

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share amounts)

ASSETS:

	June 25, <u>2005</u>	September 25, <u>2004</u>
Current assets:		
Cash and cash equivalents.....	\$3,094	\$2,969
Short-term investments.....	4,432	2,495
Accounts receivable, less allowances of \$49 and \$47, respectively...	827	774
Inventories.....	193	101
Deferred tax assets.....	334	231
Other current assets.....	<u>496</u>	<u>485</u>
Total current assets.....	9,376	7,055
Property, plant, and equipment, net.....	764	707
Goodwill.....	80	80
Acquired intangible assets.....	29	17
Other assets.....	<u>239</u>	<u>191</u>
Total assets.....	<u>\$10,488</u>	<u>\$8,050</u>

LIABILITIES AND SHAREHOLDERS' EQUITY:

Current liabilities:		
Accounts payable.....	\$1,530	\$1,451
Accrued expenses.....	<u>1,593</u>	<u>1,200</u>
Total current liabilities.....	3,123	2,651
Non-current liabilities.....	<u>544</u>	<u>323</u>
Total liabilities.....	<u>3,667</u>	<u>2,974</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock, no par value; 1,800,000,000 shares authorized; 827,981,177 and 782,887,234 shares issued and outstanding, respectively.....	3,299	2,514
Deferred stock compensation.....	(62)	(93)
Retained earnings.....	3,575	2,670
Accumulated other comprehensive income (loss).....	<u>9</u>	<u>(15)</u>
Total shareholders' equity.....	<u>6,821</u>	<u>5,076</u>
Total liabilities and shareholders' equity.....	<u>\$10,488</u>	<u>\$8,050</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except share and per share amounts)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	June 25, <u>2005</u>	June 26, <u>2004</u>	June 25, <u>2005</u>	June 26, <u>2004</u>
Net sales.....	\$3,520	\$2,014	\$10,253	\$5,929
Cost of sales.....	<u>2,476</u>	<u>1,455</u>	<u>7,245</u>	<u>4,304</u>
Gross margin.....	<u>1,044</u>	<u>559</u>	<u>3,008</u>	<u>1,625</u>
Operating expenses:				
Research and development.....	145	125	387	367
Selling, general, and administrative.....	472	354	1,389	1,042
Restructuring costs.....	<u>--</u>	<u>8</u>	<u>--</u>	<u>18</u>
Total operating expenses.....	<u>617</u>	<u>487</u>	<u>1,776</u>	<u>1,427</u>
Operating income.....	427	72	1,232	198
Other income and expense:				
Gains on non-current investments.....	--	--	--	4
Interest and other income, net.....	<u>46</u>	<u>13</u>	<u>105</u>	<u>34</u>
Total other income and expense.....	<u>46</u>	<u>13</u>	<u>105</u>	<u>38</u>
Income before provision for income taxes.....	473	85	1,337	236
Provision for income taxes.....	<u>153</u>	<u>24</u>	<u>432</u>	<u>66</u>
Net income.....	<u>\$ 320</u>	<u>\$ 61</u>	<u>\$ 905</u>	<u>\$ 170</u>
Earnings per common share:				
Basic.....	\$ 0.39	\$ 0.08	\$ 1.13	\$ 0.23
Diluted.....	\$ 0.37	\$ 0.08	\$ 1.06	\$ 0.22
Shares used in computing earnings per share (in thousands):				
Basic.....	815,092	750,046	804,098	735,212
Diluted.....	860,688	785,242	853,105	762,518

RECONCILIATION OF NON-GAAP TO GAAP RESULTS OF OPERATIONS

(in millions, except share and per share amounts)

	<u>Three Months Ended June 25, 2005</u>			<u>Three Months Ended June 26, 2004</u>				
	<u>As Reported</u>	<u>Non-GAAP Adjustments</u>	<i>(a)</i>	<u>Non- GAAP</u>	<u>As Reported</u>	<u>Non-GAAP Adjustments</u>	<i>(a)</i>	<u>Non- GAAP</u>
Operating income	<u>\$427</u>	<u>\$11</u>	<i>(b)</i>	<u>\$438</u>	<u>\$72</u>	<u>\$18</u>	<i>(c)</i>	<u>\$90</u>
Total other income and expense	<u>46</u>	<u>-</u>		<u>46</u>	<u>13</u>	<u>-</u>		<u>13</u>
Provision for income taxes	<u>153</u>	<u>1</u>	<i>(d)</i>	<u>154</u>	<u>24</u>	<u>4</u>	<i>(d)</i>	<u>28</u>
Net income	<u>\$320</u>	<u>\$10</u>		<u>\$330</u>	<u>\$61</u>	<u>\$14</u>		<u>\$75</u>
Earnings per common share:								
Basic	\$0.39			\$0.40	\$0.08			\$0.10
Diluted	\$0.37			\$0.38	\$0.08			\$0.10
Shares used in computing earnings per share (in thousands):								
Basic	815,092			815,092	750,046			750,046
Diluted	860,688			860,688	785,242			785,242

