MARVELL TECHNOLOGY GROUP LTD
Form 10-Q
December 06, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

x	**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
	For the quarterly period ended October 27, 2007
	or
o	**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from to

Commission file number: 0-30877

Marvell Technology Group Ltd.
(Exact name of registrant as specified in its charter)

Bermuda	**77-0481679**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Canon s Court, 22 Victoria Street, Hamilton HM 12, Bermuda

(441) 296-6395

(Address, including Zip Code, of Principal Executive Offices and

Registrant s telephone number, including area code)

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

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

Large accelerated filer x Accelerated filer o Non-accelerated filer o

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

The number of shares outstanding of the registrant s common stock outstanding as of November 30, 2007 was 592,825,119 shares.

TABLE OF CONTENTS

PART I: FINANCIAL INFORMATION

Item 1. ***Financial Statements***

MARVELL TECHNOLOGY GROUP LTD.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

ASSETS

		October 27, 2007		January 27, 2007
Current assets:				
Cash and cash equivalents	$	455,301	$	568,008
Short-term investments		74,173		28,372
Accounts receivable, net		386,542		328,283
Inventories		381,508		247,403
Prepaid expenses and other current assets		113,339		170,123
Deferred income taxes		6,049		5,846
Total current assets		1,416,912		1,348,035
Property and equipment, net		418,900		440,943
Goodwill		2,006,531		1,977,805
Acquired intangible assets		469,768		580,558
Other non-current assets		157,033		180,359
Total assets	$	4,469,144	$	4,527,700

LIABILITIES AND SHAREHOLDERS EQUITY

Current liabilities:				
Accounts payable	$	209,417	$	240,497
Accrued liabilities		164,599		268,849
Accrued employee compensation		119,746		108,895
Income taxes payable		25,187		29,078
Deferred income		76,292		46,459
Current portion of capital lease obligations		4,656		17,408
Total current liabilities		599,897		711,186
Capital lease obligations, net of current portion		8,141		17,096
Non-current income taxes payable		116,476		116,777
Term loan obligations, long-term portion		391,750		394,750
Other long-term liabilities		46,411		60,707
Total liabilities		1,162,675		1,300,516
Commitments and contingencies (Note 6)				
Shareholders equity:				
Common stock		1,185		1,175
Additional paid-in capital		3,997,037		3,802,509
Accumulated other comprehensive income		495		28
Accumulated deficit		(692,248)		(576,528)
Total shareholders equity		3,306,469		3,227,184
Total liabilities and shareholders equity	$	4,469,144	$	4,527,700

See accompanying notes to unaudited condensed consolidated financial statements.

MARVELL TECHNOLOGY GROUP LTD.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	October 27, 2007	October 28, 2006	October 27, 2007	October 28, 2006
Net revenue	$ 758,246	$ 520,398	$ 2,050,007	$ 1,615,579
Operating costs and expenses:				
Cost of goods sold	396,209	256,090	1,059,156	775,398
Research and development and other	252,205	152,939	722,532	434,812
Selling and marketing	46,423	37,875	150,757	116,004
General and administrative	32,537	40,427	90,300	78,674
Amortization of acquired intangible assets	37,311	27,405	111,924	72,161
Total operating costs and expenses	764,685	514,736	2,134,669	1,477,049
Operating (loss) income	(6,439)	5,662	(84,662)	138,530
Interest and other income	4,470	7,577	8,917	17,506
Interest expense	(10,518)	(732)	(30,435)	(1,954)
(Loss) income before income taxes	(12,487)	12,507	(106,180)	154,082
(Benefit) provision for income taxes	(6,051)	6,461	9,540	34,438
(Loss) income before change in accounting principle	(6,436)	6,046	(115,720)	119,644
Cumulative effect of change in accounting principle, net of tax effect				8,846
Net (loss) income	$ (6,436)	$ 6,046	$ (115,720)	$ 128,490
Basic (loss) income per share:				
(Loss) income before change in accounting principle	$ (0.01)	$ 0.01	$ (0.20)	$ 0.20
Cumulative effect of change in accounting principle, net of tax effect				0.02
Basic net (loss) income per share	$ (0.01)	$ 0.01	$ (0.20)	$ 0.22
Shares used in basic per share computation	590,759	587,348	588,573	585,728
Diluted (loss) income per share:				
(Loss) income before change in accounting principle	$ (0.01)	$ 0.01	$ (0.20)	$ 0.19
Cumulative effect of change in accounting principle, net of tax effect				0.01
Diluted net (loss) income per share	$ (0.01)	$ 0.01	$ (0.20)	$ 0.20
Shares used in diluted per share computation	590,759	628,104	588,573	633,718

See accompanying notes to unaudited condensed consolidated financial statements.

MARVELL TECHNOLOGY GROUP LTD.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Nine Months Ended	
	October 27, 2007	October 28, 2006
Cash flows from operating activities:		
Net (loss) income	$ (115,720)	$ 128,490
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Cumulative effect of change in accounting principle, net		(8,846)
Depreciation and amortization	78,804	52,519
Stock-based compensation	161,020	146,494
Amortization of acquired intangible assets	111,924	72,161
Gain from sale of asset under construction	(5,122)	
Fair market value adjustment to cost of goods sold from supply contract	(103,914)	
Interest expense related to supply contract	4,668	
Excess tax benefits from stock-based compensation	(300)	(889)
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(56,932)	(49,052)
Inventories	(158,834)	10,306
Prepaid expenses and other asset	99,523	(51,790)
Accounts payable	(31,107)	3,072
Accrued liabilities and other	(6,254)	13,772
Accrued employee compensation	10,497	(767)
Income taxes payable	(4,192)	29,092
Deferred income	29,833	1,899
Net cash provided by operating activities	13,894	346,461
Cash flows from investing activities:		
Cash paid in acquisitions, net	(7,141)	(282,978)
Purchases of short-term investments	(165,907)	(266,938)
Sales and maturities of short-term investments	120,516	804,902
Acquisition costs	(1,208)	(4,233)
Purchases of investments	(323)	
Purchases of property and equipment	(81,135)	(121,412)
Proceeds from sale of asset under construction	5,122	
Purchases of technology licenses	(19,525)	(8,029)
Net cash (used in) provided by investing activities	(149,601)	121,312
Cash flows from financing activities:		
Proceeds from the issuance of common stock and other	32,289	36,035
Principal payments on capital lease and debt obligations	(9,589)	(13,687)
Excess tax benefits from stock-based compensation	300	889
Net cash provided by financing activities	23,000	23,237
Net (decrease) increase in cash and cash equivalents	(112,707)	491,010
Cash and cash equivalents at beginning of period	568,008	348,431
Cash and cash equivalents at end of period	$ 455,301	$ 839,441

See accompanying notes to unaudited condensed consolidated financial statements.

MARVELL TECHNOLOGY GROUP LTD.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. The Company and its Significant Accounting Policies

The Company

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

Basis of presentation

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

The unaudited interim condensed 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. Accordingly, they do not include all of the information and notes required by GAAP for annual financial statements. In the opinion of management, all adjustments consisting of normal and recurring entries considered necessary for a fair statement of the results for the interim periods have been included in the Company s financial position as of October 27, 2007, the results of its operations for the three and nine months ended October 27, 2007 and October 28, 2006, and its cash flows for the nine months ended October 27, 2007 and October 28, 2006. The January 27, 2007 condensed consolidated balance sheet data was derived from audited consolidated financial statements included in the Company s 2007 Annual Report on Form 10-K but does not include all disclosures required by GAAP.

These condensed consolidated financial statements and related notes are unaudited and should be read in conjunction with the Company s audited financial statements and related notes for the year ended January 27, 2007 included in the Company s Annual Report on Form 10-K, as filed on July 2, 2007 with the Securities and Exchange Commission (SEC). The results of operations for the three and nine months ended October 27, 2007 are not necessarily indicative of the results that may be expected for any other interim period or for the full fiscal year.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates 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 property and equipment, investment fair values, goodwill and other intangible assets, income taxes, and contingencies. In addition, the Company uses assumptions when employing the Black-Scholes option valuation model to calculate the fair value of stock-based awards granted. The Company bases its estimates of the carrying value of certain assets and liabilities on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, when these carrying values are not readily available from other sources. Actual results could differ from these estimates.

Principles of consolidation

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

Cash and cash equivalents

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

Investments

The Company s marketable investments are classified as available-for-sale securities and are reported at fair value. Unrealized gains and losses are reported, net of tax, if any, in accumulated other comprehensive income, a component of shareholders equity. Realized gains and losses and declines in value judged to be other than temporary on available-for-sale securities are included in interest and other income, net.

The Company also has equity investments in privately-held companies. These investments are recorded at cost and are included in other non-current assets.

Concentration of credit risk

Financial instruments that potentially subject the Company to significant concentration of credit risk consist principally of cash equivalents, short-term investments and accounts receivable. The Company places its cash primarily in checking and money market accounts. Cash equivalents and short-term investment balances are maintained with high quality financial institutions, the composition and maturities of which are regularly monitored by management. The Company believes that the concentration of credit risk in its trade receivables with respect to its served markets, as well as the limited customer base, located primarily in the Far East, are substantially mitigated by the Company s credit evaluation process, relatively short collection terms and the high level of credit worthiness of its customers. The Company performs ongoing credit evaluation of its customers financial condition and limits the amount of credit extended when deemed necessary based upon payment history and the customer s current credit worthiness, but generally require no collateral. The Company regularly reviews the allowance of bad debt and doubtful accounts by considering factors such as historical experience, credit quality, age of the account receivable balances and current economic conditions that may affect a customer s ability to pay.

Inventories

Inventories are stated at the lower of cost or market, cost being determined under the first-in, first-out method. Appropriate consideration is given to obsolescence, excessive levels, deterioration and other factors in evaluating net realizable value.

Property and equipment, net

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

Goodwill and acquired intangible assets

Goodwill is recorded when the consideration paid for an acquisition exceeds the fair value of net tangible and intangible assets acquired. Acquisition-related identified intangible assets are amortized on a straight-line basis over their estimated economic lives of one to six years for purchased technology, one to eight years for core technology, four to seven years for customer contracts, five years for trade name, four years for supply contract and three years for non-competition.

Goodwill is measured and tested for impairment on an annual basis 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. The Company has one reporting unit. The fair value of the reporting unit is determined by taking the market capitalization of the reporting unit as determined through quoted market prices. A potential impairment exists if the fair value of the reporting unit is lower than its net book value. The second step of the process is only performed if a potential impairment exists, and it involves determining the difference between the fair value of the reporting unit s net assets other than goodwill to the fair value of the reporting unit and if the difference is less than the net book value of goodwill, an impairment exists and is recorded. In the event that the Company determines that the value of goodwill has become impaired, the Company will record an accounting charge for the amount of impairment during the fiscal quarter in which the determination is made. The Company has not been required to perform this second step of the process since its implementation of SFAS 142 because the fair value of the reporting unit has exceeded its net book value at every measurement date.

Impairment of long-lived assets

Long-lived assets include equipment, furniture and fixtures, privately held equity investments and intangible assets. Whenever events or changes in circumstances indicate that the carrying amount of long-lived assets may not be recoverable, the Company estimate 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.

Reclassifications

Certain reclassifications have been made to the unaudited condensed consolidated balance sheets for the prior period balances in order to conform to the current period s presentation.

Revenue recognition

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

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

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

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

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

8

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

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

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

Research and development and other

Research and development and other costs consist primarily of $252.2 million and $152.9 million of research and development costs for the three-month periods ended October 27, 2007 and October 28, 2006, respectively, and included $5.6 million and $4.0 million of costs related to patent investigation and filings for the three month periods ended October 27, 2007 and October 28, 2006, respectively.

Research and development and other costs consist primarily of $722.5 million and $434.8 million of research and development costs for the nine-month periods ended October 27, 2007 and October 28, 2006, respectively, and included $12.8 million and $9.1 million of costs related to patent investigation and filings for the nine month periods ended October 27, 2007 and October 28, 2006, respectively. Research and development and other costs are expensed as incurred.

Stock-based compensation

The Company has share-based payment awards to its employees and directors that are fully described in Notes 7 and 8. The stock-based compensation expenses are recorded in accordance with Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 123 (revised 2004), Share Based Payment (SFAS 123R).

Accounting for income taxes

The Company accounts for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes (SFAS No. 109). Under this method, the Company determines deferred tax assets and liabilities based upon the difference between the income tax bases of assets and liabilities and their respective financial reporting amounts at enacted tax rates in effect for the periods in which the differences are expected to reverse. The tax consequences of most events recognized in the current year s financial statements are included in determining income taxes currently payable. However, because tax laws and financial accounting standards differ in their recognition and measurement of assets, liabilities, equity, revenues, expenses, gains and losses, differences arise between the amount of taxable income and pretax financial income for a year and between the tax bases of assets or liabilities and their reported amounts in the financial statements. Because it is assumed that the reported amounts of assets and liabilities will be recovered and settled, respectively, a difference between the tax basis of an asset or a liability and its reported amount in the balance sheet will result in a taxable or a deductible amount in some future years when the related liabilities are settled or the reported amounts of assets are recovered, hence giving rise to a deferred tax liability or asset, respectively. The Company then assesses the likelihood that its deferred tax assets will be recovered from future taxable income and to the extent the Company believes that recovery is not likely, the Company establish a valuation allowance. The Company accounts for uncertain tax positions in accordance with FASB Interpretation No. 48 Accounting for Uncertainty in Tax Positions (FIN 48). The Company classifies accrued interest and penalties as part of the accrued FIN No. 48 liability and records the expense within the provision for income taxes.

The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. As such, the Company is required to make many subjective assumptions and judgments regarding its income tax exposures. Interpretations of and guidance surrounding income tax laws and regulations are subject to change over time. As such, changes in its subjective assumptions and judgments can materially affect amounts recognized in the consolidated balance sheets and statements of income. See Note 9 - Income Taxes of the notes to unaudited condensed consolidated financial statements for additional detail on the Company s uncertain tax positions.

Warranty

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

Note 2. Recent Accounting Pronouncements

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

In July 2006, the FASB issued FIN 48, which clarifies the accounting for uncertainty in income tax positions. This Interpretation requires that the Company recognize in its financial statements the impact of a tax position if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective as of the beginning of the Company s fiscal 2008, with the cumulative effect, if any, of the change in accounting principle recorded as an adjustment to opening retained earnings. On May 2, 2007, the FASB issued FASB Staff Position No. FIN 48-1 Definition of Settlement in FASB Interpretation No. 48-1 (FSP FIN 48-1). FSP FIN 48-1 provides guidance on how an entity should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. Effective January 28, 2007, the Company adopted FIN 48. See Note 9 Income Taxes for further details.

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

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

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

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

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

Note 3. Supplemental Financial Information

Available-for-sale investments (in thousands)

	October 27, 2007			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate debt securities	$ 3,564	$	$ (4)	$ 3,560
Auction rate securities	50,532			50,532
U.S. Federal, State, county and municipal debt securities	20,174		(93)	20,081
Short-term investments	$ 74,270	$	$ (97)	$ 74,173

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

Auction rate securities are securities that are structured with short-term reset dates of generally less than 90 days but with legally stated maturities in excess of 90 days. At the end of the reset period, investors can generally sell or continue to hold the securities at par. These securities are classified in the table below based on their legal stated maturity dates.

The contractual maturities of available-for-sale debt securities classified as short-term investments at October 27, 2007 are presented in the following table (in thousands):

	October 27, 2007		January 28, 2007	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 23,738	$ 23,641	$ 8,581	$ 8,499
Due between one and five years			20,266	19,873
Due over five years	50,532	50,532		
	$ 74,270	$ 74,173	$ 28,847	$ 28,372

Included in the Company s available-for-sale investments are fixed income securities. As market yields increase, those securities with a lower yield-at-cost show a mark-to-market unrealized loss. All unrealized losses are primarily due to changes in interest rates and bond yields. Investments are reviewed periodically to identify for possible other-than-temporary impairment. When evaluating the investments, the Company reviews factors such as the length of time and extent to which fair value has been below cost basis and the Company s ability and intent to hold the investment for a period of time which may be sufficient for anticipated recovery in market value. The Company has the intent and ability to hold these securities for a reasonable period of time sufficient for a forecasted recovery of fair value up to (or beyond) the initial cost of the investment. The Company expects to realize the full value of all of these investments upon maturity or sale. The following table shows 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):

	October 27, 2007					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate debt securities	$	$	$ 3,560	$ (4)	$ 3,560	$ (4)
U.S. Federal, State, county and municipal debt securities			20,081	(93)	20,081	(93)
Total temporarily impaired securities	$	$	$ 23,641	$ (97)	$ 23,641	$ (97)

11

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

Inventories (in thousands)

	October 27, 2007	January 27, 2007
Work-in-process	$ 288,148	$ 97,529
Finished goods	93,360	149,874
	$ 381,508	$ 247,403

Prepaid expenses and other current assets (in thousands)

	October 27, 2007	January 27, 2007
Prepayments for foundry capacity	$ 24,680	$ 40,340
Prepayments for wafers (see Note 6)	22,837	29,973
Receivable from foundry	12,775	19,336
Other	53,047	80,474
	$ 113,339	$ 170,123

Property and equipment (in thousands)

	October 27, 2007	January 27, 2007
Property and equipment:		
Machinery and equipment	$ 314,223	$ 269,586
Computer software	86,433	131,869
Furniture and fixtures	22,925	20,551
Leasehold improvements	33,133	12,283
Buildings	91,423	81,274
Building improvements	30,332	36,098
Land	59,264	51,500
Construction in progress	52,291	78,579
	690,024	681,740
Less: Accumulated depreciation and amortization	(271,124)	(240,797)
	$ 418,900	$ 440,943

Other non-current assets (in thousands)

	October 27, 2007	January 27, 2007
Long-term prepayments for foundry capacity	$ 28,000	$ 46,000
Equity investments in private companies	7,058	11,679
Severance fund	43,531	32,161
Technology licenses	29,722	26,680
Deferred tax assets, non-current	17,950	18,332
Other	30,772	45,507
	$ 157,033	$ 180,359

Accrued liabilities (in thousands)

