MARVELL TECHNOLOGY GROUP LTD
Form S-4/A
January 24, 2018
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As filed with the Securities and Exchange Commission on January 24, 2018

Registration No. 333-222235

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

Form S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

MARVELL TECHNOLOGY GROUP LTD.

(Exact Name of Registrant as Specified in Its Charter)

Bermuda	**3674**	**77-0481679**
(State or Other Jurisdiction of Incorporation or Organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

Canon s Court

22 Victoria Street, Hamilton HM 12, Bermuda, (441) 296-6395

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

Mitchell L. Gaynor

Chief Administration and Legal Officer and Secretary

Marvell Semiconductor, Inc.,

5488 Marvell Lane, Santa Clara, California 95054 (408) 222-2500

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:

Richard E. Climan	**Vincent P. Pangrazio**	**Kenton J. King**
Christopher R. Moore	**Senior Vice President, General**	**Michael J. Mies**
Hogan Lovells US LLP	**Counsel and Corporate Secretary**	**Skadden, Arps, Slate,**
4085 Campbell Avenue, Suite 100	**Cavium, Inc.**	**Meagher & Flom LLP**
Menlo Park, California 94025	**2315 N. First Street**	**525 University Avenue, Suite 1400**
Tel.: (650) 463-4000	**San Jose, California 95131**	**Palo Alto, California 94301**
Fax: (650) 463-4199	**(408) 943-7100**	**Tel.: (650) 470-4500**
		Fax: (650) 470-4570

Approximate date of commencement of proposed sale to public: As soon as practicable after the effectiveness of this registration statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company
		Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered (1)	Amount to be Registered (2)	Proposed Maximum Offering Price per Unit	Proposed Maximum Aggregate Offering Price (3)	Amount of Registration Fee (4)
Common Shares, par value $0.002 per share	157,850,620	N/A	$3,209,802,701.46	$399,602.44

(1) This registration statement relates to common shares, par value $0.002 per share, of Marvell Technology Group Ltd., a Bermuda exempted company, which we refer to as Marvell or the registrant, issuable to holders of common stock, par value $0.001 per share, of Cavium, Inc., a Delaware corporation, which we refer to as Cavium, in the proposed merger of Kauai Acquisition Corp., a Delaware corporation and an indirect wholly owned subsidiary of Marvell, which we refer to as Merger Sub, with and into Cavium (the Merger).

(2)

Represents the estimated maximum number of the registrant s common shares that may be issued in connection with the Merger. The amount reflected above includes 7,388,359 common shares of the registrant (the Additional Shares) being registered on this amendment in addition to the 150,462,261 common shares of the registrant set forth on the cover page of the initial filing. The Additional Shares take into account outstanding awards under Cavium s equity compensation plans that may be eligible to receive the merger consideration in connection with the Merger. The Additional Shares are calculated as the product of (i) 3,395,854 shares of Cavium common stock underlying outstanding awards and (ii) the exchange ratio of 2.1757 Marvell common shares for each share of Cavium common stock.

(3) Estimated solely for the purpose of calculating the registration fee required by Section 6(b) of the Securities Act of 1933, as amended, which we refer to as the Securities Act, and calculated pursuant to Rule 457(f) under the Securities Act. Pursuant to Rule 457(f)(1) and (f)(3) under the Securities Act, the proposed maximum aggregate offering price of the registrant s common shares was calculated based upon the market value of shares of Cavium s common stock (the securities to be canceled in the Merger) in accordance with Rule 457(c) under the Securities Act as follows: (i) the proposed maximum aggregate offering price set forth on the cover page of the initial filing plus (ii) the proposed maximum aggregate offering price with respect to the Additional Shares, which is (a) the product of (i) $89.88, the average of the high and low prices per share of Cavium s common stock on January 18, 2018, as reported by NASDAQ Global Select Market, multiplied by (ii) 3,395,854, the estimated maximum number of additional Cavium securities that may be exchanged for the Merger Consideration in connection with the Merger, (b) minus $135,834,160, the estimated amount of cash that may be paid by the registrant in connection with the Merger as consideration for the Additional Shares.

(4) Calculated in accordance with Rule 457(f) under the Securities Act as follows: the product of $3,209,802,701.46, the proposed maximum aggregate offering price for the Marvell common shares registered pursuant to this registration statement, multiplied by 0.0001245. A registration fee of $21,086.34 is being paid with this amendment for the registration of the Additional Shares. A registration fee of $378,534.09 was previously paid in connection with the initial filing of this registration statement with respect to 150,462,261 common shares of the registrant. Pursuant to Rule 457(a), no additional registration fee is payable with respect to such 150,462,261 common shares.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this joint proxy statement/prospectus is not complete and may be changed. A registration statement relating to the securities described in this joint proxy statement/prospectus has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy these securities be accepted prior to the time the registration statement becomes effective. This joint proxy statement/prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

SUBJECT TO COMPLETION, DATED JANUARY 24, 2018

PRELIMINARY COPY

PROPOSED MERGER AND SHARE ISSUANCE YOUR VOTE IS VERY IMPORTANT

Dear Shareholders:

Marvell Technology Group Ltd. (Marvell), Kauai Acquisition Corp., an indirect wholly owned subsidiary of Marvell (Merger Sub), and Cavium, Inc. (Cavium) have entered into an agreement and plan of merger, dated as of November 19, 2017 (the Merger Agreement). Merger Sub is a direct wholly owned subsidiary of Marvell Technology, Inc. (MTI), which is a direct wholly owned subsidiary of Marvell. Pursuant to the Merger Agreement, Merger Sub will merge with and into Cavium (the Merger), with Cavium continuing as the surviving corporation in the Merger and as a direct wholly owned subsidiary of MTI. Upon completion of the Merger, each issued and outstanding share of common stock, par value $0.001 per share, of Cavium, other than any shares owned by Cavium, Marvell, Merger Sub or any of their respective subsidiaries, will be converted into the right to receive 2.1757 Marvell common shares, par value $0.002 per share, and $40.00 in cash.

Immediately following the Merger, Marvell s shareholders will own approximately 76.7% of Marvell s issued common shares, and Cavium s shareholders will own approximately 23.3% of Marvell s issued common shares, based on the number of Marvell common shares issued and the number of shares of Cavium common stock outstanding as of January 22, 2018. Marvell common shares are listed on the NASDAQ Global Select Market (NASDAQ) under the symbol MRVL. Cavium common stock is listed on NASDAQ under the symbol CAVM. Upon completion of the Merger, Cavium common stock will be delisted from NASDAQ.

The Merger will be a taxable transaction for U.S. federal income tax purposes.

We are each holding a meeting of shareholders in order to obtain the shareholder approvals necessary to complete the Merger. At Cavium s shareholder meeting, Cavium will ask its shareholders to adopt the Merger Agreement, and at Marvell s shareholder meeting, Marvell will ask its shareholders to approve the issuance of Marvell common shares in connection with the Merger (the Marvell Share Issuance). Adoption of the Merger Agreement by Cavium shareholders is a condition to the completion of the Merger. Approval of the Marvell Share Issuance by Marvell shareholders is a condition to the completion of the Merger. The obligations of Marvell, Merger Sub and Cavium to complete the Merger are also subject to the satisfaction or waiver of several other conditions set forth in the Merger Agreement and described in this joint proxy

statement/prospectus. We urge you to read this joint proxy statement/prospectus, and the documents incorporated by reference into this joint proxy statement/prospectus, carefully and in their entirety. In particular, we urge you to read carefully the section entitled ***Risk Factors*** **beginning on page 25.**

After careful consideration, the board of directors of Marvell has determined that the Merger and the Marvell Share Issuance are fair to, and in the best interests of, Marvell and its shareholders; and the board of directors of Cavium has determined that the Merger Agreement and the Merger are fair to, and in the best interests of, Cavium and its shareholders. **Accordingly, the Marvell board of directors unanimously recommends that the Marvell shareholders vote FOR the approval of the Marvell Share Issuance and the other proposal to be considered at the Marvell general meeting, and the Cavium board of directors unanimously recommends that the Cavium shareholders vote FOR the adoption of the Merger Agreement and the other proposals to be considered at the Cavium special meeting.**

We are very excited about the opportunities the proposed Merger brings to both Marvell shareholders and Cavium shareholders, and we thank you for your consideration and continued support.

Sincerely,

Matthew J. Murphy	Syed B. Ali
President and Chief Executive Officer	Co-Founder, Chief Executive Officer and Chairman of the Board of Directors
Marvell Technology Group Ltd.	Cavium, Inc.

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Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this joint proxy statement/prospectus or passed upon the adequacy or accuracy of this joint proxy statement/prospectus. Any representation to the contrary is a criminal offense.

This joint proxy statement/prospectus is dated [ ], 2018, and is first being mailed to Marvell shareholders and Cavium shareholders on or about [ ], 2018.

REFERENCES TO ADDITIONAL INFORMATION

As used in this joint proxy statement/prospectus, Marvell refers to Marvell Technology Group Ltd., Merger Sub refers to Kauai Acquisition Corp., and Cavium refers to Cavium, Inc. We or our refers to Marvell and Cavium. This joint proxy statement/prospectus incorporates important business and financial information about Marvell and Cavium from documents that each company has filed with the Securities and Exchange Commission (the SEC), but which have not been included in or delivered with this joint proxy statement/prospectus. For a list of documents incorporated by reference into this joint proxy statement/prospectus and how you may obtain them, see *Where You Can Find More Information* beginning on page 236. **This information is available to you without charge upon your written or oral request. You can also obtain the documents incorporated by reference into this joint proxy statement/prospectus by accessing the SEC s website maintained at http://www.sec.gov.**

In addition, Marvell s filings with the SEC are available to the public on Marvell s website, http://www.marvell.com, and Cavium s filings with the SEC are available to the public on Cavium s website, http://www.cavium.com. Information about the Merger and the other transactions contemplated by the Merger Agreement is also contained on the following transaction website: http://marvellcavium.transactionannouncement.com. Information contained on Marvell s website, Cavium s website, the transaction website or the website of any other person is not incorporated by reference into this joint proxy statement/prospectus, and you should not consider information contained on those websites as part of this joint proxy statement/prospectus.

Marvell or its proxy solicitor will provide you with copies of the information described above that relate to Marvell, without charge, if you request them in writing or by telephone from:

Marvell Technology Group Ltd.

c/o Marvell Semiconductor, Inc.

5488 Marvell Lane

Santa Clara, California 95054

Attention: Investor Relations

(408) 222-0777

ir@marvell.com

Innisfree M&A Incorporated

501 Madison Avenue, 20th Floor

New York, NY 10022

Shareholders may call toll free: (888) 750-5834

Banks and Brokers may call collect: (212) 750-5833

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Cavium or its proxy solicitor will provide you with copies of the information described above that relate to Cavium, without charge, if you request such information in writing or by telephone from:

Cavium, Inc.

2315 N. First Street

San Jose, California 95131

Attention: Investor Relations

(408) 943-7100

IR@Cavium.com

or

MacKenzie Partners, Inc.

105 Madison Avenue

New York, New York 10016

Shareholders may call toll free: (800) 322-2885

Banks and Brokers may call collect: (212) 929-5500

proxy@mackenziepartners.com

If you would like to request documents, please do so by [ ], 2018, in order to receive them before the shareholder meetings.

This joint proxy statement/prospectus, which forms part of a registration statement on Form S-4 (File No.333-222235) filed with the SEC by Marvell, constitutes a prospectus of Marvell under Section 5 of the Securities Act of 1933, as amended (the Securities Act), with respect to Marvell common shares to be issued to Cavium shareholders in connection with the Merger. This joint proxy statement/prospectus also constitutes a joint proxy statement under Section 14(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act). It also constitutes a notice of meeting with respect to the general meeting of Marvell shareholders and a notice of meeting with respect to the special meeting of Cavium shareholders.

You should rely only on the information contained in or incorporated by reference into this joint proxy statement/prospectus. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this joint proxy statement/prospectus. This joint proxy statement/prospectus is dated [ ], 2018. You should not assume that the information contained in, or incorporated by reference into, this joint proxy statement/prospectus is accurate as of any date other than that date. Neither our mailing of this joint proxy statement/prospectus to Marvell shareholders or Cavium shareholders, nor the issuance by Marvell of common shares in connection with the Merger, will create any implication to the contrary.

This joint proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction. Information contained in this joint proxy statement/prospectus regarding Marvell has been provided by Marvell, and information contained in this joint proxy statement/prospectus regarding Cavium has been provided by Cavium.

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NOTICE OF GENERAL MEETING OF MARVELL SHAREHOLDERS

TO BE HELD ON [ ], 2018

MARVELL TECHNOLOGY GROUP LTD.

Canon s Court

22 Victoria Street

Hamilton HM 12

Bermuda

Dear Shareholders of Marvell Technology Group Ltd.:

You are cordially invited to a general meeting of shareholders of Marvell Technology Group Ltd. (Marvell) at the offices of Marvell Semiconductor, Inc. located at 5488 Marvell Lane, Santa Clara, California 95054, at [ ] local time on [ ], 2018. Only shareholders who hold Marvell common shares at the close of business on [ ], 2018, the record date for the general meeting, are entitled to vote at the general meeting and any adjournments or postponements of the general meeting.

At the general meeting, you will be asked to consider and vote upon and approve the following proposals:

1. **To approve the issuance of Marvell common shares (the Marvell Share Issuance) in connection with the merger (the Merger) of Kauai Acquisition Corp. (Merger Sub) with and into Cavium, Inc. (Cavium), with Cavium continuing as the surviving corporation in the Merger and as a direct wholly owned subsidiary of Marvell Technology, Inc. (MTI), which is a direct wholly owned subsidiary of Marvell; the Merger is being effected pursuant to the Agreement and Plan of Merger, dated as of November 19, 2017 (as it may be amended from time to time, the Merger Agreement), by and among Marvell, Merger Sub, and Cavium, a copy of which is attached as Annex A to this joint proxy statement/prospectus; and**

2. **To approve adjournments of the Marvell general meeting, if necessary or appropriate, to permit further solicitation of proxies if there are not sufficient votes at the time of the Marvell general meeting to approve the Marvell Share Issuance (the Marvell Adjournment Proposal).**

No other business will be conducted at the general meeting. This joint proxy statement/prospectus describes the proposals listed above in detail. Please give your careful attention to all of the information contained in or incorporated by reference into this joint proxy statement/prospectus, including the Merger Agreement and the other Annexes, for further information. This joint proxy statement/prospectus is also available on Marvell s Internet site at http://investor.marvell.com. This joint proxy statement/prospectus contains detailed information about the general meeting, Marvell, Cavium and the Merger. We urge you to read this joint proxy statement/prospectus carefully and in its entirety. **In particular, see the section entitled *Risk Factors* beginning on page 25 of this joint proxy statement/prospectus for a discussion of the risks related to the Merger. For specific instructions on how to**

submit your proxy, please refer to the section of this joint proxy statement/prospectus entitled ***The Marvell General Meeting*** **beginning on page 50**.

After careful consideration, the Marvell board of directors has unanimously approved the Merger Agreement and the transactions contemplated thereby, including the Merger and the Marvell Share Issuance, and has determined that the Merger and the Marvell Share Issuance are fair to, and in the best interests of, Marvell and Marvell s shareholders. The Marvell board of directors accordingly unanimously recommends that you vote FOR the approval of the Marvell Share Issuance and FOR the Marvell Adjournment Proposal.

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YOUR VOTE IS VERY IMPORTANT REGARDLESS OF THE NUMBER OF SHARES YOU OWN.

The Merger cannot be completed without the approval of the Marvell Share Issuance by the affirmative vote of a majority of the Marvell common shares represented in person or by proxy at the Marvell general meeting at which a quorum is present, which, under legal principles understood by Marvell s Bermuda counsel to be applicable in Bermuda, excludes abstentions and broker non-votes, if any, which will have no effect on the outcome of the vote on this proposal. Marvell shareholders as of [ ], 2018 may have their Marvell common shares voted by following the instructions provided in this joint proxy statement/prospectus or on the enclosed proxy card or, if your shares are held in street name, by following the instructions in the voting instruction form to be provided to you by your bank, broker or other nominee. Marvell strongly recommends that Marvell shareholders entitled to vote submit a proxy even if they plan to attend the Marvell general meeting. Submitting a proxy now (including by telephone or over the Internet) will not prevent you from being able to vote at the Marvell general meeting by attending in person and casting a vote. **Abstentions and broker non-votes, if any, will have no effect on the outcome of the vote on the Marvell Share Issuance.**

Marvell shareholders who hold their Marvell common shares beneficially in street name and wish to submit a proxy must provide instructions to the broker, bank, trustee or other nominee that holds their Marvell common shares as to how to vote their Marvell common shares. A Marvell shareholder who holds his or her Marvell common shares beneficially in street name and wishes to vote in person at the Marvell general meeting must obtain a proxy issued in the holder s own name (known as a legal proxy) from the holder s broker, bank or trustee.

By Order of the Board of Directors,

Mitchell L. Gaynor

Chief Administration and Legal Officer and Secretary

Santa Clara, California

[ ], 2018

Please submit your proxy promptly. You can find instructions for voting on the enclosed proxy card.

If you have any questions concerning the Merger Agreement, the Merger or the other transactions contemplated by the Merger Agreement, or this joint proxy statement/prospectus, would like additional copies or need help voting your Marvell common shares, please contact Marvell or Marvell s proxy solicitor:

Marvell Technology Group Ltd.

c/o Marvell Semiconductor, Inc.

5488 Marvell Lane

Santa Clara, California 95054

Attention: Investor Relations

(408) 222-0777

ir@marvell.com

Innisfree M&A Incorporated

501 Madison Avenue, 20th Floor

New York, NY 10022

Shareholders may call toll free: (888) 750-5834

Banks and Brokers may call collect: (212) 750-5833

YOUR VOTE IS VERY IMPORTANT.

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CAVIUM, INC.

2315 N. First Street

San Jose, California 95131

NOTICE OF SPECIAL MEETING OF CAVIUM SHAREHOLDERS

To Be Held on [ ], 2018

Dear Shareholders of Cavium, Inc.:

NOTICE IS HEREBY GIVEN that a special meeting of shareholders of Cavium, Inc., a Delaware corporation (Cavium), will be held at Cavium s corporate headquarters, 2315 N. First Street, San Jose, California 95131, at [ ] local time, on [ ], 2018. Only shareholders who hold shares of Cavium common stock at the close of business on [ ], 2018, the record date for the special meeting, are entitled to vote at the special meeting and any adjournments or postponements of the special meeting.

At the special meeting, you will be asked to consider and vote upon and approve the following proposals, as more fully described in this joint proxy statement/prospectus:

1. **To approve the adoption of the Agreement and Plan of Merger (as it may be amended from time to time, the Merger Agreement), dated as of November 19, 2017, by and among Marvell Technology Group Ltd. (Marvell), Kauai Acquisition Corp. (Merger Sub) and Cavium, the merger of Merger Sub with and into Cavium, with Cavium continuing as the surviving corporation in such merger (the Merger), and the other transactions contemplated by the Merger Agreement (the Merger Proposal);**

2. **To approve adjournments of the Cavium special meeting, if necessary or appropriate, to permit further solicitation of proxies if there are not sufficient votes at the Cavium special meeting to approve the Merger Proposal (the Cavium Adjournment Proposal); and**

3. **To approve, by non-binding, advisory vote, compensation that will or may be paid or become payable by Cavium to its named executive officers in connection with the Merger (the Cavium Non-Binding Compensation Proposal).**

No other business will be conducted at the special meeting. This joint proxy statement/prospectus describes the proposals listed above in more detail. Please give your careful attention to all of the information contained in or incorporated by reference into this joint proxy statement/prospectus, including the Merger Agreement and the other Annexes, for further information. This joint proxy statement/prospectus is also available on Cavium s Internet site at http://investor.caviumnetworks.com. This joint proxy statement/prospectus contains detailed information about the special meeting, Marvell, Cavium and the Merger. You are encouraged to read the entire joint proxy statement/prospectus carefully before submitting your proxy. **In particular, see the section entitled *Risk Factors* beginning on page 25. For specific instructions on how to submit your proxies, please refer to the section of this joint proxy statement/prospectus entitled *The Cavium Special Meeting* beginning on page 57.**

After careful consideration, the Cavium board of directors has unanimously approved the Merger Agreement and the transactions contemplated thereby, including the Merger, and determined that the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger, are advisable, fair to and in the best interests of Cavium and its shareholders and unanimously recommends that you vote FOR the Merger Proposal; FOR the Cavium Adjournment Proposal; and FOR the Cavium Non-Binding Compensation Proposal.

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YOUR VOTE IS VERY IMPORTANT REGARDLESS OF THE NUMBER OF SHARES YOU OWN.

The Merger cannot be completed without the adoption of the Merger Agreement by the affirmative vote of a majority of the outstanding shares of Cavium common stock. Cavium shareholders as of [ ], 2018 may have their Cavium common stock voted by following the instructions provided in this joint proxy statement/prospectus or on the enclosed proxy card or, if your shares are held in street name, by following the instructions in the voting instruction form to be provided to you by your bank, broker or other nominee. Cavium strongly recommends that Cavium shareholders entitled to vote submit a proxy even if they plan to attend the Cavium special meeting. Submitting a proxy now (including by telephone or over the Internet) will not prevent you from being able to vote at the Cavium special meeting by attending in person and casting a vote. **However, if you do not return or submit your proxy (including by telephone or over the Internet) or vote in person at the Cavium special meeting, it will have the same effect as a vote AGAINST the approval of the Merger Proposal. If you attend the Cavium special meeting in person or by proxy, and you abstain from voting, that will have the same effect as a vote AGAINST approval of the Merger Proposal.**

Cavium shareholders who hold their Cavium common stock beneficially in street name and wish to submit a proxy must provide instructions to the broker, bank, trustee or other nominee that holds their Cavium common stock as to how to vote their Cavium common stock. A Cavium shareholder who holds his or her Cavium common stock beneficially in street name and wishes to vote in person at the Cavium special meeting must obtain a proxy issued in the holder s own name (known as a legal proxy) from the holder s broker, bank or trustee.

By Order of the Board of Directors,

Syed B. Ali

Chairman of the Board of Directors

San Jose, California

[ ], 2018

Please submit your proxy promptly. You can find instructions for voting on the enclosed proxy card.

If you have any questions concerning the Merger Agreement, the Merger or the other transactions contemplated by the Merger Agreement, or this joint proxy statement/prospectus, would like additional copies or need help voting your shares of Cavium common stock, please contact Cavium or Cavium s proxy solicitor:

Cavium, Inc.

2315 N. First Street

San Jose, California 95131

Attention: Investor Relations

(408) 943-7100

IR@Cavium.com

or

MacKenzie Partners, Inc.

105 Madison Avenue

New York, New York 10016

Shareholders may call toll free: (800) 322-2885

Banks and Brokers may call collect: (212) 929-5500

proxy@mackenziepartners.com

YOUR VOTE IS VERY IMPORTANT.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

AND SHAREHOLDER MEETINGS OF MARVELL AND CAVIUM

The following questions and answers briefly address some questions that you may have about the shareholder meetings and the Merger. They may not include all the information that is important to you. Marvell, Merger Sub and Cavium urge you to read carefully this entire joint proxy statement/prospectus, including the Annexes and the other documents to which we have referred you. We have included cross-references in certain parts of this section to direct you to a more detailed description of each topic presented elsewhere in this joint proxy statement/prospectus.

Q: What is this document?

A: This joint proxy statement/prospectus serves as the joint proxy statement through which Marvell and Cavium provide their respective shareholders with important information regarding their respective shareholder meetings, the Merger and the other transactions contemplated by the Merger Agreement, and solicit proxies to obtain approvals from their respective shareholders for the Merger Proposal (in the case of Cavium) and the Marvell Share Issuance (in the case of Marvell). It also serves as the prospectus by which Marvell will offer and issue Marvell common shares in connection with the Merger.

Q: Why am I receiving this joint proxy statement/prospectus?

A: In order to complete the transactions contemplated by the Merger Agreement, including the Merger, Cavium shareholders must approve the Merger Proposal and Marvell shareholders must approve the Marvell Share Issuance, and all other conditions to the Merger set forth in the Merger Agreement must be satisfied or waived. Marvell and Cavium will hold separate meetings of their respective shareholders to vote on these proposals. This joint proxy statement/prospectus contains important information, which you should read carefully, about the Merger Agreement, the transactions contemplated by the Merger Agreement, including the Merger and the Marvell Share Issuance, and the respective meetings of the shareholders of Marvell and Cavium.

The enclosed proxy materials allow you to grant a proxy to vote your shares by completing the enclosed proxy card or by submitting your proxy by telephone or over the Internet without attending your company s shareholder meeting in person.

Your vote is important. We encourage you to submit your proxy as soon as possible.

Q: What is the proposed transaction for which I am being asked to vote?

A: Marvell shareholders are being asked to approve the Marvell Share Issuance and the Marvell Adjournment Proposal. Cavium shareholders are being asked to approve the Merger Proposal, the Cavium Adjournment Proposal and the Cavium Non-Binding Compensation Proposal.

Q: What if Marvell shareholder approval of the Marvell Share Issuance is not obtained?

A: If the Marvell Share Issuance is not approved, then the Merger will not occur.

Q: What if Cavium shareholder approval of the Merger Proposal is not obtained?

A: If the Merger Proposal is not approved, then the Merger will not occur.

Q: Why are Marvell and Cavium proposing the Merger?

A: The respective boards of directors of Marvell and Cavium believe that the Merger will provide substantial strategic and financial benefits to the shareholders of their respective companies. To review the reasons for the Merger, see *The Merger Marvell s Reasons for the Merger and Recommendation of Marvell s Board of Directors* and *The Merger Cavium s Reasons for the Merger and Recommendation of Cavium s Board of Directors* for more information.

Q: What are the positions of the Marvell board of directors and the Cavium board of directors regarding the Merger and the related proposals that are being put to a vote of their respective shareholders?

A: *Marvell*. The Marvell board of directors has determined that the Merger and the Marvell Share Issuance are fair to, and in the best interests of, Marvell and its shareholders and has unanimously approved the Merger Agreement and the transactions contemplated thereby, including the Merger and the Marvell Share Issuance. The Marvell board of directors unanimously recommends that the Marvell shareholders vote **FOR** the approval of the Marvell Share Issuance and **FOR** the Marvell Adjournment Proposal at the Marvell general meeting. See *The Merger Marvell s Reasons for the Merger and Recommendation of Marvell s Board of Directors* for more information.

Cavium. The Cavium board of directors has determined that the Merger Agreement and the Merger are fair to, and in the best interests of, Cavium and its shareholders and has unanimously approved the Merger Agreement and the transactions contemplated thereby, including the Merger. The Cavium board of directors unanimously recommends that the Cavium shareholders vote **FOR** the Merger Proposal, **FOR** the Cavium Adjournment Proposal and **FOR** the Cavium Non-Binding Compensation Proposal at the Cavium special meeting. See *The Merger Cavium s Reasons for the Merger and Recommendation of Cavium s Board of Directors* for more information.

Q: What vote is required to approve each proposal on the agenda for the Marvell general meeting?

A: Approval of the Marvell Share Issuance requires the affirmative vote of a majority of the Marvell common shares represented in person or by proxy at the Marvell general meeting at which a quorum is present, which, under legal principles understood by Marvell s Bermuda counsel to be applicable in Bermuda, excludes abstentions and broker non-votes, if any, which will have no effect on the outcome of the vote on this proposal. An abstention occurs when a Marvell shareholder attends the Marvell general meeting in person, or is represented at the Marvell general meeting by proxy, and abstains from voting. Shares not in attendance and not represented by proxy at the Marvell general meeting will have no effect on the outcome of the vote on the Marvell Share Issuance, provided that a quorum is present. See *Questions and Answers about the Shareholder Meetings and the Merger What if I don t provide my bank, broker or other nominee with instructions on how to vote?* for an explanation of broker non-votes.

Approval of the Marvell Adjournment Proposal requires the affirmative vote of a majority of the Marvell common shares represented in person or by proxy at the Marvell general meeting, regardless of whether a quorum is present. Under legal principles understood by Marvell s Bermuda counsel to be applicable in Bermuda, if you are present in person or represented by proxy, attend the meeting in person or by proxy, and vote to abstain, it will have no effect on the outcome of the vote on the Marvell Adjournment Proposal. Also under legal principles understood by Marvell s Bermuda counsel to be applicable in Bermuda, broker non-votes, if any, and shares not in attendance and not represented by proxy at the Marvell general meeting also will have no effect on the outcome of the Marvell Adjournment Proposal. See *The Marvell General Meeting Quorum and Vote Required* for more information.

Q: What vote is required to approve each proposal on the agenda for the Cavium special meeting?

A: The Merger Proposal requires the affirmative vote of a majority of the outstanding shares of Cavium common stock entitled to vote at the Cavium special meeting. Abstentions, broker-non votes and shares not represented at the Cavium special meeting will have the same effect as a vote **AGAINST** the Merger Proposal.

To approve the Cavium Adjournment Proposal, the affirmative vote of a majority of the shares of Cavium common stock present in person or represented by proxy at the Cavium special meeting and entitled to vote

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is required, regardless of whether a quorum is present. Abstentions will have the same effect as a vote **AGAINST** the Cavium Adjournment Proposal, while broker non-votes and shares not represented at the Cavium special meeting will have no effect on the outcome of the vote on the Cavium Adjournment Proposal.

To approve the Cavium Non-Binding Compensation Proposal, the affirmative vote of a majority of the shares of Cavium common stock present in person or represented by proxy at the Cavium special meeting and entitled to vote is required, assuming a quorum is present. Abstentions will have the same effect as a vote **AGAINST** the Cavium Non-Binding Compensation Proposal, while broker non-votes and shares not represented at the Cavium special meeting will have no effect on the outcome of the Cavium Non-Binding Compensation Proposal, provided that a quorum is present. See *The Cavium Special Meeting Quorum and Vote Required* for more information. The Cavium Non-Binding Compensation Proposal is advisory, and therefore not binding on Cavium, Cavium s compensation committee or the Cavium board of directors. Accordingly, regardless of the outcome of the Cavium Non-Binding Compensation Proposal, if the Merger is completed, Cavium s named executive officers may be or become entitled to receive the compensation that is based on or otherwise relates to the Merger in accordance with the terms and conditions applicable to those payments. See *The Cavium Special Meeting Quorum and Vote Required* for more information.

Q: How many votes do I have?

A: Marvell shareholders are entitled to one vote for each Marvell common share owned by such holders at the close of business on [ ], 2018 (the Marvell record date). See *The Marvell General Meeting Record Date; Issued Shares; Shares Entitled to Vote* for more information.

Cavium shareholders are entitled to one vote for each share of Cavium common stock owned by such holders at the close of business on [ ], 2018 (the Cavium record date). See *The Cavium Special Meeting Record Date; Outstanding Shares; Shares Entitled to Vote* for more information.

Q: What will happen in the Merger?

A: In the Merger, Merger Sub, a direct wholly owned subsidiary of MTI, which is a direct wholly owned subsidiary of Marvell, will merge with and into Cavium, with Cavium continuing as the surviving corporation in the Merger and as an indirect wholly owned subsidiary of Marvell. See *The Merger Agreement Effective Time and Completion of the Merger* for more information.

Q: Will the Merger affect the board of directors or officers of Marvell after the Merger?

A: Yes, the Merger will affect the board of directors of Marvell after the Merger. Under the Merger Agreement, Marvell has agreed to take all necessary corporate actions prior to the Effective Time (as defined below in *The Merger Agreement Effective Time and Completion of the Merger*) such that the Chairman of the board of directors of Cavium and two other members of the Cavium board of directors to be designated by Marvell will become members of Marvell s board of directors as of the Effective Time. Anil Jain, Corporate Vice President of

Cavium, and M. Raghib Hussain, Chief Operating Officer of Cavium, will each become officers of Marvell upon completion of the Merger. Marvell expects that all directors and officers of Marvell will continue to serve as members of the board of directors and officers of Marvell, as applicable, after the completion of the Merger.

Q: What will Cavium shareholders receive in the Merger?

A: Each Cavium shareholder will receive, in exchange for each share of Cavium common stock held by such holder, 2.1757 (the Exchange Ratio) Marvell common shares and $40.00 in cash, without interest (the Per Share Cash Amount).

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Marvell will not issue fractional shares as a result of the Merger; each holder of Cavium common stock that would otherwise be entitled to a fraction of a Marvell common share (after aggregating all fractions of a Marvell common share issuable to such shareholder) will, upon surrender of such holder s Cavium stock certificate(s) or the transfer of such holder s non-certificated shares represented by book entry positions, be entitled to receive an amount in cash (rounded to the nearest whole cent), without interest, equal to the product obtained by multiplying such fraction by the closing price of a Marvell common share on NASDAQ on the closing date of the Merger. The Marvell common shares (and cash in lieu of any fraction of a Marvell common share) and the cash consideration that a Cavium shareholder is entitled to receive in exchange for the shares of Cavium common stock held by such holder pursuant to the Merger Agreement is referred to in this joint proxy statement/prospectus as the Merger Consideration.

Q: What will Marvell shareholders receive in the Merger?

A: Marvell shareholders will not receive any consideration in the Merger and will continue to hold the Marvell common shares they currently own.

Q: If I am a Cavium shareholder, how will I receive the Merger Consideration to which I will be entitled if the Merger is completed?

A: You will be paid the Merger Consideration as promptly as practicable after the closing of the Merger and after receipt by the Exchange Agent (as defined below in *The Merger Agreement Exchange of Certificates*) of your stock certificates (or evidence of the transfer of shares in book-entry form), a duly executed letter of transmittal and any additional documents required by the procedures set forth in the letter of transmittal. See *The Merger Agreement Exchange of Certificates*.

Q: What happens if the market price of Marvell common shares or Cavium common stock changes before the completion of the Merger?

A: No change will be made to the Exchange Ratio based on fluctuations in the market price of either Marvell common shares or Cavium common stock. As a result, the number of Marvell common shares that you receive as consideration in the Merger is fixed and will not change. However, the value of the consideration to be received by Cavium shareholders in the Merger may increase or decrease depending on the market price of Marvell common shares at the Effective Time.

On November 2, 2017, the last trading day prior to the first media report of a possible transaction between Marvell and Cavium, the closing price of Marvell common shares on NASDAQ was $18.28. On January 22, 2018, the last practicable trading day prior to the filing of this joint proxy statement/prospectus, the closing price of Marvell common shares on NASDAQ was $23.62 per share. We urge you to obtain current market quotations before voting your shares.

Q: Will Marvell and Cavium continue to pay dividends or distributions prior to the completion of the Merger?

A: The Merger Agreement permits Marvell to continue to pay ordinary quarterly cash dividends on its common shares. Decisions regarding whether or not to pay ordinary quarterly cash dividends and the amount of any such dividends will be based on the judgment of the Marvell board of directors. While Marvell anticipates that it would continue to pay dividends, Marvell can make no assurances that this will be the case. Cavium has never paid cash dividends on its common stock and is prohibited under the Merger Agreement from declaring or paying any dividend without Marvell s prior written consent.

