| 2018 | 1,453 | | 1,453 |
| Thereafter | 2,936 | | 2,936 |
| Total future minimum lease payments | $ 130,403 | $ (408) | $ 129,995 |

| Fiscal Year: | Technology License Obligations |
|---|---|
| 2014 | $ 9,351 |
| 2015 | 9,579 |
| 2016 | 9,807 |

| | |
|---|---|
| 2017 | 7,869 |
| 2018 | 9,180 |
| Thereafter | |
| Total future minimum lease payments | $ 45,786 |
| Less: amount representing interest | (3,094) |
| Present value of future minimum payments | 42,692 |
| Less: current portion | (8,422) |
| Non-current portion | $ 34,270 |

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**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Technology license obligations include the liabilities under the subscription agreements for technology licenses between the Company and various vendors.

***Purchase Commitments***

Under the Company s manufacturing relationships with its foundry partners, cancellation of all outstanding purchase orders are allowed but require payment of all costs and expenses incurred through the date of cancellation. As of February 2, 2013, these foundries had incurred approximately $212.1 million of manufacturing costs and expenses relating to the Company s outstanding purchase orders.

***Intellectual Property Indemnification***

The Company has agreed to indemnify certain customers for claims made against the Company s products, where such claims allege infringement of third party intellectual property rights, including, but not limited to, patents, registered trademarks, and/or copyrights. Under the aforementioned indemnification clauses, the Company may be obligated to defend the customer and pay for the damages awarded against the customer under an infringement claim as well as the customer s attorneys fees and costs. The Company s indemnification obligations generally do not expire after termination or expiration of the agreement containing the indemnification obligation. Generally, there are limits on and exceptions to the Company s potential liability for indemnification. Although historically the Company has not made significant payments under these indemnification obligations, the Company cannot estimate the amount of potential future payments, if any, that it might be required to make as a result of these agreements. The maximum potential amount of any future payments that the Company could be required to make under these indemnification obligations could be significant.

***Contingencies***

The Company and certain of its subsidiaries are currently a party to various legal proceedings, including those noted in this section. The legal proceedings and claims described below could result in substantial costs and could divert the attention and resources of the Company s management. Litigation is subject to inherent uncertainties and unfavorable rulings could occur. An unfavorable ruling in litigation could require the Company to pay damages, one-time license fees, or ongoing royalty payments and 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, any of which could adversely affect financial results in future periods. The Company believes that its products do not infringe valid and enforceable claims and it will continue to conduct a vigorous defense in these proceedings. However, 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.

The Company has recorded an accrual of $5.7 million in fiscal 2013 related to an ongoing litigation matter. The amount recorded does not relate to the litigation with Carnegie Mellon University ( CMU ). Other than the matter for which the Company has recorded an accrual of $5.7 million, the Company has not recorded an accrual for contingent losses associated with these matters based on its belief that losses, while reasonably possible, are not probable. The Company is currently unable to predict the final outcome of these lawsuits and therefore cannot determine the likelihood of loss nor estimate a range of possible loss.

*Carnegie Mellon Litigation.* On March 6, 2009, CMU filed a complaint in the U.S. District Court for the Western District of Pennsylvania naming Marvell Semiconductor, Inc. ( MSI ) and the Company as defendants and alleging patent infringement. CMU has asserted U.S. Patent Nos. 6,201,839 and 6,438,180 (collectively, the

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

CMU patents in suit ), which relate to read-channel integrated circuit devices and the HDD products incorporating such devices. A jury trial began on November 26, 2012. On December 26, 2012, a jury delivered a verdict that found the CMU patents in suit were literally and willfully infringed and valid, and awarded past damages in the amount of $1.17 billion. Due to the finding of willfulness, the judge could enhance by some amount up to treble the damages during post trial proceedings. In addition, CMU has disclosed in its post trial motions that it is seeking pre-judgment interest of $322 million, post-judgment interest, attorneys fees, and an injunction or ongoing royalties. Post trial motions are scheduled to be heard on May 1 and 2, 2013, and the Company expects the District Court to issue its final judgment some time thereafter.

The Company and MSI believe that the evidence and the law do not support the jury s findings of infringement, validity and the award of damages and do not believe a material loss is probable. The Company believes that there are strong grounds for appeal and the Company and MSI will seek to overturn the verdict in post trial motions before the District Court and, if necessary, to appeal to the U.S. Court of Appeals for the Federal Circuit in Washington, D.C. The Company and MSI intend to vigorously challenge the judgment through all appropriate post trial motions and appeal processes. In addition, the District Court in Pittsburgh has yet to rule on certain of the Company s defenses and motions, including laches and the Company s renewed request for a mistrial.

*Jasmine Networks Litigation*. On September 12, 2001, Jasmine Networks, Inc. ( Jasmine ) filed a lawsuit in the Santa Clara County Superior Court alleging claims against MSI and three of its officers for allegedly improperly obtaining and using information and technologies during the course of the negotiations with its personnel regarding the potential acquisition of certain Jasmine assets by MSI.

The case proceeded to trial on September 20, 2010. On November 24, 2010, a Santa Clara County jury returned a verdict in favor of MSI on all claims. On January 7, 2011, the court entered judgment in MSI s favor. Pursuant to California Civil Procedure provisions, Jasmine filed motions for a new trial and for a judgment notwithstanding the verdict. These motions were heard by the court on February 25, 2011 and denied in written orders. Jasmine has appealed and MSI is contesting the appeal vigorously.

*USEI Litigation.* On October 9, 2009, U.S. Ethernet Innovations, LLC ( USEI ) filed a complaint in the U.S. District Court for the Eastern District of Texas, in which USEI has accused a number of system manufacturers, including the Company s customers, of patent infringement (the USEI litigation ). Specifically, USEI has asserted that these customers infringe U.S. Patent Nos. 5,307,459, 5,434,872, 5,732,094 and 5,299,313 (collectively, the USEI patents in suit ), which relate to Ethernet technologies. The complaint seeks unspecified damages and an injunction.

On May 4, 2010, MSI filed a motion to intervene in the USEI litigation, which was granted on May 19, 2010. On July 13, 2010, the district court issued an order granting the defendants motion to transfer the action to the Northern District of California; the case was formally transferred on August 23, 2010. On September 14, 2011, USEI withdrew its allegations against MSI for the 459 patent. On October 21, 2011, the court conducted a claim construction hearing, and a ruling was issued on January 31, 2012. A supplemental claim construction hearing was held on May 3, 2012, and the claim construction was issued on August 29, 2012. Trial is scheduled for January 5, 2015.

*Lake Cherokee Patent Litigation.* On June 30, 2010, Lake Cherokee Hard Drive Technologies, L.L.C. filed a complaint in the U.S. District Court for the Eastern District of Texas. The complaint alleges infringement of U.S. Patent Nos. 5,844,738 and 5,978,162 (collectively, the Lake Cherokee patents in suit ). The Lake Cherokee patents in suit relate to read-channel integrated circuit devices, and to certain HDD products incorporating such devices. MSI filed its answer and counterclaims to the complaint on September 13, 2010. Defendants filed a motion to transfer on April 1, 2011, which was denied on February 13, 2012. Lake Cherokee

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

filed an amended complaint on April 21, 2011. MSI filed its answer and counterclaims to the amended complaint on May 9, 2011. A claim construction hearing was held on May 14, 2012, and the claim construction was issued on August 6, 2012. Trial is set for August 5, 2013.

