UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share amounts)

ASSETS:

	December 31, 2005	September 24, 2005
Current assets:		
Cash and cash equivalents	$4,150	$3,491
Short-term investments	4,557	4,770
Accounts receivable, less allowances of $50 and $46, respectively	1,331	895
Inventories	244	165
Deferred tax assets	471	331
Other current assets	1,409	648
Total current assets	12,162	10,300
Property, plant, and equipment, net	855	817
Goodwill	69	69
Acquired intangible assets	24	27
Other assets	1,071	338
Total assets	$14,181	$11,551

LIABILITIES AND SHAREHOLDERS' EQUITY:

	December 31, 2005	September 24, 2005
Current liabilities:		
Accounts payable	$2,896	$1,779
Accrued expenses	2,164	1,705
Total current liabilities	5,060	3,484
Non-current liabilities	741	601
Total liabilities	5,801	4,085
Commitments and contingencies		
Shareholders' equity:		
Common stock, no par value; 1,800,000,000 shares authorized; 845,617,174 and 835,019,364 shares issued and outstanding, respectively	3,815	3,521
Deferred stock compensation	-	(60)
Retained earnings	4,570	4,005
Accumulated other comprehensive income (loss)	(5)	-
Total shareholders' equity	8,380	7,466
Total liabilities and shareholders' equity	$14,181	$11,551

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except share and per share amounts)

THREE MONTHS ENDED

	December 31, 2005	December 25, 2004
Net sales	$5,749	$3,490
Cost of sales (including stock-based compensation expense of $5 and $0, respectively)	4,185	2,494
Gross margin	1,564	996
Operating expenses:		
Research and development (including stock-based compensation expense of $15 and $2, respectively)	182	123
Selling, general, and administrative (including stock-based compensation expense of $24 and $8, respectively)	632	470
Total operating expenses	814	593
Operating income	750	403
Other income and expense	81	26
Income before provision for income taxes	831	429
Provision for income taxes	266	134
Net income	$ 565	$ 295
Earnings per common share:		
Basic	$ 0.68	$ 0.37
Diluted	$ 0.65	$ 0.35
Shares used in computing earnings per share (in thousands):		
Basic	830,781	789,032
Diluted	874,207	838,174

RECONCILIATION OF NON-GAAP TO GAAP RESULTS OF OPERATIONS

(in millions, except share and per share amounts)

	Three Months Ended December 31, 2005				Three Months Ended December 25, 2004			
	As Reported	Non-GAAP Adjustments	*(a)*	Non-GAAP	As Reported	Non-GAAP Adjustments	*(a)*	Non-GAAP
Gross Margin	$1,564	$5	*(b)*	$1,569	$996	$ -		$996
Operating expenses	814	(39)	*(b)*	775	593	(10)	*(c)*	583
Operating income	750	44	*(b)*	794	403	10	*(c)*	413
Provision for income taxes	266	14	*(d)*	280	134	1	*(d)*	135
Net income	$565	$30		$595	$295	$9		$304
Earnings per common share:								
Basic	$0.68			$0.72	$0.37			$0.39
Diluted	$0.65			$0.68	$0.35			$0.36
Shares used in computing earnings per share (in thousands):								
Basic	830,781			830,781	789,032			789,032
Diluted	874,207			874,207	838,174			838,174

(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 January 18, 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, and the Company's Form 10-Q for the quarter ended December 31, 2005 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.

	Q2 2006 Financial Guidance Summary			
	GAAP	Non-GAAP Adjustments	*(a)*	Non-GAAP
Gross margin	27.8%	0.1%	*(b)*	27.9%
Operating expenses	$774	(44)	*(b)*	$730
Provision for income taxes	$158	15	*(c)*	$173
Diluted earnings per common share	$0.38	$0.04	*(d)*	$0.42

(a) These adjustments reconcile the Company's GAAP to its non-GAAP financial guidance for the second 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) Amount reflects the expected tax impact on the above noted non-GAAP adjustments.

(d) This adjustment represents the expected net of tax impact on earnings per share from the non-GAAP adjustments related to stock-based compensation expense.