SAUL CENTERS INC
Form 10-Q
August 01, 2013
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United States

Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

For The Quarterly Period Ended June 30, 2013

Commission File Number 1-12254

SAUL CENTERS, INC.

(Exact name of registrant as specified in its charter)

Maryland	**52-1833074**
(State or other jurisdiction of	**(I.R.S. Employer**

incorporation or organization)	**Identification No.)**

7501 Wisconsin Avenue, Bethesda, Maryland 20814

(Address of principal executive office) (Zip Code)

Registrant s telephone number, including area code (301) 986-6200

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days. YES x NO ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES x NO ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ¨ NO x

Number of shares of common stock, par value $0.01 per share outstanding as of July 31, 2013: 20.3 million.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments necessary for the fair presentation of the financial position and results of operations of Saul Centers, Inc. for the interim periods have been included. All such adjustments are of a normal recurring nature. These consolidated financial statements and the accompanying notes should be read in conjunction with the audited consolidated financial statements of Saul Centers, Inc. for the year ended December 31, 2012, which are included in its Annual Report on Form 10-K. The results of operations for interim periods are not necessarily indicative of results to be expected for the year.

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Saul Centers, Inc.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share amounts)	**June 30, 2013** *(Unaudited)*	**December 31, 2012**
Assets		
Real estate investments		
Land	$ 351,647	$ 353,890
Buildings and equipment	1,117,976	1,109,911
Construction in progress	6,165	2,267
	1,475,788	1,466,068
Accumulated depreciation	(378,775)	(353,305)
	1,097,013	1,112,763
Cash and cash equivalents	12,945	12,133
Accounts receivable and accrued income, net	41,701	41,406
Deferred leasing costs, net	24,757	26,102
Prepaid expenses, net	1,669	3,895
Deferred debt costs, net	8,342	7,713
Other assets	5,183	3,297
Total assets	$ 1,191,610	$ 1,207,309
Liabilities		
Mortgage notes payable	$ 826,224	$ 789,776
Revolving credit facility payable		38,000
Dividends and distributions payable	13,022	13,490
Accounts payable, accrued expenses and other liabilities	22,576	27,434
Deferred income	26,961	31,320
Total liabilities	888,783	900,020
Stockholders equity		
Preferred stock, 1,000,000 shares authorized:		
Series A Cumulative Redeemable, 16,000 and 40,000 shares issued and outstanding, respectively	40,000	100,000
Series B Cumulative Redeemable, 31,731 shares issued and outstanding in 2012		79,328
Series C Cumulative Redeemable, 56,000 shares issued and outstanding in 2013	140,000	
Common stock, $0.01 par value, 40,000,000 shares authorized, 20,353,039 and 20,045,452 shares issued and outstanding, respectively	204	201
Additional paid-in capital	260,371	246,557
Accumulated deficit	(170,649)	(154,830)
Accumulated other comprehensive loss	(1,866)	(3,553)
Total Saul Centers, Inc. stockholders equity	268,060	267,703
Noncontrolling interest	34,767	39,586
Total stockholders equity	302,827	307,289
Total liabilities and stockholders equity	$ 1,191,610	$ 1,207,309

The Notes to Financial Statements are an integral part of these statements.

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Saul Centers, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Dollars in thousands, except per share amounts)	**For The Three Months Ended June 30, 2013**	**2012**	**For The Six Months Ended June 30, 2013**	**2012**
Revenue				
Base rent	$ 39,553	$ 38,043	$ 79,293	$ 75,528
Expense recoveries	7,463	7,441	15,077	15,142
Percentage rent	338	453	938	859
Other	1,455	1,435	2,687	2,832
Total revenue	48,809	47,372	97,995	94,361
Operating expenses				
Property operating expenses	6,041	5,918	11,990	11,655
Provision for credit losses	285	241	549	593
Real estate taxes	5,433	5,526	11,196	11,362
Interest expense and amortization of deferred debt costs	11,709	12,554	23,426	25,287
Depreciation and amortization of deferred leasing costs	12,472	9,749	28,824	19,507
General and administrative	3,925	3,784	7,329	7,031
Predevelopment expenses	1,233		3,582	
Total operating expenses	41,098	37,772	86,896	75,435
Operating income	7,711	9,600	11,099	18,926
Change in fair value of derivatives	51	(16)	61	(19)
Income from continuing operations	7,762	9,584	11,160	18,907
Discontinued operations		11		8
Net Income	7,762	9,595	11,160	18,915
Noncontrolling interest				
(Income) loss attributable to noncontrolling interests	(1,168)	(1,516)	418	(2,972)
Net income attributable to Saul Centers, Inc.	6,594	8,079	11,578	15,943
Preferred stock redemption			(5,228)	
Preferred stock dividends	(3,207)	(3,785)	(7,571)	(7,570)
Net income (loss) attributable to common stockholders	$ 3,387	$ 4,294	$ (1,221)	$ 8,373
Per share net income (loss) attributable to common stockholders				
Basic and diluted:				
Continuing operations	$ 0.17	$ 0.22	$ (0.06)	$ 0.43
Discontinued operations				
	$ 0.17	$ 0.22	$ (0.06)	$ 0.43

The Notes to Financial Statements are an integral part of these statements.

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Saul Centers, Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(Dollars in thousands)	For The Three Months Ended June 30, 2013	For The Three Months Ended June 30, 2012	For The Six Months Ended June 30, 2013	For The Six Months Ended June 30, 2012
Net income	$ 7,762	$ 9,595	$ 11,160	$ 18,915
Other comprehensive income				
Change in unrealized loss on cash flow hedge	1,763	(1,466)	2,264	(912)
Total comprehensive income	9,525	8,129	13,424	18,003
Comprehensive income attributable to noncontrolling interests	(1,617)	(1,142)	(159)	(2,744)
Total comprehensive income attributable to Saul Centers, Inc.	7,908	6,987	13,265	15,259
Preferred stock redemption			(5,228)	
Preferred stock dividends	(3,207)	(3,785)	(7,571)	(7,570)
Total comprehensive income attributable to common stockholders	$ 4,701	$ 3,202	$ 466	$ 7,689

The Notes to Financial Statements are an integral part of these statements.

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Saul Centers, Inc.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(Unaudited)

(Dollars in thousands, except per share amounts)	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss)	Total Saul Centers, Inc.	Noncontrolling Interest	Total
Balance, December 31, 2012	$ 179,328	$ 201	$ 246,557	$ (154,830)	$ (3,553)	$ 267,703	$ 39,586	$ 307,289
Issuance of 56,000 shares of Series C Cumulative preferred stock	140,000		(4,779)			135,221		135,221
Partial redemption of 24,000 shares of Series A Cumulative preferred stock	(60,000)		2,212	(2,216)		(60,004)		(60,004)
Full redemption of 31,731 shares of Series B Cumulative preferred stock	(79,328)		3,007	(3,012)		(79,333)		(79,333)
Issuance of 307,587 shares of common stock:								
288,307 shares pursuant to dividend reinvestment plan		3	12,176			12,179		12,179
19,280 shares due to exercise of employee stock options and issuance of directors deferred stock			1,198			1,198		1,198
Net income (loss)				11,578		11,578	(418)	11,160
Change in unrealized loss on cash flow hedge					1,687	1,687	577	2,264
Preferred stock distributions:								
Series A				(1,613)		(1,613)		(1,613)
Series B				(1,468)		(1,468)		(1,468)
Series C				(1,283)		(1,283)		(1,283)
Common stock distributions				(7,272)		(7,272)	(2,489)	(9,761)
Distributions payable preferred stock:								
Series A, $50.00 per share				(800)		(800)		(800)
Series C, $42.97 per share				(2,406)		(2,406)		(2,406)
Distributions payable common stock ($0.36/share) and distributions payable partnership units ($0.36/unit)				(7,327)		(7,327)	(2,489)	(9,816)
Balance, June 30, 2013	$ 180,000	$ 204	$ 260,371	$ (170,649)	$ (1,866)	$ 268,060	$ 34,767	$ 302,827

The Notes to Financial Statements are an integral part of these statements.

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Saul Centers, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Dollars in thousands)	For The Six Months Ended June 30, 2013	2012
Cash flows from operating activities:		
Net income	$ 11,160	$ 18,915
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in fair value of derivatives	(61)	19
Depreciation and amortization of deferred leasing costs	28,824	19,548
Amortization of deferred debt costs	625	901
Non cash compensation costs of stock grants and options	695	679
Provision for credit losses	549	593
Decrease in accounts receivable and accrued income	(844)	(170)
Additions to deferred leasing costs	(1,862)	(2,980)
Decrease in prepaid expenses	2,226	2,431
(Increase) decrease in other assets	(1,886)	5,469
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(1,024)	2,774
Decrease in deferred income	(4,359)	(125)
Net cash provided by operating activities	34,043	48,054
Cash flows from investing activities:		
Additions to real estate investments	(7,322)	(5,448)
Additions to development and redevelopment projects	(4,054)	(1,824)
Net cash used in investing activities	(11,376)	(7,272)
Cash flows from financing activities:		
Proceeds from mortgage notes payable	83,600	83,500
Repayments on mortgage notes payable	(47,152)	(74,276)
Proceeds from revolving credit facility	123,000	
Repayments on revolving credit facility	(161,000)	(8,000)
Additions to deferred debt costs	(1,254)	(2,078)
Proceeds from the issuance of:		
Common stock	12,683	11,497
Series C preferred stock	135,221	
Preferred stock redemption payments:		
Series A preferred	(60,000)	
Series B preferred	(79,328)	
Preferred stock redemption costs	(9)	
Distributions to:		
Series A preferred stockholders	(3,613)	(4,000)
Series B preferred stockholders	(3,253)	(3,570)
Series C preferred stockholders	(1,283)	
Common stockholders	(14,489)	(13,949)
Noncontrolling interest	(4,978)	(4,978)
Net cash used in financing activities	(21,855)	(15,854)

Net increase in cash and cash equivalents	812	24,928
Cash and cash equivalents, beginning of period	12,133	12,323
Cash and cash equivalents, end of period	$ 12,945	$ 37,251

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Notes to Consolidated Financial Statements (Unaudited)

1. Organization, Formation and Structure

Saul Centers, Inc. (Saul Centers) was incorporated under the Maryland General Corporation Law on June 10, 1993. Saul Centers operates as a real estate investment trust (a REIT) under the Internal Revenue Code of 1986, as amended (the Code). The Company is required to annually distribute at least 90% of its REIT taxable income (excluding net capital gains) to its stockholders and meet certain organizational and other requirements. Saul Centers has made and intends to continue to make regular quarterly distributions to its stockholders. Saul Centers, together with its wholly-owned subsidiaries and the limited partnerships of which Saul Centers or one of its subsidiaries is the sole general partner, are referred to collectively as the Company. B. Francis Saul II serves as Chairman of the Board of Directors and Chief Executive Officer of Saul Centers.

Saul Centers was formed to continue and expand the shopping center business previously owned and conducted by the B. F. Saul Real Estate Investment Trust, the B. F. Saul Company and certain other affiliated entities, each of which is controlled by B. Francis Saul II and his family members (collectively, the Saul Organization). On August 26, 1993, members of the Saul Organization transferred to Saul Holdings Limited Partnership, a newly formed Maryland limited partnership (the Operating Partnership), and two newly formed subsidiary limited partnerships (the Subsidiary Partnerships, and, collectively with the Operating Partnership, the Partnerships), shopping center and mixed-use properties and the management functions related to the transferred properties. Since its formation, the Company has developed and purchased additional properties.

The following table lists the properties acquired and disposed of by the Company since December 31, 2011 (no projects have been developed since 2011).

Name of Property	Location	Type	Year of Acquisition/ Disposition
Acquisitions			
1500 Rockville Pike	Rockville, MD	Shopping Center	2012
5541 Nicholson Lane	Rockville, MD	Shopping Center	2012
Dispositions			
West Park	Oklahoma City, OK	Shopping Center	2012
Belvedere	Baltimore, MD	Shopping Center	2012

As of June 30, 2013, the Company s properties (the Current Portfolio Properties) consisted of 50 operating shopping center properties (the Shopping Centers), six mixed-use properties which are comprised of office, retail and multi-family residential uses (the Mixed-Use Properties) and three (non-operating) development properties.

2. Summary of Significant Accounting Policies

Nature of Operations

The Company, which conducts all of its activities through its subsidiaries, the Operating Partnership and Subsidiary Partnerships, engages in the ownership, operation, management, leasing, acquisition, renovation, expansion, development and financing of community and neighborhood shopping centers and mixed-use properties, primarily in the Washington, DC/Baltimore metropolitan area.

Because the properties are located primarily in the Washington, DC/Baltimore metropolitan area, the Company is subject to a concentration of credit risk related to these properties. A majority of the Shopping Centers are anchored by one or more major tenants. As of June 30, 2013, 33 of the Shopping

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Notes to Consolidated Financial Statements (Unaudited)

Centers were anchored by a grocery store and offer primarily day-to-day necessities and services. Two retail tenants, Giant Food, a tenant at ten Shopping Centers, and Safeway, a tenant at eight Shopping Centers, individually accounted for 4.9% and 2.7%, respectively, of the Company s total revenue for the six months ended June 30, 2013.

Principles of Consolidation

The accompanying consolidated financial statements of the Company include the accounts of Saul Centers and its subsidiaries, including the Operating Partnership and Subsidiary Partnerships, which are majority owned by Saul Centers. All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments necessary for the fair presentation of the financial position and results of operations of Saul Centers, Inc. for the interim periods have been included. All such adjustments are of a normal recurring nature. These consolidated financial statements and the accompanying notes should be read in conjunction with the audited consolidated financial statements of Saul Centers, Inc. for the year ended December 31, 2012, which are included in its Annual Report on Form

adverse changes in the value of these properties, due to interest rate changes, changes in the neighborhood in which the property is located, or other factors;

the possible need for structural improvements in order to comply with zoning, seismic and other legal or regulatory requirements;

the potential disruption of our business and operations arising from or connected with a relocation due to moving to or renovating the facility;

increased cash commitments for improvements to the buildings or the property or both;

increased operating expenses for the buildings or the property or both;

possible disputes with tenants or other third parties related to the buildings or the property or both; and

the risk of financial loss in excess of amounts covered by insurance, or uninsured risks, such as the loss caused by damage to the buildings as a result of earthquakes, floods and or other natural disasters.

As we carry only limited insurance coverage, any incurred liability resulting from uncovered claims could adversely affect our financial condition and results of operations.

Our insurance policies may not be adequate to fully offset losses from covered incidents, and we do not have coverage for certain losses. For example, there is very limited coverage available with respect to the services provided by our third party foundries and assembly and test subcontractors. In the event of a natural disaster (such as an earthquake or Tsunami), political or military turmoil, widespread health issues or other significant disruptions to their operations, insurance may not adequately protect us from this exposure. We believe our existing insurance coverage is consistent with common practice and economic and availability considerations. However, if our insurance coverage is inadequate to protect us against unforeseen catastrophic losses, any uncovered losses could adversely affect our financial condition and results of operations.

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We are incorporated in Bermuda, and, as a result, it may not be possible for our shareholders to enforce civil liability provisions of the securities laws of the United States. In addition, our Bye-laws contain a waiver of claims or rights of action by our shareholders against our officers and directors, which will severely limit our shareholders right to assert a claim against our officers and directors under Bermuda law.

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

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

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

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

- authorizing the issuance of preferred stock without shareholder approval; and
- providing for a classified board of directors; and
- requiring a vote of two-thirds of the outstanding shares to approve any change of corporate control in the event the action is not approved by at least 66 $^{2}/_{3}$% of the directors holding office at the date of the Board meeting to approve the action.

These change in corporate control provisions could make it more difficult for a third party to acquire us, even if doing so would be a benefit to our shareholders. However, beginning in calendar year 2011 our classified board of directors will be phased out and by calendar year 2013 all director will be up for election annually.

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

None.

Item 2. ***Properties***

Our U.S. headquarters, housing research and design functions as well as elements of sales, marketing, administration and operations, is located in Santa Clara, California. We own the Santa Clara facility, which consists of approximately 993,000 square feet on 33.8 acres of land. We also own buildings in China, Singapore and Switzerland which are used for operations, research and design, sales, marketing and administrative functions.

In addition to these properties, we lease approximately 361,000 square feet in Israel for research and design, administration and operations, which lease term expires in August 2025. We also lease smaller facilities in

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Bermuda, Canada, China, Finland, Germany, India, Italy, Japan, Korea, Netherlands, Spain, Taiwan, the United Kingdom and the United States, which are occupied by administrative, sales, design and field application personnel. We also lease a building in California, totaling approximately 41,000 square feet, which is currently subleased to tenants as of January 29, 2011.

Based upon our estimates of future hiring, we believe that our current facilities in most locations will be adequate to meet our requirements at least through the next fiscal year. In certain locations where we have plans to hire a significant amount of employees, such as China, we may need to obtain additional facilities.