*APT Patent Litigations.* On January 18, 2011, Advanced Processor Technologies, LLC ( APT ), a subsidiary of Acacia Research Corp., filed a complaint in the U.S. District Court for the Eastern District of Texas. The complaint names MSI and eight other defendants and alleges infringement of U.S. Patent Nos. 6,047,354 ( 354 patent ) and 5,796,978 ( 978 patent ). The asserted patents relate to microprocessor technologies. The complaint seeks unspecified damages and a permanent injunction. A first amended complaint was filed on January 26, 2011. The first amended complaint continues to assert the 354 patent against MSI, but appears to no longer assert the 978 patent against MSI. MSI filed its answer and counterclaims on April 15, 2011. A claim construction hearing was held on January 29, 2013. On March 23, 2012, APT filed a separate complaint in the U.S. District Court for the Eastern District of Texas. The complaint alleges that MSI infringes U.S. Patent Nos. 6,092,172 and 6,629,207. The asserted patents relate to microprocessor technologies. The complaint seeks unspecified damages and a permanent injunction. MSI filed its answer and counterclaims on May 25, 2012. In both cases, ARM filed a motion to intervene on July 23, 2012, which was granted on January 7, 2013, and a motion to transfer on July 27, 2012, which was denied on March 20, 2013. On January 30, 2013, the Court consolidated these two cases, as well as several other cases that APT had filed against various defendants, into a single case. A claim construction hearing in the consolidated case is scheduled for May 14, 2013 and jury selection is set for January 6, 2014.

*MOSAID Litigation.* On March 16, 2011, MOSAID Technologies Inc. filed suit in the U.S. District for the Eastern District of Texas against MSI and 16 other companies. The complaint alleges that defendants products, which operate in compliance with the IEEE 802.11a, 802.11b, 802.11g, and 802.11n standards, infringe the six asserted patents (U.S. Patent Nos. 5,131,006; 5,151,920; 5,422,887; 5,706,428; 6,563,768; 6,992,972). MSI filed its answer and counterclaims on June 9, 2011. On March 28, 2012, MSI and other defendants filed a motion to transfer, which was denied. A claim construction hearing is scheduled for April 16, 2013 and jury selection is set for January 8, 2014.

*Azure Networks Litigation.* On March 22, 2011, Azure Networks, LLC and Tri-County Excelsior Foundation filed suit in the Eastern District of Texas against MSI and eight other companies. The Complaint asserts U.S. Patent No. 7,756,129 against MSI s Bluetooth products. MSI filed its answer and counterclaims on July 20, 2011. On December 9, 2011, defendants filed a motion to dismiss or transfer venue to S.D.N.Y. or, alternatively, to N.D. Cal., which was denied on June 25, 2012. On November 2, 2012, defendants filed a motion for summary judgment of invalidity, which was denied. A claim construction hearing was held on December 20, 2012. On January 15, 2013, the magistrate judge issued a Markman ruling. Currently, a trial is set for November 12, 2013. MSI believes that it does not infringe any valid and enforceable claim of the Azure Networks patents in suit, and intends to litigate this action vigorously.

*Power Management Systems Litigation.* On August 22, 2011, Power Management Systems LLC ( PMS ), a subsidiary of Acacia Research Corp., filed a complaint against the Company s subsidiary Marvell Semiconductor, Ltd. ( MSL ) and other defendants, in the U.S. District Court for the District of Delaware. The complaint asserts U.S. Patent No. 5,504,909, which relates to a power management apparatus, against various products. The complaint seeks unspecified damages. On October 17, 2011, PMS amended its complaint by substituting MSL with MSI. MSI filed its answer and counterclaims on November 4, 2011. A claim construction hearing was held on January 18, 2013 and trial is set for March 3, 2014.

*HSM/TPL Litigation.* On September 1, 2011, HSM Portfolio, LLC and Technology Properties Limited, LLC filed a complaint against the Company and MSL in the U.S. District Court for the District of Delaware. The

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

complaint also named numerous other defendants. The complaint asserts U.S. Patent No. 5,030,853, relating to high speed logic and memory circuitry, against various products. The complaint seeks unspecified damages. On January 9, 2012, HSM/TPL filed an amended complaint adding MSI to the case. On February 15, 2012, the Company and MSL were dismissed from the case. On July 18, 2012, HSM filed a second amended complaint against MSI, and MSI filed its answer and counterclaims on August 13, 2012. A claim construction hearing is scheduled for November 25, 2013, and trial is scheduled to commence on January 25, 2015.

*France Telecom Litigation.* On June 26, 2012, France Telecom S.A. ( France Telecom ) filed a complaint against MSI in the U.S. District Court for the Southern District of New York. The complaint asserts U.S. Patent No 5,446,747 (the 747 patent ) against MSI s communications processors and thin modems. The complaint seeks unspecified damages as well as injunctive relief. MSI answered the complaint on July 18, 2012 and August 1, 2012. On July 30, 2012, MSI filed a motion to transfer the lawsuit to the U.S. District Court for the Northern District of California. On September 17, 2012, the Court granted MSI s motion and transferred the case to the Northern District of California. A claim construction hearing is scheduled for July 24, 2013, and a trial is scheduled for May 12, 2014.

*Freescale Litigation.* On July 6, 2012, Freescale Semiconductor, Inc. ( Freescale ) filed a complaint against MSI in the U.S. District Court for the Western District of Texas. The complaint asserts U.S. Patent Nos. 6,920,316, 5,825,640, 5,943,274, 5,467,455 and 7,927,927 (collectively, the Freescale patents in suit ) against certain of the Company s integrated circuits and/or chipsets. The complaint seeks unspecified damages and a permanent injunction. On September 17, 2012, MSI filed a motion to dismiss the complaint for failure to state a claim pursuant to FRCP 12(b)(6) as to direct infringement of U.S. Patent No. 7,927,927, indirect infringement of the Freescale patents in suit, and willful infringement of the Freescale patents in suit. Freescale filed an amended complaint on January 14, 2013, and withdrew its assertion of U.S. Patent No. 5,825,640; MSI filed its answer to the amended complaint on February 4, 2013. This case has been consolidated for pre-trial purposes with nine other pending cases. A claim construction hearing is scheduled for September 9, 2013.

On January 4, 2013, three of the Company s subsidiaries, MSI, Marvell International Ltd. and Marvell World Trade Ltd., filed a complaint against Freescale in the U.S. District Court for the Western District of Texas, and filed an amended complaint on January 14, 2013. The amended complaint alleges that Freescale infringes U.S. Patents Nos. 6,903,448 and 7,379,718.

