

MARVELL TECHNOLOGY GROUP LTD  
Form 8-K/A  
March 20, 2001

1

=====

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

AMENDMENT NO. 1

TO

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

MARCH 19, 2001  
DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED)

MARVELL TECHNOLOGY GROUP LTD.  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

BERMUDA  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

0-30877  
(COMMISSION FILE NUMBER)

77-04816  
(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

RICHMOND HOUSE  
3RD FLOOR  
12 PAR LA VILLE ROAD  
HAMILTON HM DX  
BERMUDA  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (441) 296-6395

N/A  
(FORMER NAME AND FORMER ADDRESS, IF CHANGED SINCE LAST REPORT)

=====

2

INFORMATION TO BE INCLUDED IN THE REPORT

On January 21, 2001, Marvell Technology Group Ltd., a Bermuda corporation ("Marvell" or the "Registrant") completed its acquisition of Galileo

## Edgar Filing: MARVELL TECHNOLOGY GROUP LTD - Form 8-K/A

Technology Ltd., a company organized under the laws of Israel ("Galileo"), pursuant to the merger of Toshack Acquisitions Ltd., a company organized under the laws of Israel and a direct wholly owned subsidiary of Marvell into Galileo. On February 5, 2001, Marvell filed with the Securities and Exchange Commission a Current Report on Form 8-K reporting this event.

This Amendment No. 1 to Current Report on Form 8-K has been filed to provide the information required by with Items 7(a)(1) and (b)(1) of Form 8-K.

### ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

#### (a) Financial Statements of Business Acquired.

The following financial statements of Galileo are filed herewith as Item 7(a):

Audited Financial Statements as of December 31, 1999 and for the year then ended, as follows:

- Independent Auditors' Report
- Consolidated Balance Sheets as of December 31, 1999 and 1998
- Consolidated Statements of Operations for each of the three years in the period ended December 31, 1999
- Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 1999
- Notes to Consolidated Financial Statements

Unaudited Financial Statements as of September 30, 2000 and for the nine months then ended, as follows:

- Consolidated Balance Sheet as of September 30, 2000
- Consolidated Statements of Operations for each of the nine months ended September 30, 2000 and 1999
- Consolidated Statements of Cash Flows for each of the nine months ended September 30, 2000 and 1999
- Notes to Consolidated Financial Statements (unaudited)

3

#### GALILEO AUDITED FINANCIAL STATEMENTS AS OF DECEMBER 31, 1999 AND FOR THE YEAR THEN ENDED

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Shareholders  
Galileo Technology Ltd.

We have audited the accompanying consolidated balance sheets of Galileo Technology Ltd. as of December 31, 1999 and 1998, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. Our audits also included the financial statement schedule listed in the Index at Item 19(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial

Edgar Filing: MARVELL TECHNOLOGY GROUP LTD - Form 8-K/A

statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Galileo Technology Ltd. at December 31, 1999 and 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

Palo Alto, California  
 January 14, 2000  
 except for Note 12,  
 as to which the date is February 29, 2000

3

4

GALILEO TECHNOLOGY LTD.  
 CONSOLIDATED BALANCE SHEETS  
 (U.S. dollars, in thousands, except share and per share data)

	Decem
	----- 1999 -----
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 42,648
Short-term investments	63,005
Accounts receivable, net of allowances of \$203 in 1999 and \$207 in 1998	12,523
Inventories	8,094
Prepaid expenses and other assets	3,049
	-----
Total current assets	129,319
Other assets	2,031
Property and equipment, net	9,388
	-----
Total assets	\$ 140,738
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	

Edgar Filing: MARVELL TECHNOLOGY GROUP LTD - Form 8-K/A

Accounts payable	\$ 6,495
Accrued and other current liabilities	8,969
Deferred income	1,817
Current maturities of long-term debt	--
	-----
Total current liabilities	17,281
Accrued severance pay	500
Long-term debt	--
Other liabilities	1,652
Commitments	
Shareholders' equity:	
Ordinary Shares--nominal value approximately \$0.003 per share; at amounts paid in; 100,000,000 shares authorized; 41,989,908 and 40,953,118 shares issued and outstanding at December 31, 1999 and 1998, respectively	74,440
Treasury shares at cost; 305,376 Ordinary Shares at December 31, 1998	--
Deferred compensation	(432)
Accumulated other comprehensive income (loss)	(124)
Retained earnings	47,421
	-----
Total shareholders' equity	121,305
	-----
Total liabilities and shareholders' equity	\$ 140,738
	=====

See accompanying notes.

4

5

GALILEO TECHNOLOGY LTD.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(U.S. dollars, in thousands, except per share data)

	Year ended December 31,		
	1999	1998	1997
	-----	-----	-----
Net sales	\$ 79,717	\$ 51,643	\$ 36,505
Cost of sales	28,041	19,272	13,561
	-----	-----	-----
Gross profit	51,676	32,371	22,944
Operating expenses:			
Research and development	16,633	10,656	6,234
Sales and marketing	7,849	6,006	4,427
General and administrative	4,374	3,653	3,345
	-----	-----	-----
Total operating expenses	28,856	20,315	14,006
	-----	-----	-----
Operating income	22,820	12,056	8,938
Interest income	4,921	4,383	1,689
Interest and other expense	(252)	(229)	(133)

Edgar Filing: MARVELL TECHNOLOGY GROUP LTD - Form 8-K/A

Income before provision for income taxes	27,489	16,210	10,494
Provision for income taxes	1,380	760	158
Net income	\$ 26,109	\$ 15,450	\$ 10,336
Earnings per share:			
Basic	\$ 0.63	\$ 0.38	\$ 0.32
Diluted	\$ 0.58	\$ 0.36	\$ 0.27
Shares used in computing earnings per share:			
Basic	41,233	40,698	31,896
Diluted	44,845	42,614	38,024

See accompanying notes.