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Q: As a Cavium shareholder, will I be able to trade the Marvell common shares that I receive in connection with the Merger?

A: Yes. The Marvell common shares to be issued in connection with the Merger will be listed on NASDAQ under the symbol MRVL. However, certain persons who become affiliates of Marvell after the Merger will be required to comply with Rule 144 promulgated under the Securities Act if they wish to sell or otherwise transfer any of the Marvell common shares received in connection with the Merger.

Q: What percentage of Marvell common shares will be owned by former Cavium shareholders following the Merger?

A: The additional Marvell common shares issued to shareholders of Cavium in connection with the Merger will comprise approximately 23.3% of Marvell s issued common shares immediately following the Effective Time, based on the number of issued Marvell common shares and the number of outstanding shares of Cavium common stock on January 22, 2018, excluding the effect of outstanding options, restricted stock units or other equity-based awards to purchase Marvell common shares or Cavium common stock.

Q: Do Cavium shareholders have appraisal rights?

A: Yes. Because Cavium is a Delaware corporation, under the General Corporation Law of the State of Delaware (the DGCL), holders of Cavium common stock who do not vote for the adoption of the Merger Agreement have the right to seek appraisal of the fair value of their shares as determined by the Delaware Court of Chancery if the Merger is completed, but only if they comply with all applicable requirements of Delaware law, which are summarized in this joint proxy statement/prospectus and attached as Annex E. This appraisal amount could be more than, the same as, or less than the amount a Cavium shareholder would be entitled to receive under the Merger Agreement. Any Cavium shareholder intending to exercise appraisal rights, among other things, must submit a written demand for appraisal to Cavium prior to the vote on the adoption of the Merger Agreement and must not vote or submit a proxy in favor of adoption of the Merger Agreement. Failure to follow exactly the procedures specified under Delaware law will result in the loss of appraisal rights. These procedures are summarized in this joint proxy statement/prospectus in the section entitled *The Merger Rights of Appraisal for Cavium Shareholders*. Because of the complexity of Delaware law relating to appraisal rights, if you are considering exercising your appraisal rights, Cavium encourages you to seek the advice of your own legal counsel.

Q: Do Marvell shareholders have appraisal rights?

A: No. Marvell shareholders do not have appraisal rights as a result of the Merger.

Q: When do you expect to complete the Merger?

A: Marvell and Cavium currently expect to complete the Merger in the middle of calendar year 2018, subject to the satisfaction or waiver of the conditions described in *The Merger Agreement Conditions to Completion of the Merger*.

Q: What is required to complete the Merger?

A: In addition to the approval of the Marvell Share Issuance by Marvell shareholders and the adoption of the Merger Agreement by Cavium shareholders, completion of the Merger is subject to the satisfaction or, to the extent permitted by applicable law, waiver of a number of other conditions, including the receipt of required regulatory approvals, the accuracy of Marvell s and Cavium s respective representations and warranties under the Merger Agreement (subject to certain materiality exceptions) and Marvell s and Cavium s performance of their respective obligations under the Merger Agreement in all material respects. See *The Merger Agreement Conditions to Completion of the Merger* for more information regarding conditions to the completion of the Merger.

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Q: What are the U.S. federal income tax consequences of the Merger to U.S. holders of Cavium common stock?

A: The exchange of Cavium common stock in connection with the Merger will be a taxable transaction for U.S. federal income tax purposes. Accordingly, a U.S. holder (as defined in *Material United States Federal Income Tax Consequences*) of Cavium common stock who receives Merger Consideration in exchange for such U.S. holder s shares of Cavium common stock generally will recognize taxable gain or loss in an amount equal to the difference, if any, between the fair market value of the Merger Consideration received and such U.S. holder s adjusted tax basis in the shares of Cavium common stock exchanged therefor. See *Material United States Federal Income Tax Consequences* for more information.

Q: Is the completion of the Merger subject to a financing condition?

A: No. The completion of the Merger is not subject to any financing condition.

Q: What is the amount of debt to be incurred by Marvell in connection with the Merger?

A: Marvell anticipates that it will need a total of approximately $3.4 billion in order to pay Cavium s shareholders the cash portion of the Merger Consideration, to refinance certain existing indebtedness of Cavium and to pay related fees and expenses. Marvell expects to obtain debt financing totaling $1.75 billion. Marvell has entered into a debt commitment letter for a $900 million three-year term loan facility and an $850 million 364-day bridge facility. In lieu of borrowing, in whole or in part, under the bridge facility, Marvell may incur permanent debt financing. There can be no assurance that Marvell will be able to obtain any such permanent debt financing. The proceeds from the new debt facilities and any such permanent debt financing are expected to be used to pay, together with Marvell s and Cavium s cash on hand, the cash portion of the Merger Consideration, to refinance existing indebtedness of Cavium and to pay related fees and expenses.

Q: What risks should I consider in deciding whether to vote in favor of the issuance of Marvell common shares in connection with the Merger or the adoption of the Merger Agreement?

A: You should carefully review the section of this joint proxy statement/prospectus entitled *Risk Factors* beginning on page 25, which presents some of the risks and uncertainties relating to the Merger and the businesses of each of Marvell and Cavium.

Q: Does my vote matter?

A: Yes, your vote is very important. Marvell and Cavium cannot complete the Merger unless the Cavium shareholders approve the Merger Proposal and the Marvell shareholders approve the Marvell Share Issuance. Whether or not you plan to attend the Marvell general meeting or the Cavium special meeting, please vote as soon as possible by following the instructions in this joint proxy statement/prospectus.

Q: Should Cavium shareholders send in stock certificates now?

A: **NO, CAVIUM SHAREHOLDERS SHOULD NOT SEND STOCK CERTIFICATE(S) WITH THEIR PROXY CARDS.** If the Merger is completed, the Exchange Agent will send Cavium shareholders written instructions for sending in their stock certificates or, in the case of book-entry shares, for surrendering their book-entry shares. See *The Cavium Special Meeting Proxy Solicitations* and *The Merger Agreement Exchange of Certificates* for more information.

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Q: Who can answer my questions about the Merger?

A: If you have any questions about the Merger or your shareholder meeting, need assistance in voting your shares, or need additional copies of this joint proxy statement/prospectus or the enclosed proxy card(s), you should contact:

If you are a Marvell shareholder:

Innisfree M&A Incorporated

501 Madison Avenue, 20th Floor

New York, NY 10022

Shareholders may call toll free: (888) 750-5834

Banks and Brokers may call collect: (212) 750-5833

If you are a Cavium shareholder:

MacKenzie Partners, Inc.

105 Madison Avenue

New York, New York 10016

Shareholders may call toll free: (800) 322-2885

Banks and Brokers may call collect: (212) 929-5500

proxy@mackenziepartners.com

Q: When and where are the shareholder meetings?

A: The Marvell general meeting will be held at the offices of Marvell Semiconductor, Inc., located at 5488 Marvell Lane, Santa Clara, California 95054, at [ ], local time on [ ], 2018.

The Cavium special meeting will be held at Cavium headquarters located at 2315 North First Street, San Jose, California 95131, at [ ], local time on [ ], 2018.

Q: Who is eligible to vote at the Marvell general meeting and the Cavium special meeting?

A: Owners of Marvell common shares are eligible to vote at the Marvell general meeting if they are shareholders of record at the close of business on the Marvell record date. See *The Marvell General Meeting Record Date;*

Issued Shares; Shares Entitled to Vote for more information.

Owners of Cavium common stock are eligible to vote at the Cavium special meeting if they are shareholders of record at the close of business on the Cavium record date. See *The Cavium Special Meeting Record Date; Outstanding Shares; Shares Entitled to Vote* for more information.

Q: Can I attend the shareholder meetings in person?

A: If you were a Marvell shareholder as of the close of business on the Marvell record date or you hold a valid legal proxy for the Marvell general meeting, you may attend the Marvell general meeting. Similarly, if you were a Cavium shareholder as of the close of business on the Cavium record date or you hold a valid legal proxy for the Cavium special meeting, you may attend the Cavium special meeting.

You should be prepared to present a form of personal identification for admittance. In addition, if you are a record holder, your name will be verified against the list of record holders on the record date prior to being admitted to the meeting. If you are not a record holder but hold shares through a broker, bank or other nominee (i.e., in street name), you will need to provide proof of beneficial ownership on the record date, such as your most recent account statement prior to the record date, or other similar evidence of ownership. If you do not provide a form of personal identification or comply with the other procedures outlined above upon request, you may not be admitted to the meeting.

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Q: What constitutes a quorum?

A: A quorum for the Marvell general meeting is the presence at the meeting, either in person or by proxy, of holders representing in excess of 50% of the total issued voting shares of Marvell throughout the Marvell general meeting. Abstentions (i.e., Marvell common shares that are represented in person at the Marvell general meeting or for which proxies have been received, but for which the holders have abstained from voting), if any, and broker non-votes, if any, will be included in the calculation of the number of Marvell common shares represented at the Marvell general meeting for purposes of determining whether a quorum is present.

A quorum for the Cavium special meeting is the presence at the meeting, either in person or by proxy, of holders of outstanding Cavium common stock entitled to vote and representing at least a majority of the outstanding voting power of Cavium common stock. Abstentions (i.e., shares of Cavium common stock that are represented in person at the special meeting or for which proxies have been received but for which the holders have abstained from voting), if any, will be included in the calculation of the number of shares of Cavium common stock represented at the special meeting for purposes of determining whether a quorum is present. Broker non-votes, if any, will not be included in the calculation of the number of shares of Cavium common stock represented at the special meeting for purposes of determining whether a quorum is present.

Q: What should I do now?

A: You should read this joint proxy statement/prospectus carefully, including the Annexes, and return your completed, signed and dated proxy card(s) by mail in the enclosed postage-paid envelope or submit your voting instructions by telephone or over the Internet as soon as possible so that your shares will be represented and voted at the Marvell general meeting or the Cavium special meeting, as applicable. A number of banks and brokerage firms participate in a program that also permits shareholders whose shares are held in street name to direct their vote by telephone or over the Internet. This option, if available, will be reflected in the voting instructions from the bank or brokerage firm that accompany this joint proxy statement/prospectus. If your shares are held in an account at a bank or brokerage firm that participates in such a program, you may direct the vote of these shares by telephone or over the Internet by following the voting instructions enclosed with the proxy form from the bank or brokerage firm. See *The Marvell General Meeting How to Vote* and *The Cavium Special Meeting How to Vote* for more information.

Q: What happens if I sell my shares before the Marvell or Cavium shareholder meeting?

A: If a Cavium shareholder transfers its shares of Cavium common stock after the Cavium record date or a Marvell shareholder transfers its Marvell common shares after the Marvell record date, as applicable, but before the Cavium special meeting or the Marvell general meeting, as applicable, the shareholder will retain (subject to any arrangements made with the purchaser of such shareholder s shares) such shareholder s right to vote at the Cavium special meeting or the Marvell general meeting, as applicable. However, in order for Cavium shareholders to receive the Merger Consideration, they must hold their shares through the Effective Time.

Q: How do I vote my Marvell common shares?

A: You may vote your Marvell common shares in person at the Marvell general meeting or by submitting a proxy (including proxies received by telephone or over the Internet). Marvell recommends that you submit your proxy even if you plan to attend the Marvell general meeting. If you submit your proxy, you may change your vote if you attend and vote at the Marvell general meeting; however, mere attendance at the Marvell general meeting will not revoke your previously issued proxy.

Owners of record (that is, shareholders who hold Marvell common shares in their own name and not through a bank, broker or other nominee) as of the close of business on [ ], 2018, the record date for the Marvell general meeting, may vote in person at the Marvell general meeting or by proxy. This means

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that you may use the enclosed proxy card(s) (or submit your proxy by telephone or over the Internet) to instruct the persons named as proxies how to vote your Marvell common shares. If you properly complete, sign and date your proxy card(s) or submit your voting instructions by telephone or over the Internet, your Marvell common shares will be voted in accordance with your instructions. The named proxies will vote all Marvell common shares at the Marvell general meeting for which proxies have been properly submitted (whether by mail, telephone or over the Internet) and not revoked. Owners of record have three ways to vote by proxy:

Internet: You can submit your proxy over the Internet at the web address shown on your proxy card(s). You will be prompted to enter your Control Number from your proxy card. This number will identify you as a shareholder of record. Follow the simple instructions that will be given to you to record your vote. If you submit your proxy over the Internet, do not return your proxy card(s).

Telephone: You can submit your proxy by telephone by calling the toll-free number on your proxy card(s). You will be prompted to enter your Control Number from your proxy card. This number will identify you as a shareholder of record. Follow the simple instructions that will be given to you to record your vote. If you submit your proxy by telephone, do not return your proxy card(s).

Mail: You can submit your proxy by mail by simply signing, dating and mailing your proxy card(s) in the postage-paid envelope included with this joint proxy statement/prospectus.

If you sign and return your proxy card(s) but do not mark your card(s) to instruct the proxies how to vote your Marvell common shares on each proposal, your Marvell common shares will be voted as recommended by the Marvell board of directors (i.e., **FOR** each proposal presented to the shareholders).

Q: How do I vote my Cavium common stock?

A: You may vote your shares of Cavium common stock in person at the Cavium special meeting or by submitting a proxy (including proxies received by telephone or over the Internet). Cavium recommends that you submit your proxy even if you plan to attend the Cavium special meeting. If you submit your proxy, you may change your vote if you attend and vote at the Cavium special meeting; however, mere attendance at the Cavium special meeting will not revoke your previously issued proxy.

Owners of record (that is, shareholders who hold shares of Cavium common stock in their own name and not through a bank, broker or other nominee), as of the close of business on [ ], 2018, the record date for the Cavium special meeting, may vote in person at the Cavium special meeting or by proxy. This means that you may use the enclosed proxy card(s) (or submit your proxy by telephone or the Internet) to instruct the persons named as proxies how to vote your shares of Cavium common stock. If you properly complete, sign and date your proxy card(s) or submit your voting instructions by telephone or over the Internet, your shares of Cavium common stock will be voted in accordance with your instructions. The named proxies will vote all shares of Cavium common stock at the Cavium special meeting for which proxies have been properly submitted (whether by mail, telephone or over the Internet) and not revoked. Owners of record have three ways to vote by proxy:

Internet: You can submit your proxy over the Internet at the web address shown on your proxy card(s). You will be prompted to enter your Control Number from your proxy card. This number will identify you as a shareholder of record. Follow the simple instructions that will be given to you to record your vote. If you submit your proxy over the Internet, do not return your proxy card(s).

Telephone: You can submit your proxy by telephone by calling the toll-free number on your proxy card(s). You will be prompted to enter your Control Number from your proxy card. This number will identify you as a shareholder of record. Follow the simple instructions that will be given to you to record your vote. If you submit your proxy by telephone, do not return your proxy card(s).

Mail: You can submit your proxy by mail by simply signing, dating and mailing your proxy card(s) in the postage-paid envelope included with this joint proxy statement/prospectus.

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If you sign and return your proxy card(s) but do not mark your card(s) to instruct the proxies how to vote your shares of Cavium common stock on each proposal, your shares of Cavium common stock will be voted as recommended by the Cavium board of directors (i.e., **FOR** each proposal presented to the shareholders).

Q: If I am going to attend my shareholder meeting, should I return my proxy card(s)?

A: Yes. Returning your completed, signed and dated proxy card(s) or submitting your proxy by telephone or over the Internet ensures that your shares will be represented and voted at your shareholder meeting. See *The Marvell General Meeting How to Vote* and *The Cavium Special Meeting How to Vote* for more information.

Q. Can I change my vote after I mail my proxy card(s) or vote by telephone or over the Internet?

A: Yes. If you are a shareholder of record of Marvell common shares or of Cavium common stock (that is, you hold your shares in your own name and not through a bank, broker or other nominee) as of the close of business on the applicable record date for your shareholder meeting, you can change your vote by:

- sending a written notice to the corporate secretary of the company in which you hold shares, bearing a date later than the date of the proxy, that is received prior to your shareholder meeting and stating that your proxy is revoked;

- signing, dating and delivering a new valid proxy card(s) bearing a later date that is received prior to your shareholder meeting;

- submitting your voting instructions again by telephone or over the Internet by 11:59 p.m. Eastern time on [ ], 2018; or

- attending your shareholder meeting and voting in person, although your attendance at the shareholder meeting will not, by itself, revoke your proxy.

If you are a street name shareholder and submitted voting instructions to your broker, bank or other nominee, please refer to the instructions provided by your broker, bank or other nominee on how to change your vote.

Q: What if my bank, broker or other nominee holds my shares in street name ?

A: If a bank, broker or other nominee holds your shares, your shares are held in street name. In that case, your bank, broker or other nominee will send you a voting instruction form to use in voting your shares. The availability of telephone and Internet voting depends on the voting procedures of your bank, broker or other nominee. Please follow the instructions on the voting instruction form they send you. If your shares are held in the name of your bank, broker or other nominee and you wish to vote in person at your shareholder meeting, you must contact your bank, broker or other nominee and request a document called a legal proxy. You must bring this legal proxy to your shareholder meeting in order to vote in person.

Q: What if I don t provide my bank, broker or other nominee with instructions on how to vote?

A: Generally, a bank, broker or other nominee may vote the shares that it holds for you only in accordance with your instructions. However, if your bank, broker or other nominee has not received your instructions, your bank, broker or other nominee has the discretion to vote on certain matters that are considered routine. A broker non-vote occurs if your bank, broker or other nominee cannot vote on a particular matter because your bank, broker or other nominee has not received instructions from you and because the proposal is not routine. Each of the matters being presented to shareholders for a vote at the shareholder meetings of Marvell and Cavium is not considered a routine matter. Therefore, your bank, broker or other nominee will not be permitted to vote at the shareholder meeting without instruction from you as the beneficial owner of Marvell common shares or Cavium common stock.

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Q: What if I abstain from voting?

A: Your abstention from voting will have the following effect:

If you are a Marvell shareholder:

For all proposals, a properly executed proxy marked abstain will be counted in determining whether a quorum is present at the Marvell general meeting, but, under legal principles understood by Marvell s Bermuda counsel to be applicable in Bermuda, will be excluded from, and will have no effect on the outcome of, the vote on the approval of the Marvell Share Issuance or the Marvell Adjournment Proposal.

If you are a Cavium shareholder:

For all proposals, a properly executed proxy marked abstain will be counted in determining whether a quorum is present at the Cavium special meeting. With respect to the Merger Proposal, abstentions will have the same effect as a vote **AGAINST** the Merger Proposal. With respect to the Cavium Adjournment Proposal and the Cavium Non-Binding Compensation Proposal, abstentions will have the same effect as votes **AGAINST** such proposals.

Q: What does it mean if I receive multiple proxy cards or voting instruction forms?

A: Your shares may be registered in more than one account, such as brokerage accounts and 401(k) accounts. It is important that you complete, sign, date and return each proxy card or voting instruction form you receive or submit your proxy using the telephone or the Internet as described in the instructions included with your proxy card(s) or voting instruction form(s).

Q: What happens if I am a shareholder of both Marvell and Cavium?

A: You will receive separate proxy cards from each company and must complete, sign and date each proxy card and return each proxy card in the appropriate preaddressed postage-paid envelope or by submitting a proxy by one of the other methods specified in your proxy card or voting instruction form for each company.

Q: Where can I find more information about Marvell and Cavium?

A: You can find more information about Marvell and Cavium from various sources described under *Where You Can Find More Information*.

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SUMMARY

This summary highlights selected information from this joint proxy statement/prospectus and might not contain all of the information that is important to you. You should read carefully this entire joint proxy statement/prospectus, including the Annexes, to fully understand the Merger and the related transactions. In addition, Marvell and Cavium incorporate by reference into this joint proxy statement/prospectus important business and financial information about Marvell and Cavium. See *Where You Can Find More Information* for more information.

Information About Marvell (beginning on page 184)

Marvell is a fabless semiconductor provider of application-specific semiconductor products. As a fabless semiconductor company, Marvell focuses on the design, development and marketing of semiconductor products and forms relationships with foundries, assembly and test facilities for the manufacture of these products. Marvell s semiconductors perform analog, mixed-signal and digital signal processing, and Marvell designs both stand-alone and embedded semiconductors. Marvell s core strength lies in the development of complex integrated circuits that incorporate all components of an electronic system in one chip so-called SoC devices. Marvell s broad product portfolio includes devices for storage, networking and connectivity, and Marvell s market segments include the enterprise, cloud, automotive, industrial and consumer markets.

Marvell was incorporated in Bermuda in January 1995. Marvell s registered and mailing address is Canon s Court, 22 Victoria Street, Hamilton HM 12, Bermuda, and its telephone number there is (441) 296-6395. The address of Marvell s U.S. operating subsidiary is Marvell Semiconductor, Inc., 5488 Marvell Lane, Santa Clara, California 95054, and its telephone number there is (408) 222-2500. Marvell also has subsidiaries and operations in many countries, including China, India, Israel, Japan, Singapore, South Korea, Taiwan and Vietnam. Marvell s fiscal year ends on the Saturday nearest January 31. As of January 22, 2018, Marvell had a total of approximately 3,770 employees, and held approximately 9,500 U.S. and foreign patents issued and approximately 2,300 U.S. and foreign patent applications pending on various aspects of Marvell technology.

Marvell common shares are listed on NASDAQ under the symbol MRVL.

Additional information about Marvell and its subsidiaries is included in documents incorporated by reference in this joint proxy statement/prospectus. See *Documents Incorporated by Reference* for more information.

Information About Merger Sub (beginning on page 185)

Merger Sub, a direct wholly owned subsidiary of MTI, which is a direct wholly owned subsidiary of Marvell, is a Delaware corporation that was formed on November 17, 2017, for the purpose of effecting the Merger. In the Merger, Merger Sub will be merged with and into Cavium, with Cavium surviving as an indirect wholly owned subsidiary of Marvell.

Information About Cavium (beginning on page 186)

Cavium is a provider of highly integrated semiconductor processors that enable intelligent processing for wired and wireless infrastructure and cloud for networking, communications, storage and security applications. Cavium s products consist of multi-core processors for embedded and data center applications, network connectivity for server and switches, storage connectivity and security processors for offload and appliance. A range of Cavium s products also include a rich suite of embedded security protocols that enable unified threat management, or UTM, secure connectivity, network perimeter protection and deep packet inspection, or DPI. Cavium sells its products to networking original equipment manufacturers, or OEM, that sell into the enterprise, datacenter, service provider, and broadband and consumer markets. Cavium also sells its products through channels, original design manufacturers, or ODM, as well as direct sales to mega data centers.

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In the enterprise market, Cavium s products are used in routers, switches, storage appliances, server connectivity for networking and storage, wireless local area networks, or WLAN, and UTM. In the datacenter market, Cavium s products are used in servers for data and storage connectivity as well as security offload and server load balancers. In the service provider market in wired infrastructure Cavium s products are used in edge routers, cable modem termination system head-ends, and media gateways, and in wireless infrastructure in 3G/4G/5G base stations, radio network controllers, micro/macro cell, evolved packet core nodes, and CloudRAN. In the broadband and consumer market Cavium s products are used in home gateways, wireless high-definition multimedia interface, or HDMI, WLAN, small office/home office, and UTM. Several of Cavium s products are systems on a chip, or SoCs, which incorporate single or multiple processor cores, a highly integrated architecture and customizable software that is based on a broad range of standard operating systems.

Cavium focuses its resources on the design, sales and marketing of its products, and outsources the manufacturing of its products. Cavium expanded its server data and storage connectivity product portfolio in August 2016 with its acquisition of QLogic Corporation (QLogic). Cavium has a broad portfolio of multi-core processors to deliver integrated and optimized hardware and software embedded solutions to the market. Cavium s software and service revenue is primarily from the sale of software subscriptions of embedded Linux operating system, related development tools, application software stacks, support, and professional services.

Cavium common stock is traded on NASDAQ under the symbol CAVM. Following the Merger, Cavium common stock will be delisted from NASDAQ.

Cavium was incorporated under the laws of the state of California in November 2000 and reincorporated under the laws of the State of Delaware in February 2007. The address of Cavium s principal executive office is 2315 N. First Street, San Jose, California 95131, and its telephone number is (408) 943-7100. Additional information about Cavium and its subsidiaries is included in documents incorporated by reference into this joint proxy statement/prospectus. See *Documents Incorporated by Reference* for more information.

The Merger (beginning on page 146)

Upon the terms and subject to the conditions of the Merger Agreement, and in accordance with Delaware law, at the Effective Time, Merger Sub will merge with and into Cavium. The separate corporate existence of Merger Sub will cease, and Cavium will continue as the surviving corporation in the Merger as an indirect wholly owned subsidiary of Marvell.

We encourage you to read in its entirety the Merger Agreement, which governs the Merger and is attached as Annex A to this joint proxy statement/prospectus, as it sets forth the terms of the Merger.

Merger Consideration (beginning on page 147)

At the Effective Time, each share of Cavium common stock that is outstanding immediately prior to the Effective Time (other than shares held by Marvell, Cavium or any of their respective subsidiaries and shares as to which appraisal rights have been properly exercised pursuant to Delaware law, as described in *The Merger Rights of Appraisal for Cavium Shareholders*) will be converted into the right to receive (a) 2.1757 Marvell common shares and (b) $40.00 in cash, without interest.

On November 2, 2017, the last trading day prior to the first media report stating that Marvell and Cavium were in advanced discussions regarding a potential transaction, the closing price of Marvell common shares on NASDAQ was $18.28. On January 22, 2018, the last practicable trading day prior to the filing of this joint proxy statement/prospectus, the closing price of Marvell common shares on NASDAQ was $23.62 per share.

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No Financing Condition; Financing (beginning on page 134)

Marvell s obligation to complete the Merger is not subject to a financing condition. Marvell anticipates that it will need approximately $3.4 billion in order to pay Cavium s shareholders the cash portion of the Merger Consideration, to refinance certain existing indebtedness of Cavium and to pay related fees and expenses. Marvell expects to enter into new debt facilities totaling $1.75 billion. Marvell has received commitments for a $900 million three-year term loan facility and an $850 million, 364-day bridge facility. In lieu of borrowing, in whole or in part, under the bridge facility, Marvell may incur permanent debt financing. There can be no assurance that Marvell will be able to obtain any such permanent debt financing. The proceeds from the new debt facilities and any such permanent debt financing are expected to be used to pay, together with Marvell s and Cavium s cash on hand, the cash portion of the Merger Consideration, to refinance existing indebtedness of Cavium and to pay related fees and expenses.

Recommendation of the Marvell Board of Directors to Marvell s Shareholders (beginning on page 78)

After careful consideration, the Marvell board of directors, on November 18, 2017, unanimously approved the Merger Agreement and the transactions contemplated thereby, including the Merger and the Marvell Share Issuance, and determined that the Merger and the Marvell Share Issuance are fair to, and in the best interests of, Marvell and its shareholders. The Marvell board of directors consulted with members of Marvell s management and Marvell s legal and financial advisors and considered a number of factors, including those listed in *The Merger Marvell s Reasons for the Merger and Recommendation of Marvell s Board of Directors*.

The Marvell board of directors unanimously recommends that Marvell shareholders vote **FOR** the approval of the Marvell Share Issuance and **FOR** the Marvell Adjournment Proposal.

Recommendation of the Cavium Board of Directors to Cavium s Shareholders (beginning on page 83)

After careful consideration, the Cavium board of directors, on November 19, 2017, unanimously approved the Merger Agreement and the transactions contemplated thereby, including the Merger, and determined that the Merger Agreement and the transactions contemplated thereby, including the Merger, are advisable, fair to, and in the best interests of, Cavium and its shareholders. The Cavium board of directors consulted with members of Cavium s management and Cavium s legal and financial advisors and considered a number of factors, including those listed in *The Merger Cavium s Reasons for the Merger and Recommendation of Cavium s Board of Directors*.

The Cavium board of directors unanimously recommends that Cavium shareholders vote **FOR** the Merger Proposal, **FOR** the Cavium Adjournment Proposal and **FOR** the Cavium Non-Binding Compensation Proposal.

Opinions of Financial Advisors (beginning on page 88 for Marvell s financial advisor and on page 100 for Cavium s financial advisors)

Opinion of Marvell s Financial Advisor, Goldman Sachs & Co. LLC (beginning on page 88)

Marvell retained Goldman Sachs & Co. LLC (Goldman Sachs) as its financial advisor in connection with the Merger. Goldman Sachs rendered its oral opinion to the Marvell board of directors on November 18, 2017, subsequently confirmed in writing by delivery of a written opinion dated November 19, 2017, that, as of such date and based upon and subject to the factors and assumptions set forth therein, the Merger Consideration to be paid by Marvell for each outstanding share of Cavium common stock, pursuant to the Merger Agreement, was fair to Marvell from a financial point of view.

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The full text of the written opinion of Goldman Sachs, dated November 19, 2017, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex B to this joint proxy statement/prospectus and is incorporated into this joint proxy statement/prospectus by reference. You should read the opinion carefully in its entirety.

The Goldman Sachs opinion was provided to the Marvell board of directors and addresses only, as of the date of the opinion, the fairness, from a financial point of view to Marvell, of the Merger Consideration to be paid pursuant to, and in accordance with, the terms of the Merger Agreement by Marvell for each outstanding share of Cavium common stock, and does not address any other aspect of the Merger. The Goldman Sachs opinion is not a recommendation as to how any Marvell shareholder should vote with respect to the Marvell Share Issuance or act on any other matter and it does not in any manner address the price at which shares of Cavium common stock or Marvell common shares will trade at any time.

Goldman Sachs provided advisory services and its opinion for the information and assistance of Marvell s board of directors in connection with its consideration of the Merger. Pursuant to an engagement letter between Marvell and Goldman Sachs, Marvell has agreed to pay Goldman Sachs a transaction fee of $22,000,000, of which $5,000,000 became payable upon execution of the Merger Agreement, and the remainder of which is contingent upon completion of the Merger.

Opinions of Cavium s Financial Advisors, Qatalyst Partners LP and J.P. Morgan Securities LLC (beginning on page 100)

Cavium retained Qatalyst Partners LP (Qatalyst Partners) and J.P. Morgan Securities LLC (J.P. Morgan) as its financial advisors in connection with the Merger. Each of Qatalyst Partners and J.P. Morgan rendered to the Cavium board of directors its respective oral opinion on November 19, 2017, subsequently confirmed in writing, that as of such date, and based upon and subject to the considerations, limitations, factors, assumptions and other matters set forth in their respective written opinions, the Merger Consideration to be received pursuant to, and in accordance with, the terms of the Merger Agreement by the holders of shares of Cavium common stock, other than Marvell or any of its affiliates, was fair, from a financial point of view, to such shareholders.

The full text of each of Qatalyst Partners and J.P. Morgan s written opinions, each dated as of November 19, 2017, is attached as Annex C and Annex D, respectively, to this joint proxy statement/prospectus and each is incorporated into this joint proxy statement/prospectus by reference. The written opinions set forth, among other things, the assumptions made, procedures followed, matters considered and limitations and qualifications of the reviews undertaken by each of Qatalyst Partners and J.P. Morgan in rendering each of their respective opinions. You should read each opinion carefully in its entirety.

Each of Qatalyst Partners and J.P. Morgan s opinions was provided to the Cavium board of directors and each addresses only, as of the date of the opinion, the fairness, from a financial point of view, of the Merger Consideration to be received pursuant to, and in accordance with, the terms of the Merger Agreement by the holders of shares of Cavium common stock, other than Marvell or any of its affiliates, and neither opinion addresses any other aspect of the Merger. The opinions do not constitute recommendations as to how any Cavium shareholder should vote with respect to the Merger Proposal or act on any other matter and they do not in any manner address the price at which the shares of Cavium common stock or Marvell common shares will trade at any time.

Each of Qatalyst Partners and J.P. Morgan provided Cavium with financial advisory services in connection with the Merger. Pursuant to an engagement letter between Cavium and Qatalyst Partners and in respect of such

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services, Cavium has agreed to pay Qatalyst Partners approximately $38 million (provided that the final actual fee will be, in part, based on an average of Marvell s closing share price over ten consecutive trading days up to and including the second trading day immediately preceding the Closing Date, and, accordingly, the final fee may vary significantly from this estimate), of which $150,000 became payable upon execution of the engagement letter, $3.5 million of which became payable upon delivery of its opinion and the remainder of which is contingent upon completion of the Merger. Pursuant to an engagement letter between Cavium and J.P. Morgan, Cavium has agreed to pay J.P. Morgan a transaction fee of approximately $25 million, of which $3.5 million became payable upon delivery of its opinion, and the remainder of which is contingent upon completion of the Merger.

Effect of the Merger on Cavium s Equity Incentive Compensation Awards (beginning on page 149)

Stock Options

The Merger Agreement provides that, at the Effective Time, each outstanding stock option, whether vested or unvested (other than stock options held by non-employee members of Cavium s board of directors who will not serve on Marvell s board of directors following the Effective Time), will be assumed by Marvell and converted into an option to purchase, on the same terms and conditions as were applicable under such stock option, that number of Marvell common shares (rounded down to the nearest whole share) equal to the product of (a) the number of shares of Cavium common stock subject to such stock option *multiplied by* (b) the Conversion Ratio (as defined in *The Merger Agreement Treatment of Cavium Equity Awards*), at an exercise price per Marvell common share (rounded up to the nearest whole cent) equal to the quotient obtained by *dividing* (i) the per share exercise price for the Cavium common stock subject to such stock option, *by* (ii) the Conversion Ratio.

The Merger Agreement provides that, at the Effective Time, each stock option that is outstanding and vested immediately prior to the Effective Time, (including any such stock options that become vested by their terms immediately prior to or as of the Effective Time) held by non-employee members of Cavium s board of directors who will not serve on Marvell s board of directors following the Effective Time will be canceled, and the holder of such stock option will be entitled to receive (subject to applicable withholding or other taxes) an amount in cash equal to the product of (a) the amount (if positive) equal to (i) the Equity Award Cash Consideration (as defined in *The Merger Agreement Treatment of Cavium Equity Awards*) *minus* (b) the exercise price applicable to such stock option, *multiplied by* (ii) the number of shares of Cavium common stock subject to such stock option.

Restricted Stock Units

At the Effective Time, each Cavium restricted stock unit (Cavium RSU) that is outstanding and unvested immediately prior to the Effective Time, other than any Cavium RSU held by a non-employee member of the Cavium board of directors, will be converted into the number of Marvell restricted stock units (Converted RSU) (rounded down to the nearest whole share) equal to the product of (a) the number of shares of Cavium common stock subject to such Cavium restricted stock unit, *multiplied by* (b) the Conversion Ratio.