***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 may 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 for general commercial obligations, 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 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. Some 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. In general, the Company does not record any liability for these indemnities, commitments and guarantees in the accompanying consolidated balance sheets as the amounts cannot be reasonably estimated and are not considered probable. 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 11 Benefit Plans:**

The Company sponsors a 401(k) savings and investment plan that allows eligible U.S. employees to participate by making pre-tax contributions to the 401(k) plan ranging from 1% to 50% of eligible earnings subject to a required annual limit. The Company matches 100% of the employee contribution up to $500 per eligible employee on a quarterly basis. The participant must be employed by the Company on the last day of the calendar quarter to qualify for the match. At the end of the calendar year, the eligible employees receive a true-up match equal to the accumulated employee contribution for the calendar year up to $2,000. The Company made matching contributions to employees of $5.0 million, $4.8 million and $4.5 million during fiscal 2013, 2012 and 2011, respectively. As of February 2, 2013, the 401(k) plan offers a variety of investment alternatives, representing different asset classes. Employees may not invest in the Company s common shares through the 401(k) plan.

The Company also has voluntary defined contribution plans in various non-U.S. locations. The Company made contributions on behalf of employees totaling $17.2 million, $16.2 million and $16.0 million during fiscal 2013, 2012 and 2011, respectively. The Company also maintains a limited number of defined benefit plans for certain non-U.S. locations. Total costs under these plans were not significant.

**Note 12 Shareholders Equity:**

***Common and Preferred Stock***

As of February 2, 2013, the Company is authorized to issue 992.0 million shares of $0.002 par value common stock and 8.0 million shares of $0.002 par value preferred stock. As of February 2, 2013 and January 28, 2012, 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 from time to time, had 383.4 million common shares reserved for issuance thereunder as of February 2, 2013. Options granted under the Option Plan generally have a term of 10 years and generally must be issued at prices equal to 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 at the time of the grant may not have a term exceeding five years and these options must be issued at prices of at least 110% of the fair market value of the stock on the date of grant.

In addition, the Company can also grant stock awards, which may be subject to vesting. Further, the Company can grant restricted stock unit awards. Restricted stock unit awards are denominated in shares of stock, but may be settled in cash or shares upon vesting, as determined by the Company at the time of grant.

Equity awards to new hires under the Option Plan generally vest 20% one year after the vesting commencement date, and the remaining shares vest one-sixtieth per month over the remaining 48 months. Other equity awards generally vest annually in four equal installments.

As of February 2, 2013, approximately 111.5 million shares remained available for future issuance under the Option Plan.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

*1997 Directors Stock Option Plan*

In August 1997, the Company adopted the 1997 Directors Stock Option Plan (the 1997 Directors Plan ). Under the 1997 Directors Plan, an outside director was granted an option to purchase 30,000 common shares upon appointment to the Company s 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 48 months. An outside director was also granted an option to purchase 6,000 common shares on the date of each annual meeting of the shareholders. These options vested one-twelfth per month over 12 months after the fourth anniversary of the vesting commencement date. Options granted under the 1997 Directors Plan could be exercised prior to vesting and had a term of 10 years. The 1997 Directors Plan was terminated in October 2007. There are two outstanding grants remaining under the 1997 Directors Plan.

*2007 Directors Stock Incentive Plan*

In October 2007, the Company adopted the 2007 Directors Stock Incentive Plan (the 2007 Directors Plan ). Shareholders have approved 750,000 common shares for issuance, which is the total amount authorized under the 2007 Directors Plan. On March 15, 2012, the Board approved an amendment and restatement to revise the size of automatic annual awards under the 2007 Directors Plan. Prior to the amendment and restatement, each outside director was granted an option to purchase 50,000 common shares upon his or her initial appointment to the Company s Board of Directors. These options vested one-third on the one year anniversary of the date of grant and one-third of the shares on each one-year anniversary thereafter.

In fiscal 2012, an outside director who had been serving on the Company s Board of Directors for the prior six months was granted upon re-election by the shareholders at the annual general meeting an option to purchase 9,000 common shares immediately following each annual general meeting of shareholders. These options vest 100% on the earlier of the date of the next annual general meeting of shareholders or the one year anniversary of the date of grant. In addition, an outside director who had been serving on the Company s Board of Directors for the prior six months was also granted a restricted stock unit award (the Annual RSU Award ) that covered a number of shares with an aggregate fair market value as reported on the NASDAQ Global Select Market equal to $70,000 immediately following the annual general meeting of shareholders. These Annual RSU Awards vest 100% on the earlier of the date of the next annual general meeting of shareholders or the one year anniversary of the date of grant.

Beginning in fiscal 2013, each outside director who was appointed at the annual general meeting of shareholders was granted a stock option award that covers a number of shares with an aggregate grant date fair value equal to $110,000 immediately following each annual general meeting of shareholders. In addition, each outside director was granted an Annual RSU Award that will cover a number of shares with an aggregate fair market value equal to $110,000 immediately following each annual general meeting of shareholders. The annual stock option award and the Annual RSU Award vest 100% on the earlier of the date of the next annual general meeting of shareholders or the one year anniversary of the date of grant. An outside director who is elected or appointed after an annual general meeting of shareholders will receive a pro rata stock option award and restricted stock unit award based on the number of quarters completed since such annual general meeting of shares.

As of February 2, 2013, approximately 343,000 shares remained available for future issuance under the 2007 Directors Plan.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***2000 Employee Stock Purchase Plan***

Under the 2000 Employee Stock Purchase Plan, as amended and restated on October 31, 2011 (the ESPP ), participants purchase the Company s stock using payroll deductions, which may not exceed 15% of their total cash compensation. Pursuant to the terms of the current ESPP, the look-back period for the stock purchase price was changed from six months to 24 months. This change was effective for the offering that began in December 2011 and is applicable for each successive offering period thereafter. Offering and purchase periods will continue to begin on December 8 and June 8 of each year. Participants enrolled in a 24-month offering period will continue in that offering period until the earlier of the end of the offering period or the reset of the offering period. A reset occurs if the fair market value of the Company s common shares on any purchase date is less than it was on the first day of the offering period. Participants in a 24-month offering period will be granted the right to purchase common shares 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.

During fiscal 2013, a total of 7.6 million shares were issued under the ESPP at a weighted-average price of $8.77. During fiscal 2012, a total of 4.9 million shares were issued under the ESPP at a weighted-average price of $12.48. During fiscal 2011, a total of 10.9 million shares were issued under the ESPP at a weighted-average price of $5.27.

As of February 2, 2013, approximately 26.6 million shares remained available for future issuance under the ESPP.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Option Plan and Stock Award Activity***

During the first quarter of fiscal 2012, the Company issued 3.1 million stock options with a market-based condition for a group of senior employees. If the market price condition is not met within five years from the date of grant, the options automatically expire.

