

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

(In millions, except share amounts)

**ASSETS:**

	July 1, <u>2006</u>	September 24, <u>2005</u>
Current assets:		
Cash and cash equivalents .....	\$8,013	\$3,491
Short-term investments .....	1,163	4,770
Accounts receivable, less allowances of \$51 and \$46, respectively ..	1,089	895
Inventories .....	213	165
Deferred tax assets .....	491	331
Other current assets .....	<u>1,522</u>	<u>648</u>
Total current assets .....	12,491	10,300
Property, plant, and equipment, net .....	1,197	817
Goodwill .....	38	69
Acquired intangible assets .....	37	27
Other assets .....	<u>1,386</u>	<u>338</u>
Total assets .....	<u>\$15,149</u>	<u>\$11,551</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY:**

Current liabilities:		
Accounts payable .....	\$2,513	\$1,779
Accrued expenses .....	<u>2,507</u>	<u>1,705</u>
Total current liabilities .....	5,020	3,484
Non-current liabilities .....	<u>761</u>	<u>601</u>
Total liabilities .....	<u>5,781</u>	<u>4,085</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock, no par value; 1,800,000,000 shares authorized; 852,987,629 and 835,019,364 shares issued and outstanding, respectively .....	4,207	3,521
Deferred stock compensation .....	-	(60)
Retained earnings .....	5,145	4,005
Accumulated other comprehensive income .....	<u>16</u>	<u>-</u>
Total shareholders' equity .....	<u>9,368</u>	<u>7,466</u>
Total liabilities and shareholders' equity .....	<u>\$15,149</u>	<u>\$11,551</u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except share and per share amounts)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	July 1, <u>2006</u>	June 25, <u>2005</u>	July 1, <u>2006</u>	June 25, <u>2005</u>
Net sales.....	\$4,370	\$3,520	\$14,478	\$10,253
Cost of sales (1).....	<u>3,045</u>	<u>2,476</u>	<u>10,292</u>	<u>7,245</u>
Gross margin.....	<u>1,325</u>	<u>1,044</u>	<u>4,186</u>	<u>3,008</u>
Operating expenses:				
Research and development (1).....	175	145	533	387
Selling, general, and administrative (1).....	<u>584</u>	<u>472</u>	<u>1,808</u>	<u>1,389</u>
Total operating expenses.....	<u>759</u>	<u>617</u>	<u>2,341</u>	<u>1,776</u>
Operating income.....	566	427	1,845	1,232
Other income and expense.....	<u>95</u>	<u>46</u>	<u>252</u>	<u>105</u>
Income before provision for income taxes.....	661	473	2,097	1,337
Provision for income taxes.....	<u>189</u>	<u>153</u>	<u>650</u>	<u>432</u>
Net income .....	<u>\$ 472</u>	<u>\$ 320</u>	<u>\$ 1,447</u>	<u>\$ 905</u>
Earnings per common share:				
Basic.....	\$ 0.55	\$ 0.39	\$1.72	\$ 1.13
Diluted.....	\$ 0.54	\$ 0.37	\$1.65	\$ 1.06
Shares used in computing earnings per share (in thousands):				
Basic.....	851,375	815,092	840,759	804,098
Diluted.....	876,368	860,688	876,971	853,105
(1) Stock-based compensation expense was allocated as follows:				
Cost of sales	\$ 6	\$ -	\$16	\$ 1
Research and development	\$12	\$ 2	\$40	\$ 4
Selling, general, and administrative	\$19	\$ 9	\$67	\$26

## UNAUDITED RECONCILIATION OF NON-GAAP TO GAAP RESULTS OF OPERATIONS

(In millions, except share and per share amounts)

	<u>Three Months Ended July 1, 2006</u>			<u>Three Months Ended June 25, 2005</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>
Gross Margin	\$1,325	\$6	<i>(b)</i>	\$1,331	\$1,044	\$ -		\$1,044
Gross Margin Percentage	30.3%	0.1%	<i>(b)</i>	30.4%	29.7%	-		29.7%
Operating Income	\$566	\$37	<i>(b)</i>	\$603	\$427	\$11	<i>(c)</i>	\$438
Operating Margin Percentage	13.0%	0.8%	<i>(b)</i>	13.8%	12.1%	0.3%	<i>(c)</i>	12.4%
Provision for Income Taxes	\$189	\$10	<i>(d)</i>	\$199	\$153	\$1	<i>(d)</i>	\$154
Net Income	\$472	\$27		\$499	\$320	\$10		\$330
Earnings per common share:								
Basic	\$0.55			\$0.59	\$0.39			\$0.40
Diluted	\$0.54			\$0.57	\$0.37			\$0.38
Shares used in computing earnings per share (in thousands):								
Basic	851,375			851,375	815,092			815,092
Diluted	876,368			876,368	860,688			860,688

- (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 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. 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 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.

## UNAUDITED RECONCILIATION OF NON-GAAP TO GAAP RESULTS OF OPERATIONS

(In millions, except share and per share amounts)

	<u>Nine Months Ended July 1, 2006</u>			<u>Nine Months Ended June 25, 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	\$4,186	\$16	(b)	\$4,202	\$3,008	\$ 1	(c)	\$3,009
Gross Margin Percentage	28.9%	0.1%	(b)	29.0%	29.3%	-	(c)	29.3%
Operating Income	\$1,845	\$123	(b)	\$1,968	\$1,232	\$31	(c)	\$1,263
Operating Margin Percentage	12.7%	0.9%	(b)	13.6%	12.0%	0.3%	(c)	12.3%
Provision for income taxes	\$650	\$36	(d)	\$686	\$432	\$3	(d)	\$435
Net income	\$1,447	\$87		\$1,534	\$905	\$28		\$933
Earnings per common share:								
Basic	\$1.72			\$1.82	\$1.13			\$1.16
Diluted	\$1.65			\$1.75	\$1.06			\$1.09
Shares used in computing earnings per share (in thousands):								
Basic	840,759			840,759	804,098			804,098
Diluted	876,971			876,971	853,105			853,105

- (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 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. 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.

## UNAUDITED 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 July 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 quarters ended December 31, 2005 and April 1, 2006, and the Company's Form 10-Q for the quarter ended July 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.

	Q4 2006 Financial Guidance Summary			
	GAAP	Non-GAAP Adjustments	(a)	Non-GAAP
Gross margin percentage	28.4%	0.1%	(b)	28.5%
Operating expenses	\$785	\$34	(b)	\$751
Diluted earnings per common share	\$0.46 - \$0.48	\$0.03	(c)	\$0.49 - \$0.51

- (a) These adjustments reconcile the Company's GAAP to its non-GAAP financial guidance for the fourth quarter of fiscal 2006. The Company believes that excluding 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 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.