Item 3. ***Legal Proceedings***

The information set forth under Note 12 Commitments and Contingencies of our notes to the Consolidated Financial Statements set forth in Part II, Item 8 of this Annual Report on Form 10-K is incorporated herein by reference. For additional discussion of certain risks associated with legal proceedings, please see Part I, Item 1A, Risk Factors above.

Item 4. ***(Removed and Reserved)***

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PART II

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

Market Information

Our common shares are traded on the NASDAQ Global Select Market under the symbol MRVL. Our common shares began trading on June 27, 2000, upon completion of our initial public offering. The following table shows for the periods indicated the high and low sales prices for our common shares on the NASDAQ Global Select Market and reflects all stock splits to date.

	Fiscal Year 2011		Fiscal Year 2010	
	High	Low	High	Low
First Quarter	$ 22.58	$ 17.98	$ 11.4	$ 6.56
Second Quarter	$ 20.79	$ 14.87	$ 14.2	$ 9.98
Third Quarter	$ 19.28	$ 14.51	$ 16.7	$ 13.1
Fourth Quarter	$ 21.89	$ 18.12	$ 21.8	$ 13.4

As of March 18, 2011, the approximate number of record holders of our common shares was 207 (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 January 28, 2006 through January 29, 2011. The graph assumes that $100 was invested on January 28, 2006 in our common shares and on January 28, 2006 in each index and that any dividends were reinvested. No cash dividends have been declared on our common shares since our initial public offering in 2000. Shareholder returns over the indicated periods should not be considered indicative of future stock prices or shareholder returns.

	1/28/06	1/27/07	2/2/08	1/31/09	1/30/10	1/29/11
Marvell Technology Group Ltd.	**100.00**	**53.85**	**36.13**	**20.64**	**49.35**	**54.25**
S&P 500	**100.00**	**114.51**	**111.87**	**68.66**	**91.41**	**111.69**
PHLX Semiconductor	**100.00**	**93.92**	**87.18**	**51.90**	**81.53**	**107.58**

Dividends

We have never declared or paid a cash dividend on our common shares. Any future determination with respect to the declaration and payment of dividends will be at the discretion of our Board of Directors.

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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 January 29, 2011 (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 31 November 27, 2010		$		$ 439,352
November 28 December 25, 2010		$		$ 439,352
December 26, 2010 January 29, 2011	1,346	$ 19.94	1,346	$ 412,514
Total	1,346	$ 19.94	1,346	$ 412,514

On August 19, 2010, we announced that our Board of Directors authorized a program to repurchase up to $500 million of our outstanding common shares. On March 3, 2011, we announced that our Board of Directors has authorized an increase of $500 million to the existing repurchase authorization, which increases the total authorized to $1 billion. We intend to affect 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 program may be extended, modified, suspended or discontinued at any time. We may utilize privately negotiated transactions in order to effect our repurchases.

Through January 29, 2011, we had repurchased a total of 4.9 million shares for $87.5 million. Subsequent to our fiscal year end and through March 24, 2011, we repurchased additional shares for $497 million, bringing our total repurchases under our repurchase program to $584 million.

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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.

	January 29, 2011 (1)	January 30, 2010 (2)	January 31, 2009 (3)	February 2, 2008 (4)	January 27, 2007 (5)
			(In thousands, except per share amounts)		
Consolidated Statement of Operations Data:					
Net revenue	$ 3,611,893	$ 2,807,687	$ 2,950,563	$ 2,894,693	$ 2,237,553
Cost of goods sold	$ 1,473,274	$ 1,227,096	$ 1,426,624	$ 1,497,796	$ 1,100,241
Research and development	$ 897,578	$ 828,176	$ 935,272	$ 994,202	$ 658,211
Operating income (loss)	$ 901,192	$ 334,115	$ 165,176	$ (105,590)	$ 1,057
Net income (loss)	$ 904,129	$ 353,456	$ 147,242	$ (114,427)	$ (12,095)
Basic net income (loss) per share	$ 1.39	$ 0.57	$ 0.24	$ (0.19)	$ (0.02)
Diluted net income (loss) per share	$ 1.34	$ 0.54	$ 0.23	$ (0.19)	$ (0.02)
Weighted average shares basic	648,347	623,934	608,747	590,308	586,152
Weighted average shares diluted	676,878	653,741	630,328	590,308	586,152
Consolidated Balance Sheet Data:					
Cash, cash equivalents, restricted cash and short-term investments	$ 2,930,030	$ 1,796,717	$ 951,909	$ 630,902	$ 596,380
Working capital	$ 3,071,961	$ 1,913,658	$ 1,150,667	$ 920,529	$ 636,849
Total assets	$ 6,338,157	$ 5,170,940	$ 4,414,200	$ 4,550,594	$ 4,527,700
Term loan and capital lease obligations, net of current portion	$	$ 511	$ 2,451	$ 394,988	$ 411,846
Total shareholders equity	$ 5,521,869	$ 4,417,979	$ 3,829,067	$ 3,411,519	$ 3,227,184
Number of employees	5,893	5,241	5,552	5,331	5,249

(1) Fiscal 2011 includes $8.5 million for the portion of IP litigation settlements related to previous fiscal years.

(2) 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.

(3) 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.

(4) In fiscal 2008, we wrote-off $7.2 million of intangible assets that were determined to be impaired due to declining revenue from products acquired. In the fourth quarter of fiscal 2008, we recorded a restructuring charge of $7.9 million related to a worldwide reduction in force implemented primarily to reduce operating expenses. In the fourth quarter of fiscal 2008, we recorded a one-time benefit of $22.1 million in other income related to the true-up of credits under the supply agreement with Intel to reflect differences in the original estimate and actual product mix and yields.

(5) Effective from the beginning of fiscal 2007, we are required to measure and recognize compensation expense for all share-based awards to employees and directors based on estimated fair values. We adopted share-based payment rules under the modified prospective method, reflecting in our fiscal 2007 results the compensation expense associated with unvested options granted prior to fiscal 2007, as well as options granted during that year. In fiscal 2007, we recorded an adjustment of $8.8 million for the cumulative effect of a change in accounting principle related to estimating forfeitures in our adoption of share-based payments authoritative literature. In the fourth quarter of fiscal 2007, we recorded an acquired IPR&D charge of $77.8 million in connection with our acquisition of the communication and application processor business from Intel (the ICAP Business).

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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 and software that incorporate 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 handheld cellular, Ethernet-based 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 relatively small number of customers have accounted for a significant portion of our revenue. Two customers accounted for more than 10% of our revenue. Western Digital represented approximately 21%, 24% and 21% of our net revenue in fiscal 2011, 2010 and 2009, respectively. Research in Motion represented approximately 14% of net revenue in fiscal 2011 and less than 10% of net revenue in fiscal 2010 and 2009. During fiscal 2010, Toshiba acquired the hard disk drive operations of Fujitsu. Although Toshiba and Fujitsu revenue have not historically accounted for more than 10% of our revenue, we have combined fiscal 2010 revenue together for reporting purposes for both Toshiba and Fujitsu based on Toshiba s acquisition of Fujitsu s hard disk drive operations in fiscal 2010. Toshiba represented less than 10% of our net revenue in fiscal 2011 and 2009, respectively and approximately 15% of our net revenue in fiscal 2010. Also, in fiscal 2011, 2010, 2009, no distributor accounted for more than 10% of our net revenue. We expect to continue to experience significant customer concentration in future periods. In addition, most of our sales are made to customers located outside of the United States, primarily in Asia. Sales to customers in Asia represented approximately 81%, 89%, and 86% of our net revenue for fiscal 2011, 2010, 2009, respectively. Because many manufacturers and manufacturing subcontractors of our customers are located in Asia, we expect that most of our revenue will continue to be represented by sales to our customers in that region. All of our sales to date have been denominated in U.S. dollars.

An increasing number of our products are being incorporated into consumer electronics products, including gaming devices, which are subject to significant seasonality and fluctuations in demand. Due to holiday and back to school buying trends, these seasonal demand patterns generally will 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.

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.

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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 2011, 2010 and 2009 were comprised of 52-week periods.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates, 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, including 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 Black-Scholes option valuation model 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 revenues when there is persuasive evidence of an arrangement, delivery has occurred, the fee is fixed or determinable, and collection is reasonably assured.

Product revenue is generally recognized upon shipment of product to customers, net of accruals for estimated sales returns and 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 return 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. Revenue related to the sale of consignment inventory is not recognized until the product is pulled from inventory 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 included in our various rebate agreements.

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 under the straight-line attribution method over the vest term, which is generally four years for annual grants to employees and five years for new hire grants.

The fair value of restricted stock units is based on the fair market value of our common shares on the date of grant. We estimate the fair value of stock option awards on the date of grant using the Black Scholes option-pricing 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 model incorporates 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 option exercises and pre-vesting terminations of options were stratified by employee groups with sufficiently distinct behavior patterns. Expected volatility was developed based on the average of our historical daily stock price volatility.

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.

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

In accordance with Accounting Standards Codification (ASC) Topic 740, Income Taxes (ASC 740), 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 research credits and certain acquired net operating losses will not be realized and therefore we have provided a full valuation allowance against these credits. It is not clear whether any of the research credits will ever be used, therefore, we have recorded a valuation allowance on the entire research credit carryforward. Accordingly, we have established a valuation allowance for such deferred tax assets. 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.

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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 U.S. GAAP and complex tax laws. We believe we have adequately provided in our financial statements for 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 such major jurisdictions as 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.

Inventory Valuation. 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 valuation of inventory requires us to estimate the future demand for our products. 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.

Valuation of Long-lived Assets and Intangible Assets. We assess the impairment of long-lived assets and intangible assets whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. 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, which includes revenue, is less than the carrying amount of those assets, we recognize an impairment loss based on the excess of the carrying amount over the fair value of the assets. Significant management judgment is required in the forecasts of future operating results that are used in the discounted cash flow method of valuation.

As of January 29, 2011, we had a total of $124.6 million in acquired intangible assets. Of this amount, $9.7 million of in-process research and development (IPR&D) was evaluated based on an annual impairment test at the beginning of the fourth quarter by comparing the current fair value of the IPR&D asset to its carrying value. No impairment was recorded in fiscal 2011 on our IPR&D.

Valuation of Goodwill. We perform an annual impairment assessment of goodwill at the beginning of our fiscal fourth quarter, and 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 (i) significant underperformance relative to historical or projected future operating results, (ii) significant changes in the manner of our use of the acquired assets or the strategy for our overall business, (iii) significant negative industry or economic trends, (iv) a significant decline in our stock price for a sustained period and (v) a significant change in our market capitalization relative to our net book value. 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.

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. However, given uncertainties associated with any litigation, if our assessments prove to be wrong, or if additional information becomes available such that we estimate that there is a probable loss or probable range of loss associated with these contingencies, then we would be required to record liabilities to cover those losses, which could materially impact our results of operations, financial position and cash flows.

Results of Operations

We ended the year with record revenues, a strong balance sheet and excellent cash flows. We believe we are strategically positioned with new products in new markets and with new customers expected to start to ramp in the next year. Net revenue for fiscal 2011 was $3.61 billion, a 29% increase over the $2.81 billion reported for fiscal 2010. The increase was due to both growth in new products and customers, and the lower base of revenues in the first half of fiscal 2010 resulting from of the global economic downturn in that year. By end market, the increase in net revenue was primarily due to products in the mobile and wireless end markets, which increased over 110% year over year, and our networking end market, which increased by about 15% annually. Net revenues in our storage end market increased by about 5%. Within the mobile and wireless end market, we experienced double digit sequential growth for the first three quarters, and ended on a sequential decline primarily due to seasonality in the gaming industry. In the networking end market, after a strong first half, we experienced some excess inventory which we believe had worked its way through the system by year end. In storage, after a strong first quarter, the PC industry experienced some inventory reductions, and ended approximately flat. Full-year cost of sales as a percentage of net revenue for fiscal 2011 was about 40.8% compared to 43.7% reported in fiscal 2010, an improvement of about 290 basis points year over year. Operating income increased to $901 million, or approximately 25% of revenues, significantly higher than 12% in fiscal 2010. Our diluted earnings per share for the year was $1.34 in fiscal 2011, compared to $0.54 in fiscal 2010.

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In addition, during fiscal 2011, we generated nearly $1.2 billion in cash from operations, and exited the year with approximately $2.9 billion in cash, cash equivalents, and short term investments. As such, during fiscal 2011, our Board of Directors authorized a stock repurchase program of up to $500 million of our common shares and we repurchased 4.9 million shares for $87.5 million in cash in fiscal 2011. In March 2011, the Board of Directors authorized us to repurchase up to an additional $500 million, for a total of $1 billion, of our outstanding common shares.

Despite these excellent results, the beginning of fiscal 2012 looks challenging. Seasonal declines in the gaming market, along with a shift in the product mix at one of our major customers of mobile and wireless products are leading to a lower than seasonal revenue in the first quarter of fiscal 2012. In addition, we are switching to a local hub inventory arrangement with one of our major customers, whereby revenue will not be recognized until the customer pulls the inventory from our warehouse at a location in close proximity to the customer. This transition is further impacting our expected net revenue in the first quarter of fiscal 2012.

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

		Fiscal Years Ended	
	January 29, 2011	January 30, 2010	January 31, 2009
Net revenue	100%	100%	100%
Operating costs and expenses:			
Cost of goods sold	40.8	43.7	48.4
Research and development	24.9	29.5	31.7
Selling and marketing	4.3	5.0	5.5
General and administrative	2.9	6.1	3.7
Amortization and write-off of acquired intangible assets	2.2	3.8	5.2
Total operating costs and expenses	75.1	88.1	94.4
Operating income	24.9	11.9	5.6
Interest and other income	0.3	0.4	0.8
Interest expense	0.0	(0.1)	(0.6)
Income before income taxes	25.2	12.2	5.8
Provision (benefit) for income taxes	0.2	(0.4)	0.8
Net income	25.0%	12.6%	5.0%

Years Ended January 29, 2011 and January 30, 2010

Net Revenue

	Fiscal Years Ended		
	January 29, 2011	January 30, 2010	% Change in 2011
	(in thousands, except percentage)		
Net revenue	$ 3,611,893	$ 2,807,687	28.6%

Net revenue is gross revenue, net of accruals for estimated sales returns and rebates. Our net revenue in fiscal 2011 increased by $804 million or 28.6%, from $2.81 billion in fiscal 2010, to $3.61 billion in fiscal 2011. Mobile and wireless revenue more than doubled as a result of the significant growth in demand for our cellular communications products, along with increased demand for our embedded wireless LAN products. Our networking revenue grew 15% during fiscal 2011 compared to fiscal 2010, primarily due to a combination of increased demand for both our client and enterprise Ethernet products, along with an improved macroeconomic environment for

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capital intensive networking equipment. Despite a challenging first few quarters, overall storage revenue grew 5% in fiscal 2011 as compared with fiscal 2010, due to improved industry demand for hard drives as well as company specific market share gains. The growth in our overall net revenue of approximately 28.6% reflects a combination of increased demand for our newer products, and an improvement in overall economic conditions.

We currently expect that revenue in fiscal 2012 will increase moderately from the level in fiscal 2011 as we continue to ramp new design wins in our various end markets.

In the first quarter of fiscal 2012, due to seasonal declines in the gaming business, the shift of one of our customers to a lower product mix, and the transition of a major customer to a hub inventory model, we expect revenues to decline to between $800 million and $850 million. However, we expect growth in the latter half of the year, and therefore we expect overall net revenue in fiscal 2012 to increase moderately from fiscal 2011.

Cost of Goods Sold

	Fiscal Years Ended		
	January 29, 2011	January 30, 2010	% Change in 2011
	(in thousands, except percentage)		
Cost of goods sold	$ 1,473,274	$ 1,227,096	20.1%
% of net revenue	40.8%	43.7%	

Cost of goods sold as a percentage of net revenue in fiscal 2011 decreased by 290 basis points, from 43.7% in fiscal 2010 to 40.8% in fiscal 2011. The improvement was primarily driven by the improved cost structure of our newer products as we have continued to benefit from the cost focus during the engineering design phase of our products, continued focus on efficiency and yield improvements. The increases were partially offset by a higher amount of period costs related to production tapeouts for newer products, and rising costs of gold.

Our cost of goods sold as a percentage of 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, and the introduction of new products with lower margins and higher product warranty costs.

We currently expect that cost of goods sold as a percentage of net revenue in fiscal 2012 will be slightly higher than fiscal 2011 as a result of product mix changes, tightening foundry and subcontractor capacity in advanced technologies resulting in higher costs as well as rising commodity prices.

Research and Development

	Fiscal Years Ended		
	January 29, 2011	January 30, 2010	% Change in 2011
	(in thousands, except percentage)		
Research and development	$ 897,578	$ 828,176	8.4%
% of net revenue	24.9%	29.5%	

Research and development expenses increased by $69.4 million in fiscal 2011 compared to fiscal 2010, primarily due to a $71.1 million increase in compensation and benefits expense related to headcount increases and temporary help in fiscal 2011. Tools for research and development activities increased by $11.5 million. Amortization expense of technology licenses increased by $9.1 million due to the increases in acquired licenses

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compared to fiscal 2010. Expenses for outside professional services and other services increased by $4.9 million. These increases were partially offset by a decrease of $13.1 million in restructuring costs, a decrease of $7.2 million in stock-based compensation expense, and a decrease of $6.8 million in depreciation expense due to certain assets being fully depreciated. In addition, legal expenses related to patent filings decreased by $2.6 million due to lower legal activity, while general facility expenses, including software and hardware expenses, decreased by $2.1 million.