The following table summarizes the activity under all of the option plans and other stock based arrangements (in thousands, except for per share amounts):

| | Time-Based Options | | Market-Based Options | | Total | |
|---|---|---|---|---|---|---|
| | Options Outstanding | Weighted Average Exercise Price | Options Outstanding | Weighted Average Exercise Price | Options Outstanding | Weighted Average Exercise Price |
| Balance at January 30, 2010 | 70,966 | $ 11.28 | | | 70,966 | $ 11.28 |
| Granted | 2,018 | $ 20.17 | | | 2,018 | $ 20.17 |
| Exercised | (13,959) | $ 8.45 | | | (13,959) | $ 8.45 |
| Canceled/Forfeited | (2,700) | $ 18.47 | | | (2,700) | $ 18.47 |
| Expired | | | | | | |
| Balance at January 29, 2011 | 56,325 | $ 11.96 | | | 56,325 | $ 11.96 |
| Granted | 3,477 | $ 15.31 | 3,149 | $ 15.43 | 6,626 | $ 15.37 |
| Exercised | (5,681) | $ 7.95 | | | (5,681) | $ 7.95 |
| Canceled/Forfeited | (1,654) | $ 14.57 | (25) | $ 15.43 | (1,679) | $ 14.58 |
| Expired | | | | | | |
| Balance at January 28, 2012 | 52,467 | $ 12.53 | 3,124 | $ 15.43 | 55,591 | $ 12.70 |
| Granted | 7,041 | $ 14.59 | | | 7,041 | $ 14.59 |
| Exercised | (5,977) | $ 6.44 | | | (5,977) | $ 6.44 |
| Canceled/Forfeited | (3,894) | $ 16.10 | (365) | $ 15.43 | (4,259) | $ 16.04 |
| Expired | | | | | | |
| Balance at February 2, 2013 | 49,637 | $ 13.28 | 2,759 | $ 15.43 | 52,396 | $ 13.39 |
| Vested or expected to vest at February 2, 2013 | 48,584 | $ 13.25 | | | | |
| Exercisable at February 2, 2013 | 39,789 | $ 12.91 | | | | |

For time-based stock options vested and expected to vest at February 2, 2013, the aggregate intrinsic value was $29.6 million and the weighted average remaining contractual term was 4.4 years. For time-based stock options exercisable at February 2, 2013, the aggregate intrinsic value was $28.3 million and the weighted average remaining contractual term was 3.5 years. The aggregate intrinsic value of stock options exercised during fiscal 2013, 2012 and 2011 was $33.6 million, $41.8 million and $162.9 million, respectively. There was no aggregate intrinsic value for market-based stock options at February 2, 2013 and the weighted average remaining contractual term of market-based stock options vested and expected to reach the end of the vesting period at February 2, 2013 was 8.2 years. The Company s closing stock price of $9.51 as reported on the NASDAQ Global Select Market for all in-the-money options as of February 1, 2013 was used to calculate the aggregate intrinsic value.

As of February 2, 2013, the unamortized compensation expense for time-based stock options was $41.3 million and market-based stock options was $4.6 million. The unamortized compensation expense for time-based and market-based stock options will be amortized on a straight-line

basis and is expected to be recognized over a weighted-average period of 2.7 years and 0.9 years, respectively.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Included in the following table is activity related to the non-vested portion of the restricted stock units as follows (in thousands, except for share prices):

| | Restricted Stock Outstanding | Weighted Average Grant Date Fair Value |
|---|---|---|
| Balance at January 30, 2010 | 2,746 | $ 8.99 |
| Granted | 4,718 | $ 20.76 |
| Vested | (1,619) | $ 9.13 |
| Canceled/Forfeited | (359) | $ 13.87 |
| Balance at January 29, 2011 | 5,486 | $ 18.75 |
| Granted | 6,877 | $ 15.80 |
| Vested | (2,014) | $ 15.90 |
| Canceled/Forfeited | (703) | $ 16.81 |
| Balance at January 28, 2012 | 9,646 | $ 17.38 |
| Granted | 7,370 | $ 14.64 |
| Vested | (2,796) | $ 17.78 |
| Canceled/Forfeited | (1,481) | $ 17.16 |
| Balance at February 2, 2013 | 12,739 | $ 15.78 |

The aggregate intrinsic value of restricted stock units expected to vest as of February 2, 2013 was $108.7 million. The number of restricted stock units that are expected to vest is 11.4 million shares.

As of February 2, 2013, compensation costs related to restricted stock units not yet recognized amounted to $134.0 million. The unamortized compensation expense for restricted stock units will be amortized on a straight-line basis and is expected to be recognized over a weighted-average period of 2.7 years.

***Share-Based Compensation***

The following table presents details of share-based compensation expenses by functional line item (in thousands):

| | Year Ended | | |
|---|---|---|---|
| | February 2, 2013 | January 28, 2012 | January 29, 2011 |
| Cost of goods sold | $ 8,142 | $ 6,995 | $ 7,522 |
| Research and development | 87,149 | 85,924 | 82,524 |
| Selling and marketing | 13,278 | 12,920 | 11,769 |
| General and administrative | 18,711 | 14,024 | 16,590 |
| | $ 127,280 | $ 119,863 | $ 118,405 |

Share-based compensation capitalized in inventory was $1.5 million at February 2, 2013, $2.1 million at January 28, 2012 and $1.5 million at January 29, 2011.

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***Valuation Assumptions***

The expected volatility for awards granted during fiscal 2013 and 2012 was based on an equally weighted combination of historical stock price volatility and implied volatility derived from traded options on the Company s stock in the marketplace. The expected volatility for awards granted during fiscal 2011 was based solely on historical stock price volatility. The Company believes that the combination of historical volatility and implied volatility provides a better estimate of future stock price volatility.

The expected dividend yield is calculated by dividing annualized dividend payments by the closing stock price on the date of grant of the option.

The following weighted average assumptions were used for each respective period to calculate the fair value of each time-based equity award on the date of grant using the Black-Scholes option pricing model and of each market-based equity award using a Monte Carlo simulation model:

| | | Year Ended | |
|---|---|---|---|
| | February 2, 2013 | January 28, 2012 | January 29, 2011 |
| **Time-based Stock Options:** | | | |
| Weighted average fair value | $ 5.52 | $ 6.05 | $ 9.33 |
| Expected volatility | 44% | 44% | 53% |
| Expected term (in years) | 4.8 | 4.8 | 4.7 |
| Risk-free interest rate | 0.9% | 2.0% | 2.2% |
| Expected dividend yield | 0.3% | | |

The expected dividend yield for options granted during fiscal year 2013 used to calculate the weighted average in the above table ranged from 0% to 3.1%.

| | Year Ended | |
|---|---|---|
| | February 2, 2013 | January 28, 2012 |
| **Market-based Stock Options:** | | |
| Weighted average fair value | $ | $ 5.08 |
| Expected volatility | % | 42% |
| Risk-free interest rate | % | 0.9 - 3.6% |

There were no market-based stock options granted during fiscal 2013. The above table includes market-based stock options granted during the three months ended April 30, 2011. The fair value of each market-based stock option award is estimated on the date of grant using a Monte Carlo simulation model that uses the assumptions noted in the above table, including the same volatility applied to the Company s time-based options. Because a Monte Carlo simulation model incorporates ranges of assumptions for inputs, those ranges are disclosed where applicable. The Company uses historical data to estimate employee termination within the valuation model. The expected term was 2.66 years for market-based stock options granted during the three months ended April 30, 2011 and was derived from the output of the valuation model and represents the period of time that options granted are expected to be outstanding.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

| | Year Ended | | |
|---|---|---|---|
| | February 2, 2013 | January 28, 2012 | January 29, 2011 |
| **Employee Stock Purchase Plan:** | | | |
| Estimated fair value | $ 3.13 | $ 4.63 | $ 5.91 |
| Volatility | 40% | 44% | 53% |
| Expected term (in years) | 1.2 | 1.1 | 0.5 |
| Risk-free interest rate | 0.2% | 0.1% | 0.2% |
| Dividend yield | 2.4% | | |

***Share Repurchase Program***

In August 2010, the Company announced that its board of directors had authorized a share repurchase program of up to $500 million of the Company s common shares in open market, privately negotiated or block transactions.