	October 27, 2007	January 27, 2007
Supply agreement liability (see below)	$ 50,044	$ 174,724
Term loan obligations, current portion	4,000	4,000
Accrued royalties	8,230	7,791
Accrued rebates	26,538	8,877
Accrued legal and professional services	9,852	16,382
Accrued contingent consideration (see Note 4)	25,000	10,000
Other	40,935	47,075
	$ 164,599	$ 268,849

The following table presents the changes in the supply agreement liability during the three and nine months ended October 27, 2007 (in thousands):

	Three Months Ended October 27, 2007	Nine Months Ended October 27, 2007
Supply agreement liability (included in accrued liabilities):		
Beginning balance	$ 58,542	$ 174,724
Credit to cost of goods sold	(26,273)	(103,914)
Inventory adjustment to fair market value	16,130	(25,434)
Interest expense	1,645	4,668
Ending balance	$ 50,044	$ 50,044

Other long-term liabilities (in thousands)

	October 27, 2007	January 27, 2007
Accrued severance	$ 43,584	$ 34,326
Long-term facilities consolidation charge	1,607	2,447
Other	1,220	23,934
	$ 46,411	$ 60,707

Net (loss) income per share

The Company reports both basic net (loss) income per share, which is based upon the weighted average number of common shares outstanding excluding contingently issuable or returnable shares, and diluted net (loss) income per share, which is based on the weighted average number of common shares outstanding and dilutive potential common shares. The computations of basic and diluted net (loss) income per share are presented in the following table (in thousands, except per share amounts):

	Three Months Ended		Nine Months Ended	
	October 27, 2007	October 28, 2006	October 27, 2007	October 28, 2006
Numerator:				
(Loss) income before change in accounting principle	$ (6,436)	$ 6,046	$ (115,720)	$ 119,644
Net (loss) income	$ (6,436)	$ 6,046	$ (115,720)	$ 128,490
Denominator:				
Weighted average shares of common stock outstanding	590,759	587,348	588,573	585,728
Weighted average shares basic	590,759	587,348	588,573	585,728
Effect of dilutive securities-				
Warrants		1,572		1,685
Common stock options and other		39,184		46,305
Weighted average shares diluted	590,759	628,104	588,573	633,718
(Loss) income before change in accounting principle				
Basic	$ (0.01)	$ 0.01	$ (0.20)	$ 0.20
Diluted	$ (0.01)	$ 0.01	$ (0.20)	$ 0.19
Net (loss) income per share				
Basic	$ (0.01)	$ 0.01	$ (0.20)	$ 0.22
Diluted	$ (0.01)	$ 0.01	$ (0.20)	$ 0.20

The anti-dilutive effects of warrants, common stock options restricted stock and other securities totaling 38,808,757 were excluded from diluted net loss per share for the three months ended October 27, 2007 using the treasury stock method. Options to purchase 36,136,943 common shares at a weighted average exercise price of $24.39 have been excluded from the computation of diluted net income per share for the three months ended October 28, 2006 using the treasury stock method calculation.

The anti-dilutive effects of warrants, common stock options, restricted stock and other securities totaling 41,265,093 were excluded from diluted net loss per share for the nine months ended October 27, 2007 using the treasury stock method. Options to purchase 30,467,554 common shares at a weighted average exercise price of $24.41 have been excluded from the computation of diluted net income per share for the nine months ended October 28, 2006 using the treasury stock method calculation.

Comprehensive (loss) income (in thousands)

	Three Months Ended		Nine Months Ended	
	October 27, 2007	October 28, 2006	October 27, 2007	October 28, 2006
Net (loss) income	$ (6,436)	$ 6,046	$ (115,720)	$ 128,490

Other comprehensive income:								
Unrealized gain on available-for-sale investments and other, net of tax		143		1,157		467		1,657
Total comprehensive (loss) income	$	(6,293)	$	7,203	$	(115,253)	$	130,147

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

Note 4. Business Combinations

The Company acquired the semiconductor division of UTStarcom, Inc (UTStarcom Business), the printer semiconductor division of Avago Technologies Limited (Avago Business), Intel s communications and applications business (ICAP Business) and assets of two other businesses from unrelated parties during fiscal 2007. During the second quarter of fiscal 2008, the Company acquired an unrelated private company that designs and develops software for optical storage applications.

UTStarcom Business

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

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

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

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

Under the purchase method of accounting, the total purchase price (including the contingent consideration recognized of $16.0 million) was allocated to net tangible and intangible assets based on their fair values as of the date of the completion of the acquisition as follows (in thousands):

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

The amortizable intangible assets of $30.8 million were determined based on valuation techniques such as discounted cash flows and weighted average cost of capital methods used in the high technology industry using assumptions and estimates from management. The amortizable intangible assets are being amortized over useful lives ranging from three to four years. The existing technology represents personal handyphone systems technology and other technology that UTStarcom has developed. Core technology represents the combination of processes, patents, and trade secrets that are the building blocks for current and planned new products. Customer relationships represent future projected revenue that will be derived from sales of future versions of existing products that will be sold to existing customers. The value determined for the supply contract with UTStarcom represents the fair value of estimated revenues and net operating cash flows to be derived from the supply contract for the duration of the four-year contract.

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

15

Avago Business

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

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

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

In the third quarter of fiscal 2007, the Company recorded additional purchase consideration with a corresponding increase in goodwill of $10.0 million based on the achievement of certain levels of revenue of the past year. Additionally, in the third quarter of fiscal 2007, the Company recorded an adjustment of $1.9 million relating to inventory acquired at the acquisition date, resulting in a corresponding reduction in goodwill. In the first quarter of fiscal 2008, the Company recorded an adjustment of $1.3 million relating to a reduction of an accrued liability recorded in the original purchase accounting resulting in a corresponding decrease in goodwill. In the third quarter of fiscal 2008, the Company recorded the final purchase consideration with a corresponding increase in goodwill of $25.0 million based on the achievement of a certain level of revenue for one year period ending October 2007.

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

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

The amortizable intangible assets of $149.4 million were determined based on valuation techniques such as discounted cash flows and weighted average cost of capital methods used in the high technology industry using assumptions and estimates from management. The amortizable intangible assets are being amortized over useful lives ranging from three to six years. The existing technology represents personal laser jet, laser jet systems technology and other technology that the Avago Business has developed. Core technology represents the combination of processes, patents, and trade secrets that are the building blocks for current and planned new products. Customer relationships represent future projected revenue that will be derived from sales of future versions of existing products that will be sold to existing customers.

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

ICAP Business

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

The purchase price of the acquisition was $605.9 million, determined as follows (in thousands):

Cash	$	600,000
Transaction costs		5,857
Total purchase price	$	605,857

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

Prepaid expenses	$ 3,847
Fixed assets	45,076
Deferred tax asset	4,550
Other assets	4,864
Severance pay fund	13,301
Long-term deferred tax asset	813
Accrued liabilities	(6,577)
Accrued compensation	(12,236)
Accrued supply agreement	(219,000)
Long-term liabilities	(14,831)
	(180,193)
Amortizable intangible assets:	
Existing technology	190,700
Core technology	136,300
Customer relationships	59,900
In-process research and development	77,800
Goodwill	321,350
Total purchase price allocation	$ 605,857

The amortizable intangible assets of $386.9 million were determined based on valuation techniques such as discounted cash flows and weighted average cost of capital methods used in the high technology industry using assumptions and estimates from management. The amortizable intangible assets are being amortized over useful lives ranging from one to seven years. The existing technology comprises of products which have reached technological feasibility and includes the chipsets which have been completed and shipping in volume to customers. Core technology and patents represent a combination of processes, patents and trade secrets developed though years of experience in design and development of the products. Customer relationships represent future projected revenue that will be derived from sales of future versions of existing products that will be sold to existing customers. The Company has not provided a deferred tax liability on $386.9 million of purchased intangibles during the year as the intangibles are recorded in jurisdictions with a zero tax rate.

Of the total purchase price, $77.8 million was allocated to in-process research and development (IPRD) based upon the fair values of assets acquired and was charged to expense in the fourth quarter of fiscal 2007. The ICAP Business was developing new products that had not reached technological feasibility and which had no alternative use and therefore was immediately written-off. The projects in process consisted of the development of new features and functionalities for sophisticated processors necessary to address customer needs, drive market acceptance and fuel the overall revenue growth profile of the acquired products. The values assigned to IPRD were determined by considering the importance of products under development to the overall development plan, estimating costs to develop the purchased IPRD into commercially viable products, estimating the resulting net cash flows from the projects when completed and discounting the net cash flows to their present value. The fair values of IPRD were determined using the income approach, which discounts expected future cash flows to present value. The discount rates used in the present value calculations were derived from a weighted-average

17

cost of capital analysis, adjusted to reflect additional risks related to the product s development and success as well as the product s stage of completion. Discount rates ranging from 24.0% to 27.0% were used for IPRD. At the time of the acquisition, there were three significant projects in progress that were approximately 56.0% complete with aggregate costs to complete of $31.0 million. Two of the projects have been completed and the third project is expected to be completed by the fourth quarter of fiscal 2008.

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

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

In conjunction with the acquisition of the ICAP Business, the Company entered into a supply agreement with Intel. The supply agreement obligates the Company to purchase certain finished product and sorted wafers at a contracted price from Intel for a contracted period of time. The contracted period of time can differ between finished products and sorted wafers. Intel s pricing to the Company was greater than comparable prices available to the Company in the market in almost all cases. In accordance with purchase accounting, the Company recorded a liability at contract signing representing the difference between Intel prices and comparable market prices for those products for which the Company had a contractual obligation. Once that obligation ends, the Company can purchase products from its own foundries and subcontractors or continue to use Intel until the products have transitioned to the Company s foundries and subcontractors. If these transitions do not occur in a timely fashion and the Company continues to purchase sorted wafers and finished products from Intel, then the Company s gross margins could be adversely impacted.

The Company reduces its inventory carrying value as product is purchased. Since the Company is obligated to purchase finished products and sorted wafers at prices above which a market participant could obtain from independent foundries and assembly/test subcontractors, the Company writes down inventory on hand to fair value. The Company also imputes and records interest expense on the supply agreement since the supply agreement liability will be incurred over multiple quarters into the future and thus the liability was initially recorded at net present value. See Note 3 for changes in the supply contract liability and Note 6 for the contractual commitments of the supply agreement.

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

		Three Months Ended October 28, 2006		Nine Months Ended October 28, 2006
Net revenue	$	631,654	$	1,949,346
Net loss	$	(148,636)	$	(340,044)
Basic net loss per share	$	(0.25)	$	(0.58)
Diluted net loss per share	$	(0.25)	$	(0.58)

<u>Other acquisitions</u>

During fiscal 2007, the Company completed the acquisition of the assets of two other businesses from unrelated parties with purchase prices totaling $16.7 million. Under the purchase method of accounting, the total purchase price was allocated to net tangible and intangible assets based on their fair values as of the date of the completion of the respective acquisitions. The Company recorded acquired net tangible assets of $0.4 million, deferred tax liability of $3.0 million, amortizable intangible assets of $10.1 million and goodwill of $9.2 million. The intangible assets are being amortized over their useful lives ranging from one to eight years.

During the second quarter of fiscal 2008, the Company completed the acquisition of an unrelated private company that designed and developed software for optical storage applications for a purchase price of $9.6 million. Under the purchase method of accounting, the total purchase price was allocated to net tangible and intangible assets based on their fair value as of the date of the completion of the acquisition. The Company recorded acquired net tangible assets of $3.5 million, deferred tax liability of $0.5 million, amortizable intangible assets of $1.3 million and goodwill of $5.3 million. The intangible assets are being amortized over their useful lives ranging from three to five years.

18

Note 5. Goodwill and Acquired Intangible Assets

	As of October 27, 2007			As of January 27, 2007		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Purchased technology	$ 703,798	$ (518,073)	$ 185,725	$ 703,398	$ (462,403)	$ 240,995
Core technology	209,700	(52,250)	157,450	209,700	(23,508)	186,192
Trade name	300	(118)	182	100	(100)	
Customer contracts	183,000	(57,703)	125,297	183,000	(30,318)	152,682
Supply contract	700	(107)	593	900	(211)	689
Non-competition	900	(379)	521			
Total intangible assets	$ 1,098,398	$ (628,630)	$ 469,768	$ 1,097,098	$ (516,540)	$ 580,558

The increase in goodwill during the third quarter of fiscal 2008 of $25.0 million was due to goodwill recorded for contingent consideration from the acquisition of the Avago Business. The increase in goodwill during the first nine months of fiscal 2008 was due to $23.7 million of goodwill primarily for contingent consideration recorded from the acquisition of the Avago Business (see Note 4) and other adjustments as well as $5.3 million of goodwill from the acquisition of a private company.

The increase in purchased intangibles during the three and nine months ended October 27, 2007 was from the acquisition of a private company during the three months ended July 28, 2007.

Purchased technology is amortized on a straight-line basis over their estimated useful lives of one to six years. Core technology is amortized on a straight-line basis over its estimated useful lives of one to eight years. Trade name is amortized on a straight-line basis over its estimated useful life of five years. Customer contracts and related relationships are amortized on a straight-line basis over their estimated useful lives of four to seven years. The supply contract is amortized on a straight-line basis over its estimated useful life of four years. Non-competition is amortized on a straight-line basis over three years. The aggregate amortization expense of identified intangible assets was $37.3 million in the third quarter of fiscal 2008, $27.4 million in the third quarter of fiscal 2007, $111.9 million in the first nine months of fiscal 2008 and $72.2 million in the first nine months of fiscal 2007. The estimated total amortization expenses of acquired intangible assets are $36.5 million for the remaining three months of fiscal 2008, $142.4 million in fiscal 2009, $115.4 million in fiscal 2010, $83.1 million in fiscal 2011, $40.9 million in fiscal 2012, $29.8 million in fiscal 2013, $21.4 million in fiscal 2014 and $0.2 million for fiscal 2015.

Note 6. Commitments and Contingencies

Warranty Obligations

The following table presents changes in the warranty accrual included in accrued liabilities during the three and nine months ended October 27, 2007 and October 28, 2006 (in thousands):

	Three Months Ended		Nine Months Ended	
	October 27, 2007	October 28, 2006	October 27, 2007	October 28, 2006
Warranty accrual (included in accrued liabilities):				
Beginning balance	$ 2,380	$ 3,983	$ 2,567	$ 3,914
Warranties issued	397		756	339
Settlements	(310)	(215)	(856)	(485)
Ending balance	$ 2,467	$ 3,768	$ 2,467	$ 3,768

Purchase Commitments

In connection with the acquisition of the ICAP Business, the Company entered into a product supply agreement with Intel. Under the terms of the agreement the Company has committed to purchase a minimum number of wafers through June 2008. If at the end of any fiscal quarter for Intel, there is a shortfall between the quantity of supply ordered by the Company and the quantities of supply required under the supply agreement commitment, Intel will invoice the Company for the shortfall and will deliver the corresponding quantity upon receipt of payment from the Company. The agreement requires the Company to prepay for certain wafers six months in advance of delivery and issue non cancellable purchase orders at least six months in advance of requested delivery dates for all purchases under the supply agreement. As of October 27, 2007, the Company recorded $22.8 million in prepaid assets for prepayment of wafers and had non cancellable purchase orders outstanding of $125.6 million.

Under the Company s manufacturing relationships with all other foundries, cancellation of all outstanding purchase orders are allowed but require repayment of all expenses incurred through the date of cancellation. As of October 27, 2007, these foundries had incurred approximately $211.4 million of manufacturing expenses on the Company s outstanding purchase orders.

On February 28, 2005 and as amended on March 31, 2005, the Company entered into an agreement with a foundry to reserve and secure foundry fabrication capacity for a fixed number of wafers at agreed upon prices for a period of five and a half years beginning on October 1, 2005. In return, the Company agreed to pay the foundry $174.2 million over a period of eighteen months. The amendment extends the term of the agreement and the agreed upon pricing terms until December 31, 2015. As of October 27, 2007, payments totaling $174.2 million which are included in prepaid expenses and other current assets and other non-current assets had been made and approximately $121.5 million of the prepayment had been utilized. At October 27, 2007, there were no outstanding commitments under the agreement.

As of October 27, 2007, the Company had approximately $63.1 million of other outstanding non-cancellable purchase orders for capital purchase obligations.

Contingencies

IPO Securities Litigation. On July 31, 2001, a putative class action suit was filed against two investment banks that participated in the underwriting of the Company s initial public offering, or IPO, on June 29, 2000. That lawsuit, which did not name Marvell or any of our officers or directors as defendants, was filed in the United States District Court for the Southern District of New York. Plaintiffs allege that the underwriters received excessive and undisclosed commissions and entered into unlawful tie-in agreements with certain of their clients in violation of Section 10(b) of the Securities Exchange Act of 1934. Thereafter, on September 5, 2001, a second putative class action was filed in the Southern District of New York relating to our IPO. In this second action, plaintiffs named three underwriters as defendants and also named as defendants Marvell and two of our officers, one of whom is also a director. Relying on many of the same allegations contained in the initial complaint in which we were not named as a defendant, plaintiffs allege that the defendants violated various provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934. In both actions, plaintiffs seek, among other items, unspecified damages, pre-judgment interest and reimbursement of attorneys and experts fees. These two actions relating to our IPO have been consolidated with hundreds of other lawsuits filed by plaintiffs against approximately 40 underwriters and approximately 300 issuers across the United States. Defendants in the consolidated proceedings moved to dismiss the actions. In February 2003, the trial court granted the motions in part and denied them in part, thus allowing the case to proceed against the underwriters and us as to alleged violations of section 11 of the Securities Act of 1933 and section 10(b) of the Securities Exchange Act of 1934. Claims against the individual officers have been voluntarily dismissed with prejudice by agreement with plaintiffs. In June 2004, a stipulation of settlement and release of claims against the issuer defendants, including the Company, was submitted to the court for approval. On August 31, 2005, the court preliminarily approved the settlement. In December 2006, the appellate court overturned the certification of classes in the six test cases that were selected by the underwriter defendants and plaintiffs in the coordinated proceedings. Because class certification was a condition of the settlement, it was unlikely that the settlement would receive final Court approval. On June 25, 2007, the Court entered an order terminating the proposed settlement based upon a stipulation among the parties to the settlement. Plaintiffs have filed amended master allegations and amended complaints in the six focus cases and have moved for class certification. On December 21, 2007, responsive briefs are due. On February 15, 2008 reply briefs are due.

