

FINANCIAL HIGHLIGHTS

(Amounts in millions, except per share amounts)	Fiscal Years		
	2003	2002	2001 ⁽¹⁾
Sales	\$1,042	\$ 873	\$ 774
Gross Profit	\$ 422	\$ 339	\$ 287
Operating Earnings	\$ 198	\$ 145	\$ 110
Operating Earnings as % of Sales	19.0%	16.6%	14.2%
Net Earnings	\$ 131	\$ 94	\$ 54
Net Earnings per Diluted Share ⁽¹⁾	\$ 1.84	\$1.33	\$0.79
Net Orders	\$1,152	\$ 974	\$ 858
Backlog	\$ 808	\$ 698	\$ 598

⁽¹⁾FY01 has been restated for the two-for-one stock split (effected in the form of a stock dividend) paid on January 15, 2002.

CONSOLIDATED STATEMENT OF EARNINGS

(Amounts in thousands, except per share amounts)	Fiscal Years		
	2003	2002	2001 ⁽¹⁾
Sales:			
Product	\$ 907,668	\$756,657	\$673,402
Service contracts and other	133,889	116,435	100,241
Total sales	<u>\$1,041,557</u>	<u>\$873,092</u>	<u>\$773,643</u>
Cost of sales:			
Product	530,457	451,271	413,426
Service contracts and other	89,194	82,506	73,184
Total cost of sales	<u>619,651</u>	<u>533,777</u>	<u>486,610</u>
Gross profit	<u>421,906</u>	<u>339,315</u>	<u>287,033</u>
Operating expenses:			
Research and development	59,176	48,442	43,596
Selling, general and administrative	164,380	146,088	133,981
Reorganization income	-	(192)	(435)
Total operating expenses	<u>223,556</u>	<u>194,338</u>	<u>177,142</u>
Operating earnings	<u>198,350</u>	<u>144,977</u>	<u>109,891</u>
Interest income	7,401	5,768	6,281
Interest expense	(4,383)	(4,486)	(4,132)
Other ⁽²⁾	-	-	(5,000)
Earnings from operations before taxes	<u>201,368</u>	<u>146,259</u>	<u>107,040</u>
Taxes on earnings	<u>70,480</u>	<u>52,650</u>	<u>39,070</u>
Earnings before cumulative effect of changes in accounting principles	<u>130,888</u>	<u>93,609</u>	<u>67,970</u>
Cumulative effect of changes in accounting principles – net of taxes	<u>-</u>	<u>-</u>	<u>(13,720)</u>
Net earnings	<u>\$ 130,888</u>	<u>\$ 93,609</u>	<u>\$ 54,250</u>
Net earnings per share – Basic:⁽³⁾			
Earnings before cumulative effect of changes in accounting principles	\$ 1.92	\$ 1.38	\$ 1.03
Cumulative effect of changes in accounting principles	-	-	(0.21)
Net earnings per share – Basic	<u>\$ 1.92</u>	<u>\$ 1.38</u>	<u>\$ 0.82</u>
Net earnings per share – Diluted:⁽³⁾			
Earnings before cumulative effect of changes in accounting principles	\$ 1.84	\$ 1.33	\$ 0.99
Cumulative effect of changes in accounting principles	-	-	(0.20)
Net earnings per share – Diluted	<u>\$ 1.84</u>	<u>\$ 1.33</u>	<u>\$ 0.79</u>
Shares used in the calculation of net earnings per share:			
Weighted average shares outstanding – Basic	<u>68,056</u>	<u>67,664</u>	<u>65,877</u>
Weighted average shares outstanding – Diluted	<u>71,076</u>	<u>70,239</u>	<u>68,457</u>

⁽¹⁾ During fiscal year 2001, the Company adopted the U.S. Securities and Exchange Commission's Staff Accounting Bulletin No. 101 (SAB 101) "Revenue Recognition in Financial Statements" and Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." The cumulative effect of changes in accounting principles reflects the net effect of prior years of the Company's adoption of these accounting changes as of the beginning of fiscal year 2001.

⁽²⁾ During fiscal year 2001, the Company wrote off its \$5 million investment in the dpiX consortium.