In March, July and December 2011, and May and December 2012, the Company announced that its board of directors authorized the Company to repurchase up to an additional $500 million, respectively, for a total of $3.0 billion, of its outstanding common shares. The repurchase program is subject to market conditions and other factors and does not obligate the Company to repurchase any dollar amount or number of its common shares. The program may be extended, modified, suspended or discontinued at any time. The future repurchases, which are expected to be funded from the Company s current cash and short-term investments position of over $1.9 billion, may occur in open market, privately negotiated or block transactions.

The Company repurchased 91.0 million of its common shares for $959.1 million in cash during fiscal 2013, 87.8 million of its common shares for $1.3 billion in cash during fiscal 2012 and 4.9 million of its common shares for $87.5 million in cash during fiscal 2011. All of the repurchased shares were retired immediately after the repurchases were completed. The Company records all repurchases, as well as investment purchases and sales, based on trade date. Approximately $22.2 million of the repurchases was made in the final 3 days of the fiscal year and was not included in the consolidated statement of cash flow due to the standard 3-day settlement period. As of February 2, 2013, a total of 183.7 million cumulative shares have been repurchased under the Company s share repurchase program for a total $2.4 billion in cash and there was $612.6 million remaining available for future share repurchases.

Subsequent to the end of fiscal 2013 through March 21, 2013, the Company repurchased an additional 8.7 million of its common shares for $85.5 million at an average price per share of $9.80.

***Dividends***

In May 2012, the Company announced the initiation of paying its first quarterly dividend of $0.06 per share. Future payment of a regular quarterly cash dividend on the Company s common shares will be subject to, among other things, the best interests of its shareholders, the Company s results of operations, cash balances and future cash requirements, financial condition, statutory requirements of Bermuda law and other factors that the Company s board of directors may deem relevant. As a result, cash dividends of $0.18 per share were paid for a total of $98.8 million during fiscal 2013.

On February 21, 2013, the Company announced that its board of directors declared a cash dividend of $0.06 per share to be paid on April 4, 2013 to shareholders of record as of March 14, 2013.

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MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Note 13 Segment and Geographic Information:**

The Company operates in one reportable segment the design, development and sale of integrated circuits. The chief executive officer has been identified as the chief operating decision maker ( CODM ). The Company s CODM is ultimately responsible and actively involved in the allocation of resources and the assessment of the Company s operational and financial performance. The fact that the Company operates in only one reportable segment is based on the following:

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. Substantially all of the Company s integrated circuits are manufactured under similar manufacturing processes.

The Company s organizational structure is based along functional lines. Each of the functional department heads reports directly to the CODM. Shared resources in the Company also report directly to the CODM or to a direct report of the CODM.

The assessments of performance across the Company, including assessment of the Company s incentive compensation plan, are based largely on operational performance and consolidated financial performance.

The decisions on allocation of resources and other operational decisions are made by the CODM based on his hands-on involvement with the Company s operations and product development.

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, 2013** | **January 28, 2012** | **January 29, 2011** |
| United States | $ 176,581 | $ 194,638 | $ 157,259 |
| China | 1,599,681 | 1,496,864 | 1,209,982 |
| Thailand | 369,855 | 531,073 | 602,639 |
| Malaysia | 351,401 | 420,382 | 348,271 |
| Philippines | 246,269 | 207,450 | 187,156 |
| Others | 424,843 | 542,633 | 1,106,586 |
| | $ 3,168,630 | $ 3,393,040 | $ 3,611,893 |

| **Property and equipment, net:** | **February 2, 2013** | **January 28, 2012** |
|---|---|---|
| Bermuda | $ 5,691 | $ 8,256 |
| China | 37,469 | 32,205 |
| Israel | 36,671 | 26,061 |

| | | |
|---|---|---|
| Singapore | 82,358 | 92,563 |
| United States | 208,459 | 207,848 |
| Others | 16,379 | 16,868 |
| | $ 387,027 | $ 383,801 |

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**MARVELL TECHNOLOGY GROUP LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table presents net revenue by end market (in thousands):

| Net Revenue by End Market | February 2, 2013 | Year Ended January 28, 2012 | January 29, 2011 |
|---|---|---|---|
| Storage products | $ 1,494,959 | $ 1,560,772 | $ 1,650,465 |
| Mobile and Wireless | 822,533 | 968,706 | 1,124,442 |
| Networking | 708,821 | 697,865 | 683,103 |
| Other | 142,317 | 165,697 | 153,883 |
| | $ 3,168,630 | $ 3,393,040 | $ 3,611,893 |

**Note 14 Related Party Transactions:**

MIL is party to a technology license agreement with VeriSilicon Holdings Co., Ltd. ( VeriSilicon ). MIL assumed this technology license agreement between VeriSilicon and UTStarcom, Inc. after the Company s acquisition of the semiconductor business of UTStarcom in December 2005. MIL has subsequently entered into various addenda to this agreement for additional technology beyond the scope of the original agreement. During fiscal 2013, MIL entered into two new addenda with VeriSilicon related to the technology license agreement. In addition, in September 2010, MIL entered into a services agreement with VeriSilicon, pursuant to which VeriSilicon has agreed to provide design support services to MIL. Under the services agreement, VeriSilicon helped on three projects for MIL during fiscal 2013. In connection with all of its transactions with VeriSilicon, MIL paid $2.8 million and $1.2 million to VeriSilicon during fiscal 2013 and fiscal 2012, respectively. As of February 2, 2013, the Company had $0.5 million of liability to VeriSilicon. 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. Ms. Dai is a greater than ten percent shareholder of the Company and Dr. Sehat Sutardja is the Company s President and Chief Executive Officer. Dr. Sehat Sutardja and Ms. Dai are husband and wife.

In December 2009, MIL entered into a technology license agreement with Vivante Corporation ( Vivante ) that provides for the license of graphics technology and associated services. This agreement restates, expands and succeeds previous agreements between the parties for the same technology. In December 2012, the parties renewed this technology license agreement for another three years. The total amount of the license fee was approximately $13.0 million (to be paid over three years) and ten percent for support fees (to be paid over three years). In February 2012, the parties entered into a services agreement, pursuant to which Vivante agreed to provide support services to MIL. In connection with all of its transactions with Vivante, MIL paid $8.6 million and $5.8 million to Vivante during fiscal 2013 and fiscal 2012, respectively. As of February 2, 2013, the Company had $13.8 million of liability to Vivante. Dr. Sehat Sutardja and Ms. 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. Ms. Dai s brother (and Dr. Sehat Sutardja s brother-in-law) is the Chief Executive Officer of Vivante.