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

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

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

CSIRO Litigation. In 2004, Australia s Commonwealth Scientific and Industrial Research Organisation (CSIRO) sent notice letters to a number of Wi-Fi System manufacturers regarding CSIRO s patent, U.S. Patent No. 5,487,069 as it relates to IEEE 802.11a and 802.11g wireless standards. In May 2005, a group of system manufacturers, including customers of our 802.11a or 802.11g wireless LAN products, filed an action in the United States District Court for the Northern District of California seeking a declaratory judgment against CSIRO that the plaintiff manufacturers products employing the IEEE 802.11a or 802.11g wireless standards do not infringe CSIRO s patent, U.S. Patent No. 5,487,069. In September 2006, CSIRO filed an answer and counterclaims alleging that plaintiffs products that employ those wireless standards infringe the CSIRO patent and seeking damages, including enhanced damages and attorneys fees and costs, and an injunction against sales of infringing products. In December 2006, the district court granted CSIRO s motion to transfer the case to the United States District Court for the Eastern District of Texas, where CSIRO had brought a similar lawsuit against another company. As a result of CSIRO s counterclaims for patent infringement, a customer of ours has sought indemnification from us. Also in December 2006, CSIRO filed suit in the United States District Court for the Eastern District of Texas against several manufacturers and suppliers of wireless products, including customers of our 802.11a or 802.11g wireless LAN products. The complaint alleges that the manufacture, use and sale of wireless products compliant with the IEEE 802.11a or 802.11g wireless standards infringes on the CSIRO patent. As a result of CSIRO s claim for patent infringement, another customer of ours has sought indemnification from us. In response to these demands for indemnification, the Company has acknowledged the demands and incurred costs in response to them.

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

On May 4, 2007, the Company filed an action in the United States District Court for the Eastern District of Texas seeking a declaratory judgment against CSIRO that the CSIRO patent is invalid and unenforceable and that the Company and its customers do not infringe the CSIRO patent. The complaint also seeks damages and a license for the Company and its customers on reasonable and non-discriminatory terms in the event the Company s 802.11a/g wireless LAN products are found to infringe and the CSIRO patent is found to be valid and enforceable. On August 3, 2007, CSIRO moved to dismiss the complaint for lack of case or controversy and failure to state a claim upon which relief can be granted, or, in the alternative, to stay the case pending the resolution of the pending lawsuits described in the preceding paragraph. On October 24, 2007, the Court issued an order denying CSIRO s motion to dismiss. The Court also denied the Company s motions to stay/intervene/disqualify.

The Claim Construction hearing is set for June 26, 2008. Trial in our action is set to begin on May 10, 2010.

Shareholder Derivative Litigation. Between July 7, 2006 and August 2, 2006, three purported shareholder derivative actions were filed in the United States District Court for the Northern District of California. Each of these lawsuits names the Company as a nominal defendant and a number of the Company s current and former directors and officers as defendants.

Each lawsuit seeks to recover damages purportedly sustained by the Company in connection with its option granting processes, and seeks certain corporate governance and internal control changes. Pursuant to orders of the court dated August 17 and October 17, 2006, the three actions were consolidated as a single action, entitled *In re Marvell Technology Group Ltd. Derivative Litigation*. The plaintiffs filed an amended and consolidated complaint on November 1, 2006. On January 16, 2007, the Company filed a motion to dismiss the consolidated complaint for lack of standing or, in the alternative, stay proceedings. Pursuant to stipulations among the parties and orders of the court, our motion is currently scheduled to be heard on March 14, 2008.

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

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

Class Action Securities Litigation. Between October 5, 2006 and November 13, 2006, four putative class actions were filed in the United States District Court for the Northern District of California against the Company and certain of its officers and directors. The complaints allege that the Company and certain of its officers and directors violated the federal securities laws by making false and misleading statements and omissions relating to the grants of stock options. The complaints seek, on behalf of persons who purchased our common stock during the period from October 3, 2001 to October 3, 2006, unspecified damages, interest, and costs and expenses, including attorneys fees and disbursements. Pursuant to an order of the court dated February 2, 2007, these four putative class actions were consolidated as a single action entitled *In re Marvell Technology Group Ltd. Securities Litigation*. On August 16, 2007, plaintiffs filed a consolidated class action complaint. On October 18, 2007, the Company filed a motion to dismiss the consolidated class action complaint. The Company s motion is currently scheduled to be heard on February 1, 2008.

SEC and United States Attorney Inquiries. In July 2006, the Company received a letter of informal inquiry from the SEC requesting certain documents relating to the Company s stock option grants and practices. The Company also received a grand jury subpoena from the office of the United States Attorney for the Northern District of California requesting substantially similar documents. On April 20, 2007, the Company was informed that the SEC is now conducting a formal investigation into this matter. On June 8, 2007, the Company received a document subpoena from the SEC. On October 11, 2007, the Company received a Wells Notice from the staff of the SEC. Weili Dai, Director of Strategic Marketing and Business Development and former Chief Operating Officer, who is not an officer or director of Marvell, also received a notice. The staff also advised the Company that it is not at this time recommending enforcement action against any current officers or directors of Marvell. The notices indicate that the staff intends to recommend to the Commission that it bring civil actions against the recipients for injunctive relief and civil monetary penalties. As the Company has previously disclosed, the Company has the opportunity to respond in writing to the Wells Notice and/or reach a resolution of this matter before any action is filed. The Company has submitted a written response to the Wells Notice and are awaiting the Commission s response to the Company s submission.

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

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

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

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

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

Note 7. Stock-Based Compensation

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

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

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

Cumulative Effect of Change in Accounting Principle

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

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

	Three Months Ended		Nine Months Ended	
	October 27, 2007	**October 28, 2006**	**October 27, 2007**	**October 28, 2006**
Cost of goods sold	$ 4,326	$ 2,602	$ 10,619	$ 8,497
Research and development	39,989	26,322	106,622	93,003
Selling and marketing	6,949	6,502	25,097	23,198
General and administrative	4,092	6,702	18,682	21,796
	$ 55,356	$ 42,128	$ 161,020	$ 146,494

The following assumptions were used for each respective period to calculate the weighted average fair value of each option award on the date of grant using the Black-Scholes option pricing model:

	Stock Option Plans Three Months Ended		ESPP Three Months Ended	
	October 27, 2007	**October 28, 2006**	**October 27, 2007**	**October 28, 2006**
Volatility	45%	%	45%	%
Expected life (in years)	5.0		1.3	
Risk-free interest rate	4.3%	%	4.9%	%
Dividend yield				
Weighted average fair value	$ 7.33		$ 5.62	

	Stock Option Plans Nine Months Ended		ESPP Nine Months Ended	
	October 27, 2007	**October 28, 2006**	**October 27, 2007**	**October 28, 2006**
Volatility	45%	59%	45%	%
Expected life (in years)	5.0	4.7	1.3	
Risk-free interest rate	4.4%	4.7%	4.9%	%
Dividend yield				
Weighted average fair value	$ 7.41	$ 15.13	$ 5.62	

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

Expected volatility under SFAS 123R was developed based on the average of the Company s historical daily stock price volatility.

SFAS 123R also requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. From January 29, 2006, stock-based compensation expense was recorded net of estimated forfeitures such that expense was recorded only for those stock-based awards that are expected to vest.

Note 8. Shareholders Equity

Stock Plans

In April 1995, the Company adopted the 1995 Stock Option Plan (the Option Plan). The Option Plan, as amended, had 324,289,786 common shares reserved for issuance thereunder as of October 27, 2007. Options granted under the Option Plan generally have a term of ten years and generally must be issued at prices not less than 100% and 85% for incentive and nonqualified stock options, respectively, of the fair market value of the stock on the date of grant. Incentive stock options granted to shareholders who own greater than 10% of the outstanding stock are for periods not to exceed five years and must be issued at prices not less than 110% of the fair market value of the stock on the date of grant. The options generally vest 20% one year after the vesting commencement date, and the remaining shares vest one-sixtieth per month over the remaining forty-eight months. Options granted under the Option Plan prior to March 1, 2000 may be exercised prior to vesting. The Company has the right to repurchase such shares at their original purchase price if the optionee is terminated from service prior to vesting. Such right expires as the options vest over a five-year period. Options granted under the Option Plan subsequent to March 1, 2000 may only be exercised upon or after vesting.

In August 1997, the Company adopted the 1997 Directors Stock Option Plan (the 1997 Directors Plan). The 1997 Directors Plan had 3,600,000 shares of common stock reserved thereunder as of July 28, 2007. Under the 1997 Directors Plan, an outside director is granted 30,000 options upon appointment to the Board of Directors. These options vest 20% one year after the vesting commencement date and remaining shares vest one-sixtieth per month over the remaining forty-eight months. An outside director is also granted 6,000 options on the date of each annual meeting of the shareholders. These options vest one-twelfth per month over twelve months after the fourth anniversary of the vesting commencement date. Options granted under the 1997 Directors Plan may be exercised prior to vesting. The Company has the right to repurchase such shares at their original purchase price if the director is terminated or resigns from the Board of Directors prior to vesting. Such right expires as the options vest over a five-year period. The 1997 Directors Plan has not been registered on Form S-8.

In October 2007, the Company adopted the 2007 Directors Stock Incentive Plan (the Directors Plan). The Directors Plan had 750,000 shares of common stock reserved for issuance thereunder as of October 27, 2007. Under the Directors Plan, an outside director is granted options of 50,000 common shares upon appointment to the Board of Directors. These options vest 1/3rd on the one year anniversary of the date of grant and 1/3rd of the shares on each anniversary thereafter. An outside director who has served on the board of directors for the prior six months is also granted options of 12,000 common shares on the date of each annual meeting of the shareholders. These options vest 100% on the one year anniversary of the date of grant.

In addition, the Company can also grant restricted stock. Restricted stock are share awards that entitle the holder to receive tradable shares of the Company s common shares upon vesting.

Employee Stock Purchase Plan

In June 2000, the Company adopted the 2000 Employee Stock Purchase Plan (the Purchase Plan). The Purchase Plan had 33,871,612 common shares reserved for issuance thereunder as of October 27, 2007. Under the Purchase Plan, employees are 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. Participants purchase stock using payroll deductions, which may not exceed 20% of their total cash compensation. Offering and purchase periods begin on December 8 and June 8 of each year. For the three and nine months ended October 27, 2007, there was no stock-based compensation expense related to the activity under the Purchase Plan. The Company did not issue any shares under the Purchase Plan in the three and nine months ended October 27, 2007. As of October 27, 2007, there was no unrecognized compensation cost related to the Purchase Plan.

Stock option activity under the Company s stock plans for the nine months ended October 27, 2007 is summarized below (in thousands, except per share amounts):

	Options Outstanding (In thousands)	Weighted Average Exercise Price	Restricted Stock Outstanding (In thousands)
Balance at January 27, 2007	118,627	$ 13.72	2,568
Granted	9,779	$ 16.47	127
Forfeited/canceled/expired	(9,562)	$ 16.25	(274)
Exercised	(4,531)	$ 7.60	
Vested		$	(458)
Balance at October 27, 2007	114,313	$ 14.11	1,963
Vested or expected to vest at October 27, 2007	107,253	$ 13.67	1,799
Exercisable at October 27, 2007	54,333	$ 8.85	

Included in the preceding table are options to purchase 1,690,000 shares granted to certain officers at an exercise price of $24.80 that will become exercisable only upon the achievement of specified annual earnings per share targets through fiscal 2010.

The aggregate intrinsic value and weighted average remaining contractual term of options vested and expected to vest at October 27, 2007 was $587.3 million and 6.6 years, respectively. The aggregate intrinsic value and weighted average remaining contractual term of options exercisable at October 27, 2007 was $495.0 million and 5.1 years, respectively. The aggregate intrinsic value is calculated based on the Company s closing stock price for all in-the-money options as of October 27, 2007.

The aggregate intrinsic value and weighted average remaining contractual term of restricted stock vested and expected to vest as of October 27, 2007 was $30.3 million and 0.9 years, respectively.

Included in the table below is activity related to the nonvested portion of restricted stock arrangements as follows (in thousands):

	Nonvested Restricted Stock Outstanding	Weighted Average Grant Date Fair Value
Balance at January 27, 2007	2,708	$ 20.10
Granted	127	$ 17.19
Vested	(504)	$ 16.79
Canceled/Forfeited	(274)	$ 19.24
Balance at October 27, 2007	2,057	$ 19.83

The Company s current practice is to issue new shares to satisfy share option exercises. As of October 27, 2007, compensation costs related to nonvested awards not yet recognized amounted to $460.1 million. The unamortized compensation expense for stock options and restricted stock will be amortized on a straight-line basis and is expected to be recognized over a weighted-average period of 2.3 years, respectively.

There was no total tax benefit attributable to options exercised in the nine months ended October 27, 2007. The excess tax benefits from stock-based compensation of $0.3 million as reported on the condensed consolidated statement of cash flows in financing activities represents the reduction, in income taxes otherwise payable during the period, attributable to the actual gross tax benefits in excess of the expected tax benefits for options exercised in current and prior periods.

Under applicable securities laws, the Company suspended all stock option exercise transactions under its Stock Option Plan effective on the close of business on September 7, 2006. On September 8, 2006, management communicated the trading suspension, which lasted until July 13, 2007 when the Company filed all its delinquent SEC reports, to all option holders. As a result, the exercisability of all outstanding options, including vested awards held by certain separated employees, was modified. The Company recorded incremental compensation costs of $8.7 million representing the excess of the fair value of the modified award over the fair value of the original award immediately before filing of the Company s delinquent SEC reports, on affected awards in the second quarter of fiscal 2008.

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

Stock Award Activity

The Company has granted 140,000 restricted stock awards to its employees under the 1995 Stock Option Plan. Such awards generally vest over a period of five years from the date of grant. The restricted stock awards have the voting rights of common stock and the shares underlying the restricted are considered issued and outstanding. The Company expenses the cost of the restricted stock awards, which is determined to be the fair market value of the shares at the date of grant, ratably over the period during which the restrictions lapse. The grant of restricted stock awards is deducted from the shares available for grant under the Company s stock option plan. Restricted stock activity under the Company s stock option plans for the nine months ended October 27, 2007 is summarized below (in thousands, except per share amounts):

	Restricted Stock Outstanding	Weighted Average Grant Date Fair Value
Balance at January 27, 2007	140	$ 32.21
Restricted stock granted		

Restricted stock forfeited			
Restricted stock vested	(46)		32.22
Balance at October 27, 2007	94	$	32.20

A total of 46,332 restricted stock awards vested during the three and nine months ended October 27, 2007. Based on the closing price of the Company s stock of $16.85, on October 26, 2007, the total pretax intrinsic value of all outstanding restricted stock was $1.6 million.

Note 9. Income Taxes

For the three months ended October 27, 2007 and October 28, 2006, the Company s effective tax rate was an income tax benefit of 48.5% and an income tax expense of 51.7%, respectively. For the nine months ended October 27, 2007 and October 28, 2006, the Company s effective tax rate was an income tax expense of 9.0% and 22.4%, respectively. The income tax provision for these periods was affected by non-tax-deductible expenses such as SFAS 123R stock-based compensation expense, as well as the accrual of liabilities, interest and penalties associated with unrecognized benefits.

During the three months ended October 27, 2007, the Company recorded a benefit of $15.4 million arising from the reversal of certain reserves including penalties upon the completion of a foreign tax audit, which resulted in a benefit for the three month period ended October 27, 2007 and reduced the Company s income tax provision for the nine months ended October 27, 2007. Offsetting the decrease in the effective tax rate for the three and nine months ended October 27, 2007 was the fact that a smaller proportion of profit was earned in zero or lower tax jurisdictions and as well as providing income taxes on discrete items and unrecognized income tax benefits.

Effective January 28, 2007, the Company adopted the provisions of FIN 48. The adoption of FIN 48 did not result in any reclassifications of uncertain income tax liabilities and did not have a cumulative impact to retained earnings. As of January 28, 2007, the Company s liabilities for unrecognized income tax benefits totaled $116.8 million which included interest and penalties of $31.5 million. If recognized, all of the FIN 48 liabilities recorded as of the date of adoption will impact the effective tax rate. As of October 27, 2007, the Company s interest and penalties expense associated with FIN 48 liabilities balance was $33.1 million.

In accordance with the Company s accounting policy, the Company recognizes accrued interest and penalties related to unrecognized tax benefits as a component of income tax provision. This policy did not change as a result of the adoption of FIN 48.

The Company conducts business globally and, as a result, one or more of its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. The Company is subject to examination by tax authorities throughout the world, including such major jurisdictions as Singapore, Japan, Taiwan, China, India, Germany, Israel, Netherlands, Switzerland, the United Kingdom, and the United States. The Company is subject to non-U.S. income tax examinations for years beginning with fiscal year 2002 and for U.S. income tax examinations beginning with fiscal year 2004. The U.S. subsidiaries are currently under audit by the U.S. tax authorities for the fiscal years 2004, 2005 and 2006. The U.S. tax authorities are also reviewing employment taxes with regard to the re-measured stock options. The Company has accrued for the employment taxes and believes that it has adequately provided for this liability. The foreign tax authorities have concluded an audit of one of the Company s foreign subsidiaries for the tax years 2005, 2006 and 2007 during the third quarter of fiscal 2008. Therefore, the Company has performed a remeasurement of tax reserves previously accrued for these years and concluded that the remaining balances are not required because the likelihood of future audit or assessment is remote. It is possible that the amount of the liability for unrecognized income tax benefits, including the unrecognized income tax benefit positions which have been taken during the audit cycles referenced above, may change within the next 12 months. The Company believes that it has adequately provided for any assessments. The income tax rate will be affected as events occur, income tax audits conclude or statutes of limitations expire. An estimate of the range of possible changes in the effective income tax rate cannot be made at this time.

