

CONSOLIDATED BALANCE SHEETS

(In millions, except share amounts)

ASSETS:

	September 27, <u>2003</u>	September 28, <u>2002</u>
Current assets:		
Cash and cash equivalents.....	\$3,396	\$2,252
Short-term investments.....	1,170	2,085
Accounts receivable, less allowances of \$49 and \$51, respectively.....	766	565
Inventories.....	56	45
Deferred tax assets.....	190	166
Other current assets.....	<u>309</u>	<u>275</u>
Total current assets.....	5,887	5,388
Property, plant, and equipment, net.....	669	621
Goodwill.....	85	85
Acquired intangible assets.....	24	34
Other assets.....	<u>150</u>	<u>170</u>
Total assets.....	\$6,815	\$6,298

LIABILITIES AND SHAREHOLDERS' EQUITY:

Current liabilities:		
Accounts payable.....	\$1,154	\$911
Accrued expenses.....	899	747
Current debt.....	<u>304</u>	<u>-</u>
Total current liabilities.....	2,357	1,658
Long-term debt.....	-	316
Deferred tax liabilities and other non-current liabilities.....	<u>235</u>	<u>229</u>
Total liabilities.....	<u>2,592</u>	<u>2,203</u>

Commitments and contingencies

Shareholders' equity:

Common stock, no par value; 900,000,000 shares authorized; 366,726,584 and 358,958,989 shares issued and outstanding, respectively.....	1,926	1,826
Deferred stock compensation.....	(62)	(7)
Retained earnings.....	2,394	2,325
Accumulated other comprehensive income (loss).....	<u>(35)</u>	<u>(49)</u>
Total shareholders' equity.....	<u>4,223</u>	<u>4,095</u>
Total liabilities and shareholders' equity.....	\$6,815	\$6,298

CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except share and per share amounts)

	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	September 27, <u>2003</u>	September 28, <u>2002</u>	September 27, <u>2003</u>	September 28, <u>2002</u>
Net sales.....	\$1,715	\$1,443	\$6,207	\$5,742
Cost of sales.....	<u>1,259</u>	<u>1,062</u>	<u>4,499</u>	<u>4,139</u>
Gross margin.....	<u>456</u>	<u>381</u>	<u>1,708</u>	<u>1,603</u>
Operating expenses:				
Research and development.....	111	116	471	446
Selling, general, and administrative.....	314	278	1,212	1,109
Restructuring costs.....	-	6	26	30
Purchased in-process research and development	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>
Total operating expenses.....	<u>425</u>	<u>401</u>	<u>1,709</u>	<u>1,586</u>
Operating income (loss).....	31	(20)	(1)	17
Gain (loss) on non-current investments, net.....	8	(65)	10	(42)
Interest and other income, net	<u>16</u>	<u>25</u>	<u>83</u>	<u>112</u>
Total interest and other income, net.....	<u>24</u>	<u>(40)</u>	<u>93</u>	<u>70</u>
Income (loss) before provision for (benefit from) income taxes.....	55	(60)	92	87
Provision for (benefit from) income taxes.....	<u>14</u>	<u>(15)</u>	<u>24</u>	<u>22</u>
Income (loss) before accounting changes.....	<u>41</u>	<u>(45)</u>	<u>68</u>	<u>65</u>
Cumulative effects of accounting changes, net....	<u>3</u>	<u>-</u>	<u>1</u>	<u>-</u>
Net income (loss).....	\$ 44	\$ (45)	\$ 69	\$ 65
Earnings (loss) per common share before accounting changes:				
Basic.....	\$0.11	\$(0.13)	\$0.19	\$ 0.18
Diluted.....	\$0.11	\$(0.13)	\$0.19	\$ 0.18
Earnings (loss) per common share:				
Basic.....	\$0.12	\$(0.13)	\$0.19	\$ 0.18
Diluted.....	\$0.12	\$(0.13)	\$0.19	\$ 0.18
Shares used in computing earnings (loss) per share (in thousands):				
Basic.....	362,191	358,910	360,631	355,022
Diluted.....	370,733	358,910	363,466	361,785

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

(In millions, except share and per share amounts)

THREE MONTHS ENDED SEPTEMBER 27, 2003

	As Reported	Pro Forma Entries		Pro Forma
Net sales.....	\$1,715			\$1,715
Cost of sales.....	<u>1,259</u>			<u>1,259</u>
Gross margin.....	<u>456</u>			<u>456</u>
Operating expenses:				
Research and development.....	111			111
Selling, general, and administrative.....	<u>314</u>			<u>314</u>
Total operating expenses.....	<u>425</u>			<u>425</u>
Operating income	31			31
Gain on non-current investments.....	8	(8)	<i>(a)</i>	-
Interest and other income, net	<u>16</u>	<u>(6)</u>	<i>(b)</i>	<u>10</u>
Total interest and other income, net.....	<u>24</u>	<u>(14)</u>		<u>10</u>
Income before provision for income taxes.....	55	(14)		41
Provision for income taxes.....	<u>14</u>	<u>(2)</u>	<i>(c)</i>	<u>12</u>
Income before accounting change.....	<u>41</u>	<u>(12)</u>		<u>29</u>
Cumulative effect of accounting change.....	<u>3</u>	<u>(3)</u>	<i>(d)</i>	<u>-</u>
Net income	\$ 44	\$ (15)		\$ 29
Earnings per common share before accounting change:				
Basic.....	\$0.11			\$0.08
Diluted.....	\$0.11			\$0.08
Earnings per common share:				
Basic.....	\$0.12			\$0.08
Diluted.....	\$0.12			\$0.08
Shares used in computing earnings per share (in thousands):				
Basic.....	362,191			362,191
Diluted.....	370,733			370,733

Notes:

- (a)* Pre-tax gain on sale of non-current investments
- (b)* Gain on settlement of forward stock repurchase agreement
- (c)* Tax impact of gain on sale of non-current investments
- (d)* Transition gain from the adoption of SFAS No. 150 related to the Company's forward stock repurchase agreement