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**MARVELL TECHNOLOGY GROUP LTD.**

**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, 2013. 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 Annual Report on Form 10-K, 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. The Company expects the quarterly operating results to fluctuate in future periods due to a variety of reasons, including those discussed in Part I, Item 1A Risk Factors.

| | Fiscal 2013 | | | |
|---|---|---|---|---|
| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
| | (In thousands, except per share amounts) | | | |
| Net revenue | $ 796,351 | $ 816,104 | $ 780,881 | $ 775,294 |
| Gross profit | $ 430,029 | $ 434,265 | $ 406,378 | $ 404,461 |
| Net income | $ 94,543 | $ 93,074 | $ 68,816 | $ 50,152 |
| Net income per share: | | | | |
| Basic | $ 0.16 | $ 0.17 | $ 0.12 | $ 0.10 |
| Diluted | $ 0.16 | $ 0.16 | $ 0.12 | $ 0.09 |

| | Fiscal 2012 | | | |
|---|---|---|---|---|
| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
| | (In thousands, except per share amounts) | | | |
| Net revenue | $ 802,402 | $ 897,520 | $ 950,417 | $ 742,701 |
| Gross profit | $ 467,927 | $ 519,403 | $ 538,317 | $ 401,588 |
| Net income | $ 146,861 | $ 192,392 | $ 195,121 | $ 80,717 |
| Net income per share: | | | | |
| Basic | $ 0.23 | $ 0.32 | $ 0.32 | $ 0.14 |
| Diluted | $ 0.22 | $ 0.31 | $ 0.32 | $ 0.13 |

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

None.

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

**Management s Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of February 2, 2013. 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 SEC and that such information is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of February 2, 2013, our disclosure controls and procedures were effective.

**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) of the Exchange Act. 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, 2013 using the criteria set forth in the *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ). Based on our evaluation, management has concluded that we maintained effective internal control over financial reporting as of February 2, 2013 based on the COSO criteria.

The effectiveness of our internal control over financial reporting as of February 2, 2013 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 has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the three months ended February 2, 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Inherent Limitations on Effectiveness of Controls**

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect 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. 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. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute

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assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of the effectiveness of controls to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

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

None

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## PART III

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

The information required by Items 401 and 407(c)(3) of Regulation S-K with respect to our directors, director nominees and corporate governance is incorporated by reference herein to the information set forth under the captions Board of Directors and Committees of the Board Directors and Nominees and Board of Directors and Committees of the Board Nominations for Election of Directors in our definitive proxy statement in connection with our 2013 annual general meeting of shareholders (the 2013 Proxy Statement ), which will be filed with the SEC no later than 120 days after February 2, 2013. 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 the Registrant and incorporated by reference herein.

**Section 16(a) Beneficial Ownership Reporting Compliance**

The information required by Item 405 of Regulation S-K is incorporated by reference herein to the information set forth under the caption Section 16(a) Beneficial Ownership Reporting Compliance in our 2013 Proxy Statement.

**Code of Ethics**

We have adopted a Code of Ethics and Business Conduct for Employees, Officers and Directors that applies to all of our directors, officers (including our Chief Executive Officer (our principal executive officer), Interim Chief Financial Officer (our principal financial and accounting officer), Corporate Controller and any person performing similar functions) and employees. This Code of Ethics was most recently amended as of December 11, 2008. We will disclose future amendments to or waivers from our Code of Ethics and Business Conduct for Employees, Officers and Directors on our website or in a report on Form 8-K within four business days following the date of such amendment or waiver. Our Code of Ethics and Business Conduct for Employees, Officers and Directors is available on our website *www.marvell.com*. None of the material on this website is part of this Annual Report on Form 10-K or is incorporated by reference herein.

**Committees of the Board of Directors**

The information required by Items 407(d)(4) and (d)(5) of Regulation S-K concerning our Audit Committee and audit committee financial expert is incorporated by reference herein to the information set forth under the caption Board of Directors and Committees of the Board Committees of our Board of Directors in our 2013 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 herein to the information set forth under the caption Board of Directors and Committees of the Board Director Compensation Table, Executive Compensation and Executive Compensation Committee Interlocks and Insider Participation in our 2013 Proxy Statement.

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

The information required by Item 403 of Regulation S-K is incorporated by reference herein to the information set forth under the caption Security Ownership of Certain Beneficial Owners and Management in our 2013 Proxy Statement.

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**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, 2013:

| Plan Category | (a) Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights (1) | (b) Weighted-Average Exercise Price of Outstanding Options, Warrants, and Rights (2) | (c) Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) |
|---|---|---|---|
| Equity compensation plans approved by security holders (3)(4) | 65,223,122 | $ 13.57 | 138,445,319 |
| Equity compensation plans not approved by security holders (5) | 45,024 | $ 0.27 | |
| Total | 65,268,146 | $ 13.57 | 138,445,319 |

(1) Includes only options and restricted stock units (outstanding under our equity compensation plans, as no stock warrants or other rights were outstanding as of February 2, 2013).
(2) The weighted average exercise price calculation does not take into account any restricted stock units as those units vest, without any cash consideration or other payment required for such shares.
(3) Includes our Amended and Restated 1995 Stock Option Plan, our 1997 Directors Stock Option Plan, our Amended 2000 Employee Stock Purchase Plan (the 2000 ESPP ) and our 2007 Directors Stock Option Plan.
(4) The number of shares reserved for issuance under our 2000 ESPP includes an annual increase in shares reserved for issuance equal to the lesser of (i) 8,000,000 shares of Common Stock, or (ii) 1.5% of the outstanding shares of capital stock on such date, or (iii) an amount determined by the Board (provided that the amount approved by the Board shall not be greater than (i) or (ii)).
(5) Consists of outstanding options to purchase 37,892 common shares to former option holders of RADLAN Computer Communications Ltd. in connection with our acquisition of RADLAN Computer Communications Ltd., and 7,132 common shares 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 Item 404 of Regulation S-K is incorporated by reference herein to the information set forth under the caption Related Party Transactions in our 2013 Proxy Statement.

The information required by Item 407(a) of Regulation S-K is incorporated by reference herein to the information set forth under the caption Board of Directors and Committees of the Board in our 2013 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 2013 Proxy Statement.

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## PART IV

**Item 15.** ***Exhibits, 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, 2013 and January 28, 2012 | 59 |
| Consolidated Statements of Operations for the years ended February 2, 2013, January 28, 2012 and January 29, 2011 | 60 |
| Consolidated Statements of Comprehensive Income for the years ended February 2, 2013, January 28, 2012 and January 29, 2011 | 61 |
| Consolidated Statements of Shareholders Equity for the years ended February 2, 2013, January 28, 2012 and January 29, 2011 | 62 |
| Consolidated Statements of Cash Flows for the years ended February 2, 2013, January 28, 2012 and January 29, 2011 | 63 |
| Notes to Consolidated Financial Statements | 64 |



2. *Financial Statement Schedule:*

The following financial statement schedule is filed as part of this Annual Report on Form 10-K:



| | Page Reference |
|---|---|
| Schedule II Valuation and Qualifying Account | 110 |