5

6

GALILEO TECHNOLOGY LTD.  
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY  
(U.S. dollars, in thousands, except share data)

	PREFERRED SHARES		ORDINARY S
	SHARES	AMOUNT	SHARES
Balance at December 31, 1996	1,190,293	\$ 7,723	24,518,376
Comprehensive income:			
Other comprehensive income--change in net unrealized gain (loss) on available-for-sale investments	--	--	--
Net income	--	--	--
Comprehensive income	--	--	--
Issuance of Preferred Shares, net of issuance costs	270,300	1,450	--
Conversion of Series B and D Preferred Shares into Ordinary Shares	(1,460,593)	(9,173)	8,763,558
Issuance of Ordinary Shares	--	--	40,800
Issuance of Ordinary Shares, in conjunction with the Company's initial public offering, net of issuance costs	--	--	6,900,00
Issuance of Ordinary Shares pursuant to warrant exercise	--	--	30,994
Issuance of Ordinary shares under share option plans	--	--	229,102

Edgar Filing: MARVELL TECHNOLOGY GROUP LTD - Form 8-K/A

Tax benefit of stock option transactions	--	--	--
Deferred compensation related to certain options granted to employees prior to the initial public offering	--	--	--
Amortization of deferred compensation	--	--	--
	-----	-----	-----
Balance at December 31, 1997	--	--	40,482,830
Comprehensive income:			
Other comprehensive income--change in net	--	--	--

	DEFERRED COMPENSATION	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	RETAINED EARNINGS (ACCUMULATED DEFICIT)
	-----	-----	-----
Balance at December 31, 1996	\$ (1,058)	\$ --	\$ (3,276)
Comprehensive income:			
Other comprehensive income--change in net unrealized gain (loss) on available-for-sale investments	--	(15)	--
Net income	--	--	10,336
Comprehensive income	--	--	--
Issuance of Preferred Shares, net of issuance costs	--	--	--
Conversion of Series B and D Preferred Shares into Ordinary Shares	--	--	--
Issuance of Ordinary Shares	--	--	--
Issuance of Ordinary Shares, in conjunction with the Company's initial public offering, net of issuance costs	--	--	--
Issuance of Ordinary Shares pursuant to warrant exercise	--	--	--
Issuance of Ordinary shares under share option plans	--	--	--
Tax benefit of stock option transactions	--	--	--
Deferred compensation related to certain options granted to employees prior to the initial public offering	(1,086)	--	--
Amortization of deferred compensation	617	--	--
	-----	-----	-----
Balance at December 31, 1997	(1,527)	(15)	7,060
Comprehensive income:			
Other comprehensive income--change in net	--	170	--

Edgar Filing: MARVELL TECHNOLOGY GROUP LTD - Form 8-K/A

	PREFERRED SHARES		ORDINARY SH
	SHARES	AMOUNT	SHARES
unrealized gain (loss) on available-for-sale investments	--	--	--
Net income	--	--	--
Comprehensive income:	--	--	--
Purchase of Treasury Shares at cost	--	--	--
Issuance of Ordinary Shares under share option and employee stock purchase plans	--	--	470,288
Tax benefit of stock option transactions	--	--	--
Amortization of deferred compensation	--	--	--
Balance at December 31, 1998	--	--	40,953,118
Comprehensive income:	--	--	--
Other comprehensive income--change in net unrealized gain (loss) on available-for-sale investments	--	--	--
Net income	--	--	--
Comprehensive income:	--	--	--
Issuance of Ordinary Shares under share option and employee stock purchase plans	--	--	1,036,790
Tax benefit of stock option transactions	--	--	--
Amortization of deferred compensation	--	--	--
Balance at December 31, 1999	--	\$ --	41,989,908

	DEFERRED COMPENSATION	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	RETAINED EARNINGS (ACCUMULATED DEFICIT)
unrealized gain (loss) on available-for-sale investments	--	--	--
Net income	--	--	15,450
Comprehensive income:	--	--	--
Purchase of Treasury Shares at cost	--	--	--
Issuance of Ordinary Shares under share option and employee stock purchase plans	--	--	(622)

Edgar Filing: MARVELL TECHNOLOGY GROUP LTD - Form 8-K/A

Tax benefit of stock option transactions	--	--	--
Amortization of deferred compensation	586	--	--
	-----	-----	-----
Balance at December 31, 1998	(941)	155	21,888
Comprehensive income:	--	--	--
Other comprehensive income--change in net unrealized gain (loss) on available-for-sale investments	--	(279)	--
Net income	--	--	26,109
Comprehensive income	--	--	--
Issuance of Ordinary Shares under share option and employee stock purchase plans	--	--	(576)
Tax benefit of stock option transactions	--	--	--
Amortization of deferred compensation	509	--	--
	-----	-----	-----
Balance at December 31, 1999	\$ (432)	\$ (124)	\$ 47,421
	=====	=====	=====

See accompanying notes

7

8

GALILEO TECHNOLOGY LTD.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
Increase (decrease) in cash and cash equivalents  
(U.S. dollars, in thousands)

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
	-----	-----	-----
Cash flows from operating activities			
Net income	\$ 26,109	\$ 15,450	\$ 10,336
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	2,863	1,635	897
Amortization of deferred compensation	509	586	617
Change in deferred tax assets	456	(380)	(642)
Changes in operating assets and liabilities:			
Accounts receivable	(7,316)	(641)	(2,743)
Inventories	(5,243)	(464)	(1,237)
Prepaid expenses and other assets	(697)	(356)	(174)
Accounts payable	1,669	1,894	886
Accrued and other current liabilities	2,891	1,837	4,392
Deferred income	1,046	(243)	1,014
Accrued severance pay	217	73	100
Other liabilities	83	1,030	--
	-----	-----	-----
Net cash provided by operating activities	22,587	20,421	13,446



Edgar Filing: MARVELL TECHNOLOGY GROUP LTD - Form 8-K/A

Cash flows from investing activities			
Purchases of short-term investments	(35,789)	(57,041)	(29,364)
Proceeds from sales and maturities of short-term investments	13,343	43,722	4,304
Purchases of property and equipment	(7,435)	(3,484)	(2,281)
Other assets	--	(1,530)	--
	-----	-----	-----
Net cash used in investing activities	(29,881)	(18,333)	(27,341)
Cash flows from financing activities			
Proceeds from issuance of Preferred Shares	--	--	1,450
Proceeds from issuance of Ordinary Shares	4,469	2,060	131
Repurchase of Ordinary Treasury Shares	--	(2,203)	--
Proceeds from initial public offering	--	--	52,981
Proceeds from issuance of debt	--	--	2,264
Repayment of debt	(134)	(225)	(4,376)
	-----	-----	-----
Net cash provided by (used in) financing activities	4,335	(368)	52,450

8

9

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	(2,959)	1,720	38,555
Cash and cash equivalents at beginning of year	45,607	43,887	5,332
	-----	-----	-----
Cash and cash equivalents at end of year	\$ 42,648	\$ 45,607	\$ 43,887
	=====	=====	=====
Supplemental disclosure			
Interest paid	\$ 4	\$ 15	\$ 133
	=====	=====	=====
Income taxes paid	\$ 1	\$ 498	\$ --
	=====	=====	=====
Noncash financing activities			
Conversion of Preferred Shares to Ordinary Shares	\$ --	\$ --	\$ 9,173
	=====	=====	=====

See accompanying notes

GALILEO TECHNOLOGY LTD.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND BASIS OF PRESENTATION

Galileo Technology Ltd. (the "Company") was incorporated under the laws of Israel in November 1992 and commenced operations in March 1993. The Company, together with its United States subsidiary, Galileo Technology, Inc. ("GTI"), a California corporation, and its United Kingdom subsidiary, Galileo Technology Europe Ltd., defines, develops and markets advanced digital semiconductor devices that perform critical functions for New World converged-network systems, in which voice, video, and data are handled seamlessly using Internet Protocol techniques.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and include the accounts of the Company and its subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

The Company has elected to prepare its financial statements in U.S. dollars, which is also the Company's functional currency. Substantially all of the Company's sales are made in U.S. dollars. In addition, a substantial portion of the Company's costs are incurred in U.S. dollars. Since the U.S. dollar is the primary currency in the economic environment in which the Company operates, the U.S. dollar is its functional currency.