⁽³⁾ The results for fiscal year 2001 have been restated for the two-for-one stock split (effected in the form of a stock dividend) paid on January 15, 2002.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except par values)	Fiscal Year-End	
	2003	2002
Assets		
Current assets		
Cash and cash equivalents	\$ 210,448	\$160,285
Short-term marketable securities	112,128	41,035
Accounts receivable, net	252,265	237,345
Inventories	116,815	123,815
Other current assets	113,868	88,879
Total current assets	<u>805,524</u>	<u>651,359</u>
Property, plant and equipment	236,077	226,324
Accumulated depreciation and amortization	(154,905)	(144,184)
Property, plant and equipment, net	<u>81,172</u>	<u>82,140</u>
Long-term marketable securities	84,820	97,529
Goodwill	59,979	59,996
Other assets	21,992	19,253
Total assets	<u>\$1,053,487</u>	<u>\$910,277</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Notes payable	\$ -	\$ 58
Accounts payable	47,169	45,776
Accrued expenses	240,406	199,836
Product warranty	36,040	30,725
Advance payments from customers	85,801	81,688
Total current liabilities	<u>409,416</u>	<u>358,083</u>
Long-term accrued expenses and other	21,895	20,891
Long-term debt	58,500	58,500
Total liabilities	<u>489,811</u>	<u>437,474</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock		
Authorized 1,000,000 shares, par value \$1 per share, issued and outstanding none	-	-
Common stock		
Authorized 99,000,000 shares, par value \$1 per share, issued and outstanding		
67,971,000 shares at September 26, 2003 and 67,790,000 shares at September 27, 2002	67,971	67,790
Capital in excess of par value	159,539	118,278
Deferred stock compensation	(2,281)	(3,190)
Accumulated other comprehensive loss	(3,416)	(2,530)
Retained earnings	341,863	292,455
Total stockholders' equity	<u>563,676</u>	<u>472,803</u>
Total liabilities and stockholders' equity	<u>\$1,053,487</u>	<u>\$910,277</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)	Fiscal Years		
	2003	2002	2001
Cash flows from operating activities:			
Net earnings	\$ 130,888	\$ 93,609	\$ 54,250
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	19,482	19,090	19,309
Allowances for doubtful accounts	2,160	1,539	1,697
Loss from sale of assets	44	237	739
Amortization of intangibles	832	759	3,573
Amortization of premium/discount on marketable securities, net	1,359	546	-
Amortization of deferred stock compensation	1,055	1,057	994
Deferred taxes	(9,071)	(15,681)	(13,547)
Non-cash stock-based compensation	119	-	53
Cumulative effect of changes in accounting principles	-	-	13,720
Net change in fair value of derivatives and underlying commitments	(10,172)	138	2,658
Other	(235)	(460)	6,550
Changes in assets and liabilities:			
Accounts receivable	(110)	(2,179)	2,891
Inventories	7,141	(10,172)	(11,447)
Other current assets	2,042	(4,592)	2,017
Accounts payable	(857)	(257)	2,829
Accrued expenses	31,483	35,845	(7,260)
Product warranty	4,912	7,154	4,892
Advance payments from customers	2,657	13,997	6,940
Long-term accrued expenses and other	(2,072)	(1,996)	(2,976)
Tax benefits from employee stock option exercises	28,142	17,403	30,554
Net cash provided by operating activities	<u>209,799</u>	<u>156,037</u>	<u>118,436</u>
Cash flows from investing activities:			
Purchase of marketable securities	(110,708)	(139,110)	-
Maturity of marketable securities	50,965	-	-
Purchase of property, plant and equipment	(18,888)	(25,907)	(16,537)
Proceeds from sale of property, plant and equipment	189	437	52
Purchase of businesses, net of cash acquired	(135)	(14,086)	571
Increase in cash surrender value of life insurance	(5,166)	(2,799)	(3,121)
Other, net	(378)	(385)	228
Net cash used in investing activities	<u>(84,121)</u>	<u>(181,850)</u>	<u>(18,807)</u>
Cash flows from financing activities:			
Net repayments on short-term obligations	(58)	(116)	(442)
Proceeds from common stock issued to employees	36,654	23,960	42,487
Repurchase of common stock	(105,099)	(55,092)	(4,301)
Net cash provided by (used in) financing activities	<u>(68,503)</u>	<u>(31,248)</u>	<u>37,744</u>
Effects of exchange rate changes on cash	(7,012)	(1,615)	(1,733)
Net increase (decrease) in cash and cash equivalents	50,163	(58,676)	135,640
Cash and cash equivalents at beginning of fiscal year	160,285	218,961	83,321
Cash and cash equivalents at end of fiscal year	<u>\$210,448</u>	<u>\$160,285</u>	<u>\$218,961</u>