At the Effective Time, each Cavium RSU (a) that is outstanding and vested (and with respect to which shares of Cavium common stock have not yet been issued) immediately prior to the Effective Time (including any Cavium RSU that becomes vested by its terms immediately prior to or as of the Effective Time) or (b) that is outstanding and held by a non-employee member of the Cavium board of directors immediately prior to the Effective Time, whether vested or unvested (which awards will vest in full as of immediately prior to the Effective Time), in the case of each of clauses (a) or (b), will be canceled and extinguished, and the holder thereof will be entitled to receive (subject to applicable withholding or other taxes, which withholding will first be applied against the cash portion of the consideration paid in respect of such restricted stock units): (i) an amount in cash equal to the

product of (A) the Per Share Cash Amount, *multiplied by* (B) the total number of shares of Cavium common stock subject to such Cavium RSU; and (ii) a number of Marvell common shares equal to the product of (A) the Exchange Ratio, *multiplied by* (B) the total number of shares of Cavium common stock subject to such Cavium RSU.

Performance-Based Restricted Stock Units

At the Effective Time, each Cavium performance-based restricted stock unit (Cavium PRSU) that is outstanding and unvested immediately prior to the Effective Time will be assumed and converted into that number of Marvell restricted stock units (each a Converted PRSU), rounded down to the nearest whole share, equal to the product of (a) the target number of shares of Cavium common stock subject to such Cavium PRSU, *multiplied by* (b) the Conversion Ratio. Such Converted PRSUs: (i) will vest based on the vesting date set forth in the award agreement applicable to such Cavium PRSU prior to the Effective Time, subject only to the continued service of the grantee with the surviving corporation in the Merger, Marvell or any of their affiliates through the applicable vesting date; (ii) will not be subject to any performance-based vesting terms following the Effective Time; and (iii) will otherwise be subject to the same terms and conditions as were applicable under such Cavium PRSUs prior to the Effective Time.

For a full description of the treatment of Cavium s equity awards, see *The Merger Agreement Treatment of Cavium Equity Awards*.

Voting Agreements (beginning on page 129)

Concurrently with the execution and delivery of the Merger Agreement, Syed B. Ali, Co-Founder, Chief Executive Officer and Chairman of the board of directors of Cavium, entered into a voting agreement with Marvell pursuant to which Mr. Ali agreed, among other things and subject to certain exceptions and limitations, to vote his shares of Cavium common stock, which represented approximately 2.62% of Cavium s outstanding common stock as of November 19, 2017, the date of the voting agreement, in favor of the adoption of the Merger Agreement.

Separately, concurrently with the execution and delivery of the Merger Agreement, Starboard Value LP and certain of its affiliates, including Peter Feld, a member of Marvell s board of directors (collectively, the Starboard Shareholders), entered into a voting agreement with Cavium pursuant to which the Starboard Shareholders agreed to, among other things and subject to certain exceptions and limitations, vote their Marvell common shares, which represented approximately 6.9% of Marvell s issued common shares as of November 19, 2017, in favor of the approval of the Marvell Share Issuance.

See *The Merger Voting Agreements* beginning on page 129 for more information.

Record Date; Outstanding Shares; Shares Entitled to Vote; Vote Required (page 50 for Marvell and page 57 for Cavium)

Marvell Shareholders

The record date for the general meeting of Marvell shareholders is [ ], 2018. This means that you must be a shareholder of record of Marvell common shares at the close of business on [ ], 2018, in order to vote at the Marvell general meeting. You are entitled to one vote for each Marvell common share you own. At the close of business on January 22, 2018, there were 495,785,134 Marvell common shares issued and entitled to vote at the Marvell general meeting.

Approval of the Marvell Share Issuance requires the affirmative vote of a majority of the Marvell common shares represented in person or by proxy at the Marvell general meeting at which a quorum is present, which under

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legal principles understood by Marvell s Bermuda counsel to be applicable in Bermuda, excludes abstentions and broker non-votes, which will have no effect on the outcome of the vote on the Marvell Share Issuance. Approval of the Marvell Adjournment Proposal requires the affirmative vote of a majority of the Marvell common shares represented in person or by proxy at the Marvell general meeting, regardless of whether a quorum is present. Under legal principles understood by Marvell s Bermuda counsel to be applicable in Bermuda, abstentions and broker non-votes will have no effect on the outcome of the vote on the Marvell Adjournment Proposal.

Cavium Shareholders

The record date for the Cavium special meeting is [ ], 2018. This means that you must be a shareholder of record of Cavium common stock at the close of business on [ ], 2018, in order to vote at the Cavium special meeting. You are entitled to one vote for each share of Cavium common stock you own. At the close of business on January 22, 2018, there were 69,155,794 shares of Cavium common stock outstanding and entitled to vote at the Cavium special meeting and no shares of treasury stock.

The adoption of the Merger Agreement requires the affirmative vote of a majority of the outstanding shares of Cavium common stock entitled to vote at the Cavium special meeting. To approve the Cavium Adjournment Proposal, the affirmative vote of a majority of the shares of Cavium common stock present in person or represented by proxy and entitled to vote at the Cavium special meeting is required, regardless of whether a quorum is present. To approve the Cavium Non-Binding Compensation Proposal, the affirmative vote of a majority of the shares of Cavium common stock present in person or represented by proxy and entitled to vote at the Cavium special meeting is required, assuming a quorum is present.

Share Ownership and Voting by Marvell s and Cavium s Directors and Executive Officers (page 51 for Marvell and page 58 for Cavium)

Marvell. At the close of business on the record date for the Marvell general meeting, Marvell s directors and executive officers had the right to vote approximately [ ] Marvell common shares at the Marvell general meeting, collectively representing approximately [ ]% of Marvell common shares issued and entitled to vote at the Marvell general meeting.

Cavium. At the close of business on the record date for the Cavium special meeting, Cavium s directors and executive officers had the right to vote approximately [ ] shares of Cavium common stock at the Cavium special meeting, collectively representing approximately [ ]% of Cavium common stock outstanding.

Interests of Cavium Directors and Executive Officers in the Merger (beginning on page 122)

Cavium s executive officers and members of its board of directors, in their capacities as such, have financial interests in the Merger that may be different from, or in addition to, their interests as shareholders and the interests of shareholders of Cavium generally. The members of Cavium s board of directors were aware of and considered these interests, among other matters, in evaluating and negotiating the Merger Agreement and the Merger, and in recommending to the Cavium shareholders that the Merger Agreement be adopted. These interests are discussed in more detail in the section entitled *The Merger Interests of Cavium Directors and Executive Officers in the Merger*. In addition, the Merger Agreement provides that Marvell will cause the Chairman of the board of directors of Cavium and two other members of the Cavium board of directors to be designated by Marvell to become members of the Marvell board of directors as of the Effective Time. Anil Jain, Corporate Vice President of Cavium, and M. Raghib Hussain, Chief Operating Officer of Cavium, will each become officers of Marvell upon completion of the Merger. Marvell expects that all of the directors of Marvell will continue to serve as members of the board of directors of Marvell after the Effective Time.

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Listing of Marvell Common Shares and Delisting and Deregistration of Cavium Common Stock (beginning on page 135)

Under the Merger Agreement, Marvell and Cavium have agreed to use their respective reasonable best efforts to take all actions required to be taken under applicable securities laws in connection with the issuance, exchange, and listing of Marvell common shares to be issued to Cavium shareholders in connection with the Merger. The authorization and approval for listing of such shares on NASDAQ, subject to official notice of issuance, is a condition to the obligation of each of Marvell, Merger Sub and Cavium to complete the Merger. The Marvell common shares to be issued in connection with the Merger will trade under the symbol MRVL and will be fully fungible with the Marvell common shares currently trading under that symbol.

Shares of Cavium common stock are currently traded on NASDAQ under the symbol CAVM. Under the Merger Agreement, Cavium has agreed to, prior to the Effective Time, cooperate with Marvell and use its reasonable best efforts to take all actions reasonably necessary, proper or advisable to enable the Cavium common stock to be delisted from NASDAQ and deregistered under the Exchange Act as promptly as practicable after the Merger is completed. After such time, Cavium will no longer be a public company and will no longer file periodic and other reports with the SEC.

Rights of Appraisal for Cavium Shareholders (beginning on page 135)

Under Section 262 of the DGCL, holders of Cavium common stock may have the right to obtain an appraisal of the value of their shares of Cavium common stock in connection with the Merger. Shares of Cavium common stock held by shareholders of Cavium who have properly exercised appraisal rights under Section 262 of the DGCL (and have not withdrawn such exercise or lost such rights) will not be converted into the right to receive the Merger Consideration, but will instead be converted into the right to receive payment in cash for the fair value of their shares of Cavium common stock as determined in accordance with Section 262 of the DGCL. The fair value of shares of common stock of Cavium as determined in accordance with Section 262 of the DGCL may be more or less than (or the same as) the Merger Consideration. Shareholders who wish to exercise appraisal rights must comply fully with all applicable requirements of Section 262 of the DGCL, which is summarized in this joint proxy statement/prospectus and attached as Annex E to this joint proxy statement/prospectus. Failure to follow exactly the procedures specified under Section 262 of the DGCL may result in the loss of appraisal rights. Because of the complexity of Section 262 of the DGCL relating to appraisal rights, if you are considering exercising your appraisal rights, Marvell and Cavium encourage you to seek the advice of your own legal counsel. A summary of the requirements under Delaware law to exercise appraisal rights is included in this joint proxy statement/prospectus in *The Merger Rights of Appraisal for Cavium Shareholders* and the text of Section 262 of the DGCL as in effect with respect to this transaction is included as Annex E to this joint proxy statement/prospectus.

No Rights of Appraisal for Marvell Shareholders (beginning on page 139)

Holders of Marvell common shares will not have any rights of appraisal as a result of the Merger.

Conditions to Completion of the Merger (beginning on page 174)

The obligations of Marvell and Merger Sub to complete the Merger will be subject to the satisfaction (or waiver by Marvell, on behalf of itself and Merger Sub), at or prior to the completion of the Merger, of each of the following conditions:

the Cavium shareholders have adopted the Merger Agreement and the Marvell shareholders have approved the Marvell Share Issuance;

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subject to certain materiality qualifiers, the accuracy of the representations and warranties made by Cavium in the Merger Agreement and the receipt of a certificate executed on behalf of Cavium by its Chief Executive Officer and Chief Financial Officer confirming, to the knowledge of such officer, such accuracy;

the obligations in the Merger Agreement that Cavium is required to comply with or to perform at or prior to the completion of the Merger have been complied with and performed in all material respects, and the receipt of a certificate executed on behalf of Cavium by its Chief Executive Officer and Chief Financial Officer confirming, to the knowledge of such officer, such compliance and performance;

the registration statement of which this joint proxy statement/prospectus is a part has become effective in accordance with the provisions of the Securities Act;

since the date of the Merger Agreement, there has not occurred any Material Adverse Effect (as defined below in *The Merger Agreement Representations and Warranties*) on Cavium and its subsidiaries that is continuing;

the waiting period applicable to the completion of the Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), has expired or been terminated without the imposition of a Burdensome Condition (as defined below in T*he Merger Agreement Efforts to Complete the Merger*) and any similar waiting period under any applicable antitrust or competition-related law or regulation or other legal requirement in Poland has expired or been terminated without the imposition of a Burdensome Condition;

CFIUS Approval (as defined below in T*he Merger Agreement Regulatory Approvals Required for the Merger*) has been obtained;

approval of the Ministry of Commerce of the People s Republic of China (MOFCOM) has been obtained without the imposition of a Burdensome Condition;

any other governmental authorization or other consent required under any applicable foreign antitrust or competition-related law or regulation or other legal requirement in the United States, the People s Republic of China or Poland has been obtained without the imposition of a Burdensome Condition;

the Marvell common shares to be issued in the Merger are authorized and approved for listing (subject to official notice of issuance) on NASDAQ;

no temporary restraining order, preliminary or permanent injunction or other binding order preventing the completion of the Merger has been issued by any Specified Governmental Body (as defined below in *The Merger Agreement Conditions to Completion of the Merger*) and is still in effect, and there is no legal requirement enacted or deemed applicable to the Merger by any Specified Governmental Body that makes completion of the Merger illegal and is still in effect; and

there is no pending or overtly threatened legal proceeding brought by a governmental body: (a) challenging or seeking to restrain or prohibit the completion of the Merger or any of the transactions contemplated by the Merger Agreement; (b) seeking to prohibit or limit in any material respect Marvell s ability to vote, receive dividends with respect to or otherwise exercise ownership rights with respect to the shares of the surviving corporation in the Merger; (c) that could materially and adversely affect the right of Marvell or Cavium or any of its subsidiaries to own the assets or operate the business of Cavium and its subsidiaries; (d) seeking to compel Cavium or Marvell or any of their respective subsidiaries to dispose of or hold separate any material assets as a result of the Merger or any of the other transactions contemplated by the Merger Agreement; or (e) relating to the Merger or any of the other transactions contemplated by the Merger Agreement and seeking to impose (or that would reasonably be expected to result in the imposition of) any criminal sanctions or criminal liability on Marvell, Cavium or any of Cavium s subsidiaries, or any of the officers, directors or affiliates of Marvell or Cavium or any of Cavium s subsidiaries.

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The obligations of Cavium to complete the Merger will be subject to the satisfaction (or waiver by Cavium), at or prior to the completion of the Merger, of the following conditions:

- the Cavium shareholders have adopted the Merger Agreement and the Marvell shareholders have approved the Marvell Share Issuance;

- subject to certain materiality qualifiers, the accuracy of the representations and warranties made by Marvell and Merger Sub in the Merger Agreement, and the receipt of a certificate executed on behalf of Marvell by its Chief Executive Officer and Chief Financial Officer confirming, to the knowledge of such officer, such accuracy;

- the obligations in the Merger Agreement that Marvell and Merger Sub are required to comply with or to perform at or prior to the completion of the Merger have been complied with and performed in all material respects, and the receipt of a certificate executed on behalf of Marvell by its Chief Executive Officer and Chief Financial Officer confirming, to the knowledge of such officer, such compliance and performance;

- the registration statement of which this joint proxy statement/prospectus is a part has become effective in accordance with the provisions of the Securities Act;

- since the date of the Merger Agreement, there has not occurred any Material Adverse Effect on Marvell that is continuing;

- the waiting period applicable to the completion of the Merger under the HSR Act has expired or been terminated;

- the Marvell common shares to be issued in the Merger are authorized and approved for listing (subject to official notice of issuance) on NASDAQ;

- no temporary restraining order, preliminary or permanent injunction or other order preventing the completion of the Merger has been issued by any court of competent jurisdiction in the United States and is still in effect, and there is no legal requirement enacted or deemed applicable to the Merger by any federal or state governmental body in the United States that makes completion of the Merger illegal and is still in effect; and

- no temporary restraining order, preliminary or permanent injunction or other binding order preventing the completion of the Merger has been issued by any court of competent jurisdiction (other than a court in the United States) and is still in effect, and there is no legal requirement enacted or deemed applicable to the Merger (other than a legal requirement enacted in the United States) that makes completion of the Merger illegal and is still in effect, except for any such order, decree, ruling or legal requirement that would not reasonably be expected to give rise to the imposition of criminal sanctions or criminal liability on the officers and directors of Cavium if the Merger were completed.

Regulatory Approvals Required for the Merger (beginning on page 132)

The completion of the Merger is subject to compliance with the HSR Act. Marvell and Cavium filed the notifications required under the HSR Act with the Premerger Notification Office of the Federal Trade Commission and the Antitrust Division of the Department of Justice on December 27, 2017.

The completion of the Merger is also subject to compliance with applicable foreign antitrust laws. Under the Merger Agreement, the parties have agreed to provide applicable notifications under the antitrust laws of the People s Republic of China and Poland.

Under the Merger Agreement, each of Marvell and Cavium has agreed to use reasonable best efforts, subject to specified limitations, to take, or cause to be taken, all actions necessary to complete the Merger and make effective the other transactions contemplated by the Merger Agreement, including obtaining CFIUS Approval and MOFCOM approval. See *The Merger Agreement Efforts to Complete the Merger* and *The Merger Agreement Conditions to Completion of the Merger* for more information.

No Solicitation or Discussions by Cavium (beginning on page 157)

Under the Merger Agreement, Cavium has agreed that, subject to certain exceptions, it will not, directly or indirectly, and will ensure that each of its subsidiaries does not, and will use its reasonable best efforts to cause its and their respective representatives not to, directly or indirectly:

- solicit, initiate, knowingly encourage, knowingly induce or knowingly facilitate the making, submission or announcement of any Cavium Acquisition Proposal (as defined in *The Merger Agreement No Solicitation or Discussions by Cavium*) or Cavium Acquisition Inquiry (as defined in *The Merger Agreement No Solicitation or Discussions by Cavium*), including by approving any transaction, or approving any person or entity (other than Marvell and its affiliates) becoming an interested stockholder for purposes of Section 203 of the DGCL;

- furnish or otherwise provide access to any information regarding Cavium or any of its subsidiaries to any person or entity in response to a Cavium Acquisition Proposal or Cavium Acquisition Inquiry;

- engage in discussions or negotiations with any person or entity with respect to any Cavium Acquisition Proposal;

- approve, endorse or recommend any Cavium Acquisition Proposal;

- enter into any letter of intent or similar document or any contract contemplating or otherwise relating to any Acquisition Transaction (as defined in *The Merger Agreement No Solicitation or Discussions by Cavium*), other than certain confidentiality agreements expressly permitted under the Merger Agreement; or

- publicly propose to do any of the foregoing.

The Merger Agreement provides, however, that prior to the adoption of the Merger Agreement by Cavium shareholders, Cavium may, under certain specified circumstances and subject to certain conditions, furnish nonpublic information regarding Cavium and its subsidiaries to, or enter into discussions or negotiations with, any person or entity who submits (and does not withdraw) a Cavium Acquisition Proposal. Under the Merger Agreement, Cavium has also agreed to promptly (and in no event later than 24 hours after receipt thereof) advise Marvell orally and in writing of any Cavium Acquisition Proposal or Cavium Acquisition Inquiry or any related request for nonpublic information relating to Cavium or any its subsidiaries that is made or submitted by any person or entity during the period from the date of the Merger Agreement through the Effective Time.

For further information, see *The Merger Agreement No Solicitation or Discussions by Cavium.*

No Solicitation or Discussions by Marvell (beginning on page 159)

Under the Merger Agreement, Marvell has agreed, subject to certain exceptions, that it will not, directly or indirectly, and will ensure that each of its subsidiaries does not, and will use its reasonable best efforts to cause its and their respective representatives not to, directly or indirectly:

- solicit, initiate, encourage, induce or facilitate the making, submission or announcement of any Marvell Acquisition Proposal (as defined in *The Merger Agreement No Solicitation or Discussions by Marvell*) or Marvell Acquisition Inquiry (as defined in *The Merger Agreement No Solicitation or Discussions by Marvell*);

furnish or otherwise provide access to any information regarding Marvell or any of its subsidiaries to any person or entity in response to a Marvell Acquisition Proposal or Marvell Acquisition Inquiry;

engage in discussions or negotiations with any person or entity with respect to any Marvell Acquisition Proposal;

approve, endorse or recommend any Marvell Acquisition Proposal;

enter into any letter of intent or similar document or any contract contemplating or otherwise relating to any Acquisition Transaction, other than certain confidentiality agreements expressly permitted under the Merger Agreement; or

publicly propose to do any of the foregoing.

The Merger Agreement provides, however, that Marvell may, prior to the approval of the Marvell Share Issuance by Marvell shareholders, under certain specified circumstances and subject to certain conditions, furnish nonpublic information regarding Marvell or any of its subsidiaries to, or enter into discussions or negotiations with, any person or entity who submits (and does not withdraw) a Marvell Acquisition Proposal. Under the Merger Agreement, Marvell has also agreed to promptly (and in no event later than 24 hours after receipt thereof) advise Cavium orally and in writing of any Marvell Acquisition Proposal or Marvell Acquisition Inquiry or any related request for nonpublic information relating to Marvell or any its subsidiaries that is made or submitted by any person or entity during the period from the date of the Merger Agreement through the Effective Time.

For more information, see *The Merger Agreement No Solicitation or Discussions by Marvell.*

Termination of the Merger Agreement (beginning on page 177)

The Merger Agreement may be terminated by the mutual written consent of Marvell and Cavium, and under certain circumstances, by either Marvell or Cavium.

Termination Fees (beginning on page 180)

The Merger Agreement provides that, in certain circumstances, the Cavium board of directors has the right to terminate the Merger Agreement in order to enter into a definitive agreement relating to a superior offer, as further described in *The Merger Agreement No Solicitation or Discussions by Cavium; No Change in Cavium Board Recommendation*. In that event, the Merger Agreement provides that Cavium pay Marvell a termination fee of $180 million. See *The Merger Agreement Transaction Expenses and Termination Fees*.

The Merger Agreement provides that, in certain circumstances, the Marvell board of directors has the right to terminate the Merger Agreement in order to enter into a definitive agreement relating to a superior offer, as further described in *The Merger Agreement No Solicitation or Discussions by Marvell; No Change in Marvell Board Recommendation*. In that event, the Merger Agreement provides that Marvell pay Cavium a termination fee of $180 million. In addition, the Merger Agreement provides that Marvell will be required to pay Cavium a termination fee of $50 million if, under certain specified circumstances, MOFCOM approval has not been obtained and the Merger Agreement is terminated. See *The Merger Agreement Transaction Expenses and Termination Fees*. The Merger

Agreement also provides that Marvell will be required to pay Cavium a termination fee of $180 million if, under certain specified circumstances, CFIUS Approval has not been obtained and the Merger Agreement is terminated. See *The Merger Agreement Transaction Expenses and Termination Fees*.

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Litigation Related to the Merger (beginning on page 133)

Four putative class actions challenging the Merger have been filed on behalf of Cavium shareholders against Cavium, its board of directors and, in two instances, Marvell. Each of the lawsuits alleges that the registration statement on Form S-4 authorized by Cavium and Marvell, and filed by Marvell with the SEC on December 21, 2017, failed to disclose certain material information that rendered certain statements contained therein incomplete and misleading. The complaints seek to enjoin the parties from proceeding with a shareholder vote on the Merger. Marvell and Cavium believe the allegations and claims asserted in the four putative class actions are without merit. For more information, see *The Merger Litigation Related to the Merger*.

Material United States Federal Income Tax Consequences (beginning on page 141)

The exchange of Cavium common stock in the Merger will be a taxable transaction for U.S. federal income tax purposes. Accordingly, a U.S. holder (as defined in *The Merger Material United States Federal Income Tax Consequences*) of Cavium common stock who receives Merger Consideration in exchange for such U.S. holder s shares of Cavium common stock generally will recognize taxable gain or loss in an amount equal to the difference, if any, between the fair market value of the Merger Consideration received and such U.S. holder s adjusted tax basis in the shares of Cavium common stock exchanged therefor.

THIS JOINT PROXY STATEMENT/PROSPECTUS CONTAINS A GENERAL DESCRIPTION OF THE MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER TO U.S. HOLDERS. THIS DESCRIPTION NEITHER ADDRESSES ANY NON-U.S. TAX CONSEQUENCES NOR DOES IT PERTAIN TO STATE, LOCAL OR OTHER TAX CONSEQUENCES. CONSEQUENTLY, YOU ARE URGED TO CONTACT YOUR OWN TAX ADVISOR TO DETERMINE THE PARTICULAR TAX CONSEQUENCES TO YOU OF THE MERGER.

Accounting Treatment (beginning on page 139)

The Merger will be accounted for as a business combination using the acquisition method of accounting with Marvell as the accounting acquiror. Marvell s shareholders immediately prior to the Effective Time will continue to own the majority of Marvell common shares after the completion of the Merger.

Risk Factors (beginning on page 25)

In deciding how to vote your Marvell common shares or Cavium common stock, you should read carefully this entire joint proxy statement/prospectus, including the documents incorporated by reference herein and the Annexes hereto, and especially consider the factors discussed in *Risk Factors*. These risk factors should be considered along with the additional risk factors contained in the periodic reports of Marvell and Cavium filed with the SEC.

Comparison of Rights of Shareholders (beginning on page 187)

As a result of the Merger, the holders of Cavium common stock will become holders of Marvell common shares and their rights will be governed by the Bermuda Companies Act of 1981, as amended (the Companies Act), and by Marvell s Memorandum of Association, as presently in effect (the Memorandum of Association), and Marvell s Fourth Amended and Restated Bye-laws (the Bye-laws). Following the Merger, Cavium shareholders will have different rights as shareholders of Marvell than they had as shareholders of Cavium. For a summary of the material differences between the rights of Marvell shareholders and Cavium shareholders, see *Comparison of Rights of Shareholders* for more information.

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RISK FACTORS

In addition to the other information contained in or incorporated by reference into this joint proxy statement/prospectus, the shareholders of Marvell and Cavium should carefully consider the following risk factors in determining how to vote on the respective proposals of Marvell and Cavium. The risks associated with the business of Marvell can be found in Marvell s Exchange Act reporting, including Marvell s Annual Report on Form 10-K for the fiscal year ended January 28, 2017 and its Quarterly Reports on Form 10-Q for the quarterly periods ended April 29, 2017, July 29, 2017 and October 28, 2017, which are incorporated by reference in this joint proxy statement/prospectus. The risks associated with the business of Cavium can be found in Cavium s Exchange Act reporting, including the Cavium Annual Report on Form 10-K for the fiscal year ended December 31, 2016, and its Quarterly Reports on Form 10-Q for the fiscal quarters ended on March 31, 2017, June 30, 2017 and September 30, 2017, which are incorporated by reference in this joint proxy statement/prospectus. See *Documents Incorporated by Reference* beginning on page 238.

Risk Factors Relating to the Merger

Because the market price of Marvell common shares will fluctuate, the market value of the Marvell common shares to be issued in connection with the Merger will not be known until completion of the Merger.

Upon completion of the Merger, each share of Cavium common stock outstanding immediately prior to the Merger will be converted into the right to receive (a) 2.1757 Marvell common shares and (b) $40.00 in cash, without interest. There will be no adjustment to the Exchange Ratio due to changes in the market price of either shares of Cavium common stock or Marvell common shares and the Merger Agreement does not provide for any price-based termination right. The value of the Marvell common shares to be issued in the Merger could be considerably higher or lower than they were at the time the Exchange Ratio was negotiated, on the date of this joint proxy statement/prospectus or the dates of the shareholder meetings.

Accordingly, on the dates of the shareholder meetings, shareholders of each of Marvell and Cavium will not know or be able to calculate the exact market value of the Marvell common shares that would be issued upon completion of the Merger.

Share price changes may result from numerous factors, including changes in the respective business operations and prospects of Marvell and Cavium, changes in general market and economic conditions, and regulatory considerations. Many of these factors are beyond the control of Marvell or Cavium.

The market price of Marvell common shares after the Merger might be affected by factors different from, or in addition to, those currently affecting the respective market prices of Marvell common shares and Cavium common stock.

The businesses of Marvell and Cavium differ and, accordingly, the results of operations of Marvell and the market price of Marvell common shares after the Merger may be affected by factors different from, or in addition to, those currently affecting the independent results of operations of each of Marvell and Cavium. For a discussion of the businesses of Marvell and Cavium and of factors to consider in connection with those businesses, see the documents incorporated by reference into this joint proxy statement/prospectus and referred to under *Documents Incorporated by Reference*.

Until the completion of the Merger or the termination of the Merger Agreement in accordance with its terms, Marvell and Cavium are each prohibited from entering into certain transactions and taking certain actions that

might otherwise be beneficial to Marvell or Cavium and their respective shareholders.

Until the Merger is completed or the Merger Agreement is terminated, the Merger Agreement restricts Marvell and Cavium from taking specified actions without the consent of the other party, and requires Cavium to conduct its business and operations in the ordinary course in all material respects and substantially in accordance with past practices. These restrictions may prevent Marvell and Cavium from making appropriate changes to their respective businesses or pursuing attractive business opportunities that may arise prior to the completion of the Merger. See *The Merger Agreement Interim Operations of Marvell and Cavium* for a description of the restrictive covenants applicable to Marvell and Cavium.

The Merger Agreement limits each of Marvell s and Cavium s ability to pursue alternative transactions, and in certain instances requires payment of a termination fee, which could deter a third party from proposing an alternative transaction.

The Merger Agreement contains provisions that, subject to certain exceptions, limit each of Marvell s and Cavium s ability to solicit, initiate, encourage or facilitate, or enter into discussions or negotiations with respect to, any inquiries regarding or the making of any proposal or offer that constitutes or could reasonably be expected to lead to an alternative transaction. See *The Merger Agreement No Solicitation or Discussions by Marvell* and *The Merger Agreement No Solicitation or Discussions by Cavium* for more information. In addition, under specified circumstances, Marvell or Cavium is required to pay a termination fee of $180 million if the Merger Agreement is terminated. See *The Merger Agreement Transaction Expenses and Termination Fees* for a more detailed description of these circumstances. It is possible that these or other provisions might discourage a potential competing acquirer that might have an interest in acquiring all or a significant part of Marvell or Cavium from considering or proposing an acquisition or might result in a potential competing acquirer proposing to pay a lower per share price to acquire Marvell or Cavium than it might otherwise have proposed to pay.

The Merger is subject to a number of conditions, some of which are outside of the parties control, and if these conditions are not satisfied or waived, the Merger will not be completed.

The Merger Agreement contains a number of conditions that must be satisfied (or waived) prior to completion of the Merger. Those conditions include, among other conditions:

- adoption by Cavium shareholders of the Merger Agreement;
- approval by Marvell shareholders of the Marvell Share Issuance;
- there being no binding order issued by certain governmental entities enjoining or otherwise prohibiting completion of the Merger that remains in effect;
- there being no legal requirement enacted by certain governmental entities making the completion of the Merger illegal that remains in effect;
- receipt of certain required regulatory approvals;

- authorization and approval for listing on NASDAQ of the Marvell common shares to be issued in connection with the Merger;

- accuracy of representations and warranties of the parties to the applicable standard provided by the Merger Agreement;

- there being no Material Adverse Effect on Marvell or Cavium and its subsidiaries that is continuing;

- compliance with and performance by the parties of their respective covenants in the Merger Agreement in all material respects; and

- effectiveness of the registration statement of which this joint proxy statement/prospectus is a part, as well as other customary closing conditions.

The required satisfaction or waiver of the foregoing conditions could delay the completion of the Merger for a significant period of time or prevent it from occurring at all. Any delay in completing the Merger could cause the

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combined company not to realize some or all of the benefits that the parties expect the combined company to achieve. Further, there can be no assurance that the conditions to the completion of the Merger will be satisfied or waived or that the Merger will be completed.

In addition, if the Merger is not completed by September 19, 2018 (subject to a potential extension to November 19, 2018 under certain circumstances, including in the event receipt of certain required regulatory approvals have not been obtained), either Marvell or Cavium may choose to terminate the Merger Agreement. Marvell or Cavium may also elect to terminate the Merger Agreement in certain other circumstances, or they may mutually decide to terminate the Merger Agreement at any time prior to the Effective Time, before or after obtaining shareholder approval, as applicable. See *The Merger Agreement Termination of the Merger Agreement* and *The Merger Agreement Transaction Expenses and Termination Fees* for a more detailed description of these circumstances.

The Merger is subject to the expiration of applicable waiting periods under, and the receipt of approvals, consents or clearances from, certain domestic and foreign regulatory authorities that may impose conditions that could have an adverse effect on Marvell, Cavium or the combined company or prevent completion of the Merger.

The Merger is subject to the expiration of applicable waiting periods and the receipt of approvals, consents and clearances from both the United States and foreign regulatory authorities. In deciding whether to grant the required regulatory approval, consent or clearance, each relevant governmental entity will consider the effect of the Merger on competition within its jurisdiction. The terms and conditions of the approvals, consents and clearances that are granted may impose requirements, limitations or costs or place restrictions on the conduct of the combined company s business which may adversely affect the financial position and prospects of the combined company and its ability to achieve the cost savings and other synergies projected to result from the Merger.

In addition, neither Marvell nor Cavium can provide assurance that any such conditions, terms, obligations or restrictions will not result in the delay or abandonment of the Merger. For a more detailed description of the regulatory review process, see the sections entitled *The Merger Regulatory Approvals Required for the Merger,* *The Merger Agreement Efforts to Complete the Merger* and *The Merger Agreement Conditions to Completion of the Merger*.

The Merger is subject to the receipt of CFIUS Approval that may impose measures to protect U.S. national security or other conditions that could have an adverse effect on Marvell, Cavium, or the combined company, or, if not obtained, could prevent completion of the Merger.

Marvell s obligation to complete the Merger is conditioned on obtaining CFIUS Approval. In deciding whether to grant CFIUS Approval, CFIUS will consider the effect of the Merger on U.S. national security. As a condition to granting CFIUS Approval, CFIUS may take measures and impose conditions, certain of which (a) could materially and adversely affect the combined company s operating results due to the imposition of requirements, limitations or costs or the placement of restrictions on the conduct of the combined company s business and (b) could adversely affect the financial position and prospects of the combined company and its ability to achieve the cost savings and other synergies projected to result from the Merger. There can be no assurance that CFIUS will not impose conditions, terms, obligations or restrictions, or that such conditions, terms, obligations or restrictions will not have the effect of delaying completion of the Merger or imposing additional material costs on, or materially limiting the revenues of, the combined company following the Merger. For a more detailed description of the regulatory review process, see the sections entitled *The Merger Regulatory Approvals Required for the Merger* and *The Merger Agreement Efforts to Complete the Merger*, and *The Merger Agreement Conditions to Completion of the Merger*.

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Any delay in completing the Merger may significantly reduce the benefits expected to be obtained from the Merger.

In addition to the required regulatory clearances and approvals, the Merger is subject to a number of other conditions that are beyond the control of Marvell and Cavium and that may prevent, delay or otherwise materially adversely affect completion of the Merger. Marvell and Cavium cannot predict whether and when these other conditions will be satisfied. Further, the requirements for obtaining the required regulatory clearances and approvals could delay the completion of the Merger for a significant period of time or prevent it from occurring. Any delay in completing the Merger may significantly reduce the synergies projected to result from the Merger and other benefits that Marvell and Cavium expect to achieve if they complete the Merger within the expected timeframe and integrate their respective businesses. See *The Merger Agreement Conditions to Completion of the Merger* for more information.

The business relationships of Marvell and Cavium and their respective subsidiaries may be subject to disruption due to uncertainty associated with the Merger, which could have an adverse effect on the results of operations, cash flows and financial position of Marvell, Cavium and, following the completion of the Merger, the combined company.

Parties with which Marvell and Cavium do business may experience uncertainty associated with the Merger, including with respect to current or future business relationships with Marvell, Cavium or the combined company. Marvell s and Cavium s relationships may be subject to disruption as customers, suppliers and other persons with whom Marvell and Cavium have a business relationship may delay or defer certain business decisions or might decide to seek to terminate, change or renegotiate their relationships with Marvell or Cavium, as applicable, or consider entering into business relationships with parties other than Marvell, Cavium or the combined company. These disruptions could have an adverse effect on the results of operations, cash flows and financial position of Marvell, Cavium and, following the completion of the Merger, the combined company, including an adverse effect on Marvell s ability to realize the expected synergies and other benefits of the Merger. The risk, and adverse effect, of any disruption could be exacerbated by a delay in completion of the Merger or termination of the Merger Agreement.