NATURE OF OPERATIONS AND RELATED CONCENTRATIONS

The Company's sales are concentrated with a few customers. For 1999, five customers represented approximately 66% of the Company's net sales. The following provides information on sales to major customers which each constituted more than 10% of net sales. Sales to one customer represented 22%, 26% and 12% of net sales for 1999, 1998 and 1997, respectively. Sales to two other customers represented 13% and 12% of net sales for 1999. Sales to another customer represented 14% and 10% of net sales for 1999 and 1997, respectively. Sales to another customer represented 17% of net sales for 1997.

The Company uses a single independent foundry in Taiwan to fabricate and manufacture substantially all of its semiconductor products. The Company's reliance on a single independent foundry involves a number of risks, including the possible absence of adequate capacity as the Company expands, the unavailability of, or interruption in access to, certain process technologies and reduced control over delivery schedules, quality assurance, manufacturing yields and costs.

The loss of any of the Company's major customers or its supplier would have a material adverse effect on the Company's business, financial condition and results of operations.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally

## Edgar Filing: MARVELL TECHNOLOGY GROUP LTD - Form 8-K/A

accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### REVENUE RECOGNITION

Net sales represent revenues derived from sales of semiconductor devices including system controllers and switched Ethernet LAN controllers. Revenues from product sales to customers, other than sales to distributors, are recorded when title transfers. Sales to distributors, which are made under agreements allowing price protection and right of return on products unsold by the distributor, are not recognized until the products are sold by the distributor. The Company's anticipated profit on such distribution sales are recorded as deferred income.

The Company accrues estimated sales returns for sales made to customers, other than distributors, and accrues warranty costs upon recognition of net sales. The Company has not experienced significant warranty claims to date.

### RESEARCH AND DEVELOPMENT

Research and development costs are expensed as incurred, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 2, "Accounting for Research and Development Costs."

### CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

The Company considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

Pursuant to SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," the Company's debt securities have been designated as available-for-sale. Available-for-sale securities are carried at fair value, which is determined based upon the quoted market prices of the securities, with unrealized gains and losses reported 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 income. The Company views its available-for-sale portfolio as available for use in its current operations.

Accordingly, the Company has classified all investments as short term, even though the stated maturity date may be one year or more from beyond the current balance sheet date. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in interest income.

11

12

### INVENTORIES

Inventories are stated at the lower of cost or market value. Cost is determined by the first-in, first-out method. Substantially all of the inventories are finished goods.

### PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost. Depreciation of property and equipment is recognized on the straight-line method over the estimated useful lives of the assets (generally from three to five years).

## Edgar Filing: MARVELL TECHNOLOGY GROUP LTD - Form 8-K/A

### FOREIGN CURRENCY TRANSACTIONS

Monetary accounts maintained in currencies other than the dollar (principally cash and liabilities) are remeasured using the foreign exchange rate at the balance sheet date. Operational accounts and nonmonetary balance sheet accounts are measured and recorded at the rate in effect at the date of the transaction. The effects of foreign currency remeasurement are reported in current operations. The effect of foreign currency remeasurement was not significant in 1999, 1998 or 1997.

### CONCENTRATIONS OF CREDIT RISK

Financial instruments that subject the Company to credit risk consist primarily of uninsured cash, cash equivalents and short-term investment balances held at high-quality financial institutions and trade receivables from its customers. The Company sells primarily to large network system vendors. The Company extends reasonably short collection terms and performs ongoing credit evaluations but does not require collateral. The Company provides reserves for potential credit losses, and such losses have been within management's expectations.

### ACCOUNTING FOR STOCK-BASED COMPENSATION

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations in accounting for its employee share options because, as discussed below, the alternative fair value accounting provided for under SFAS No. 123, "Accounting for Stock-Based Compensation," ("SFAS 123") requires use of option valuation models that were not developed for use in valuing employee share options. Under APB 25, when the exercise price of the Company's employee share purchase rights or options equals the market price of the underlying ordinary shares on the date of the grant, no compensation expense is recognized.

In connection with the grant of certain share options to employees through July 1997, the Company recorded deferred compensation of approximately \$3.0 million for the aggregate differences between the respective exercise prices of options at their dates of grant and the deemed fair value for accounting purposes of the ordinary shares subject to such options. Such amount is presented as a reduction of shareholders' equity and is amortized ratably over the vesting period of the related options.

12

13

### EARNINGS PER SHARE

Earnings per share has been computed in accordance with the SFAS No. 128, "Earnings Per Share," which requires disclosure of basic and diluted earnings per share. Basic earnings per share has been computed using the weighted-average number of ordinary shares outstanding during the period and the conversion of convertible preferred stock from the original date of issuance.

Basic earnings per share excludes any dilutive effects of options, shares subject to repurchase, warrants, and convertible securities. Diluted earnings per share includes the impact of potentially dilutive securities. Following the guidance given by the Securities and Exchange Commission ("SEC") in Staff Accounting Bulletin ("SAB") No. 98, ordinary shares and preferred shares that had been issued or granted for nominal consideration prior to the Company's initial public offering would be included in the calculation of basic

## Edgar Filing: MARVELL TECHNOLOGY GROUP LTD - Form 8-K/A

and diluted earnings per share as if these shares had been outstanding for all periods presented. No such issuances or grants have been made.

On June 12, 1997, the Company's shareholders approved a 3-for-1 ordinary share split in the form of a share dividend which was effected on June 24, 1997. On September 8, 1999, the Company's shareholders approved a 2-for-1 ordinary share split in the form of a share dividend which was effected on September 17, 1999. All share and per share amounts have been retroactively adjusted to reflect these splits.