All other 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 |
|---|---|
| 3.1 | |

| | |
|---|---|
| | Memorandum of Association of Marvell Technology Group Ltd., 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 | Third Amended and Restated Bye-Laws of Marvell Technology Group Ltd., incorporated by reference to Exhibit 3.1 of the registrant s Current Report on Form 8-K as filed on July 13, 2010 |
| 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 as filed on July 6, 2006 |
| 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# | Form of Notice of Stock Option Grants, Nonstatutory Stock Option Agreement, Exercise Notice and Restricted Stock Purchase Agreement for use under the 1997 Directors Stock Option Plan, incorporated by reference to Exhibit 10.7 of the registrant s Registration Statement on Form S-8 (file no. 333-148621) as filed on January 11, 2008 |

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| Exhibit No. | Description |
|---|---|
| 10.3# | 2000 Employee Stock Purchase Plan (as amended and restated as of October 31, 2011), incorporated by reference to Exhibit 10.1 of the registrant s Quarterly Report on Form 10-Q for the period ended October 29, 2011 as filed on December 2, 2011 |
| 10.4# | 2000 Employee Stock Purchase Plan Form of Subscription Agreement |
| 10.5# | 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 |
| 10.6# | 2010 Amendment to the Amended and Restated 1995 Stock Option Plan, incorporated by reference to Exhibit 10.2 of the registrant s Current Report on Form 8-K as filed on July 13, 2010 |
| 10.7# | 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 |
| 10.8# | 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 (for options granted prior to December 4, 2008) |
| 10.8.1# | Form of Stock Option Agreement and Notice of Grant of Stock Options and Option Agreement for use with the Amended and Restated 1995 Stock Option Plan, incorporated by reference to Exhibit 10.1 of the registrant s Current Report on Form 8-K as filed on December 17, 2008 (for options granted on or after December 4, 2008) |
| 10.8.2# | Form of Stock Option Agreement and Notice of Grant of Stock Options and Option Agreement for use with the Amended and Restated 1995 Stock Option Plan, incorporated by reference to Exhibit 10.3 of the registrant s quarterly report on 10-Q for the period ended July 31, 2010 as filed on September 3, 2010 (for options granted on or after August 2, 2010) |
| 10.9# | Form of Restricted Stock Unit Agreement for use with the Amended and Restated 1995 Stock Option Plan, 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 (for RSUs granted prior to December 4, 2008) |
| 10.9.1# | Form of Stock Unit Agreement and Notice of Grant of Award and Award Agreement for use with the Amended and Restated 1995 Stock Option Plan, incorporated by reference to Exhibit 10.2 of the registrant s Current Report on Form 8-K as filed on December 17, 2008 (for RSUs granted on or after December 4, 2008) |
| 10.9.2# | Form of Stock Unit Agreement and Notice of Grant of Award and Award Agreement for use with the Amended and Restated 1995 Stock Option Plan, incorporated by reference to Exhibit 10.4 of the registrant s quarterly report on 10-Q for the period ended July 31, 2010 as filed on September 3, 2010 (for RSUs granted on or after August 2, 2010) |
| 10.10# | Form of Notice of Grant of Stock Options Performance-Based, for use with the Amended and Restated 1995 Stock Option Plan, incorporated by reference to Exhibit 10.1 of the registrant s Current Report on Form 8-K as filed on December 19, 2008 |
| 10.11# | 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 as filed on January 4, 2007 |

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| Exhibit No. | Description |
|---|---|
| 10.12# | 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 as filed on January 4, 2007 |
| 10.13# | 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 as filed on May 8, 2007 |
| 10.14# | Marvell Technology Group Ltd. Executive Performance Incentive Plan, incorporated by reference to Exhibit 10.1 of the registrant s Current Report on Form 8-K as filed on July 13, 2010 |
| 10.15# | 2007 Director Stock Incentive Plan, as amended and restated on March 15, 2012, incorporated by reference to Exhibit 10.1 of the registrant s Quarterly Report on Form 10-Q as filed on June 1, 2012 |
| 10.15.1# | Form of Stock Option Agreement for use with 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 as filed on October 25, 2007 |
| 10.15.2# | Form of Stock Option Agreement for use with 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 as filed on October 25, 2007 |
| 10.15.3# | Form of Stock Unit Agreement and Notice of Grant of Award and Award Agreement for use with the 2007 Director Stock Incentive Plan, incorporated by reference to Exhibit 10.2 of our Current Report on Form 8-K as filed on July 1, 2011 |
| 10.16# | Policy for Non-Business Use of Corporate Aircraft, incorporated by reference to Exhibit 10.1 of the registrant s Current Report on Form 8-K as filed on May 23, 2008 |
| 10.17# | 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 |
| 10.18# | Form of Indemnification Agreement with Directors and Executive Officers, incorporated by reference to Exhibit 10.1 of the registrant s Current Report on Form 8-K as filed on October 10, 2008 |
| 10.19# | Indemnification Arrangement with Dr. Sehat Sutardja, incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K as filed on March 7, 2011 |
| 21.1 | Subsidiaries of the registrant |
| 23.1 | Consent of Independent Registered Public Accounting Firm |
| 24.1 | Power of Attorney (contained in the signature page to this Annual Report) |
| 31.1 | Certification of Chief Executive Officer as required pursuant to Section 302 of the Sarbanes-Oxley Act |
| 31.2 | Certification of Chief Financial Officer as required pursuant to Section 302 of the Sarbanes-Oxley Act |
| 32.1~ | Certification of Chief Executive Officer as required pursuant to Section 906 of the Sarbanes-Oxley Act |
| 32.2~ | Certification of Chief Financial Officer as required pursuant to Section 906 of the Sarbanes-Oxley Act |

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| Exhibit No. | Description |
| --- | --- |
| 99.1 | Notice of Proposed Settlement of Derivative Action, incorporated by reference to Exhibit 99.1 of the registrant s Current Report on Form 8-K as filed on May 28, 2009 |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Presentation Linkbase Document |

# Management contracts or compensation plans or arrangements in which directors or executive officers are eligible to participate.

~ 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.

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**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 29, 2013 | By: | /s/ DR. SEHAT SUTARDJA<br>**Dr. Sehat Sutardja**<br>***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 Brad D. Feller, and each of them individually, as his attorney-in-fact, each with full power of substitution, for him in any and all capacities, to sign any and all amendments to this Annual 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 substitute or substitutes, 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<br>**Dr. Sehat Sutardja** | Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer) | March 29, 2013 |
| /s/ BRAD D. FELLER<br>**Brad D. Feller** | Interim Chief Financial Officer (Principal Financial and Accounting Officer) | March 29, 2013 |
| /s/ PANTAS SUTARDJA<br>**Dr. Pantas Sutardja** | Vice President, Chief Technology Officer, Chief Research and Development Officer and Director | March 29, 2013 |
| /s/ JUERGEN GROMER<br>**Dr. Juergen Gromer** | Director | March 29, 2013 |
| /s/ JOHN G. KASSAKIAN<br>**Dr. John G. Kassakian** | Director | March 29, 2013 |
| /s/ ARTURO KRUEGER<br>**Arturo Krueger** | Director | March 29, 2013 |
| /s/ RANDHIR THAKUR<br>**Randhir Thakur** | Director | March 29, 2013 |

