

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share amounts)

ASSETS:

| | March 27, <u>2004</u> | September 27, <u>2003</u> |
|---|--------------------------|------------------------------|
| Current assets: | | |
| Cash and cash equivalents..... | \$3,158 | \$3,396 |
| Short-term investments..... | 1,436 | 1,170 |
| Accounts receivable, less allowances of \$48 and \$49, respectively ... | 585 | 766 |
| Inventories..... | 63 | 56 |
| Deferred tax assets..... | 216 | 190 |
| Other current assets..... | <u>326</u> | <u>309</u> |
| Total current assets..... | 5,784 | 5,887 |
| Property, plant, and equipment, net..... | 687 | 669 |
| Goodwill..... | 85 | 85 |
| Acquired intangible assets..... | 21 | 24 |
| Other assets..... | <u>158</u> | <u>150</u> |
| Total assets..... | <u>\$6,735</u> | <u>\$6,815</u> |

LIABILITIES AND SHAREHOLDERS' EQUITY:

| | | |
|---|----------------|----------------|
| Current liabilities: | | |
| Accounts payable..... | \$ 991 | \$1,154 |
| Accrued expenses..... | 989 | 899 |
| Current debt..... | <u>--</u> | <u>304</u> |
| Total current liabilities..... | 1,980 | 2,357 |
| Deferred tax liabilities and other non-current liabilities..... | <u>265</u> | <u>235</u> |
| Total liabilities..... | <u>2,245</u> | <u>2,592</u> |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Common stock, no par value; 900,000,000 shares authorized; 372,855,336 and 366,726,584 shares issued and outstanding, respectively..... | 2,107 | 1,926 |
| Deferred stock compensation..... | (110) | (62) |
| Retained earnings..... | 2,503 | 2,394 |
| Accumulated other comprehensive income (loss)..... | <u>(10)</u> | <u>(35)</u> |
| Total shareholders' equity..... | <u>4,490</u> | <u>4,223</u> |
| Total liabilities and shareholders' equity..... | <u>\$6,735</u> | <u>\$6,815</u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except share and per share amounts)

| | THREE MONTHS ENDED | | SIX MONTHS ENDED | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | March 27, <u>2004</u> | March 29, <u>2003</u> | March 27, <u>2004</u> | March 29, <u>2003</u> |
| Net sales..... | \$1,909 | \$1,475 | \$3,915 | \$2,947 |
| Cost of sales..... | <u>1,379</u> | <u>1,057</u> | <u>2,849</u> | <u>2,123</u> |
| Gross margin..... | <u>530</u> | <u>418</u> | <u>1,066</u> | <u>824</u> |
| Operating expenses: | | | | |
| Research and development..... | 123 | 119 | 242 | 240 |
| Selling, general, and administrative..... | 345 | 300 | 688 | 599 |
| Restructuring costs..... | <u>10</u> | <u>3</u> | <u>10</u> | <u>26</u> |
| Total operating expenses..... | <u>478</u> | <u>422</u> | <u>940</u> | <u>865</u> |
| Operating income (loss)..... | 52 | (4) | 126 | (41) |
| Other income and expense: | | | | |
| Gain on sales of non-current investments..... | -- | -- | 4 | -- |
| Interest and other income, net..... | <u>12</u> | <u>23</u> | <u>21</u> | <u>52</u> |
| Total other income and expense..... | <u>12</u> | <u>23</u> | <u>25</u> | <u>52</u> |
| Income before provision for income taxes..... | 64 | 19 | 151 | 11 |
| Provision for income taxes..... | <u>18</u> | <u>5</u> | <u>42</u> | <u>3</u> |
| Income before accounting change..... | <u>46</u> | <u>14</u> | <u>109</u> | <u>8</u> |
| Cumulative effect of accounting change, net..... | -- | -- | -- | <u>(2)</u> |
| Net income..... | <u>\$ 46</u> | <u>\$ 14</u> | <u>\$ 109</u> | <u>\$ 6</u> |
| Earnings per common share before accounting change: | | | | |
| Basic..... | \$ 0.13 | \$ 0.04 | \$ 0.30 | \$ 0.02 |
| Diluted..... | \$ 0.12 | \$ 0.04 | \$ 0.29 | \$ 0.02 |
| Earnings per common share: | | | | |
| Basic..... | \$ 0.13 | \$ 0.04 | \$ 0.30 | \$ 0.02 |
| Diluted..... | \$ 0.12 | \$ 0.04 | \$ 0.29 | \$ 0.02 |
| Shares used in computing earnings per share (in thousands): | | | | |
| Basic..... | 365,347 | 360,490 | 363,898 | 359,774 |
| Diluted..... | 378,230 | 362,243 | 375,168 | 361,591 |