We currently expect that research and development expenses in fiscal 2012 will increase moderately, mainly attributable to new product introduction in advanced technologies as we ramp up to support new customers and programs.

Selling and Marketing

	Fiscal Years Ended		
	January 29, 2011	**January 30, 2010**	**% Change in 2011**
	(in thousands, except percentage)		
Selling and marketing	$ 155,481	$ 139,404	11.5%
% of net revenue	4.3%	5.0%	

Selling and marketing expense increased $16.1 million in fiscal 2011 compared to fiscal 2010 primarily due to a $10.6 million increase in trade shows and public relations activities as we increased our involvement in these areas in fiscal 2011. Compensation and benefits expenses increased by $12.1 million, primarily due to higher headcount. These increases were partially offset by a decrease of $3.5 million in stock-based compensation expense, a decrease of $1.8 million in restructuring expense, and a decrease of $1.6 million in general facility expense.

We currently expect that selling and marketing expenses in fiscal 2012 will increase moderately to support our anticipated revenue growth.

General and Administrative

	Fiscal Years Ended		
	January 29, 2011	**January 30, 2010**	**% Change in 2011**
	(in thousands, except percentage)		
General and administrative	$ 104,830	$ 171,362	(38.8)%
% of net revenue	2.9%	6.1%	

General and administrative expense decreased by $66.5 million in fiscal 2011 compared to fiscal 2010 primarily due to the one-time $72.0 million legal settlement recorded during fiscal 2010 in connection with the settlement of the class action securities litigation related to our historical stock option granting practices. Legal fees, on a net basis, decreased by $8.6 million due to lower overall legal activity as a result of the settlement of various litigation matters. Depreciation expense decreased by $8.1 million due to certain assets being fully depreciated. Restructuring costs decreased by $3.6 million due to lower restructuring activity in fiscal 2011. These decreases were partially offset by an increase of $10.8 million in employee-related benefits expense and temporary help. General facility expenses increased by $6.6 million, stock-based compensation expense increased by $5.8 million, outside professional services increased by $1.5 million, and charitable contributions increased by $1.2 million.

We currently expect that general and administrative expenses in fiscal 2012 will increase moderately to support the growth of our business.

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Amortization and Write-Off of Acquired Intangible Assets

	Fiscal Years Ended January 29, 2011	Fiscal Years Ended January 30, 2010	% Change in 2011
	(in thousands, except percentage)		
Amortization and write-off of acquired intangible assets	$ 79,538	$ 107,534	(26.0)%
% of net revenue	2.2%	3.8%	

The decrease in amortization and write-off of acquired intangible assets of $28.0 million in fiscal 2011 compared to fiscal 2010 is primarily due to certain intangible assets being fully amortized. In addition, no write-off was made in fiscal 2011, while a write-off occurred in fiscal 2010. In fiscal 2010, we determined that certain acquisition-related intangibles associated with the acquisition of the ICAP Business were partially impaired. The primary reason for the partial write-off of certain purchased intangibles from the ICAP Business was due to the transition to a newer product by a large customer. The amount of the purchased intangibles written-off in fiscal 2010 due to impairment was $1.0 million.

Interest and Other Income

	Fiscal Years Ended January 29, 2011	Fiscal Years Ended January 30, 2010	% Change in 2011
	(in thousands, except percentage)		
Interest and other income	$ 9,414	$ 10,727	(12.2)%
% of net revenue	0.3%	0.4%	

Interest and other income 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. The lower interest and other income during fiscal 2011, as compared to fiscal 2010, was primarily due to a $8.0 million gain on our severance fund assets in a foreign jurisdiction. Gains on equity investments in privately held companies were slightly higher at $5.9 million in fiscal 2011, compared to gains of $4.9 million in fiscal 2010. During fiscal 2011, we also had $5.4 million of higher interest income due to higher cash and investment balances, as well as slightly higher interest rates on invested balances as compared to fiscal 2010.

Interest Expense

	Fiscal Years Ended January 29, 2011	Fiscal Years Ended January 30, 2010	% Change in 2011
	(in thousands, except percentage)		
Interest expense	$ 144	$ 1,732	(91.7)%
% of net revenue	0.0%	0.1%	

Interest expense consists primarily of interest paid on capital lease obligations. Interest expense decreased by $1.6 million in fiscal 2011 compared to fiscal 2010 primarily due to repayment of capital lease obligations.

Provision (Benefit) for Income Taxes

	Fiscal Years Ended January 29, 2011	Fiscal Years Ended January 30, 2010	% Change in 2011
	(in thousands, except percentage)		
Provision (benefit) for income taxes	$ 6,333	$ (10,346)	(161.2)%
% of net revenue	0.2%	(0.4)%	

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Our effective tax rate was an expense of 0.7% for fiscal 2011 compared to a benefit of 3.0% for fiscal 2010. The increase in the provision for taxes in 2011 was primarily due to releases of tax contingency reserves in fiscal 2010. During fiscal 2010, we released $34.1 million in uncertain tax positions (including interest and penalties) due to the expiration of the statute of limitations in multiple jurisdictions, compared to $13.8 million in fiscal 2011. In fiscal 2011, the tax rate also benefited from a reduction in our valuation allowance of $3.4 million due to the completion of a non-US audit. We continued to incur significant non-tax deductible expenses such as stock-based compensation expenses and intangible amortization resulting in lower profit before tax in jurisdictions where we are not able to utilize the tax benefits. In addition, the tax benefits associated with our tax incentives vary from year to year based on the relative profitability in Israel, Singapore and Switzerland.

Years Ended January 30, 2010 and January 31, 2009

Net Revenue

	Fiscal Years Ended		
	January 30, 2010	January 31, 2009	% Change in 2010
	(in thousands, except percentage)		
Net revenue	$ 2,807,687	$ 2,950,563	(4.8)%

Our net revenue in fiscal 2010 declined by $142.9 million as compared to fiscal 2009 as the impacts of the global economic downturn outpaced the growth in some of our existing and emerging businesses. Although fiscal 2010 was a challenging year as a result of the overall macroeconomic conditions, we experienced several positive factors including growth in our storage businesses due to new hard disk drive programs at key existing and new customers. Our storage businesses grew approximately 7.5% during fiscal 2010 as compared to fiscal 2009, contributing more than half of our net revenue. Within our networking businesses, our enterprise switching and system controller devices ramped up during the year helping to offset declines in our network interface card and PHY business. Our networking businesses overall grew by approximately 2% during fiscal 2010 as compared to fiscal 2009, contributing approximately 20% of our net revenue. Within our mobile and wireless business, we experienced significant growth in our embedded wireless products as a result of strength in several gaming platforms. Despite those positives, the economic slowdown adversely impacted consumer spending, which led to significant declines in our cellular handheld business. Overall our mobile and wireless businesses declined by over 25% in fiscal 2010 as compared to fiscal 2009, contributing just under 20% of our net revenue. The remainder of our revenue, primarily related to our printer business declined by nearly 45% in fiscal 2010 as compared to fiscal 2009 as a result of the economic slowdown. This portion of our business made up approximately 3% of our net revenue in fiscal 2010.

Cost of Goods Sold

	Fiscal Years Ended		
	January 30, 2010	January 31, 2009	% Change in 2010
	(in thousands, except percentages)		
Cost of goods sold	$ 1,227,096	$ 1,426,624	(14.0)%
% of net revenue	43.7%	48.4%	

Cost of goods sold as a percentage of net revenue in fiscal 2010 decreased significantly compared to fiscal 2009 primarily due to lower material and manufacturing costs as a result of cost reduction efforts with our foundry, assembly and test subcontractors as well as the on-going focus on yield improvements. In addition, cost of goods sold as a percentage of net revenue decreased due to the mix of products, including newer products with better margin structures, better inventory management, which led to lower excess and obsolescence provisions, and the sales of previously written down inventory.

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Research and Development

	Fiscal Years Ended January 30, 2010	January 31, 2009	% Change in 2010
	(in thousands, except percentages)		
Research and development	$ 828,176	$ 935,272	(11.5)%
% of net revenue	29.5%	31.7%	

Research and development expenses decreased by $107.1 million in fiscal 2010 compared to fiscal 2009 partially due to the benefit of $26.4 million of research and development funding from customers for development work in fiscal 2010. In addition, stock-based compensation decreased $37.1 million due to older options with relatively higher valuation becoming fully vested along with the impact of our stock option exchange programs. Mask, wafer and product related costs decreased $15.7 million primarily due to lower pricing and volume of tape outs. Other decreases in research and development expenses of $29.7 million were related to lower discretionary spending due to tight cost controls. Partially offsetting the decrease in expense was an increase in restructuring costs of $9.8 million. Finally, the cost savings related to lower overall headcount were partially offset by higher bonus related costs as we implemented new programs to compensate employees for strong performance. Beginning in fiscal 2010, research and development funding from customers for development work was recognized as a credit to research and development expense under the proportionate performance method as the underlying work was performed.

Selling and Marketing

	Fiscal Years Ended January 30, 2010	January 31, 2009	% Change in 2010
	(in thousands, except percentages)		
Selling and marketing	$ 139,404	$ 161,703	(13.8)%
% of net revenue	5.0%	5.5%	

Selling and marketing expense decreased $22.3 million in fiscal 2010 compared to fiscal 2009 primarily due to lower salary and related costs of $6.5 million due to lower headcount. Stock-based compensation decreased $9.8 million due to older options with relatively higher valuation becoming fully vested along with the impact of our stock option exchange programs and the other changes implemented during fiscal 2010. Additionally, sales rep commissions decreased $3.8 million due to slightly lower revenue and various other selling and marketing expenses decreased $1.7 million due to cost control efforts. These amounts were partially offset by higher tradeshow and advertising related expenses of approximately $2.6 million as we significantly increased our efforts in these areas.

General and Administrative

	Fiscal Years Ended January 30, 2010	January 31, 2009	% Change in 2010
	(in thousands, except percentages)		
General and administrative	$ 171,362	$ 108,465	58.0%
% of net revenue	6.1%	3.7%	

General and administrative expense increased $62.9 million in fiscal 2010 compared to fiscal 2009 as a result of the $72.0 million legal settlement recorded during fiscal 2010 in connection with the settlement of the class action securities litigation related to our historical stock option granting practices. In addition, legal fees, on a net basis, increased by $4.8 million primarily due to $24.5 million of insurance recoveries related to certain litigation activity received in fiscal 2009 which did not recur in fiscal 2010. These were partially offset by a $10.0 million settlement with the SEC regarding our historical stock option granting practices and related accounting matters also recorded in fiscal 2009 which did not recur in fiscal 2010. Excluding the insurance reimbursements, legal fees were lower by approximately $9.7 million due to lower overall legal activity due to the settlement of various litigation matters. Restructuring costs increased $1.1 million in connection with actions implemented in response to the economic downturn. Partially offsetting the increase in general and administrative expense was a decrease of $2.7 million in stock-based compensation. Finally, various other general and administrative expenses such as outside services, consulting, temporary services and other decreased by $11.4 million due to cost control efforts.

Amortization and Write-Off of Acquired Intangible Assets

	Fiscal Years Ended		
	January 30, 2010	January 31, 2009	% Change in 2010
	(in thousands, except percentages)		
Amortization and write-off of acquired intangible assets	$ 107,534	$ 153,323	(29.9)%
% of net revenue	3.8%	5.2%	

The decrease in amortization and write-off of acquired intangible assets of $45.8 million in fiscal 2010 compared to fiscal 2009 is due to certain acquired intangible assets from previous acquisitions being fully amortized and to the partial write-off of certain purchased technology from a previous acquisition. In fiscal 2010, we determined that certain acquisition-related intangibles associated with the acquisition of the ICAP Business were partially impaired. The primary reason for the partial write-off of certain purchased intangibles from the ICAP Business was due to the transition to a newer product by a large customer. The amount of the purchased intangibles written-off in fiscal 2010 due to impairment was $1.0 million. In fiscal 2009, we determined that certain acquisition-related intangibles associated with the acquisition of the semiconductor business of UTStarcom, Inc. (the UTStarcom Business), PicoMobile Networks, Inc. and the ICAP Business were impaired. The primary reason for the write-off of the remaining purchased intangibles from the UTStarcom Business and certain intangibles from the ICAP Business was due to declining revenue from products incorporating such purchased intangibles. The purchased intangibles from the PicoMobile acquisition were written-off due to a delay in the deployment of the technology within the industry. The amount of the purchased intangibles written-off in the fourth quarter of fiscal 2009 due to impairment was $15.6 million.

Interest and Other Income

	Fiscal Years Ended		
	January 30, 2010	January 31, 2009	% Change in 2010
	(in thousands, except percentages)		
Interest and other income	$ 10,727	$ 23,651	(54.6)%
% of net revenue	0.4%	0.8%	

Interest and other income consists primarily of interest earned on cash, cash equivalents and short-term investment balances, gains and losses on the sale of marketable securities, foreign currency impact and various other gains and losses. The decrease in interest and other income of $12.9 million is due primarily to favorable foreign exchange impacts related to foreign tax reserves as a result of the strengthening U.S. dollar in fiscal 2009. In fiscal 2010, we experienced foreign exchange losses related to foreign tax reserves as a result of fluctuations in currencies and the weakening of the U.S. dollar. In addition, interest income decreased $9.2 million due to the decline in market interest rates on our cash and cash equivalents and short-term investments. Partially offsetting the decrease in interest and other income in fiscal 2010 was $8.0 million of gains on a severance fund in a foreign jurisdiction and a $4.9 million gain on an equity investments in privately held companies during fiscal 2010.

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Interest Expense

	Fiscal Years Ended		
	January 30, 2010	January 31, 2009	% Change in 2010
	(in thousands, except percentages)		
Interest expense	$ 1,732	$ 17,994	(90.4)%
% of net revenue	0.1%	0.6%	

Interest expense consists primarily of interest paid on debt and capital lease obligations. Interest expense decreased by $16.3 million in fiscal 2010 compared to fiscal 2009 primarily due to repayment of the entire principal on the outstanding term loan obligation in the fourth quarter of fiscal 2009.

Provision (Benefit) for Income Taxes

	Fiscal Years Ended		
	January 30, 2010	January 31, 2009	% Change in 2010
	(in thousands, except percentages)		
Provision (benefit) for income taxes	$ (10,346)	$ 23,591	(143.9)%
% of net revenue	(0.4)%	0.8%	

Our effective tax rate was a benefit of 3.0% for fiscal 2010 compared to an expense of 13.8% for fiscal 2009. The decrease in fiscal 2010 effective tax rate compared to fiscal 2009 was primarily due to releases of tax contingency reserves including penalties and interest of $34.1 million due to the expiration of the statute of limitations in multiple jurisdictions. We continued to incur significant non-tax deductible expenses such as stock-based compensation expenses and intangible amortization resulting in lower profit before tax in jurisdictions where we are not able to utilize the tax benefits.

Liquidity and Capital Resources

Our principal source of liquidity as of January 29, 2011 consisted of approximately $2.9 billion of cash, cash equivalents and short-term investments as well as cash from operations. We believe that our existing cash, cash equivalents and investments, together with cash generated from operations, will be sufficient to cover our working capital needs, capital expenditures, investment requirements and commitments for at least the next 12 months.

Net Cash Provided by Operating Activities

Net cash provided by operating activities was $1.2 billion for fiscal 2011 compared to $811.5 million for fiscal 2010 and $680.7 million for fiscal 2009. The cash inflows from operations during 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 by $48.6 million due to higher levels of purchasing to support our business. Deferred income increased by $16.8 million as the inventory levels at our distributors were higher at the end of fiscal 2011. Accrued employee compensation increased by $20.7 million 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 $102.6 million 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. Please see Note 11 Benefit Plans in our notes to the Consolidated Financial Statements set forth in Part II, Item 8 of this Annual Report on Form 10-K for further details.

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The cash inflow from operating activities in fiscal 2010 were due to net income of $684.7 million adjusted for non-cash items changes in working capital items. Within working capital during fiscal 2010, accounts payable increased $144.3 million due to our on-going efforts to manage payment terms with vendors. In addition, inventories decreased by $69.1 million as we reduced our inventory levels earlier in fiscal 2010 in light of the economic downturn and have experienced capacity constraints as we have attempted to restore the levels to support our anticipated revenues. Accrued employee compensation increased by $33.8 million due primarily to the reinstatement of the performance bonus program in fiscal 2010. Significant working capital changes offsetting cash inflows in fiscal 2010 included an increase in accounts receivable of $134.7 million due primarily to the timing of revenue whereby more revenue was recorded toward the end of the fourth quarter of fiscal 2010 compared to fiscal 2009.