Some of Cavium s executive officers and directors may have interests in the Merger that are different from, or in addition to, the interests of Cavium shareholders.

When considering the recommendations of the Cavium board of directors with respect to the Merger, Cavium shareholders should be aware that the directors and executive officers of Cavium have interests in the Merger that may be different from, or in addition to, their interests as shareholders and the interests of shareholders of Cavium generally. These interests include, among others, potential payments under employment agreements and change in control severance agreements, rights to acceleration of vesting and exercisability of options, and acceleration of vesting of restricted stock units as a result of the Merger and rights to ongoing indemnification and insurance coverage for acts or omissions occurring prior to the Merger. See *The Merger Interests of Cavium Directors and Executive Officers in the Merger* for more information.

As a result of these interests, these directors and executive officers of Cavium might be more likely to support and to vote in favor of the proposals described in this joint proxy statement/prospectus than if they did not have these interests. Each of Cavium s shareholders should consider whether these interests might have influenced these directors and executive officers to support or recommend voting for the proposals related to the Merger. As of the close of business on January 19, 2018, Cavium directors and executive officers were entitled to vote approximately 3.09% of the then-outstanding shares of Cavium common stock. See *The Merger Share Ownership of Directors and Executive Officers of Cavium* for more information.

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There can be no assurance that Marvell will be able to secure the funds necessary to pay the cash portion of the Merger Consideration and refinance certain of Cavium s existing indebtedness on acceptable terms, in a timely manner or at all.

Marvell intends to fund the cash portion of the Merger Consideration to be paid to holders of Cavium common stock with a combination of Marvell s and Cavium s cash on hand and debt financing. To this end, Marvell has entered into a debt commitment letter containing commitments as of the date of this joint proxy statement/prospectus for a $900 million term loan facility and an $850 million bridge loan facility. However, as of the date of this joint proxy statement/prospectus, neither Marvell nor any of its subsidiaries has entered into definitive agreements for the debt financing (or other financing arrangements in lieu thereof), and the obligation of the lenders to provide the debt financing under the debt commitment letter is subject to a number of customary conditions. There can be no assurance that Marvell will be able to obtain the debt financing pursuant to the debt commitment letter.

In the event that the debt financing contemplated by the debt commitment letter is not available, other financing may not be available on acceptable terms, in a timely manner or at all. If Marvell is unable to obtain debt financing, the Merger may be delayed or not be completed.

Failure to complete the Merger could negatively impact the share price and the future business and financial results of Marvell and Cavium.

If the Merger is not completed for any reason, the ongoing businesses of Marvell and Cavium may be adversely affected and, without realizing any of the benefits of having completed the Merger, Marvell and Cavium would be subject to a number of risks, including the following:

- Marvell and Cavium may experience negative reactions from the financial markets, including negative impacts on their respective share prices;
- Marvell and Cavium may experience negative reactions from their respective customers, strategic partners, suppliers, licensees, other business partners, regulators and employees;
- there may be disruptions to Marvell s and Cavium s respective businesses resulting from the announcement and pendency of the Merger, and any adverse changes in their relationships with their respective customers, strategic partners, suppliers, licensees, other business partners and employees may continue or intensify;
- Marvell and Cavium will be required to pay certain costs relating to the Merger whether or not the Merger is completed;
- Marvell and Cavium may not have been able to take advantage of alternative business opportunities or effectively respond to competitive pressures; and

Marvell and Cavium will have committed substantial time and resources to matters relating to the Merger (including integration planning) which would otherwise have been devoted to day-to-day operations and other opportunities that may have been beneficial to either Marvell or Cavium as an independent company.

In addition to the above risks, Marvell or Cavium may be required, under certain circumstances in connection with a termination of the Merger Agreement, to pay the other party a termination fee of up to $180 million, which may materially adversely affect the paying party s financial results. Further, Marvell and Cavium are currently parties to various claims and litigation related to this registration statement and could be subject to additional litigation related to the Merger (or any failure to complete the Merger) or to a proceeding commenced against Marvell or Cavium to enforce performance of their respective obligations under the Merger Agreement. If the Merger is not completed, these risks may materialize and may adversely affect Marvell s and Cavium s respective businesses, financial condition, financial results and share prices.

Litigation filed against Marvell and/or Cavium could prevent or delay the completion of the Merger or result in the payment of damages following completion of the Merger.

Marvell, Cavium and members of Cavium s board of directors currently are and may in the future be parties, among others, to various claims and litigation related to the Merger Agreement and the Merger, including putative shareholder class actions. For additional information regarding the pending litigation, please see the section entitled *The Merger Litigation Related to the Merger.* Among other remedies, the plaintiffs in such matters are seeking to enjoin the Merger. The results of complex legal proceedings are difficult to predict, and could delay or prevent the Merger from becoming effective in a timely manner. The existence of litigation relating to the Merger could impact the likelihood of obtaining the required approvals from either Marvell s or Cavium s shareholders. Moreover, the pending litigation and any future additional litigation could be time consuming and expensive, could divert Marvell s and Cavium s management s attention away from their regular businesses, and, if any one of these lawsuits is adversely resolved against either Marvell or Cavium, could have a material adverse effect on Marvell s or Cavium s respective financial condition.

One of the conditions to Cavium s obligation to complete the Merger is that no temporary restraining order, preliminary or permanent injunction or other binding order preventing the completion of the Merger shall have been issued by any court of competent jurisdiction in the United States and remain in effect. Similarly, one of the conditions to Marvell s obligation to complete the Merger is that no temporary restraining order, preliminary or permanent injunction or other binding order preventing the completion of the Merger shall have been issued by any court of any specified jurisdiction and remain in effect. Marvell s obligations to complete the Merger is also conditioned on, among other things, there being no pending or overtly threatened legal proceeding brought by a governmental body (a) challenging or seeking to restrain or prohibit the completion of the Merger or any of the transactions contemplated by the Merger Agreement; (b) seeking to prohibit or limit in any material respect Marvell s ability to vote, receive dividends with respect to or otherwise exercise ownership rights with respect to the stock of the surviving corporation in the Merger; (c) that could materially and adversely affect the right of Marvell or Cavium or any of its subsidiaries to own the assets or operate the business of Cavium and its subsidiaries; (d) seeking to compel Cavium or Marvell or any of their respective subsidiaries to dispose of or hold separate any material assets as a result of the Merger or any of the other transactions contemplated by the Merger Agreement; or (e) relating to the Merger or any of the other transactions contemplated by the Merger Agreement and seeking to impose (or that would reasonably be expected to result in the imposition of) any criminal sanctions or criminal liability on Marvell or Cavium or any of Cavium s subsidiaries or any of the officers, directors or affiliates of Marvell or Cavium or any of Cavium s subsidiaries.

Consequently, if a settlement or other resolution is not reached in the potential lawsuits referenced above and the plaintiffs secure injunctive or other relief prohibiting, delaying or otherwise adversely affecting Marvell s or Cavium s ability to complete the Merger on the terms contemplated by the Merger Agreement, or there is a pending or overtly threatened legal proceeding brought by a governmental party as described above, then the Merger may not become effective in a timely manner or at all.

Risk Factors Relating to the Combined Company Following the Merger

Marvell may fail to realize the benefits expected from the Merger, which could adversely affect Marvell s share price.

The anticipated benefits Marvell expects from the Merger are, necessarily, based on projections and assumptions about the combined businesses of Marvell and Cavium, which may not materialize as expected or which may prove to be inaccurate. The value of Marvell common shares following the completion of the Merger could be adversely affected if Marvell is unable to realize the anticipated benefits from the Merger on a timely basis or at all. Achieving the benefits of the Merger will depend, in part, on Marvell s ability to integrate the business and operations of Cavium successfully and efficiently with Marvell s business. The challenges involved in this integration, which will be complex and time-consuming, include the following:

difficulties entering new markets or manufacturing in new geographies where Marvell has no or limited direct prior experience;

- successfully managing relationships with Marvell and Cavium s combined supplier and customer base;
- coordinating and integrating independent research and development and engineering teams across technologies and product platforms to enhance product development while reducing costs;
- coordinating sales and marketing efforts to effectively position the combined company s capabilities and the direction of product development;
- combining product offerings and product lines and developing interoperability between the products of Marvell and Cavium;
- limitations or restrictions required by regulatory authorities on the ability of management of Marvell and of Cavium to conduct planning regarding the integration of the two companies;
- difficulties in integrating the systems and process of two companies with complex operations;
- the increased scale and complexity of Marvell s operations resulting from the Merger;
- retaining key employees of Marvell and Cavium;
- obligations that Marvell will have to counterparties of Cavium that arise as a result of the change in control of Cavium; and
- the diversion of management attention from other important business objectives.

If Marvell does not successfully manage these issues and the other challenges inherent in integrating an acquired business of the size and complexity of Cavium, then Marvell may not achieve the anticipated benefits of the Merger on a timely basis or at all and Marvell s revenue, expenses, operating results and financial condition could be materially adversely affected.

Marvell may be unable to realize anticipated cost synergies and expects to incur substantial expenses related to the Merger, which could have a material adverse effect on Marvell s business, financial condition and results of operations.

Marvell expects to generate cost synergies of at least $150 million to $175 million within 18 months after completion of the Merger.

Marvell s ability to achieve such estimated cost synergies in the timeframe described, or at all, is subject to various assumptions by Marvell s management, which may or may not prove to be accurate, as well as the incurrence of costs in Marvell s operations that offset all or a portion of such cost synergies. As a consequence, Marvell may not be able to realize all of these cost synergies within the timeframe expected or at all. In addition, Marvell may incur additional or unexpected costs in order to realize these cost synergies. Failure to achieve the expected cost synergies could significantly reduce the expected benefits associated with the Merger.

In addition, Marvell has incurred and will incur substantial expenses in connection with completion of the Merger, including the costs and expenses of preparing and filing the Form S-4 Registration Statement that contains this joint proxy statement/prospectus with the SEC.

Marvell expects to continue to incur non-recurring costs associated with consummating the Merger, combining the operations of the two companies and achieving the desired cost synergies. These fees and costs have been, and will continue to be, substantial. The substantial majority of non-recurring expenses will consist of transaction costs related to the Merger and include, among others, fees paid to financial, legal and accounting advisors, employee benefit costs and filing fees.

The costs described above, as well as other unanticipated costs and expenses, could have a material adverse effect on the financial condition and operating results of Marvell following the completion of the Merger and many of these costs will be borne by Marvell even if the Merger is not completed.

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The business and operating results of Marvell could be harmed by the highly cyclical nature of the semiconductor industry.

Marvell and Cavium operate in the semiconductor industry. Historically, the semiconductor industry has been highly cyclical with recurring periods of diminished product demand. Significant downturns in the semiconductor industry are often experienced in connection with, or in anticipation of, excess manufacturing capacity worldwide, maturing product cycles and declines in general economic conditions. Even if demand for the products and solutions of Marvell and Cavium remains constant after the completion of the Merger, oversupply in the semiconductor industry may create competitive pressures that can degrade pricing levels and reduce revenues of the combined company. Any failure to expand in cycle upturns to meet customer demand and delivery requirements or contract in cycle downturns at a pace consistent with cycles in the industry could have an adverse effect on the business of the combined company.

Marvell shareholders and Cavium shareholders will have a reduced ownership and voting interest after completion of the Merger and will exercise less influence over management.

Marvell shareholders currently have the right to vote on the election of the board of directors of Marvell and on other matters affecting Marvell. Similarly, Cavium shareholders currently have the right to vote on the election of the board of directors of Cavium and on other matters affecting Cavium. Immediately following the Merger, Marvell shareholders will own approximately 76.7% of Marvell common shares, and Cavium s shareholders will own approximately 23.3% of Marvell common shares, based on the number of Marvell common shares issued and shares of Cavium common stock outstanding as of January 22, 2018. As a result, current Marvell shareholders and current Cavium shareholders will have less influence on the management and policies of the combined company than they now have on the management and policies of Marvell and Cavium, respectively.

Uncertainties associated with the Merger may cause a loss of employees and may otherwise materially adversely affect the future business and operations of the combined company.

The combined company s success after the Merger will depend in part upon the ability of the combined company to retain executive officers and key employees of Marvell and Cavium. In some of the fields in which Marvell and Cavium operate, there are only a limited number of people in the job market who possess the requisite skills and it may be increasingly difficult for the combined company to hire qualified personnel over time. The combined company will operate in several geographic locations where the labor markets, especially for engineers, are particularly competitive. Each of Marvell and Cavium has experienced difficulty in hiring and retaining sufficient numbers of qualified management, technical, application engineering, marketing, sales and support personnel in parts of their respective businesses.

Current and prospective employees of Marvell and Cavium may experience uncertainty about their roles with the combined company following the Merger. In addition, key employees may depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with the combined company following the Merger. The loss of services of any key personnel or the inability to hire new personnel with the requisite skills could restrict the ability of the combined company to develop new products or enhance existing products in a timely manner, to sell products to customers or to manage the business of the combined company effectively. Also, the business, financial condition and results of operations of the combined company could be materially adversely affected by the loss of any of its key employees, by the failure of any key employee to perform in his or her current position, or by the combined company s inability to attract and retain skilled employees, particularly engineers.

Third parties may claim that the combined company is infringing their intellectual property, and the combined company could suffer significant litigation or licensing expenses or be prevented from selling its products or

services.

The semiconductor industry is characterized by uncertain and conflicting intellectual property claims and vigorous protection and pursuit of these rights. Each of Marvell and Cavium is frequently involved in disputes

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regarding patent and other intellectual property rights. Each of Marvell and Cavium has in the past received, and the combined company may in the future receive, communications from third parties asserting that certain of its products, processes or technologies infringe upon their patent rights, copyrights, trademark rights or other intellectual property rights. The combined company may also receive claims of potential infringement. Defending these claims may be costly and time consuming, and may divert the attention of management and key personnel from other business issues. The complexity of the technology involved and the uncertainty of intellectual property litigation increase these risks. Claims of intellectual property infringement also might require the combined company to enter into costly royalty or license agreements. The combined company may be unable to obtain royalty or license agreements on acceptable terms, or at all. Similarly, changing its products or processes to avoid infringing the rights of others may be costly or impractical. The combined company may also be subject to significant damages or injunctions against development and sale of certain of its products and services. Resolution of such disputes could have a material adverse effect on the combined company s results of operations or financial condition and may require material changes in production processes and products.

The combined company may not be able to adequately protect or enforce its intellectual property rights, which could harm its competitive position.

The combined company s success and future revenue growth will depend, in part, on its ability to protect its intellectual property. The combined company will primarily rely on patent, copyright, trademark and trade secret laws, as well as non-disclosure agreements and other methods, to protect its proprietary technologies and processes. It is possible that competitors or other unauthorized third parties may obtain, copy, use or disclose, illegally or otherwise, the combined company s proprietary technologies and processes, despite efforts by the combined company to protect its proprietary technologies and processes. While the combined company will hold a significant number of patents, there can be no assurances that any additional patents will be issued. Even if new patents are issued, the claims allowed may not be sufficiently broad to protect the combined company s technology. In addition, any of Marvell s or Cavium s existing patents, and any future patents issued to the combined company, may be challenged, invalidated or circumvented, either in connection with the Merger or otherwise. As such, any rights granted under these patents may not provide the combined company with meaningful protection. Marvell and Cavium may not have, and in the future the combined company may not have, foreign patents or pending applications corresponding to its U.S. patents and applications. Even if foreign patents are granted, effective enforcement in foreign countries may not be available. If the combined company s patents do not adequately protect its technology, competitors may be able to offer products similar to the combined company s products. The combined company s competitors may also be able to develop similar technology independently or design around its patents.

The Merger could have an adverse effect on the Marvell and Cavium brands.

The success of Marvell and Cavium is largely dependent upon the ability of Marvell and Cavium to maintain and enhance the value of their respective brands, their customers connection to and perception of the brands, and a positive relationship with customers and suppliers. Brand value, and as a result the businesses and results of operations of Marvell and Cavium, could be severely damaged if the Merger receives considerable negative publicity or if customers or suppliers otherwise come to have a diminished view of the brands as a result of the Merger or the common ownership of the existing businesses.

The use of cash and incurrence of substantial indebtedness in connection with the financing of the Merger may have an adverse impact on Marvell s liquidity, limit Marvell s flexibility in responding to other business opportunities and increase Marvell s vulnerability to adverse economic and industry conditions.

The Merger will be financed in part by the use of Marvell s cash on hand, Cavium s cash on hand and the incurrence of a significant amount of indebtedness. As of December 23, 2017, Marvell had approximately $808.8 million of cash and cash equivalents and approximately $965.7 million of short-term investments. As of December 31, 2017, Cavium had approximately $140.5 million of cash and cash equivalents. In connection with

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the Merger, Marvell expects to obtain debt financing totaling $1.75 billion. The proceeds from the debt financing are expected to be used to pay, in part, the cash portion of the Merger Consideration, to refinance certain existing indebtedness of Cavium and to pay related fees and expenses. The use of cash on hand and indebtedness to finance the acquisition will reduce Marvell s liquidity and could cause Marvell to place more reliance on cash generated from operations to pay principal and interest on Marvell s debt, thereby reducing the availability of Marvell s cash flow for working capital, dividend and capital expenditure needs or to pursue other potential strategic plans. Marvell expects that the agreements it will enter into with respect to the indebtedness it will incur to finance the Merger will contain restrictive covenants, including financial covenants requiring Marvell to maintain specified financial ratios and limitations on Marvell s ability to incur additional liens and indebtedness or to pay dividends and make certain investments. Marvell s ability to comply with these restrictive covenants can be affected by events beyond its control. The indebtedness and these restrictive covenants will also have the effect, among other things, of limiting Marvell s ability to obtain additional financing, if needed, limiting its flexibility in the conduct of its business and making Marvell more vulnerable to economic downturns and adverse competitive and industry conditions. In addition, a breach of the restrictive covenants could result in an event of default with respect to the indebtedness, which, if not cured or waived, could result in the indebtedness becoming immediately due and payable and could have a material adverse effect on Marvell s business, financial condition or operating results.

Because of higher debt levels, Marvell may not be able to service its debt obligations in accordance with their terms after the completion of the Merger.

Marvell s ability to meet its expense and debt service obligations contained in the agreements Marvell expects to enter into with respect to the indebtedness Marvell will incur to finance the Merger will depend on Marvell s available cash and its future performance, which will be affected by financial, business, economic and other factors, including potential changes in laws or regulations, industry conditions, industry supply and demand balance, customer preferences, the success of Marvell s products and pressure from competitors. If Marvell is unable to meet its debt service obligations after the Merger or should Marvell fail to comply with its financial and other restrictive covenants contained in the agreements governing its indebtedness, Marvell may be required to refinance all or part of its debt, sell important strategic assets at unfavorable prices, incur additional indebtedness or issue common shares or other equity securities. Marvell may not be able to, at any given time, refinance its debt, sell assets, incur additional indebtedness or issue equity securities on terms acceptable to Marvell, in amounts sufficient to meet Marvell s needs. If Marvell is able to raise additional funds through the issuance of equity securities, such issuance would also result in dilution to Marvell s shareholders. Marvell s inability to service its debt obligations or refinance its debt could have a material adverse effect on its business, financial condition or operating results after the Merger. In addition, Marvell s debt obligations may limit its ability to make required investments in capacity, technology or other areas of its business, which could have a material adverse effect on its business, financial condition or operating results.

The Merger may result in significant charges or other liabilities, including taxes, that could adversely affect the financial results of the combined company.

The financial results of the combined company may be adversely affected by cash expenses and non-cash accounting charges incurred in connection with Marvell s integration of the business and operations of Cavium. The amount and timing of these possible charges are not yet known. Further, Marvell s failure to identify or accurately assess the magnitude of certain liabilities that Marvell is assuming in the Merger could result in unexpected litigation or regulatory exposure, unfavorable accounting charges, unexpected increases in taxes due, a loss of anticipated tax benefits or other adverse effects on Marvell s business, operating results or financial condition. The price of Marvell common shares following the Merger could decline to the extent the combined company s financial results are materially affected by any of these events.

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Marvell s actual financial position and results of operations may differ materially from the unaudited pro forma financial data included herein.

The unaudited pro forma financial data included herein are presented for illustrative purposes only and are not necessarily indicative of what Marvell s actual financial position or results of operations would have been had the Merger been completed on the dates indicated. These data reflect adjustments, which are based upon preliminary estimates, to allocate the purchase price to Cavium s net assets. The purchase price allocation reflected in this joint proxy statement/prospectus is preliminary, and final allocation of the purchase price will be based upon the actual purchase price and the fair value of the assets and liabilities of Cavium as of the closing date of the Merger. In addition, subsequent to the closing date of the Merger, there may be further refinements of the purchase price allocation as additional information becomes available.

Accordingly, the final purchase accounting adjustments might differ materially from the pro forma adjustments reflected herein. See *Selected Unaudited Pro Forma Condensed Combined Financial Information* for more information.

The unaudited prospective financial information of Marvell and Cavium included in this joint proxy statement/prospectus involves risks, uncertainties and assumptions, many of which are beyond the control of Marvell and Cavium. As a result, it may not prove to be accurate and is not necessarily indicative of current values or future performance.

The unaudited prospective financial information of Marvell and Cavium referred to in *The Merger Opinion of Marvell s Financial Advisor, Goldman Sachs*, *The Merger Opinions of Cavium s Financial Advisors, Qatalyst Partners and J.P. Morgan Opinion of Qatalyst Partners*, *The Merger Opinions of Cavium s Financial Advisors, Qatalyst Partners and J.P. Morgan Opinion of J.P. Morgan* and contained in *The Merger Unaudited Prospective Financial Information*, involves risks, uncertainties and assumptions and is not a guarantee of future performance. While the unaudited prospective financial information utilized by Marvell, Cavium and their respective advisors in connection with the Merger and summarized in this joint proxy statement/statement were prepared in good faith based on information available at the time of preparation, no assurances can be made regarding future events or that the assumptions made in preparing such unaudited prospective financial information will accurately reflect future conditions. In preparing such unaudited prospective financial information, the management of Marvell and Cavium each made assumptions regarding, among other things, future economic, competitive, regulatory and financial market conditions and future business decisions that may not be realized and that are inherently subject to significant uncertainties and contingencies, including, among others, risks and uncertainties described or incorporated by reference in this section and the section entitled *Cautionary Note Concerning Forward-Looking Statements*, all of which are difficult to predict and many of which are beyond the control of Marvell and Cavium and, if the Merger is completed, will be beyond the control of the combined company. Thus, the future financial results of Marvell and Cavium and, if the Merger is completed, the combined company, may materially differ from those expressed in the unaudited prospective financial information due to factors that are beyond Marvell s and Cavium s ability to control or predict. There can be no assurance that Marvell s or Cavium s unaudited prospective financial information will be realized or that Marvell s or Cavium s future financial results will not materially vary from the applicable unaudited prospective financial information. As a result, the unaudited prospective financial information cannot be considered predictive of actual future operating results, and this information should not be relied on as such. The unaudited prospective financial information covers multiple years, and the information by its nature becomes subject to greater uncertainty with each successive year. The unaudited prospective financial information does not take into account any circumstances or events occurring after the date it was prepared.

More specifically, the unaudited prospective financial information:

necessarily makes numerous assumptions, many of which are difficult to predict and beyond the control of Marvell or Cavium and may not prove to be accurate;

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does not necessarily reflect revised prospects for Marvell s or Cavium s respective businesses, changes in general business or economic conditions, or any other transaction or event that has occurred or that may occur and that was not anticipated at the time the unaudited prospective financial information was prepared;

does not reflect the impact of any changes to U.S. tax laws currently proposed by Congress;

is not necessarily indicative of current values or future performance, which may be significantly more favorable or less favorable than is reflected in the unaudited prospective financial information; and

should not be regarded as a representation that the unaudited prospective financial information will be achieved.

The unaudited prospective financial information was not prepared with a view toward public disclosure or compliance with published guidelines of the SEC or the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information or U.S. generally accepted accounting principles (GAAP) and does not reflect the effect of any proposed or other changes in GAAP that may be made in the future.

Risk Factors Relating to Marvell Common Shares

Cavium shareholders will become shareholders of Marvell upon receipt of Marvell common shares, which will change certain shareholder rights and privileges they hold as shareholders of Cavium.

Cavium shareholders will receive Marvell common shares as part of the Merger Consideration. There are a number of differences between the rights of a shareholder of Cavium and the rights of a shareholder of Marvell. We urge Cavium shareholders to review the discussion *Comparison of Rights of Shareholders* beginning on page 187.

The market for Marvell common shares may be adversely affected by the issuance of shares in the Merger.

In connection with the Merger, Marvell will issue an estimated 150.46 million Marvell common shares to Cavium shareholders, based on the number of shares of Cavium common stock outstanding on January 22, 2018, and will assume certain outstanding Cavium equity awards pursuant to the terms of the Merger Agreement. The increase in the number of issued Marvell common shares may lead to sales of such shares or the perception that such sales may occur, either of which may adversely affect the market for, and the market price of, Marvell common shares.

Other Risks

Additional Risks Relating to Marvell and Cavium.

Marvell and Cavium are, and following completion of the Merger Marvell will continue to be, subject to the risks described in (a) Part I, Item 1A in Marvell s Annual Report on Form 10-K for the fiscal year ended January 28, 2017, and its Quarterly Reports on Form 10-Q for the quarterly periods ended April 29, 2017, July 29, 2017 and October 28, 2017, and (b) Part I, Item 1A in Cavium s Annual Report on Form 10-K for the fiscal year ended December 31, 2016. See the section entitled *Documents Incorporated by Reference* beginning on page 238 for more information.

Marvell is incorporated in Bermuda, and, as a result, it may not be possible for Marvell shareholders to enforce civil liability provisions of the securities laws of the United States. In addition, Marvell s Bye-laws contain a waiver

of claims or rights of action by Marvell s shareholders against Marvell officers and directors, which will severely limit Marvell s shareholders right to assert a claim against Marvell s officers and directors under Bermuda law.

(dollars in thousands)	**For the Year Ended December 31, 2007**	**2006**	**Dollar Change**	**Percentage Change**	**Percentage Change from Currency (1)**	**Percentage Change from Acquisitions (2)**	**Percentage Change Net of Acquisitions and Currency Effect**
CAG	$750,449	$604,341	$146,108	24.2%	2.7%	6.0%	15.5%
Water	66,235	58,466	7,769	13.3%	3.5%		9.8%
PAS	75,085	58,940	16,145	27.4%	7.4%	12.4%	7.6%
Other	30,786	17,370	13,416	77.2%	3.4%	82.7%	(8.9%)
Total	$922,555	$739,117	$183,438	24.8%	3.2%	7.6%	14.0%

(1) Represents the percentage change in revenue attributed to the effect of changes in currency rates from the year ended December 31, 2006 to the year ended December 31, 2007.

(2) Represents the percentage change in revenue attributed to incremental revenues during the year ended December 31, 2007 compared

to the year ended December 31, 2006 from businesses acquired subsequent to January 1, 2006.

Companion Animal Group. Revenue for CAG increased $146.1 million, or 24%, to $750.4 million for the year ended December 31, 2007 from $604.3 million for the prior year. Incremental sales from veterinary reference laboratory businesses and customer-related assets and from intellectual property and distribution rights of a veterinary diagnostics business acquired subsequent to January 1, 2006 contributed 6% to CAG revenue growth. The favorable impact of currency exchange rates contributed 3% to the increase in CAG revenue. The following table presents revenue by product and service category for CAG:

Net Revenue *(dollars in thousands)*	For the Year Ended December 31, 2007	2006	Dollar Change	Percentage Change	Percentage Change from Currency (1)	Percentage Change from Acquisitions (2)	Percentage Change Net of Acquisitions and Currency Effect
Instruments and consumables	$ 289,271	$ 242,312	$ 46,959	19.4%	3.5%		15.9%
Rapid assay products	133,508	115,481	18,027	15.6%	0.8%	1.5%	13.3%
Laboratory and consulting services	255,193	187,114	68,079	36.4%	3.4%	18.4%	14.6%
Practice information systems and digital radiography	53,385	44,427	8,958	20.2%	1.5%		18.7%
Pharmaceutical products	19,092	15,007	4,085	27.2%			27.2%
Net CAG revenue	$ 750,449	$ 604,341	$ 146,108	24.2%	2.7%	6.0%	15.5%

(1) Represents the percentage change in revenue attributed to the effect of changes in currency rates from the year ended December 31, 2006 to the year

ended December 31, 2007.

(2) Represents the percentage change in revenue attributed to incremental revenues during the year ended December 31, 2007 compared to the year ended December 31, 2006 from businesses acquired subsequent to January 1, 2006.

The following revenue analysis reflects the results of operations net of the impact of currency exchange rates on sales outside the U.S. and net of incremental sales from businesses and from customer-related and other intangible assets acquired subsequent to January 1, 2006.

The increase in sales of instruments and consumables was due mainly to higher unit sales volume. Higher consumables sales volumes were attributable primarily to higher worldwide practice-level sales of slides and, to a lesser extent, to increased practice-level sales of tubes used with our hematology analyzers, with all consumables categories benefiting from the continued growth of our installed base of instruments. Sales volumes of consumables also benefited from temporary additional diagnostic testing volume related to the recall of certain pet foods in mid-March 2007 in the U.S. and Canada. We believe that the recall resulted in a higher than usual number of pet visits to veterinary clinics in North America in the first and second quarters of 2007. Higher instrument sales revenue resulted mainly from increased sales of our LaserCyte® Hematology Analyzer and, to a lesser extent, our IDEXX VetLab® Station, an in-clinic laboratory information management system. The impact from changes in U.S. distributors inventory levels reduced reported instruments and consumables revenue growth by less than 1%.

The increase in practice-level sales of rapid assay products was due to both higher average unit sales prices and higher sales volumes. Higher average unit sales prices were due, in part, to higher relative sales of canine combination test products, such as the SNAP® 4Dx®, which was launched in the U.S. in September 2006, and less promotional discounting in connection with our SNAP® up the Savings and other customer programs. We expect the rate of end users conversion from canine heartworm-only tests to combination test products and, therefore, the rate of increase of average unit sales prices, will lessen in future periods. Higher sales volumes resulted in part from the July 2007 launch of the SNAP® cPL , our test for pancreatitis in dogs. Effective January 2008, we changed our distribution methods in Japan from a combination of direct sales and the use of multiple distributors to an exclusive distribution arrangement for our rapid assay products and instrument consumables. The impact from the distributor s initial stocking orders to build inventory levels increased reported revenue growth by 1%. The impact from changes in U.S. distributors inventory levels reduced reported rapid assay revenue growth by 4%.

The increase in sales of laboratory and consulting services resulted primarily from higher testing volume and, to a lesser extent, the impact of price increases. Higher testing volume was attributable to both new customers and to increased testing volume from existing customers, and benefited from temporary additional diagnostic testing volume resulting from the March 2007 pet food recall, as discussed above, and from new test offerings.

The increase in sales of practice information management systems and digital radiography resulted primarily from higher sales volumes of companion animal and equine radiography systems, higher sales of Cornerstone® practice information management systems and services, and the favorable impact of implementing tiered support service level offerings with differentiated pricing for our practice information management systems, partly offset by lower average unit prices for radiography systems due to increased competition.

The increase in sales of pharmaceutical products resulted primarily from higher sales volume and price increases, in each case related largely to PZI VET®, our insulin product for the treatment of diabetic cats.

Water. Revenue for Water increased $7.8 million, or 13%, to $66.2 million for the year ended December 31, 2007 from $58.5 million for the prior year. The increase resulted primarily from higher worldwide sales volume, partly offset by lower average unit sales prices due to both higher relative sales in geographies where products are sold at lower average unit sales prices and greater price competition in certain geographies. Higher sales volumes resulted in part from our commencement in September 2007 of distribution of certain water testing kits manufactured by Invitrogen Corporation (Invitrogen), which increased reported Water revenue growth by 2%. The favorable impact of currency exchange rates contributed 4% to the increase in Water revenue.

Production Animal Segment. Revenue for PAS increased $16.1 million, or 27%, to $75.1 million for the year ended December 31, 2007 from $58.9 million for the prior year. The increase resulted primarily from higher livestock diagnostics sales volume, including sales attributable to Institut Pourquier, a manufacturer of production animal diagnostic products in France that we acquired in March 2007. Sales of Pourquier products contributed 12% to PAS revenue growth. The favorable impact of higher sales volume was partly offset by lower average unit sales prices for our HerdChek® products that test for transmissible spongiform encephalopathies (TSEs) due to both greater price competition and higher relative sales in geographies where products are sold at lower average unit sales prices. The favorable impact of currency exchange rates contributed 7% to the increase in PAS revenue.

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Other. Revenue for Other operating units increased $13.4 million, or 77%, to $30.8 million for the year ended December 31, 2007 from $17.4 million for the prior year due primarily to incremental revenue attributable to OPTI Medical, which was acquired in January 2007.

Gross Profit

Total Company. Gross profit increased $84.0 million, or 22%, to $463.5 million for the year ended December 31, 2007 from $379.5 million for the prior year. As a percentage of total revenue, gross profit decreased to 50% from 51%.

During 2007, we recognized a write-down of NTZ raw materials inventory of $9.1 million and a write-off of a prepaid royalty license of $1.0 million associated with Navigator®, which resulted in an unfavorable impact of 1.1% of total company gross profit for the year ended December 31, 2007. These write-downs are included in cost of product revenue in the consolidated statement of operations.

Share-based compensation expense of $0.7 million was included in cost of revenue for the year ended December 31, 2007, compared to $1.1 million for the prior year. Beginning in 2007, we have allocated share-based compensation expense to the operating segments based on headcount and other personnel data. This allocation differs from the actual expense and consequently yields a difference between the total allocated share-based compensation expense and the actual expense for the total company, which was categorized as unallocated amounts. Share-based compensation expense was not allocated to our operating segments in 2006. Therefore, the total company share-based compensation expense was categorized as unallocated amounts for the year ended December 31, 2006.