UNAUDITED NON-GAAP CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(In millions, except share and per share amounts)

THREE MONTHS ENDED MARCH 27, 2004

| | As Reported | Non-GAAP Adjustments | Non-GAAP |
|---|--------------|-------------------------|--------------|
| Net sales..... | \$1,909 | | \$1,909 |
| Cost of sales..... | <u>1,379</u> | | <u>1,379</u> |
| Gross margin..... | <u>530</u> | | <u>530</u> |
| Operating expenses: | | | |
| Research and development..... | 123 | | 123 |
| Selling, general, and administrative..... | 345 | | 345 |
| Restructuring costs..... | <u>10</u> | <u>(10)</u> (a) | <u>--</u> |
| Total operating expenses..... | <u>478</u> | <u>(10)</u> | <u>468</u> |
| Operating income..... | 52 | 10 | 62 |
| Other income and expense: | | | |
| Interest and other income, net..... | <u>12</u> | | <u>12</u> |
| Total other income and expense..... | <u>12</u> | | <u>12</u> |
| Income before provision for income taxes..... | 64 | 10 | 74 |
| Provision for income taxes..... | <u>18</u> | <u>3</u> (b) | <u>21</u> |
| Net income..... | <u>\$ 46</u> | <u>\$ 7</u> | <u>\$ 53</u> |
| Earnings per common share: | | | |
| Basic..... | \$ 0.13 | | \$ 0.15 |
| Diluted..... | \$ 0.12 | | \$ 0.14 |
| Shares used in computing earnings per share (in thousands): | | | |
| Basic..... | 365,347 | | 365,347 |
| Diluted..... | 378,230 | | 378,230 |

Notes:

- (a) Pre-tax restructuring costs
- (b) Tax impact of restructuring costs

UNAUDITED NON-GAAP CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(In millions, except share and per share amounts)

SIX MONTHS ENDED MARCH 27, 2004

| | As Reported | Non-GAAP Adjustments | Non-GAAP |
|---|---------------|-------------------------|---------------|
| Net sales..... | \$3,915 | | \$3,915 |
| Cost of sales..... | <u>2,849</u> | | <u>2,849</u> |
| Gross margin..... | <u>1,066</u> | | <u>1,066</u> |
| Operating expenses: | | | |
| Research and development..... | 242 | | 242 |
| Selling, general, and administrative..... | 688 | | 688 |
| Restructuring costs..... | <u>10</u> | <u>(10)</u> (a) | <u>--</u> |
| Total operating expenses..... | <u>940</u> | <u>(10)</u> | <u>930</u> |
| Operating income..... | 126 | 10 | 136 |
| Other income and expense: | | | |
| Gain on sales of non-current investments..... | 4 | (4) (b) | -- |
| Interest and other income, net..... | <u>21</u> | | <u>21</u> |
| Total other income and expense..... | <u>25</u> | <u>(4)</u> | <u>21</u> |
| Income before provision for income taxes..... | 151 | 6 | 157 |
| Provision for income taxes..... | <u>42</u> | <u>2</u> (c) | <u>44</u> |
| Net income..... | <u>\$ 109</u> | <u>\$ 4</u> | <u>\$ 113</u> |
| Earnings per common share: | | | |
| Basic..... | \$ 0.30 | | \$ 0.31 |
| Diluted..... | \$ 0.29 | | \$ 0.30 |
| Shares used in computing earnings per share (in thousands): | | | |
| Basic..... | 363,898 | | 363,898 |
| Diluted..... | 375,168 | | 375,168 |

Notes:

- (a) Pre-tax restructuring costs
- (b) Pre-tax gain on sales of non-current investments
- (c) Tax impact of restructuring costs and gain on sales of non-current investments