The cash inflows from operations in fiscal 2009 were due to net income of $147.2 million adjusted for non-cash items and changes in working capital. Within working capital during fiscal 2009, inventories decreased $108.8 million primarily due to the completion of contractual obligations under an acquisition related supply agreement as well as concentrated efforts to reduce inventory levels. Accounts receivable also decreased $109.9 million due primarily to lower revenue recorded toward the end of the quarter as well as the timing of payments received from customers. Prepaid expenses and other assets decreased by $44.5 million due primarily to the utilization of prepaid foundry capacity and prepaid wafers. Accounts payable decreased $92.1 million due to lower manufacturing volumes and overall activity at year end as we tried to control inventory levels due to lower revenue levels. Also contributing to the use of cash in operating activities was a decrease in accrued liabilities of $39.8 million. The decrease in other accrued liabilities was primarily attributable to the payment of accrued contingent consideration as certain milestones were met related to various acquisitions. Accrued employee compensation also decreased by $26.0 million due to lower bonus accruals for comparable periods.

Net Cash Used in Investing Activities

Net cash used in investing activities was $529.3 million for fiscal 2011 compared to $744.0 million for fiscal 2010 and $64.7 million for fiscal 2009. The net cash used in investing activities in fiscal 2011 was primarily due to net purchases of investments 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. The net cash used in investing activities in fiscal 2010 was primarily due to net purchases of short-term investments of $686.6 million as we began to ramp up our new investment strategy, purchases of property and equipment of $39.8 million mainly to support additional capacity and purchases of technology licenses of $15.6 million to help accelerate product development in certain applications. The net cash used in investing activities in fiscal 2009 was primarily due to purchases of property and equipment of $73.2 million, purchases of technology licenses of $5.2 million and cash paid for an acquisition of $5.3 million partially offset by net sales and maturities of investments of $19.0 million.

Net Cash Provided by (Used In) Financing Activities

Net cash provided by financing activities was $77.4 million for fiscal 2011 compared to $110.5 million for fiscal 2010 and net cash used in financing activities of $304.2 million for fiscal 2009. For fiscal 2011, net cash provided by financing activities was primarily attributable to proceeds from the issuance of common shares under our stock option plan and employee stock purchase plan of $166.0 million, which was partially offset by share repurchases under our new share repurchase program. We repurchased 4.9 million shares for a total of $87.5 million in fiscal 2011. In fiscal 2010, net cash provided by financing activities was attributable to proceeds from the issuance of common shares under our stock option plan and employee stock purchase plan of $111.6 million which was partially offset by payments on capital leases of $1.8 million. In fiscal 2009, net cash used in financing activities was attributable to repayment of term loan obligations and capital leases of $397.2 million, which was partially offset by proceeds from the issuance of common shares under our stock option plans of $92.6 million.

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Contractual Obligations and Commitments

Under our manufacturing relationships with our foundry partners, cancellation of outstanding purchase orders are allowed but require repayment of all expenses incurred through the date of cancellation. As of January 29, 2011, the total value of open purchase orders with these foundries were approximately $256.8 million.

In February 2005 and as amended in March 2005, we entered into an agreement with a foundry to secure foundry fabrication capacity for a fixed number of wafers at agreed upon prices for a period of five and a half years beginning on October 1, 2005. In return, we agreed to pay the foundry $174.2 million over a period of 18 months. The amendment extended the term of the agreement and the agreed upon pricing terms. As of January 29, 2011, all payments had been made and approximately $163.9 million of the prepayment had been utilized. At January 29, 2011, there were no outstanding commitments under the agreement.

The following table summarizes our contractual obligations as of January 29, 2011 and the effect that such obligations are expected to have on our liquidity and cash flow in future periods (in thousands):

	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Thereafter	Total
Contractual obligations:							
Facilities operating leases, net	$ 17,086	13,083	9,481	6,863	6,259	1,526	$ 54,298
CAD and other operating leases	45,789	45,013	13,018	8,563	1,078	4,492	117,953
Capital Lease Obligations (1)	521						521
Purchase commitments to foundries	256,849						256,849
Capital purchase obligations	14,615						14,615
Other long-term obligations (1)		18,601	9,100	6,672	4,499	1,751	40,623
Total contractual cash obligations	$ 334,860	$ 76,697	$ 31,599	$ 22,098	$ 11,836	$ 7,769	$ 484,859

(1) Amounts represent anticipated future cash payments, including anticipated interest payments not recorded on the consolidated balance sheet. In addition to the above commitments and contingencies, as of January 29, 2011, we had recorded $86.7 million of unrecognized tax benefits as liabilities in accordance with ASC 740-10. We also had recorded a liability for potential interest and penalties of $25.9 million and $7.5 million, respectively, as of January 29, 2011. During the next 12 months, we believe that tax audit resolutions and the expiration of applicable statutes of limitations could potentially reduce our unrecognized tax benefit by up to $14.4 million. However, this amount could change because we may 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.

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 January 29, 2011, 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, from 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, costs of making improvements to facilities 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.

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, assets, products, technologies or 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 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 do not have any outstanding debt as of January 29, 2011. We maintain an investment policy that requires minimum short-term and long-term 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 January 29, 2011, a hypothetical 100 basis point increase in interest rates across all maturities would result in a $10.4 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 result in any cash flow impact.

As of January 29, 2011 our investment portfolio included $27.9 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

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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 January 29, 2011, the fair value of auction rate securities was $1.6 million less than par value and recorded in long-term investments.

Based on balance of approximately $2.9 billion in cash, cash equivalents and short-term investments 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 recorded the unrealized loss to accumulated other comprehensive income (loss), a component of shareholders equity.

Investment Risk. We invest in equity instruments of privately held companies for strategic purposes. These investments, which totaled $3.9 million at January 29, 2011, are included in other non-current assets in the accompanying balance sheets and are accounted for under the cost method because our ownership is less than 20% and we do not have the ability to exercise significant influence over the operations of these companies. We monitor these investments for impairment and make appropriate reductions in carrying value when an impairment is deemed to be other-than-temporary.

Foreign Currency Exchange Risk. Substantially all of our sales and the majority of our expenses 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 Israel Shekel expenses. We will enter into short-term forward exchange contracts, typically less than 12 months in duration, to hedge 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. De-designated hedges or hedges deemed ineffective are recorded in other income and expense. 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 2.9%. 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 January 29, 2011 and January 30, 2010 and the results of their operations and their cash flows for each of the three years in the period ended January 29, 2011 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 January 29, 2011, 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 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 25, 2011

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MARVELL TECHNOLOGY GROUP LTD.

CONSOLIDATED BALANCE SHEETS

	January 29, 2011	January 30, 2010
	(In thousands, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,847,074	$ 1,105,428
Short-term investments	1,082,956	691,289
Accounts receivable, net of allowances of $7,366 and $5,912	459,406	356,796
Inventories	245,448	241,541
Prepaid expenses and other current assets	66,945	62,527
Deferred income taxes	10,818	7,964
Total current assets	3,712,647	2,465,545
Property and equipment, net	358,440	342,497
Long-term investments	26,226	34,281
Goodwill	2,004,833	1,997,662
Acquired intangible assets, net	124,631	179,101
Other non-current assets	111,380	151,854
Total assets	$ 6,338,157	$ 5,170,940
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 332,007	$ 283,362
Accrued liabilities	85,483	81,379
Accrued employee compensation	146,524	125,810
Deferred income	76,161	59,396
Current portion of capital lease obligations	511	1,940
Total current liabilities	640,686	551,887
Capital lease obligations, net of current portion		511
Non-current income taxes payable	136,262	131,963
Other long-term liabilities	39,340	68,600
Total liabilities	816,288	752,961
Commitments and contingencies (Note 12)		
Shareholders equity:		
Preferred stock, $0.002 par value; 8,000 shares authorized; no shares issued and outstanding		
Common stock, $0.002 par value; 992,000 shares authorized; 659,372 and 638,341 shares issued and outstanding, respectively	1,317	1,277
Additional paid-in capital	4,805,588	4,607,844
Accumulated other comprehensive income (loss)	1,092	(885)
Retained earnings (accumulated deficit)	713,872	(190,257)
Total shareholders equity	5,521,869	4,417,979
Total liabilities and shareholders equity	$ 6,338,157	$ 5,170,940

See accompanying Notes to Consolidated Financial Statements.

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MARVELL TECHNOLOGY GROUP LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS

	January 29, 2011	January 30, 2010	January 31, 2009
	(In thousands, except per share amounts)		
Net revenue	$ 3,611,893	$ 2,807,687	$ 2,950,563
Operating costs and expenses:			
Cost of goods sold	1,473,274	1,227,096	1,426,624
Research and development	897,578	828,176	935,272
Selling and marketing	155,481	139,404	161,703
General and administrative	104,830	171,362	108,465
Amortization and write-off of acquired intangible assets	79,538	107,534	153,323
Total operating costs and expenses	2,710,701	2,473,572	2,785,387
Operating income	901,192	334,115	165,176
Interest and other income	9,414	10,727	23,651
Interest expense	(144)	(1,732)	(17,994)
Income before income taxes, net	910,462	343,110	170,833
Provision (benefit) for income taxes	6,333	(10,346)	23,591
Net income	$ 904,129	$ 353,456	$ 147,242
Net income per share:			
Basic	$ 1.39	$ 0.57	$ 0.24
Diluted	$ 1.34	$ 0.54	$ 0.23
Weighted average shares:			
Basic	648,347	623,934	608,747
Diluted	676,878	653,741	630,328

See accompanying Notes to Consolidated Financial Statements.

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MARVELL TECHNOLOGY GROUP LTD.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

	Common Stock			Accumulated Other		
	Shares	Amount	Additional Paid-in Capital	Comprehensive Income (Loss)	Accumulated Income (Deficit)	Total
				(In thousands)		
Balance at February 2, 2008	599,971	$ 1,200	$ 4,100,659	$ 615	$ (690,955)	$ 3,411,519
Shares issued pursuant to stock options and awards, net	10,790	21	56,899			56,920
Issuance of common stock under the employee stock purchase plan	3,947	8	33,350			33,358
Issuance of common stock on exercise of warrants	1,680	4	2,408			2,412
Stock-based compensation			178,999			178,999
Tax benefit from employee stock transactions			(50)			(50)
Comprehensive income (loss):						
Unrealized loss on available-for-sale investments, net of tax				(1,333)		(1,333)
Net income					147,242	147,242
Total comprehensive income						145,909
Balance at January 31, 2009	616,388	$ 1,233	$ 4,372,265	$ (718)	$ (543,713)	$ 3,829,067
Shares issued pursuant to stock options and awards, net	14,674	29	45,864			45,893
Issuance of common stock under the employee stock purchase plan	7,279	15	65,737			65,752
Stock-based compensation			124,140			124,140
Tax benefit from employee stock transactions			(162)			(162)
Comprehensive income (loss):						
Unrealized gain on available-for-sale investments, net of tax				77		77
Unrealized gain on cash flow hedges				341		341
Other				(585)		(585)
Net income					353,456	353,456
Total comprehensive income						353,289
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	28	108,587			108,615
Issuance of common stock under the employee stock purchase plan	10,885	22	57,316			57,338
Stock-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)
Comprehensive income (loss):						
Unrealized gain on available-for-sale investments, net of tax				3,112		3,112
Unrealized loss on cash flow hedges				(1,134)		(1,134)
Other				(1)		(1)

Net income					904,129	904,129
Total comprehensive income						906,106
Balance at January 29, 2011	659,372	$ 1,317	$ 4,805,588	$ 1,092	$ 713,872	$ 5,521,869

See accompanying Notes to Consolidated Financial Statements.

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MARVELL TECHNOLOGY GROUP LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	January 29, 2011	January 30, 2010 (In thousands)	January 31, 2009
Cash flows from operating activities:			
Net income	$ 904,129	$ 353,456	$ 147,242
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	93,190	99,214	112,824
Stock-based compensation	118,405	126,599	177,132
Amortization and write-off of acquired intangible assets	79,538	107,534	153,323
Gain on equity investments	(5,927)	(4,938)	
Facility impairment	1,140	3,986	
Gain on investments	13,508	1,667	
Fair market value adjustment to inventory sold	(2,391)	(15,509)	(15,359)
Excess tax benefits from stock-based compensation	(899)	(677)	(365)
Deferred income tax	4,113	13,356	(17,468)
Changes in assets and liabilities, net of assets acquired and liabilities assumed in acquisitions:			
Restricted cash		24,500	(24,500)
Accounts receivable	(102,610)	(134,695)	109,919
Inventories	(1,264)	82,659	126,938
Prepaid expenses and other assets	50,236	(4,326)	63,476
Accounts payable	42,464	142,002	(88,795)
Accrued liabilities and other	(38,059)	(32,268)	(25,201)
Accrued employee compensation	21,210	33,292	(26,956)
Deferred income	16,765	15,661	(11,525)
Net cash provided by operating activities	1,193,548	811,513	680,685
Cash flows from investing activities:			
Purchases of investments	(1,264,517)	(804,979)	(10,172)
Sales and maturities of investments	868,759	118,362	29,181
Cash paid for acquisitions, net	(29,446)		(5,287)
Purchases of equity investments		(2,000)	
Purchases of property and equipment	(90,173)	(39,814)	(73,243)
Proceeds from sale of equity investments	9,192		
Purchases of technology licenses	(23,144)	(15,598)	(5,200)
Net cash used in investing activities	(529,329)	(744,029)	(64,721)
Cash flows from financing activities:			
Repurchase of common stock	(87,486)		
Proceeds from employee stock plans	165,954	111,645	92,645
Principal payments on capital lease and term loan obligations	(1,940)	(1,787)	(397,213)
Excess tax benefits from stock-based compensation	899	677	365
Net cash provided by (used in) financing activities	77,427	110,535	(304,203)
Net increase in cash and cash equivalents	741,646	178,019	311,761
Cash and cash equivalents at beginning of period	1,105,428	927,409	615,648

Cash and cash equivalents at end of period	$ 1,847,074	$ 1,105,428	$ 927,409
Supplemental cash flow information:			
Cash paid for interest	$ 144	$ 297	$ 20,787
Cash paid for income taxes, net	$ 12,239	$ 4,836	$ 17,232
Non-Cash Investing Activities:			
Receivable from sale of equity investment	$	$ 7,681	$

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 ARM-based microprocessor integrated circuits. The Company develops platforms that it defines as integrated hardware and software that incorporate digital computing technologies designed and configured to provide an optimal 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 transceiver handheld cellular, 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 years 2011, 2010 and 2009 were comprised of 52-week periods.

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, including 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 Black-Scholes option valuation model to calculate the fair value of stock-based awards granted. The Company bases its estimates of the carrying value of certain assets and liabilities on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, when these carrying values are not readily available from other sources. Actual results could differ from these estimates, 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 United States 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.

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MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Restricted Cash

Restricted cash consisted of proceeds of insurance recoveries that the Company offset against payments that it was required to make in settlements related to the Company s historic stock option granting practices. The final payments were made during fiscal 2010.

Investments

The Company s marketable investments are classified as available-for-sale and are reported at fair value. Unrealized gains and losses of the Company s available-for-sale securities are excluded from earnings and reported as a component of accumulated other comprehensive income (loss). The Company assesses whether an other-than-temporary impairment loss on its available-for-sale and trading 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. These investments are recorded at cost and are included in other non-current assets. The Company accounts for these investments under the cost method because its ownership is less than 20% and it does not have the ability to exercise significant influence over the operations of these companies. The Company monitors these investments for impairment and makes appropriate reductions in carrying value when impairment is deemed to be other than temporary.

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. However, if an impairment is due to credit losses, the Company considers other credit factors to account for the impairment loss.

Derivative Financial Instruments

The Company accounts for its derivative instruments as either assets or liabilities and carries them at fair value. Derivatives that are not defined as hedges must be adjusted to fair value through earnings. 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 (loss) 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.

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

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MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

and short-term investment balances are maintained with high quality financial institutions, the composition and maturities of which are regularly monitored by management. The Company believes that the concentration of credit risk in its trade receivables with respect to its served markets, as well as the contracted customer base located primarily in the Asia Pacific Region, are substantially mitigated by the Company s credit evaluation process, relatively short collection terms and the high level of credit worthiness of its customers. The Company performs ongoing credit evaluations of its customers financial 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 January 29, 2011, January 30, 2010, and January 31, 2009 was $1.2 million, 1.0 million, and $0.9 million, respectively. Please see Revenue Recognition policy in this Note 1 The Company and its Significant Accounting Policies for additional information on sales returns and allowances.

During fiscal 2010, Toshiba acquired the hard disk drive operations of Fujitsu. Although Toshiba and Fujitsu revenue have not historically accounted for more than 10% of the Company s revenue, the Company has combined fiscal 2010 revenue for Toshiba and Fujitsu together for reporting purposes. Toshiba represented less than 10% of the Company s net revenue in fiscal 2011 and fiscal 2009, and approximately 15% of net revenue in 2010.