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
Numerator used for both basic and diluted earnings per share	\$26,109 =====	\$15,450 =====	\$10,333 =====
Denominator for basic earnings per share-- Weighted average shares outstanding	41,233 =====	40,698 =====	31,893 =====
Denominator for diluted earnings per share:			
Denominator for basic earnings per share	41,233	40,698	31,893
Effect of dilutive securities:			
Employee share options	3,612	1,916	2,700
Warrants	--	--	
Convertible preferred shares	--	--	3,420
	----- 44,845 =====	----- 42,614 =====	----- 38,020 =====
Basic earnings per share	\$ 0.63 =====	\$ 0.38 =====	\$ 0.33 =====
Diluted earnings per share	\$ 0.58 =====	\$ 0.36 =====	\$ 0.28 =====

### RECENT ACCOUNTING STANDARDS

In June 1999, the Financial Accounting Standards Board ("FASB") issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133." This Statement defers for one year the effective date of Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). The rule will now apply for years beginning after June 15, 2000. Because of the Company's minimal use of derivatives, the Company does not anticipate that the adoption of SFAS 133 will have a significant effect on the Company's consolidated results of operations or financial position.

## Edgar Filing: MARVELL TECHNOLOGY GROUP LTD - Form 8-K/A

In December 1999, the SEC issued SAB No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." SAB 101 summarizes certain areas of the Staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. The Company believes that its current revenue recognition policies comply with SAB 101.

### 2. AVAILABLE-FOR-SALE-SECURITIES

The fair value and the amortized cost of available-for-sale securities at December 31, 1999 and 1998 are presented in the following tables (in thousands):

	DECEMBER 31, 1999			
	AMORTIZED COST	UNREALIZED HOLDING GAINS	UNREALIZED HOLDING LOSSES	ESTIMATE FAIR VALUE
Corporate debt securities	\$35,854	\$ --	\$ (285)	\$35,569
Debt securities of states of the United States and political subdivisions of the states	23,342	--	(79)	23,263
Israel government securities	24,700	328	(88)	24,940
	\$83,896	\$ 328	\$ (452)	\$83,772
	=====	=====	=====	=====
Reported as:				
Cash equivalents	\$20,767	\$ --	\$ --	\$20,767
Short-term investments	63,129	328	(452)	63,005
	\$83,896	\$ 328	\$ (452)	\$83,772
	=====	=====	=====	=====

	DECEMBER 31, 1999			
	AMORTIZED COST	UNREALIZED HOLDING GAINS	UNREALIZED HOLDING LOSSES	ESTIMATE FAIR VALUE
Corporate debt securities	\$37,907	\$ 83	\$ (8)	\$37,982
Debt securities of states of the United States and political subdivisions of the states	15,524	34	--	15,558

Edgar Filing: MARVELL TECHNOLOGY GROUP LTD - Form 8-K/A

	AMORTIZED COST	UNREALIZED HOLDING GAINS	UNREALIZED HOLDING LOSSES	ESTIMATE FAIR VALUE
Israel government securities	11,942	88	(42)	11,988
	-----	-----	-----	-----
	\$65,373	\$ 205	\$ (50)	\$65,528
	=====	=====	=====	=====
Reported as:				
Cash equivalents	\$24,690	\$ --	\$ --	\$24,690
Short-term investments	40,683	205	(50)	40,838
	-----	-----	-----	-----
	\$65,373	\$ 205	\$ (50)	\$65,528
	=====	=====	=====	=====

The contractual maturities of available-for-sales debt securities classified as short-term investments at December 31, 1999 are as follows (in thousands):

	AMORTIZED COST	FAIR VALUE
Due in one year or less	\$22,129	\$22,049
Due after one year through three years	20,446	20,179
Due after three years through five years	20,554	20,777
	-----	-----
	\$63,129	\$63,005
	=====	=====

Proceeds from the sale of available-for-sale securities were approximately \$4,974,000 and \$1,934,000 for 1999 and 1998. The Company realized a net gain of approximately \$59,000 and \$11,000 from the sale of available-for-sale securities for 1999 and 1998. The Company had no sales of available-for-sale securities in 1997.

### 3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following (in thousands):

	DECEMBER 31,	
	1999	1998
Computer equipment	\$ 12,035	\$ 5,728
Furniture, fixtures and other	3,223	2,095
	-----	-----
Accumulated depreciation	15,258	7,823
	(5,870)	(3,007)
	-----	-----
	\$ 9,388	\$ 4,816
	=====	=====

## Edgar Filing: MARVELL TECHNOLOGY GROUP LTD - Form 8-K/A

### 4. LONG-TERM DEBT

The Company had no outstanding long-term debt as of December 31, 1999. As of December 31, 1998, the Company had \$134,000 of long-term debt. The fair market value of the Company's long-term debt approximated the carrying value. The fair value was estimated using a

15

16

discounted cash flow analysis, based on the Company's incremental borrowing rate for similar types of borrowing arrangements.

### 5. ACCRUED AND OTHER CURRENT LIABILITIES

Accrued and other current liabilities consists of the following (in thousands):

	DECEMBER 31,	
	----- 1999 -----	1998 -----
Compensation and benefits	\$3,415	\$2,710
Income and other tax authorities	3,120	901
Other	2,434	2,467
	-----	-----
	\$8,969	\$6,078
	=====	=====

### 6. ACCRUED SEVERANCE LIABILITIES

The Company's liability for severance pay pursuant to Israeli law is fully provided for through insurance contracts and by accrual. The net accrued severance pay liability reported in the balance sheet reflects the following (in thousands):

	DECEMBER 31,	
	----- 1999 -----	1998 -----
Accrued severance pay	\$1,431	\$832
Less amount funded	931	549
	-----	-----
Unfunded portion, net accrued severance pay	\$ 500	\$283
	=====	=====

Severance expenses for 1999, 1998 and 1997 amounted to approximately \$599,000, \$324,000 and \$257,000, respectively.



## Edgar Filing: MARVELL TECHNOLOGY GROUP LTD - Form 8-K/A

### 7. COMMITMENTS

#### LEASE COMMITMENTS

The Company leases its facilities and other equipment under operating lease agreements which expire through 2025. Aggregate future minimum annual payments under noncancelable operating leases as of December 31, 1999 were as follows (in thousands):

2000	\$ 656
2001	455
2002	256
2003	149
2004	96
Thereafter	2,016
	-----
	\$3,628
	=====

16

17

Total rent expense for 1999, 1998 and 1997 was \$657,000, \$384,000 and \$297,000, respectively.

### 8. SHAREHOLDERS' EQUITY

#### INITIAL PUBLIC OFFERING

In July 1997, the Company completed an initial public offering of 6,900,000 ordinary shares at a price of \$8.50 per share. Net proceeds from the initial public offering were approximately \$53.0 million. Warrants to purchase 225,000 Series B convertible preferred shares were exercised prior to the initial public offering resulting in net proceeds to the Company of \$1,050,000. Concurrent with the initial public offering, each of the 860,593 shares of Series B convertible preferred shares and each of the 600,000 shares of Series D convertible preferred shares outstanding were converted into 8,763,558 shares of the Company's ordinary shares. Net proceeds of the initial public offering were approximately \$53.0 million.

