

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share amounts)

ASSETS:

	April 1, <u>2006</u>	September 24, <u>2005</u>
Current assets:		
Cash and cash equivalents	\$6,346	\$3,491
Short-term investments	1,880	4,770
Accounts receivable, less allowances of \$48 and \$46, respectively ..	861	895
Inventories	204	165
Deferred tax assets	459	331
Other current assets	<u>1,536</u>	<u>648</u>
Total current assets	11,286	10,300
Property, plant, and equipment, net	1,005	817
Goodwill	69	69
Acquired intangible assets	41	27
Other assets	<u>1,510</u>	<u>338</u>
Total assets	<u>\$13,911</u>	<u>\$11,551</u>

LIABILITIES AND SHAREHOLDERS' EQUITY:

Current liabilities:		
Accounts payable	\$2,108	\$1,779
Accrued expenses	<u>2,348</u>	<u>1,705</u>
Total current liabilities	4,456	3,484
Non-current liabilities	<u>773</u>	<u>601</u>
Total liabilities	<u>5,229</u>	<u>4,085</u>

Commitments and contingencies

Shareholders' equity:

Common stock, no par value; 1,800,000,000 shares authorized; 849,188,157 and 835,019,364 shares issued and outstanding, respectively	4,014	3,521
Deferred stock compensation	-	(60)
Retained earnings	4,673	4,005
Accumulated other comprehensive income (loss)	<u>(5)</u>	<u>-</u>
Total shareholders' equity	<u>8,682</u>	<u>7,466</u>
Total liabilities and shareholders' equity	<u>\$13,911</u>	<u>\$11,551</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except share and per share amounts)

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	April 1, <u>2006</u>	March 26, <u>2005</u>	April 1, <u>2006</u>	March 26, <u>2005</u>
Net sales.....	\$4,359	\$3,243	\$10,108	\$6,733
Cost of sales	<u>3,062</u>	<u>2,275</u>	<u>7,247</u>	<u>4,769</u>
Gross margin.....	<u>1,297</u>	<u>968</u>	<u>2,861</u>	<u>1,964</u>
Operating expenses:				
Research and development.....	176	119	358	242
Selling, general, and administrative.....	<u>592</u>	<u>447</u>	<u>1,224</u>	<u>917</u>
Total operating expenses.....	<u>768</u>	<u>566</u>	<u>1,582</u>	<u>1,159</u>
Operating income.....	529	402	1,279	805
Other income and expense.....	<u>76</u>	<u>33</u>	<u>157</u>	<u>59</u>
Income before provision for income taxes.....	605	435	1,436	864
Provision for income taxes.....	<u>195</u>	<u>145</u>	<u>461</u>	<u>279</u>
Net income	<u>\$ 410</u>	<u>\$ 290</u>	<u>\$ 975</u>	<u>\$ 585</u>
Earnings per common share:				
Basic.....	\$ 0.49	\$ 0.36	\$ 1.17	\$ 0.73
Diluted.....	\$ 0.47	\$ 0.34	\$ 1.11	\$ 0.69
Shares used in computing earnings per share (in thousands):				
Basic.....	840,910	808,172	835,658	798,602
Diluted.....	878,537	857,011	875,725	848,553

RECONCILIATION OF NON-GAAP TO GAAP RESULTS OF OPERATIONS

(In millions, except share and per share amounts)

	<u>Three Months Ended April 1, 2006</u>				<u>Three Months Ended March 26, 2005</u>			
	<u>As Reported</u>	<u>Non-GAAP Adjustments</u>	<u>(a)</u>	<u>Non- GAAP</u>	<u>As Reported</u>	<u>Non-GAAP Adjustments</u>	<u>(a)</u>	<u>Non- GAAP</u>
Gross Margin	\$1,297	\$5	(b)	\$1,302	\$968	\$ 1	(c)	\$969
Gross Margin Percentage	29.8%	0.1%	(b)	29.9%	29.8%	0.1%	(c)	29.9%
Operating income	\$529	\$42	(b)	\$571	\$402	\$10	(c)	\$412
Operating Margin Percentage	12.1%	1.0%	(b)	13.1%	12.4%	0.3%	(c)	12.7%
Provision for income taxes	\$195	\$12	(d)	\$207	\$145	\$1	(d)	\$146
Net income	\$410	\$30		\$440	\$290	\$9		\$299
Earnings per common share:								
Basic	\$0.49			\$0.52	\$0.36			\$0.37
Diluted	\$0.47			\$0.50	\$0.34			\$0.35
Shares used in computing earnings per share (in thousands):								
Basic	840,910			840,910	808,172			808,172
Diluted	878,537			878,537	857,011			857,011

