

CONSOLIDATED BALANCE SHEETS

(In millions, except share amounts)

ASSETS:

	December 28, 2002	September 28, 2002
Current assets:		
Cash and cash equivalents.....	\$2,612	\$2,252
Short-term investments.....	1,850	2,085
Accounts receivable, less allowances of \$49 and \$51, respectively.....	497	565
Inventories.....	44	45
Deferred tax assets.....	177	166
Other current assets.....	<u>204</u>	<u>275</u>
Total current assets.....	5,384	5,388
Property, plant, and equipment, net.....	605	621
Non-current debt and equity investments.....	28	39
Acquired intangible assets.....	116	119
Other assets.....	<u>136</u>	<u>131</u>
Total assets.....	<u>\$6,269</u>	<u>\$6,298</u>

LIABILITIES AND SHAREHOLDERS' EQUITY:

Current liabilities:		
Accounts payable.....	\$817	\$911
Accrued expenses.....	<u>778</u>	<u>747</u>
Total current liabilities.....	1,595	1,658
Long-term debt.....	314	316
Deferred tax liabilities.....	<u>244</u>	<u>229</u>
Total liabilities.....	2,153	2,203
Commitments and contingencies		
Shareholders' equity:		
Common stock, no par value; 900,000,000 shares authorized; 360,257,233 and 358,958,989 shares issued and outstanding, respectively.....	1,840	1,826
Acquisition-related deferred stock compensation.....	(1)	(7)
Retained earnings.....	2,317	2,325
Accumulated other comprehensive loss.....	<u>(40)</u>	<u>(49)</u>
Total shareholders' equity.....	4,116	4,095
Total liabilities and shareholders' equity.....	<u>\$6,269</u>	<u>\$6,298</u>

CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except share and per share amounts)

THREE MONTHS ENDED (unaudited)

	December 28, 2002	December 29, 2001
Net sales.....	\$1,472	\$1,375
Cost of sales.....	<u>1,066</u>	<u>953</u>
Gross margin.....	<u>406</u>	<u>422</u>
Operating expenses:		
Research and development.....	121	113
Selling, general, and administrative.....	299	289
Special charges:		
Restructuring costs.....	<u>23</u>	<u>24</u>
Total operating expenses.....	<u>443</u>	<u>426</u>
Operating loss.....	<u>(37)</u>	<u>(4)</u>
Gain on non-current investments, net.....	--	23
Interest and other income (expense), net.....	<u>29</u>	<u>34</u>
Total interest and other income (expense), net.....	<u>29</u>	<u>57</u>
Income (loss) before provision for (benefit from) income taxes.....	(8)	53
Provision for (benefit from) income taxes.....	<u>(2)</u>	<u>15</u>
Income (loss) before accounting change	\$ (6)	\$ 38
Cumulative effect of accounting change, net of income taxes of \$1.....	<u>(2)</u>	<u>--</u>
Net income (loss).....	\$ (8)	\$ 38
Earnings (loss) per common share before accounting change:		
Basic.....	\$(0.02)	\$0.11
Diluted.....	\$(0.02)	\$0.11
Earnings (loss) per common share after accounting change:		
Basic.....	\$(0.02)	\$0.11
Diluted.....	\$(0.02)	\$0.11
Shares used in computing earnings (loss) per share (in thousands):		
Basic.....	359,057	351,330
Diluted.....	359,057	357,509

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

(In millions, except share and per share amounts)

	Three Months Ended <u>December 28, 2002</u>
Net loss as reported.....	\$ (8)
Adjustments (net of tax effect, if any):	
Restructuring costs.....	17
Cumulative effect of accounting change	\$ 2
Net income before non-recurring items	<u>\$ 11</u>
Net income before non-recurring items per common share :	
Basic.....	\$ 0.03
Diluted.....	\$ 0.03
Shares used in computing Net income before non-recurring items per common share (in thousands):	
Basic.....	359,057
Effect of dilutive options.....	1,893
Diluted.....	<u>360,950</u>