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**Schedule II**

**VALUATION AND QUALIFYING ACCOUNTS**

| | Balance at Beginning of Year | Additions | Deductions | Balance at End of Year |
|---|---|---|---|---|
| | | (in thousands) | | |
| Fiscal year ended February 2, 2013 | | | | |
| Allowance for doubtful accounts and sales return reserve | $ 2,663 | $ 9,024 | $ (3,766) | $ 7,921 |
| Deferred tax valuation | $ 259,316 | $ 40,133 | $ | $ 299,449 |
| Fiscal year ended January 28, 2012 | | | | |
| Allowance for doubtful accounts and sales return reserve | $ 7,366 | $ 4,393 | $ (9,096) | $ 2,663 |
| Deferred tax valuation | $ 224,853 | $ 34,694 | $ (231) | $ 259,316 |
| Fiscal year ended January 29, 2011 | | | | |
| Allowance for doubtful accounts and sales return reserve | $ 5,912 | $ 12,217 | $ (10,763) | $ 7,366 |
| Deferred tax valuation | $ 197,710 | $ 30,621 | $ (3,478) | $ 224,853 |

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**INDEX TO EXHIBITS**

| Exhibit No. | Description |
|---|---|
| 3.1 | Memorandum of Association of Marvell Technology Group Ltd., 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 | Third Amended and Restated Bye-Laws of Marvell Technology Group Ltd., incorporated by reference to Exhibit 3.1 of the registrant s Current Report on Form 8-K as filed on July 13, 2010 |
| 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 as filed on July 6, 2006 |
| 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# | Form of Notice of Stock Option Grants, Nonstatutory Stock Option Agreement, Exercise Notice and Restricted Stock Purchase Agreement for use under the 1997 Directors Stock Option Plan, incorporated by reference to Exhibit 10.7 of the registrant s Registration Statement on Form S-8 (file no. 333-148621) as filed on January 11, 2008 |
| 10.3# | 2000 Employee Stock Purchase Plan (as amended and restated as of October 31, 2011), incorporated by reference to Exhibit 10.1 of the registrant s Quarterly Report on Form 10-Q for the period ended October 29, 2011 as filed on December 2, 2011 |
| 10.4# | 2000 Employee Stock Purchase Plan Form of Subscription Agreement |
| 10.5# | 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 |
| 10.6# | 2010 Amendment to the Amended and Restated 1995 Stock Option Plan, incorporated by reference to Exhibit 10.2 of the registrant s Current Report on Form 8-K as filed on July 13, 2010 |
| 10.7# | 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 |
| 10.8# | 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 (for options granted prior to December 4, 2008) |
| 10.8.1# | Form of Stock Option Agreement and Notice of Grant of Stock Options and Option Agreement for use with the Amended and Restated 1995 Stock Option Plan, incorporated by reference to Exhibit 10.1 of the registrant s Current Report on Form 8-K as filed on December 17, 2008 (for options granted on or after December 4, 2008) |
| 10.8.2# | Form of Stock Option Agreement and Notice of Grant of Stock Options and Option Agreement for use with the Amended and Restated 1995 Stock Option Plan, incorporated by reference to Exhibit 10.3 of the registrant s quarterly report on 10-Q for the period ended July 31, 2010 as filed on September 3, 2010 (for options granted on or after August 2, 2010) |
| 10.9# | Form of Restricted Stock Unit Agreement for use with the Amended and Restated 1995 Stock Option Plan, 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 (for RSUs granted prior to December 4, 2008) |

| Exhibit No. | Description |
|---|---|
| 10.9.1# | Form of Stock Unit Agreement and Notice of Grant of Award and Award Agreement for use with the Amended and Restated 1995 Stock Option Plan, incorporated by reference to Exhibit 10.2 of the registrant s Current Report on Form 8-K as filed on December 17, 2008 (for RSUs granted on or after December 4, 2008) |
| 10.9.2# | Form of Stock Unit Agreement and Notice of Grant of Award and Award Agreement for use with the Amended and Restated 1995 Stock Option Plan, incorporated by reference to Exhibit 10.4 of the registrant s quarterly report on 10-Q for the period ended July 31, 2010 as filed on September 3, 2010 (for RSUs granted on or after August 2, 2010) |
| 10.10# | Form of Notice of Grant of Stock Options Performance-Based, for use with the Amended and Restated 1995 Stock Option Plan, incorporated by reference to Exhibit 10.1 of the registrant s Current Report on Form 8-K as filed on December 19, 2008 |
| 10.11# | 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 as filed on January 4, 2007 |
| 10.12# | 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 as filed on January 4, 2007 |
| 10.13# | 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 as filed on May 8, 2007 |
| 10.14# | Marvell Technology Group Ltd. Executive Performance Incentive Plan, incorporated by reference to Exhibit 10.1 of the registrant s Current Report on Form 8-K as filed on July 13, 2010 |
| 10.15# | 2007 Director Stock Incentive Plan, as amended and restated on March 15, 2012, incorporated by reference to Exhibit 10.1 of the registrant s Quarterly Report on Form 10-Q as filed on June 1, 2012 |
| 10.15.1# | Form of Stock Option Agreement for use with 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 as filed on October 25, 2007 |
| 10.15.2# | Form of Stock Option Agreement for use with 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 as filed on October 25, 2007 |
| 10.15.3# | Form of Stock Unit Agreement and Notice of Grant of Award and Award Agreement for use with the 2007 Director Stock Incentive Plan, incorporated by reference to Exhibit 10.2 of our Current Report on Form 8-K as filed on July 1, 2011 |
| 10.16# | Policy for Non-Business Use of Corporate Aircraft, incorporated by reference to Exhibit 10.1 of the registrant s Current Report on Form 8-K as filed on May 23, 2008 |
| 10.17# | 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 |
| 10.18# | Form of Indemnification Agreement with Directors and Executive Officers, incorporated by reference to Exhibit 10.1 of the registrant s Current Report on Form 8-K as filed on October 10, 2008 |
| 10.19# | Indemnification Arrangement with Dr. Sehat Sutardja, incorporated by reference to Exhibit 10.1 of our Current Report on Form 8-K as filed on March 7, 2011 |

**Table of Contents**

| Exhibit No. | Description |
|---|---|
| 21.1 | Subsidiaries of the registrant |
| 23.1 | Consent of Independent Registered Public Accounting Firm |
| 24.1 | Power of Attorney (contained in the signature page to this Annual Report) |
| 31.1 | Certification of Chief Executive Officer as required pursuant to Section 302 of the Sarbanes-Oxley Act |
| 31.2 | Certification of Chief Financial Officer as required pursuant to Section 302 of the Sarbanes-Oxley Act |
| 32.1~ | Certification of Chief Executive Officer as required pursuant to Section 906 of the Sarbanes-Oxley Act |
| 32.2~ | Certification of Chief Financial Officer as required pursuant to Section 906 of the Sarbanes-Oxley Act |
| 99.1 | Notice of Proposed Settlement of Derivative Action, incorporated by reference to Exhibit 99.1 of the registrant s Current Report on Form 8-K as filed on May 28, 2009 |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Presentation Linkbase Document |

# Management contracts or compensation plans or arrangements in which directors or executive officers are eligible to participate.

~ 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.