



CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended		
	September 27, 2014	June 28, 2014	September 28, 2013
	(in thousands, except per share data)		
Net revenues	\$ 580,275	\$ 642,467	\$ 585,241
Cost of goods sold	241,454	273,507	238,045
Gross margin	<u>338,821</u>	<u>368,960</u>	<u>347,196</u>
Operating expenses:			
Research and development	140,362	143,802	129,902
Selling, general and administrative	79,989	83,153	77,430
Intangible asset amortization	4,327	4,423	3,436
Impairment of long-lived assets (1)	10,226	6,447	-
Severance and restructuring expenses (2)	1,385	5,790	5,547
Other operating expenses (income), net (3)	1,574	8,795	2,272
Total operating expenses	<u>237,863</u>	<u>252,410</u>	<u>218,587</u>
Operating income	100,958	116,550	128,609
Interest and other income (expense), net (4)	<u>(6,477)</u>	<u>(8,943)</u>	<u>(3,463)</u>
Income before provision for income taxes	94,481	107,607	125,146
Provision (benefit) for income taxes (5,6)	<u>(5,499)</u>	<u>22,814</u>	<u>22,026</u>
Net Income	<u>\$ 99,980</u>	<u>\$ 84,793</u>	<u>\$ 103,120</u>
Earnings per share:			
Basic	<u>\$ 0.35</u>	<u>\$ 0.30</u>	<u>\$ 0.36</u>
Diluted	<u>\$ 0.35</u>	<u>\$ 0.29</u>	<u>\$ 0.36</u>
Shares used in the calculation of earnings per share:			
Basic	<u>284,086</u>	<u>283,431</u>	<u>284,654</u>
Diluted	<u>289,430</u>	<u>289,487</u>	<u>290,260</u>
Dividends paid per share	<u>\$ 0.28</u>	<u>\$ 0.26</u>	<u>\$ 0.26</u>

SCHEDULE OF SPECIAL ITEMS
(Unaudited)

	Three Months Ended		
	September 27, 2014	June 28, 2014	September 28, 2013
	(in thousands)		
Cost of goods sold:			
Intangible asset amortization	\$ 18,750	\$ 18,750	\$ 8,092
Acquisition-related inventory write-up	-	371	-
Total	<u>\$ 18,750</u>	<u>\$ 19,121</u>	<u>\$ 8,092</u>
Operating expenses:			
Intangible asset amortization	\$ 4,327	\$ 4,423	\$ 3,436
Impairment of long-lived assets (1)	10,226	6,447	-
Severance and restructuring (2)	1,385	5,790	5,547
Other operating expenses (income), net (3)	1,574	8,795	2,272
Total	<u>\$ 17,512</u>	<u>\$ 25,455</u>	<u>\$ 11,255</u>
Interest and other expense (income), net (4)	<u>\$ -</u>	<u>\$ 2,432</u>	<u>\$ -</u>
Total	<u>\$ -</u>	<u>\$ 2,432</u>	<u>\$ -</u>
Provision (benefit) for income taxes:			
Fixed assets tax basis adjustment (5)	\$ -	\$ (1,041)	\$ -
Reversal of tax reserves (6)	<u>(21,747)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ (21,747)</u>	<u>\$ (1,041)</u>	<u>\$ -</u>

(1) Includes impairment charges relating to EDA software, wafer fab tools, land and buildings held-for-sale, and end of line manufacturing equipment.

(2) include severance charges associated with the reorganization of various business units and manufacturing operations.

(3) Other operating expenses (income), net are primarily for loss (gain) relating to sale of land and buildings, reserve for uncollectible note related to a divestiture, expected loss on rent expense, and contingent consideration adjustments related to certain acquisitions.

(4) Includes impairment of investment in a privately-held company.

(5) Includes one-time fixed asset tax basis adjustments relating to prior year depreciation expense.

(6) Reversal of tax reserves related to the favorable settlement of a foreign tax issue.