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	**January 29, 2011**	**January 30, 2010**	**January 31, 2009**
Western Digital	21%	24%	21%
Research in Motion	14%	*	*
Toshiba	*	15%	*

* Less than 10% of net revenue

The Company s accounts receivable were concentrated with four customers at January 29, 2011 representing 13%, 12% 12% and 11% of gross accounts receivable, respectively and were concentrated with three customers at January 30, 2010 representing 25%, 22% and 20% of gross accounts receivable, respectively.

In each of fiscal 2011, 2010 and 2009, no distributor accounted for more than 10% of the Company s net revenue. 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. 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 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. For fiscal 2011, 2010 and 2009, the Company recorded fair market value adjustments

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MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

related to inventory acquired in an acquisition and sold during the year of $2.4 million, $15.5 million and $15.4 million, respectively. Shipping and handling costs are classified as a component of cost of goods sold in the consolidated statements of operations.

Property and Equipment

Property and equipment, including capital leases and leasehold improvements, are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which ranges from three to five years. Buildings are depreciated over an estimated useful life of 30 years and building improvements are depreciated over estimated useful lives of 15 years. Land is not depreciated. Assets held under capital leases and leasehold improvements are amortized over the shorter of term of the lease or their estimated useful lives.

Goodwill

Goodwill is recorded when the consideration paid for a business acquisition exceeds the fair value of net tangible and intangible assets acquired. Goodwill is measured and tested for impairment on an annual basis during the fourth fiscal quarter or more frequently if the Company believes indicators of impairment exist. The performance of the test involves a two-step process. The first step requires comparing the fair value of the reporting unit to its net book value, including goodwill. 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 significantly exceeded its net book value at every measurement date.

Long-Lived Assets and Intangible Assets

Long-lived assets include equipment, furniture and fixtures 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 cash position. 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 one to seven years for purchased technology, one to eight years for core technology, one to five years for trade name, four to seven years for customer contracts and three years for non-compete agreements.

Foreign Currency Transactions

The functional currency of all of the Company s non-United States operations is the United States dollar. Monetary accounts maintained in currencies other than the United States dollar are re-measured using the foreign

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 revenues when there is persuasive evidence of an arrangement, delivery has occurred, the fee is fixed or determinable, and collection is reasonably assured.

Product revenue is generally recognized upon shipment of product to customers, net of accruals for estimated sales returns and 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 return 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. Revenue related to the sale of consignment inventory is not recognized until the product is pulled from inventory stock by the 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 included in the Company s various rebate agreements.

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 under the straight-line attribution method over the vest term which is generally four years for annual grants to employees and five years for new hire grants.

The fair value of restricted stock units is based on the fair market value of the Company s common stock on the date of grant. The Company estimates the fair value of stock option awards on the date of grant using the Black Scholes option-pricing 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 model incorporates 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 options, as well as expected forfeiture rates, based on the historical settlement experience and after giving consideration to vesting schedules. Assumptions for option exercises and pre-vesting terminations of

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

options were stratified by employee groups with sufficiently distinct behavior patterns. Expected volatility was developed based on the average of the Company s historical daily stock price volatility.

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.

Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of net income and unrealized gains and losses on available-for-sale securities and foreign exchange contracts. For fiscal 2011, 2010 and 2009, net unrealized gains (losses) were reclassified as realized gains (losses) and recognized in the accompanying statement of operations upon the sale of the related marketable investments and maturity of the related contracts of $2.0 million, $(0.2) million and $(1.3) million, respectively.

Accumulated other comprehensive income (loss), 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.

Net Income Per Share

The Company reports both basic net income per share, which is based upon 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.

Accounting for Income Taxes

In accordance with Accounting Standards Codification (ASC) Topic 740, Income Taxes (ASC 740), 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 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. It is not clear whether any of the research credits will ever be used, therefore, the Company has recorded a valuation allowance on the entire research credit carryforward. Accordingly, the Company has established a valuation allowance for such deferred tax assets. 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.

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

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MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 U.S. GAAP and complex tax laws. The Company believes it has adequately provided in its financial statements for 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 such major jurisdictions as 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 typically carry a standard 90-day warranty, with certain exceptions in which the warranty period can range from one to five years 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. For new products, the Company uses a historical percentage for the appropriate class of product. From time to time, the Company becomes aware of specific warranty situations, and it records specific accruals to cover these exposures.

Recent Accounting Pronouncements

In September 2009, the Financial Accounting Standards Board (the FASB) issued new accounting guidance related to the revenue recognition of multiple element arrangements. The new guidance states that if vendor specific objective evidence or third party evidence for deliverables in an arrangement cannot be determined, companies will be required to develop an estimate of the selling price to separate deliverables and allocate arrangement consideration using the relative selling price method. The accounting guidance was adopted during fiscal 2011, however, as the Company does not generally enter into multiple element arrangements, its adoption did not impact the Company s financial position or results of operations.

In December 2009, the FASB issued revised guidance that amends the consolidation rules related to variable interest entities by replacing the previous quantitative-based analysis with a framework that is based more on qualitative judgments. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity s purpose and design, a company s ability to direct the activities of the entity that

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

most significantly impact the entity s economic performance and a company s obligation to absorb losses or a right to receive benefits that could potentially be significant to the variable interest entity. This guidance requires ongoing reassessments of whether an enterprise is the primary beneficiary of the variable interest entity. This guidance became effective during fiscal 2011 and its adoption did not have a material impact on the Company s financial position or results of operations.

In January 2010, the FASB issued guidance that expands the interim and annual disclosure requirements of fair value measurements, including the information about movement of assets between Level 1 and 2 of the three-tier fair value hierarchy established under its fair value measurement guidance. This guidance also requires separate disclosure for purchases, sales, issuances and settlements in the reconciliation for fair value measurements using significant unobservable inputs using Level 3 methodologies. Except for the detailed disclosure in the Level 3 reconciliation, which is effective for the fiscal years beginning after December 15, 2010, all the other disclosures under this guidance became effective during fiscal 2011. The adoption of this guidance did not have a material impact on the Company s financial position or results of operations.

Note 2 Business Combinations:

Acquisitions in fiscal 2011

In July 2010, the Company purchased the assets of a company engaged in the development of powerline communication for home networking and broadband over powerline applications. Under the purchase 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, in-process research and development (IPR&D) of $9.7 million and goodwill of $2.9 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 purchase 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 will be expensed as compensation during the next 3 years.

Acquisition in prior years

During fiscal 2009, the Company completed the acquisition of a company engaged in developing Gigabit Passive Optical Networks solutions for telecommunications equipment manufacturers and original device manufacturers. Under the purchase method of accounting, the total purchase price was allocated to net tangible and intangible assets based on their fair values as of the date of the completion of the acquisition. The Company recorded acquired net liabilities of $1.4 million, amortizable intangible assets of $6.2 million and goodwill of $0.5 million. The intangible assets are being amortized over their useful lives.

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MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3 Investments:

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

	As of January 29, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Short-term investments:				
Available-for-sale:				
Corporate debt securities	$ 648,278	$ 3,208	$ (213)	$ 651,273
U.S. government and agencies	431,174	561	(52)	431,683
Total short-term investments	$ 1,079,452	$ 3,769	$ (265)	$ 1,082,956
Long-term investments:				
Available-for-sale:				
Auction rate securities	$ 27,850	$	$ (1,624)	$ 26,226
Total long-term investments	$ 27,850	$	$ (1,624)	$ 26,226
Total investments	$ 1,107,302	$ 3,769	$ (1,889)	$ 1,109,182

	As of January 30, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Short-term investments:				
Available-for-sale:				
Corporate debt securities	$ 227,610	$ 934	$ (75)	$ 228,469
U.S. government and agencies	457,592	258	(30)	457,820
Trading securities:				
Auction rate security and settlement option	5,000			5,000
Total short-term investments	$ 690,202	$ 1,192	$ (105)	$ 691,289
Long-term investments:				
Available-for-sale:				
Auction rate securities	$ 36,600	$	$ (2,319)	$ 34,281
Total long-term investments	$ 36,600	$	$ (2,319)	$ 34,281
Total investments	$ 726,802	$ 1,192	$ (2,424)	$ 725,570

As of January 29, 2011, the Company s investment portfolio included $27.9 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, the Company 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 January 29, 2011, the fair value of auction rate securities was $1.6 million less than par value and was recorded in long-term investments.

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Based on the Company s assessment of its cash flow projections, a balance of approximately $2.9 billion in cash, cash equivalents and short-term investments other than auction rate securities and the fact that the Company continues to generate positive cash flow on a quarterly basis, the Company does not anticipate having to sell these securities below par value in order to operate its business. The Company does not have the intent to sell these auction rate securities until recovery. Thus, the Company considers the impairment to be temporary and recorded the unrealized loss to accumulated other comprehensive income (loss), a component of shareholders equity.

The contractual maturities of available-for-sale and trading debt securities at January 29, 2011, and January 30, 2010 are presented in the following table (in thousands):

	January 29, 2011		January 30, 2010	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 560,190	$ 560,999	$ 357,179	$ 357,348
Due between one and five years	519,262	521,957	333,023	333,941
Due over five years	27,850	26,226	36,600	34,281
	$ 1,107,302	$ 1,109,182	$ 726,802	$ 725,570

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

	January 29, 2011					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate debt securities	$ 113,081	$ (213)	$	$	$ 113,081	$ (213)
U.S. Federal and State debt securities	91,962	(52)			91,962	(52)
Auction rate securities			26,226	(1,624)	26,226	(1,624)
Total securities	$ 205,043	$ (265)	$ 26,226	$ (1,624)	$ 231,269	$ (1,889)

	January 30, 2010					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate debt securities	$ 28,428	$ (75)	$	$	$ 28,428	$ (75)
U.S. Federal and State debt securities	94,220	(30)			94,220	(30)
Auction rate securities	5,000		34,281	(2,319)	39,281	(2,319)
Total securities	$ 127,648	$ (105)	$ 34,281	$ (2,319)	$ 161,929	$ (2,424)

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MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 4 Supplemental Financial Information (in thousands):

Cash and cash equivalents

	January 29, 2011	January 30, 2010
Cash	$ 340,236	$ 310,756
Cash equivalents:		
Commercial paper	9,797	4,000
Time deposits	159,938	142,794
Money market mutual fund	1,230,616	542,574
Federal agency notes	106,487	105,304
Total cash and cash equivalents	$ 1,847,074	$ 1,105,428

Inventories

	January 29, 2011	January 30, 2010
Work-in-process	$ 156,108	$ 128,371
Finished goods	89,340	113,170
Inventories	$ 245,448	$ 241,541

Property and equipment, net

	January 29, 2011	January 30, 2010
Machinery and equipment	$ 435,900	$ 371,281
Computer software	74,966	66,643
Furniture and fixtures	23,498	23,335
Leasehold improvements	34,142	33,224
Buildings	144,596	146,294
Building improvements	41,200	45,631
Land	69,246	71,198
Construction in progress	8,469	5,174
	832,017	762,780
Less: Accumulated depreciation and amortization	(473,577)	(420,283)
Property and equipment, net	$ 358,440	$ 342,497

The Company recorded depreciation expense of $72.2 million, $87.3 million and $95.5 million for fiscal 2011, 2010 and 2009, respectively. Property and equipment included $7.0 million of an asset acquired under a capital lease at January 29, 2011, January 30, 2010 and January 31, 2009. Accumulated depreciation related to this asset was $6.4 million, $5.0 million and $3.6 million at January 29, 2011, January 30, 2010 and January 31, 2009, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other non-current assets

	January 29, 2011	January 30, 2010
Technology licenses	$ 51,642	$ 33,486
Deferred tax assets, non-current	27,671	34,638
Deferred compensation	6,169	
Long-term prepayments for foundry capacity	5,289	8,504
Severance fund	4,819	57,261
Equity investments in privately held companies	3,950	6,314
Other	11,840	11,651
Other non-current assets	$ 111,380	$ 151,854

During fiscal 2011, the Company sold a $2.3 million investment in a privately held company for proceeds of $10.2 million. The gain on the sale of $7.9 million was recorded in interest and other income on the consolidated statement of operations. In addition to the initial proceeds, the purchase agreement contains earn-out provisions whereby additional gains could be recognized if the related operations meet specific operational targets during calendar year 2011. The Company has not recognized any gain for the potential earn out as of fiscal 2011.

For details related to the severance fund, please see Note 11 Benefit Plans .

Accrued liabilities

	January 29, 2011	January 30, 2010
Accrued rebates	$ 32,405	$ 13,404
Accrued royalties	14,018	12,651
Accrued legal and professional services	10,676	13,585
Customer advances	3,515	8,167
Technology license obligation	4,850	4,000
Accrued sales/goods and services tax	3,679	6,082
Income tax payable		5,269
Other	16,340	18,221
Accrued liabilities	$ 85,483	$ 81,379

Other long-term liabilities

	January 29, 2011	January 30, 2010
Accrued severance	$ 3,226	$ 53,549
Long-term facilities consolidation	3,271	3,305
Technology license obligation	19,218	4,500

Long-term accrued employee compensation	9,258	3,075
Other	4,367	4,171
Other long-term liabilities	$ 39,340	$ 68,600

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MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Net income per share

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

	Year Ended January 29, 2011	January 30, 2010	January 31, 2009
Numerator:			
Net income:	$ 904,129	$ 353,456	$ 147,242
Denominator:			
Weighted average shares of common shares outstanding:			
Weighted average shares basic	648,347	623,934	608,747
Effect of dilutive securities:			
Warrants			315
Common share options and other	28,531	29,807	21,266
Weighted average shares diluted	676,878	653,741	630,328
Net income per share:			
Basic	$ 1.39	$ 0.57	$ 0.24
Diluted	$ 1.34	$ 0.54	$ 0.23

Options to purchase 12.2 million common shares at a weighted average exercise price of $21.39 have been excluded from the computation of diluted net income per share for fiscal 2011 because including them would have been anti-dilutive.

Options to purchase 14.3 million common shares at a weighted average exercise price of $13.28 have been excluded from the computation of diluted net income per share for fiscal 2010 because including them would have been anti-dilutive.

Options to purchase 64.5 million common shares at a weighted average exercise price of $19.49 have been excluded from the computation of diluted net income per share for fiscal 2009 because including them would have been anti-dilutive.

Comprehensive income (loss) (in thousands)

The changes in the components of other comprehensive income were as follows (in thousands):

	Year Ended January 29, 2011	January 30, 2010	January 31, 2009
Net income	$ 904,129	$ 353,456	$ 147,242
Other comprehensive income			
Change in unrealized gain on marketable securities	2,417	1,087	
Change in unrealized gain (loss) on auction rate securities	695	(1,010)	(1,333)
Change in unrealized gain (loss) on cash flow hedges	(1,134)	341	
Change in other	(1)	(585)	

Total comprehensive income	$ 906,106	$ 353,289	$ 145,909

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MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The components of accumulated other comprehensive income (loss) were as follows (in thousands):

	January 29, 2011	January 30, 2010
Unrealized gain on marketable securities	$ 3,504	$ 1,087
Unrealized loss on auction rate securities	(1,624)	(2,319)
Unrealized gain on cash flow hedges	(793)	341
Other	5	6
Accumulated other comprehensive income (loss)	$ 1,092	$ (885)

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 impact 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 impact of rate fluctuations on certain local currency denominated operating expenses. All derivatives 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.

As of January 29, 2011, the notional amounts of outstanding forward contracts were as follows (in thousands):

	January 29, 2011		January 30, 2010	
	Buy Contracts	Sell Contracts	Buy Contracts	Sell Contracts
Israeli shekel	$ 56,360	$	$ 29,512	$ 1,163
Euro		3,698		
	$ 56,360	$ 3,698	$ 29,512	$ 1,163

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 and balance sheet classification of foreign exchange contract derivatives were 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 to sell 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 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 (unadjusted) for identical assets or liabilities in active markets.

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 measures its cash equivalents and marketable securities at fair value. The Company s cash equivalents and marketable securities are primarily classified within Level 1 with the exception of its investments in auction rate securities, which are classified within Level 3. Cash equivalents and marketable securities are valued primarily using quoted market prices utilizing market observable inputs. The Company investments in corporate debt securities are classified within Level 2 as the market inputs to value these instruments consist of market yields, reported trades and broker/dealer quotes. In addition, foreign currency 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 investments in auction rate securities are classified within Level 3 because there are no active markets for the auction rate securities and therefore the Company is unable to obtain independent valuations from market sources. Therefore, the auction rate securities were 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 0.4% of total assets as of January 29, 2011.