Note 10. Related Party Transactions

During the third quarters of fiscal 2008 and 2007, the Company incurred approximately $14,000 and $1,000, respectively, of expenses from an unrelated third-party entity, ACM Aviation, Inc. (ACM), for charter aircraft services provided to Marvell Semiconductor, Inc. (MSI) for Estopia Air LLC (Estopia Air). During the first nine months of fiscal 2008 and 2007, the Company incurred approximately $0.1 million and $0.5 million, respectively, of expenses from ACM, for charter aircraft services provided to MSI. The aircraft provided by ACM to the Company for such services is owned by Estopia Air. The Company s Chairman, President and Chief Executive Officer, Dr. Sehat Sutardja and the Company s Director of Strategic Marketing and Business Development, Weili Dai, through their control and ownership of Estopia Air, own the aircraft provided by ACM. Dr. Sutardja and Weili Dai are husband and wife. Expenses were incurred for business travel use of the aircraft at a cost determined to be at fair market value.

On August 19, 2005, the Company, through its subsidiaries MSI and Marvell International Ltd., entered into a License and Manufacturing Services Agreement (the License Agreement) with C2 Microsystems, Inc. (C2Micro). The License Agreement has substantially similar terms as other license and manufacturing services agreements with other third parties. The Company recognized $0.2 million and no revenue under the License Agreement with C2 Micro during the third quarters of fiscal 2008 and 2007, respectively. The Company recognized $0.2 million and $0.3 million of revenue under the License Agreement with C2 Micro during the first nine months of fiscal 2008 and 2007, respectively. As of October 27, 2007, we had a receivable of $373,839 from C2Micro. Dr. Sehat Sutardja and Weili Dai, through their ownership and control of Estopia LLC, are indirect shareholders of C2Micro. Kuo Wei (Herbert) Chang, a member of the Company s Board of Directors, through his ownership and control of C-Squared venture entities, is also an indirect shareholder of C2Micro. Dr. Pantas Sutardja, the Company s Vice President, Chief Technology Officer, Acting Chief Operating Officer and Chief Research and Development Officer, is also a shareholder of C2Micro.

On January 8, 2007, the Company, through its subsidiary Marvell International Ltd., entered into a Library/IP/Software Evaluation License Agreement (the Evaluation License Agreement) with VeriSilicon Holdings Co., Ltd. (VeriSilicon). The Evaluation License Agreement has no consideration. The Company also incurred $0.1 and $0.4 million of royalty expense from VeriSilicon under a core license agreement assumed from its acquisition of the UTStarcom Business during the three and nine months ended October 27, 2007, respectively. In addition, the Company incurred $37,500 of maintenance expense from VeriSilicon during the nine months ended October 27, 2007. Weili Dai's brother (and Dr. Sehat Sutardja's brother-in-law) is the Chairman, President and Chief Executive Officer of VeriSilicon. Ms. Dai is also a shareholder of VeriSilicon.

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

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

Note 11. Subsequent Events

In November 2007, the Company filed a tender offer to correct its misdated stock options. The tender offer will permit the Company to give employees the opportunity to correct the §409A United States tax issues with the stock options and therefore exercise stock options without incurring a penalty tax. The tender offer will amend certain outstanding options and provide restrictive stock unit grants and/or cash payments as set forth under the Offer to Amend the Exercise Price of Certain Options to employees with misdated options. As of October 2, 2007, the Company has not determined the amount stock compensation expense to be recorded in connection with the granting of restricted stock to compensate employees for the value loss in correcting the misdated options.

In November 2007, the Company announced a plan (the Plan) to reduce operating expenses and help meet financial targets with a worldwide reduction in force of approximately 400 employees, or approximately 7% of its total workforce. The Company expects to incur a restructuring charge in connection with the Plan of up to $8.0 million in the fourth quarter of fiscal 2008 related to severance and other expenses. The workforce reduction will affect all functions of the Company s global workforce, and in particular positions based in the United States and Israel, and to a lesser degree, other international locations. The Plan is expected to be completed in the fourth quarter of fiscal 2008.

Item 2. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

The statements contained in this Quarterly Report on Form 10-Q that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding our expectations, beliefs, intentions or strategies regarding the future. Words such as anticipates, expects, intends, plans, believes, seeks, estimates, can, and similar expressions identify such forward-looking statements. These are statements that relate to future periods and include statements relating to our anticipation that the rate of new orders and shipments will vary significantly from quarter to quarter; industry trends; our anticipation that the total amount of sales through international distributors will increase in future periods; our expectation that a significant percentage of our sales will continue to come from direct sales to key customers; our expectations regarding our supply agreement; our expectations regarding the number of days in inventory, inventory levels, and levels of accounts receivable; our expectation of additional growth in fiscal 2008 due to various reasons, including expected increases in shipments of cellular and handheld, printer ASIC and our WLAN products from new design wins, and our belief that our analog, mixed signal, digital signal processing and embedded microprocessor integrated circuit technology can be leveraged into other large volume and diverse markets; the potential opportunities for a new generation of integrated circuit solutions in response to growing demand for products enabling the storage, transmission and management of large volumes of data at high speeds; the anticipated benefits of consolidating our facilities and the sufficiency of our facilities; the anticipated features and benefits of our technology solutions; our strategy and components of our strategy, including our intention to expand our market position by developing new signal processing technologies, to leverage our technology for broadband communications applications, to continue to extend our leadership position for storage market applications, and to strengthen and expand our relationship with customers using a variety of techniques; the anticipated needs of our customers; our expectations to transition our semiconductor products to increasingly smaller line width geometries; the benefits of our fabless manufacturing approach; our expectations regarding competition; our intention to reduce product costs to offset decreases in average selling prices; our plan to attract new customers by reducing our prices; the anticipated effect of our plan to reduce operating expenses by reducing our workforce; our continued efforts relating to the protection of our intellectual property; our expectations regarding the amount of customer concentration in the future; the amount of our future sales in Asia; our intention to continue to invest significant resources for research and development; our expected results, cash flows, and expenses, including those related to sales and marketing, research and development and general and administrative; our intention to complete acquired in-process research and development projects; our intention to make acquisitions, investments, strategic alliances and joint ventures; our expectations regarding revenue, sources of revenue and make-up of revenue; our expectation regarding gross profits and gross margins and events that may cause them to fluctuate; our plan to raise funds to prepay loan obligations or consummate acquisitions; our expectations regarding the impact of legal proceedings and claims; our expectations regarding the adequacy of our capital resources to meet our capital needs; our expectations regarding the growth in business and operations; our expectations regarding our compliance with SEC periodic reporting requirements and NASDAQ listing requirements; our expectations regarding the impact of the restatement of our financial statements in connection with the internal review of our historical stock option granting; our expectations regarding an impairment review of our goodwill and intangible assets; our plans regarding remediation of material weakness and expectations regarding the effectiveness of those remediation efforts; our plan regarding dividends; our plan regarding forward exchange contracts; and the effect of recent accounting pronouncements and changes in taxation rules. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements. Factors that could cause actual results to differ materially from those predicted, include but are not limited to, the impact of international conflict and continued economic volatility in either domestic or foreign markets; the impact of natural disasters; our dependence upon the hard disk drive industry which is highly cyclical; our ability to scale our operations in response to changes in demand for existing or new products and services; our maintenance of an effective system of internal controls; our dependence on a small number of customers; our ability to develop new and enhanced products; the impact of our complex products on market acceptance of our new products and our reputation with current or prospective customers, our success in integrating businesses we acquire and the impact such acquisitions may have on our operating results; our ability to estimate customer demand accurately; the success of our strategic relationships with customers; our reliance on independent foundries and subcontractors for the manufacture, assembly and testing of our products; our ability to manage *future growth; the development and evolution of markets for our integrated circuits; our ability to protect our intellectual property; the impact of any change in our application of the United States federal income tax laws and the loss of any beneficial tax treatment that we currently enjoy; the impact of changes in international financial and regulatory conditions; the impact of changes in management; the impact of certain covenants on our ability to obtain debt financing and the effects resulting from them; the risk that other remediation efforts will be insufficient to address our material weakness in internal controls and the outcome pending or future litigation and legal proceedings. Additional factors, which could cause actual results to differ materially, include those set forth in the following discussion, as well as the risks discussed in Item 1A, Risk Factors. These forward-looking statements speak only as of the date hereof. Unless required by law, we undertake no obligation to update publicly any forward-looking statements.*

Overview

We are a leading global semiconductor provider of high-performance analog, mixed-signal, digital signal processing and embedded microprocessor integrated circuits. Our diverse product portfolio includes switching, transceiver, wireless, PC connectivity, gateways, communications controller and storage and power management solutions that serve diverse applications used in business enterprises, consumer electronics and emerging markets. We are a fabless integrated circuit company, which means that we rely on independent, third-party contractors to perform manufacturing, assembly and test functions. This approach allows us to focus on designing, developing and marketing our products and significantly reduces the amount of capital we need to invest in manufacturing products. In January 2001, we acquired Galileo Technology Ltd. (now Marvell Semiconductor Israel Ltd, or MSIL) in a stock-for-stock transaction for aggregate consideration of approximately $2.5 billion. MSIL develops high-performance internetworking and switching products for the broadband communications market. In June 2003, we acquired RADLAN Computer Communications Ltd. (RADLAN), a leading provider of embedded networking software, for aggregate consideration of approximately $134.7 million. In November 2005, we acquired the hard disk and tape drive controller business of QLogic Corporation for approximately $232.5 million. The acquired business designs and supplies controller chips for data storage peripherals, such as hard disk and tape drives. In February 2006, we acquired the semiconductor design business of UTStarcom, Inc. for approximately $40.8 million. The semiconductor design business of UTStarcom designed and supplied chipsets for cellular phone applications. In May 2006, we acquired the printer semiconductor business of Avago Technologies Limited for $288.0 million. The printer semiconductor division of Avago designed and developed system-on-chip and system level solutions for both inkjet and laser jet printer systems. In November 2006, we completed the acquisition of the communications and applications processor business of Intel Corporation for approximately $605.9 million. The communications and applications processor business of Intel designed and developed cellular baseband processors for multi-mode, multi-band wireless handheld devices such as cellular handsets, PDAs and smartphones.

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

Our sales have historically been made on the basis of purchase orders rather than long-term agreements. In addition, the sales cycle for our products is long, which may cause us to experience a delay between the time we incur expenses and the time revenue is generated from these expenditures. We expect to increase our research and development, selling and marketing, and general and administrative expenditures as we seek to expand our operations. We anticipate that the rate of new orders may vary significantly from quarter to quarter. Consequently, if anticipated sales and shipments in any quarter do not occur when expected, expenses and inventory levels could be disproportionately high, and our operating results for that quarter and future quarters may be adversely affected.

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

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates, and such differences could affect the results of operations reported in future periods. For a description of our critical accounting policies and estimates, please refer to the Critical Accounting Policies and Estimates section of our Management s Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended January 27, 2007. There have been no material changes in any of our accounting policies during fiscal 2008.

On January 28, 2007, we adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109 (FIN 48) to account for uncertain tax positions. Adoption of FIN 48 did not have any impact on our unaudited condensed consolidated statement of operations, and the impact on our unaudited condensed consolidated balance sheets is summarized in Note 9 Income Taxes. The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. As such, we are required to make many subjective assumptions and judgments regarding our income tax exposures. Interpretations of and guidance surrounding income tax laws and regulations are subject to change over time. As such, changes in our subjective assumptions and judgments can materially affect our consolidated financial position, results of operations and cash flows.

Results of Operations

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

	Three Months Ended		**Nine Months Ended**	
	October 27, 2007	**October 28, 2006**	**October 27, 2007**	**October 28, 2006**
Net revenue	100.0%	100.0%	100.0%	100.0%
Operating costs and expenses:				
Cost of goods sold	52.3	49.2	51.7	48.0
Research and development and other	33.2	29.4	35.2	26.9
Selling and marketing	6.1	7.3	7.3	7.2
General and administrative	4.3	7.8	4.4	4.9
Amortization of acquired intangible assets	4.9	5.2	5.5	4.4
Total operating costs and expenses	100.8	98.9	104.1	91.4
Operating (loss) income	(0.8)	1.1	(4.1)	8.6
Interest and other income, net	0.6	1.4	0.4	1.1
Interest expense	(1.4)	(0.1)	(1.5)	(0.1)
(Loss) income before income taxes	(1.6)	2.4	(5.2)	9.6
(Benefit) provision for income taxes	(0.8)	1.2	0.5	2.1
(Loss) income before change in accounting principle	(0.8)	1.2	(5.7)	7.5
Cumulative effect of change in accounting principle, net of tax effect				0.5
Net (loss) income	(0.8)%	1.2%	(5.7)%	8.0%

Three and Nine Months Ended October 27, 2007 and October 28, 2006

Net Revenue

	Three Months Ended			Nine Months Ended		
	October 27, 2007	October 28, 2006	Percent Change	October 27, 2007	October 28, 2006	Percent Change
Net revenue	$ 758,246	$ 520,398	45.7%	$ 2,050,007	$ 1,615,579	26.9%

Net revenue consists primarily of product revenue from sales of our semiconductor devices, and to a much lesser extent, development revenue derived from development contracts with our customers. Net revenue is gross revenue, net of accruals for estimated sales returns and allowances and rebates. The increase in net revenue in the third quarter of fiscal 2008 compared to the third quarter of fiscal 2007 reflects an increase in volume shipments of our cellular and handset products which increased $142.1 million due to increased demand and acceptance of our products. Additionally, net revenue for our wireless products increased due to increased seasonal demand and customer ramps of our wireless products used in consumer applications. The increase in net revenue for cellular and handheld products was from our initial shipments commencing in November 2006 from the acquisition of the applications and communications processor business from Intel Corporation. The increase in net revenue in the first nine months of fiscal 2008 compared to the first nine months of fiscal 2007 reflects an increase in volume shipments of our cellular and handset products which increased $392.2 million due to increased demand and acceptance for the products. Net revenue derived from development contracts increased in absolute dollars during the third quarter and first nine months of fiscal 2008 as compared to the third quarter and first nine months of fiscal 2007, but represented less than 10% of net revenue for each period.

Historically, a relatively small number of customers have accounted for a significant portion of our revenue. For the three months ended October 27, 2007, two customers each represented more than 10% of our net revenue, for a combined total of 26% of our net revenue. For the nine months ended October 27, 2007, two customers accounted for more than 10% of our net revenue with a total of 26% of our net revenue. For the three months ended October 27, 2006, three customers each represented more than 10% of our net revenue, for a combined total of 42% of our net revenue. For the nine months ended October 28, 2006, four customers each represented more than 10% of our net revenue, for a combined total of 51% of our net revenue. In addition, no distributor accounted for more than 10% of our net revenue in the three and nine months ended October 27, 2007 and in the three and nine months ended October 28, 2006.

We sell our products to many OEM manufacturers who have manufacturing operations located in Asia therefore, significant percentage of our sales are made to customers located outside of the United States. Sales to customers located in Asia represented 84% and 94% of our net revenue for the three months ended October 27, 2007 and October 28, 2006 respectively. Sales to customers located in Asia represented 83% and 93% of our net revenue for the nine months ended October 27, 2007 and October 28, 2006, respectively. The rest of our sales are to customers located in the United States and other geographic regions. We expect that a significant portion of our revenue will continue to be represented by sales to our customers in Asia. Substantially all of our sales to date have been denominated in United States dollars.

Cost of Goods Sold

	Three Months Ended			Nine Months Ended		
	October 27, 2007	**October 28, 2006**	**Percent Change**	**October 27, 2007**	**October 28, 2006**	**Percent Change**
Cost of goods sold	$ 396,209	$ 256,090	54.7%	$ 1,059,156	$ 775,398	36.6%
% of net revenue	52.3%	49.2%		51.7%	48.0%	
Gross margin	47.7%	50.8%		48.3%	52.0%	

Cost of goods sold consists primarily of the costs of manufacturing, assembly and test of integrated circuit devices and related overhead costs, product warranty costs, royalties and compensation and associated costs relating to manufacturing support, logistics and quality assurance personnel, including stock-based compensation costs. Gross margin is calculated as net revenue less cost of goods sold as a percentage of net revenue. The decrease in gross margin percentage for the three and nine months ended October 27, 2007 compared to the three and nine months ended October 28, 2006 was primarily due to lower gross margins from the cellular and handset products which commenced shipment in November 2006 as a result of the acquisition of the communications and applications processor business from Intel, and due to a higher inventory and excess and obsolescence provision. The excess and obsolescence provision increased by $5.0 million and $28.5 million for the three and nine months ended October 27, 2007, respectively, compared to the same periods in the prior year. The increase in excess and obsolescence provision was due to the mix and quantities on hand compared to forecasted demand for such products on hand including communications and applications processors and wireless products. The cellular and handset inventory that we are contractually obligated to purchase under a supply agreement with Intel are recorded at estimated fair value as required under purchase accounting. The amount credited against cost of goods sold under the supply agreement was $26.3 million and $103.9 million for the three and nine months ended October 27, 2007, respectively. We anticipate that we will continue to source cellular and handset inventory under the Intel supply agreement, and that such purchases will in significant part be beyond our minimum committed levels under the agreement. We will record such inventory at cost, which will adversely impact our gross margins relative to periods where we only purchased inventory at the minimum committed level. The supply agreement requires us to purchase inventory earlier than anticipated product shipments to our customers resulting in higher levels of inventory and associated carrying costs. As a result, the higher levels of inventory increase our risk of holding excess and obsolete inventory. Our gross margins may also fluctuate in future periods due to, among other things, changes in the mix of products sold, the timing of production ramps of new products, increased pricing pressures from our customers and competitors, particularly in the consumer product markets that we are targeting, charges for obsolete or potentially excess inventory, changes in the costs charged by our manufacturing and test subcontractors, the introduction of new products with lower margins, product warranty costs and changes in the amount of development revenue recognized.