#### SHARE REPURCHASE PROGRAM

In June 1998, the Company's wholly-owned subsidiary, GTI, commenced a program to buy an aggregate of up to five percent of the ordinary shares of the Company. During 1998, GTI acquired 455,200 ordinary shares for an aggregate purchase price of \$2,203,000. No additional ordinary shares were repurchased during 1999. Such repurchased ordinary shares were accounted for as treasury shares and resulted in a reduction of shareholders' equity. When treasury shares were reissued, the Company used a last-in, first-out method and the excess of the repurchase cost over the reissuance price was treated as a reduction of retained earnings. As of December 31, 1999, all of the Company's treasury shares have been reissued.

#### OPTIONS AND SHARE PURCHASE RIGHTS

In 1993, the Company issued 3,000,000 ordinary shares to an independent trustee (the "Trust Arrangement"). The shares under the Trust Arrangement are

## Edgar Filing: MARVELL TECHNOLOGY GROUP LTD - Form 8-K/A

restricted for use under individual share purchase agreements and share options to employees and consultants. No purchase rights or options have been granted subsequent to 1997. The shares under the Trust Arrangement cannot be returned to the Company, have voting and dividend rights, and are considered issued and outstanding. The shares remain in trust until paid for pursuant to the exercise of a purchase right or option grant.

In June 1997, the Company's shareholders approved the Galileo Technology Ltd. 1997 Employees' Stock Option Plan (the "GTL Plan") under which the Company is authorized to issue options to purchase ordinary shares to its Israeli employees. Options granted under the GTL Plan expire eight years from the date of grant and are subject to earlier termination upon termination of the optionee's employment or other relationship with the Company. Unless otherwise determined by the Board of Directors, one half of the optioned shares vest two years from the date of grant and an additional 1/48th of the optioned shares vest each month thereafter. Ordinary shares subject to outstanding options that expire or terminate prior to exercise will be available for future issuance under the GTL Plan. Subject to applicable laws, the Board of Directors may amend or modify the GTL Plan at any time. The GTL Plan will terminate in June 2005, unless sooner terminated by the Board of Directors.

17

18

The Galileo Technology Ltd. 1997 GTI Stock Option Plan amended and restated the GTI Stock Option Plan (together, the "GTI Plan") under which the Company is authorized to issue options to purchase shares to its U.S. employees. The GTI Plan was approved by the Company's shareholders in June 1997. Ordinary shares subject to outstanding options that expire or terminate prior to exercise will be available for future issuance under the GTI Plan.

Under the GTI Plan, employees (including officers and directors) of GTI may, at the discretion of the Board of Directors, be granted incentive stock options to purchase ordinary shares at an exercise price not less than 100% of the fair market value of such shares on the date of grant. The exercise price for options to a 10% shareholder must not be less than 110% of the fair market value of such shares on the grant date. Non-statutory stock options granted pursuant to the GTI Plan must have an exercise price of not less than 85% of the fair market value of such shares on the date of grant. The Board of Directors has complete discretion to determine which eligible individuals are to receive stock option grants, the number of shares subject to each such grant, the status of any option as either an incentive option or a non-statutory option, the vesting schedule for each option and the maximum term for which each option is to remain outstanding. Unless otherwise determined by the Board of Directors, one quarter of the optioned shares vest one year from the date of the grant and an additional 1/48th of the optioned shares vest each month thereafter as long as the holder continues to be an employee or consultant of GTI or the Company.

In August 1998, the Company's shareholders approved the Galileo Technology Ltd. 1998 Nonemployee Directors' Stock Option Plan (the "Directors Plan") under which the Company is authorized to issue options to purchase ordinary shares to its nonemployee directors. Options granted under the Directors Plan expire ten years from the date of grant and are subject to earlier termination if the optionee ceases to be a director of the Company. Ordinary shares subject to outstanding options that expire or terminate prior to exercise will be available for future issuance under the Directors Plan. The Directors Plan will terminate in June 2008.

During 1998, the Company adopted two separate Option Exchange Programs to allow employees to exchange their out-of-the-money options for new options

## Edgar Filing: MARVELL TECHNOLOGY GROUP LTD - Form 8-K/A

with an exercise price equal to the fair value of the Company's ordinary shares on the date of the exchange. The first program resulted in a total of approximately 1,328,000 options with a weighted average exercise price of \$14.57 being exchanged for new options with an exercise price of \$6.50. The second, subsequent program resulted in a total of approximately 2,374,000 options with a weighted average exercise price of \$8.40 being exchanged for new options with an exercise price of \$3.50. The new options will continue to vest in accordance with the original options' vesting schedules and cannot be exercised prior to one year from the date of the exchange. These programs are reflected in the following table as cancellations and grants.

As of December 31, 1999, 15,557,436 ordinary shares have been authorized for issuance pursuant to options and purchase rights under the above terms. Of these shares, 1,019,136 shares were available for future grant. The Board of Directors has appointed officers of the Company to determine the allocation of the shares between the plans.

As of December 31, 1999, 200,000 ordinary shares have been authorized for issuance under the Directors Plan. Of these shares, 75,000 shares were available for future grant.

18

19

A summary of option and purchase right activity is as follows:

	ACTIVITY		OUTS
	SHARE OPTIONS	TRUST ARRANGEMENT	NUMBER OF SHARES
Balance, January 1, 1997	1,111,200	3,446,262	4,557,462
Grant of purchase rights or options	2,148,222	82,278	2,230,500
Exercise of purchase rights or options	(229,102)	(460,492)	(689,594)
Forfeited and cancelled	(57,000)	--	(57,000)
	2,973,320	3,068,048	6,041,368
Balance, December 31, 1997	2,973,320	3,068,048	6,041,368
Grant of options	6,413,302	--	6,413,302
Exercise of purchase rights or options	(563,724)	(877,830)	(1,441,554)
Forfeited and cancelled	(3,783,028)	--	(3,783,028)
	5,039,870	2,190,218	7,230,088
Balance, December 31, 1998	5,039,870	2,190,218	7,230,088
Grant of options	3,163,113	--	3,163,113
Exercise of purchase rights or options	(1,259,697)	(1,144,897)	(2,404,594)
Forfeited and cancelled	(391,813)	--	(391,813)
	6,551,473	1,045,321	7,596,794
Balance, December 31, 1999	6,551,473	1,045,321	7,596,794
Exercisable at:			
December 31, 1999			2,124,238
December 31, 1998			1,880,954