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CONSOLIDATED BALANCE SHEETS

(Unaudited)

	September 27, 2014	June 28, 2014	September 28, 2013
	(in thousands)		
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,243,883	\$ 1,322,472	\$ 1,009,547
Short-term investments	75,094	49,953	25,036
Total cash, cash equivalents and short-term investments	1,318,977	1,372,425	1,034,583
Accounts receivable, net	281,932	295,828	297,888
Inventories	305,108	289,292	278,218
Deferred tax assets	54,379	74,597	54,854
Other current assets	67,383	54,560	116,225
Total current assets	2,027,779	2,086,702	1,781,768
Property, plant and equipment, net	1,303,861	1,331,519	1,374,544
Intangible assets, net	337,917	360,994	145,618
Goodwill	595,441	596,637	422,004
Other assets	40,127	29,766	40,063
TOTAL ASSETS	\$ 4,305,125	\$ 4,405,618	\$ 3,763,997
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 96,347	\$ 102,076	\$ 101,060
Income taxes payable	20,122	20,065	21,799
Accrued salary and related expenses	126,624	186,732	124,954
Accrued expenses	65,216	63,656	55,561
Current portion of long-term debt	-	372	4,804
Deferred income on shipments to distributors	26,821	25,734	27,179
Total current liabilities	335,130	398,635	335,357
Long-term debt	1,001,026	1,001,026	500,955
Income taxes payable	350,396	362,802	294,728
Deferred tax liabilities	145,597	159,879	205,221
Other liabilities	61,572	53,365	29,300
Total liabilities	1,893,721	1,975,707	1,365,561
Stockholders' equity:			
Common stock par value	284	285	283
Additional paid-in capital	-	23,005	-
Retained earnings	2,430,194	2,423,794	2,412,262
Accumulated other comprehensive loss	(19,074)	(17,173)	(14,109)
Total stockholders' equity	2,411,404	2,429,911	2,398,436
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 4,305,125	\$ 4,405,618	\$ 3,763,997

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CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended		
	September 27, 2014	June 28, 2014	September 28, 2013
	(in thousands)		
Cash flows from operating activities:			
Net income	\$ 99,980	\$ 84,793	\$ 103,120
Adjustments to reconcile net income to net cash provided by operating activities:			
Stock-based compensation	22,420	21,786	18,740
Depreciation and amortization	63,693	64,391	51,133
Deferred taxes	6,207	(9,501)	25,529
Loss (gain) from sale of property, plant and equipment	244	1,068	36
Tax benefit (shortfall) related to stock-based compensation	1,610	942	(3,488)
Impairment of long-lived assets	10,226	6,447	-
Excess tax benefit from stock-based compensation	(2,249)	(4,897)	(1,697)
Impairment of investments in privately-held companies	-	6,537	-
Changes in assets and liabilities:			
Accounts receivable	13,896	8,300	(12,450)
Inventories	(15,650)	1,226	(2,301)
Other current assets	(24,974)	26,579	(18,546)
Accounts payable	4,455	5,203	(9,162)
Income taxes payable	(12,289)	9,853	11,393
Deferred revenue on shipments to distributors	1,087	1,475	622
All other accrued liabilities	(51,659)	9,882	(67,035)
Net cash provided by (used in) operating activities	<u>116,997</u>	<u>234,084</u>	<u>95,894</u>
Cash flows from investing activities:			
Purchase of property, plant and equipment	(31,686)	(23,654)	(36,329)
Proceeds from sales of property, plant and equipment	212	1,627	3,048
Purchases of available-for-sale securities	(25,142)	(49,953)	-
Net cash provided by (used in) investing activities	<u>(56,616)</u>	<u>(71,980)</u>	<u>(33,281)</u>
Cash flows from financing activities:			
Excess tax benefit from stock-based compensation	2,249	4,897	1,697
Repayment of notes payable	(437)	(2,430)	-
Issuance of debt	-	-	100
Net issuance of restricted stock units	(8,038)	(8,922)	(6,966)
Proceeds from stock options exercised	9,704	26,232	5,247
Repurchase of common stock	(62,685)	(40,744)	(154,386)
Issuance of ESPP shares under employee stock purchase program	-	23,713	-
Dividends paid	(79,763)	(73,626)	(73,744)
Net cash provided by (used in) financing activities	<u>(138,970)</u>	<u>(70,880)</u>	<u>(228,052)</u>
Net increase (decrease) in cash and cash equivalents	(78,589)	91,224	(165,439)
Cash and cash equivalents:			
Beginning of period	1,322,472	1,231,248	1,174,986
End of period	<u>\$ 1,243,883</u>	<u>\$ 1,322,472</u>	<u>\$ 1,009,547</u>
Total cash, cash equivalents and short-term investments	<u>\$ 1,318,977</u>	<u>\$ 1,372,425</u>	<u>\$ 1,034,583</u>