The table below sets forth, by level, the Company s financial assets that were accounted for at fair value as of January 29, 2011. The table does 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 January 29, 2011
Items measured at fair value on a recurring basis:				
Assets				
Cash equivalents:				
Money market funds	$ 1,230,616	$	$	$ 1,230,616
US government and agencies	106,487			106,487
Corporate debt securities		9,797		9,797
Time deposit	159,938			159,938
Short-term investments:				
US government and agencies	431,683			431,683
Corporate debt securities		651,273		651,273
Long-term investments:				
Auction rate securities			26,226	26,226
Prepaid expense and other current assets:				
Forward contracts		166		166
Other non-current assets:				
Severance pay fund	2,425	2,394		4,819
Total assets	$ 1,931,149	$ 663,630	$ 26,226	$ 2,621,005

Liabilities

Accrued liabilities:								
Forward contracts	$		$	804	$		$	804

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Level 1	Level 2	Level 3	Portion of Carrying Value Measured at Fair Value at January 30, 2010
Items measured at fair value on a recurring basis:				
Assets				
Cash equivalents:				
Money market funds	$ 542,574	$	$	$ 542,574
US government and agencies	105,304			105,304
Corporate debt securities		4,000		4,000
Time deposit	142,794			142,794
Short-term investments:				
US government and agencies	457,820			457,820
Corporate debt securities		228,469		228,469
Auction rate securities and settlement option			5,000	5,000
Long-term investments:				
Auction rate securities			34,281	34,281
Prepaid expense and other current assets:				
Forward contracts		830		830
Other non-current assets:				
Severance pay fund	9,156	48,105		57,261
Total assets	$ 1,257,648	$ 281,404	$ 39,281	$ 1,578,333

The following table summarizes the change in fair values for Level 3 items for the year ended January 29, 2011:

	Level 3
Changes in fair value during the year ended January 29, 2011 (pre-tax):	
Beginning balance at January 31, 2010	$ 39,281
Purchases	
Sales and redemption	(13,616)
Realized loss on sale	(134)
Unrealized gain included in accumulated other comprehensive income (loss)	695
Ending balance at January 29, 2011	$ 26,226

	Level 3
Changes in fair value during the year ended January 30, 2010 (pre-tax):	
Beginning balance at February 1, 2009	$ 40,541
Purchases	
Sales and redemption	(250)
Unrealized loss included in accumulated other comprehensive income (loss)	(1,010)

Ending balance at January 30, 2010	$ 39,281

Assets measured and recorded at fair value on a non-recurring basis as of January 29, 2011 and January 30, 2010 were not significant and consisted primarily of assets held for sale.

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 7 Goodwill and Acquired Intangible Assets:

The Company performed an annual assessment of goodwill impairment at the beginning of its fourth quarter of fiscal 2011 and 2010 and, as a result, the Company concluded that no impairment was necessary.

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

Balance at January 30, 2010	$ 1,997,662
Additions due to business combinations	7,171
Balance at January 29, 2011	$ 2,004,833

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

		January 29, 2011			January 30, 2010		
	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	1 -7 years	$ 726,040	$ (698,877)	$ 27,163	$ 714,640	$ (665,010)	$ 49,630
Core technology	1 -8 years	212,650	(155,359)	57,291	212,650	(129,478)	83,172
Trade name	1 -5 years	350	(299)	51	350	(259)	91
Customer contracts	4 -7 years	187,200	(156,774)	30,426	183,300	(137,163)	46,137
Non-compete agreements	3 years	700	(700)		700	(629)	71
In-process research and development	*	9,700		9,700			
Total intangible assets, net		$ 1,136,640	$ (1,012,009)	$ 124,631	$ 1,111,640	$ (932,539)	$ 179,101

* 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.

In fiscal 2011, the Company did not record any impairment of acquisition related intangible assets. In fiscal 2010, the Company wrote-off $1.0 million of acquisition related intangible assets.

Based on the identified intangible assets recorded at January 29, 2011, the future amortization expense of identified intangibles excluding IPR&D for the next five fiscal years is as follows (in thousands):

Fiscal year	
2012	$ 46,231

2013	39,497
2014	24,814
2015	3,414
2016	650
Thereafter	325
	$ 114,931

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Note 8 Restructuring:

During fiscal 2011, as a result of the anticipated sale of one of its facilities, the Company classified the carrying value of the building as held for sale within prepaid expenses and other current assets. This resulted in a charge of $1.1 million to write-down the carrying value to fair value in research and development. In addition, the Company continued to make payments and incur on-going operating expenses from its reserved facilities. During fiscal 2011, the Company subleased one of its facilities and recorded an adjustment to the restructuring liabilities.

During fiscal 2010, the Company continued to implement certain cost reduction measures that included reductions in workforce that had been announced in the first quarter of fiscal 2010. In addition, the Company also restructured some facilities due to vacating certain locations. As a result, during fiscal 2010, Company recorded a restructuring charge of $21.7 million consisting of $8.6 million of severance and related employee benefits to terminated employees, facilities and related charges of $3.9 million and equipment and other related charges of $9.1 million.

During the fourth quarter of fiscal 2009, the Company implemented certain cost reduction measures that included reductions in workforce in all functions of the organization worldwide, impacting approximately 200 employees, in order to reduce the Company s cost structure. As a result, a restructuring charge of $9.7 million was recorded that consisted of $6.6 million of severance and related employee benefits to the terminated employees, $2.7 million of charges related to the impairment of abandoned facilities and $0.4 million of other equipment charges.

The following table sets forth an analysis of the components of the restructuring charges and the payments made for the years ended (in thousands):

	Year Ended		
	January 29, 2011	January 30, 2010	January 31, 2009
Restructuring liabilities, beginning of period	$ 5,397	$ 7,685	$ 2,731
Severance and related charges		8,640	6,576
Facilities and related charges	3,271	3,884	2,900
Equipment and other related charges	94	9,139	213
Non-cash adjustment	(1,272)	(4,882)	(120)
Net cash payments	(4,002)	(19,069)	(4,615)
Adjustments to previous assumptions	(182)		
Restructuring liabilities, end of period	$ 3,306	$ 5,397	$ 7,685

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

	January 29, 2011	January 30, 2010	January 31, 2009
Research and development	$ 1,966	$ 15,046	$ 5,282
Selling and marketing		1,838	730
General and administrative	1,217	4,779	3,677
	$ 3,183	$ 21,663	$ 9,689

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

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MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 9 Shareholders Equity:

Common and Preferred Stock

As of January 29, 2011, the Company is authorized to issue 992,000,000 shares of $0.002 par value common stock and 8,000,000 shares of $0.002 par value preferred stock. The Company has the authority to issue undesignated preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption and liquidation preferences. As of January 29, 2011 and January 30, 2010, no shares of preferred stock were outstanding.

1995 Stock Option Plan

In April 1995, the Company adopted the 1995 Stock Option Plan (the Option Plan). The Option Plan, as amended, had 383.4 million common shares reserved for issuance thereunder as of January 29, 2011. Options granted under the Option Plan generally have a term of ten 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. The options generally vest 20% one year after the vesting commencement date, and the remaining shares vest one-sixtieth per month over the remaining 48 months. Options granted under the Option Plan subsequent to March 1, 2000 may only be exercised upon or after vesting.

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 tradable shares of the Company s common shares upon vesting, as determined by the Company at the time of grant.

1997 Directors Stock Option Plan

In August 1997, the Company adopted the 1997 Directors Stock Option Plan (the 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. The 1997 Directors Plan was terminated in October 2007.

2007 Directors Stock Incentive Plan

In October 2007, the Company adopted the 2007 Directors Stock Incentive Plan (the 2007 Directors Plan). The 2007 Directors Plan had 750,000 common shares reserved for issuance thereunder as of January 29, 2011. Under the 2007 Directors Plan, an outside director is granted an option to purchase 50,000 common shares upon appointment to the Company s Board of Directors. These options vest one-third on the one year anniversary of the date of grant and one-third of the shares on each one-year anniversary thereafter. An outside director who has served on the Company s Board of Directors for the prior six months is also granted an option to purchase 12,000 common shares on the date of each annual meeting of the Company s 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the date of grant. Beginning in calendar year 2011, an outside director who has served on the Company s Board of Directors for the prior six months will be 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 has served on the Company s Board of Directors for the prior six months will also be granted a restricted stock unit award (the Annual RSU Award) that will cover a number of shares with an aggregate fair market value as reported on the NASDAQ Global Select Market equal to $70,000 immediately following each annual general meeting of shareholders. The Annual RSU Award vests as to one-third ($1/3^{rd}$) of the shares subject to the Annual RSU Award on each one-year anniversary of the vesting commencement date.

Under the Option Plan and the 2007 Directors Plan, the Company may also grant restricted stock unit awards, which may be subject to vesting, and restricted stock unit awards, which are denominated in shares of stock, but may be settled in cash or tradable shares of the Company s common shares upon vesting, as determined by the Company at the time of grant.

2000 Employee Stock Purchase Plan

In June 2000, the Company adopted the 2000 Employee Stock Purchase Plan (the Purchase Plan), and on October 22, 2009, the Purchase Plan was amended and restated (the Restated Purchase Plan). Participants purchase the Company s stock using payroll deductions, which may not exceed 15% of their total cash compensation. The Restated Purchase Plan had 23.2 million common shares reserved for issuance thereunder as of January 29, 2011. Pursuant to the terms of the Restated Purchase Plan, the look-back period for the stock purchase price was changed from 24 months to six months. This change was effective for new participants who enroll in the Restated Purchase Plan in December 2009 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. New participants 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 Company s common shares at the beginning or the end of each six-month period. The existing two-year offering periods will be phased out and any currently enrolled participant in a current 24-month offering period will continue in the current offering period until the earlier of the end of the offering period or in the event the current offering period is reset. 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. Currently enrolled participants were 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.

The Purchase Plan included a limitation on the number of shares that may be purchased in the event that the market price of the Company s common shares decreases by more than 25% from one purchase date to the next. In the event the share limitation is triggered, the number of shares an employee may purchase on the subsequent purchase date may not exceed 75% of the number the employee could have purchased at 85% of the market price on the earlier purchase date. This share limitation was triggered in connection with the June 2008 purchase period, which ended in December 2008. Pursuant to the terms of the Restated Purchase Plan this share limitation is no longer effective.

During fiscal 2011, a total of 10.9 million shares were issued under the Restated Purchase Plan at a weighted-average price of $5.27. During fiscal 2010, a total of 7.3 million shares were issued under the Restated Purchase Plan at a weighted-average price of $4.95. During fiscal 2009, a total of 3.9 million shares were issued under the Purchase Plan at a weighted-average price of $8.45.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Option Plan and Stock Award Activity

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

	Options Outstanding	Weighted Average Exercise Price of Options
Balance at February 2, 2008	109,158	$ 14.64
Granted	25,067	$ 9.35
Canceled/Forfeited	(39,598)	$ 21.58
Expired		
Exercised or issued	(9,573)	$ 6.04
Balance at January 31, 2009	85,054	$ 10.81
Granted	1,819	$ 13.85
Canceled/Forfeited	(3,726)	$ 15.45
Expired		
Exercised or issued	(12,181)	$ 7.12
Balance at January 30, 2010	70,966	$ 11.28
Granted	2,018	$ 20.17
Canceled/Forfeited	(2,700)	$ 18.47
Expired		$
Exercised or issued	(13,959)	$ 8.45
Balance at January 29, 2011	56,325	$ 11.96
Vested and expected to vest at January 29, 2011	55,157	$ 11.97
Exercisable at January 29, 2011	39,166	$ 11.87

Included in the preceding table are options for 918,000 common shares granted at exercise prices ranging between $6.84 and $17.66 that will become exercisable only upon the achievement of specified annual earnings per share targets or achievement of certain operating performance criteria through fiscal 2014.

The aggregate intrinsic value and weighted average remaining contractual term of options vested and expected to vest at January 29, 2011 was $428.1 million and 5.0 years, respectively. The aggregate intrinsic value and weighted average remaining contractual term of options exercisable at January 29, 2011 was $314.4 million and 4.0 years, respectively. The aggregate intrinsic value is calculated based on the Company s closing stock price for all in-the-money options as of January 28, 2011.

The unamortized compensation expense for stock options will be amortized on a straight-line basis and is expected to be recognized over a weighted-average period of 1.6 years.

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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 prices):

	Restricted Stock Outstanding	Weighted Average Grant Date Fair Value
Balance at February 2, 2008	2,111	$ 16.89
Granted	5,859	$ 8.71
Vested	(1,135)	$ 15.97
Canceled/Forfeited	(336)	$ 13.59
Balance at January 31, 2009	6,499	$ 9.58
Granted	78	$ 13.49
Vested	(3,376)	$ 10.20
Canceled/Forfeited	(455)	$ 6.50
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

Included in the preceding table are 557,000 restricted stock units that will become exercisable only upon the achievement of certain revenue growth and/or operating performance criteria through fiscal 2012.

The aggregate intrinsic value of restricted stock units expected to vest as of January 29, 2011 was $94.1 million. The number of restricted stock units that are expected to vest is 4.9 million shares. As of January 29, 2011, compensation costs related to non-vested awards not yet recognized amounted to $138.0 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 1.4 years. Historically, the Company issued new shares to satisfy option exercises.

The total intrinsic value of stock options exercised during fiscal 2011, 2010 and 2009 was $162.9 million, $124.5 million and $65.7 million, respectively.

Stock-Based Compensation

Total stock compensation expense for fiscal 2011, 2010, and 2009 are represented by expense categories in the table below (in thousands):

	Year Ended		
	January 29, 2011	January 30, 2010	January 31, 2009
Cost of goods sold	$ 7,522	$ 10,690	$ 11,644
Research and development	82,524	89,766	126,895
Selling and marketing	11,769	15,298	25,081

General and administrative	16,590	10,845	13,512
	$ 118,405	$ 126,599	$ 177,132

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MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Stock-based compensation of $1.5 million, $1.6 million and $3.6 million was capitalized in inventory as of January 29, 2011, January 30, 2010 and January 31, 2009, respectively.

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

	Stock Option Plans Year Ended			ESPP Year Ended		
	January 29, 2011	January 30, 2010	January 31, 2009	January 29, 2011	January 30, 2010	January 31, 2009
Estimated fair value	$ 9.33	$ 6.32	$ 4.01	$ 5.91	$ 4.34	$ 5.39
Volatility	53%	53%	44%	53%	51%	45%
Expected term (in years)	4.7	4.6	5.2	0.5	1.1	1.3
Risk-free interest rate	2.2%	2.1%	3.1%	0.2%	0.6%	1.8%
Dividend yield						

In December 2008, the Company filed a tender offer option exchange program under which outstanding employee stock options (other than options held by executive officers) with exercise prices of $12.00 or greater per share could be exchanged for a specified number of restricted stock units based on a predetermined exchange ratio granted with a new vesting period. If the number of restricted stock units to be granted was less than 150 shares, then employees received cash instead of restricted stock units. On January 23, 2009, the Company accepted for cancellation options to purchase 31.1 million common shares and in exchange granted to eligible employees restricted stock units to purchase 3.4 million shares of the Company s common shares. As a result of the exchange, the Company recorded stock-based compensation expense of $5.1 million in fiscal 2009 under the provisions of stock-based compensation authoritative literature, primarily related to employees who received cash in lieu of replacement restricted stock units.

As a result of the Company s acquisitions, the Company assumed stock options previously granted by the acquired companies. As of January 29, 2011, a total of 134,712 common shares were reserved for issuance upon exercise of outstanding options assumed from the acquisitions. The related options are included in the preceding tables. The options vest over four to five years and have eight to ten year terms.

Stock Repurchase Program

In August 2010, the Company announced that its Board of Directors had authorized a stock repurchase program of up to $500 million of the Company s common shares in open market, privately negotiated or block transactions. The Company repurchased 4.9 million shares for $87.5 million in cash in fiscal 2011. The repurchased shares were retired immediately after the repurchases were completed. As of January 29, 2011, $412.5 million remained available under this stock repurchase program.

In March 2011, the Company announced that its Board of Directors has authorized the Company to repurchase up to an additional $500 million, for a total of $1 billion, of its outstanding common shares. The repurchase program will be 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 repurchases, which are expected to be funded from the Company s current cash and short-term investments position of over $2.9 billion, may occur in open market, privately negotiated or block transactions.

Subsequent to the Company s fiscal year end and through March 24, 2011, the Company repurchased additional shares for $497 million, bringing its total repurchases under its repurchase program to $584 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 10 Income Taxes:

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

	Year Ended		
	January 29, 2011	January 30, 2010	January 31, 2009
U.S. operations	$ 22,647	$ 12,714	$ 13,783
Non-U.S. operations	887,815	330,396	157,050
	$ 910,462	$ 343,110	$ 170,833

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

	Year Ended		
	January 29, 2011	January 30, 2010	January 31, 2009
Current income tax expense (benefit):			
Federal	$ 1,111	$ (35,778)	$ 4,231
State	49	576	1,606
Foreign	3,282	11,500	35,222
Total current income tax expense	4,442	(23,702)	41,059
Deferred income tax expense (benefit):			
Federal	7,025	(254)	3,793
State	3,037	(556)	(523)
Foreign	(8,171)	14,166	(20,738)
Total deferred income tax expense (benefit)	1,891	13,356	(17,468)
Total provision (benefit) for income taxes	$ 6,333	$ (10,346)	$ 23,591

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

	January 29, 2011	January 30, 2010
Deferred tax assets:		
Federal and California research and other tax credits	$ 225,695	$ 195,156
Reserves and accruals	29,718	26,895
Stock compensation	2,880	2,905
Net operating losses	19,643	19,738

Gross deferred tax assets		277,936		244,694
Valuation allowance		(224,853)		(197,710)
Total deferred tax assets		53,083		46,984
Total deferred tax liabilities		(14,595)		(4,381)
Net deferred tax assets	$	38,488	$	42,603

The non-current portion of the deferred tax assets as of January 29, 2011 and January 30, 2010 was $27.7 million and $34.6 million, respectively, and is included with the other non-current assets.