Edgar Filing: MARVELL TECHNOLOGY GROUP LTD - Form 8-K/A

December 31, 1997

2,114,636  
=====

The options and purchase rights outstanding at December 31, 1999 have been segregated into ranges of exercise prices as follows:

RANGE OF EXERCISE PRICES	OUTSTANDING			EXERCISABLE	
	NUMBER OF OPTIONS/ PURCHASE RIGHTS	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED-AVERAGE PURCHASE/ EXERCISE PRICE	NUMBER OF OPTIONS/ PURCHASE RIGHTS	WEIGHTED EXERCISE PRICE
\$ 0.001--\$ 2.500	1,447,236	6.7	\$ 0.358	801,825	\$ 0
\$ 3.500	1,978,936	8.1	\$ 3.500	830,921	\$ 3
\$ 4.125--\$ 9.688	1,520,591	8.8	\$ 6.209	438,943	\$ 6
\$10.250--\$20.500	1,035,070	9.4	\$13.941	52,549	\$11
\$21.063--\$29.063	1,614,961	9.7	\$21.996	--	\$
	-----			-----	
\$ 0.001--\$29.063	7,596,794	8.8	\$ 8.797	2,124,238	\$ 3
	=====	=====	=====	=====	=====

The weighted average fair value of purchase rights and options granted during 1999, 1998 and 1997 was \$12.37, \$3.30 and \$4.58, respectively. In 1997, the Company granted 797,400 purchase rights or options at below deemed fair value with a weighted average exercise

price of \$1.15 and a weighted average fair value of \$2.20. Deferred compensation of approximately \$1,086,000 was recorded in connection with these grants.

PRO FORMA DISCLOSURES

Pro forma information regarding net income and earnings per share is required by SFAS 123, which also requires that the information be determined as if the Company had accounted for its employee share options granted subsequent to December 31, 1994 under the fair value method of that statement. The fair value for these options was estimated at the date of grant using the Black-Scholes option pricing model using a graded vesting approach with the following assumptions for 1999, 1998 and 1997: risk-free interest rates of 5% to 6.25%; no dividend yield; weighted-average expected term of the option of approximately three years for options granted in 1999 and 1998, respectively and approximately four years for options granted in 1997; and volatility of 0.83, 0.85 and 0.71, respectively.

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected share price volatility.

Because the Company's employee share options have characteristics

## Edgar Filing: MARVELL TECHNOLOGY GROUP LTD - Form 8-K/A

significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee share options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information follows (in thousands, except for per share information):

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
Net income as reported	\$26,109	\$15,450	\$10,336
Pro forma net income	\$11,995	\$ 9,907	\$ 8,291
Pro forma earnings per share:			
Basic	\$ 0.29	\$ 0.24	\$ 0.26
Diluted	\$ 0.28	\$ 0.24	\$ 0.22
Shares used in calculating pro forma earnings per share:			
Basic	41,233	40,698	31,896
Diluted	43,565	41,528	37,728

20

21

### EMPLOYEE STOCK PURCHASE PLAN

On January 6, 1998, the shareholder's approved the Galileo Technology Ltd. 1997 Employee Stock Purchase Plan (the "ESPP"). The ESPP permits eligible employees to purchase shares at a price equal to 85% of the lower of the fair market value at the beginning or end of each offering period. As of December 31, 1999, a total of 103,043 shares have been reserved for further issuance under the ESPP. During 1999 and 1998, respectively, there were 83,189 and 56,388 shares issued under the ESPP. The number of shares reserved for issuance under the ESPP automatically increases by 105 percent of the number of shares purchased under the ESPP in the previous calendar year. The increase is effected each year on January 1.

### ORDINARY SHARES RESERVED FOR FUTURE ISSUANCE

As of December 31, 1999, approximately 7,748,652 ordinary shares are reserved for future issuance under the Company's share option plans and the ESPP.

### 9. NONQUALIFIED DEFERRED COMPENSATION PLAN

During 1998, the Company adopted a nonqualified deferred compensation plan. This plan allows officers and certain other employees of the Company to defer all or part of their compensation, to be paid to the participants or their designated beneficiaries upon retirement, death or separation from the Company. The amount of compensation deferred and related investment earnings are held in an irrevocable rabbi trust and is included in other assets in the Company's balance sheet. The offsetting liability is included in other liabilities reflecting the amounts due employees.

## Edgar Filing: MARVELL TECHNOLOGY GROUP LTD - Form 8-K/A

### 10. INCOME TAXES

The tax provision consists of the following (in thousands):

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
	-----	-----	-----
Current:			
United States	\$ 924	\$ 1,140	\$ 800
Israel	--	--	--
	-----	-----	-----
	924	1,140	800
Deferred:			
United States	456	(380)	(642)
Israel	--	--	--
	-----	-----	-----
	456	(380)	(642)
	=====	=====	=====
	\$ 1,380	\$ 760	\$ 158

Tax benefits resulting from the exercise of nonqualified share options and the disqualifying dispositions of shares acquired under the Company's employee share option plans reduced United States taxes currently payable as shown above by approximately \$698,000, \$738,000 and \$132,000 for 1999, 1998 and 1997 respectively. Such benefit was credited to shareholders' equity.

21

22

The Company has been granted "Approved Enterprise" status by the Israeli Government under the Law for the Encouragement of Capital Investments, 1959 (the "Investment Law"). The Approved Enterprise status will allow the Company a tax holiday on undistributed Israeli income. The benefits under these investment plans are scheduled to fully expire in 2006.

In the event of distribution of cash dividends from income which is tax exempt due to the above, the Company would have to pay tax at the rate of 20% on an amount equal to the amount distributed. The Company currently has no plans to distribute dividends and intends to retain future earnings to finance the development of its business. The tax exempt income attributable to the Approved Enterprise can be distributed to shareholders without subjecting the Company to taxes only upon the complete liquidation of the Company. All of the Company's retained earnings are attributable to the Company's "approved enterprises" and are not available for distribution without the payment of tax. Should all of the earnings be distributed, the Company would be required to pay \$10.7 million in taxes.

The entitlement to the above tax holiday is conditional upon the Company's fulfilling the conditions stipulated by the Investment Law, regulations published thereunder and the instruments of approval for the specific investments in Approved Enterprises. In the event of a failure to comply with these conditions, the benefits may be canceled and the Company may be required to refund the amount of the benefits, in whole or in part, with the addition of CPI-adjustment differences and interest. The Company's management believes that the Company is in compliance with all of the required terms.