The following table presents gross profit and gross profit percentage by operating segment:

Gross Profit *(dollars in thousands)*	**For the Year Ended December 31, 2007**	**Percent of Revenue**	**2006**	**Percent of Revenue**	**Dollar Change**	**Percentage Change**
CAG	$ 362,162	48.3%	$ 297,072	49.2%	$ 65,090	21.9%
Water	41,656	62.9%	38,441	65.7%	3,215	8.4%
PAS	46,728	62.2%	38,654	65.6%	8,074	20.9%
Other	12,455	40.5%	7,033	40.5%	5,422	77.1%
Unallocated amounts	521	N/A	(1,671)	N/A	2,192	N/A
Total Company	$ 463,522	50.2%	$ 379,529	51.3%	$ 83,993	22.1%

Companion Animal Group. Gross profit for CAG increased $65.1 million, or 22%, to $362.2 million for the year ended December 31, 2007 from $297.1 million for the prior year due primarily to increased sales volume across the CAG product and service lines, partly offset by a decrease in gross profit percentage to 48% from 49%. The write-down of pharmaceutical inventory and the related prepaid royalty impairment charge, discussed above, resulted in an unfavorable impact of 1.4% of CAG revenue. Greater relative sales of lower margin products and services, such as laboratory and consulting services and IDEXX VetLab® instruments, also contributed to the decrease in the gross profit percentage. These unfavorable impacts were partly offset by higher relative sales of our canine combination test product, SNAP® 4Dx® and, to a lesser extent, all other CAG product and service lines, except in the Digital Radiography business; lower cost of slides that are sold for use in VetTest® Chemistry Analyzers; and the favorable impact of foreign currency rates on sales denominated in those currencies, net of foreign exchange hedge contract losses.

Water. Gross profit for Water increased $3.2 million, or 8%, to $41.7 million for the year ended December 31, 2007 from $38.4 million for the prior year due to higher sales volume, partly offset by a decrease in the gross profit percentage to 63% from 66%. The decrease in gross profit percentage was due primarily to higher manufacturing costs; lower average unit sales prices, and greater relative sales of lower margin products, which was primarily due to the lower gross margin earned on certain water testing kits manufactured by Invitrogen that we began distributing in

September 2007.

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Production Animal Segment. Gross profit for PAS increased $8.1 million, or 21%, to $46.7 million for the year ended December 31, 2007 from $38.7 million for the prior year due to increased sales volume, partly offset by a decrease in the gross profit percentage to 62% from 66%. The gross profit percentage was unfavorably impacted by lower average unit sales prices; net higher production costs; the effect of purchase accounting for inventory acquired in connection with the Pourquier business acquisition; and a relatively lower gross profit rate realized on sales by Pourquier, largely offset by greater relative sales of higher margin products, exclusive of the impact of the Pourquier business. The gross profit percentage earned on sales by Pourquier, excluding the impact of purchase accounting, was lower than our historical PAS gross profit rate due to greater price competition in the primary markets served by Pourquier. Additionally, purchase accounting for inventory had an unfavorable impact of 0.8% of PAS revenue because finished goods inventory acquired in connection with a business acquisition are assigned a fair value that exceeds replacement cost, which results in a low gross margin on the sale of those finished goods by the acquirer. Additionally, decreases in the gross profit percentage were partly offset by the favorable impact of foreign currency rates on sales denominated in those currencies, net of foreign exchange hedge contract losses.

Other. Gross profit for Other operating units increased $5.4 million, or 77%, to $12.5 million for the year ended December 31, 2007 from $7.0 million for the prior year due primarily to incremental revenue attributable to OPTI Medical, which resulted in incremental gross profit for the Other operating units. Excluding the acquisition of OPTI Medical, the gross profit percentage was 39% for the year ended December 31, 2007 compared to 41% for the prior year. The decrease in the gross profit percentage was due to lower average unit sales prices for certain Dairy products and higher manufacturing and distribution costs, partly offset by the favorable impact of the effect of foreign currency rates on sales denominated in those currencies.

Operating Expenses and Operating Income

Total Company. Total operating expenses increased $75.7 million, or 30%, to $327.3 million for the year ended December 31, 2007 from $251.6 million for the prior year. As a percentage of revenue, operating expenses increased to 35% from 34%.

Share-based compensation expense of $7.9 million was included in operating expenses for the year ended December 31, 2007, compared to $9.0 million for the prior year. Beginning in 2007, we allocate share-based compensation expense to the operating segments, as discussed above. The total company share-based compensation expense was categorized as unallocated amounts for the year ended December 31, 2006.

Operating income increased $8.3 million, or 6%, to $136.2 million for the year ended December 31, 2007 from $127.9 million for the prior year. As a percentage of revenue, operating income decreased to 15% from 17%.

The following tables present operating expenses and operating income by operating segment:

Operating Expenses *(dollars in thousands)*	**For the Year Ended December 31, 2007**	**Percent of Revenue**	**2006**	**Percent of Revenue**	**Dollar Change**	**Percentage Change**
CAG	$ 261,877	34.9%	$ 197,239	32.6%	$ 64,638	32.8%
Water	14,809	22.4%	12,679	21.7%	2,130	16.8%
PAS	31,272	41.6%	22,482	38.1%	8,790	39.1%
Other	11,452	37.2%	4,254	24.5%	7,198	169.2%
Unallocated amounts	7,929	N/A	14,942	N/A	(7,013)	(46.9%)
Total Company	$ 327,339	35.5%	$ 251,596	34.0%	$ 75,743	30.1%

Operating Income *(dollars in thousands)*	**2007**	**Percent of Revenue**	**2006**	**Percent of Revenue**	**Dollar Change**	**Percentage Change**
CAG	$ 100,285	13.4%	$ 99,833	16.5%	$ 452	0.5%
Water	26,847	40.5%	25,762	44.1%	1,085	4.2%
PAS	15,456	20.6%	16,172	27.4%	(716)	(4.4%)
Other	1,003	3.3%	2,779	16.0%	(1,776)	(63.9%)
Unallocated amounts	(7,408)	N/A	(16,613)	N/A	9,205	55.4%
Total Company	$ 136,183	14.8%	$ 127,933	17.3%	$ 8,250	6.4%

Companion Animal Group. Operating expenses for CAG increased $64.6 million, or 33%, to $261.9 million for the year ended December 31, 2007 from $197.2 million for the prior year and, as a percentage of revenue, increased to 35% from 33%. Share-based compensation expense of $6.0 million, or 0.8% of revenue, was included in CAG operating expenses for the year ended December 31, 2007. The following table presents CAG operating expenses by functional area:

Operating Expenses *(dollars in thousands)*	**For the Year Ended December 31, 2007**	**Percent of Revenue**	**2006**	**Percent of Revenue**	**Dollar Change**	**Percentage Change**
Sales and marketing	$ 128,593	17.1%	$ 98,748	16.3%	$ 29,845	30.2%
General and administrative	87,179	11.6%	60,267	10.0%	26,912	44.7%
Research and development	46,105	6.1%	38,224	6.3%	7,881	20.6%
Total operating expenses	$ 261,877	34.9%	$ 197,239	32.6%	$ 64,638	32.8%

The increase in sales and marketing expense resulted primarily from higher personnel-related costs due, in part, to expanded worldwide sales, marketing and customer service support resources and higher sales commissions as a result of revenue performance. Additionally, the unfavorable impact of exchange rates on foreign currency denominated expenses, the inclusion of share-based compensation expense, and incremental expenses associated with businesses acquired subsequent to January 1, 2006 also contributed to the increase in sales and marketing expense.

The increase in general and administrative expense resulted primarily from higher personnel-related costs due, in part, to expanded resources and spending on information technology, facilities, and other general support functions. To a lesser extent, the inclusion of share-based compensation expense; incremental expenses associated with businesses acquired subsequent to January 1, 2006, comprised mainly of administrative expenses of a recurring nature to support the acquired businesses and amortization expense for intangible assets acquired; and the unfavorable impact of exchange rates on foreign currency denominated expenses also contributed to the increase in general and administrative expense.

The increase in research and development expense resulted primarily from increased product development spending, including additional professional resources, related primarily to IDEXX VetLab® instrumentation and rapid assay products. To a lesser extent, product development activities in all other CAG product and service categories and the inclusion of share-based compensation expense also contributed to the increases in research and development expense.

Water. Operating expenses for Water increased $2.1 million, or 17%, to $14.8 million for the year ended December 31, 2007 from $12.7 million for the prior year and, as a percentage of revenue, were approximately constant at 22%. Share-based compensation expense of $0.4 million, or 0.6% of revenue, was included in Water operating expenses for the year ended December 31, 2007. The following table presents Water expenses by functional area:

Operating Expenses *(dollars in thousands)*	For the Year Ended December 31, 2007	Percent of Revenue	2006	Percent of Revenue	Dollar Change	Percentage Change
Sales and marketing	$ 6,791	10.3%	$ 5,465	9.3%	$ 1,326	24.3%
General and administrative	5,532	8.4%	5,167	8.8%	365	7.1%
Research and development	2,486	3.8%	2,047	3.5%	439	21.4%
Total operating expenses	$ 14,809	22.4%	$ 12,679	21.7%	$ 2,130	16.8%

The increase in sales and marketing expense resulted primarily from higher personnel-related costs due, in part, to expanded headcount and, to a lesser extent, the unfavorable impact of exchange rates on foreign currency denominated expenses. The increase in general and administrative expense resulted primarily from the inclusion of share-based compensation expense and higher spending on information technology, facilities, and other general support functions, partly offset by the favorable comparison due to costs incurred during the third quarter of 2006 to consolidate our office and production facilities based in the United Kingdom into a single facility and other net cost reductions. The increase in research and development expense resulted primarily from higher costs associated with coliform and *E. coli* water test product development.

Production Animal Segment. Operating expenses for PAS increased $8.8 million, or 39%, to $31.3 million for the year ended December 31, 2007 from $22.5 million for the prior year and, as a percentage of revenue, increased to 42% from 38%. Share-based compensation expense of $0.8 million, or 1.0% of revenue, was included in PAS operating expenses for the year ended December 31, 2007. The following table presents PAS operating expenses by functional area:

Operating Expenses *(dollars in thousands)*	For the Year Ended December 31, 2007	Percent of Revenue	2006	Percent of Revenue	Dollar Change	Percentage Change
Sales and marketing	$ 12,234	16.3%	$ 8,162	13.8%	$ 4,072	49.9%
General and administrative	11,347	15.1%	9,258	15.7%	2,089	22.6%
Research and development	7,691	10.2%	5,062	8.6%	2,629	51.9%
Total operating expenses	$ 31,272	41.6%	$ 22,482	38.1%	$ 8,790	39.1%

The increase in sales and marketing expense resulted primarily from incremental activities associated with the Pourquier business, higher personnel-related costs, and, to a lesser extent, the unfavorable impact of exchange rates on foreign currency denominated expenses. The increase in general and administrative expense resulted primarily from incremental expenses associated with the Pourquier business, comprised mainly of administrative expenses of a recurring nature to support the acquired business and amortization expense for intangible assets, and higher spending on information technology, facilities, and other general support functions. To a lesser extent, the unfavorable impact of exchange rates on foreign currency denominated expenses and the inclusion of share-based compensation expense also contributed to the increase in general and administrative expense. These increases were partly offset by a favorable comparison due to the write-off, in the second quarter of 2006, of certain fixed assets located in our facility in China. The increase in research and development expense resulted primarily from higher development activities and associated higher personnel-related costs, including incremental development activities attributable to the Pourquier business acquired in March 2007, and, to a lesser extent, the inclusion of share-based compensation expense.

Other. Operating expenses for Other operating units increased $7.2 million to $11.5 million for the year ended December 31, 2007 from $4.3 million for the prior year due primarily to incremental expenses attributable to OPTI Medical, which was acquired in January 2007. These costs are mainly composed of operating expenses of a recurring nature to support the OPTI Medical business and amortization expense for intangible assets acquired. Share-based compensation expense of $0.3 million, or 1.0% of revenue, was included in Other operating expenses for the year ended December 31, 2007.

Unallocated Amounts. Operating expenses that are not allocated to our operating segments decreased $7.0 million to $7.9 million for the year ended December 31, 2007 from $14.9 million for the prior year. As described above, share-based compensation expense was not allocated to our operating segments in 2006. Therefore, total company share-based compensation expense included in operating expenses for the year ended December 31, 2006 of $9.0 million was categorized as unallocated amounts. Beginning in 2007, we allocate a portion of share-based compensation expense to the operating segments. The unallocated share-based compensation expense for the year ended December 31, 2007 was $0.5 million. Corporate research and development expense was also included in unallocated amounts for both periods and grew mainly due to personnel additions in 2007 to support increased long-term product development activities.

Interest Income and Interest Expense

Interest income was $2.8 million for the year ended December 31, 2007 compared to $3.3 million for the year ended December 31, 2006. The decrease in interest income was due primarily to lower invested cash balances, partly offset by higher effective interest rates.

Interest expense was $4.2 million for the year ended December 31, 2007 compared to $0.5 million for the year ended December 31, 2006. The increase in interest expense was due primarily to interest expense incurred on borrowings under a revolving credit facility.

Provision for Income Taxes

Our effective income tax rate was 30.3% for the year ended December 31, 2007 and 28.4% for the year ended December 31, 2006. The increase in tax rate is primarily attributable to several non-recurring items that benefited the tax rate in the year ended December 31, 2006. These 2006 items included the resolution of an income tax audit for years ended December 31, 2003 and 2004, a reduction of previously recorded deferred tax liabilities as a result of obtaining certain multi-year tax incentives and the release of a valuation allowance on international deferred tax assets as a result of a foreign subsidiary demonstrating consistent sustained profitability. Offsetting the impact of the items occurring in 2006 were several favorable impacts to our rate that occurred during the year ended December 31, 2007. These items included an increase in certain federal tax incentives due to changes in legislation, tax benefits related to reductions in international rates, and the recognition of state tax benefits resulting from the completion of an audit.

We anticipate recognizing approximately $0.5 million of income tax benefits that have not been recognized at December 31, 2007 in accordance with FIN 48. The income tax benefits are primarily due to the lapse in the statute of limitations for various foreign and state tax jurisdictions.

RECENT ACCOUNTING PRONOUNCEMENTS

A discussion of recent accounting pronouncements is included in Note 3(q) to the consolidated financial statements for the year ended December 31, 2008 included in this Annual Report on Form 10-K.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

We fund the capital needs of our business through cash on hand, funds generated from operations, and amounts available under our credit facilities. At December 31, 2008 and December 31, 2007, we had $78.9 million and $60.4 million, respectively, of cash and cash equivalents and working capital of $60.6 million and $82.3 million, respectively. Additionally, at December 31, 2008, we had borrowing availability under our revolving credit facility of $48.8 million. We believe that current cash and cash equivalents, funds generated from operations, and amounts available under our credit facility will be sufficient to fund our operations, capital purchase requirements, and strategic growth needs for the foreseeable future. We further believe that we could obtain additional borrowings at prevailing market interest rates to fund our growth objectives. However, based on the current credit market, the interest rates and financial covenants obtained may be less favorable than historical interest rates and the interest rates and financial covenants available to us under our current credit facilities.

We consider certain operating earnings of non-United States subsidiaries to be indefinitely invested outside the U.S. Changes to this policy could have adverse tax consequences. Subject to this policy, we manage our worldwide cash requirements considering available funds among all of our subsidiaries. Foreign cash balances are generally available without legal restrictions to fund ordinary business operations outside the U.S.

The following table presents additional key information concerning working capital:

	For the Three Months Ended				
	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008	December 31, 2007
Days sales outstanding	41.9	42.3	39.9	42.6	39.4
Inventory turns	2.0	1.9	2.1	2.0	2.3

Sources and Uses of Cash

Cash generated by operating activities was $143.3 million for the year ended December 31, 2008, compared to $135.1 million for the same period in 2007. We historically have experienced proportionally lower or net negative cash flows from operating activities during the first quarter and proportionally higher or net positive cash flows from operating activities for the remainder of the year and for the annual period. Several factors contribute to the seasonal fluctuations in cash flows generated by operating activities, including the following:

- In the U.S., we have historically paid our final income tax payments for each fiscal year on March 15th of the following year. Additionally, we would deposit our first quarter estimated tax payment for the current fiscal year at the same time. In the current year we paid our final income tax payment for 2007 in the first quarter of 2008. However, we did not make our first quarter estimated payment related to 2008 until the second quarter of 2008. Additionally, due to changes in federal tax law in 2008, we paid substantially all of our final payment related to 2008 in the fourth quarter of 2008. As a result, prior to 2008, tax payments were higher in the first quarter of each year. We believe the timing of cash payments for taxes will be more evenly distributed in future periods.

- We have management and non-management employee incentive programs that provide for the payment of annual bonuses in the first quarter following the year for which the bonuses were earned.

- We have agreements with certain suppliers that require us to make minimum annual inventory purchases, in some cases in order to retain exclusive distribution rights, and we have other agreements with suppliers that provide for lower pricing based on annual purchase volumes. We may place a higher volume of purchase orders for inventory during the fourth quarter in order to meet our minimum commitments or realize volume pricing discounts and we receive that inventory in the fourth or first quarters and pay in the first quarter. The specific facts and circumstances that we consider in determining the timing and level of inventory purchases throughout the year related to these agreements may yield inconsistent cash flows from operations, most typically in the first and fourth quarters.

Net income for the year ended December 31, 2008 increased $22.2 million to $116.2 million from $94.0 million for the prior year. The total of net income and net non-cash charges was $176.8 million for the year ended December 31, 2008, compared to $136.1 million for the same period in 2007, resulting in a year-to-year increase of $40.7 million. The increase is due to an additional $12.0 million in net income as adjusted for the write down of Navigator® inventory and the associated royalty license impairment and noncash items of $28.7 million. The changes in noncash adjustments are primarily due to an increase in our provision for deferred income taxes of $14.7 million and an increase in depreciation and amortization expense of $7.7 million for the year ended December 31, 2008 as compared to 2007. The increase in the provision for deferred income taxes is primarily due to the 2007 deferral of a tax deduction for the write-down of Navigator® inventory until 2008 and bonus depreciation taken for tax purposes in the current year. The increase in depreciation and amortization expense is primarily due to incremental spending on computer hardware at the end of 2007. See Note 6 to the consolidated financial statements included in this Annual Report on Form 10-K for additional information about the Navigator® inventory write-down.

During the twelve months ended December 31, 2008, cash decreased by $33.5 million due to changes in operating assets and liabilities, compared to a decrease in the same period of 2007 of $1.0 million, resulting in incremental cash used of $32.5 million. The increase in cash used by changes in operating assets and liabilities, compared to 2007, was primarily attributable to $36.2 million incremental cash used to pay down accounts payable and accrued expenses and $13.2 million incremental cash used by changes in inventory, partly offset by $15.3 million less cash used by changes in accounts receivable. The incremental cash used to reduce accrued expenses was due to greater relative reductions in employee-related liabilities including management incentive bonuses and the timing of estimated tax payments caused by changes in federal estimated payment rules that became effective in the current year. The incremental cash used by changes in inventory was due primarily to increases in certain instrument inventory, including the Catalyst Dx Chemistry Analyzer and the SNAPshot Dx® Analyzer, resulting from the launch of the instruments in the first quarter of 2008. The incremental cash provided by decreases in accounts receivable was due to slower sales growth during the year ended December 31, 2008 compared to the same period of the prior year.

Cash used by investing activities was $91.6 million for the year ended December 31, 2008, compared to cash used of $121.1 million for the same period of 2007. The decrease in cash used by investing activities for 2008, compared to 2007, was largely due to $81.2 million less cash used for business acquisitions and intangible assets, which are described below, partly offset by incremental purchases of property and equipment of $24.1 million and $35.0 million less cash provided by the sale of investments.

We paid $6.8 million in cash to acquire a business and, under separate transactions, to acquire certain intangible assets that did not comprise businesses during the year ended December 31, 2008 and recognized liabilities of $0.3 million, of which $0.1 million was paid in 2008. See Note 4 to the consolidated financial statements included in this Annual Report on Form 10-K for additional information about our acquisitions of businesses.

We paid $89.2 million to purchase fixed assets during the year ended December 31, 2008. Our total capital expenditures for 2008 included $38.9 million towards the renovation and expansion of our primary facility in Westbrook, Maine, which included $1.0 million in capitalized interest. We preliminarily project additional capital spending of approximately $35 million during 2009 through 2011 to complete this project, with approximately $16 million of the projected spending expected in 2009.

In January 2007, we entered into an unsecured short-term revolving credit facility with a bank in the principal amount of $125.0 million that matured on June 30, 2007. On March 30, 2007, we refinanced this short-term facility by entering into an unsecured revolving credit facility with four multinational banks that matures on March 30, 2012 (the Credit Facility). In February 2008, we increased the aggregate principal amount available under our Credit Facility to $200.0 million and added a fifth bank to the syndication. The Credit Facility may be used for general corporate purposes, including repurchases of our common stock and business acquisitions. The applicable interest rates generally range from 0.375% to 0.875% above the London interbank offered rate (the LIBOR) or the Canadian Dollar-denominated bankers acceptance rate (the CDOR), dependent on our leverage ratio. Under the Credit Facility, we pay quarterly commitment fees of 0.08% to 0.20%, dependent on our leverage ratio, on any unused commitment. The Credit Facility contains financial and other affirmative and negative covenants, as well as customary events of default, that would allow any amounts outstanding under the Credit Facility to be accelerated, or restrict our ability to borrow thereunder, in the event of noncompliance. The financial covenant requires our ratio of debt to earnings before interest, taxes, depreciation and amortization, as defined by the agreement, not to exceed 3-to-1. At December 31, 2008, our ratio of debt to earnings before interest, taxes, depreciation and amortization was less than 1-to-1. At December 31, 2008, we had $150.6 million outstanding under the Credit Facility at a weighted-average interest rate of 2.3%. At December 31, 2007, we had $72.2 million outstanding under the Credit Facility at a weighted-average interest rate of 5.4%. Our availability under the Credit Facility was further reduced at December 31, 2008 by $0.6 million for a letter of credit issued related to our workers compensation policy which commenced January 1, 2009. Of the total amount outstanding at December 31, 2008 and 2007, $6.6 million and $5.1 million, respectively, was borrowed by our Canadian subsidiary and denominated in Canadian dollars.

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The board of directors has authorized the repurchase of up to 40,000,000 shares of our common stock in the open market or in negotiated transactions. From the inception of the program in August 1999 to December 31, 2008, we repurchased 35,787,000 shares. Cash used to repurchase shares during the years ended December 31, 2008 and 2007 was $132.3 million and $118.4 million, respectively. We believe that the repurchase of our common stock is a favorable investment and we also repurchase to offset the dilutive effect of our employee share-based compensation programs. Repurchases of our common stock may vary depending upon the level of other investing activities and the share price. See Note 14 to the consolidated financial statements included in this Annual Report on Form 10-K for additional information about our share repurchases.

Other Commitments, Contingencies and Guarantees

Under our workers compensation insurance policies for U.S. employees since January 1, 2003, we have retained the first $250,000 in claim liability per incident and aggregate claim liability based on payroll for each year. The insurance company provides insurance for claims above the individual occurrence and aggregate limits. We estimate claim liability based on claims incurred and the estimated ultimate cost to settle the claims. Based on this analysis, we have recognized expenses of $0.7 million, $0.3 million, $0.9 million, $0.5 million, $0.9 million, and $0.8 million for claims incurred during the years ended December 31, 2008 through 2003, respectively. Claims incurred during the years ended December 31, 2008 and 2007 are relatively new and significant additional healthcare and wage indemnification costs could arise from those claims. Our liability for claims incurred during the years ended December 31, 2008 and 2007 could exceed our estimates and we could be liable for up to $2.5 million and $0.9 million, respectively, in excess of the expense we have recognized. For the four years ended on or prior to December 31, 2006, based on our retained claim liability per incident and our aggregate claim liability, our maximum liability at December 31, 2008 is $1.6 million in excess of the amounts deemed probable and previously recognized. In connection with these policies, we have outstanding letters of credit totaling $2.0 million to the insurance companies as security for these claims. We also have $0.6 million of outstanding letters of credit at December 31, 2008 related to our workers compensation policy, which commenced on January 1, 2009.

We have commitments outstanding at December 31, 2008 for additional purchase price payments of up to $7.7 million, of which $0.2 million has been accrued, in connection with acquisitions of businesses and intangible assets during the current and prior periods, all of which are contingent on the achievement by certain acquired businesses of specified milestones.

We are contractually obligated to make the following payments in the years below:

(in thousands)	**Total**	**2009**	**2010 2011**	**2012 2013**	**After 2013**
Long-term debt obligations (1)	$ 6,908	$ 1,091	$ 2,181	$ 2,181	$ 1,455
Operating leases	62,198	11,442	17,914	12,944	19,898
Purchase obligations (2)	85,305	73,205	4,600	2,000	5,500
Minimum royalty payments	10,657	1,671	3,180	2,171	3,635
Other long-term liabilities (3)	3,598	527	1,468	825	778
Total contractual cash obligations	$ 168,666	$ 87,936	$ 29,343	$ 20,121	$ 31,266

(1) Long-term debt amounts include interest payments associated with long-term debt.

(2) Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms, including fixed or minimum quantities, pricing, and approximate timing of purchase transactions. Of this amount, $55.3 million represents amounts committed under purchase orders and $13.8 million represents our minimum purchase obligation under our VetTest® supply agreement with Ortho.

(3) Other long-term liabilities are liabilities that are reflected on our consolidated balance sheet in this Annual Report on Form 10-K and include accrued sabbatical leave. These liabilities do not reflect unrecognized

tax benefits of $5.9 million and deferred compensation liabilities of $1.4 million as the timing of recognition is uncertain. Refer to Note 10 of the consolidated financial statements for the year ended December 31, 2008 included in this Annual Report on Form 10-K for additional discussion on unrecognized tax benefits.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Our financial market risk consists primarily of foreign currency exchange rate risk and interest rate risk. Our functional currency is the U.S. dollar and our primary manufacturing operations are in the U.S., but we distribute our products worldwide both through direct export and through our subsidiaries. Our primary foreign currency transaction risk consists of intercompany sales of product and we attempt to mitigate this risk through our hedging program described below. Our subsidiaries in 17 foreign countries use the local currency as their functional currency. For the year ended December 31, 2008, 40% of our revenue was attributable to sales of products and services to customers outside the U.S.

The primary purpose of our foreign currency hedging activities is to protect against the volatility associated with foreign currency transactions. We also utilize some natural hedges to mitigate our transaction and commitment exposures. Corporate policy prescribes the range of allowable hedging activity. We enter into exchange contracts with large multinational financial institutions and we do not hold or engage in transactions involving derivative instruments for purposes other than risk management. Our accounting policies for these contracts are based on our designation of such instruments as hedging transactions. Market gains and losses are deferred in other current assets or accruals, as appropriate, until the contract matures, which is the period when the related obligation is settled. We primarily utilize forward exchange contracts with durations of less than 18 months.

Our subsidiaries enter into foreign currency exchange contracts to minimize the impact of foreign currency fluctuations associated with their anticipated intercompany inventory purchases for the next year. From time to time, we may also enter into foreign currency exchange contracts to minimize the impact of foreign currency fluctuations associated with specific, significant transactions.

We identify foreign currency exchange risk by regularly monitoring our transactions denominated in foreign currencies. We attempt to mitigate currency risk by hedging the majority of our cash flow on intercompany sales to minimize foreign currency exposure. Currency exposure on large purchases of foreign currency denominated products are evaluated in our hedging program and used as natural hedges to offset hedge requirements.

Our hedging strategy is consistent with prior periods and there were no material changes in our market risk exposure during the year ended December 31, 2008. We enter into forward currency exchange contracts designated as cash flow hedges for amounts that are less than the full value of forecasted intercompany sales and for amounts that are equivalent to, or less than, other specific, significant transactions, thus no significant ineffectiveness has resulted or been recorded through the statement of operations. Our hedging strategy related to intercompany inventory purchases provides that we employ the full amount of our hedges for the succeeding year at the conclusion of our budgeting process for that year, which is complete by the end of the preceding year. Quarterly, we enter into contracts to hedge incremental portions of anticipated foreign currency transactions for the following year. Accordingly, our risk with respect to foreign currency exchange rate fluctuations may vary throughout each annual cycle.

We enter into hedge agreements where we believe we have meaningful exposure to foreign currency exchange risk. The notional amount of foreign currency contracts to hedge forecasted intercompany sales outstanding at December 31, 2008 and 2007 was $97.7 million and $122.1 million, respectively. At December 31, 2008, we had $6.8 million in net unrealized gains on foreign exchange contracts designated as hedges recorded in other comprehensive income, which is net of $3.1 million in taxes.

Our foreign currency exchange risk at December 31, 2008 consisted of local currency revenues and expenses, the impact of hedge contracts and balances denominated in a currency other than the Company s or our subsidiaries functional currencies. A 10% strengthening of the U.S. dollar relative to foreign currencies, including the impact of hedge contracts currently in place, would reduce operating income by approximately $7.2 million in 2009. A 10% weakening of the U.S. dollar relative to foreign currencies would have the exact opposite impact of a 10% strengthening of the U.S. dollar relative to foreign currencies.

We are subject to interest rate risk to the extent that the LIBOR increases or the CDOR increases. Borrowings under our Credit Facility bear interest in the range from 0.375% to 0.875% above the LIBOR or the CDOR, dependent on our consolidated leverage ratio, and are outstanding from one to six months. Borrowings outstanding at December 31, 2008 were $150.6 million at a weighted-average interest rate of 2.3%. All borrowings outstanding at December 31, 2008 matured one month from the date of the borrowing. An increase in the LIBOR or the CDOR of 1% would increase interest expense by approximately $1.5 million.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The response to this item is submitted as a separate section of this report commencing on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining disclosure controls and procedures, as defined by the SEC in its Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 as amended (the Exchange Act). The term disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures at December 31, 2008, our chief executive officer and chief financial officer have concluded that, at the end of the period covered by this report, our disclosure controls and procedures are effective to achieve their stated purpose.

Report of Management on Internal Control Over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the Company; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company s assets that could have a material effect on the financial statements.

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

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We conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, we conclude that, at December 31, 2008, our internal control over financial reporting was effective.

The effectiveness of the Company s internal control over financial reporting at December 31, 2008 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended December 31, 2008 that materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Certifications

The certifications with respect to disclosure controls and procedures and internal control over financial reporting of the Company s chief executive officer and chief financial officer are attached as Exhibits 31.1 and 31.2 to this Annual Report on Form 10-K.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item with respect to Directors is omitted from this Annual Report on Form 10-K and, pursuant to Regulation 14A of the Exchange Act, is incorporated herein by reference from the sections entitled Corporate Governance and Election of Directors in the Company s definitive proxy statement with respect to its 2009 Annual Meeting of Stockholders, which proxy statement will be filed with the SEC within 120 days after the end of the fiscal year covered by this report.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is omitted from this Annual Report on Form 10-K and, pursuant to Regulation 14A of the Exchange Act, is incorporated herein by reference from the sections entitled Compensation Discussion and Analysis, Executive Compensation and Related Information, Corporate Governance Director Compensation, and Compensation Committee Report in the Company s definitive proxy statement with respect to its 2009 Annual Meeting of Stockholders, which proxy statement will be filed with the SEC within 120 days after the end of the fiscal year covered by this report.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is omitted from this Annual Report on Form 10-K and, pursuant to Regulation 14A of the Exchange Act, is incorporated herein by reference from the sections entitled Executive Compensation and Related Information and Ownership of Common Stock by Directors and Officers in the Company s definitive proxy statement with respect to its 2009 Annual Meeting of Stockholders, which proxy statement will be filed with the SEC within 120 days after the end of the fiscal year covered by this report.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this Item is omitted from this Annual Report on Form 10-K and, pursuant to Regulation 14A of the Exchange Act, is incorporated herein by reference from the sections entitled Corporate Governance Related Party Transactions, Executive Compensation and Related Information Employment Agreements and Corporate Governance Director Independence in the Company s definitive proxy statement with respect to its 2009 Annual Meeting of Stockholders, which proxy statement will be filed with the SEC within 120 days after the end of the fiscal year covered by this report.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is omitted from this Annual Report on Form 10-K and, pursuant to Regulation 14A of the Exchange Act, is incorporated herein by reference from the section entitled Ratification of Appointment of Independent Registered Public Accounting Firm Independent Auditors Fees in the Company s definitive proxy statement with respect to its 2009 Annual Meeting of Stockholders, which proxy statement will be filed with the SEC within 120 days after the end of the fiscal year covered by this report.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this Form 10-K:

(a) (1) and (a) (2)	The financial statements set forth in the Index to Consolidated Financial Statements and the Consolidated Financial Statement Schedule are filed as a part of this Annual Report on Form 10-K commencing on page F-1.
(a)(3) and (c)	The exhibits listed in the accompanying Exhibit Index are filed as part of this Annual Report on Form 10-K and incorporated by reference herein.

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SIGNATURES

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

IDEXX LABORATORIES, INC.

Date: February 20, 2009

By: /s/ Jonathan W. Ayers
Jonathan W. Ayers
President and Chief Executive Officer

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

SIGNATURE	TITLE	DATE
/s/ Jonathan W. Ayers Jonathan W. Ayers	President, Chief Executive Officer and Chairman of the Board of Directors	February 20, 2009
/s/ Merilee Raines Merilee Raines	Corporate Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	February 20, 2009
/s/ Thomas Craig Thomas Craig	Director	February 20, 2009
/s/ Errol B. De Souza, PhD Errol B. De Souza, PhD	Director	February 20, 2009
/s/ William T. End William T. End	Director	February 20, 2009
/s/ Rebecca M. Henderson, PhD Rebecca M. Henderson, PhD	Director	February 20, 2009
/s/ Barry C. Johnson, PhD Barry C. Johnson, PhD	Director	February 20, 2009
/s/ Brian P. McKeon Brian P. McKeon	Director	February 20, 2009
/s/ Robert J. Murray	Director	February 20, 2009

Robert J. Murray

FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND
CONSOLIDATED FINANCIAL STATEMENT SCHEDULE

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of IDEXX Laboratories, Inc.:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of IDEXX Laboratories, Inc. and its subsidiaries at December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the Report of Management on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for uncertain tax positions and compensated absences in 2007.

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

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

/s/ PricewaterhouseCoopers LLP
Boston, Massachusetts
February 20, 2009

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IDEXX LABORATORIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(*in thousands, except per share amounts*)

	December 31, 2008	December 31, 2007
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 78,868	$ 60,360
Accounts receivable, less reserves of $2,093 and $1,742 in 2008 and 2007, respectively	111,498	108,384
Inventories	115,926	98,804
Deferred income tax assets, net	21,477	23,606
Other current assets	28,121	14,509
Total current assets	355,890	305,663
Property and equipment, net	189,646	141,852
Goodwill and other intangible assets, net	207,095	236,414
Other long-term assets, net	12,806	18,250
	219,901	254,664
TOTAL ASSETS	$ 765,437	$ 702,179
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts payable	$ 28,006	$ 32,510
Accrued expenses	32,857	29,182
Accrued employee compensation and related expenses	43,252	44,753
Accrued taxes	13,324	18,206
Accrued customer programs	15,183	15,107
Short-term debt	150,620	72,236
Current portion of long-term debt	765	720
Deferred revenue	11,285	10,678
Total current liabilities	295,292	223,392
Long-term Liabilities:		
Deferred tax liabilities	11,933	14,697
Long-term debt, net of current portion	5,094	5,727
Deferred revenue	3,787	6,210
Other long-term liabilities	11,137	13,830
Total long-term liabilities	31,951	40,464
Commitments and Contingencies (Note 12)		

Stockholders Equity:		
Common stock, $0.10 par value: Authorized 120,000; Issued: 95,387 and 94,504 in 2008 and 2007, respectively	9,539	9,450
Additional paid-in capital	548,661	514,773
Deferred stock units: Outstanding 102 and 82 units in 2008 and 2007, respectively	2,678	2,201
Retained earnings	702,031	585,862
Accumulated other comprehensive income	5,675	22,705
Treasury stock, at cost: 36,164 and 33,500 in 2008 and 2007, respectively	(830,390)	(696,668)
Total stockholders equity	438,194	438,323
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 765,437	$ 702,179

The accompanying notes are an integral part of these consolidated financial statements.

