

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except share and per share amounts)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	March 29, <u>2008</u>	March 31, <u>2007</u>	March 29, <u>2008</u>	March 31, <u>2007</u>
Net sales.....	\$ 7,512	\$ 5,264	\$ 17,120	\$ 12,379
Cost of sales <sup>(1)</sup> .....	<u>5,038</u>	<u>3,415</u>	<u>11,314</u>	<u>8,310</u>
Gross margin.....	<u>2,474</u>	<u>1,849</u>	<u>5,806</u>	<u>4,069</u>
Operating expenses:				
Research and development <sup>(1)</sup> .....	273	183	519	367
Selling, general, and administrative <sup>(1)</sup> .....	<u>886</u>	<u>680</u>	<u>1,846</u>	<u>1,394</u>
Total operating expenses .....	<u>1,159</u>	<u>863</u>	<u>2,365</u>	<u>1,761</u>
Operating income.....	1,315	986	3,441	2,308
Other income and expense.....	<u>162</u>	<u>148</u>	<u>362</u>	<u>274</u>
Income before provision for income taxes.....	1,477	1,134	3,803	2,582
Provision for income taxes .....	<u>432</u>	<u>364</u>	<u>1,177</u>	<u>808</u>
Net income .....	\$ <u>1,045</u>	\$ <u>770</u>	\$ <u>2,626</u>	\$ <u>1,774</u>
Earnings per common share:				
Basic.....	\$ 1.19	\$ 0.89	\$ 2.99	\$ 2.06
Diluted .....	\$ 1.16	\$ 0.87	\$ 2.92	\$ 2.00
Shares used in computing earnings per share (in thousands):				
Basic .....	879,546	863,003	877,704	860,347
Diluted .....	899,329	886,653	899,783	884,896
<sup>(1)</sup> Includes stock-based compensation expense as follows:				
Cost of sales.....	\$ 20	\$ 9	\$ 38	\$ 15
Research and development.....	\$ 47	\$ 20	\$ 86	\$ 36
Selling, general, and administrative .....	\$ 65	\$ 34	\$ 118	\$ 58

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share amounts)

	March 29, 2008	September 29, 2007
ASSETS:		
Current assets:		
Cash and cash equivalents .....	\$ 9,070	\$ 9,352
Short-term investments .....	10,378	6,034
Accounts receivable, less allowances of \$44 and \$47, respectively .....	1,593	1,637
Inventories .....	364	346
Deferred tax assets .....	1,060	782
Other current assets .....	<u>4,271</u>	<u>3,805</u>
Total current assets .....	26,736	21,956
Property, plant and equipment, net.....	1,962	1,832
Goodwill.....	38	38
Acquired intangible assets, net.....	300	299
Other assets.....	<u>1,435</u>	<u>1,222</u>
Total assets .....	\$ <u>30,471</u>	\$ <u>25,347</u>
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable .....	\$ 4,154	\$ 4,970
Accrued expenses .....	<u>5,480</u>	<u>4,310</u>
Total current liabilities .....	9,634	9,280
Non-current liabilities .....	<u>2,784</u>	<u>1,535</u>
Total liabilities .....	<u>12,418</u>	<u>10,815</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock, no par value; 1,800,000,000 shares authorized; 881,431,003 and 872,328,972 shares issued and outstanding, respectively .....	6,342	5,368
Retained earnings.....	11,642	9,101
Accumulated other comprehensive income.....	69	63
Total shareholders' equity.....	<u>18,053</u>	<u>14,532</u>
Total liabilities and shareholders' equity.....	\$ <u>30,471</u>	\$ <u>25,347</u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Six Months Ended	
	March 29, 2008	March 31, 2007
Cash and cash equivalents, beginning of the period .....	\$ 9,352	\$ 6,392
Operating Activities:		
Net income.....	2,626	1,774
Adjustments to reconcile net income to cash generated by operating activities:		
Depreciation, amortization, and accretion .....	222	143
Stock-based compensation expense.....	242	109
Provision for deferred income taxes .....	6	122
Loss on disposition of property, plant, and equipment .....	10	6
Changes in operating assets and liabilities:		
Accounts receivable, net.....	44	324
Inventories .....	(18)	62
Other current assets.....	(444)	589
Other assets.....	(150)	261
Accounts payable .....	(740)	(987)
Deferred revenue .....	1,585	235
Other liabilities .....	<u>597</u>	<u>(91)</u>
Cash generated by operating activities .....	<u>3,980</u>	<u>2,547</u>
Investing Activities:		
Purchases of short-term investments .....	(12,740)	(6,223)
Proceeds from maturities of short-term investments .....	6,683	2,961
Proceeds from sales of short-term investments .....	1,676	1,505
Purchases of long-term investments.....	(17)	(5)
Payment for acquisition of property, plant, and equipment.....	(384)	(247)
Payment for acquisition of intangible assets .....	(63)	(216)
Other .....	<u>21</u>	<u>13</u>
Cash used in investing activities .....	<u>(4,824)</u>	<u>(2,212)</u>
Financing Activities:		
Proceeds from issuance of common stock .....	233	176
Excess tax benefits from stock-based compensation.....	445	192
Cash used to net share settle equity awards .....	<u>(116)</u>	<u>-</u>
Cash generated by financing activities .....	<u>562</u>	<u>368</u>
(Decrease) increase in cash and cash equivalents.....	<u>(282)</u>	<u>703</u>
Cash and cash equivalents, end of the period.....	\$ 9,070	\$ 7,095
Supplemental cash flow disclosure:		
Cash paid for income taxes, net .....	\$ 753	\$ 501

**UNAUDITED CONSOLIDATED SCHEDULE OF DEFERRED REVENUE**  
(In millions)

	March 29, 2008	December 29, 2007	September 29, 2007
Deferred revenue-current:			
iPhone and Apple TV .....	\$ 1,170	\$ 816	\$ 346
AppleCare .....	504	467	430
Other .....	<u>742</u>	<u>776</u> *	<u>615</u> *
Total deferred revenue-current .....	<u>2,416</u>	<u>2,059</u>	<u>1,391</u>
Deferred revenue-non-current:			
iPhone and Apple TV .....	763	624	290
AppleCare .....	559	529	495
Other .....	<u>87</u>	<u>76</u> *	<u>64</u> *
Total deferred revenue-non-current .....	<u>1,409</u>	<u>1,229</u>	<u>849</u>
 Total deferred revenue .....	 \$ <u>3,825</u>	 \$ <u>3,288</u>	 \$ <u>2,240</u>

\* Certain prior period amounts have been reclassified to conform to the current period presentation.