- (a) These adjustments reconcile the Company's GAAP results of operations to its non-GAAP results of operations. The Company believes that presentation of results excluding items such as non-cash share-based compensation, restructuring costs, and investment gains provides meaningful supplemental information to both management and investors that is indicative of the Company's core operating results and facilitates comparison of operating results across reporting periods. The Company uses these non-GAAP measures when evaluating its financial results as well as for internal planning and forecasting purposes. These non-GAAP measures should not be viewed as a substitute for the Company's GAAP results. Neither the Company's GAAP nor non-GAAP results of operations include the accounting impact had the Company chosen to apply the fair-value recognition provisions of SFAS No. 123 or SFAS No. 123 revised (123R) to expense share-based compensation, the impact of which is disclosed in the Company's Forms 10-Q and 10-K as filed with the SEC. The Company expects to adopt SFAS No. 123R in its first fiscal quarter ending December 31, 2005.
- (b) This adjustment reflects the non-cash compensation expense related primarily to restricted stock awarded to the Company's CEO in fiscal 2003 and restricted stock units awarded to selected members of the Company's senior management team in fiscal 2004. Of the total non-cash compensation expense of \$11 million, \$2 million is included in research and development expense and \$9 million is included in selling, general and administrative expense. Note that neither the Company's GAAP nor non-GAAP results of operations includes the accounting impact had the Company chosen to apply the fair-value recognition provisions of SFAS No. 123R.
- (c) This adjustment includes \$8 million related to restructuring actions initiated during the third quarter of fiscal 2004 as well as \$10 million related to non-cash compensation expense primarily attributable to restricted stock awarded to the Company's CEO and restricted stock units awarded to selected members of the Company's senior management team. Of the total non-cash compensation expense of \$10 million, \$1 million is included in research and development expense and \$9 million is included in selling, general and administrative expense.
- (d) Amount reflects the expected tax impact on the above noted non-GAAP adjustments.

RECONCILIATION OF NON-GAAP TO GAAP RESULTS OF OPERATIONS

(in millions, except share and per share amounts)

	<u>Nine Months Ended June 25, 2005</u>			<u>Nine Months Ended June 26, 2004</u>				
	<u>As Reported</u>	<u>Non-GAAP Adjustments</u>	<i>(a)</i>	<u>Non- GAAP</u>	<u>As Reported</u>	<u>Non-GAAP Adjustments</u>	<i>(a)</i>	<u>Non- GAAP</u>
Operating income	<u>\$1,232</u>	<u>\$31</u>	<i>(b)</i>	<u>\$1,263</u>	<u>\$198</u>	<u>\$41</u>	<i>(c)</i>	<u>\$239</u>
Total other income and expense	<u>105</u>	<u>-</u>		<u>105</u>	<u>38</u>	<u>(4)</u>	<i>(d)</i>	<u>34</u>
Provision for income taxes	<u>432</u>	<u>3</u>	<i>(e)</i>	<u>435</u>	<u>66</u>	<u>7</u>	<i>(e)</i>	<u>73</u>
Net income	<u>\$905</u>	<u>\$28</u>		<u>\$933</u>	<u>\$170</u>	<u>\$30</u>		<u>\$200</u>
Earnings per common share:								
Basic	\$1.13			\$1.16	\$0.23			\$0.27
Diluted	\$1.06			\$1.09	\$0.22			\$0.26
Shares used in computing earnings per share (in thousands):								
Basic	804,098			804,098	735,212			735,212
Diluted	853,105			853,105	762,518			762,518

- (a) These adjustments reconcile the Company's GAAP results of operations to its non-GAAP results of operations. The Company believes that presentation of results excluding items such as non-cash share-based compensation, restructuring costs, and investment gains provides meaningful supplemental information to both management and investors that is indicative of the Company's core operating results and facilitates comparison of operating results across reporting periods. The Company uses these non-GAAP measures when evaluating its financial results as well as for internal planning and forecasting purposes. These non-GAAP measures should not be viewed as a substitute for the Company's GAAP results. Neither the Company's GAAP nor non-GAAP results of operations include the accounting impact had the Company chosen to apply the fair-value recognition provisions of SFAS No. 123 or SFAS No. 123 revised (123R) to expense share-based compensation, the impact of which is disclosed in the Company's Forms 10-Q and 10-K as filed with the SEC. The Company expects to adopt SFAS No. 123R in its first fiscal quarter ending December 31, 2005.
- (b) This adjustment reflects the non-cash compensation expense related primarily to restricted stock awarded to the Company's CEO in fiscal 2003 and restricted stock units awarded to selected members of the Company's senior management team in fiscal 2004. Of the total non-cash compensation expense of \$31 million, \$1 million is included in cost of sales; \$4 million is included in research and development expense; and \$26 million is included in selling, general and administrative expense. Note that neither the Company's GAAP nor non-GAAP results of operations includes the accounting impact had the Company chosen to apply the fair-value recognition provisions of SFAS No. 123R.
- (c) This adjustment includes \$18 million related to restructuring actions initiated during the second and third quarters of fiscal 2004 as well as \$23 million related to non-cash compensation expense primarily attributable to restricted stock awarded to the Company's CEO and restricted stock units awarded to selected members of the Company's senior management team. Of the total non-cash compensation expense of \$23 million, \$2 million is included in research and development expense and \$21 million is included in selling, general and administrative expense.
- (d) This adjustment represents gain on sales of non-current investments.
- (e) Amount reflects the expected tax impact on the above noted non-GAAP adjustments.