IDEXX LABORATORIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(*in thousands, except per share amounts*)

	For the Years Ended December 31, 2008	2007	2006
Revenue:			
Product revenue	$ 693,320	$ 632,186	$ 525,352
Service revenue	330,710	290,369	213,765
	1,024,030	922,555	739,117
Cost of revenue:			
Cost of product revenue	270,163	260,296	215,314
Cost of service revenue	224,101	198,737	144,274
	494,264	459,033	359,588
Gross profit	529,766	463,522	379,529
Expenses:			
Sales and marketing	169,956	151,882	115,882
General and administrative	116,681	108,119	82,097
Research and development	70,673	67,338	53,617
Income from operations	172,456	136,183	127,933
Interest expense	(4,589)	(4,179)	(462)
Interest income	2,320	2,839	3,279
Income before provisions for income taxes and partner s interest	170,187	134,843	130,750
Provision for income taxes	54,018	40,829	37,224
Partner s interest in loss of subsidiary			(152)
Net income	$ 116,169	$ 94,014	$ 93,678
Earnings per share:			
Basic	$ 1.94	$ 1.53	$ 1.49
Diluted	$ 1.87	$ 1.46	$ 1.42
Weighted average shares outstanding:			
Basic	59,953	61,560	62,866
Diluted	62,249	64,455	65,907

The accompanying notes are an integral part of these consolidated financial statements.

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IDEXX LABORATORIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
(in thousands, except per share amounts)

	Common Stock Number of Shares	Common Stock $ 0.10 Par Value	Additional Paid-in Capital	Deferred Stock Units	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Stockholders Equity
Balance January 1, 2006	91,877	9,188	432,800	1,316	396,936	866	(472,096)	369,010
Comprehensive income (loss):								
Net income					93,678			93,678
Unrealized gain on investments, net of tax of $29						46		46
Unrealized loss on foreign currency forward contracts, net of tax of $942						(1,873)		(1,873)
Translation adjustment						11,527		11,527
Total comprehensive income								103,378
Purchase of treasury stock							(105,730)	(105,730)
Common stock issued under employee stock option and purchase plans, including excess tax benefit	1,361	136	31,751					31,887
Common stock issued under employee restricted and deferred stock plans	4		123	(123)				
Issuance of deferred stock units				659				659
Share-based compensation cost recognized			10,657					10,657
Balance December 31, 2006	93,242	9,324	475,331	1,852	490,614	10,566	(577,826)	409,861

Cumulative effect of change in accounting principle			(260)		1,234			974
Comprehensive income (loss):								
Net income					94,014			94,014
Unrealized loss on investments, net of tax of $107						(182)		(182)
Unrealized gain on foreign currency forward contracts, net of tax of $7						19		19
Translation adjustment						12,302		12,302
Total comprehensive income								106,153
Purchase of treasury stock							(118,842)	(118,842)
Common stock issued under employee stock option and purchase plans, including excess tax benefit	1,231	123	31,112					31,235
Common stock issued under employee restricted and deferred stock plans	31	3	29	(32)				
Issuance of deferred stock units				381				381
Share-based compensation cost recognized			8,561					8,561
Balance December 31, 2007	94,504	9,450	514,773	2,201	585,862	22,705	(696,668)	438,323
Comprehensive income (loss):								
Net income					116,169			116,169
Unrealized loss on investments, net of tax of $275						(469)		(469)
Unrealized gain on foreign currency forward contracts,						8,118		8,118

net of tax of $3,647								
Translation adjustment						(24,679)		(24,679)
Total comprehensive income								99,139
Purchase of treasury stock							(133,722)	(133,722)
Common stock issued under employee stock option and purchase plans, including excess tax benefit	808	81	23,229					23,310
Common stock issued under employee restricted and deferred stock plans	75	8	428	(38)				398
Issuance of deferred stock units				515				515
Share-based compensation cost recognized			10,231					10,231
Balance December 31, 2008	95,387	$ 9,539	$ 548,661	$ 2,678	$ 702,031	$ 5,675	$ (830,390)	$ 438,194

The accompanying notes are an integral part of these consolidated financial statements.

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IDEXX LABORATORIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Years Ended December 31, 2008	2007	2006
Cash Flows from Operating Activities:			
Net income	$ 116,169	$ 94,014	$ 93,678
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	48,819	41,100	29,816
Decrease in deferred compensation expense	(726)	(166)	
Loss on disposition of pharmaceutical product lines and related restructuring	1,479		
Navigator® inventory write-down and royalty license impairment		10,138	
Write-down of long-term assets			350
Partner s interest in loss of subsidiary			(152)
Provision for uncollectible accounts	1,180	614	1,070
Provision for (benefit of) deferred income taxes	5,634	(9,075)	(6,135)
Share-based compensation expense	10,501	8,776	10,842
Tax benefit from exercises of stock options and vesting of restricted stock units	(6,237)	(9,267)	(9,407)
Changes in assets and liabilities, net of acquisitions:			
Accounts receivable	(10,266)	(25,535)	(6,583)
Inventories	(18,468)	(5,230)	(25,679)
Other assets	(5,116)	(8,102)	158
Accounts payable	(4,327)	5,851	4,352
Accrued liabilities	5,471	31,469	17,882
Deferred revenue	(805)	537	(366)
Net cash provided by operating activities	143,308	135,124	109,826
Cash Flows from Investing Activities:			
Purchases of short- and long-term investments			(79,810)
Sales and maturities of short- and long-term investments		35,000	110,465
Purchases of property and equipment	(89,237)	(65,138)	(32,331)
Purchase of land and buildings			(12,084)
Proceeds from disposition of pharmaceutical product lines	7,025		
Acquisitions of equipment leased to customers	(734)	(1,106)	(1,720)
Acquisitions of intangible assets and businesses, net of cash acquired	(8,649)	(89,884)	(25,220)
Net cash used by investing activities	(91,595)	(121,128)	(40,700)
Cash Flows from Financing Activities:			
Borrowings on revolving credit facilities, net	79,550	72,389	
Payments of other notes payable	(595)	(2,397)	(877)
Purchases of treasury stock	(132,342)	(118,387)	(105,711)

Proceeds from exercises of stock options and employee stock purchase plans	16,360	20,941	20,922
Tax benefit from exercises of stock options and vesting of restricted stock units	6,237	9,267	9,407
Net cash used by financing activities	(30,790)	(18,187)	(76,259)
Net effect of exchange rates on cash	(2,415)	2,885	1,648
Net increase (decrease) in cash and cash equivalents	18,508	(1,306)	(5,485)
Cash and cash equivalents at beginning of period	60,360	61,666	67,151
Cash and cash equivalents at end of period	$ 78,868	$ 60,360	$ 61,666
Supplemental Disclosures of Cash Flow Information:			
Interest paid	$ 5,076	$ 4,412	$ 498
Income taxes paid	$ 49,547	$ 36,662	$ 36,100
Supplemental Disclosure of Non-Cash Information:			
Market value of common shares received from employees in connection with share-based compensation see Note 15	$ 1,380	$ 455	$ 19
Consideration payable for acquisitions	$	$ 697	$ 2,100
Note receivable on disposition of pharmaceutical product lines	$ 1,377	$	$

The accompanying notes are an integral part of these consolidated financial statements.

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IDEXX LABORATORIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF BUSINESS

We develop, manufacture and distribute products and provide services primarily for the veterinary and the food and water testing markets. We also sell a line of portable electrolytes and blood gas analyzers for the human point-of-care medical diagnostics market. During 2008, we operated primarily through three business segments: products and services for the veterinary market, which we refer to as our Companion Animal Group (CAG), water quality products (Water) and products for production animal health, which we refer to as the Production Animal Segment (PAS). We also operate two smaller segments that comprise products for dairy quality, which we refer to as Dairy, and products for the human medical diagnostics market, which we refer to as OPTI Medical. Financial information about the Dairy and OPTI Medical operating segments and other activities are combined and presented in an Other category because they do not meet the quantitative or qualitative thresholds for reportable segments. Our products and services are sold worldwide. In addition, we maintain active research and development programs, some of which may materialize into the development and introduction of new technology, products or services that do not align with one of our existing business or service categories. In such situations, the related financial impacts are shown in the Other category. See Note 17 for additional information regarding our reportable operating segments, products and services, and geographical areas.

NOTE 2. BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of IDEXX Laboratories, Inc. and our wholly-owned and majority-owned subsidiaries, and all other entities in which we have a variable interest and are determined to be the primary beneficiary. All material intercompany transactions and balances have been eliminated in consolidation.

In connection with the restructuring of our pharmaceutical business at the end of 2008, as discussed in Note 16, we realigned two of our remaining product lines to the Rapid Assay business and we realigned the remainder of the business, which comprised one product line and two out-licensing arrangements, to the Other segment. Segment information presented for the years ended December 31, 2007 and 2006 has been restated to conform to our presentation of reportable segments for the year ended December 31, 2008.

On October 25, 2007, our board of directors approved a two-for-one split of the outstanding shares of our common stock, to be effected in the form of a 100% stock dividend. Each holder of common stock of record at November 5, 2007 received one additional share of common stock. The additional shares of common stock were distributed on November 26, 2007. As a result of the stock split, the number of outstanding common shares doubled to approximately 61 million shares. 2006 share and per share data (except par value) have been adjusted to reflect the effect of the stock split. In addition, the exercise of outstanding stock options and the vesting of other stock awards, as well as the number of shares of common stock reserved for issuance under our various employee benefit plans, were proportionately increased in accordance with the terms of those respective agreements and plans.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Estimates

The preparation of these financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate these estimates, including those related to bad debts; goodwill and other intangible assets; income taxes; inventory; investments; revenue recognition, including customer programs and incentives, product returns, and multiple element arrangements; share-based compensation; warranty reserves; and contingencies. We accrue contingent liabilities when it is probable that future expenditures will be made and such expenditures can reasonably be estimated. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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(b) Inventories

Inventories include material, labor and overhead, and are stated at the lower of cost (first-in, first-out) or market. We write down inventory for estimated obsolescence when warranted by estimates of future demand, market conditions, and remaining shelf life. If actual market conditions are less favorable than those we estimated, additional inventory write-downs may be required, which would have a negative effect on results of operations.

(c) Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and amortization. When an item is sold or retired, the cost and related accumulated depreciation is relieved, and the resulting gain or loss, if any, is recognized in the consolidated statement of income. We provide for depreciation and amortization primarily using the straight-line method by charges to income in amounts that allocate the cost of property and equipment over their estimated useful lives as follows:

Asset Classification	Estimated Useful Life
Land improvements	15 years
Buildings and improvements	15 40 years
Leasehold improvements	Shorter of life of lease or useful life
Machinery and equipment	3 5 years
Office furniture and equipment	3 7 years

Instruments placed with customers under certain minimum volume commitment programs are capitalized and depreciated over the shorter of the useful life of the instrument or the minimum volume commitment period.

We capitalize interest in accordance with Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standard (SFAS) No. 34, Capitalization of Interest Cost (SFAS No. 34). Interest is capitalized on the acquisition and construction of significant assets that require a substantial period of time to be made ready for use. The capitalized interest is included in the cost of the completed asset and depreciated over the asset s estimated useful life. In 2007, we began the renovation and expansion of our primary facility in Westbrook, Maine. During the years ended December 31, 2008 and 2007 we capitalized $1.0 million and $0.3 million, respectively, of interest expense related to this project. For periods prior to 2007, there were no acquisitions or construction of significant assets that required a substantial period of time to be made ready for use, and therefore no capitalized interest was recorded.

We account for costs incurred to develop computer software for internal use in accordance with American Institute of Certified Public Accountants Statement of Position (SOP) 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use (SOP 98-1). SOP 98-1 requires the capitalization of certain costs incurred in connection with developing or obtaining software designated for internal use based on three distinct stages of development. Qualifying costs incurred during the application development stage, which consist primarily of internal payroll, direct fringe benefits and external direct project costs, including labor and travel, are capitalized and amortized on a straight-line basis over the estimated useful life of the asset. Costs incurred during the preliminary project and post-implementation and operation phases are expensed as incurred. These costs are general and administrative in nature and relate primarily to data conversion, the determination of performance requirements and training. During the year ended December 31, 2008 and 2007 we capitalized $7.3 million and $3.1 million, respectively, in costs related to computer software developed for internal use.

(d) Goodwill and Other Intangible Assets

A significant portion of the purchase price for acquired businesses is assigned to intangible assets. Intangible assets other than goodwill are initially valued at the lesser of fair value or, if applicable, fair value proportionately reduced by the excess of the fair value of acquired net assets over the purchase price (collectively, fair value) of the acquired business. If a market value is not readily available, the fair value of the intangible asset is estimated based on discounted cash flows using market participant assumptions, which are assumptions that are not specific to IDEXX. The selection of appropriate valuation methodologies and the estimation of discounted cash flows require significant assumptions about the timing and amounts of future cash flows, risks, appropriate discount rates, and the useful lives of intangible assets. When deemed appropriate by management, we utilize independent valuation experts to advise and assist us in allocating the purchase prices for acquired businesses to the fair values of the identified intangible assets and in determining appropriate amortization methods and periods for those intangible assets. Goodwill is initially valued based on the excess of the purchase price of a business combination over the fair values of acquired net assets.

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We provide for amortization using the straight-line and accelerated methods by charges to income in amounts that allocate the intangible assets over their estimated useful lives as follows:

Asset Classification	Estimated Useful Life
Patents	8 15 years
Other product rights	2 15 years
Customer-related intangible assets	2 15 years
Other, primarily noncompete agreements	2 10 years

We assess goodwill for impairment annually in the fourth quarter and whenever events or circumstances indicate an impairment may exist, in accordance with SFAS No. 142, Goodwill and Other Intangible Assets (SFAS No. 142). For impairment testing, the fair values of the reporting units that include goodwill are estimated using a discounted cash flow approach. The cash flows used contain our best estimates, using appropriate and customary assumptions and projections at the time. Changes in forecast cash flows or the discount rate would affect the estimated fair values of reporting units and could result in a goodwill impairment charge in a future period. No impairments were identified as a result of the annual or event-driven reviews during the years ended December 31, 2008, 2007 or 2006.

We assess the realizability of intangible assets other than goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. If an impairment review is triggered, we evaluate the carrying value of intangible assets based on estimated undiscounted future cash flows over the remaining useful life of the assets and comparing that value to the carrying value of the assets. The cash flows that are used contain our best estimates, using appropriate and customary assumptions and projections at the time. No impairments were identified during the years ended December 31, 2008, 2007 or 2006 except as discussed in Note 8.

(e) Warranty Reserves

We provide for the estimated cost of instrument warranties in cost of product revenue at the time revenue is recognized based on the estimated cost to repair the instrument over its warranty period. Cost of revenue reflects not only estimated warranty expense for the systems sold in the current period, but also any changes in estimated warranty expense for the installed base that results from our quarterly evaluation of service experience. Our actual warranty obligation is affected by instrument performance in the customer s environment and associated costs incurred in servicing instruments. Should actual service rates or costs differ from our estimates, which are based on historical data and projections of future costs, revisions to the estimated warranty liability would be required. Following is a summary of changes in accrued warranty reserve for products sold to customers for the years ended December 31, 2008 and 2007 *(in thousands)*:

	For the Years Ended December 31, 2008	2007
Balance, beginning of year	$ 1,667	$ 1,978
Provision for warranty expense	3,500	2,133
Liability assumed in connection with business acquisition		86
Change in estimate, balance beginning of year	(356)	(38)
Settlement of warranty liability	(1,974)	(2,492)
Balance, end of year	$ 2,837	$ 1,667

(f) Income Taxes

We account for income taxes under SFAS No. 109, Accounting for Income Taxes (SFAS No. 109). This statement requires that we recognize a current tax liability or asset for current taxes payable or refundable, respectively, and a deferred tax liability or asset, as the case may be, for the estimated future tax effects of temporary differences between book and tax treatment of assets and liabilities and carryforwards to the extent they are realizable. We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. While we consider future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance, in the event we were to determine that we would be able to realize our deferred tax assets in the future in excess of the net recorded amount, a reduction of the valuation allowance would increase income in the period such determination was made. Likewise, should we determine that we would not be able to realize all or part of our net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

We adopted the provisions of FASB Interpretation (FIN) No. 48, Accounting for Uncertainty in Income Taxes (FIN 48) as of January 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements under SFAS No. 109 and prescribes a comprehensive model for the recognition, measurement, and financial statement disclosure of uncertain tax positions. Unrecognized tax benefits are the differences between tax positions taken, or expected to be taken, in tax returns, and the benefits recognized for accounting purposes pursuant to FIN 48.

Significant judgment is required in determining our worldwide provision for income taxes and our income tax filings are regularly under audit by tax authorities. Any audit result differing from amounts recorded in accordance with FIN 48 would increase or decrease income in the period that we determine such adjustment is likely. Interest expense and penalties associated with the underpayment of income taxes are included in income tax expense. See Note 10 for additional information regarding income taxes.

(g) Sales and Value Added Taxes

We calculate, collect from our customers, and remit to governmental authorities sales, value added and excise taxes assessed by governmental authorities in connection with revenue-producing transactions with our customers. We report these taxes on a net basis and do not include these tax amounts in revenue or cost of revenue.

(h) Revenue Recognition

We recognize revenue when four criteria are met: (i) persuasive evidence that an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the sales price is fixed or determinable, and (iv) collectibility is reasonably assured. Revenue-generating transactions generally fall into one of the following categories of revenue recognition:

- We recognize revenue at the time of shipment to U.S. distributors for substantially all products sold through distributors as title and risk of loss pass to these customers on delivery to the common carrier. Our distributors do not have the right to return products. We recognize revenue for the remainder of our customers when the product is delivered to the customer except as noted below.

- We recognize revenue from the sales of instruments, noncancelable software licenses and hardware systems upon installation (and completion of training if applicable) and the customer s acceptance of the instrument or system because at this time we have no significant further obligations.

- We recognize service revenue at the time the service is performed.

- We recognize revenue associated with extended maintenance agreements over the life of the contracts using the straight-line method, which approximates the expected timing in which applicable services are performed. Amounts collected in advance of revenue recognition are recorded as a current or long-term liability based on the time from the balance sheet date to the future date of revenue recognition.

We recognize revenue on certain instrument systems under rental programs over the life of the rental agreement using the straight-line method. Amounts collected in advance of revenue recognition are recorded as a current or long-term liability based on the time from the balance sheet date to the future date of revenue recognition.

We recognize revenue on certain instruments and practice information management systems sales, where the product includes software that is considered more than incidental to the utility and value of the product, either by allocating the revenue to each element of the sale based on relative fair values of the elements including post-contract support when fair value for all elements is available or by use of the residual method when only the fair value of the post-contract support is available. We recognize revenue for the instrument or system on installation and customer acceptance and recognize revenue equal to the fair value of the post-contract support over the support period.

Shipping costs reimbursed by the customer are included in revenue.

Multiple element arrangements. When multiple products and/or services are sold together, we generally allocate the total consideration received amongst the elements based on their relative fair values, which is determined by amounts charged separately for the delivered and undelivered elements to other customers. When there is objective and reliable evidence of the fair value of the undelivered elements but no such evidence for the delivered elements, the fair value of the undelivered elements is deferred and the residual revenue is allocated to the delivered elements. The delivered elements are recognized as revenue when appropriate under the policies described above. If there is not sufficient evidence of the fair value of the undelivered elements, no revenue is allocated to the delivered elements and the total consideration received is deferred until delivery of those elements for which objective and reliable evidence of the fair value is not available.

Customer programs. We record estimated reductions to revenue in connection with customer marketing programs and incentive offerings that may give customers credits or award points. Award points granted under our IDEXX Points program may be applied to trade receivables owed to us and/or toward future purchases of our products or services. We establish accruals for estimated revenue reductions attributable to customer programs and incentive offerings for each program. Revenue reductions are recorded quarterly based on issuance of credits, points earned but not yet issued, and estimates of credits and points to be earned in the future based on current revenue. As points are redeemed we recognize the benefit of points expected to expire, or breakage, using historical forfeiture rates. On November 30 of each year, unused points granted before January 1 of the prior year expire and any variance from the breakage estimate is accounted for as a change in estimate. Within our overall IDEXX Points program, our two most significant customer programs are Practice Developer® and SNAP® up the Savings (SUTS), both of which are offered only to North American customers. Our Practice Developer® program is a CAG awards program that permits customers to earn points by purchasing quarterly minimums in certain product and service categories, including IDEXX Reference Laboratories services, Catalyst Dx and VetTest® slides, VetTest® SNAP® Reader reagents, LaserCyte® and VetAutoread tubes, Feline and Canine SNAP® tests, and service and maintenance agreements. Points may then be applied against the purchase price for IDEXX products and services purchased in the future or applied to trade receivables due to us. SUTS is our volume incentive program for selected SNAP® tests that provides customers with benefits in the form of (1) discounts off invoice at the time of purchase and (2) points under the IDEXX Points program awarded quarterly throughout the SUTS program year (which ends on August 31) based on total purchase volume of qualified SNAP® products during the year. For the Practice Developer® program, the accrued revenue reduction is calculated each quarter based on sales to end users during the quarter by either us or our distributors and on our estimate of future points to be issued upon sale of applicable product inventories held by distributors at the end of the quarter.

Doubtful accounts receivable. We recognize revenue only in those situations where collection from the customer is reasonably assured. We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. We base our estimates on detailed analysis of specific customer situations and a percentage of our accounts receivable by aging category. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required. Account balances are charged off against the allowance when we believe the receivable will not be recovered.

(i) Research and Development Costs

Research and development costs, which consist of salaries, employee benefits, materials and consulting costs, are expensed as incurred. In accordance with SFAS No. 86, Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed, we evaluate our software research and development costs for capitalization after the technological feasibility of software and products containing software has been established.

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(j) Advertising Costs

Advertising costs, which are recognized as sales and marketing expense in the period in which they are incurred, were $1.4 million, $1.9 million and $1.5 million for the years ended December 31, 2008, 2007 and 2006, respectively.

(k) Share-Based Compensation

We account for share-based compensation in accordance with SFAS No. 123(R), Share-Based Payment (SFAS 123(R)), which is a revision of SFAS No. 123, Accounting for Stock-Based Compensation and SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure An Amendment of FASB No. 123 (collectively, SFAS No. 123, as Amended) and supersedes Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees. SFAS 123(R) requires all share-based compensation to employees, including grants of stock options, to be valued at fair value on the date of grant, and to be expensed over the requisite service period (generally the vesting period).

We adopted the provisions of SFAS No. 123(R) on January 1, 2006 and elected the modified prospective method of transition to the fair-value-based method of accounting for share-based employee compensation prescribed by SFAS No. 123(R). Effective January 1, 2006, under the modified prospective method, share-based compensation expense includes expense for unvested awards at December 31, 2005 and all awards granted subsequent to December 31, 2005. Share-based compensation expense for the unvested awards outstanding at December 31, 2005 is based on the grant-date fair value previously calculated in developing the pro forma disclosures in accordance with the provisions of SFAS No. 123, as Amended. The graded vesting, or accelerated, method has been used to record the expense for stock options granted prior to January 1, 2006. The straight-line method is used to record the expense for stock options and awards granted subsequent to December 31, 2005.

Our share-based employee compensation programs allow for the grant of a mix of restricted stock units and stock options, along with employee stock purchase rights. In addition, our Director Deferred Compensation Plan and our Executive Deferred Compensation Plan allow for the grant of deferred stock units, which may or may not have vesting conditions depending on the plan under which these deferred stock units were issued. See Note 5 for additional information. There were no modifications to the terms of outstanding options, restricted stock units or deferred stock units during 2008, 2007 or 2006.

We issue new shares of common stock to satisfy option and employee stock purchase right exercises and to settle restricted stock units and deferred stock units.

(l) Foreign Currency Translation

The functional currency of most of our subsidiaries is their local currency. Assets and liabilities of these foreign subsidiaries are translated using the exchange rate in effect at the balance sheet date. Revenue and expense accounts are translated using the exchange rate at which those elements are recognized and where it is impractical to do so, a weighted average of exchange rates in effect during the period is used to translate those elements. Cumulative translation gains and losses are shown in the accompanying consolidated balance sheets as a separate component of accumulated other comprehensive income. For one of our subsidiaries located in the Netherlands, the functional currency is the U.S. Dollar. Monetary assets and liabilities for this entity are remeasured using the current exchange rate at the balance sheet date; revenues and expenses are recorded at the current exchange rate when the transaction is recognized. The impact of remeasurement is included in the statement of operations. Exchange gains and losses arising from transactions denominated in foreign currencies other than our subsidiaries respective functional currencies are included in operating expenses. Included in general and administrative expenses are aggregate foreign exchange currency transaction gains of $0.1 million, $0.2 million, and $0.8 million for the years ended December 31, 2008, 2007 and 2006, respectively.

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(m) Derivative Instruments and Hedging

We follow SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities as amended by SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities Deferral of the Effective Date of SFAS No. 133 and SFAS No. 138, Accounting for Certain Derivative Instruments and Hedging Activities An Amendment of SFAS No. 133 (SFAS No. 133, as Amended). SFAS No. 133, as Amended requires that all derivatives, including forward currency exchange contracts, be recognized on the balance sheet at fair value. Derivatives that are not hedges must be recorded at fair value through earnings. If a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative are either offset against the change in fair value of the hedged item through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. We immediately record in earnings the extent to which a hedge is not effective in achieving offsetting changes in fair value.

The primary purpose of our foreign currency hedging activities is to protect against the volatility associated with foreign currency transactions. We also utilize some natural hedges to mitigate our transaction and commitment exposures. Corporate policy prescribes the range of allowable hedging activity. We enter into exchange contracts with large multinational financial institutions and we do not hold or engage in transactions involving derivative instruments for purposes other than risk management. Our accounting policies for these contracts are based on our designation of such instruments as hedging transactions. Market gains and losses are deferred in other current assets or accruals, as appropriate, until the contract matures, which is the period when the related obligation is settled. We primarily utilize forward exchange contracts with durations of less than 18 months.

Our subsidiaries enter into foreign currency exchange contracts to minimize the impact of foreign currency fluctuations associated with their anticipated intercompany inventory purchases for the next year. From time to time, we may also enter into foreign currency exchange contracts to minimize the impact of foreign currency fluctuations associated with specific, significant transactions.

We enter into currency exchange contracts for amounts that are less than the full value of forecasted intercompany sales and for amounts that are equivalent to, or less than, other specific, significant transactions. Our hedging strategy related to intercompany inventory purchases provides that we employ the full amount of our hedges for the succeeding year at the conclusion of our budgeting process for that year, which is complete by the end of the preceding year. Quarterly, we enter into contracts to hedge incremental portions of anticipated foreign currency transactions for the following year. Accordingly, our risk with respect to foreign currency exchange rate fluctuations may vary throughout each annual cycle.

In addition to hedges for anticipated 2008 intercompany inventory purchases, we had a foreign currency exchange contract outstanding at December 31, 2007 to hedge the repayment by our Canadian subsidiary of an intercompany loan denominated in Canadian dollars that the subsidiary used to fund the acquisitions of veterinary reference laboratory businesses, which had a U.S dollar equivalent of $32.1 million at December 31, 2007.

At December 31, 2008, we recorded $8.1 million in unrealized gains through accumulated other comprehensive income, which is net of $3.6 million in taxes, from foreign exchange contracts with 2009 expiration dates. At December 31, 2007, we recorded less than $0.1 million in unrealized losses through accumulated other comprehensive income, which is net of less than $0.1 million in taxes, from foreign exchange contracts with 2008 expiration dates.

The notional amount of foreign currency contracts to hedge forecasted intercompany sales outstanding at December 31, 2008 and 2007, respectively, consisted of the following *(in thousands)*:

	U.S. Dollar Equivalent	
Currency Sold	**2008**	**2007**
Euro	$ 44,907	$ 60,965
British Pound	20,540	24,198
Canadian Dollar	16,960	17,000
Swiss Franc		1,188
Australian Dollar	3,641	6,262
Japanese Yen	6,318	5,414
	$ 92,366	$ 115,027

	U.S. Dollar Equivalent	
Currency Purchased	**2008**	**2007**
Swiss Franc	$ 5,383	$ 6,604
Japanese Yen		436
	$ 5,383	$ 7,040

Gains and losses on foreign exchange contracts intended as hedges for intercompany sales of goods are recorded in cost of product revenue. Included in cost of product revenue are foreign exchange gains of $0.9 million for the year ended December 31, 2008 and foreign exchange losses of $5.7 million, and $2.8 million for the years ended December 31, 2007 and 2006, respectively.

(n) Disclosure of Fair Value of Financial Instruments and Concentration of Risk

Financial instruments consist mainly of cash and cash equivalents, investments, accounts receivable, derivative instruments, accounts payable, lines of credit, and notes payable. Financial instruments that potentially subject us to concentrations of credit risk are principally cash, cash equivalents, investments and accounts receivable. We place our investments in highly-rated financial institutions and money market funds invested in government securities. Concentration of credit risk with respect to accounts receivable is limited to certain customers to whom we make substantial sales. To reduce risk, we routinely assess the financial strength of our customers and closely monitor their amounts due to us and, as a consequence, believe that our accounts receivable credit risk exposure is limited. We maintain an allowance for potential credit losses, but historically have not experienced any significant credit losses related to an individual customer or group of customers in any particular industry or geographic area. The carrying amounts of our financial instruments, other than long-term debt, approximate fair market value because of the short maturity of those instruments. The carrying amount of our long-term debt approximates fair market value based on current market prices for similar debt issues with similar remaining maturities. See Note 17 for further discussion of concentration of credit risk of accounts receivable, Note 9 for discussion of interest rate risk regarding our revolving credit facility, and Note 18 for discussion of fair value measurements.

We currently purchase many products and materials from single sources or a limited number of sources. Some of the products that we purchase from these sources are proprietary, and, therefore, cannot be readily or easily replaced by alternative sources. If we are unable to obtain adequate quantities of these products in the future, we could face cost increases or reductions, or delays or discontinuations in product shipments, which could have a material adverse effect on our results of operations.

(o) Comprehensive Income

SFAS No. 130, Reporting Comprehensive Income, requires us to report all changes in equity during a period resulting from net income and transactions or other events and circumstances from non-owner sources in a financial statement for the period in which they are recognized. We have chosen to disclose comprehensive income, which encompasses net income, foreign currency translation adjustments and the difference between the cost and the fair market value of investments in debt and equity securities and foreign exchange contracts, in the consolidated statement of stockholders equity. We consider the foreign currency cumulative translation adjustment to be permanently invested and, therefore, have not provided income taxes on those amounts.

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Accumulated other comprehensive income consisted of the following at December 31, 2008 and 2007, respectively *(in thousands)*:

	December 31, 2008	December 31, 2007
Unrealized loss on investments, net of tax	$ (756)	$ (287)
Unrealized gain (loss) on forward exchange contracts, net of tax	6,817	(1,301)
Cumulative translation adjustment	(386)	24,293
	$ 5,675	$ 22,705

(p) Changes in Accounting Principles

We adopted the provisions of Emerging Issues Task Force (EITF) consensus on Issue 06-2, Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43, Accounting for Compensated Absences (EITF 06-2) and FIN 48, as of January 1, 2007. EITF 06-2 requires that the costs associated with unrestricted sabbaticals and other similar benefit arrangements be recognized over the service period during which the employee earns the benefit. We provide an additional four weeks of compensated leave to all U.S. salaried employees in their tenth anniversary year of employment and again at each fifth year thereafter. As a result of adopting the provisions of EITF 06-2, we recognized an increase in assets of $1.2 million, an increase in liabilities of $3.0 million, and a decrease in retained earnings of $1.8 million at January 1, 2007. Beginning in 2007, we recognize estimated costs for estimated future compensated leave benefits as they are earned. See Note 10 for a discussion of our adoption of FIN 48.

(q) Recent Accounting Pronouncements

We adopted the provisions of SFAS No. 157, Fair Value Measurements (SFAS No. 157) on January 1, 2008. As permitted by FASB Staff Position (FSP) No. SFAS 157-2, Effective Date of FASB Statement No. 157 (FSP No. SFAS 157-2), we elected to defer the adoption of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis, until January 1, 2009. SFAS No. 157 establishes a framework for measuring fair value and expands financial statement disclosures about fair value measurements. There was no cumulative effect of adoption related to SFAS No. 157 and the adoption did not have an impact on our financial position, results of operations, or cash flows. We are studying SFAS No. 157 with respect to nonfinancial assets and nonfinancial liabilities falling under the scope of FSP No. SFAS 157-2. We do not expect that the adoption of SFAS No. 157 with respect to these nonfinancial assets and nonfinancial liabilities will have an impact on our financial position, results of operations, or cash flows. See Note 18 for a discussion of our adoption of SFAS No. 157.

We adopted the provisions of SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115 (SFAS No. 159) on January 1, 2008. SFAS No. 159 permits entities to choose, at specified election dates, to measure eligible items at fair value (the fair value option). Under this pronouncement, a business entity must report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting period. We have not elected the fair value option for any items on our balance sheet.

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations (SFAS No. 141(R)) which revised SFAS No. 141, Business Combinations (SFAS No. 141). SFAS No. 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS No. 141(R) also establishes disclosure requirements, which will enable users to evaluate the nature and financial effects of the business combination. This standard is effective for fiscal years beginning after December 15, 2008. As the provisions of SFAS No. 141(R) are applied prospectively, the impact of this standard cannot be determined until the transactions occur.

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In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements (SFAS No. 160). SFAS No. 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent s ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. This standard is effective for fiscal years beginning after December 15, 2008. The adoption of SFAS No. 160 will not have an effect on our financial position, results of operations or cash flows.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of SFAS No. 133 (SFAS No. 161). SFAS No. 161 changes the disclosure requirements for derivative instruments and hedging activities. This standard requires enhanced disclosures about how and why an entity uses derivative instruments, how instruments are accounted for under SFAS No. 133, and how derivatives and hedging activities affect an entity s financial position, financial performance and cash flows. This standard is effective for fiscal years beginning after November 15, 2008. The adoption of SFAS No. 161 will not have an impact on our financial position, results of operations, or cash flows.