Research and Development and Other

	Three Months Ended			Nine Months Ended		
	October 27, 2007	October 28, 2006	Percent Change	October 27, 2007	October 28, 2006	Percent Change
Research and development and other	$ 252,205	$ 152,939	64.9%	$ 722,532	$ 434,812	66.2%
% of net revenue	33.2%	29.4%		35.2%	26.9%	

Research and development and other expense consists primarily of compensation and associated costs relating to development personnel, including stock-based compensation expenses, prototype costs, contracted development work costs, depreciation and amortization expense, patent investigation and filing fees and allocated occupancy costs for these operations. The increase in research and development and other expense in absolute dollars in the third quarter of fiscal 2008 compared to the third quarter of fiscal 2007 was primarily due to net hiring of additional development personnel including personnel related to our acquisition of the communications and applications processor business of Intel in November 2006 which together resulted in an increase in salary and related costs of $45.9 million. Additionally, we incurred increased costs of $12.1 million for depreciation and amortization expense arising from purchases of property, equipment and technology licenses, increased costs of $9.9 million for prototype and related product tape-out costs for new product initiatives, increased costs of $1.8 million for evaluation boards and supplies arising out of new product initiatives, increased costs of $1.6 million for patent investigation and filing fees and an increase in costs of $8.4 million for other allocated expenses related to our expanding operations. Research and development related costs for the three-month period ended October 27, 2007 was $246.6 million as compared to $148.9 million for the three-month period ended October 28, 2006, an increase of $97.7 million or 65.6%.

The increase in research and development and other expense in absolute dollars in the first nine months of fiscal 2008 compared to the first nine months of fiscal 2007 was primarily due to net hiring of additional development personnel including personnel related to our acquisition of the communications and applications processor business of Intel in November 2006 which together resulted in an increase in salary and related costs of $155.8 million. Additionally, we incurred increased costs of $40.2 million for depreciation and amortization expense arising from purchases of property, equipment and technology licenses, increased costs of $20.8 million for prototype and related product tape-out costs for new product initiatives, increased costs of $5.9 million for evaluation boards and supplies arising from the increase in product initiatives, increased costs of $3.7 million for patent investigation and filing fees and an increase in costs of $27.3 million for other allocated expenses related to our expanding operations. Research and development related costs for the nine-month period ended October 27, 2007 was $709.8 million as compared to $425.7 million for the nine-month period ended October 28, 2006, an increase of $284.1 million or 66.7%.

Selling and Marketing

	Three Months Ended			Nine Months Ended		
	October 27, 2007	October 28, 2006	Percent Change	October 27, 2007	October 28, 2006	Percent Change
Selling and marketing	$ 46,423	$ 37,875	22.6%	$ 150,757	$ 116,004	30.0%
% of net revenue	6.1%	7.3%		7.3%	7.2%	

Selling and marketing expense consists primarily of compensation and associated costs relating to sales and marketing personnel, including stock-based compensation expenses, sales commissions, promotional and other marketing expenses, and allocated occupancy costs for these operations. The increase in selling and marketing expense in absolute dollars in the third quarter of fiscal 2008 compared to the third quarter of fiscal 2007 was primarily due to the net hiring of additional selling and marketing personnel including the incremental salary and related expenses resulting from our acquisition of the communications and applications processor business from Intel in November 2006 which together resulted in an increase in salary and related costs of $5.3 million. Selling and marketing expense also increased due to the net increase in sales commission expense of $1.1 million due to the increase in revenue. Additionally, we incurred an increase in allocated overhead costs of $2.3 million related to our expanding operations.

The increase in selling and marketing expense in absolute dollars in the first nine months of fiscal 2008 compared to the first nine months of fiscal 2007 was primarily due to the net hiring of additional selling and marketing personnel including the incremental salary and related expenses resulting from our acquisition of the communications and applications processor business from Intel in November 2006 which together resulted in an increase in salary and related costs of $22.3 million. Additionally, we incurred an increase in sales commissions of $0.9 million due to the increase in revenue. We also incurred an increase in allocated overhead costs of $6.9 million related to our expanding operations as well as a net increase in stock compensation expense of $1.9 million.

General and Administrative

	Three Months Ended			Nine Months Ended		
	October 27, 2007	October 28, 2006	Percent Change	October 27, 2007	October 28, 2006	Percent Change
General and administrative	$ 32,537	$ 40,427	(19.5)%	$ 90,300	$ 78,674	14.8%
% of net revenue	4.3%	7.8%		4.4%	4.9%	

General and administrative expense consists primarily of compensation and associated costs relating to general and administrative personnel, including stock-based compensation expenses, fees for professional services, and allocated occupancy costs for these operations. The decrease in absolute dollars in general and administrative expense in the third quarter of fiscal 2008 compared to the third quarter of fiscal 2007 was primarily due to a decrease in legal fees of $7.0 million due to the completion of our internal review by a special committee of the Board of Directors related to our historical stock option practices and related accounting matters which was completed in the second quarter of fiscal 2008.

The increase in absolute dollars in general administrative expense in the first nine months of fiscal 2008 compared to the first nine months of the fiscal 2007 was primarily due to an increase in legal fees of $9.0 million due largely to costs associated with our internal review by a special committee of the Board of Directors related to our historical stock option practices and related accounting matters which was completed in the second quarter of fiscal 2008. In addition, general and administrative expense increased due to the net hiring of additional administrative personnel, which resulted in an increase in salary and related costs of $8.3 million. Partially offsetting the increase in general and administrative expense in the third quarter of fiscal 2008 compared to the third quarter of fiscal 2007 was a $5.1 million gain from the sale of an asset under construction.

Amortization of Acquired Intangible Assets

	Three Months Ended			Nine Months Ended		
	October 27, 2007	October 28, 2006	Percent Change	October 27, 2007	October 28, 2006	Percent Change
Amortization of acquired intangible assets	$ 37,311	$ 27,405	36.1%	$ 111,924	$ 72,161	55.1%
% of net revenue	4.9%	5.2%		5.5%	4.4%	

In the first nine months of fiscal 2007, we made three acquisitions in which we acquired intangible assets which are being amortized over their estimated economic lives of one to six years. The increase in amortization of acquired intangible assets in the third quarter and first nine months of fiscal 2008 compared to the third quarter and first nine months of fiscal 2007 was due to additional amortization of intangible assets from the acquisitions made in the first nine months of fiscal 2007.

Interest and Other Income, net

	Three Months Ended			Nine Months Ended		
	October 27, 2007	October 28, 2006	Percent Change	October 27, 2007	October 28, 2006	Percent Change
Interest and other income, net	$ 4,470	$ 7,577	(41.0)%	$ 8,917	$ 17,506	(49.1)%
% of net revenue	0.6%	1.4%		0.4%	1.1%	

Interest and other income, net consist primarily of interest earned on cash, cash equivalents and short-term investment balances. The decrease in interest and other income for the third quarter of fiscal 2008 compared to the third quarter of fiscal 2007 was primarily due to lower interest income as a result of lower average cash balances for comparable periods as well as a decrease in interest rates. The decrease in interest and other income, net for the first nine months of fiscal 2008 compared to the first nine months of fiscal 2007 was due primarily to a decrease in interest income as a result of lower average cash balances for comparable periods partially offset by a $5.0 million charge for a reserve recorded in the first nine months of fiscal 2007 for an advance payment to a company that subsequently filed for bankruptcy.

Interest Expense

	Three Months Ended			Nine Months Ended		
	October 27, 2007	October 28, 2006	Percent Change	October 27, 2007	October 28, 2006	Percent Change
Interest expense	$ 10,518	$ 732	1,336.9%	$ 30,435	$ 1,954	1,457.6%
% of net revenue	1.4%	0.1%		1.5%	0.1%	

Interest expense consists primarily of interest paid on term loan and capital lease obligations. The increase in interest expense for the third quarter and first nine months of fiscal 2008 compared to the third quarter and first nine months of fiscal 2007 was primarily due to interest expense on a term loan obligation and supply agreement.

(Benefit) Provision for Income Taxes

	Three Months Ended			Nine Months Ended		
	October 27, 2007	**October 28, 2006**	**Percent Change**	**October 27, 2007**	**October 28, 2006**	**Percent Change**
(Benefit) provision for income taxes	$ (6,051)	$ 6,461	(193.7)%	$ 9,540	$ 34,438	(72.3)%
% of net revenue	(0.8)%	1.2%		0.5%	2.1%	

For the three months ended October 27, 2007 and October 28, 2006, our effective tax rate was an income tax benefit of 48.5% and an income tax expense of 51.7%, respectively. For the nine months ended October 27, 2007 and October 28, 2006, our effective tax rate was an income tax expense of 9.0% and 22.4%, respectively. The effective tax rates were affected by non-tax-deductible expenses, such as FAS 123R stock based compensation expenses and amortization of acquired intangibles. During the three months ended October 27, 2007, we recorded a benefit of $15.4 million arising from the reversal of tax reserves upon the completion of a foreign tax audit, which resulted in a benefit for the three month period ended October 27, 2007 and reduced our income tax provision for the nine months ended October 27, 2007. Offsetting the decrease in the effective tax rate for the three and nine months ended October 27, 2007 was the fact that a smaller proportion of profit was earned in zero or lower tax jurisdictions and provision for income taxes on discrete items and unrecognized income tax benefits.

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

	Three Months Ended			Nine Months Ended		
	October 27, 2007	**October 28, 2006**	**Percent Change**	**October 27, 2007**	**October 28, 2006**	**Percent Change**
Cumulative effects of change in accounting principle, net of tax effect	$	$	%	$	$ 8,846	(100.0)%
% of net revenue	%	%		%	0.5%	

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

Liquidity and Capital Resources

Our principal source of liquidity as of October 27, 2007 consisted of $529.5 million of cash, cash equivalents and short-term investments. Since our inception, we have financed our operations through a combination of sales of equity securities, cash generated by operations and cash assumed in acquisitions.

Net Cash Provided by Operating Activities

Net cash provided by operating activities was $13.9 million for the nine months ended October 27, 2007 compared to net cash provided by operating activities of $346.5 million for the nine months ended October 28, 2006. The cash inflow from operations in the first nine months of fiscal 2008 was primarily due to changes in working capital. Non-cash charges in the first nine months of fiscal 2008 included $111.9 million related to amortization of acquired intangible assets, $78.8 million of depreciation and amortization expense, $161.0 million of stock-based compensation and $103.9 for a fair market value adjustment to cost of goods sold from a supply contract. Significant working capital changes contributing to positive cash inflow cash in the first nine months of fiscal 2008 included a decrease in prepaid expenses and other assets due primarily to the utilization of prepaid foundry capacity and prepaid wafers. Also contributing to positive cash flow was an increase in deferred income due to the increased levels of inventory at distributors as sales ramp up.

Significant working capital changes offsetting positive cash flows in the first nine months of fiscal 2008 included an increase in inventories of $158.8 million to support increased revenue levels. The number of days in inventory has increased at the end of the third quarter to fiscal 2008 to 87 days from 81 days at the end of the third quarter of fiscal 2007 due to the higher comparable inventory balance at the end of each respective quarter. Also contributing to the use of cash in operating activities was an increase in accounts receivable of $56.9 million primarily due to the higher net revenue in the first nine months of fiscal 2008 compared to the first nine months of fiscal 2007. The days outstanding, or

DSO, metric decreased to

46 days at the end of the third quarter of fiscal 2008 compared to 51 days in at the end of the third quarter of fiscal 2007. Many of our larger customers have regularly scheduled payment dates that fall immediately before or after our fiscal quarter-end. As a result, our accounts receivable balance and DSO may fluctuate depending on the timing of large payments made by our customers. Additionally, cash used in operating activities decreased due to a decrease in accounts payable primarily as a result of the timing of payments.

Significant working capital changes contributing to positive cash inflow in the first nine months of fiscal 2007 included an increase of $29.1 million in income tax payable resulting from higher taxable income in the first nine months of fiscal 2007 and an increase in accrued liabilities and other of $13.8 million resulting primarily from accruals for contingent consideration in connection with our acquisitions. Inventory increased $10.3 million, primarily as a result of the buildup of inventory to support our increasing revenue and additional inventory from our acquisitions.

Significant working capital changes offsetting positive cash flows in the first nine months of fiscal 2007 included an increase in prepaid expenses and other current assets of $51.8 million due primarily to payments made in connection with a capacity reservation agreement with a foundry. Also contributing to working capital changes offsetting positive cash flow in the first nine months of fiscal 2007 was an in crease in accounts receivable of $49.1 million primarily due to higher net revenue in the first nine months of fiscal 2007 compared to the first nine months of fiscal 2006.

Net Cash (Used in) Provided by Investing Activities

Net cash used in investing activities was $149.6 million for the first nine months of fiscal 2008 while net cash provided by investing activities was $121.3 million for the first nine months of fiscal 2007. The net cash used in investing activities in the first nine months of fiscal 2008 was due to purchases of short-term investments of $165.9 million, purchases of property and equipment of $81.1 million and purchases of technology licenses of $19.5 million, partially offset by sales and maturities of short-term investments of $120.5 million. The net cash provided by investing activities in the first nine months of fiscal 2007 was due to sales and maturities of short-term investments of $804.9 million partially offset by purchases short-term investments of $266.9, purchases of property and equipment of $121.4 million and cash paid for acquisitions of $283.0 million.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was $23.0 million for the nine months ended October 27, 2007 while net cash provided by financing activities was $23.2 million for the nine months ended October 28, 2006. In the first nine months of both fiscal 2008 and 2007, net cash provided by financing activities was attributable to proceeds from the issuance of common stock under our stock option plans partially offset by principal payments on capital lease and debt obligations. The proceeds from the issuance of common stock are primarily due to the exercises of stock options.

Contractual Obligations and Commitments

In connection with the acquisition of the ICAP Business, we entered into a product supply agreement with Intel. Under the terms of the agreement we have committed to purchase a minimum number of wafers through June 2008. If at the end of any fiscal quarter for Intel, there is a shortfall between the quantity of supply ordered by us and the quantities of supply required under the supply agreement commitment, Intel will invoice us for the shortfall and will deliver the corresponding quantity upon receipt of payment from us. The agreement requires us to prepay for certain wafers six months in advance of delivery and requires us to issue non cancellable purchase orders at least six months in advance of requested delivery dates for all purchases under the supply agreement. As of October 27, 2007, we recorded $22.8 million in prepaid assets for prepayment of wafers and had non cancellable purchase orders outstanding of $125.6 million.

Under our manufacturing relationships with all other foundries, cancellation of all outstanding purchase orders are allowed but require repayment of all expenses incurred through the date of cancellation. As of October 27, 2007, these foundries had incurred approximately $211.4 million of manufacturing expenses on our outstanding purchase orders.

On February 28, 2005 and as amended on March 31, 2005, we entered into an agreement with a foundry to reserve and secure foundry fabrication capacity for a fixed number of wafers at agreed upon prices for a period of five and a half years beginning on October 1, 2005. In return, we agreed to pay the foundry $174.2 million over a period of eighteen months. The amendment extends the term of the agreement and the agreed upon pricing terms until December 31, 2015. As of October 28, 2007, payments totaling $174.2 million (included in prepaid expenses and other current assets and other noncurrent assets) had been made and approximately $121.5 million of the prepayment had been utilized as of October 27, 2007. At October 27, 2007, there are no outstanding commitments under the agreement.

As of October 27, 2007, we had approximately $63.1 million of other outstanding non-cancelable purchase orders for capital purchase obligations.

As a result of our facility move in February 2002, we obtained a sublease on one of our facilities that had a non cancellable lease. Actual sublease income approximated the estimated sublease income, but is less than our actual lease commitment, resulting in future negative cash flow over the remaining term of the sublease of approximately $2.9 million as of January 27, 2007. At October 27, 2007, cash payments of $11.3 million, net of sublease income had been made in connection with this charge. Approximately $2.2 million was accrued for this facilities consolidation charge as of October 27, 2007 of which $0.6 million is current and $1.6 million is long-term, payable through 2010.

In May 2006, we completed the acquisition of the printer semiconductor business of Avago. The acquisition was completed in accordance with the terms and conditions of an Asset Purchase Agreement dated February 21, 2006, as amended. Under the terms of the Agreement, we paid $249.6 million for certain assets and intellectual property and were committed to two additional contingent cash payments of $10.0 million and $25.0 million upon the achievement of certain levels of revenue. In the third quarter of fiscal 2007, we recorded contingent consideration and additional goodwill for the first contingent payment of $10.0 million. In the third quarter of fiscal 2008, we recorded the second contingent payment of $25.0 million based on the achievement of certain levels of revenue during fiscal 2008.

We currently intend to fund our short and long-term capital requirements, as well as our liquidity needs, with existing cash, cash equivalents and short-term investment balances as well as cash generated by operations. We believe that our existing cash, cash equivalents and short-term investment balances will be sufficient to meet our working capital needs, capital requirements, investment requirements, including acquisitions and commitments for at least the next twelve months. However, our capital requirements will depend on many factors, including our rate of sales growth, market acceptance of our products, costs of securing access to adequate manufacturing capacity, the timing and extent of research and development projects, costs of making improvements to facilities and increases in operating expenses, which are all subject to uncertainty. To the extent that our existing cash, cash equivalents and investment balances and cash generated by operations are insufficient to fund our future activities, we may need to raise additional funds through public or private debt or equity financing. We may enter into acquisitions or strategic arrangements in the future, which could also require us to seek additional debt or equity financing, which in turn may be dilutive to our current shareholders. Additional funds may not be available on terms favorable to us or at all.

The following table summarizes our contractual obligations as of October 27, 2007 and the effect such obligations are expected to have on our liquidity and cash flow in future periods (in thousands):

	Payments Due by Period						
	2008 (remaining three months)	**2009**	**2010**	**2011**	**2012**	**Thereafter**	**Total**
Contractual obligations:							
Operating leases	$ 1,315	$ 14,760	$ 11,577	$ 8,129	$ 4,119	$ 13,156	$ 53,056
Capital lease obligations	8,000	41,777	22,268	14,083	5,474	810	92,412
Purchase commitments to foundries	336,995						336,995
Capital purchase obligations	63,098						63,098
Long-term debt obligations	3,539	4,000	390,750				398,289
Total contractual cash obligations	$ 412,947	$ 60,537	$ 424,595	$ 22,212	$ 9,593	$ 13,966	$ 943,850

As discussed in Note 9 Income Taxes, effective January 28, 2007, we adopted the provisions of FIN 48. The adoption of FIN 48 did not result in any reclassifications of uncertain income tax liabilities and did not have a cumulative impact to retained earnings. Each year this accrued balance is adjusted for income tax statutes of the taxing jurisdictions within which we conduct business. We are unable to make a reasonably reliable estimate as to when cash settlement with taxing authorities may occur for the recorded liabilities, therefore our FIN 48 liabilities are not included in the above table.

