



**CONSOLIDATED STATEMENTS OF INCOME**  
(Unaudited)

	Three Months Ended		
	September 26, 2015	June 27, 2015	September 27, 2014
	(in thousands, except per share data)		
Net revenues	\$ 562,510	\$ 582,517	\$ 580,275
Cost of goods sold (1)	276,159	278,816	241,454
Gross margin	<u>286,351</u>	<u>303,701</u>	<u>338,821</u>
Operating expenses:			
Research and development	121,392	121,552	140,362
Selling, general and administrative	71,995	72,532	79,989
Intangible asset amortization	3,591	3,618	4,327
Impairment of long-lived assets (2)	157,697	549	10,226
Severance and restructuring expenses (3)	7,126	12,798	1,385
Other operating expenses (income), net (4)	315	(2,296)	1,574
Total operating expenses (income), net	<u>362,116</u>	<u>208,753</u>	<u>237,863</u>
Operating income (loss)	<u>(75,765)</u>	<u>94,948</u>	<u>100,958</u>
Interest and other income (expense), net (5)	<u>(6,402)</u>	<u>28,500</u>	<u>(6,477)</u>
Income (loss) before provision for income taxes (6)	<u>(82,167)</u>	<u>123,448</u>	<u>94,481</u>
Provision (benefit) for income taxes (6)	<u>(10,024)</u>	<u>24,789</u>	<u>(5,499)</u>
Net income (loss)	<u>\$ (72,143)</u>	<u>\$ 98,659</u>	<u>\$ 99,980</u>
Earnings (loss) per share:			
Basic	<u>\$ (0.25)</u>	<u>\$ 0.35</u>	<u>\$ 0.35</u>
Diluted	<u>\$ (0.25)</u>	<u>\$ 0.34</u>	<u>\$ 0.35</u>
Shares used in the calculation of earnings (loss) per share:			
Basic	<u>284,588</u>	<u>284,202</u>	<u>284,086</u>
Diluted	<u>284,588</u>	<u>289,346</u>	<u>289,430</u>
Dividends paid per share	<u>\$ 0.30</u>	<u>\$ 0.28</u>	<u>\$ 0.28</u>

**SCHEDULE OF SPECIAL ITEMS**  
(Unaudited)

	Three Months Ended		
	September 26, 2015	June 27, 2015	September 27, 2014
	(in thousands)		
Cost of goods sold:			
Intangible asset amortization	\$ 16,638	\$ 18,116	\$ 18,750
Accelerated depreciation (1)	43,631	32,765	-
Total	<u>\$ 60,269</u>	<u>\$ 50,881</u>	<u>\$ 18,750</u>
Operating expenses:			
Intangible asset amortization	\$ 3,591	\$ 3,618	\$ 4,327
Impairment of long-lived assets (2)	157,697	549	10,226
Severance and restructuring (3)	7,126	12,798	1,385
Other operating expenses (income), net (4)	315	(2,296)	1,574
Total	<u>\$ 168,729</u>	<u>\$ 14,669</u>	<u>\$ 17,512</u>
Interest and other expense (income), net (5)	<u>\$ (109)</u>	<u>\$ (35,849)</u>	<u>\$ -</u>
Total	<u>\$ (109)</u>	<u>\$ (35,849)</u>	<u>\$ -</u>
Provision (benefit) for income taxes:			
Reversal of tax reserves (6)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,747)</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,747)</u>

- (1) Building and equipment accelerated depreciation related to San Jose and Dallas manufacturing facilities.
- (2) Includes impairment charges related to the San Antonio wafer manufacturing facility, and other impairment of wafer manufacturing equipment, end of line test equipment, and software.
- (3) Includes severance charges associated with several reorganizations, primarily various business units and manufacturing operations.
- (4) Other operating expenses (income), net are primarily for loss (gain) relating to sale of assets, and expected loss on lease abandonment.
- (5) Includes sale of a business and impairment of investments in privately-held companies.
- (6) Includes reversal of tax reserves related to the favorable settlement of a foreign tax issue.