## Edgar Filing: MARVELL TECHNOLOGY GROUP LTD - Form 8-K/A

Israeli taxable income not eligible for "Approved Enterprise" benefits mentioned above is taxed at the regular corporate tax rate of 36% in 1999, 1998 and 1997.

Pretax income from foreign (U.S.) operations was \$1,659,000 in 1999, \$1,103,000 in 1998 and \$550,000 in 1997.

A reconciliation between the Company's effective tax rate and the Israeli statutory rate is as follows (in thousands):

	YEAR ENDED DECEMBER 31,	
	1999	1998
	-----	-----
Income before provision for income taxes	\$ 27,489	\$ 16,210
Statutory Israeli rate	36%	36%
Expected tax (benefit)	\$ 9,896	\$ 5,836
"Approved Enterprise" benefit	(9,896)	(5,836)
United States tax on foreign (U.S.) operations, net	1,380	760
	-----	-----
	\$ 1,380	\$ 760
	=====	=====

The per share basic and diluted benefit of the Israeli "Approved Enterprise" benefit is \$0.24 and \$0.22, respectively, for 1999, \$0.14 for 1998, and \$0.12 and \$0.10, respectively, for 1997.

22

23

Significant components of the Company's deferred tax assets are as follows (in thousands):

	December 31,	
	1998	1999
	-----	-----
Deferred tax assets:		
Certain accrued expenses and reserves that are not currently deductible for income tax purposes	\$ 506	\$ 731
Compensation expense not currently deductible	70	394
Other, net	(9)	(46)
	-----	-----
Total deferred assets	567	1,079
Valuation allowance	--	(56)
	-----	-----
Net deferred tax assets	\$ 567	\$ 1,023
	=====	=====

The valuation allowance decreased by \$94,000 and \$100,000 during 1998

## Edgar Filing: MARVELL TECHNOLOGY GROUP LTD - Form 8-K/A

and 1997, respectively.

### 11. GEOGRAPHIC INFORMATION AND MAJOR CUSTOMERS

The Company and its subsidiaries operate in one segment, principally the definition, development and marketing of semiconductor devices for the data communication market. Operations in Israel include research and development and production contracting. Operations in the U.S. include marketing and sales. The following is a summary of operations within geographic areas (in thousands). Revenue is attributed to the geographic area in which the sale originates. Long-lived assets primarily represent property and equipment, net.

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
Revenues from external customers:			
United States	\$79,654	\$51,589	\$36,505
Israel	63	54	--
	-----	-----	-----
	\$79,717	\$51,643	\$36,505
	=====	=====	=====
Long-lived assets:			
United States	\$ 602	\$ 543	
Israel	9,091	4,773	
	-----	-----	
	\$ 9,693	\$ 5,316	
	=====	=====	

### 12. SUBSEQUENT EVENTS

On February 29, 2000, the Company announced that it expects to record non-recurring charges of approximately \$2.5 million in the quarter ended March 31, 2000. These charges will reflect increased inventory reserve requirements and the write off of investments and intellectual property for discontinued projects that no longer fit with the Company's business strategies.

GALILEO UNAUDITED FINANCIAL STATEMENTS AS OF  
DECEMBER 31, 1999 AND FOR THE YEAR THEN ENDED

GALILEO TECHNOLOGY LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS  
(U.S. DOLLARS, IN THOUSANDS)

September 30, 2000	December 31, 1999
-----	-----
(Unaudited)	(1)

ASSET



Edgar Filing: MARVELL TECHNOLOGY GROUP LTD - Form 8-K/A

Current assets:		
Cash and cash equivalents	\$ 71,483	\$ 42,648
Short-term investments	39,946	63,005
Accounts receivable, net	12,599	12,523
Inventories	12,875	8,094
Prepaid expenses and other assets	3,238	3,049
	-----	-----
Total current assets	140,141	129,319
Other assets	11,090	2,031
Property and equipment, net	16,236	9,388
	-----	-----
Total assets	\$ 167,467	\$ 140,738
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 11,274	\$ 6,495
Accrued and other liabilities	10,024	8,969
Deferred income	3,948	1,817
	-----	-----
Total current liabilities	25,246	17,281
Accrued severance pay	651	500
Other liabilities	1,652	1,652
Commitments		
Shareholders' equity:		
Ordinary shares	78,010	74,440
Deferred compensation	(67)	(432)
Accumulated other comprehensive income (loss)	153	(124)
Retained earnings		
Total shareholders' equity	61,822	47,421
	-----	-----
	139,918	121,305
	-----	-----
Total liabilities and shareholders' equity	\$ 167,467	\$ 140,738
	=====	=====

(1) The balance sheet at December 31, 1999 has been derived from audited financial statements at that date, but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

See accompanying notes.

GALILEO TECHNOLOGY LTD.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(U.S. DOLLARS, IN THOUSANDS, EXCEPT PER SHARE DATA)

(UNAUDITED)

Edgar Filing: MARVELL TECHNOLOGY GROUP LTD - Form 8-K/A

	Three Months Ended		Nine Months Ended	
	September 30, 2000	September 30, 1999	September 30, 2000	September 1999
Net sales	\$28,786	\$22,024	\$73,256	\$55,44
Cost of sales	11,489	7,620	30,308	19,31
Gross profit	17,297	14,404	42,948	36,13
Operating expenses:				
Research and development	7,016	4,689	18,995	11,65
Selling, marketing and administrative	4,761	3,404	12,709	8,78
Total operating expenses	11,777	8,093	31,704	20,43
Operating income	5,520	6,311	11,244	15,69
Other income (expense), net	1,509	1,123	3,915	3,41
Income before provision for income taxes	7,029	7,434	15,159	19,10
Provision for income taxes	350	375	758	95
Net income	\$ 6,679	\$ 7,059	\$14,401	\$18,15
Earnings per share:				
Basic	\$ 0.16	\$ 0.17	\$ 0.34	\$ 0.4
Diluted	\$ 0.15	\$ 0.16	\$ 0.32	\$ 0.4
Shares used in computing earnings per share:				
Basic	42,816	41,472	42,543	41,05
Diluted	45,906	45,399	45,401	44,67

See accompanying notes.

