

CONSOLIDATED BALANCE SHEETS

(In millions, except share amounts)

ASSETS:

	September 28, 2002	September 29, 2001
Current assets:		
Cash and cash equivalents.....	\$2,252	\$2,310
Short-term investments.....	2,085	2,026
Accounts receivable, less allowances of \$51 and \$51, respectively.....	565	466
Inventories.....	45	11
Deferred tax assets.....	166	169
Other current assets.....	<u>275</u>	<u>161</u>
Total current assets.....	5,388	5,143
Property, plant, and equipment, net.....	621	564
Non-current debt and equity investments.....	39	128
Acquired intangible assets.....	119	76
Other assets.....	<u>131</u>	<u>110</u>
Total assets.....	<u>\$6,298</u>	<u>\$6,021</u>

LIABILITIES AND SHAREHOLDERS' EQUITY:

Current liabilities:		
Accounts payable.....	\$911	\$801
Accrued expenses.....	<u>747</u>	<u>717</u>
Total current liabilities.....	1,658	1,518
Long-term debt.....	316	317
Deferred tax liabilities.....	<u>229</u>	<u>266</u>
Total liabilities.....	<u>2,203</u>	<u>2,101</u>

Commitments and contingencies

Shareholders' equity:

Common stock, no par value; 900,000,000 shares authorized; 358,958,989 and 350,921,661 shares issued and outstanding, respectively.....	1,826	1,693
Acquisition-related deferred stock compensation.....	(7)	(11)
Retained earnings.....	2,325	2,260
Accumulated other comprehensive loss.....	<u>(49)</u>	<u>(22)</u>
Total shareholders' equity.....	<u>4,095</u>	<u>3,920</u>
Total liabilities and shareholders' equity.....	<u>\$6,298</u>	<u>\$6,021</u>

CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except share and per share amounts)

	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	September 28, 2002	September 29, 2001	September 28, 2002	September 29, 2001
Net sales.....	\$1,443	\$1,450	\$5,742	\$5,363
Cost of sales.....	<u>1,062</u>	<u>1,013</u>	<u>4,139</u>	<u>4,128</u>
Gross margin.....	<u>381</u>	<u>437</u>	<u>1,603</u>	<u>1,235</u>
Operating expenses:				
Research and development.....	116	116	446	430
Selling, general, and administrative.....	280	268	1,111	1,138
Restructuring costs.....	6	0	30	0
Executive bonus.....	(2)	0	(2)	0
Purchased in-process research and development..	<u>1</u>	<u>0</u>	<u>1</u>	<u>11</u>
Total operating expenses.....	<u>401</u>	<u>384</u>	<u>1,586</u>	<u>1,579</u>
Operating income (loss).....	(20)	53	17	(344)
Gain (loss) on non-current investments, net.....	(65)	1	(42)	88
Unrealized loss on convertible securities.....	0	0	0	(13)
Interest and other income, net	<u>25</u>	<u>40</u>	<u>112</u>	<u>217</u>
Total interest and other income, net	<u>(40)</u>	<u>41</u>	<u>70</u>	<u>292</u>
Income (loss) before provision for (benefit from) income taxes.....	(60)	94	87	(52)
Provision for (benefit from) income taxes.....	<u>(15)</u>	<u>28</u>	<u>22</u>	<u>(15)</u>
Income (loss) before accounting change.....	<u>(45)</u>	<u>66</u>	<u>65</u>	<u>(37)</u>
Cumulative effect of accounting change, net of income taxes of \$5.....	<u>0</u>	<u>0</u>	<u>0</u>	<u>12</u>
Net income (loss).....	<u>\$ (45)</u>	<u>\$ 66</u>	<u>\$ 65</u>	<u>\$ (25)</u>
Earnings (loss) per common share before accounting change:				
Basic.....	\$ (0.13)	\$0.19	\$0.18	\$ (0.11)
Diluted.....	\$ (0.13)	\$0.19	\$0.18	\$ (0.11)
Earnings (loss) per common share after accounting change:				
Basic.....	\$ (0.13)	\$0.19	\$0.18	\$ (0.07)
Diluted.....	\$ (0.13)	\$0.19	\$0.18	\$ (0.07)
Shares used in computing earnings (loss) per share (in thousands):				
Basic.....	358,910	350,819	355,022	345,613
Diluted.....	358,910	356,525	361,785	345,613

**RECONCILIATION OF REPORTED NET LOSS
TO NET INCOME BEFORE NON-RECURRING ITEMS**

(In millions, except share and per share amounts)

Three Months Ended
September 28, 2002

Net loss as reported.....	\$ (45)
Adjustments (net of tax effect, if any):	
Loss on non-current investments.....	49
Restructuring costs.....	4
Purchased in-process research and development....	1
Executive bonus (reversal).....	<u>\$ (2)</u>
Net income before non-recurring items	<u>\$ 7</u>
Net income before non-recurring items per common share :	
Basic.....	\$ 0.02
Diluted.....	\$ 0.02
Shares used in computing Net income before non-recurring items per common share (in thousands):	
Basic.....	358,910
Effect of dilutive options.....	1,965
Diluted.....	<u>360,875</u>