

Consolidated Statements of Operations

(In thousands, except per share amounts)	Quarter Ended		Three Quarters Ended	
	March 1, 2003	February 23, 2002	March 1, 2003	February 23, 2002
Net sales	\$ 188,349	\$ 199,328	\$ 593,376	\$ 614,590
Cost of sales	<u>87,961</u>	<u>99,656</u>	<u>291,838</u>	<u>308,272</u>
Gross profit	100,388	99,672	301,538	306,318
Research and development expenses	26,674	27,017	75,867	89,183
Selling, general and administrative expenses	63,815	53,807	182,876	167,891
Equity in business ventures' loss	-	1,503	2,893	3,108
Business realignment costs	14,173	2,353	26,997	14,725
Acquisition related costs	795	-	2,627	-
(Gain) loss on sale of assets	<u>(81)</u>	<u>391</u>	<u>(588)</u>	<u>4,222</u>
Operating (loss) income	(4,988)	14,601	10,866	27,189
Non-operating income, net	<u>5,144</u>	<u>3,679</u>	<u>14,620</u>	<u>13,381</u>
Earnings before taxes	156	18,280	25,486	40,570
Income tax (benefit) expense	<u>(709)</u>	<u>6,399</u>	<u>(4,344)</u>	<u>14,200</u>
Net earnings from continuing operations	865	11,881	29,830	26,370
Discontinued operations:				
Loss from operations of optical business (less applicable income tax benefit of \$8,521, \$0, \$9,296 and \$0)	(15,824)	-	(17,264)	-
Loss on sale of VideoTele.com (less applicable income tax benefit of \$64, \$0, \$275 and \$0)	(118)	-	(508)	-
Loss from operations of VideoTele.com (less applicable income tax benefit of \$0, \$780, \$1,413 and \$368)	-	(1,447)	(2,624)	(682)
Gain on sale of Color Printing and Imaging division (less applicable income tax expense of \$7,000, \$0, \$7,000 and \$505)	<u>13,000</u>	<u>-</u>	<u>13,000</u>	<u>937</u>
Net (loss) earnings	<u>\$ (2,077)</u>	<u>\$ 10,434</u>	<u>\$ 22,434</u>	<u>\$ 26,625</u>
Earnings per share from continuing operations - basic and diluted	\$ 0.01	\$ 0.13	\$ 0.34	\$ 0.29
(Loss) earnings per share from discontinued operations - basic and diluted	\$ (0.03)	\$ (0.02)	\$ (0.08)	\$ 0.00
(Loss) earnings per share - basic	\$ (0.02)	\$ 0.11	\$ 0.26	\$ 0.29
(Loss) earnings per share - diluted	\$ (0.02)	\$ 0.11	\$ 0.25	\$ 0.29
Weighted average shares outstanding - basic	86,750	91,316	87,826	91,629
Weighted average shares outstanding - diluted	86,945	92,428	88,071	92,419

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Consolidated Balance Sheets

(In thousands)	<u>March 1, 2003</u>	<u>May 25, 2002</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 155,250	\$ 261,301
Short-term marketable investments	122,125	193,644
Trade accounts receivable, net	104,957	95,214
Inventories	102,936	117,324
Assets of discontinued operations	4,847	39,286
Other current assets	79,314	70,867
Total current assets	<u>569,429</u>	<u>777,636</u>
Property, plant and equipment, net	152,597	131,273
Long-term marketable investments	412,324	301,104
Deferred tax assets, net	89,748	64,522
Other long-term assets	114,996	109,654
Total assets	<u>\$ 1,339,094</u>	<u>\$ 1,384,189</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 107,876	\$ 154,679
Accrued compensation	52,181	56,950
Current portion of long-term debt	57,778	41,765
Deferred revenue	19,467	16,826
Liabilities of discontinued operations	1,787	3,447
Total current liabilities	<u>239,089</u>	<u>273,667</u>
Long-term debt	56,137	57,302
Other long-term liabilities	175,014	126,027
Shareholders' equity:		
Common stock	223,982	231,035
Retained earnings	714,137	774,282
Accumulated other comprehensive loss	(69,265)	(78,124)
Total shareholders' equity	<u>868,854</u>	<u>927,193</u>
Total liabilities and shareholders' equity	<u>\$ 1,339,094</u>	<u>\$ 1,384,189</u>
Shares outstanding	85,518	90,509

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**Selected Additional Financial Data**

(Dollars in thousands, except per share amounts)	% Growth	Quarter Ended		% Growth	Three Quarters Ended	
		March 1, 2003	February 23, 2002		March 1, 2003	February 23, 2002
<b>Product Orders and Sales Data:</b>						
Orders	4%	\$ 179,800	\$ 172,300	6%	\$ 550,600	\$ 517,300
U.S.	(14%)	66,600	77,200	0%	220,600	219,900
International	19%	113,200	95,100	11%	330,000	297,400
Net Sales	(6%)	\$ 188,349	\$ 199,328	(3%)	\$ 593,376	\$ 614,590
U.S.	(25%)	70,591	93,657	(14%)	257,451	298,100
International	11%	117,758	105,671	6%	335,925	316,490

**Effect of Business Realignment and One-Time Items:**

Net earnings from continuing operations	\$	865	\$	11,881	\$	29,830	\$	26,370
Business realignment costs		14,173		2,353		26,997		14,725
Acquisition related costs		795		-		2,627		-
Tax effect of above items		(4,350)		(824)		(9,480)		(5,154)
Reversal of tax reserve		-		-		(12,500)		-
Net income excluding business realignment and one-time items	\$	11,483	\$	13,410	\$	37,474	\$	35,941
Diluted earnings per share excluding business realignment and one-time items	\$	0.13	\$	0.15	\$	0.43	\$	0.39

**Income Statement Items as a Percentage of Net Sales:**

Cost of sales	47%	50%	49%	50%
Research and development expenses	14%	14%	13%	15%
Selling, general and administrative expenses	34%	27%	31%	27%
Equity in business ventures' loss	0%	1%	0%	1%
Business realignment costs	8%	1%	5%	2%
(Gain) loss on sale of assets	0%	0%	0%	1%
Operating (loss) income	(3%)	7%	2%	4%

**Capital Expenditures and Depreciation:**

Capital expenditures	\$	4,026	\$	1,872	\$	11,650	\$	11,206
Depreciation and amortization expense	\$	8,615	\$	9,921	\$	26,168	\$	30,701

	Quarter Ended March 1, 2003	Year Ended May 25, 2002
<b>Balance Sheet:</b>		
Cash and Marketable Investments:		
Cash and cash equivalents	\$ 155,250	\$ 261,301
Short-term marketable investments	122,125	193,644
Long-term marketable investments	412,324	301,104
Cash and Marketable Investments	\$ 689,699	\$ 756,049
Accounts receivable as a percentage of annualized net sales	13.9%	14.0%
Days sales outstanding	50.7	42.4
Average days sales outstanding	50.4	51.2
Inventory as a percentage of annualized net sales	14.1%	16.2%
Inventory turns	3.3	3.1

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