**CONSOLIDATED BALANCE SHEETS**

**(Unaudited)**

	<b>September 26, 2015</b>	<b>June 27, 2015</b>	<b>September 27, 2014</b>
		(in thousands)	
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 1,508,347	\$ 1,550,965	\$ 1,243,883
Short-term investments	100,285	75,154	75,094
Total cash, cash equivalents and short-term investments	1,608,632	1,626,119	1,318,977
Accounts receivable, net	282,471	278,844	281,932
Inventories	290,712	288,474	305,108
Deferred tax assets	50,604	77,306	54,379
Other current assets	46,627	49,838	67,383
Total current assets	2,279,046	2,320,581	2,027,779
Property, plant and equipment, net	805,580	1,090,739	1,303,861
Intangible assets, net	241,423	261,652	337,917
Goodwill	511,647	511,647	595,441
Other assets	107,190	43,765	40,127
<b>TOTAL ASSETS</b>	<b>\$ 3,944,886</b>	<b>\$ 4,228,384</b>	<b>\$ 4,305,125</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 80,752	\$ 88,322	\$ 96,347
Income taxes payable	59,479	34,779	20,122
Accrued salary and related expenses	120,642	181,360	126,624
Accrued expenses	49,990	48,389	65,216
Deferred revenue on shipments to distributors	35,091	30,327	26,821
Total current liabilities	345,954	383,177	335,130
Long-term debt	1,000,000	1,000,000	1,001,026
Income taxes payable	419,805	410,378	350,396
Deferred tax liabilities	10,602	90,588	145,597
Other liabilities	53,724	54,221	61,572
Total liabilities	1,830,085	1,938,364	1,893,721
<b>Stockholders' equity:</b>			
Common stock and capital in excess of par value	10,819	28,142	284
Retained earnings	2,121,582	2,279,112	2,430,194
Accumulated other comprehensive loss	(17,600)	(17,234)	(19,074)
Total stockholders' equity	2,114,801	2,290,020	2,411,404
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>\$ 3,944,886</b>	<b>\$ 4,228,384</b>	<b>\$ 4,305,125</b>

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	Three Months Ended		
	September 26, 2015	June 27, 2015	September 27, 2014
	(in thousands)		
<b>Cash flows from operating activities:</b>			
Net income (loss)	\$ (72,143)	\$ 98,659	\$ 99,980
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Stock-based compensation	16,963	17,709	22,420
Depreciation and amortization	102,053	92,639	63,693
Deferred taxes	(53,111)	(32,207)	6,207
Loss (gain) from sale of property, plant and equipment	(1,346)	(1,228)	244
Tax benefit (shortfall) related to stock-based compensation	1,193	(861)	1,610
Impairment of long-lived assets	157,697	517	10,226
Impairment of investments in privately-held companies	-	94	-
Loss (gain) on sale of business	-	(35,849)	-
Excess tax benefit from stock-based compensation	(2,249)	(2,372)	(2,249)
Changes in assets and liabilities:			
Accounts receivable	(3,627)	(417)	13,896
Inventories	(2,167)	10,105	(15,650)
Other current assets	4,796	15,338	(24,974)
Accounts payable	(9,776)	2,874	4,455
Income taxes payable	34,127	39,217	(12,289)
Deferred revenue on shipments to distributors	4,764	(223)	1,087
All other accrued liabilities	(59,835)	17,793	(51,659)
Net cash provided by (used in) operating activities	<u>117,339</u>	<u>221,788</u>	<u>116,997</u>
<b>Cash flows from investing activities:</b>			
Payments for property, plant and equipment	(15,821)	(15,360)	(31,686)
Proceeds from sales of property, plant and equipment	606	2,741	212
Proceeds from sale of business	-	35,550	-
Purchases from maturity of available-for-sale securities	(25,055)	-	(25,142)
Purchases of investments in privately-held companies securities	(1,000)	-	-
Net cash provided by (used in) investing activities	<u>(41,270)</u>	<u>22,931</u>	<u>(56,616)</u>
<b>Cash flows from financing activities:</b>			
Excess tax benefit from stock-based compensation	2,249	2,372	2,249
Repayment of notes payable	-	-	(437)
Net issuance of restricted stock units	(4,822)	(7,428)	(8,038)
Proceeds from stock options exercised	8,970	12,328	9,704
Issuance of ESPP shares under employee stock purchase program	-	22,298	-
Repurchase of common stock	(39,697)	(35,963)	(62,685)
Dividends paid	(85,387)	(79,558)	(79,763)
Net cash provided by (used in) financing activities	<u>(118,687)</u>	<u>(85,951)</u>	<u>(138,970)</u>
Net increase (decrease) in cash and cash equivalents	(42,618)	158,768	(78,589)
Cash and cash equivalents:			
Beginning of period	1,550,965	1,392,197	1,322,472
End of period	<u>\$ 1,508,347</u>	<u>\$ 1,550,965</u>	<u>\$ 1,243,883</u>
Total cash, cash equivalents and short-term investments	<u>\$ 1,608,632</u>	<u>\$ 1,626,119</u>	<u>\$ 1,318,977</u>