Stock option review related impacts: The additional payable for payroll taxes associated with affected stock option grants of approximately $10.6 million, additional Section 409A expenses for the adverse tax consequences of the re-measure options exercised during calendar year 2006 of approximately $24.2 million, and Section 162(m) liabilities of $26.5 million for cumulative period from fiscal 2001 through 2007, represents potential cash outflow totaling $61.3 million and was accrued during the restated fiscal years 2001 through 2006 as well as in fiscal year 2007. Through October 27, 2007, $20.3 million has been paid on account of Section 409A and employment taxes on gross up payments. The remaining balances appear on the balance sheet in current liabilities. The liabilities recorded in connection with the stock option review are not included in the above table because it is not feasible to reasonably estimate when the liabilities will be paid.

The IRS has provided taxpayers with the following two ways of correcting unexercised discounted stock options: 1) setting a fixed exercise date; and 2) increasing the exercise price of the option up to the fair market price on the date of grant. We are actively evaluating these options. The discount associated with unexercised stock options outstanding as of October 27, 2007 amounted to approximately $49.7 million.

In November 2007, we filed a tender offer to correct the misdated stock options. The tender offer will permit us to give employees the opportunity to correct the §409A United States tax issues with the stock options and therefore exercise stock options without incurring a penalty tax. The tender offer will amend certain outstanding options and provide restrictive stock unit grants and/or cash payments as set forth under the Offer to Amend the Exercise Price of Certain Options to employees with misdated options. As of October 27, 2007, we have not determined the amount stock compensation expense to be recorded in connection with the granting of restricted stock to compensate employees for the value loss in correcting the misdated options.

In November 2007, we announced a plan (the Plan) to reduce operating expenses and help meet financial targets with a worldwide reduction in force of approximately 400 employees, or approximately 7% of its total workforce. We expect to incur a restructuring charge in connection with the Plan of up to $8.0 million in the fourth quarter of fiscal 2008 related to severance and other expenses. The workforce reduction will affect all functions of our global workforce, and in particular positions based in the United States and Israel, and to a lesser degree, other international locations. The Plan is expected to be completed in the fourth quarter of fiscal 2008.

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

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

Off-Balance Sheet Arrangements

As of October 27, 2007, we did not have any material off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Recent Accounting Pronouncements

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

In July 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109 (FIN 48), which clarifies the accounting for uncertainty in income tax positions. This Interpretation requires that we recognize in our financial statements the impact of an income tax position if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective as of the beginning of fiscal 2008, with the cumulative effect, if any, of the change in accounting principle recorded as an adjustment to our opening retained earnings. On May 2, 2007, the FASB issued FASB Staff Position No. FIN 48-1 Definition of Settlement in FASB Interpretation No. 48-1 (FSP FIN 48-1). FSP FIN 48-1 provides guidance on how an entity should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. Effective January 28, 2007, we adopted FIN 48. See Note 9 Income Taxes for further details.

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

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

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

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

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

Related Party Transactions

During third quarters of fiscal 2008 and 2007, we incurred approximately $14,000 and $1,000, respectively of expenses from an unrelated third-party entity, ACM Aviation, Inc. (ACM) for charter aircraft services provided to MSI for Estopia Air LLC (Estopia Air). During the first nine months of fiscal 2008 and 2007, we incurred approximately $0.1 million and $0.5 million respectively of expenses from an unrelated third party entity, ACM for charter aircraft services provided to MSI. The aircraft provided by ACM to us for such services is owned by Estopia Air. Our President and Chief Executive Officer, Dr. Sehat Sutardja and Director of Strategic Marketing and Business Development, Weili Dai, through their control and ownership in Estopia Air, own the aircraft provided by ACM. Dr. Sutardja and Weili Dai are husband and wife. Expenses were incurred for business travel use of the aircraft at a cost determined to be at fair market value.

On August 19, 2005, through our subsidiaries MSI and Marvell International Ltd., we entered into a License and Manufacturing Services Agreement (the License Agreement) with C2 Microsystems, Inc. (C2Micro). The License Agreement has substantially similar terms as other license and manufacturing services agreements with other third parties. We recognized $0.2 million of revenue under the License Agreement with C2Micro during the third quarter of fiscal 2008 and recognized no revenue under the License Agreement with C2Micro during the third quarter of fiscal 2007. We recognized $0.2 million and $0.3 million of revenue under the License Agreement with C2Micro during the first nine months of fiscal 2008 and 2007, respectively. As of October 27, 2007, we had a receivable of $373,839 from C2Micro. Dr. Sehat Sutardja and Weili Dai, through their ownership and control of Estopia LLC, are indirect shareholders of C2Micro. Kuo Wei (Herbert) Chang, a member of our Board of Directors, through his ownership and control of C-Squared venture entities, is also an indirect shareholder of C2Micro. Dr. Pantas Sutardja, our Vice President, Chief Technology Officer, Acting Chief Operating Officer and Chief Research and Development Officer, is also a shareholder of C2Micro.

On January 8, 2007, through our subsidiary Marvell International Ltd., we entered into a Library/IP/Software Evaluation License Agreement (the Evaluation License Agreement) with VeriSilicon Holdings Co., Ltd. (VeriSilicon). The Evaluation License Agreement has no consideration. We also incurred $0.1 million and $0.4 million of royalty expense from VeriSilicon under a core license agreement assumed from our acquisition of the UTStarcom Business during the three and nine months ended October 27, 2007. In addition, we incurred $37,500 of maintenance expense from VeriSilicon during the nine months ended October 27, 2007. Weili Dai's brother (and Dr. Sehat Sutardja's brother-in-law) is the Chairman, President and Chief Executive Officer of VeriSilicon. Ms. Dai is also a shareholder of VeriSilicon.

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

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

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk***

Interest Rate Risk. The primary objective of our investment activities is to preserve principal while at the same time maximize the income we receive from our investments without significantly increasing risk. Some of the securities in which we have invested may be subject to market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. For example, if we hold a security that was issued with a fixed interest rate at the then-prevailing rate and the prevailing interest rate later rises, the principal amount of our investment will probably decline. Also, variable rate securities may produce less income than expected if interest rates fall. To minimize this risk, we maintain our portfolio of cash equivalents and short-term investments in a variety of fixed and variable rate securities including money market funds, corporate debt securities, Federal, State, county and municipal debt securities and auction rate securities. In general, money market funds are not subject to market risk because the interest paid on such funds fluctuates with the prevailing interest rate. The following table presents the amounts of our cash equivalents and short-term investments that were subject to market risk by range of expected maturity and weighted-average interest rates as of October 27, 2007 (in thousands). This table does not include money market funds because those funds are not subject to market risk. Although auction rate securities generally have legally stated maturities in excess of one year, auction rate securities are presented below with an expected fiscal year maturity date in 2008 because such securities are structured with short-term interest reset dates of generally less than 90 days at which time we can sell or continue to hold the securities at par.

	Expected Fiscal Year Maturity Date						
	2008	**2009**	**2010**	**2011**	**2012**	**Total**	**Fair Value**
Variable Rate	$ 50,532	$	$	$	$	$ 50,532	$ 50,532
Average Interest Rate	5.62%					5.62%	
Fixed Rate	$ 8,651	$ 15,087	$	$	$	$ 23,738	$ 23,641
Average Interest Rate	3.41%	3.58%				3.52%	

At any time, fluctuations in interest rates could affect interest earnings on our cash, cash equivalents, and short-term investments, or the fair value of our investment portfolio. A 10% move in interest rates as of October 27, 2007 would have an immaterial effect on our financial position, results of operations and cash flows.

Our term debt bears interest at the higher of the lender s prime rate or 0.5% per annum above the Federal Funds Effective Rate, as defined in the agreement, plus a 1% margin. In the case of Eurodollar loans, amounts borrowed bear interest at a rate equal to the Adjusted London Interbank Offered Rate, or LIBOR, plus 2% margin. Such margins are subject to reductions or increases depending on our future credit rating if obtained. We pay interest and principal amounts equal to 0.25% of the aggregate principal amount of loans on a quarterly basis on the last business day of each March, June, September and December. The interest rate as of October 27, 2007 was 7.7%.

Investment Risk. We invest in equity instruments of privately-held companies for business and strategic purposes. These investments, which totaled $7.1 million at October 27, 2007, are included in other non-current assets in the accompanying unaudited condensed consolidated 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 on 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. An impairment of $4.9 million was recorded in the three months ended April 28, 2007.

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

Item 4. ***Controls and Procedures***

Management s Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our interim Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934) as of October 27, 2007. Disclosure controls and procedures are designed to ensure that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and that such information is accumulated and communicated to management, including the Chief Executive Officer and interim Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based in this evaluation, our management, including our Chief Executive Officer and interim Chief Financial Officer, has concluded that our disclosure controls and procedures were not effective because of the material weaknesses described under Management s Report on Internal Control Over Financial Reporting in Item 9A of the Company s Annual Report on Form 10-K for the year ended January 27, 2007, which the Company is still in the process of remediating. These material weaknesses are described below:

Control environment. We did not maintain an effective control environment based on criteria established in the COSO framework and commensurate with our rapid growth and increasing complexity. Our management, including those individuals responsible for our Finance and Legal Departments, did not exercise the necessary rigor and commitment to internal control over financial reporting. Specifically, (1) internal control deficiencies were not remediated in a timely manner; (2) certain individuals involved in the stock option process said that they did not feel able to provide frank advice to senior management regarding controls over processing, recording and reporting of stock options transactions; and (3) we did not maintain a sufficient complement of personnel with a level of accounting knowledge, experience and training in the application of generally accepted accounting principles commensurate with our financial reporting requirements. This lack of an effective control environment contributed to the restatement of the consolidated financial statements of annual periods through fiscal 2006, each of the quarters of fiscal year 2006, as well as the first quarter of fiscal year 2007. Additionally, this lack of an effective control environment could result in misstatements of any of our financial statement accounts and disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevent or detected; this lack of effective control environment also contributed to the material weakness described below. Accordingly, our management has determined that this control deficiency constitutes a material weakness.

Controls over stock-based compensation expense under FASB Statement of Financial Accounting Standards No. 123 (revised 2004), Share Based Payments (FAS 123(R)). We did not maintain effective controls over the accounting for and disclosure of our stock-based compensation expense under FAS 123(R). Our controls, including monitoring controls, policies and procedures relating to the accounting for and disclosure of stock-based compensation were not effective. Specifically, effective controls were not maintained to ensure the existence, completeness, accuracy, valuation and presentation of our stock-based compensation expense. This control deficiency resulted in audit adjustments to stock-based compensation expense for the year ended January 27, 2007. This control deficiency could also result in a misstatement to compensation expense that would result in a material misstatement to our annual or interim financial statements that would not be prevented or detected. Accordingly, our management has determined that this control deficiency constitutes a material weakness.

Because of these material weaknesses which we are still in the process of remediating, management has concluded that we did not maintain effective internal control over financial reporting as of October 27, 2007, based on the criteria established in Internal Control - Integrated Framework issued by the COSO. We have undertaken the remediation steps described below and in connection with the preparation of this Quarterly Report, our management undertook and completed reconciliations, analyses, reviews and control procedures in addition to those historically completed to confirm that this Quarterly Report fairly presents in all material aspects our financial position, results of operations and cash flows as of, and for the period presented in accordance with U.S. generally accepted accounting principles.

Changes in Internal Control Over Financial Reporting

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

Implemented or Planned Remedial Actions of Material Weaknesses

During the quarter ended October 27, 2007 and subsequent to that date, we implemented or plan to implement further remedial actions, specifically:

Implemented or planned remediation efforts regarding the material weakness in internal control over financial reporting related to an ineffective control environment include the following:

Following the Special Committee s recommendations, we are conducting a search for a new Chief Financial Officer and General Counsel and are planning to conduct a search for a new Chief Operating Officer and Vice President of Compliance. The Vice President of Compliance will report directly to the Audit Committee of the Board. During the third quarter of fiscal 2008, we appointed two new independent members of the Board. Additionally, the Board s Governance Committee is conducting a search for two remaining independent directors to fill existing vacancies. One of these independent directors will succeed Dr. Sutardja as Chairman of the Board.

We continue to adopt enhancements to the process undertaken by our management and Audit Committee of the Board of Directors in connection with the finalization of our Quarterly Reports on Form 10-Q for filing with the SEC.

Management is committed to a goal to significantly reduce internal control deficiencies. We are in the process of developing our detailed remediation plan for internal control deficiencies, prioritized based on our risk assessment of the deficiencies. We are actively assessing controls over other processes that may be more susceptible to potentially material misstatements. We have identified the general nature of our deficiencies at January 28, 2007 and have already begun remediation efforts.

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

Implemented or planned remediation efforts regarding the material weakness over accounting for and disclosure of our stock-based compensation expense under FAS 123R include the changes in internal control over financial reporting, as stated above, along with the following:

We are in the process of developing effective internal controls over accounting for and disclosure of our stock-based compensation expense under FAS 123R. We are continuing to assess the need for additional managerial and qualified staff resources. As more qualified individuals are hired and training of appropriate personnel is completed, effective monitoring controls will be in place and maintained to ensure existence, completeness, accuracy, valuation and presentation of our stock-based compensation expense.

Limitation on Effectiveness of Controls

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system are met. The design of any control system is based, in part, upon the benefits of the control system relative to its costs. Control systems can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. In addition, over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies and procedures may deteriorate. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

IPO Securities Litigation. On July 31, 2001, a putative class action suit was filed against two investment banks that participated in the underwriting of our initial public offering, or IPO, on June 29, 2000. That lawsuit, which did not name Marvell or any of our officers or directors as defendants, was filed in the United States District Court for the Southern District of New York. Plaintiffs allege that the underwriters received excessive and undisclosed commissions and entered into unlawful tie-in agreements with certain of their clients in violation of Section 10(b) of the Securities Exchange Act of 1934. Thereafter, on September 5, 2001, a second putative class action was filed in the Southern District of New York relating to our IPO. In this second action, plaintiffs named three underwriters as defendants and also named as defendants Marvell and two of our officers, one of whom is also a director. Relying on many of the same allegations contained in the initial complaint in which we were not named as a defendant, plaintiffs allege that the defendants violated various provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934. In both actions, plaintiffs seek, among other items, unspecified damages, pre-judgment interest and reimbursement of attorneys and experts fees. These two actions relating to our IPO have been consolidated with hundreds of other lawsuits filed by plaintiffs against approximately 40 underwriters and approximately 300 issuers across the United States. Defendants in the consolidated proceedings moved to dismiss the actions. In February 2003, the trial court granted the motions in part and denied them in part, thus allowing the case to proceed against the underwriters and us as to alleged violations of section 11 of the Securities Act of 1933 and section 10(b) of the Securities Exchange Act of 1934. Claims against the individual officers have been voluntarily dismissed with prejudice by agreement with plaintiffs. In June 2004, a stipulation of settlement and release of claims against the issuer defendants, including us, was submitted to the court for approval. On August 31, 2005, the court preliminarily approved the settlement. In December 2006, the appellate court overturned the certification of classes in the six test cases that were selected by the underwriter defendants and plaintiffs in the coordinated proceedings. Because class certification was a condition of the settlement, it was unlikely that the settlement would receive final Court approval. On June 25, 2007, the Court entered an order terminating the proposed settlement based upon a stipulation among the parties to the settlement. Plaintiffs have filed amended master allegations and amended complaints in the six focus cases and have moved for class certification. On December 21, 2007, responsive briefs are due. On February 15, 2008, reply briefs are due.

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

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

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

44

CSIRO Litigation. In 2004, Australia s Commonwealth Scientific and Industrial Research Organisation (CSIRO) sent notice letters to a number of Wi-Fi System manufacturers regarding CSIRO s patent, U.S. Patent No. 5,487,069 as it relates to IEEE 802.11a and 802.11g wireless standards. In May 2005, a group of system manufacturers, including customers of our 802.11a or 802.11g wireless LAN products, filed an action in the United States District Court for the Northern District of California seeking a declaratory judgment against CSIRO that the plaintiff manufacturers products employing the IEEE 802.11a or 802.11g wireless standards do not infringe CSIRO s patent, U.S. Patent No. 5,487,069. In September 2006, CSIRO filed an answer and counterclaims alleging that plaintiffs products that employ those wireless standards infringe the CSIRO patent and seeking damages, including enhanced damages and attorneys fees and costs, and an injunction against sales of infringing products. In December 2006, the district court granted CSIRO s motion to transfer the case to the United States District Court for the Eastern District of Texas, where CSIRO had brought a similar lawsuit against another company. As a result of CSIRO s counterclaims for patent infringement, a customer of ours has sought indemnification from us. Also in December 2006, CSIRO filed suit in the United States District Court for the Eastern District of Texas against several manufacturers and suppliers of wireless products, including customers of our 802.11a or 802.11g wireless LAN products. The complaint alleges that the manufacture, use and sale of wireless products compliant with the IEEE 802.11a or 802.11g wireless standards infringes on the CSIRO patent. As a result of CSIRO s claim for patent infringement, another customer of ours has sought indemnification from us. In response to these demands for indemnification, we have acknowledged the demands and incurred costs in response to them.

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

On May 4, 2007, we filed an action in the United States District Court for the Eastern District of Texas seeking a declaratory judgment against CSIRO that the CSIRO patent is invalid and unenforceable and that we and our customers do not infringe the CSIRO patent. The complaint also seeks damages and a license for us and our customers on reasonable and non-discriminatory terms in the event our 802.11a/g wireless LAN products are found to infringe and the CSIRO patent is found to be valid and enforceable. On August 3, 2007, CSIRO moved to dismiss the complaint for lack of case or controversy and failure to state a claim upon which relief can be granted, or, in the alternative, to stay the case pending the resolution of the pending lawsuits described in the preceding paragraph. On October 24, 2007, the Court issued an order denying CSIRO s motion to dismiss. The Court also denied our motions to stay/intervene/disqualify.

The Claim Construction hearing is set for June 26, 2008. Trial in our action is set to begin on May 10, 2010.

