

PRELIMINARY UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share amounts)

ASSETS:

| | September 30, <u>2006</u> | September 24, <u>2005</u> |
|--|------------------------------|------------------------------|
| Current assets: | | |
| Cash and cash equivalents | \$6,392 | \$3,491 |
| Short-term investments | 3,718 | 4,770 |
| Accounts receivable, less allowances of \$52 and \$46, respectively .. | 1,252 | 895 |
| Inventories | 270 | 165 |
| Other current assets | <u>2,877</u> | <u>979</u> |
| Total current assets | 14,509 | 10,300 |
| Property, plant, and equipment, net | 1,281 | 817 |
| Other assets | <u>1,454</u> | <u>434</u> |
| Total assets | <u>\$17,244</u> | <u>\$11,551</u> |

LIABILITIES AND SHAREHOLDERS' EQUITY:

| | | |
|--|-----------------|-----------------|
| Current liabilities: | | |
| Accounts payable | \$3,390 | \$1,779 |
| Accrued expenses | <u>3,066</u> | <u>1,705</u> |
| Total current liabilities | 6,456 | 3,484 |
| Non-current liabilities | <u>750</u> | <u>601</u> |
| Total liabilities | <u>7,206</u> | <u>4,085</u> |
| Commitments and contingencies | | |
| Total shareholders' equity | <u>10,038</u> | <u>7,466</u> |
| Total liabilities and shareholders' equity | <u>\$17,244</u> | <u>\$11,551</u> |

The information contained in these preliminary unaudited condensed consolidated financial statements may be subject to significant adjustment. For additional information, please refer to the accompanying press release dated October 18, 2006.

PRELIMINARY UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except share and per share amounts)

| | Three Months Ended | | Twelve Months Ended | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| | September 30, <u>2006</u> | September 24, <u>2005</u> | September 30, <u>2006</u> | September 24, <u>2005</u> |
| Net sales..... | \$4,837 | \$3,678 | \$19,315 | \$13,931 |
| Cost of sales (1)..... | <u>3,425</u> | <u>2,643</u> | <u>13,717</u> | <u>9,888</u> |
| Gross margin..... | <u>1,412</u> | <u>1,035</u> | <u>5,598</u> | <u>4,043</u> |
| Operating expenses: | | | | |
| Research and development (1)..... | 179 | 147 | 712 | 534 |
| Selling, general, and administrative (1)..... | <u>624</u> | <u>470</u> | <u>2,432</u> | <u>1,859</u> |
| Total operating expenses..... | <u>803</u> | <u>617</u> | <u>3,144</u> | <u>2,393</u> |
| Operating income..... | 609 | 418 | 2,454 | 1,650 |
| Other income and expense..... | <u>113</u> | <u>60</u> | <u>365</u> | <u>165</u> |
| Income before provision for income taxes..... | 722 | 478 | 2,819 | 1,815 |
| Provision for income taxes..... | <u>176</u> | <u>48</u> | <u>826</u> | <u>480</u> |
| Net income | <u>\$ 546</u> | <u>\$ 430</u> | <u>\$ 1,993</u> | <u>\$ 1,335</u> |
| Earnings per common share: | | | | |
| Basic..... | \$ 0.64 | \$ 0.52 | \$ 2.36 | \$ 1.65 |
| Diluted..... | \$ 0.62 | \$ 0.50 | \$ 2.27 | \$ 1.56 |
| Shares used in computing earnings per share (in thousands): | | | | |
| Basic..... | 854,187 | 821,420 | 844,058 | 808,439 |
| Diluted..... | 878,757 | 866,404 | 877,526 | 856,780 |

(1) Stock-based compensation expense was allocated as follows:

| | | | | |
|--------------------------------------|------|------|------|------|
| Cost of sales | \$ 5 | \$ 1 | \$21 | \$ 2 |
| Research and development | \$13 | \$ 2 | \$53 | \$ 6 |
| Selling, general, and administrative | \$21 | \$ 8 | \$88 | \$34 |

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