## ANALYSIS OF GAAP VERSUS GAAP EXCLUDING SPECIAL ITEMS DISCLOSURES

(Unaudited)

	Three Months Ended		
	September 26, 2015	June 27, 2015	September 27, 2014
	(in thousands, except per share data)		
<b>Reconciliation of GAAP gross profit to GAAP gross profit excluding special items:</b>			
GAAP gross profit	\$ 286,351	\$ 303,701	\$ 338,821
GAAP gross profit %	50.9%	52.1%	58.4%
Special items:			
Intangible asset amortization	16,638	18,116	18,750
Accelerated depreciation (1)	43,631	32,765	-
Total special items	<u>60,269</u>	<u>50,881</u>	<u>18,750</u>
GAAP gross profit excluding special items	\$ 346,620	\$ 354,582	\$ 357,571
GAAP gross profit % excluding special items	61.6%	60.9%	61.6%
<b>Reconciliation of GAAP operating expenses to GAAP operating expenses excluding special items:</b>			
GAAP operating expenses	\$ 362,116	\$ 208,753	\$ 237,863
Special items:			
Intangible asset amortization	3,591	3,618	4,327
Impairment of long-lived assets (2)	157,697	549	10,226
Severance and restructuring (3)	7,126	12,798	1,385
Other operating expenses (income), net (4)	315	(2,296)	1,574
Total special items	<u>168,729</u>	<u>14,669</u>	<u>17,512</u>
GAAP operating expenses excluding special items	\$ 193,387	\$ 194,084	\$ 220,351
<b>Reconciliation of GAAP net income (loss) to GAAP net income excluding special items:</b>			
GAAP net income (loss)	\$ (72,143)	\$ 98,659	\$ 99,980
Special items:			
Intangible asset amortization	20,229	21,734	23,077
Accelerated depreciation (1)	43,631	32,765	-
Impairment of long-lived assets (2)	157,697	549	10,226
Severance and restructuring (3)	7,126	12,798	1,385
Other operating expenses (income), net (4)	315	(2,296)	1,574
Interest and other expense (income), net (5)	(109)	(35,849)	-
Pre-tax total special items	228,889	29,701	36,262
Reversal of tax reserves (6)	-	-	(21,747)
Other income tax effects and adjustments (7)	(36,434)	(4,267)	(5,873)
GAAP net income excluding special items	\$ 120,312	\$ 124,093	\$ 108,622
GAAP net income per share excluding special items:			
Basic	\$ 0.42	\$ 0.44	\$ 0.38
Diluted	\$ 0.42	\$ 0.43	\$ 0.38
Shares used in the calculation of earnings per share excluding special items:			
Basic	284,588	284,202	284,086
Diluted (8)	<u>288,897</u>	<u>289,346</u>	<u>289,430</u>

(1) Building and equipment accelerated depreciation related to San Jose and Dallas manufacturing facilities.

(2) Includes impairment charges related to the San Antonio wafer manufacturing facility, and other impairment of wafer manufacturing equipment, end of line test equipment, and software.

(3) Includes severance charges associated with several reorganizations, primarily various business units and manufacturing operations.

(4) Other operating expenses (income), net are primarily for loss (gain) relating to sale of assets, and expected loss on lease abandonment.

(5) Includes sale of a business and impairment of investments in privately-held companies.

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

(7) Includes tax effect of pre-tax special items and miscellaneous tax adjustments.

(8) Shares used in diluted earnings per share excluding special items differs from GAAP loss per share due to net income on a non-GAAP basis.