As of January 29, 2011, the Company had net operating loss carryforwards available to offset future taxable income of approximately $97.5 million, $3.1 million and $4.1 million for foreign, U.S. federal and state of California purposes, respectively. The federal carryforwards will expire in various fiscal years between 2021 and

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2031, and the California carryforwards will expire at various fiscal years between 2014 and 2021, if not utilized before these years. The losses in non-U.S. components can be carried forward indefinitely. The Company had, for U.S. federal income tax return purposes, research tax credit carryforwards of approximately $153.4 million that expire through fiscal 2031. As of January 29, 2011, the Company had unused California research and tax credit carryforwards of approximately $146.2 million which can be carryforward indefinitely. Included in the U.S. federal and California carryforward amounts are $42.3 million and $44.4 million, respectively, that are attributable to excess tax benefits from stock options. Upon realization, the benefit associated with these credits will increase additional paid-in capital. The Company also has unused research tax credits and investment tax credit carryforwards of approximately $12.5 million in other states that expire through fiscal 2026.

During fiscal 2011, the Company generated research credits for federal and other states far in excess of its current year tax liabilities. Based on the available objective positive and negative evidence, the Company has determined that it is more likely than not the federal and California research credits and certain acquired net operating losses will not be realized and therefore the Company has provided a full valuation allowance against these credits. It is not clear whether any of the research credit carryforward of $299.6 million will ever be used, therefore, the Company has recorded a valuation allowance on the entire research credit carryforward. The Company increased the net valuation allowance by $27.1 million from fiscal 2010, of which $30.6 million is related to an increase in research credits and $3.5 million is related to a decrease in foreign net operating loss. During fiscal 2011, deferred tax assets, net of a corresponding valuation allowance decreased $4.1 million from the end of fiscal 2010, of which $0.1 million relates to a net decrease in foreign net operating losses and the remaining balance of $4.0 million relates to changes other deferred tax assets.

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

	Year Ended		
	January 29, 2011	January 30, 2010	January 31, 2009
Provision at U.S. notional statutory rate	35.0%	35.0%	35.0%
Non-deductible stock-based compensation	5.6	13.3	36.9
Difference in U.S. and non-U.S. tax rates	(40.0)	(41.2)	(59.8)
Generation of general business credits	(3.7)	(20.3)	(15.4)
Valuation allowance	3.4	18.4	13.9
Reserve	0.0	(9.2)	
Other	0.4	1.0	3.2
Effective tax rate	0.7%	(3.0)%	13.8%

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

	Year Ended		
	January 29, 2011	January 30, 2010	January 31, 2009
Unrecognized tax benefits as the beginning of the period	$ 103,334	$ 115,295	$ 109,819
Increases related to prior year tax positions	494		3,733
Decreases related to prior year tax positions	(149)	(3,226)	
Increases related to current year tax positions	1,317	9,970	16,997
Settlements		(2,191)	
Lapse in the statute of limitations	(10,293)	(22,682)	(1,407)
Foreign exchange (gain) loss	7,909	6,168	(13,847)

Gross amounts of unrecognized tax benefits as of the end of the period	$ 102,612	$ 103,334	$ 115,295

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Included in the balances as of January 29, 2011 is $86.7 million of unrecognized tax benefit that would affect the effective income tax rate if recognized.

The amount of interest and penalties accrued as of January 29, 2011 was approximately $25.9 million and $7.5 million, respectively, as of January 30, 2010, approximately $22.2 million and $7.7 million, respectively, and as of January 31, 2009, approximately $22.6 million and $10.8 million, respectively.

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 January 29, 2011, 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 2011. As of January 29, 2011, two of the Company s non-U.S. entities are under examination, one for fiscal year 2008 and the other for fiscal years 2006 through 2010.

During fiscal 2012, the Company will continue to review its tax positions and provide for or reverse unrecognized tax benefits as issues arise. At this time, the Company expects a decrease of $14.4 million of unrecognized tax benefits during fiscal 2012 due to the expiration of the statute of limitations over the next 12 months.

The Economic Development Board of Singapore granted Pioneer Status to the Company s wholly-owned subsidiary in Singapore in July 1999. This tax exemption was to expire after ten years, but the Economic Development Board in June 2006 agreed to extend the term to 15 years. Fiscal 2011 and 2010 tax savings associated with this tax holiday were approximately $7.9 million and $5.8 million, respectively, which if paid would impact the Company s earnings per share results $0.01 and $0.01 per share, respectively 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. The Company is required to meet several requirements as to investment, headcount and activities in Singapore to retain this status.

Under the Israeli Encouragement law of approved or benefited enterprise, two branches of Marvell Israel (MISL), the GTL branch and the cellular branch (formerly Marvell DSPC), are entitled to a beneficial tax program that includes reduced tax rates and exemption of certain income. The first program was approved for MISL in 1995 and the most recent was approved in 2003. Marvell DSPC has five approved programs with the first approved in 1990 and the most recent approved in 2010. 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 2020. For fiscal 2011 and fiscal 2010, the benefit associated with these approved enterprise programs was $18.4 million and $18.0 million, which provided earnings per share benefit of $0.03 and $0.03, respectively.

During fiscal 2007, the Swiss Federal Department of Economy and the Vaud Cantonal Tax Administration each granted Marvell Switzerland Sarl a total of a ten year tax holiday commencing with its fiscal year beginning January 29, 2006. The fiscal 2011 and 2010 tax savings associated with this tax holiday is approximately $4.5 million and $3.7 million, respectively, which provided an earnings per share benefit of less than $0.01 for both years.

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 80% of eligible earnings subject to a required annual limit. The Company may make discretionary contributions to the 401(k) plan upon approval by the Board of Directors. In fiscal 2005, the Board of Directors approved a resolution to allow the

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Company to provide an employer match to the 401(k) plan. During fiscal 2011, the Company increased the employer match, which is currently made 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 $4.5 million, $2.1 million and $2.1 million during fiscal 2011, 2010 and 2009, respectively. As of January 29, 2011, 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.

In connection with Israeli law, the Company is required to have a severance plan for its employees. The Company s severance pay liability is calculated based on the salary of each employee multiplied by the years of such employee s employment, and is reflected in the Company s balance sheet in other long-term liabilities on an accrual basis. In addition, the Company has assets comprised of insurance policies in the name of employees and other investments maintained in a central fund to generally fund the severance liability. The surrender value of the insurance policies is recorded in other noncurrent assets.

In fiscal 2011, the Company offered employees the option to convert their severance plan to a defined contribution plan, whereby funds equal to the severance pay liability as of the conversion date were transferred directly into the employees accounts. A substantial majority of Israeli employees accepted the conversion option, and approximately $55 million was transferred to individual employee accounts. Therefore, the Company no longer recognizes liabilities or the corresponding assets related to employees who accepted the conversion options. The severance pay balances were as follows (in thousands):

	Year Ended	
	January 29, 2011	January 30, 2010
Accrued severance	$ 2,475	$ 52,905
Less: Severance assets	(4,819)	(57,261)
Funded portion, net accrued severance pay	$ (2,344)	$ (4,356)

The severance pay expenses for fiscal 2011, 2010, and 2009 were $9.3 million, $7.4 million and $10.6 million, respectively.

Note 12 Commitments and Contingencies:

Warranty Obligations

The Company s products typically carry a standard 90 day warranty with certain exceptions in which the warranty period can range from one to five years 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	
	January 29, 2011	January 30, 2010	January 31, 2009
Beginning balance	$ 1,965	$ 2,093	$ 2,532
Warranty expense	2,291	3,108	876
Payments and other charges	(1,817)	(3,236)	(1,315)

Ending balance	$ 2,439	$ 1,965	$ 2,093

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Lease Commitments

The Company leases some of its facilities under non-cancelable operating leases and leases certain property and equipment under capital leases. Future minimum lease payments, net of estimated sublease income under the operating and capital leases as of January 29, 2011, are presented in the following table (in thousands):

Fiscal Year:	Operating Leases	Estimated Sublease Income	Net Operating Leases	Capital Leases
2012	$ 63,211	$ (336)	$ 62,875	$ 521
2013	58,377	(281)	58,096	
2014	22,642	(143)	22,499	
2015	15,426		15,426	
2016	7,337		7,337	
Thereafter	6,018		6,018	
Total future minimum lease payments	$ 173,011	$ (760)	$ 172,251	$ 521
Less: amount representing interest				(10)
Present value of future minimum lease payments				511
Less: current portion of lease obligations				(511)
Long-term lease obligations				$

Rent expense, net of sublease income on the operating leases for fiscal 2011, 2010, and 2009 was approximately $17.1 million, $18.5 million and $21.1 million, respectively.

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

Purchase Commitments

Under the Company s manufacturing relationships with its foundry partners, cancellation of all outstanding purchase orders are allowed but require repayment of all expenses incurred through the date of cancellation. As of January 29, 2011, these foundries had incurred approximately $256.8 million of manufacturing expenses on 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. In certain cases, 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Contingencies

IPO Securities Litigation. In 2001, two putative class action lawsuits were filed in the United States District Court for the Southern District of New York concerning certain alleged underwriting practices related to the Company s initial public offering (the IPO) on June 29, 2000. The actions were consolidated and a consolidated complaint was filed, naming as defendants certain investment banks that participated in the IPO, the Company, and two of its officers, one of whom is also a director. Plaintiffs claim that defendants violated certain provisions of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (the Exchange Act), by allegedly failing to disclose that the underwriters received excessive and undisclosed commissions and entered into unlawful tie-in agreements with certain of their clients. The consolidated complaint seeks unspecified damages, interest and fees. In addition, this case has been coordinated with hundreds of other lawsuits filed by plaintiffs against underwriters and issuers for approximately 300 other IPOs. Defendants in the coordinated proceedings moved to dismiss the actions. In February 2003, the trial court granted the motions in part and denied them in part, allowing certain claims to proceed.

The parties have reached a global settlement of the coordinated litigation. Under the settlement, the insurers will pay the full amount of settlement share allocated to the Company, and the Company will bear no financial liability. The Company and other defendants will receive complete dismissals from the case. On October 5, 2009, the Court issued an order of final approval of the settlement. Certain objectors have filed appeals, and plaintiffs have filed motions to dismiss the appeals. If for any reason the settlement does not become effective, the Company believes it has meritorious defenses to the claims against it and intends to defend the action vigorously.

Section 16(b) Litigation. On October 9, 2007, a purported shareholder of the Company filed a complaint for violation of Section 16(b) of the Exchange Act, which prohibits short swing trading, against the Company s IPO underwriters. The complaint *Vanessa Simmonds v. The Goldman Sachs Group, et al.*, Case No. C07-1632 filed in District Court for the Western District of Washington, seeks the recovery of short swing profits. The Company is named as a nominal defendant only, and no recovery is sought from the Company. In March 2009, the district court granted a motion to dismiss filed by the underwriter defendants, which caused the case against the Company to be dismissed. The plaintiff appealed to the U.S. Court of Appeals for the Ninth Circuit, and in December 2010, the Ninth Circuit reversed the dismissal and remanded to the district court. On January 25, 2011, the Ninth Circuit entered an Order staying the mandate pending the filing of petitions for writ of certiorari in the United States Supreme Court by the underwriter defendants. No petition for a writ of certiorari has yet been filed, and no discovery has taken place.

Jasmine Networks Litigation. On September 12, 2001, Jasmine Networks, Inc. (Jasmine) filed a lawsuit in the Santa Clara County Superior Court alleging claims against Marvell Semiconductor, Inc. (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 allegations. 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, later denied in written orders, Jasmine filed a notice of appeal in March 2011 and MSI intends to contest any such appeal vigorously. The Company does not believe, based on currently available facts and circumstances that it is reasonably possible to predict the final outcome of this case and, as such, the Company has not accrued for any amount as of January 29, 2011.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Wage and Hour Class Action. On October 18, 2006, Dan Holton (Holton), a former employee of MSI, filed a civil complaint in Santa Clara County Superior Court. Holton alleges that MSI misclassified him as an exempt employee. Holton claims that due to its misclassification MSI owes him unpaid wages for overtime, penalties for missed meal periods, and various other penalties under the California Labor Code, as well as interest. Holton also pursues a cause of action for unfair business practices under the California Business & Profession Code. Holton brought his complaint as a class action. On July 8, 2009, the Court granted certification of the following class: All Individual Contributor Engineers who held the title of PCB Designer, Associate Engineer, Engineer, Staff Engineer and Senior Engineers, who at any time during the class period while holding these positions did not have a degree above a baccalaureate degree nor a degree above a baccalaureate degree in a field of science related to the work performed, and worked for MSI in California, at any time from October 19, 2002 through the present. MSI disputes all of plaintiff s class claims, and intends to defend this matter vigorously. The matter has been set for trial on September 26, 2011.

CSIRO Litigation. On May 4, 2007, MSI, Marvell Asia Pte., Ltd. (MAPL), and Marvell International Ltd. (MIL) (collectively, the Company s Subsidiaries) filed an action in the United States District Court for the Eastern District of Texas seeking a declaratory judgment against Australia s Commonwealth Scientific and Industrial Research Organisation (CSIRO) that CSIRO s U.S. Patent No. 5,487,069 (the 069 Patent) is invalid and unenforceable and that the Company s Subsidiaries and the Company s customers do not infringe the 069 Patent.

The parties entered into a final settlement on August 19, 2010 and final dismissal was entered by the court on August 26, 2010. The resolution did not have a significant impact on the Company s financial statements.

Wi-LAN Litigation. On October 31, 2007, Wi-LAN, Inc. (Wi-LAN) sued two groups of system and chip manufacturers in the United States District Court for the Eastern District of Texas, in both cases naming MSI as a defendant and alleging patent infringement of U.S. Patent Nos. 5,282,222 and RE 37,802 that allegedly relate to the 802.11 wireless standards.

On February 3, 2009, the Court granted Wi-LAN s motion to add an additional patent, U.S. Patent No. 6,549,759, which purportedly relates to Bluetooth technology.

On June 4, 2010, Wi-LAN filed another patent litigation against MSI and other system and chip manufacturers in the United States District Court for the Eastern District of Texas. Wi-LAN asserted infringement of U.S. Patent No. 5,515,369, which also allegedly relates to Bluetooth technology.

MSI and Wi-LAN entered into a final settlement on February 24, 2011 and final dismissal was entered by the court on March 10, 2011. The resolution did not have a significant impact on the Company s financial statements.

Carnegie Mellon Litigation. On March 6, 2009, Carnegie Mellon University (CMU) filed a complaint in the United States District Court for the Western District of Pennsylvania naming MSI and the Company as defendants and alleging patent infringement. CMU has asserted two patents (U.S. Patent Nos. 6,201,839 and 6,438,180) purportedly relating to read-channel integrated circuit devices and the hard disk drive products incorporating such devices. The complaint seeks unspecified damages and an injunction. On June 1, 2009, MSI and the Company filed their answers and MSI filed counterclaims to the complaint seeking declaratory judgments of non-infringement and invalidity as to both of the asserted patents. The claim construction hearing was held on April 12 and 13, 2010, and a ruling was issued on October 1, 2010. On April 29, 2010, MSI and the Company filed their amended answers and counterclaims. The Company and MSI filed a motion for partial

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

summary judgment of invalidity on December 22, 2010, and the Court is scheduled to hear the matter on March 31, 2011. The Court has not yet scheduled a trial date. MSI and the Company believe that they do not infringe any valid and enforceable claims of the asserted CMU patents and intend to contest this action vigorously.

PACid Patent Litigation. On March 30, 2009, The PACid Group, LLC filed a complaint in the United States District Court for the Eastern District of Texas, case no. 6:09-cv-00143 LED, which named MSI, Marvell Technology, Inc. (MTI), Marvell Semiconductor, Ltd. (MSL), the Company and 15 other companies as defendants. The complaint alleged infringement of two patents purportedly relating to encryption: U.S. Patent Nos. 5,963,646 and 6,049,612. The complaint seeks unspecified damages and an injunction. On May 22, 2009, MSI filed its answer and counterclaims to the complaint. On June 1, 2009, MTI, MSL and the Company were dismissed without prejudice. The claim construction hearing was held on March 25, 2010, and a ruling was issued on July 15, 2010. The parties have resolved the dispute and a final dismissal was entered by the court on October 5, 2010. The resolution did not have a significant impact on the Company s financial statements.

Xpoint Patent Litigation. On August 21, 2009, Xpoint Technologies, Inc. filed a complaint in the United States District of Delaware, which names the Company, MSI and thirty-six other companies as defendants. The complaint alleged infringement of U.S. Patent No. 5,913,028 which purportedly relates to data traffic delivery. The complaint seeks unspecified damages and an injunction. A first amended complaint was filed on September 18, 2009 and a second amended complaint was filed on August 20, 2010. On October 28, 2009, the Company was dismissed from the lawsuit, although MSI remains a defendant. MSI filed its answers and counterclaims on December 18, 2009. The Court has scheduled a claim construction hearing for January 13, 2012, and trial for May 7, 2012. MSI intends to contest this action vigorously.