In April 2008, the FASB issued FSP FAS 142-3, Determination of the Useful Life of Intangible Assets (FSP FAS No. 142-3). FSP FAS No. 142-3 amends SFAS No. 142 to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141 and other U.S. GAAP. This FSP is effective for fiscal years beginning after December 15, 2008. The guidance for determining the useful life of a recognized intangible asset is to be applied prospectively, therefore, the impact of the implementation of this pronouncement cannot be determined until the transactions occur.

NOTE 4. ACQUISITION OF BUSINESSES AND OTHER ASSETS

We paid $6.8 million in cash to acquire a business and, under separate transactions, to acquire certain intangible assets that did not comprise businesses during the year ended December 31, 2008 and recognized liabilities of $0.3 million, of which $0.1 million was paid in 2008. In addition, we have agreed to pay up to $7.7 million in cash in the future upon achievement of certain revenue and other milestones, of which $7.5 million will be accrued and recorded as additional intangible assets if and when we determine that it is probable that the milestones will be achieved.

More specifically, in January 2008, we acquired substantially all of the assets and assumed certain liabilities of VetLab Laboratorio Veterinario de Referencia, S.L. (VetLab S.L.). With operations in Barcelona, Spain, VetLab S.L. is a provider of reference laboratory testing services to veterinarians. During the year ended December 31, 2008 we also acquired certain intellectual property and distribution rights associated with a diagnostic test product. We also made purchase price payments of $1.7 million related to the achievement of milestones realized by certain businesses acquired in prior years, of which $1.5 million was previously accrued. In connection with these acquisitions, we recognized goodwill of $0.4 million and amortizable intangible assets of $6.4 million.

We paid $86.6 million and recognized liabilities, including contingent liabilities and deferred tax liabilities associated with purchase accounting, of $17.9 million to acquire businesses and certain intangible assets that did not comprise businesses during the year ended December 31, 2007. In January 2007, we acquired substantially all of the assets and assumed certain liabilities of the Critical Care Division of Osmetech plc. The acquired business is based in the United States and develops, designs, manufactures, and distributes point-of-care electrolyte and blood gas analyzers and related consumable products for the human medical and veterinary diagnostics markets. In March 2007, we acquired all of the equity of Vita-Tech Canada Inc. (Vita-Tech) and Institut Pourquier SAS (Pourquier) in separate transactions. Vita-Tech is the largest provider of reference laboratory testing services to veterinarians in Canada and has operations in Toronto and Montreal, Canada. Pourquier is based in Montpellier, France and develops, designs, manufactures, and distributes production animal diagnostic products. In March and October 2007, we acquired veterinary reference laboratories located in the United States. We also acquired certain assets of other veterinary reference laboratories during the year ended December 31, 2007 that did not comprise businesses. In connection with the 2007 acquisitions, we recognized goodwill of $45.2 million and amortizable intangible assets of $38.9 million. During the year ended December 31, 2007, we also made purchase price payments of $3.2 million related to the achievement of milestones by certain businesses acquired in prior years.

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We paid $23.9 million and recognized liabilities, including contingent liabilities and deferred tax liabilities associated with purchase accounting, of $4.6 million to acquire businesses and certain intangible assets that did not comprise businesses during the year ended December 31, 2006. The 2006 acquisitions included veterinary reference laboratories in the United States, Canada and South Africa; a veterinary practice information management software business based in the United States; and certain intellectual property and distribution rights from a diagnostics company based in Australia. During the year ended December 31, 2007, we recognized incremental amortizable intangible assets of $0.3 million in connection with the finalization of purchase price allocations for certain 2006 acquisitions. During the year ended December 31, 2007, we revised the purchase price allocations related to certain businesses acquired during the year ended December 31, 2006. The revisions to the purchase price allocations resulted in a decrease in goodwill assigned to the Companion Animal Group (CAG) segment of $0.8 million and a corresponding increase in property, equipment and other intangible assets. In connection with these acquisitions, we recognized goodwill of $11.0 million and amortizable intangible assets of $13.3 million.

We believe that the acquired businesses enhance our existing businesses by either expanding the geographic range of our existing businesses or expanding our existing product lines. We determined the purchase price of each acquired business based on our assessment of estimated future cash flows attributable to the business enterprise taken as a whole, the strength of the business in the marketplace, the strategic importance of the acquisition to IDEXX, and the seller s desire to be acquired by IDEXX versus perceived alternatives. We recognized goodwill based on the excess of the purchase price for each business over the fair values of the individual tangible and separately identified intangible assets acquired, which were valued in accordance with SFAS No. 141.

The results of operations of the acquired businesses have been included since their respective acquisition dates. Pro forma information has not been presented because such information is not material to the financial statements taken as a whole.

NOTE 5. SHARE-BASED COMPENSATION

Selected financial impacts of share-based compensation, excluding the impact of deferred stock units issued under our Director Deferred Compensation Plan or our Executive Deferred Compensation Plan that do not have vesting conditions (which are described below), are presented in the table below (*in thousands, except per share amounts):*

	For the Year Ended December 31,		
	2008	**2007**	**2006**
Share-based compensation expense included in cost of revenue	$ 1,120	$ 710	$ 1,671
Share-based compensation expense included in operating expense	9,111	7,851	8,986
Total share-based compensation expense	10,231	8,561	10,657
Income tax benefit in net income for share-based compensation expense	(2,835)	(1,968)	(1,845)
Income tax benefit in net income for employees disqualifying dispositions of shares acquired through the exercise of stock options and employee stock purchase rights	(415)	(313)	(57)
Total income tax benefit	(3,250)	(2,281)	(1,902)
Net impact of share-based compensation on net income	$ 6,981	$ 6,280	$ 8,755
Net impact of share-based compensation on:			
Earnings per share, basic	$ 0.12	$ 0.10	$ 0.14
Earnings per share, diluted	$ 0.11	$ 0.10	$ 0.13

For the year ended December 31, 2008, share-based compensation expense included $9.7 million for options, restricted stock units and deferred stock units with vesting conditions and $0.6 million for employee stock purchase rights. For the year ended December 31, 2007, share-based compensation expense included $8.1 million for options, restricted stock units and deferred stock units with vesting conditions and $0.5 million for employee stock purchase rights. For the year ended December 31, 2006, share-based compensation expense included $10.3 million for options, restricted stock units and deferred stock units with vesting conditions and $0.4 million for employee stock purchase rights. Expense for deferred stock units issued under our Director Deferred Compensation Plan and our Executive Deferred Compensation Plan that do not have vesting conditions of $0.5 million, $0.4 million and $0.6 million for the years ended December 31, 2008, 2007 and 2006, respectively, has been excluded from share-based compensation in the table above as it relates to deferred stock units granted in lieu of cash compensation. Share-based compensation expense was not affected by the two-for-one split of the outstanding shares of our common stock as discussed in Note 2.

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Additionally, share-based compensation expense is reduced for an estimate of the number of awards that are expected to be forfeited. We use historical data and other factors to estimate employee termination behavior and to evaluate whether particular groups of employees have significantly different forfeiture behaviors.

Share-based compensation costs are classified in cost of revenue and operating expenses consistently with the classification of cash compensation paid to the employees receiving such share-based compensation. Capitalized share-based employee compensation cost was $0.4 million, $0.4 million and $0.2 million at December 31, 2008, 2007 and 2006, respectively, which was included in inventory on the consolidated balance sheets.

The following table represents cash proceeds from employees exercise of stock options and employee stock purchase rights and the reduction of income taxes payable due to employees share-based compensation tax events *(in thousands)*:

	For the Years Ended December 31, 2008	2007	2006
Cash proceeds from employee stock purchases and options exercised under all share-based payment arrangements	$ 16,360	$ 20,941	$ 20,922
Reduction of income taxes payable due to employee s share-based compensation tax	$ 9,037	$ 11,103	$ 10,692

The fair value of options, restricted stock units, deferred stock units with vesting conditions, and employee stock purchase rights awarded during the years ended December 31, 2008, 2007 and 2006 totaled $18.7 million, $18.2 million and $11.9 million, respectively. The total unrecognized compensation cost for unvested share-based compensation awards outstanding at December 31, 2008, before consideration of estimated forfeitures, was $30.9 million. We estimate that this cost will be reduced by approximately $3.1 million related to forfeitures. The weighted average remaining expense recognition period is approximately 2 years.

Stock Incentive Plan

During 2003, our board of directors approved the 2003 Stock Incentive Plan, as amended (the 2003 Stock Plan) pursuant to which our employees and directors may receive various types of share-based incentives, including stock options, restricted stock units, stock appreciation rights and deferred stock units. Any shares that are subject to awards of options or stock appreciation rights will be counted against the share limit as one share for every share granted. Any shares that are subject to other awards, such as restricted stock, will be counted against the share limit as 2.1 shares for every share granted. A total of 6,300,000 shares of common stock are authorized for issuance under the 2003 Stock Plan, provided that no more than 6,300,000 shares will be available for the grant of incentive stock options, and no more than 1,200,000 shares will be available for awards other than stock options and stock appreciation rights (such as restricted stock). In addition, if any options granted under our prior plans, including the 1991 Stock Option Plan, the 1998 Stock Incentive Plan or the 2000 Director Option Plan, terminate, expire or are forfeited without having been exercised in full, the shares subject to such unexercised options are available for issuance under the 2003 Stock Plan. Options granted under the 2003 Stock Plan and prior plans may not be granted at an exercise price less than the fair market value of the common stock on the date granted (or less than 110% of the fair market value in the case of incentive stock options granted to holders of more than 10% of our Common Stock). Options may not be granted for a term of more than ten years. The vesting schedule of all options granted under the 2003 Stock Plan is determined by the compensation committee of our board of directors at the time of grant. At December 31, 2008, a remaining total of 2,662,000 shares of common stock was authorized by our shareholders and available for future grants of share-based compensation.

Options

Option awards are granted to employees with an exercise price equal to not less than the closing market price of our common stock at the date of grant and generally vest ratably over five years on each anniversary of the date of grant, conditional on continuous service. Options granted to non-employee directors vest fully on the first anniversary of the date of grant. Upon any change in control of the company, 25% of the unvested stock options then outstanding will vest and become exercisable. However, if the acquiring entity does not assume outstanding options, then all options will vest immediately prior to the change in control.

We use the Black-Scholes-Merton option-pricing model to determine the fair value of options granted. Option-pricing models require the input of highly subjective assumptions, particularly for the expected stock price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate. Our expected stock price volatility assumptions are based on the historical volatility of our stock for the expected term and other relevant factors. The risk-free interest rate is based on the U.S. Treasury yields for the expected term in effect at the approximate date of grant. We have never paid any cash dividends on our common stock and we have no present intention to pay a dividend; therefore, we assumed that no dividends will be paid over the expected terms of option awards.

The use of the Black-Scholes-Merton option-pricing model, the general methods employed to develop the above described option valuation assumptions, and the vesting conditions of option awards are consistent with prior periods. Beginning in 2006, the contractual terms of employee option grants were reduced from ten years to seven years and we previously elected to use the simplified method described in the Securities and Exchange Commission Staff Accounting Bulletin No. 107, which is based on vesting and contractual terms, to develop the expected term assumption for 2006 and 2007 option awards. Beginning in January 2008, we have derived the expected term assumption for options based on historical experience and other relevant factors concerning expected employee behavior with regard to option exercise.

We determine the assumptions to be used in the valuation of option grants as of the date of grant. As such, we may use different assumptions during the fiscal year if we grant options at different dates. The weighted average of the valuation assumptions used to determine the fair value of each option grant on the date of grant and the weighted average estimated fair values were as follows:

	For the Years Ended December 31,		
	2008	2007	2006
Expected stock price volatility	25%	29%	30%
Expected term, in years	4.9	5.0	5.0
Risk-free interest rate	2.6%	4.7%	4.6%
Weighted average fair value of options granted	$ 14.63	$ 13.40	$ 13.39

A summary of the status of options granted under our share-based compensation plans at December 31, 2008, and changes during the year then ended, are presented in the table below:

	Number of Options (000)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value ($000)
Outstanding at December 31, 2007	5,508	$ 22.07		
Granted	459	54.27		
Exercised	(728)	18.13		
Forfeited	(158)	37.97		

Expired	(2)		13.87			
Outstanding at December 31, 2008	5,079	$	25.06	4.3	$	68,974
Fully vested at December 31, 2008	3,626	$	18.56	3.7	$	64,627
Fully vested and expected to vest, at December 31, 2008	4,917	$	24.35	4.2	$	68,754

Intrinsic value represents the amount by which the market price of the common stock exceeded the exercise price of the options, before applicable income taxes. During the years ended December 31, 2008, 2007 and 2006, the total intrinsic value of stock options exercised was $25.4 million, $38.9 million and $34.4 million, respectively.

The total fair value of options vested during the years ended December 31, 2008, 2007 and 2006 was $11.3 million, $12.6 million and $12.8 million, respectively.

Employee Stock Purchase Plan

During 1997, our board of directors approved the 1997 Employee Stock Purchase Plan, under which we reserved and may issue up to an aggregate of 1,240,000 shares of Common Stock in periodic offerings. Under the plan, stock is sold at 85% of the closing price of the stock on the last day of each three-month plan period. The fair value of purchase rights under the program equals the 15% discount from the market price at the exercise date, which is the last day of the subscription period.

The following summarizes information about purchase rights issued under the employee stock purchase plan *(in thousands, except per share amounts)*:

	For the Year Ended December 31,		
	2008	2007	2006
Number of purchase rights issued	80	61	62
Weighted average fair value per purchase right issued	$ 7.02	$ 7.47	$ 6.24

Restricted and Other Deferred Stock Units With Vesting Conditions

Restricted stock unit awards to employees either vest ratably over five years on each anniversary of the date of grant, or vest on the third anniversary of the date of grant. Vesting is conditional on continuous service. Restricted stock units are converted to an equivalent number of shares of common stock upon vesting. Upon any change in control of the company, 25% of the unvested restricted stock units then outstanding under the 2003 Stock Incentive Plan will vest, provided, however, that if the acquiring entity does not assume the restricted stock units, then all such units will vest immediately prior to the change in control. Deferred stock units with vesting conditions awarded to non-employee directors under the Director Deferred Compensation Plan vest fully on the first anniversary of the date of grant. Except upon a change in control, as defined in the Director Deferred Compensation Plan, or certain limited circumstances, all deferred stock units will be exchanged for an equivalent number of shares of common stock one year following a director s resignation or retirement. Upon a change in control, unvested deferred stock units vest immediately.

The fair values of restricted and deferred stock units with vesting conditions are based on the closing sale price of the common stock on the date of grant. The weighted average fair value per unit of restricted stock units granted during the years ended December 31, 2008, 2007 and 2006 was $55.70, $42.65 and $39.00, respectively. The weighted average fair value per unit of deferred stock units with vesting conditions granted during the years ended December 31, 2008, 2007 and 2006 was $56.95, $41.94 and $38.73, respectively.

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A summary of the status of restricted and other deferred stock units with vesting conditions granted under our share-based compensation plans at December 31, 2008, and changes during the period then ended, are presented in the table below:

	Number of Units (000)	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value ($000)
Outstanding at December 31, 2007	353		
Granted	205		
Settled	(84)		
Forfeited	(56)		
Outstanding at December 31, 2008	418	1.8	$ 15,073
Fully vested at December 31, 2008			
Fully vested and expected to vest, at December 31, 2008	347	1.6	$ 12,508

Deferred Stock Units With No Vesting Conditions

Under our Director Deferred Compensation Plan, non-employee directors also may defer a portion of their cash fees in the form of vested deferred stock units, each of which represents the right to receive one unissued share of our common stock. Directors receive a number of deferred stock units equal to the amount of cash fees deferred divided by the closing sale price of the common stock on the date of deferral. Under our Executive Deferred Compensation Plan (the Executive Plan), certain members of our management may elect to defer a portion of their cash compensation in deferred stock units. These deferred stock units will be exchanged for a fixed number of shares of common stock, subject to the limitations of the Executive Plan and applicable law. Except upon a change in control, as defined in the Director Deferred Compensation Plan and the Executive Plan, or certain other limited circumstances, directors and officers may not receive shares of common stock in settlement of deferred stock units earlier than one year following their resignation from the board or termination of their employment, respectively.

During the years ended December 31, 2008, 2007 and 2006, the Company issued approximately 10,000, 8,000 and 16,000 deferred stock units valued at $0.5 million, $0.7 million and $0.7 million, respectively.

During the year ended December 31, 2008, approximately 1,000 shares of common stock were issued to settle deferred stock units.

NOTE 6. INVENTORY

Inventories include material, labor and overhead, and are stated at the lower of cost (first-in, first-out) or market. The components of inventories are as follows *(in thousands)*:

	December 31, 2008	December 31, 2007
Raw materials	$ 32,575	$ 26,182
Work-in-process	18,428	16,425
Finished goods	64,923	56,197
	$ 115,926	$ 98,804

During the year ended December 31, 2007, we recognized a write-down of nitazoxanide raw materials inventory of $9.1 million associated with Navigator®. This write-down is included in cost of product revenue in the consolidated statement of income. Our analysis of the realizability of the inventory was triggered upon our receipt of notice from the third-party contract manufacturer of finished goods that it would discontinue manufacturing the product in 2009. Because of the low production volume of Navigator®, we believed that we would not be able to enter into a replacement manufacturing arrangement on economically feasible terms, and therefore we would not be able to obtain the product after termination of the existing manufacturing arrangement. Accordingly, we evaluated our associated inventory for obsolescence based on our changed estimates of product availability and estimated future demand and market conditions. This inventory comprised $9.1 million of active ingredient and other raw materials, for which we recognized a full write-down during 2007.

NOTE 7. PROPERTY AND EQUIPMENT

Property and equipment, net, consisted of the following (*in thousands*):

	December 31, 2008	December 31, 2007
Land and improvements	$ 8,189	$ 7,754
Buildings and improvements	90,042	54,072
Leasehold improvements	17,275	16,737
Machinery and equipment	106,632	92,139
Office furniture and equipment	74,885	61,472
Construction in progress	23,175	23,002
	320,198	255,176
Less accumulated depreciation and amortization	130,552	113,324
Total property and equipment	$ 189,646	$ 141,852

Depreciation expense of property and equipment was $37.3 million, $29.5 million, and $21.6 million for the years ended December 31, 2008, 2007, and 2006, respectively.

In 2007, we began the renovation and expansion of our primary facility in Westbrook, Maine. We have capitalized $38.9 million related to this project during the year ended December 31, 2008 and $50.5 million since the project s inception. These amounts include capitalized interest of $1.0 million in 2008 and $1.3 million since the project s inception. See Note 3(c) for additional information.

NOTE 8. OTHER NONCURRENT ASSETS, INTANGIBLE ASSETS AND GOODWILL

Other noncurrent assets consisted of the following *(in thousands)*:

Description	December 31, 2008	December 31, 2007
Deferred tax assets, net	$ 1,170	$ 6,644
Cost of rental instruments sold under recourse, net	1,151	1,804
Other assets	10,485	9,802
	$ 12,806	$ 18,250

Rental instruments sold under recourse are amortized over their estimated useful life of three years. Amortization expense of rental instruments sold under recourse was $1.3 million, $2.3 million and $2.7 million for the years ended December 31, 2008, 2007 and 2006, respectively.

Intangible assets other than goodwill consisted of the following *(in thousands)*:

	December 31, 2008		December 31, 2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Patents	$ 9,748	$ 4,306	$ 10,895	$ 4,003
Other product rights	32,187	13,180	27,838	10,428
Customer-related intangible assets	52,642	11,844	57,907	8,011
Other, primarily noncompete agreements	6,268	3,188	6,416	2,299

	$ 100,845	$ 32,518	$ 103,056	$ 24,741

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Amortization expense of intangible assets was $10.2 million, $9.1 million and $5.4 million for the years ended December 31, 2008, 2007 and 2006, respectively.

During the year ended December 31, 2008, we acquired customer-related intangible assets of $1.4 million, product rights of $4.8 million, and other intangible assets of $0.2 million, all of which were assigned to the CAG segment, with weighted amortization periods of 15 years, 10 years and 3 years, respectively. See Note 16 for more information.

During the year ended December 31, 2007, we recognized $38.9 million of amortizable intangible assets related to business acquisitions. During the year ended December 31, 2007, we also recognized incremental amortizable intangible assets of $0.3 million in connection with the finalization of purchase price allocations for certain 2006 business acquisitions. The weighted average amortization periods for other product rights, customer-related intangible assets, and other intangible assets acquired during 2007 in connection with business acquisitions were 13 years, 12 years and 6 years, respectively. See Notes 4 and 12 for additional information. The remaining change in the cost of intangible assets other than goodwill during the years ended December 31, 2008 and 2007 resulted primarily from changes in foreign currency exchange rates.

The aggregate amortization expense associated with intangible assets owned at December 31, 2008 is expected to be as follows for each of the next five years (*in thousands*):

	Amortization Expense
2009	$ 8,738
2010	8,484
2011	8,121
2012	7,244
2013	6,206
Thereafter	29,534
	68,327

Goodwill consisted of the following (*in thousands*):

	December 31, 2008	**December 31, 2007**
CAG segment	$ 109,502	$ 124,473
Water segment	12,757	17,566
Production animal segment	9,978	9,529
Other segment	6,531	6,531
	$ 138,768	$ 158,099

During the year ended December 31, 2008, we recognized goodwill of $0.6 million (all of which is expected to be tax deductible) related to business acquisitions prior to December 31, 2008, which was assigned to the CAG segment. Of this amount, $0.2 million related to business acquisitions prior to 2008. See Note 4 for additional information. In connection with the sale of certain of our pharmaceutical product lines in the fourth quarter of 2008, we allocated $7.2 million of goodwill to the pharmaceutical product lines sold based on their relative fair values. In addition, due to the restructuring of the remaining pharmaceutical business, goodwill of $6.5 million related to the pharmaceutical product lines retained, was realigned into the Other segment. See note 16 for additional information. During the year ended December 31, 2007, we recognized $45.2 million of goodwill (of which $27.5 million is expected to be tax deductible) related to business acquisitions. During the year ended December 31, 2007, we revised the purchase price allocations related to certain businesses acquired during the year ended December 31, 2006. The revised purchase price allocations resulted in a decrease in goodwill assigned to the CAG segment of $0.8 million and a corresponding increase in property, equipment and other intangible assets. See Note 4 for additional information. The remaining changes in the cost of goodwill during the years ended December 31, 2008 and 2007 resulted primarily from changes in foreign currency exchange rates.

During the year ended December 31, 2007, we recognized an impairment charge to write off a prepaid royalty license of $1.0 million associated with Navigator® paste, our Nitazoxanide product for the treatment of equine protozoal myeloencephalitis. We also recognized a related inventory write-down as described in Note 6. Based on our changed estimates of product availability and estimated future demand and market conditions, we determined that we would not realize our investment in prepaid royalties and, therefore, fully expensed this asset.

We assessed goodwill attributable to our pharmaceutical business for impairment in 2007 due to the Nitazoxanide inventory write-down and prepaid royalty license impairment charge. The goodwill attributable to our pharmaceutical business of $13.7 million was not impaired at that time, or subsequently, when evaluated as part of the annual assessment.

NOTE 9. DEBT

In May 2006, we acquired our Westbrook, Maine facility. We paid cash of $11.5 million and assumed a mortgage that had a face value of $6.5 million and a stated interest rate of 9.875%. We recorded the mortgage at a fair market value of $7.5 million, based on an effective market interest rate of 6.05%. The mortgage is payable in equal monthly installments of approximately $0.1 million through May 1, 2015. Annual mortgage principal payments at December 31, 2008, based on the fair market value of the mortgage at the assumption date, are as follows *(in thousands)*:

Years Ending December 31,		Amount
2009	$	765
2010		813
2011		864
2012		917
2013		974
Thereafter		1,394
	$	5,727

In January 2007, we entered into an unsecured short-term revolving credit facility with a bank in the principal amount of $125.0 million that matured on June 30, 2007. On March 30, 2007, we refinanced this short-term facility by entering into an unsecured revolving credit facility with four multinational banks that matures on March 30, 2012 (the Credit Facility). In February 2008, we increased the aggregate principal amount available under our Credit Facility to $200.0 million and added a fifth bank to the syndication. The Credit Facility may be used for general corporate purposes, including repurchases of our common stock and business acquisitions. The applicable interest rates generally range from 0.375% to 0.875% above the London interbank rate or the Canadian Dollar-denominated bankers acceptance rate, dependent on our leverage ratio. Under the Credit Facility, we pay quarterly commitment fees of 0.08% to 0.20%, dependent on our leverage ratio, on any unused commitment. The Credit Facility contains financial and other affirmative and negative covenants, as well as customary events of default, that would allow any amounts outstanding under the Credit Facility to be accelerated, or restrict our ability to borrow thereunder, in the event of noncompliance. The financial covenant requires our ratio of debt to earnings before interest, taxes, depreciation and amortization, as defined by the agreement, not to exceed 3-to-1. At December 31, 2008, our ratio of debt to earnings before interest, taxes, depreciation and amortization was less than 1-to-1. At December 31, 2008, we had $150.6 million outstanding under the Credit Facility at a weighted-average interest rate of 2.3%, which approximates the rate that we would pay on additional borrowings with similar maturities under the Credit Facility at December 31, 2008. Our availability under the Credit Facility was further reduced at December 31, 2008 by $0.6 million for a letter of credit issued related to our workers compensation policy which commenced January 1, 2009. At December 31, 2007, we had $72.2 million outstanding under the Credit Facility at a weighted-average interest rate of 5.4%. Of the total amount outstanding at December 31, 2008 and 2007, $6.6 million and $5.1 million was borrowed by our Canadian subsidiary and denominated in Canadian dollars.

NOTE 10. INCOME TAXES

We adopted the provisions of FIN 48 as of January 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements under SFAS No. 109 and prescribes a comprehensive model for the recognition, measurement, and financial statement disclosure of uncertain tax positions. Unrecognized tax benefits are the differences between tax positions taken, or expected to be taken, in tax returns, and the benefits recognized for accounting purposes pursuant to FIN 48. As a result of adopting the provisions of FIN 48, we recognized an increase in assets of $4.0 million, an increase in liabilities of $1.1 million, a decrease in additional paid-in capital of $0.2 million, and an increase in retained earnings of $3.1 million at January 1, 2007. In connection with the adoption of FIN 48, we have classified uncertain tax positions as long-term liabilities.

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The total amount of unrecognized tax benefits at December 31, 2008 and December 31, 2007 was $5.9 million and $5.1 million, respectively. Of the total unrecognized tax benefits at December 31, 2008 and 2007, $5.2 million and $4.7 million, respectively, comprise unrecognized tax positions that would, if recognized, affect our effective tax rate. The ultimate deductibility of the remaining unrecognized tax positions is highly certain but there is uncertainty about the timing of such deductibility. Because of the impact of deferred tax accounting, other than interest and penalties, the disallowance of the shorter deductibility period would not affect the annual effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period.

In the ordinary course of our business, our income tax filings are regularly under audit by tax authorities. While we believe we have appropriately provided for all uncertain tax positions, amounts asserted by taxing authorities could be greater or less than our accrued position. Accordingly, additional provisions on income tax matters, or reductions of previously accrued provisions, could be recorded in the future as we revise our estimates due to changing facts and circumstances or the underlying matters are settled or otherwise resolved. We are currently undergoing tax examinations by various international and state tax authorities and we anticipate that these examinations will be concluded within the next year. We are no longer subject to U.S. federal examinations for tax years before 2005. With few exceptions, we are no longer subject to income tax examinations in any state and local, or international jurisdictions in which we conduct significant taxable activities for years before 2002.

We recognize accrued interest expense and penalties related to unrecognized tax benefits in income tax expense. During the years ended December 31, 2008 and 2007, we recorded interest expense and penalties of $0.4 million and $0.7 million, respectively, in our consolidated statement of income. At December 31, 2008 and 2007, we had $0.8 million and $0.6 million of interest expense and penalties accrued in our consolidated balance sheet.

The following table summarizes the changes in unrecognized tax benefits during the year ended December 31, 2008 (*in thousands*):

	For the Years Ended December 31,	
	2008	2007
Total amounts of unrecognized tax benefits, beginning of period	$ 5,086	$ 9,813
Gross decreases in unrecognized tax benefits as a result of tax positions taken during a prior period		(3,932)
Gross increases in unrecognized tax benefits as a result of tax positions taken in the current period	1,447	1,126
Decreases in unrecognized tax benefits relating to settlements with taxing authorities		(1,710)
Decreases in unrecognized tax benefits as a result of a lapse of the applicable statutes of limitations	(345)	(293)
Net effect of international currency translation	(338)	82
Total amounts of unrecognized tax benefits, end of period	$ 5,850	$ 5,086

In the next year, we could recognize approximately $1.4 million of income tax benefits that have not been recognized at December 31, 2008 in accordance with FIN 48. The income tax benefits are primarily due to the lapse in the statutes of limitations for various international and state tax jurisdictions.

Earnings before income taxes were as follows (*in thousands*):

	For the Years Ended December 31,		
	2008	2007	2006
Domestic	$ 123,632	$ 92,554	$ 100,445
International	46,555	42,289	30,457

	$	170,187	$	134,843	$	130,902

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The provisions for income taxes comprised the following (*in thousands*):

	For the Years Ended December 31, 2008	2007	2006
Current			
Federal	$ 33,276	$ 38,077	$ 35,409
State	3,839	3,398	5,512
International	11,269	8,429	2,438
	48,384	49,904	43,359
Deferred			
Federal	9,365	(8,507)	(4,064)
State	540	754	(555)
International	(4,271)	(1,322)	(1,516)
	5,634	(9,075)	(6,135)
	$ 54,018	$ 40,829	$ 37,224

The provisions for income taxes differ from the amounts computed by applying the statutory federal income tax rate as follows:

	For the Years Ended December 31, 2008	2007	2006
U.S. federal statutory rate	35.0%	35.0%	35.0%
State income tax, net of federal tax benefit	1.8	1.4	2.3
International income taxes	(5.5)	(4.7)	(4.5)
Extraterritorial income exclusions			(1.0)
Nontaxable interest income			(0.5)
Domestic manufacturing exclusions	(0.7)	(1.3)	(0.4)
Research and experiment credit	(1.2)	(1.5)	(0.3)
Pharmaceutical non-deductible goodwill write-off	1.5		
Other, net	0.8	1.4	(2.2)
Effective tax rate	31.7%	30.3%	28.4%

Our effective income tax rate was 31.7% for the year ended December 31, 2008 and 30.3% for the year ended December 31, 2007. The increase in tax rate is primarily attributable to several non-recurring items. First, we wrote off non-deductible goodwill related to the pharmaceutical product lines sold in the fourth quarter of 2008. Additionally, the increase in tax rate was impacted by certain non-recurring items that favorably impacted the tax rate for the year ended December 31, 2007, including the reduction of deferred tax liabilities due to a change in international tax rate and the recognition of state tax benefits resulting from the completion of an audit in 2007. These unfavorable items were partly offset by tax benefits related to a reduction in international deferred tax liabilities in 2008 and the 2007 reduction of deferred tax assets due to changes in statutory income tax rates for jurisdictions in which we operate.

Our effective income tax rate was 30.3% for the year ended December 31, 2007 and 28.4% for the year ended December 31, 2006. The increase in tax rate is primarily attributable to several non-recurring items that benefited the tax rate in the year ended December 31, 2006. These 2006 items included the resolution of an income tax audit for years ended December 31, 2003 and 2004, a reduction of previously recorded deferred tax liabilities as a result of obtaining certain multi-year tax incentives and the release of a valuation allowance on international deferred tax assets as a result of a foreign subsidiary demonstrating consistent sustained profitability. Offsetting the impact of the items occurring in 2006 were several favorable impacts to our rate that occurred during the year ended December 31, 2007. These items included an increase in certain federal tax incentives due to changes in legislation, tax benefits related to reductions in international rates, and the recognition of state tax benefits resulting from the completion of an audit.

The components of the net deferred tax assets (liabilities) included in the accompanying consolidated balance sheets are as follows (*in thousands*):

	2008		2007	
	Current	**Long-Term**	**Current**	**Long-Term**
Assets:				
Accrued expenses	$ 14,731	$ 330	$ 11,345	$ 1,484
Accounts receivable reserves	747		583	
Deferred revenue	1,654	496	2,805	1,914
Inventory basis differences	2,416		7,348	
Property-based differences		1,035		1,998
Share-based compensation	1,384	4,258	596	3,413
Other	19	149	93	191
Net operating loss carryforwards	1,090	3,912	167	4,179
Unrealized losses on foreign exchange contracts and investments			732	
Total assets	22,041	10,180	23,669	13,179
Valuation allowance	(3,150)	(1,441)	(203)	(4,038)
Total assets, net of valuation allowance	18,891	8,739	23,466	9,141
Liabilities:				
Cost of rental instruments sold under recourse		(129)		(380)
Property-based differences		(3,814)		(804)
Intangible asset basis differences		(12,922)		(15,867)
Unrealized gains on foreign exchange contracts and investments	(3,079)			
Other	(137)	(23)	(121)	
Total liabilities	(3,216)	(16,888)	(121)	(17,051)
Net deferred tax assets (liabilities)	$ 15,675	$ (8,149)	$ 23,345	$ (7,910)

At December 31, 2008, the Company had net operating loss carryforwards in certain state jurisdictions of approximately $51.2 million available to offset future taxable income. Most of these net operating loss carryforwards will expire at various dates through 2020 and the remainder have indefinite lives. We have recorded a valuation allowance for all of these assets because realizability is uncertain.

We consider certain operating earnings of non-United States subsidiaries to be indefinitely invested outside the United States. The cumulative earnings of these subsidiaries were $155.6 million at December 31, 2008. No provision has been made for United States federal and state, or international taxes that may result from future remittances of these undistributed earnings of non-United States subsidiaries. Should we repatriate these earnings in the future, we would have to adjust the income tax provision in the period in which the decision to repatriate earnings is made. For the operating earnings not considered to be indefinitely invested outside the United States, we have accrued taxes on a current basis.

NOTE 11. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income by the weighted average number of shares of common stock and vested deferred stock units outstanding during the year. The computation of diluted earnings per share is similar to the computation of basic earnings per share, except that the denominator is increased for the assumed exercise of dilutive options and other potentially dilutive securities using the treasury stock method unless the effect is anti-dilutive.

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The following is a reconciliation of shares outstanding for basic and diluted earnings per share (*in thousands*):

	For the Years Ended December 31,		
	2008	2007	2006
Shares outstanding for basic earnings per share:			
Weighted average shares outstanding	59,855	61,481	62,806
Weighted average vested deferred stock units outstanding	98	79	60
	59,953	61,560	62,866
Shares outstanding for diluted earnings per share:			
Shares outstanding for basic earnings per share	59,953	61,560	62,866
Dilutive effect of options issued to employees and directors	2,198	2,807	3,014
Dilutive effect of restricted stock units issued to employees	93	77	16
Dilutive effect of unvested deferred stock units issued to directors	5	11	11
	62,249	64,455	65,907

Certain deferred stock units outstanding are included in shares outstanding for basic and diluted earnings per share because the associated shares of our common stock are issuable for no cash consideration, the number of shares of our common stock to be issued is fixed and issuance is not contingent. See Note 5 for additional information regarding deferred compensation plans.

