

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share amounts)

ASSETS:

	September 24, <u>2005</u>	September 25, <u>2004</u>
Current assets:		
Cash and cash equivalents	\$3,491	\$2,969
Short-term investments	4,770	2,495
Accounts receivable, less allowances of \$46 and \$47, respectively ..	895	774
Inventories	165	101
Deferred tax assets	331	231
Other current assets	<u>648</u>	<u>485</u>
Total current assets	10,300	7,055
Property, plant, and equipment, net	817	707
Goodwill	69	80
Acquired intangible assets	27	17
Other assets	<u>338</u>	<u>191</u>
Total assets	<u>\$11,551</u>	<u>\$8,050</u>

LIABILITIES AND SHAREHOLDERS' EQUITY:

Current liabilities:		
Accounts payable	\$1,779	\$1,451
Accrued expenses	<u>1,705</u>	<u>1,200</u>
Total current liabilities	3,484	2,651
Non-current liabilities	<u>601</u>	<u>323</u>
Total liabilities	<u>4,085</u>	<u>2,974</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock, no par value; 1,800,000,000 shares authorized; 835,019,364 and 782,887,234 shares issued and outstanding, respectively	3,521	2,514
Deferred stock compensation	(60)	(93)
Retained earnings	4,005	2,670
Accumulated other comprehensive income (loss)	<u>-</u>	<u>(15)</u>
Total shareholders' equity	<u>7,466</u>	<u>5,076</u>
Total liabilities and shareholders' equity	<u>\$11,551</u>	<u>\$8,050</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except share and per share amounts)

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	September 24, <u>2005</u>	September 25, <u>2004</u>	September 24, <u>2005</u>	September 25, <u>2004</u>
Net sales.....	\$3,678	\$2,350	\$13,931	\$8,279
Cost of sales.....	<u>2,643</u>	<u>1,716</u>	<u>9,888</u>	<u>6,020</u>
Gross margin.....	<u>1,035</u>	<u>634</u>	<u>4,043</u>	<u>2,259</u>
Operating expenses:				
Research and development.....	147	122	534	489
Selling, general, and administrative.....	470	379	1,859	1,421
Restructuring costs.....	<u>--</u>	<u>5</u>	<u>--</u>	<u>23</u>
Total operating expenses.....	<u>617</u>	<u>506</u>	<u>2,393</u>	<u>1,933</u>
Operating income.....	418	128	1,650	326
Other income and expense:				
Gains on non-current investments.....	--	--	--	4
Interest and other income, net.....	<u>60</u>	<u>19</u>	<u>165</u>	<u>53</u>
Total other income and expense.....	<u>60</u>	<u>19</u>	<u>165</u>	<u>57</u>
Income before provision for income taxes.....	478	147	1,815	383
Provision for income taxes.....	<u>48</u>	<u>41</u>	<u>480</u>	<u>107</u>
Net income.....	<u>\$ 430</u>	<u>\$ 106</u>	<u>\$ 1,335</u>	<u>\$ 276</u>
Earnings per common share:				
Basic.....	\$0.52	\$ 0.14	\$1.65	\$ 0.37
Diluted.....	\$0.50	\$ 0.13	\$1.56	\$ 0.36
Shares used in computing earnings per share (in thousands):				
Basic.....	821,420	766,926	808,439	743,180
Diluted.....	866,404	805,812	856,780	774,622

RECONCILIATION OF NON-GAAP TO GAAP RESULTS OF OPERATIONS

(in millions, except share and per share amounts)

	<u>Three Months Ended September 24, 2005</u>			<u>Three Months Ended September 25, 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>\$418</u>	<u>\$ 11</u>	<i>(b)</i>	<u>\$429</u>	<u>\$128</u>	<u>\$16</u>	<i>(c)</i>	<u>\$144</u>
Total other income and expense	<u>60</u>	<u>-</u>		<u>60</u>	<u>19</u>	<u>-</u>		<u>19</u>
Provision for income taxes	<u>48</u>	<u>1</u>	<i>(d)</i>	<u>49</u>	<u>41</u>	<u>3</u>	<i>(d)</i>	<u>44</u>
Net income	<u>\$430</u>	<u>\$10</u>		<u>\$440</u>	<u>\$106</u>	<u>\$13</u>		<u>\$119</u>
Earnings per common share:								
Basic	\$0.52			\$0.54	\$0.14			\$0.16
Diluted	\$0.50			\$0.51	\$0.13			\$0.15
Shares used in computing earnings per share (in thousands):								
Basic	821,420			821,420	766,926			766,926
Diluted	866,404			866,404	805,812			805,812