25

26

GALILEO TECHNOLOGY LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
Increase (decrease) in cash and cash equivalents  
(U.S. dollars, in thousands)  
(Unaudited)

	Nine Months Ended	
	September 30, 2000	September 30 1999
Cash flows from operating activities		
Net income	\$ 14,401	\$ 18,154

26

## Edgar Filing: MARVELL TECHNOLOGY GROUP LTD - Form 8-K/A

Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and other		
Amortization of deferred compensation	3,681	2,012
Changes in operating assets and liabilities:	365	383
Accounts receivable	(76)	(5,783)
Inventories	(4,781)	(3,995)
Prepaid expenses and other assets	(189)	(1,328)
Accounts payable	4,779	6,123
Accrued and other liabilities	1,055	2,366
Deferred income	2,131	709
Accrued severance pay and other liabilities	151	124
	-----	-----
Net cash provided by operating activities	21,517	18,765
Cash flows from investing activities		
Purchases of short-term investments	(6,800)	(28,022)
Maturities of short-term investments	30,136	11,462
Purchases of property and equipment	(10,529)	(5,187)
Other assets	(9,059)	(51)
	-----	-----
Net cash provided by (used in) investing activities	3,748	(21,798)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	3,704	2,990
Repurchase of treasury shares	(134)	--
Repayment of long-term debt	--	(124)
	-----	-----
Net cash provided by financing activities	3,570	2,866
Net increase (decrease) in cash and cash equivalents	28,835	(167)
Cash and cash equivalents at beginning of period	42,648	45,607
	-----	-----
Cash and cash equivalents at end of period	\$ 71,483	\$ 45,440
	=====	=====

See accompanying notes.

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

#### 1. Basis of Presentation:

The condensed consolidated financial statements have been prepared by Galileo Technology Ltd. and include the accounts of Galileo Technology Ltd. and its wholly-owned subsidiaries ("Galileo" or collectively the "Company"). Certain information and footnote disclosures, normally included in financial statements prepared in accordance with generally accepted accounting principles, have been condensed or omitted pursuant to such rules and regulations. In the opinion of the Company, the financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial position at September 30, 2000 and December 31, 1999, and the operating results and cash flows for the reported periods. These financial statements and notes should be read in conjunction with the Company's audited

## Edgar Filing: MARVELL TECHNOLOGY GROUP LTD - Form 8-K/A

financial statements and notes thereto for the year ended December 31, 1999, which were filed with the Securities and Exchange Commission on Form 20-F.

The results of operations for the three and nine months ended September 30, 2000 are not necessarily indicative of the results that may be expected for the future quarters or the year ending December 31, 2000.

### 2. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	Three Months Ended Sept. 30,		Nine Mont Sept.
	2000	1999	2000
Numerator used for both basic and diluted earnings per share - net income	\$ 6,679	\$ 7,059	\$14,398
Denominator for basic earnings per share-Weighted average shares	42,816	41,472	42,543
Denominator for diluted earnings per share: Weighted average shares	42,816	41,472	42,543
Effect of dilutive securities-Employee share options	3,090	3,927	2,858
	45,906	45,399	45,401
	=====	=====	=====
Earnings per share:			
Basic	\$ 0.16	\$ 0.17	\$ 0.34
	=====	=====	=====
Diluted	\$ 0.15	\$ 0.16	\$ 0.32
	=====	=====	=====
Potentially dilutive securities excluded from computations as the effect would be antidilutive	270	26	1,467
	=====	=====	=====

27

28

### 3. Inventories

Inventories are stated at the lower of cost or market value. Cost is determined by the first-in, first-out (FIFO) method. Substantially all of the inventories are finished goods.

### 4. Comprehensive Income

Total comprehensive income for the three months ended September 30, 2000 and 1999 was \$6,444,000 and \$7,087,000, respectively. For the nine months ended September 30, 2000 and 1999, total comprehensive income was \$14,678,000 and \$18,024,000, respectively. Other comprehensive income represents the net change in unrealized gain (loss) on available-for-sale investments.

## Edgar Filing: MARVELL TECHNOLOGY GROUP LTD - Form 8-K/A

### 5. Segment Information

The Company and its subsidiaries operate in one segment, principally the definition, development and marketing of semiconductor devices for the communications market. Operations in Israel include research and development and production contracting. Operations in the U.S. include marketing and sales.

### 6. Stock Split

On September 17, 1999, the Company effected a two-for-one stock split in the form of a stock dividend. Accordingly, all references to share and per-share data for all periods presented have been adjusted to reflect this event.

### 7. New Accounting Standards

In June 1999, the Financial Accounting Standards Board ("FASB") issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133." This Statement defers for one year the effective date of Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). The rule will now apply for fiscal years beginning after June 15, 2000. Because of the Company's minimal use of derivatives, the Company does not anticipate that the adoption of SFAS 133 will have a significant effect on the Company's consolidated results of operations or financial position.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." SAB 101 summarizes certain areas of the SEC's views in applying generally accepted accounting principles to revenue recognition in financial statements. The Company believes that its current revenue recognition policies comply with SAB 101.

### 8. Subsequent Event

On October 16, 2000, the Company entered into a Merger Agreement with Marvell Technology Group Ltd., a corporation organized under the laws of Bermuda, and Toshack Acquisitions Ltd., a wholly-owned subsidiary of Marvell. The Merger Agreement provides that,

28

29

subject to the terms and conditions set forth therein, Toshack Acquisitions will merge with and into the Company and the Company will become a direct wholly-owned subsidiary of Marvell. At the effective time of the merger, each outstanding ordinary share of the Company will be converted into the right to receive 0.674 shares of common stock of Marvell.

#### (b) Pro Forma Financial Information

The Unaudited Pro Forma Combined condensed Financial Information, including the notes thereto, included under the heading "Unaudited Pro Forma Combined Condensed Financial Information" on pages 92 through 97, inclusive, of Amendment No. 1 to the registration statement on Form S-4 of the Registrant (Registration No. 333-50206) filed with the Securities and Exchange Commission on December 12, 2000, is incorporated herein by reference.

#### (c) Exhibits

2.1 Agreement of Merger, as amended, by and among Marvell Technology Group

Edgar Filing: MARVELL TECHNOLOGY GROUP LTD - Form 8-K/A

Ltd., Galileo Technology Ltd. and Toshack Acquisitions Ltd., dated as of October 16, 2000 (incorporated by reference to Exhibit 2.1 of the Registrant's registration statement on Form S-4 (Registration No. 333-50206)).

23.1 Consent of Ernst & Young LLP, Independent Auditors

29

30

SIGNATURE

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

Date: March 16, 2001

MARVELL TECHNOLOGY GROUP LTD.

By: /s/ Sehat Sutardja

-----  
Sehat Sutardja  
President and Chief Executive Officer

30

31

EXHIBIT INDEX

Exhibit No.	Document
-----	-----
Exhibit 2.1	Agreement of Merger, as amended, by and among Marvell Technology Group Ltd., Galileo Technology Ltd. and Toshack Acquisitions Ltd., dated as of October 16, 2000 (incorporated by reference to Exhibit 2.1 of the Registrant's registration statement on Form S-4 (Registration No. 333-50206)).
Exhibit 23.1	Consent of Ernst & Young LLP, Independent Auditors