Certain options to acquire shares and restricted stock units have been excluded from the calculation of shares outstanding for dilutive earnings per share because they were anti-dilutive. The following table presents information concerning those anti-dilutive options *(in thousands, except per share amounts*):

	For the Years Ended December 31,		
	2008	2007	2006
Weighted average number of shares underlying anti-dilutive options	833	492	277
Weighted average exercise price per underlying share of anti-dilutive options	$ 50.10	$ 44.66	$ 38.33
Weighted average number of shares underlying anti-dilutive restricted stock units	134	4	4

The following table presents additional information concerning the exercise prices of vested and unvested options outstanding at the end of the period (*in thousands, except per share amounts*):

	December 31,	
	2008	2007
Closing price per share of our common stock	$ 36.08	$ 58.63
Number of shares underlying options outstanding with exercise prices below the closing price	3,966	5,508
	1,113	

Number of shares underlying options outstanding with exercise prices equal to or above the closing price		
Total number of shares underlying outstanding options	5,079	5,508

NOTE 12. COMMITMENTS, CONTINGENCIES AND GUARANTEES

We lease multiple facilities under operating leases that expire through 2021. In addition, we are responsible for the real estate taxes and operating expenses related to these facilities. We also have lease commitments for automobiles and office equipment. Rent expense charged to operations under operating leases was approximately $14.5 million, $10.9 million and $8.8 million for the years ended December 31, 2008, 2007 and 2006, respectively.

Minimum annual rental payments under these agreements are as follows (*in thousands*):

Years Ending December 31,	Amount
2009	$ 11,442
2010	9,604
2011	8,310
2012	7,328
2013	5,616
Thereafter	19,898
	$ 62,198

We purchase the slides sold for use in our Catalyst Dx and VetTest® Chemistry Analyzers under an agreement with Ortho-Clinical Diagnostics, Inc. that, at December 31, 2008, required us to purchase a minimum of $13.8 million of slides through 2010. We also have commitments under certain other agreements that commit us to aggregate future payments of $16.2 million. In addition, we have various minimum royalty payments due through 2027 of $10.7 million.

In connection with the acquisitions of businesses and intangible assets, we have commitments outstanding at December 31, 2008 for additional purchase price payments of up to $7.7 million, of which $0.2 million has been accrued, in connection with acquisitions of businesses and intangible assets during the current and prior periods, all of which is contingent on the achievement by certain acquired businesses of specified milestones.

Prior to April 2006, we had a 40% equity interest in a joint venture to market production animal diagnostic products in China. In April 2006, we paid $0.6 million to acquire an additional 55% equity interest in the joint venture from our partner and we also committed to pay an additional $0.2 million, which was paid in 2008 in consideration for the additional equity. In addition, the joint venture entered into a contract with the joint venture partner where the partner provides promotional and agency services and receives sales commissions at rates escalating from 2.5% to 8.5% annually based on sales volume. In connection with this step acquisition, we recognized $0.7 million of intangible assets in PAS in 2006.

Contingencies

We are subject to claims that arise in the ordinary course of business, including with respect to actual and threatened litigation and other matters. We accrue contingent liabilities when it is probable that future expenditures will be made and such expenditures can reasonably be estimated. However, our actual losses with respect to these contingencies could exceed our accruals.

On June 30, 2006, Cyntegra, Inc. filed suit against us in the U.S. District Court for the Central District of California alleging that we had violated U.S. federal antitrust laws and California state unfair trade practices laws. The complaint alleged, among other things, that we were monopolizing the U.S. market for companion animal diagnostic products. The plaintiff sought injunctive relief and damages for purported lost sales. On October 26, 2007, the trial court granted summary judgment in our favor on all of Cyntegra s claims and dismissed the suit. Cyntegra appealed this decision to the U.S. Court of Appeals for the Ninth Circuit. Cyntegra filed its opening brief on appeal on May 30, 2008; we filed our opposition brief on July 2, 2008; and Cyntegra filed its reply brief on July 16, 2008. We expect the Court of Appeals to schedule a hearing in mid-2009. Until then, the trial court judgment in our favor remains in place. We will continue to defend ourselves vigorously, as we believe Cyntegra s claims are without merit.

Under our workers compensation insurance policies for U.S. employees since January 1, 2003, we have retained the first $250,000 in claim liability per incident and $3.2 million, $2.8 million, $3.1 million, $2.8 million, $3.0 million, and $1.4 million for 2008 through 2003, respectively, in aggregate claim liability. The insurance company provides insurance for claims above the individual occurrence and aggregate limits. We estimate claim liability based on claims incurred and the estimated ultimate cost to settle the claims. Based on this analysis, we have recognized cumulative expenses of $0.7 million, $0.3 million, $0.9 million, $0.5 million, $0.9 million, and $0.8 million for claims incurred during the years ended December 31, 2008 through 2003, respectively. Claims incurred during the years ended December 31, 2008 and 2007 are relatively new and significant additional healthcare and wage indemnification costs could arise from those claims. Our liability for claims incurred during the years ended December 31, 2008 and 2007 could exceed our estimates and we could be liable for up to $2.5 million and $0.9 million, respectively, in excess of the expense we have recognized. For the four years ended on or prior to December 31, 2006, based on our retained claim liability per incident and our aggregate claim liability, our maximum liability at December 31, 2008 is $1.6 million in excess of the amounts deemed probable and previously recognized.

Under our current employee health care insurance policy, we retain claims liability risk up to $250,000 per incident. We estimate our liability for the uninsured portion of employee health care obligations that have been incurred but not reported based on individual coverage, our claims experience, and the average time from when a claim is incurred to the time it is paid. We recognized employee health care claim expense of $18.5 million, $14.3 million and $10.8 million during the years ended December 31, 2008, 2007 and 2006, respectively, which includes actual claims paid and an estimate for our liability for the uninsured portion of employee health care obligations that have been incurred but not paid. Should employee health insurance claims exceed our estimated liability, we would have further obligations.

We have entered into employment agreements with two of our officers whereby payments may be required if we terminate their employment without cause other than following a change in control. The amounts payable are based upon the executives salaries at the time of termination and the cost to us of continuing to provide certain benefits. Had both of such officers been terminated at December 31, 2008, we would have had aggregate obligations for salaries and benefits of approximately $2.2 million under such agreements. We have entered into employment agreements with each of our officers that require us to make certain payments in the event the officer s employment is terminated under certain circumstances within a certain period following a change in control of our stock. The amounts payable by us under these agreements is based on the officer s salary and bonus history at the time of termination and the cost to us of continuing to provide certain benefits. Had all of our officers been terminated in qualifying terminations following a change in control at December 31, 2008, we would have had aggregate obligations of approximately $16.1 million under these agreements. These agreements also provide for the acceleration of the vesting of all stock options and restricted stock units upon any qualifying termination following a change in control.

From time to time, we have received notices alleging that our products infringe third-party proprietary rights, although we are not aware of any pending litigation with respect to such claims. Patent litigation frequently is complex and expensive, and the outcome of patent litigation can be difficult to predict. There can be no assurance that we will prevail in any infringement proceedings that may be commenced against us. If we lose any such litigation, we may be stopped from selling certain products and/or we may be required to pay damages as a result of the litigation.

Guarantees

The following is a summary of our agreements and obligations that we have determined to be within the scope of FIN 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others an interpretation of FASB Statements No. 5, 57 and 107 and rescission of FASB Interpretation No. 34.

In October 2005, our former supplier of VetAutoread Hematology Analyzers and consumables sold this business (including the human hematology testing products division) and we simultaneously entered into a new supply agreement for these products with the acquirer of the business. Under this new supply agreement, we received guaranteed pricing on certain products through December 31, 2020, among other benefits. In partial consideration for this new supply agreement, we paid cash of $2.5 million to the acquirer and guaranteed the acquirer s note (the Note) in the principal amount of $3.5 million given to our former supplier in partial consideration for the business. The acquirer was obligated to pay the Note through quarterly principal and interest payments through 2008 and to pay the remaining balance in 2008. We recorded the fair value of the guaranty of $0.5 million and recognized the associated assets at the effective date of the agreement. At December 31, 2007, we had written off the guaranty liability because our recognized contractual liabilities to the supplier exceed the principal balance of the Note and a legal right of offset exists whereby we may elect to pay to the holder of the Note the amounts otherwise due to the supplier. In February 2008, the acquirer paid the remaining payment under the Note, which released our guaranty.

We enter into agreements with third parties in the ordinary course of business under which we are obligated to indemnify such third parties for and against various risks and losses. The precise terms of such indemnities vary with the nature of the agreement. In many cases, we limit the maximum amount of our indemnification obligations, but in some cases those obligations may be theoretically unlimited. We have not incurred material expenses in discharging any of these indemnification obligations, and based on our analysis of the nature of the risks involved, we believe that the fair value of these agreements is minimal. Accordingly, we have recorded no liabilities for these obligations at December 31, 2008 and 2007.

When acquiring a business, we sometimes assume liability for certain events or occurrences that took place prior to the date of acquisition. However, we do not believe that we have any probable pre-acquisition liabilities or guarantees that should be recognized at December 31, 2008 and 2007.

NOTE 13. PREFERRED STOCK

Our board of directors is authorized, subject to any limitations prescribed by law, without further stockholder approval, to issue from time to time up to 500,000 shares of Preferred Stock, $1.00 par value per share (Preferred Stock), in one or more series. Each such series of Preferred Stock shall have such number of shares, designations, preferences, voting powers, qualifications and special or relative rights or privileges as shall be determined by the board of directors, which may include, among others, dividend rights, voting rights, redemption and sinking fund provisions, liquidation preferences, conversion rights and preemptive rights.

NOTE 14. TREASURY STOCK

The board of directors has authorized the repurchase of up to 40,000,000 shares of our common stock in the open market or in negotiated transactions. We believe that the repurchase of our common stock is a favorable investment and we also repurchase to offset the dilutive effect of our employee share-based compensation programs. Repurchases of our common stock may vary depending upon the level of other investing activities and the share price.

From the inception of the program in August 1999 to December 31, 2008, we repurchased 35,787,000 shares for $822.5 million. From the inception of the program to December 31, 2008, we also received 376,000 shares of stock with a market value of $7.9 million that were surrendered by employees in payment for the minimum required withholding taxes due on the exercise of stock options, the vesting of restricted stock units and the settlement of deferred stock units, and in payment for the exercise price of stock options.

Information about our treasury stock purchases and other receipts is presented in the table below (*in thousands, except per share amounts*):

	For the Years Ended December 31, 2008	2007	2006
Treasury shares acquired	2,664	2,588	2,675
Total cost of treasury shares	$ 133,722	$ 118,842	$ 105,730
Average cost per share	$ 50.19	$ 45.93	$ 39.51

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NOTE 15. IDEXX RETIREMENT AND INCENTIVE SAVINGS PLAN

We have established the IDEXX Retirement and Incentive Savings Plan (the 401(k) Plan). Employees eligible to participate in the 401(k) Plan may contribute specified percentages of their salaries, a portion of which will be matched by us. We matched $5.6 million, $3.4 million and $2.7 million for the years ended December 31, 2008, 2007 and 2006, respectively. In addition, we may make contributions to the 401(k) Plan at the discretion of the board of directors. There were no discretionary contributions in 2008, 2007 and 2006.

NOTE 16. DISPOSITION OF PHARMACEUTICAL PRODUCT LINES AND RESTRUCTURING

In the fourth quarter of 2008, we sold our Acarexx® and SURPASS® veterinary pharmaceutical products and a product under development, which were a part of our CAG segment, for cash of $7.0 million, a short-term receivable of $1.4 million, which was received in January 2009, and up to $12.0 million of future payments based on the achievement of certain development and sales milestones. Milestone payments will be included in our results of operations upon achievement of the milestone.

Additionally in the fourth quarter of 2008, in a separate transaction, we entered into an agreement to sell our raw material inventory of nitazoxanide (NTZ), the active ingredient associated with our Navigator® product, back to the material supplier. We will receive $25,000 per month for 24 months and a final payment of $1.4 million related to this agreement, which will be recorded in our results of operations in the period that the payments are received. In the second quarter of 2007 we recognized a write-down of NTZ inventory of $9.1 million based on the determination that we would not realize this inventory.

Subsequent to entering into the transactions noted above we restructured the remaining pharmaceutical business and realigned two of our remaining product lines to the Rapid Assay products and realigned the remainder of the business, which comprised one product line and two out-licensing arrangements, to the Other category. Segment information presented for the years ended December 31, 2007 and 2006 has been restated to conform to our presentation of reportable segments for the year ended December 31, 2008.

For the year ended December 31, 2008 we recognized a pre-tax loss from the transactions and the related restructuring costs of approximately $1.5 million and recorded a tax provision of $2.1 million, primarily related to the disposition of $7.2 million of nondeductible goodwill allocated to the pharmaceutical product lines sold.

The pre-tax loss on disposition of the pharmaceutical product lines and related restructuring charges have been included in the line item totals of the consolidated statements of income as follows *(in thousands)*:

	December 31, 2008
Expenses:	
Sales and marketing	$ 263
General and administrative	1,095
Research and development	121
	$ 1,479

In the fourth quarter of 2008, we also entered into a separate royalty bearing license agreement related to certain intellectual property of our pharmaceutical business. Under this agreement we received $0.25 million up front and are entitled to receive a total of $3.3 million in milestone payments, related to the achievement of future events, and royalties based on future product sales. Milestone payments will be included in our results of operations upon achievement of the milestones.

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NOTE 17. SEGMENT REPORTING

We disclose information regarding our segments in accordance with the provisions of SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information (SFAS No. 131). SFAS No. 131 requires disclosures about operating segments in annual financial statements and requires selected information about operating segments in interim financial statements. It also requires related disclosures about products and services and about geographic areas. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker, or decision-making group, in deciding how to allocate resources and in assessing performance. Our chief operating decision-maker is the Chief Executive Officer.

We are organized into business units by market and customer group. Our reportable segments include: products and services for the veterinary market, which we refer to as our Companion Animal Group (CAG), water quality products (Water), and products for production animal health, which we refer to as the Production Animal Segment (PAS). We also operate two smaller segments that comprise products for dairy quality, which we refer to as Dairy, and products for the human medical diagnostic market, which we refer to as OPTI Medical. In addition, we maintain active research and development programs, some of which may materialize into the development and introduction of new technology, products or services that do not align with one of our existing business or service categories. In such situations, the related financial impacts are shown in the Other category. Financial information about the Dairy and OPTI Medical operating segments and other activities are combined and presented in an Other category because they do not meet the quantitative or qualitative thresholds for reportable segments.

CAG develops, designs, manufactures, and distributes products and performs services for veterinarians. Water develops, designs, manufactures and distributes products to detect contaminants in water. PAS develops, designs, manufactures and distributes products to detect disease in production animals. Dairy develops, designs, manufactures and distributes products to detect contaminants in dairy products. OPTI Medical develops, designs, manufactures, and distributes point-of-care electrolyte and blood gas analyzers and related consumable products for the human medical diagnostics market. In connection with the restructuring of our pharmaceutical business at the end of 2008, we realigned two of our remaining product lines to the Rapid Assay products, and realigned the remainder of the business, which comprised one product line and two out-licensing arrangements, to the Other category. The segment information for the years ended December 31, 2007 and 2006 has been restated to conform to our presentation of reportable segments for the year ended December 31, 2008. Previously, financial information related to the product lines realigned to Rapid Assay and the product line and out-licensing arrangement realigned to Other were included in the pharmaceutical business and reported in the CAG segment.

Items that are not allocated to our operating segments are comprised primarily of corporate research and development expenses, interest income and expense, and income taxes. Share-based compensation expense was also reported in unallocated amounts in 2006. Beginning in 2007, we allocate a portion of share-based compensation expense to the operating segments. This allocation differs from the actual expense and consequently yields a difference between the total allocated share-based compensation expense and the actual expense for the total company, which is categorized as unallocated amounts.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies except that most interest income and expenses and income taxes are not allocated to individual operating segments. Below is our segment information (*in thousands*):

	For the Years Ended December 31,					
	CAG	Water	PAS	Other	Unallocated Amounts	Consolidated Total
2008						
Revenue	$ 834,056	$ 74,469	$ 80,762	$ 34,743	$	$ 1,024,030
Income (loss) from operations	$ 129,620	$ 31,330	$ 21,760	$ 1,555	$ (11,809)	$ 172,456
Interest expense, net						(2,269)
Income before provision for income taxes						170,187
Provision for income taxes						54,018
Net income						$ 116,169
Depreciation and amortization	$ 40,330	$ 975	$ 5,088	$ 2,426	$	$ 48,819
Segment assets	500,824	41,429	58,019	33,009	132,156	765,437
Expenditures for long-lived assets (1)	74,145	4,761	6,794	3,573		89,273
2007						
Revenue	$ 750,449	$ 66,235	$ 75,085	$ 30,786	$	$ 922,555
Income (loss) from operations	$ 100,285	$ 26,847	$ 15,456	$ 1,003	$ (7,408)	$ 136,183
Interest expense, net						(1,340)
Income before provision for income taxes						134,843
Provision for income taxes						40,829
Net income						$ 94,014
Depreciation and amortization	$ 34,813	$ 1,116	$ 4,116	$ 1,055	$	$ 41,100
Segment assets	483,142	38,178	51,719	18,321	110,819	702,179
Expenditures for long-lived assets (1)	61,698	1,400	3,896	2,626		69,620
2006						
Revenue	$ 604,341	$ 58,466	$ 58,940	$ 17,370	$	$ 739,117

Income (loss) from operations	$ 99,833	$ 25,762	$ 16,172	$ 2,779	$ (16,613)	$ 127,933
Interest income, net						2,817
Income before provision for income taxes and partner s interest						130,750
Provision for income taxes						37,224
Partner s interest in loss of subsidiary						(152)
Net income						$ 93,678
Depreciation and amortization	$ 25,643	$ 647	$ 3,456	$ 70	$	$ 29,816
Segment assets	353,585	35,042	38,516	4,184	128,233	559,560
Expenditures for long-lived assets (1)	49,448	2,345	2,352	13		54,158

(1) Expenditures for long-lived assets exclude expenditures for intangible assets. See Note 4 for information regarding acquisitions of goodwill and other intangible assets in connection with business acquisitions. Expenditures for long-lived assets made in connection with CAG business acquisitions for the year ended December 31, 2008 were insignificant. Expenditures for long-lived assets for the year ended December 31, 2007 include $1.7 million, $1.5 million and

$1.3 million for property acquired in connection with PAS, Other operating segments and CAG business acquisitions, respectively. Expenditures for long-lived assets for the year ended December 31, 2006 include $2.5 million for property acquired in connection with CAG business acquisitions and $19.0 million related to the purchase of our Westbrook, Maine headquarters facility, of which $7.5 million was financed through the assumption of a mortgage.

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Revenue by product and service categories was as follows (*in thousands*):

	For the Years Ended December 31,		
	2008	**2007**	**2006**
CAG segment revenue:			
Instruments and consumables	$ 318,533	$ 289,271	$ 242,312
Rapid assay products	146,867	133,508	115,481
Reference laboratory and consulting services	288,244	255,193	187,114
Practice information management systems and digital radiography	61,291	53,385	44,427
Pharmaceutical products	19,121	19,092	15,007
Net CAG segment revenue	834,056	750,449	604,341
Water segment revenue	74,469	66,235	58,466
Production animal segment revenue	80,762	75,085	58,940
Other segment revenue	34,743	30,786	17,370
Net revenue	$ 1,024,030	$ 922,555	$ 739,117

Revenue by principal geographic area, based on customers domiciles, was as follows (*in thousands*):

	For the Years Ended December 31,		
	2008	**2007**	**2006**
Americas			
United States	$ 610,056	$ 552,134	$ 478,172
Canada	61,456	55,884	22,070
Other Americas	10,794	11,777	6,076
	682,306	619,795	506,318
Europe			
United Kingdom	62,274	60,831	53,296
Germany	62,611	54,538	45,391
France	42,801	43,398	26,884
Other Europe	103,818	82,204	62,251
	271,504	240,971	187,822
Asia Pacific Region			
Japan	27,424	25,216	19,271
Australia	25,360	22,506	17,378
Other Asia Pacific	17,436	14,067	8,328
	70,220	61,789	44,977

Total	$ 1,024,030	$ 922,555	$ 739,117

Our largest customers are our U.S. distributors of our products in the CAG segment. One of our CAG distributors, Butler Animal Health Supply, LLC, accounted for 8% of our 2008 and 2007 revenue, 9% of our 2006 revenue, and 5% of our net accounts receivable at December 31, 2008, 2007 and 2006.

Net long-lived assets, consisting of net property and equipment, are subject to geographic risks because they are generally difficult to move and to effectively utilize in another geographic area in a reasonable time period and because they are relatively illiquid. Net long-lived assets by principal geographic areas were as follows *(in thousands)*:

	December 31, 2008	2007	2006
Americas			
United States	$ 163,107	$ 112,712	$ 77,648
Canada	5,403	5,513	2,434
	168,510	118,225	80,082
Europe			
United Kingdom	6,209	8,713	8,655
Germany	3,271	3,677	3,203
Switzerland	3,800	3,770	3,585
France	2,665	2,578	782
Netherlands	2,538	2,457	1,398
Other Europe	912	438	318
	19,395	21,633	17,941
Asia Pacific Region			
Japan	439	496	468
Australia	1,049	1,187	839
Other Asia Pacific	253	311	298
	1,741	1,994	1,605
Total	$ 189,646	$ 141,852	$ 99,628

NOTE 18. FAIR VALUE MEASUREMENTS

On January 1, 2008, we adopted the provisions of SFAS No. 157 for our financial assets and liabilities. As permitted by FSP No. SFAS 157-2, we elected to defer the adoption of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis, until January 1, 2009. SFAS No. 157 provides a framework for measuring fair value under U.S. GAAP and requires expanded disclosures regarding fair value measurements. SFAS No. 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS No. 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs, where available, and minimize the use of unobservable inputs when measuring fair value. SFAS No. 157 describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities. Our Level 1 assets and liabilities include investments in money market funds and marketable securities related to a deferred compensation plan assumed in a business combination. The liabilities associated with this plan relate to deferred compensation, which is indexed to the performance of the underlying investments.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Our Level 2 assets include unrealized gains and losses on hedge contracts.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. At December 31, 2008, we had no Level 3 assets or liabilities.

The following table sets forth our financial assets and liabilities that were measured at fair value on a recurring basis at December 31, 2008 by level within the fair value hierarchy. We did not have any nonfinancial assets or liabilities that were measured or disclosed at fair value on a recurring basis at December 31, 2008. As required by SFAS No. 157, assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability (*in thousands*):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2008
Assets				
Marketable securities (1)	$ 1,384	$	$	$ 1,384
Money market funds (2)	9,017			9,017
Derivatives (3)		9,932		9,932
Liabilities				
Deferred compensation (4)	1,384			1,384

(1) Investments in marketable securities for a deferred compensation plan, which is included in other long-term assets.

(2) Short-term investment in registered funds and included in cash and cash equivalents.

(3) Unrealized gains on hedge contracts, included in other assets. The notional value of these contracts is $97.7 million.

(4)

Deferred compensation liability associated with the above-mentioned marketable securities, included in other long-term liabilities.

NOTE 19. SUMMARY OF QUARTERLY DATA (UNAUDITED)

A summary of quarterly data follows (*in thousands, except per share data*):

	For the Quarters Ended			
	March 31,	June 30,	September 30,	December 31,
2008				
Revenue	$ 249,074	$ 280,570	$ 251,093	$ 243,293
Gross profit	129,836	151,260	128,149	120,521
Operating income	38,719	58,891	38,997	35,849
Net income	27,551	39,364	25,699	23,555
Earnings per share:				
Basic	$ 0.45	$ 0.66	$ 0.43	$ 0.40
Diluted	$ 0.43	$ 0.63	$ 0.42	$ 0.39
2007				
Revenue	$ 211,155	$ 237,046	$ 229,385	$ 244,969
Gross profit	108,579	114,221	118,478	122,244
Operating income	30,877	32,467	36,097	36,742
Net income	21,027	21,664	25,795	25,528
Earnings per share:				
Basic	$ 0.34	$ 0.35	$ 0.42	$ 0.42
Diluted	$ 0.32	$ 0.34	$ 0.40	$ 0.40

SCHEDULE II

IDEXX LABORATORIES, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

(*in thousands*)

	Balance at Beginning of Year	Charges to Costs and Expenses	Write-Offs/ Cash Payments	Other (1)	Balance at End of Year
Reserves for doubtful accounts receivable:					
December 31, 2006	$ 1,221	$ 1,070	$ (599)	$ 91	$ 1,783
December 31, 2007	1,783	614	(1,035)	380	1,742
December 31, 2008	1,742	1,180	(746)	(83)	2,093
Valuation allowance for deferred tax assets:					
December 31, 2006	$ 4,896	$ (88)	$ (734)	$	$ 4,074
December 31, 2007	4,074	545	(378)		4,241
December 31, 2008	4,241	1,013	(585)	(78)	4,591

(1) Includes reserves of businesses acquired and the effect of foreign currency translation

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EXHIBIT INDEX

Exhibit No.	Description
3.1	Restated Certificate of Incorporation of the Company, as amended (filed as Exhibit No. 3(i) to Quarterly Report on Form 10-Q for the quarter ended June 30, 2006, File No. 0-19271, and incorporated herein by reference).
3.2	Amended and Restated By-Laws of the Company (filed as Exhibit No. 3.2 to Quarterly Report on Form 10-Q for the quarter ended September 30, 2000, File No. 0-19271, and incorporated herein by reference).
4.3	Instruments with respect to other long-term debt of the Company and its consolidated subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K since the total amount authorized under each such omitted instrument does not exceed 10 percent of the total assets of the Company and its subsidiaries on a consolidated basis. The Company hereby agrees to furnish a copy of any such instrument to the Securities and Exchange Commission upon request.
10.1	1991 Stock Option Plan of the Company, as amended (filed as Exhibit No. 10.1 to Annual Report on Form 10-K for the year ended December 31, 2006, File No. 0-19271 (2006 Form 10-K), and incorporated herein by reference).
10.2*	U.S. Supply Agreement, effective as of October 16, 2003, between the Company and Ortho-Clinical Diagnostics, Inc. (Ortho) (filed as Exhibit No. 10.7 to Annual Report on Form 10-K for the year ended December 31, 2003, File No. 0-19271 (2003 Form 10-K), and incorporated herein by reference).
10.3*	Amendment No. 1 to U.S. Supply Agreement effective as of January 1, 2005, between the Company and Ortho (filed as Exhibit No. 10.1 to Quarterly Report on Form 10-Q for the quarter ended June 30, 2005, File No. 0-19271 (June 2005 10-Q), and incorporated herein by reference).
10.4*	Amendment No. 2 to U.S. Supply Agreement effective as of October 15, 2006, between the Company and Ortho (filed as Exhibit No. 10.4 to Annual Report on Form 10-K for the year ended December 31, 2007, File No. 0-19271 (2007 Form 10-K), and incorporated herein by reference).
10.5*	Amendment No. 3 to U.S. Supply Agreement effective as of January 18, 2008, between the Company and Ortho (filed as Exhibit No. 10.5 to 2007 Form 10-K, and incorporated herein by reference).
10.6*	European Supply Agreement, effective as of October 17, 2003, between the Company and Ortho (filed as Exhibit No. 10.8 to 2003 Form 10-K, and incorporated herein by reference).
10.7*	Amendment No. 1 to European Supply Agreement effective as of January 1, 2005, between the Company and Ortho (filed as Exhibit No. 10.2 to June 2005 10-Q, and incorporated herein by reference).

10.8*	Amendment No. 2 to European. Supply Agreement effective as of January 18, 2008, between the Company and Ortho (filed as Exhibit No. 10.8 to 2007 Form 10-K, and incorporated herein by reference).
10.9	1998 Stock Incentive Plan of the Company, as amended (filed as Exhibit No. 10.6 to 2006 Form 10-K, and incorporated herein by reference).
10.10	2000 Director Option Plan of the Company, as amended (filed as Exhibit No. 10.7 to 2006 Form 10-K, and incorporated herein by reference).
10.11	Employment Agreement dated January 22, 2002, between the Company and Jonathan W. Ayers (filed as Exhibit No. 10.13 to Annual Report on Form 10-K for the year ended December 31, 2001, File No. 0-19271, and incorporated herein by reference).
10.12	Executive Employment Agreement dated January 1, 2007, between the Company and Jonathan W. Ayers (filed as Exhibit No. 10.1 to January 5, 2007 Form 8-K, File No. 0-19271 (January 5, 2007 Form 8-K), and incorporated herein by reference).
10.13	Letter Agreement dated August 12, 2003, between the Company and William C. Wallen (filed as Exhibit No. 10.14 to 2003 Form 10-K, and incorporated herein by reference).

Exhibit No.	Description
10.14	Executive Employment Agreement dated January 1, 2007, between the Company and William C. Wallen (filed as Exhibit No. 10.2 to January 5, 2007 Form 8-K, and incorporated herein by reference).
10.15	Executive Employment Agreement dated January 1, 2007, between the Company and Merilee Raines (filed as Exhibit No. 10.3 to January 5, 2007 Form 8-K, and incorporated herein by reference).
10.16	Executive Employment Agreement dated January 1, 2007, between the Company and Conan R. Deady (filed as Exhibit No. 10.4 to January 5, 2007 Form 8-K, and incorporated herein by reference).
10.17	Form of Executive Employment Agreement dated January 1, 2007, between the Company and each of William E. Brown III, PhD, Thomas J. Dupree, William B. Goodspeed, Ali Naqui, PhD, James F. Polewaczyk, Johnny D. Powers, PhD, and Michael J. Williams, PhD (filed as Exhibit No. 10.5 to January 5, 2007 Form 8-K, and incorporated herein by reference).
10.18	Amendment, Release and Settlement Agreement dated as of September 12, 2002, among the Company, IDEXX Europe B.V., and Ortho (filed as Exhibit No. 10.1 to Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, File No. 0-19271, and incorporated herein by reference).
10.19	Restated Director Deferred Compensation Plan, as amended (filed as Exhibit No. 10.19 to 2007 Form 10-K, and incorporated herein by reference).
10.20	2003 Stock Incentive Plan, as amended (filed as Exhibit No. 10.20 to 2007 Form 10-K, and incorporated herein by reference).
10.21	Form of Stock Option Agreement, as amended pursuant to the 2003 Stock Incentive Plan (filed as Exhibit No. 10.3 to Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, File No. 0-19271, and incorporated herein by reference).
10.22	1997 Employee Stock Purchase Plan, as amended (filed as Exhibit No. 10.22 to 2007 Form 10-K, and incorporated herein by reference).
10.23	Restated Executive Deferred Compensation Plan, as amended (filed as Exhibit No. 10.23 to 2007 Form 10-K, and incorporated herein by reference)).
10.24	Form of Restricted Stock Unit Agreement (filed as Exhibit 10.22 to Annual Report on Form 10-K for the year ended 2005, File No. 0-19271 (2005 Form 10-K), and incorporated herein by reference).
10.25	2008 Incentive Compensation Plan (filed as Exhibit 10.2 to Current Report on Form 8-K filed May 13, 2008, File No. 0-19271, and incorporated herein by reference).

10.26	Purchase and Sale Agreement dated as of January 17, 2006, between the Company and CW Westbrook Limited Partnership (filed as Exhibit 10.23 to 2005 Form 10-K, and incorporated herein by reference).
10.27	Purchase and Sale Agreement among Osmetech plc, Osmetech Inc., Osmetech Technology Inc. and Osmetech GmbH and IDEXX Sciences, Inc. and IDEXX Laboratories, Inc. dated as of December 15, 2006 (filed as Exhibit No. 2.1 to Current Report on Form 8-K filed December 21, 2006, File No. 0-19271, and incorporated herein by reference).
10.28	Credit Agreement among the Company, as borrower, certain material subsidiaries of the Company, as guarantors, JPMorgan Chase Bank, National Association, as administrative agent, and JPMorgan Chase Bank, National Association, Toronto Branch, as Toronto agent (filed as Exhibit No. 10.1 to Current Report on Form 8-K filed January 31, 2007, File No. 0-19271, and incorporated herein by reference).
10.29	Amended and Restated Credit Agreement among the Company, IDEXX Distribution, Inc., IDEXX Operations, Inc., IDEXX Reference Laboratories, Inc., OPTI Medical Systems, Inc. and IDEXX Laboratories Canada Corporation, as borrowers, the lenders party thereto, JPMorgan Chase Bank, National Association, as administrative agent, JPMorgan Chase Bank, National Association, Toronto Branch, as Toronto agent, Bank of America, N.A., as syndication agent, Wachovia Bank, N.A., as documentation agent, LaSalle Bank National Association, as co-agent and J.P. Morgan Securities Inc., as sole bookrunner and lead arranger (filed as Exhibit 10.1 to Current Report on Form 8-K filed April 5, 2007, File No. 0-19271, and incorporated herein by reference).

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Exhibit No.	Description
10.30	Modification to Credit Agreement, dated as of February 22, 2008, among the Company, IDEXX Distribution, Inc., IDEXX Operations, Inc., IDEXX Reference Laboratories, Inc., OPTI Medical Systems, Inc. and IDEXX Laboratories Canada Corporation, the lenders party thereto, JPMorgan Chase Bank, National Association, as administrative agent, and JPMorgan Chase Bank, National Association, Toronto Branch, as Toronto agent (filed as Exhibit No. 10.1 to Current Report on Form 8-K filed February 25, 2008, File No. 0-19271 (February 25, 2008 Form 8-K), and incorporated herein by reference).
10.31	Amendment No. 1 to Credit Agreement, dated as of February 22, 2008, among the Company, IDEXX Distribution, Inc. IDEXX Operations, Inc., IDEXX Reference Laboratories, Inc., OPTI Medical Systems, Inc. and IDEXX Laboratories Canada Corporation, the lenders party thereto, JPMorgan Chase Bank, National Association, as administrative agent, and JPMorgan Chase Bank, National Association, Toronto Branch, as Toronto agent, (filed as Exhibit 10.2 to February 25, 2008 Form 8-K, and incorporated herein by reference).
21	Subsidiaries of the Company (filed herewith).
23	Consent of PricewaterhouseCoopers LLP (filed herewith).
31.1	Certification by Chief Executive Officer (filed herewith).
31.2	Certification by Corporate Vice President, Chief Financial Officer and Treasurer (filed herewith).
32.1	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.2	Certification by Corporate Vice President, Chief Financial Officer and Treasurer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).

* Confidential treatment requested as to certain portions.

Management contract or compensatory arrangement required to be filed as an exhibit pursuant to Item 15(a)(3) of Form 10-K.