- (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 will 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 members of the Company's senior management team in fiscal 2004 and 2005. Of the total non-cash compensation expense of \$11 million, \$1 million is included in cost of sales; \$2 million is included in research and development expense; and \$8 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 \$5 million related to restructuring actions initiated during the fourth quarter of fiscal 2004 as well as \$11 million related to non-cash compensation expense primarily attributable to restricted stock awarded to the Company's CEO and restricted stock units awarded to members of the Company's senior management team. Of the total non-cash compensation expense of \$11 million, \$1 million is included in cost of sales; \$2 million is included in research and development expense; and \$8 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)

	Twelve Months Ended September 24, 2005			Twelve Months Ended September 25, 2004				
	As Reported	Non-GAAP Adjustments	(a)	Non- GAAP	As Reported	Non-GAAP Adjustments	(a)	Non- GAAP
Operating income	\$1,650	\$42	(b)	\$1,692	\$326	\$57	(c)	\$383
Total other income and expense	165	-		165	57	(4)	(d)	53
Provision for income taxes	480	4	(e)	484	107	10	(e)	117
Net income	<u>\$1,335</u>	<u>\$38</u>		<u>\$1,373</u>	<u>\$276</u>	<u>\$43</u>		<u>\$319</u>
Earnings per common share:								
Basic	\$1.65			\$1.70	\$0.37			\$0.43
Diluted	\$1.56			\$1.60	\$0.36			\$0.41
Shares used in computing earnings per share (in thousands):								
Basic	808,439			808,439	743,180			743,180
Diluted	856,780			856,780	774,622			774,622

- (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 will 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 members of the Company's senior management team in fiscal 2004 and 2005. Of the total non-cash compensation expense of \$42 million, \$2 million is included in cost of sales; \$6 million is included in research and development expense; and \$34 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 \$23 million related to restructuring actions initiated during fiscal 2004 as well as \$34 million related to non-cash compensation expense primarily attributable to restricted stock awarded to the Company's CEO and restricted stock units awarded to members of the Company's senior management team. Of the total non-cash compensation expense of \$34 million, \$1 million is included in cost of sales; \$4 million is included in research and development expense; and \$29 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.

RECONCILIATION OF NON-GAAP TO GAAP FINANCIAL GUIDANCE SUMMARY

(in millions, except per share amounts)

The financial guidance provided below is an estimate based on information available as of October 11, 2005. The Company's future performance and financial results are subject to risks and uncertainties, and actual results could differ materially from the guidance set forth below. Some of the factors that could affect the Company's financial results are stated above in this press release. More information on potential factors that could affect the Company's financial results is included from time to time in the Company's public reports filed with the SEC, including the Company's Form 10-K for the fiscal year ended September 25, 2004, the Company's Form 10-Q for the quarter ended December 25, 2004, the Company's Form 10-Q for the quarter ended March 26, 2005, and the Company's Form 10-Q for the quarter ended June 25, 2005. The Company assumes no obligation to update any forward-looking statements or information, which speak as of their respective dates.

	Q1 2006 Financial Guidance Summary			
	GAAP	Non-GAAP Adjustments	(a)	Non- GAAP
Gross margin	27.3%	0.1%	(b)	27.4%
Operating expenses	\$760	(40)	(b)	\$720
Provision for income taxes	\$188	14	(c)	\$202
Diluted earnings per common share	\$0.46	\$0.03	(d)	\$0.49

- (a) These adjustments reconcile the Company's GAAP to its non-GAAP financial guidance for the first quarter of fiscal 2006. The Company believes that excluding items such as non-cash share-based compensation 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.
- (b) This adjustment reflects the expected non-cash compensation expense attributable to share-based compensation awards including restricted stock and restricted stock units, employee stock options and shares issued under the employee stock purchase plan. This amount reflects the total estimated expense of non-cash share-based compensation subsequent to the application of SFAS 123 revised (123R), which the Company will adopt in the first quarter of fiscal 2006.
- (c) Amount reflects the expected tax impact on the above noted non-GAAP adjustments.
- (d) This adjustment represents the expected net of tax impact on earnings per share from the non-GAAP adjustments related to share-based compensation expense.