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ANALYSIS OF GAAP VERSUS GAAP EXCLUDING SPECIAL ITEMS DISCLOSURES
(Unaudited)

	Three Months Ended		
	September 27, 2014	June 28, 2014	September 28, 2013
(in thousands, except per share data)			
Reconciliation of GAAP gross profit to GAAP gross profit excluding special items:			
GAAP gross profit	\$ 338,821	\$ 368,960	\$ 347,196
GAAP gross profit %	58.4%	57.4%	59.3%
Special items:			
Intangible asset amortization	18,750	18,750	8,092
Acquisition-related inventory write-up	-	371	-
Total special items	<u>18,750</u>	<u>19,121</u>	<u>8,092</u>
GAAP gross profit excluding special items	\$ 357,571	\$ 388,081	\$ 355,288
GAAP gross profit % excluding special items	61.6%	60.4%	60.7%
Reconciliation of GAAP operating expenses to GAAP operating expenses excluding special items:			
GAAP operating expenses	\$ 237,863	\$ 252,410	\$ 218,587
Special items:			
Intangible asset amortization	4,327	4,423	3,436
Impairment of long-lived assets (1)	10,226	6,447	-
Severance and restructuring (2)	1,385	5,790	5,547
Other operating expenses (income), net (3)	1,574	8,795	2,272
Total special items	<u>17,512</u>	<u>25,455</u>	<u>11,255</u>
GAAP operating expenses excluding special items	<u>\$ 220,351</u>	<u>\$ 226,955</u>	<u>\$ 207,332</u>
Reconciliation of GAAP net income to GAAP net income excluding special items:			
GAAP net income	\$ 99,980	\$ 84,793	\$ 103,120
Special items:			
Intangible asset amortization	23,077	23,173	11,528
Acquisition-related inventory write-up	-	371	-
Impairment of long-lived assets (1)	10,226	6,447	-
Severance and restructuring (2)	1,385	5,790	5,547
Other operating expenses (income), net (3)	1,574	8,795	2,272
Interest and other expense, net (4)	-	2,432	-
Pre-tax total special items	36,262	47,008	19,347
Tax effect of special items	(5,873)	(6,850)	(2,981)
Fixed asset tax basis adjustment (5)	-	(1,041)	-
Reversal of tax reserves (6)	(21,747)	-	-
GAAP net income excluding special items	<u>\$ 108,622</u>	<u>\$ 123,910</u>	<u>\$ 119,486</u>
GAAP net income per share excluding special items:			
Basic	<u>\$ 0.38</u>	<u>\$ 0.44</u>	<u>\$ 0.42</u>
Diluted	<u>\$ 0.38</u>	<u>\$ 0.43</u>	<u>\$ 0.41</u>
Shares used in the calculation of earnings per share excluding special items:			
Basic	<u>284,086</u>	<u>283,431</u>	<u>284,654</u>
Diluted	<u>289,430</u>	<u>289,487</u>	<u>290,260</u>

(1) Includes impairment charges relating to EDA software, wafer fab tools, land and buildings held-for-sale, and end of line manufacturing equipment.

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