Shareholder Derivative Litigation. Between July 7, 2006 and August 2, 2006, three purported shareholder derivative actions were filed in the United States District Court for the Northern District of California. Each of these lawsuits names us as a nominal defendant and a number of our current and former directors and officers as defendants. Each lawsuit seeks to recover damages purportedly sustained by us in connection with our option granting processes, and seeks certain corporate governance and internal control changes. Pursuant to orders of the court dated August 17 and October 17, 2006, the three actions were consolidated as a single action, entitled *In re Marvell Technology Group Ltd. Derivative Litigation*. The plaintiffs filed an amended and consolidated complaint on November 1, 2006. On January 16, 2007, we filed a motion to dismiss the consolidated complaint for lack of standing or, in the alternative, stay proceedings. Pursuant to stipulations among the parties and orders of the court, our motion is currently scheduled to be heard on March 13, 2008.

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

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

Class Action Securities Litigation. Between October 5, 2006 and November 13, 2006, four putative class actions were filed in the United States District Court for the Northern District of California against us and certain of our officers and directors. The complaints allege that we and certain of our officers and directors violated the federal securities laws by making false and misleading statements and omissions relating to the grants of stock options. The complaints seek, on behalf of persons who purchased our common stock during the period from October 3, 2001 to October 3, 2006, unspecified damages, interest, and costs and expenses, including attorneys fees and disbursements. Pursuant to an order of the court dated February 2, 2007, these four putative class actions were consolidated as a single action entitled *In re Marvell Technology Group Ltd. Securities Litigation*. On August 16, 2007, plaintiffs filed a consolidated class action complaint. On October 18, 2007, we filed a motion to dismiss the consolidated class action complaint. Our motion is currently scheduled to be heard on February 1, 2008.

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

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

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

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

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

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

Item 1A. ***Risk Factors***

In addition to the factors discussed in the Overview and Liquidity and Capital Resources sections of Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations, the following are examples of additional factors that may affect our future results. Many of these factors are beyond our control, including but not limited to business cycles and seasonal trends of the computing, semiconductor and related industries.

Changes in our management may cause uncertainty in, or be disruptive to, our business.

We have experienced significant changes in our management and our board of directors. In May 2007, our former Chief Financial Officer resigned and our Executive Vice President and Chief Operating Officer, who is one of our co-founders, resigned from those positions and as a member of our board of directors and will continue in a non-management role. Also, the general counsel of our U.S. operating subsidiary was terminated in March 2007. If we cannot recruit qualified permanent replacements for our Chief Operating Officer, Chief Financial Officer and General Counsel positions, our business may suffer. During the third quarter of fiscal 2008, we appointed two new independent members of the Board. Moreover, we continue to search for new independent directors to fill the two existing vacancies on our board of directors. One of the new directors will succeed Dr. Sehat Sutardja as Chairman of the Board. These changes in our management and board of directors may be disruptive to our business, and, during the transition period, there may be uncertainty among customers, investors, vendors, employees and others concerning our future direction and performance. Our future success will depend to a significant extent on the ability of our management team to work together effectively. The loss of any of our management or other key personnel could harm our ability to implement our business strategy and respond to the rapidly changing market conditions in which we operate. Moreover, our success will depend on our ability to attract, hire and retain qualified management and other key personnel and on the abilities of the new management personnel to function effectively, both individually and as a group, going forward. If we are unable to attract and retain effective qualified replacements for our key executives and board of directors positions in a timely manner, our business, financial condition, results of operations and cash flows may be adversely affected and our ability to execute our business model could be impaired.

A number of our current and former executive officers and directors have been named as parties to several derivative action lawsuits arising from our internal option review, and there is a possibility of additional lawsuits, all of which could require significant management time and attention and result in significant legal expenses.

We are subject to a number of lawsuits purportedly on behalf of us against certain of our current and former executive officers and board members, and we may become the subject of additional private lawsuits. Subject to certain limitations, we are obligated to indemnify our current and former directors, officers and employees in connection with the investigation of our historical stock option practices and such lawsuits. The expenses associated with these lawsuits may be significant, the amount of time to resolve these lawsuits is unpredictable and defending these lawsuits may divert management s attention from the day-to-day operations of our business, which could have a material adverse effect on our financial condition, business, results of operations and cash flows.

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

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

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

Our historical stock option granting practices and the restatement of our financial statements have exposed us to greater risks associated with litigation, regulatory proceedings and government enforcement actions. For more information regarding our current litigation and related inquiries, please see the discussion included in Part II, Item 1 Legal Proceedings, of this Report as well as the other risk factors related to litigation set forth in this section. We have provided the results of our internal review to the Securities and Exchange Commission (SEC) and the United States Attorney s Office for the Northern District of California, and in that regard we have responded to formal and informal requests for documents and additional information. On October 11, 2007, we received a Wells Notice from the staff of the SEC. Weili Dai, Director of Strategic Marketing and Business Development and former Chief Operating Officer, who is not an officer or director of Marvell, also received a notice. The notices indicate that the staff intends to recommend to the Commission that it bring civil

actions against recipients for injunctive relief and civil monetary penalties. We have responded in writing to the Wells Notice. At this time, we are awaiting the Commission s response to the Wells Notice and our submission and cannot anticipate the outcome of the SEC s investigation. No assurance can be given regarding the outcomes of litigation, regulatory proceedings or government enforcement actions relating to our past stock option practices. The resolution of these matters has been and will be time consuming, expensive, and may distract management from the conduct of our business. Further, we could be required to pay damages or penalties or have other remedies imposed against us, our directors, executive officers or other officers, or employees, which could harm our reputation, business, financial condition, results of operations and cash flows.

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

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

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

On July 31, 2001, a putative class action suit was filed against two investment banks that participated in the underwriting of our initial public offering, or IPO, on June 29, 2000. That lawsuit, which did not name Marvell or any of our officers or directors as defendants, was filed in the United States District Court for the Southern District of New York. Plaintiffs allege that the underwriters received excessive and undisclosed commissions and entered into unlawful tie-in agreements with certain of their clients in violation of Section 10(b) of the Securities Exchange Act of 1934. Thereafter, on September 5, 2001, a second putative class action was filed in the Southern District of New York relating to our IPO. In this second action, plaintiffs named three underwriters as defendants and also named as defendants Marvell and two of our officers, one of whom is also a director. Relying on many of the same allegations contained in the initial complaint in which we were not named as a defendant, plaintiffs allege that the defendants violated various provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934. In both actions, plaintiffs seek, among other items, unspecified damages, pre-judgment interest and reimbursement of attorneys and experts fees. These two actions relating to our IPO have been consolidated with hundreds of other lawsuits filed by plaintiffs against approximately 40 underwriters and approximately 300 issuers across the United States. Defendants in the consolidated proceedings moved to dismiss the actions. In February 2003, the trial court granted the motions in part and denied them in part, thus allowing the case to proceed against the underwriters and us as to alleged violations of section 11 of the Securities Act of 1933 and section 10(b) of the Securities Exchange Act of 1934. Claims against the individual officers have been voluntarily dismissed with prejudice by agreement with plaintiffs. In June 2004, a stipulation of settlement and release of claims against the issuer defendants, including us, was submitted to the court for approval. On August 31, 2005, the court preliminarily approved the settlement. In December 2006, the appellate court overturned the certification of classes in the six test cases that were selected by the underwriter defendants and plaintiffs in the coordinated proceedings. Because class certification was a condition of the settlement, it was unlikely that the settlement would receive final Court approval. On June 25, 2007, the Court entered an order terminating the proposed settlement based upon a stipulation among the parties to the settlement. Plaintiffs have filed amended master allegations and amended complaints in the six focus cases and have moved for class certification. On December 21, 2007, responsive briefs are due. On February 15, 2008, reply briefs are due. In the past, securities class action litigation often has been brought against a company following periods of volatility in the market price of its securities. Companies in the integrated circuit industry and other technology industries are particularly vulnerable to this kind of litigation due to the high volatility of their stock prices. Accordingly, we may in the future be the target of additional securities litigation. Any securities litigation could result in substantial costs, could divert the attention and resources of our management, and could have a material adverse effect on our reputation, business, financial condition, financial results, results of operations and cash flows.

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

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

Our management, including our Chief Executive Officer and interim Chief Financial Officer, does not expect that our internal control over financial reporting will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system s objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, involving us have been, or will be, detected. These inherent limitations include the realities that judgments in decision making can be faulty, breakdowns can occur because of simple error or mistake and errors discovered by personnel within control systems may not be properly disclosed and addressed. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and we cannot assure you that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

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

We are obligated to purchase and pre-pay for specified volumes of wafers from Intel Corporation which will adversely affect our cash flow and could lead to inventory write-downs and related charges to our earnings, but Intel is not obligated to increase supply if we encounter unexpected demand.

In connection with our acquisition of Intel s communications and application processor business, we entered into a supply agreement with Intel in an effort to secure supplies of the products and wafers that we will need to sell the acquired product lines. Under the terms of the supply agreement we have committed to purchase and Intel has agreed to supply, through June 2008, a minimum number of wafers at fixed prices. If at the end of any Intel fiscal quarter, there is a shortfall between the quantity of supply ordered by us and the quantities of supply required under the supply agreement commitment, Intel can invoice us for the shortfall and will deliver the corresponding quantity upon receipt of payment from us. The agreement requires us to prepay for certain wafers six months in advance of delivery and issue non-cancellable purchase orders at least six months in advance of requested delivery dates for all purchases under the supply agreement.

The supply agreement contractually commits us to purchase supply from Intel regardless of future end customer demand for these products. The amount of wafers we committed to purchase was largely based on our forecasted demand over an extended period of time. Forecasting demand over such a period of time is difficult and is subject to many risks. Moreover, the data used in forecasting the demand was derived from information represented to us during our due diligence of the Intel communications and application processor business. If the information was incomplete or inaccurate or if the demand in volume changes and or there are delays in consuming the wafers, we may incur additional charges for excess inventory purchases and commitments which could be material.

49

The supply agreement also requires us to purchase inventory earlier than anticipated product shipments to our customers. As a result, we expect our inventory balances for these products to increase, resulting in higher inventory balances and the associated carrying costs. Additionally, these higher levels of inventory increase our risk of holding excess and obsolete inventory. This could harm our business, results of operations and cash flows by leading to inventory write-downs and related charges to our earnings.

The supply agreement also limits the amount of product that Intel is required to supply to us. If we experience an increase in demand, we might not be able to secure enough supply from Intel to meet that demand. This would lead to lost sales in the short term as well as the long term due to possible customer dissatisfaction.

If we are unable to quickly and successfully transition away from reliance on the supply agreement with Intel Corporation and secure other production capacity for our communications and application processor business, our gross margins could be harmed and we could lose a significant portion of that business.

Our supply agreement with Intel was entered into to secure a supply of wafers and products during a transition period while we arranged for our independent foundries and other contractors to begin fabrication, assembly and test for these products. We record the cellular and handset inventory that we are contractually obligated to purchase under the Intel supply agreement at estimated fair value as required under purchase accounting. However, because of the long lead times necessary to transition the production of wafers and products to other foundries, we anticipate that in the future we will source cellular and handset inventory under the Intel supply agreement and that such purchases will in significant part be beyond our minimum committed levels under the agreement. We will record such inventory at cost, which will adversely impact our gross margins relative to periods where we only purchased inventory at the minimum committed level. If we cannot complete the transition of production of wafers and products in a timely manner and must continue to purchase inventory pursuant to the Intel supply agreement beyond our minimum committed level, our gross margins and results of operations will suffer. Moreover, Intel is only obligated to supply specified quantities of product for a limited amount of time, no later than June 2008. Some of these products are at earlier stages in their new product introduction processes, where manufacturing yields are not yet consistent and changes to the design and processes may still have to be made. This can make the transition of the manufacture of these products to independent foundries and other contractors more complicated and expensive. If we do not successfully transition the production of the wafers and products to independent foundries and other contractors, we will be unable to meet customer demand for these products. This could result in a material decline in revenues, net income, and cash flow. Additionally, our customers could become dissatisfied with us and not continue to use our products if and when we were able to resume providing them with products or if the newly transitioned products would require extended customer re-qualification.

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

We face significant challenges in connection with the integration of the Intel communications and application processor business that we acquired in fiscal year 2007. We have incurred substantial direct transaction costs as a result of this acquisition and anticipate incurring substantial additional costs to support the integration of the Intel communications and application processor business. Moreover, this acquisition could fail to produce anticipated benefits, or could result in unforeseen liabilities or expenses such as impairment charges of acquired assets and goodwill or other adverse effects that we currently do not foresee, which could harm our business and operating results.

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

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

In November 2006, we completed our acquisition of the communications and application processor business of Intel. In May 2006 we acquired the printer semiconductor division of Avago Technologies, Pte., as well as certain intellectual property and property and equipment from another company, and in 2005, we acquired the hard disk and tape drive controller semiconductor business of QLogic Corporation and the semiconductor design business division of UTStarcom, Inc.

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

Under generally accepted accounting principles, we are required to review our intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. In addition, we are required to review our goodwill and indefinite-lived intangible assets on an annual basis. If presently unforeseen events or changes in circumstances arise which indicate that the carrying value of our goodwill or other intangible assets may not be recoverable, we will be required to perform impairment reviews of these assets, which had carrying values of approximately $2.5 billion as of October 27, 2007. An impairment review could result in a write-down of all or a portion of these assets to their fair values. We intend to perform an annual impairment review during the fourth quarter of each fiscal year or more frequently if we believe indicators of impairment exist. In light of the large carrying value associated with our goodwill and intangible assets, any write-down of these assets may result in a significant charge to our statement of operations in the period any impairment is determined and could cause our stock price to decline.

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

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

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

Our ability to realize the expected benefits of our acquisition of the communications and application processor business of Intel Corporation and to eliminate the operating losses of that business will depend in large part on our ability to transition the manufacturing of that business products from Intel to third-party foundries, increase the gross margin of those products, and retain the business relationship with its principal customers, along with other matters described above relating to our ability to integrate effectively the acquired business and its technologies, operations and personnel.

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

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

Future changes in the nature of information storage products may reduce demand for traditional hard disk drives. For instance, products using alternative technologies, such as semiconductor memory, optical storage, and other storage technologies could become a significant source of competition to manufacturers of hard disk drives. Flash memory has typically been more costly than disk drive technologies. However, flash memory manufacturers have been reducing the prices for their products, which could enable them to complete more effectively with very small form factor hard disk drive products. Demand for hard disk drives could be reduced if alternative storage technologies such as flash memory can meet customers cost and capacity requirements.

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

We receive a significant amount of our revenues from a limited number of customers. For the nine months ended October 27, 2007 two customers accounted for more than 10% of our net revenue, for a combined total of 26%. For the nine months ended October 28, 2006, four customers each represented more than 10% of our net revenue, for a combined total of 51% of our net revenue. Sales to our largest customers have fluctuated significantly from period to period primarily due to the timing and number of design wins with each customer, as well as the continued diversification of our customer base as we expand into new markets, and will likely continue to fluctuate dramatically in the future. The loss of any of our largest customers, a significant reduction in sales we make to them, or any problems we encounter collecting amounts due from them would likely harm our financial condition and results of operations. Our operating results in the foreseeable future will continue to depend on sales to a relatively small number of customers, as well as the ability of these customers to sell products that incorporate our products. In the future, these customers may decide not to purchase our products at all, purchase fewer products than they did in the past, or alter their purchasing patterns in some other way, particularly because:

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

our customers may develop their own solutions;

our customers may purchase integrated circuits from our competitors; or

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

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

The rapidly changing nature of the markets in which we sell our products limits our ability to accurately forecast quarterly and annual sales. Additionally, because many of our expenses are fixed in the short term or are incurred in advance of anticipated sales, we may not be able to decrease our expenses in a timely manner to offset any shortfall of sales. We are currently expanding our staffing and increasing our expense levels in anticipation of future sales growth. If our sales do not increase as anticipated, significant losses could result due to our higher expense levels.

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

We currently provide guidance on revenue and gross margin on a quarterly basis. Our quarterly operating results have fluctuated in the past and are likely to do so in the future. Because our operating results are difficult to predict, you should not rely on quarterly comparisons of our results of operations as an indication of our future performance. We have made substantial investments in expanding our operations which has resulted in an increase in our operating expenses. We may not be able to increase revenues in an amount sufficient to offset these increased expenditures, which may lead to a loss for a quarterly period.

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

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

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

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

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

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

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

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

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

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

To achieve our business objectives, we anticipate that we will need to continue to expand. We have experienced rapid growth and expansion in the past. Through internal growth and acquisitions, we significantly increased the scope of our operations and expanded our workforce from 1,205 employees, as of January 31, 2003, to 5,753 employees, as of October 27, 2007. Nonetheless, we may not be able to scale our workforce and operations in a sufficiently timely manner to respond effectively to changes in demand for our existing products and services or to the demand for new products requested by our customers. In that event, we may be unable to meet competitive challenges or exploit potential market opportunities, and our current or future business could be materially and adversely affected. Conversely, if we expand our operations and workforce too rapidly in anticipation of increased demand for our products, and such demand does not materialize at the pace at which we expected, the rate of increase in our operating expenses may exceed the rate of increase in our revenue, which would adversely affect our operating results.

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

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

We do not have our own manufacturing or assembly facilities and have very limited in-house testing facilities. Therefore, we rely on third-party vendors to manufacture, assemble and test the products we design. We currently rely on several third-party foundries to produce substantially all of our integrated circuit products. We also currently rely on several third-party assembly and test subcontractors to assemble, package and test our products. The resurgence of severe acute respiratory syndrome, the outbreak of avian flu and any similar future outbreaks in Asia, where these foundries are located, could affect the production capabilities of our manufacturers by resulting in quarantines or closures. In the event of such a quarantine or closure, if we were unable to quickly identify alternate manufacturing facilities, our revenues, cost of revenues and results of operations would be negatively impacted. If these vendors do not provide us with high-quality products and services in a timely manner, or if one or more of these vendors terminates its relationship with us, we may be unable to obtain satisfactory replacements to fulfill customer orders on a timely basis, our relationships with our customers could suffer, our sales could decrease and harm our business, financial condition or results of operations.

With limited exceptions, our vendors are not obligated to perform services or supply products to us for any specific period, in any specific quantities, or at any specific price, except as may be provided in a particular purchase order. These vendors may allocate capacity to the production of other companies products while reducing deliveries to us on short notice. In particular, some foundry customers may have long-term agreements with these foundries that may cause these foundries to reallocate capacity to those customers, decreasing the capacity available to us. If we need another integrated circuit foundry or assembly and test subcontractor because of increased demand, or we are unable to obtain timely and adequate deliveries from our providers at the required time, we might not be able to develop relationships with other vendors who are able to satisfy our requirements. Even if other integrated circuit foundries or assembly and test subcontractors are available at that time to satisfy our requirements, it would likely take several months to qualify a new provider. Such a change may also require the approval of our customers, which would take time to effect and could cause our customers to cancel orders or fail to place new orders.