- (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 stock-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. The Company adopted the fair-value recognition provisions of SFAS No. 123 revised (123R) to expense stock-based compensation in its fiscal quarter ended December 31, 2005. Prior to the adoption of SFAS No. 123R, the Company accounted for employee stock-based compensation using the intrinsic value method prescribed by APB No. 25.
- (b) These adjustments reflect the non-cash stock-based compensation expense as measured under SFAS No. 123R related to unvested stock awards, including stock options, restricted stock, restricted stock units, and employee stock purchase plan shares. The fair-value calculated expense as determined on the awards' grant date is recognized as the requisite service is rendered.
- (c) These adjustments reflect the non-cash compensation expense as measured under APB No. 25 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 and 2005. Note that neither the Company's GAAP nor non-GAAP results of operations in fiscal year 2005 included the accounting impact had the Company chosen to apply the fair-value recognition provisions of SFAS No. 123R.
- (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>Six Months Ended April 1, 2006</u>				<u>Six Months Ended March 26, 2005</u>			
	<u>As Reported</u>	<u>Non-GAAP Adjustments</u>	<u>(a)</u>	<u>Non- GAAP</u>	<u>As Reported</u>	<u>Non-GAAP Adjustments</u>	<u>(a)</u>	<u>Non- GAAP</u>
Gross Margin	\$2,861	\$10	(b)	\$2,871	\$1,964	\$1	(c)	\$1,965
Gross Margin Percentage	28.3%	0.1%	(b)	28.4%	29.2%	-	(c)	29.2%
Operating Income	\$1,279	\$86	(b)	\$1,365	\$805	\$20	(c)	\$825
Operating Margin Percentage	12.7%	0.8%	(b)	13.5%	12.0%	0.3%	(c)	12.3%
Provision for income taxes	\$461	\$26	(d)	\$487	\$279	\$2	(d)	\$281
Net income	\$975	\$60		\$1,035	\$585	\$18		\$603
Earnings per common share:								
Basic	\$1.17			\$1.24	\$0.73			\$0.76
Diluted	\$1.11			\$1.18	\$0.69			\$0.71
Shares used in computing earnings per share (in thousands):								
Basic	835,658			835,658	798,602			798,602
Diluted	875,725			875,725	848,553			848,553

- (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 stock-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. The Company adopted the fair-value recognition provisions of SFAS No. 123 revised (123R) to expense stock-based compensation in its fiscal quarter ended December 31, 2005. Prior to the adoption of SFAS No. 123R, the Company accounted for employee stock-based compensation using the intrinsic value method prescribed by APB No. 25.
- (b) These adjustments reflect the non-cash stock-based compensation expense as measured under SFAS No. 123R related to unvested stock awards, including stock options, restricted stock, restricted stock units, and employee stock purchase plan shares. The fair-value calculated expense as determined on the awards' grant date is recognized as the requisite service is rendered.
- (c) These adjustments reflect the non-cash compensation expense as measured under APB No. 25 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 and 2005. Note that neither the Company's GAAP nor non-GAAP results of operations in fiscal year 2005 included the accounting impact had the Company chosen to apply the fair-value recognition provisions of SFAS No. 123R.
- (d) 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 April 19, 2006. 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 24, 2005, the Company's Form 10-Q for the quarter ended December 31, 2005, and the Company's Form 10-Q for the quarter ended April 1, 2006 to be filed with the SEC. The Company assumes no obligation to update any forward-looking statements or information, which speak as of their respective dates.

Q3 2006 Financial Guidance Summary				
	GAAP	Non-GAAP Adjustments	(a)	Non-GAAP
Gross margin percentage	28.4%	0.1%	(b)	28.5%
Operating expenses	\$775	\$(45)	(b)	\$730
Diluted earnings per common share	\$0.39 - \$0.43	\$0.04	(c)	\$0.43 - \$0.47

- (a) These adjustments reconcile the Company's GAAP to its non-GAAP financial guidance for the third quarter of fiscal 2006. The Company believes that excluding items such as non-cash stock-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) Reflects the expected non-cash compensation expense attributable to stock-based compensation awards including stock options, restricted stock, restricted stock units, and employee stock purchase plan shares. This amount reflects the total estimated expense from the application of SFAS No. 123R, which the Company adopted in the first quarter of fiscal 2006.
- (c) This adjustment represents the expected net of tax impact on earnings per share from the non-GAAP adjustments related to stock-based compensation expense.