Intravisual Patent Litigation. On March 15, 2010, Intravisual, Inc. filed a Complaint in the United States District Court in the Eastern District of Texas. The Complaint names MSI and eight other Defendants, and alleges infringement of United States Patent No. 6,614,845 (the 845 patent). The 845 patent is purportedly directed to a method and apparatus for differential macroblock encoding in video coders and decoders. The Complaint seeks unspecified damages and a permanent injunction. MSI filed its answer and counterclaims on May 10, 2010. On June 1, 2010, Intravisual filed an Amended Complaint in the case, naming several additional defendants including the Company. On June 18, 2010, MSI filed its answer to the amended complaint. On December 2, 2010, MSI and Intravisual finalized a settlement agreement, which did not have a significant impact on the Company s financial statements. A final dismissal was entered by the court on December 6, 2010.

USEI Litigation. On October 9, 2009, U.S. Ethernet Innovations, LLC (USEI) filed a complaint in 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 purportedly 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 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. A technology tutorial hearing is set for February 25, 2010. The Court has not yet set dates for a claim construction hearing or for trial. MSI believes that it does not infringe any valid and enforceable claim of the USEI patents in suit, and intends to litigate this action vigorously.

Lake Cherokee Patent Litigation. On June 30, 2010, Lake Cherokee Hard Drive Technologies, L.L.C. filed a complaint in the United States District Court in the Eastern District of Texas. The complaint names MSI

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

and seven other defendants, and alleges infringement of United States Patent Nos. 5,844,738 and 5,978,162 (collectively, the Lake Cherokee patents in suit). The Lake Cherokee patents in suit are purportedly relating to read-channel integrated circuit devices, and allegedly, to certain unspecified hard disk drive products incorporating such devices. The complaint seeks unspecified damages and a permanent injunction. The initial scheduling conference was February 16, 2011. MSI intends to vigorously defend this action. Because this action is in the early stages, the Company is unable to predict the outcome of this litigation at this time.

APT Patent Litigation. On January 18, 2011, Advanced Processor Technologies LLC (APT) filed a complaint in the United States District Court in the Eastern District of Texas. The complaint names MSI and eight other defendants and alleges infringement of United States Patent Nos. 6,047,359 (359 patent) and 5,796,978 (978 patent). The asserted patents purportedly 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 359 patent against MSI, but appears to no longer assert the 978 patent against MSI. MSI intends to vigorously defend this action. Because this action is in the very early stages, the Company is unable to predict the outcome of this litigation at this time.

LAMD Patent Litigations. On October 11, 2010, MIL filed a complaint against Link A Media Devices Corporation (LAMD) in the United States District Court for the District of Delaware. The complaint asserts that LAMD infringes its United States Patent Nos. 7,328,395, 7,751,138, 7,099,411 and 7,228,485. The complaint seeks unspecified damages and a permanent injunction.

On February 10, 2011, LAMD filed a complaint against MSI in the United States District Court for the Northern District of California. The complaint asserts that MSI infringes LAMD s United States Patent No. 7,590,927. The complaint seeks unspecified damages and a permanent injunction. MSI believes that it does not infringe any valid and enforceable claim of the LAMD patent in suit. MSI intends to litigate both actions vigorously.

Mosaid Litigation. On March 16, 2011, MOSAID Technologies Inc. filed suit in the Eastern District of Texas against MSI and sixteen other companies. The suit alleges that the 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 intends to vigorously defend this action. Because this action is in the very early stages, the Company is unable to predict the outcome of this litigation at this time.

General. The Company is also party to various other legal proceedings and claims arising in the normal course of business. The legal proceedings and claims described above could result in substantial costs and could divert the attention and resources of the Company s management. Although the legal responsibility and financial impact with respect to these proceedings and claims cannot currently be ascertained, except as otherwise indicated above, an unfavorable outcome in such actions could have a material adverse effect on the Company s cash flows. For the matters that have not reached a settlement, the Company is unable to estimate a possible loss, or range of loss, with respect to the above mentioned legal matters. Litigation is subject to inherent uncertainties and unfavorable rulings could occur. An unfavorable ruling in litigation could require the Company to pay damages or one-time license fees or royalty payments, which could adversely impact gross margins in future periods, or could prevent the Company from manufacturing or selling some of its products or limit or restrict the type of work that employees involved in such litigation may perform for the Company. The Company believes that it competes lawfully and that its marketing, business and intellectual property benefit its customers and shareholders, and it will continue to conduct a vigorous defense in these proceedings. 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Indemnities, Commitments and Guarantees

During its normal course of business, the Company has made certain indemnities, commitments and guarantees under which it may be required to make payments in relation to certain transactions. These indemnities include intellectual property indemnities to the Company s customers in connection with the sales of its products, indemnities for liabilities associated with the infringement of other parties technology based upon the Company s products, indemnities to various lessors in connection with facility leases for certain claims arising from such facility or lease, and indemnities to directors and officers of the Company to the maximum extent permitted under the laws of Bermuda. In addition, the Company has contractual commitments to various customers, which could require the Company to incur costs to repair an epidemic defect with respect to its products outside of the normal warranty period if such defect were to occur. The duration of these indemnities, commitments and guarantees varies, and in certain cases, is indefinite. The majority of these indemnities, commitments and guarantees do not provide for any limitation of the maximum potential future payments that the Company could be obligated to make. The Company has not recorded any liability for these indemnities, commitments and guarantees in the accompanying Consolidated Balance Sheets. The Company does, however, accrue for losses for any known contingent liability, including those that may arise from indemnification provisions, when future payment is probable.

Note 13 Segment and Geographic Information:

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. Therefore, the CODM makes financial decisions for the Company based on the consolidated financial performance and not necessarily based on any discrete financial information.

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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):

Net Revenue:	January 29, 2011	Year Ended January 30, 2010	January 31, 2009
United States	$ 157,259	$ 127,399	$ 149,914
China	1,209,982	721,445	674,637
Thailand	602,639	484,862	417,319
Malaysia	348,271	301,504	305,033
Japan	99,173	192,126	376,409
Others	1,194,569	980,351	1,027,251
	$ 3,611,893	$ 2,807,687	$ 2,950,563

Property and equipment, net:	January 29, 2011	January 30, 2010
Bermuda	$ 9,797	$ 8,100
Israel	18,389	15,964
Singapore	85,881	68,171
United States	202,049	200,957
Others	42,324	49,305
	$ 358,440	$ 342,497

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

Net Revenue:	January 29, 2011	Year Ended January 30, 2010	January 31, 2009
Storage products	$ 1,650,465	$ 1,574,361	$ 1,462,723
Communications products	1,961,428	1,233,326	1,487,840
	$ 3,611,893	$ 2,807,687	$ 2,950,563

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 2010, MIL entered into three 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. In connection with all of its transactions with VeriSilicon, MIL paid $2.5 million and $855,000 in license and support fees to

VeriSilicon during fiscal 2011 and fiscal 2010, respectively. 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.

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MARVELL TECHNOLOGY GROUP LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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. The total amount of the license fee was $12.0 million (paid over three years) and ten percent for support fees (paid over three years). In connection with all of its transactions, MIL paid Vivante $5.3 million and $1.6 million of license and support fees during fiscal 2011 and fiscal 2010, respectively. 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. Kuo Wei (Herbert) Chang, a member of the Company s Board of Directors, is also an indirect shareholder of Vivante as a partner of entities who have invested in Vivante.

Supplementary Data (Unaudited)

The following table presents the unaudited consolidated statements of operations data for each of the eight quarters in the period ended January 29, 2011. 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 2011			
	First Quarter (1)	Second Quarter	Third Quarter	Fourth Quarter (1)
	(In thousands, except per share amounts)			
Net revenue	$ 855,579	$ 896,474	$ 959,327	$ 900,513
Gross profit	$ 511,594	$ 529,792	$ 568,519	$ 528,714
Net income	$ 205,767	$ 219,777	$ 255,732	$ 222,853
Net income per share:				
Basic	$ 0.32	$ 0.34	$ 0.39	$ 0.34
Diluted	$ 0.30	$ 0.33	$ 0.38	$ 0.33

	Fiscal 2010			
	First Quarter (2)	Second Quarter	Third Quarter (2)	Fourth Quarter
	(In thousands, except per share amounts)			
Net revenue	$ 521,434	$ 640,620	$ 803,098	$ 842,535
Gross profit	$ 263,804	$ 352,561	$ 461,481	$ 502,745
Net income (loss)	$ (111,457)	$ 58,493	$ 201,599	$ 204,821
Net income (loss) per share:				
Basic	$ (0.18)	$ 0.09	$ 0.32	$ 0.32
Diluted	$ (0.18)	$ 0.09	$ 0.31	$ 0.31

(1) The fourth quarter of fiscal 2011 includes $4.1 million for the portion of IP litigation settlements related to previous fiscal years. The first quarter of fiscal 2011 includes $4.4 million for the portion of IP litigation settlements related to previous fiscal years.

(2) The first quarter of fiscal 2010 includes a $72.0 million charge in connection with the settlement of a class action litigation. The third quarter of fiscal 2010 includes a $27.3 million benefit 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.

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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 Chief Executive Officer and our Chief 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 January 29, 2011. 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 the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of January 29, 2011, 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 January 29, 2011 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 January 29, 2011 based on the COSO criteria.

The effectiveness of our internal control over financial reporting as of January 29, 2011 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 January 29, 2011 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 Chief Executive Officer and our Chief 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 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*

Directors and Executive Officers

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 2011 annual general meeting of shareholders (the 2011 Proxy Statement), which will be filed with the SEC no later than 120 days after January 29, 2011. 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 2011 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), 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 2011 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 2011 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 2011 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 January 29, 2011:

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)	61,674,747	$ 11.08	155,334,621
Equity compensation plans not approved by security holders (5)	134,712	$ 0.10	
Total	61,809,459	$ 11.05	155,334,621

(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 January 29, 2011).

(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 (the 1995 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 grant under the 1995 Plan is subject to an annual increase in shares reserved for issuance equal to the lesser of (i) 20,000,000 Shares, or (ii) 2.5% 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)). 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 70,060 common shares reserved for issuance under options we granted to former option holders of SysKonnect GmbH in connection with our acquisition of SysKonnect GmbH, 56,928 common shares reserved for issuance under options granted by the Company to former option holders of RADLAN Computer Communications Ltd. in connection with our acquisition of RADLAN Computer Communications Ltd. and 7,724 common shares reserved for issuance under options we granted to former option holders of Asica, Inc. in connection with our acquisition of Asica, Inc.

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

The information required by Item 404 of Regulation S-K is incorporated by reference herein to the information set forth under the caption Related Party Transactions in our 2011 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 2011 Proxy Statement.

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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 2011 Proxy Statement.

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PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

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

1. *Financial Statements:*

	Page Reference
Consolidated Balance Sheets as of January 29, 2011 and January 30, 2010	60
Consolidated Statements of Operations for the years ended January 29, 2011, January 30, 2010 and January 31, 2009	61
Consolidated Statements of Shareholders Equity for the years ended January 29, 2011, January 30, 2010 and January 31, 2009	62
Consolidated Statements of Cash Flows for the years ended January 29, 2011, January 30, 2010 and January 31, 2009	63
Notes to Consolidated Financial Statements	64

2. *Financial Statement Schedule:*

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

	Page Reference
Schedule II Valuation and Qualifying Account	108

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**
2.1	Asset Purchase Agreement dated as of June 26, 2006 by and between Intel Corporation and Marvell Technology Group Ltd., incorporated by reference to Exhibit 2.1 of the registrant s Current Report on Form 8-K as filed on November 14, 2006
3.1	Memorandum of Association of the registrant, incorporated by reference to Exhibit 3.1 of the registrant s Registration Statement on Form S-1 (file no. 333-33086) as filed on March 23, 2000
3.2	

	Third Amended and Restated Bye-Laws of the registrant, 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

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Exhibit No.	Description
10.2#	Form of Notice of 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 as filed on January 11, 2008
10.3#	2000 Employee Stock Purchase Plan (as amended and restated as of October 22, 2009), incorporated by reference to Exhibit 10.1 of the registrant s Current Report on Form 8-K as filed on October 28, 2009
10.4#	2000 Employee Stock Purchase Plan Form of Subscription Agreement, incorporated by reference to Exhibit 10.3 of the registrant s quarterly report on 10-Q for the period ended October 31, 2009 as filed on December 9, 2009
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
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
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 vesting) 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 January 2, 2008

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Exhibit No.	Description
10.11#	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
10.12#	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
10.13#	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
10.14#	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
10.15#	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
10.16#	2007 Director Stock Incentive Plan, as amended and restated on August 25, 2010, incorporated by reference to Exhibit 10.1 of the registrant s quarterly report on 10-Q for the period ended November 23, 2010 as filed on September 3, 2010
10.17#	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
10.18#	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
10.19#	Employment Offer Letter executed on May 29, 2008 between the Company and Clyde Hosein, incorporated by reference to Exhibit 10.1 of the registrant s Current Report on Form 8-K as filed on May 30, 2008
10.20#	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
10.21#	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
10.22#	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
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 Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Chief Executive Officer
31.2	Certification Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Chief Financial Officer

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Exhibit No.	Description
32.1~	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of Chief Executive Officer
32.2~	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of Chief Financial Officer
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.

** Pursuant to applicable securities laws and regulations, we are deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and are not subject to liability under any anti-fraud provisions of the federal securities laws as long as we have made a good faith attempt to comply with the submission requirements and promptly amend the interactive data files after becoming aware that the interactive data files fail to comply with the submission requirements. Users of this data are advised that, pursuant to Rule 406T, these interactive data files are deemed not filed and otherwise are not subject to liability.

(c) *Financial Statements Required by Regulation S-X which are excluded from the annual report to Shareholders by Rule 14a-3(b).*
Not applicable.

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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 25, 2011 By: /s/ DR. SEHAT SUTARDJA

Dr. Sehat Sutardja

President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Dr. Sehat Sutardja and Clyde R. Hosein, 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 Dr. Sehat Sutardja	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	March 25, 2011
/s/ CLYDE R. HOSEIN Clyde R. Hosein	Chief Financial Officer and Secretary (Principal Financial and Accounting Officer)	March 25, 2011
/s/ PANTAS SUTARDJA Dr. Pantas Sutardja	Vice President, Chief Technology Officer, Chief Research and Development Officer and Director	March 25, 2011
/s/ HERBERT CHANG Kuo Wei (Herbert) Chang	Director	March 25, 2011
/s/ JUERGEN GROMER Dr. Juergen Gromer	Director	March 25, 2011
/s/ TA-LIN HSU Dr. Ta-lin Hsu	Director	March 25, 2011
/s/ JOHN G. KASSAKIAN	Director	March 25, 2011

Dr. John G. Kassakian

/s/ ARTURO KRUEGER	Director	March 25, 2011
Arturo Krueger		

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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 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
Fiscal year ended January 30, 2010				
Allowance for doubtful accounts and sales return reserve	$ 3,206	$ 6,714	$ (4,008)	$ 5,912
Deferred tax valuation	$ 134,576	$ 77,353	$ (14,219)	$ 197,710
Fiscal year ended January 31, 2009				
Allowance for doubtful accounts and sales return reserve	$ 4,277	$ 1,261	$ (2,332)	$ 3,206
Deferred tax valuation	$ 96,978	$ 40,990	$ (3,392)	$ 134,576

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INDEX TO EXHIBITS

Exhibit No.	Description
2.1	Asset Purchase Agreement dated as of June 26, 2006 by and between Intel Corporation and Marvell Technology Group Ltd., incorporated by reference to Exhibit 2.1 of the registrant s Current Report on Form 8-K as filed on November 14, 2006
3.1	Memorandum of Association of the registrant, incorporated by reference to Exhibit 3.1 of the registrant s Registration Statement on Form S-1 (file no. 333-33086) as filed on March 23, 2000
3.2	Third Amended and Restated Bye-Laws of the registrant, 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 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 as filed on January 11, 2008
10.3#	2000 Employee Stock Purchase Plan (as amended and restated as of October 22, 2009), incorporated by reference to Exhibit 10.1 of the registrant s Current Report on Form 8-K as filed on October 28, 2009
10.4#	2000 Employee Stock Purchase Plan Form of Subscription Agreement, incorporated by reference to Exhibit 10.3 of the registrant s quarterly report on 10-Q for the period ended October 31, 2009 as filed on December 9, 2009
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
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

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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)
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32.2~	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of Chief Financial Officer
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
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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.

** Pursuant to applicable securities laws and regulations, we are deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and are not subject to liability under any anti-fraud provisions of the federal securities laws as long as we have made a good faith attempt to comply with the submission requirements and promptly amend the interactive data files after becoming aware that the interactive data files fail to comply with the submission requirements. Users of this data are advised that, pursuant to Rule 406T, these interactive data files are deemed not filed and otherwise are not subject to liability.