A number of our subsidiaries are incorporated under the laws of, and their principal offices are located in, the State of Israel and, therefore, their business operations may be harmed by adverse political, economic and military conditions affecting Israel.

Each of Marvell Semiconductor Israel Ltd. (MSIL), Marvell T.I. Ltd. (MTIL), Marvell Software Solutions Israel Ltd. (MSSI) and Marvell DSPC Ltd. (DSPC) is incorporated under the laws of and has its principal offices in Israel. In addition, MSIL, MSSI and DSPC maintain their research and development operations in Israel. Thus, MSIL, MTIL, MSSI and DSPC are directly influenced by the political, economic and military conditions affecting Israel. Any potential hostilities involving or within Israel could disrupt MSIL, MTIL, MSSI and DSPC s operations. For example, past hostilities between Israel and the Palestinian authority and other groups have caused substantial political unrest, which could lead to a potential economic downturn in Israel. Additionally, the ongoing situation in Iraq could lead to more economic instability and uncertainty in the State of Israel and the Middle East. Also, the interruption or curtailment of trade between Israel and its present trading partners or a significant downturn in the economic or financial condition of Israel could negatively impact the business operations and financial results of each of MSIL, MTIL, MSSI and DSPC.

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

We sell many of our products to customers through distributors and manufacturers representatives. Our relationships with some of our distributors and manufacturers representatives have been established within the last two years, and we are unable to predict the extent to which our distributors and manufacturers representatives will be successful in marketing and selling our products. Moreover, many of our manufacturers representatives and distributors also market and sell competing products. Our representatives and distributors may terminate their relationships with us at any time. Our future performance will also depend, in part, on our ability to attract additional distributors or manufacturers representatives that will be able to market and support our products effectively, especially in markets in which we have not previously distributed our products. If we cannot retain our current distributors or manufacturers representatives or recruit additional or replacement distributors or manufacturers representatives, our sales and operating results will be harmed. The loss of one or more of our distributors or manufacturers representatives could harm our sales and results of operations. We generally realize a higher gross margin on direct sales and from sales through manufacturers representatives than on sales through distributors. Accordingly, if our distributors were to account for an increased portion of our net sales, our gross margins may decline.

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

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

The international nature of our business exposes us to financial and regulatory risks that may adversely impact our revenues and profitability.

International operations are subject to a number of risks that may limit our ability to design, develop, test or market certain technologies and products, which could in turn have an adverse effect on our results of operations and financial condition, including:

international terrorism and anti-American sentiment, particularly in the emerging markets;

security concerns, including crime, political instability, armed conflict and civil or military unrest;

local business and cultural factors that differ from our normal standards and practices in the United States;

regulatory requirements and prohibitions that differ between jurisdictions;

laws and business practices favoring local companies;

differing employment practices and labor issues;

withholding tax obligations on revenues that we may not be able to offset fully against our U.S. tax obligations, including the further risk that foreign tax authorities may increase tax rates, which could result in increased tax withholdings and penalties;

less effective protection of intellectual property than is afforded to us in the United States or other developed countries; and

limited infrastructure and disruptions, such as large-scale outages or interruptions of service from utilities or telecommunications providers and natural disasters.

These conditions make it extremely difficult for our customers, our vendors and for us to accurately forecast and plan future business activities. We cannot predict the timing, strength or duration of any economic recovery, worldwide, or in our served markets. If the worldwide economy or our served markets in which we operate were to experience any of the conditions above, our business, financial condition and results of operations could be adversely affected.

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

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

If our foundries do not achieve satisfactory yields or quality, our relationships with our customers and our reputation will be harmed.

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

When demand for foundry capacity is high, we may take various actions to try to secure sufficient capacity, which may be costly and harm our operating results.

Availability of foundry capacity has from time to time in the past been constrained due to strong demand. The ability of each foundry to provide us with semiconductor devices is limited by its available capacity and existing obligations. Although we have entered into contractual commitments to supply specified levels of products to some of our customers, we may not have sufficient levels of production capacity with all of our foundries, despite signing a long-term guaranteed production capacity agreement with one of our foundries. Despite this agreement, foundry capacity may not be available when we need it or at reasonable prices. We place our orders on the basis of our customers purchase orders or our forecast of customer demand, and the foundries can allocate capacity to the production of other companies products and reduce deliveries to us on short notice. It is possible that foundry customers that are larger and better financed than we are or that have long-term agreements with our main foundries, may induce our foundries to reallocate capacity to those customers. This reallocation could impair our ability to secure the supply of components that we need. Although we use several independent foundries to manufacture substantially all of our semiconductor products, most of our components are not manufactured at more than one foundry at any given time, and our products typically are designed to be manufactured in a specific process at only one of these foundries. Accordingly, if one of our foundries is unable to provide us with components as needed, we could experience significant delays in securing sufficient supplies of those components. We cannot assure you that any of our existing or new foundries will be able to produce integrated circuits with acceptable manufacturing yields, or that our foundries will be able to deliver enough semiconductor devices to us on a timely basis, or at reasonable prices. These and other related factors could impair our ability to meet our customers needs and have a material and adverse effect on our operating results.

In order to secure sufficient foundry capacity when demand is high and mitigate the risks described in the foregoing paragraph, we may enter into various arrangements with suppliers that could be costly and harm our operating results, such as nonrefundable deposits with or loans to foundries in exchange for capacity commitments, and contracts that commit us to purchase specified quantities of integrated circuits over extended periods.

We may not be able to make any such arrangement in a timely fashion or at all, and any arrangements may be costly, reduce our financial flexibility, and not be on terms favorable to us. For example, amounts payable under our foundry capacity are non-refundable regardless of whether we are able to utilize all of any of the guaranteed wafer capacity under the terms of the agreement. Moreover, if we are able to secure foundry capacity, we may be obligated to use all of that capacity or incur penalties. These penalties may be expensive and could harm our financial results.

The complexity of our products could result in unforeseen delays or expenses or undetected defects or bugs, which could adversely affect the market acceptance of new products, damage our reputation with current or prospective customers, and materially and adversely affect our operating costs.

Highly complex products such as the products that we offer, frequently contain defects and bugs when they are first introduced or as new versions are released. We have in the past experienced, and may in the future experience, these defects and bugs. Historically, we have been able to design workarounds to fix these defects and bugs with minimal to no disruption to our business or our customers business. If any of our products contain defects or bugs, or have reliability, quality, or compatibility problems, we may not be able to successfully design workarounds. Consequently, our reputation may be damaged and customers may be reluctant to buy our products, which could materially and adversely affect our ability to retain existing customers, attract new customers, and our financial results. In addition, these defects or bugs could interrupt or delay sales to our customers. To resolve these problems, we may have to invest significant capital and other resources. Although our products are tested by our suppliers, our customers and ourselves, it is possible that our new products will contain defects or bugs. If any of these problems are not found until after we have commenced commercial production of a new product, we may be required to incur additional development costs and product recall, repair or replacement costs. These problems may also result in claims against us by our customers or others. In addition, these problems may divert our technical and other resources from other development efforts. Moreover, we would likely lose, or experience a delay in, market acceptance of the affected product or products, and we could lose credibility with our current and prospective customers. As a result, our financial results could be materially harmed.

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

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

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

As of October 27, 2007, the aggregate principal amount of our total consolidated debt was $395.8 million. Covenants in the agreements governing our existing debt, and debt we may incur in the future, may materially restrict our operations, including our ability to incur debt, pay dividends, make certain investments and payments, make acquisitions, and encumber or dispose of assets. In addition, financial covenants contained in agreements relating to our existing and future debt could lead to a default in the event our results of operations do not meet our plans and we are unable to amend those financial covenants. A default and acceleration under one debt instrument may also trigger cross-acceleration under our other debt instruments. An event of default under any debt instrument, if not cured or waived, could result in the lenders requiring us to repay the debt, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

increasing our vulnerability to general adverse economic and industry conditions;

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

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

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

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

We are subject to the risks of owning real property.

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

the possibility of environmental contamination and the costs associated with fixing any environmental problems;

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

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

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

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

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

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

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

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

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

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

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

As of October 27, 2007, our executive officers and directors beneficially owned or controlled, directly or indirectly, approximately 20% of the outstanding shares our common stock. Additionally, Dr. Sehat Sutardja, our Chief Executive Officer, and Weili Dai, who serves as our Director of Strategic Marketing and Business Development, are husband and wife and Dr. Sehat Sutardja and Dr. Pantas Sutardja are brothers. Together, these three individuals held approximately 20% of our outstanding common shares as of October 27, 2007. As a result, if the directors and officers as a group or any of Dr. Sehat Sutardja, Weili Dai and Dr. Pantas Sutardja act together, they will significantly influence the election of our directors and the approval or disapproval of our significant corporate actions. This influence over our affairs might be adverse to the interests of other shareholders. For instance, the voting power of these officers, directors and others could have the effect of delaying or preventing an acquisition of our company on terms that other shareholders may desire. Furthermore, we have a classified board, which could also further delay or prevent an acquisition, under certain circumstances.

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

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

A substantial portion of our business is conducted outside of the United States and, as a result, we are subject to foreign business, political and economic risks. All of our products are manufactured outside of the United States. Our current qualified integrated circuit foundries are located in the same region within Taiwan, and our primary assembly and test subcontractors are located in the Pacific Rim region. In addition, many of our customers are located outside of the United States, primarily in Asia, which further exposes us to foreign risks. Sales to customers located in Asia represented approximately 83% of our net revenue in the first nine months of fiscal 2008, 89% of our net revenue in fiscal 2007 and 94% of our net revenue in fiscal 2006.

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

- difficulties in obtaining domestic and foreign export, import and other governmental approvals, permits and licenses;
- compliance with foreign laws;
- difficulties in staffing and managing foreign operations;
- trade restrictions or higher tariffs;
- transportation delays;
- difficulties of managing distributors, especially because we expect to continue to increase our sales through international distributors;
- political and economic instability, including wars, terrorism, other hostilities and political unrest, boycotts, curtailment of trade and other business restrictions; and
- inadequate local infrastructure.

Because substantially all of our sales to date have been denominated in United States dollars, increases in the value of the United States dollar will increase the price of our products so that they become relatively more expensive to customers in the local currency of a particular country, potentially leading to a reduction in sales and profitability for us in that country. A portion of our international revenue may be denominated in foreign currencies in the future, which will subject us to risks associated with fluctuations in exchange rates for those foreign currencies.

Our third-party foundries and subcontractors are concentrated in Taiwan and elsewhere in the Pan-Pacific region, an area subject to significant earthquake risks. Any disruption to the operations of these foundries and subcontractors resulting from earthquakes or other natural disasters could cause significant delays in the production or shipment of our products.

Substantially all of our products are manufactured by third-party foundries located in Taiwan. Currently our only alternative manufacturing sources are located in Taiwan, China and Singapore. In addition, substantially all of our assembly and testing facilities are located in Singapore, Taiwan, Malaysia and the Philippines. The risk of an earthquake in Taiwan and elsewhere in the Pacific Rim region is significant due to the proximity of major earthquake fault lines to the facilities of our foundries and assembly and test subcontractors. In September 1999, a major earthquake in Taiwan affected the facilities of several of these third-party contractors. As a consequence of this earthquake, these contractors suffered power outages and disruptions that impaired their production capacity. Major earthquakes also occurred in Taiwan in 2002, 2003, 2004 and more recently in 2006. Although our foundries and subcontractors did not suffer any significant damage as a result of these most recent earthquakes, the occurrence of additional earthquakes or other natural disasters could result in the disruption of our foundry or assembly and test capacity. Any disruption resulting from such events could cause significant delays in the production or shipment of our products until we are able to shift our manufacturing, assembling or testing from the affected contractor to another third-party vendor. We may not be able to obtain alternate capacity on favorable terms, if at all.

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

The products we develop and sell are used for high volume applications. As a result, the prices of those products have historically decreased rapidly. Our gross profits and financial results will suffer if we are unable to offset any reductions in our average selling prices by increasing our sales volumes, reducing our costs, or developing new or enhanced products on a timely basis with higher selling prices or gross profits. We expect that our gross profits on our products are likely to decrease over the next fiscal year below levels we have historically experienced due to pricing pressures from our customers, an increase in sales of storage System-on-Chips, which typically have lower margins than standalone read channel devices, and an increase in sales of wireless and other products into consumer application markets, which are highly competitive and cost sensitive.

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

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

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

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

Also, during the final production of a mature product, our customers typically exhaust their existing inventory of our integrated circuits. Consequently, orders for our products may decline in those circumstances, even if our products are incorporated into both our customers mature and replacement products. A delay in a customer s transition to commercial production of a replacement product may cause the customer to lose sales, which would delay our ability to recover the lost sales from the discontinued mature product. In addition, customers may defer orders in anticipation of new products or product enhancements from our competitors or us.

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

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

61

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

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

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

Litigation involving patents and other intellectual property is widespread in the high-technology industry and is particularly prevalent in the integrated circuit industry, where a number of companies aggressively bring numerous infringement claims to protect their patent portfolios. From time to time we receive, and may continue to receive in the future, notices that claim we have infringed upon, misappropriated or misused the proprietary rights of other parties. These claims could result in litigation, which, in turn, could subject us to significant liability for damages. Any potential intellectual property litigation also could force us to do one or more of the following:

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

In addition, many of our contracts with our customers require us to indemnify our customers against claims alleging infringement of the proprietary rights of other parties. Customers have requested us to indemnify them in connection with a patent infringement lawsuit by Australia s Commonwealth Scientific and Industrial Research Organization (CSIRO). We have also filed an action against CSIRO seeking a declaratory judgment that CSIRO s patent is invalid and unenforceable and that we and our customers do not infringe the CSIRO patent.

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

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

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

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

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

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

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

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

The Israeli government has granted Approved Enterprise Status to two of our wholly-owned subsidiaries in Israel, which provides a tax holiday on undistributed income derived from operations within certain development regions in Israel. In order to maintain our qualification, we must continue to meet specified conditions, including the making of investments in fixed assets in Israel. As our tax holidays expire, we expect that we will start paying income tax on our operations within these development regions.

During fiscal 2007, our Switzerland subsidiary received from both Federal and Cantonal purposes a ten-year tax holiday on design and research centre and wafer supply trading activity revenues earned in Switzerland. Each jurisdiction has separate requirements that need to be met such as the ten-year business requirement and investment in head count, intellectual property, office equipment, software and other expense items. If the requirements are not met, there would be tax dollars to be paid which may affect our financial results.

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

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

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

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

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

Not applicable.

Item 3. ***Defaults Upon Senior Securities***

Not applicable.

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

At our 2007 Annual General Meeting of Shareholders held on October 19, 2007, the following proposals were adopted by the margins indicated.

1. To elect one Class 1 director of our Board of Directors, to hold office until the 2010 annual general meeting of shareholders or until his successor is duly elected and qualified.

	Votes For	Votes Against	Votes Withhold
Dr. Paul R. Gray	377,676,659	157,799,302	820,917

Other directors whose term of office as a director continued after the Annual General Meeting were Dr. Sehat Sutardja, Dr. Pantas Sutardja, Kuo Wei (Herbert) Chang, and Arturo Krueger. Mr. Douglas King did not seek reelection in the 2007 Annual General Meeting.

2. To amend Proposal 2 as presented in the proxy statement and proxy card delivered to shareholders, such that the 2008 fiscal year is correctly listed as ending as of February 2, 2008.

Votes For	Votes Against	Votes Abstained
533,073,270	2,751,680	471,930

To re-appoint PricewaterhouseCoopers LLP as our independent registered public accounting firm for our 2008 fiscal year ending February 2, 2008 and to authorize the audit committee to fix the auditor s remuneration.

Votes For	Votes Against	Votes Abstained
533,073,270	2,751,680	471,930

3. To approve and adopt the 2007 Director Stock Incentive Plan.

Votes For	Votes Against	Votes Abstained	Broker No-Votes
302,125,275	157,647,482	742,234	75,781,891

Item 5. ***Other Information***

Not applicable.

Item 6. ***Exhibits***

(a) The following exhibits are filed as part of this report:

10.1 2007 Director Stock Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.1 of Current Report on Form 8-K as filed on October 25, 2007)

10.2 Form of Stock Option Agreement for use under the 2007 Director Stock Incentive Plan Initial Award (incorporated by reference to Exhibit 10.2 of Current Report on Form 8-K as filed on October 25, 2007)

10.3 Form of Stock Option Agreement for use under the 2007 Director Stock Incentive Plan Annual Award (incorporated by reference to Exhibit 10.3 of Current Report on Form 8-K as filed on October 25, 2007)

31.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Sehat Sutardja Ph.D., President and Chief Executive Officer

31.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Michael Rashkin, Vice President, Interim Chief Financial Officer

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 Sehat Sutardja Ph.D., President and 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 Michael Rashkin, Vice President, Interim Chief Financial Officer

---

* 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 Quarterly Report on Form 10-Q 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.

SIGNATURES

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

	MARVELL TECHNOLOGY GROUP LTD.	
December 6, 2007	By:	/s/ MICHAEL RASHKIN
Date		Michael Rashkin
		Interim Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description
10.1	2007 Director Stock Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.1 of Current Report on Form 8-K as filed on October 25, 2007)
10.2	Form of Stock Option Agreement for use under the 2007 Director Stock Incentive Plan Initial Award (incorporated by reference to Exhibit 10.2 of Current Report on Form 8-K as filed on October 25, 2007)
10.3	Form of Stock Option Agreement for use under the 2007 Director Stock Incentive Plan Annual Award (incorporated by reference to Exhibit 10.3 of Current Report on Form 8-K as filed on October 25, 2007)
31.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Sehat Sutardja Ph.D., President and Chief Executive Officer
31.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Michael Rashkin, Interim Chief Financial Officer
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 Sehat Sutardja Ph.D., President and 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 Michael Rashkin, Interim Chief Financial Officer

---

* 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 Quarterly Report on Form 10-Q 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.