

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except share and per share amounts)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	June 28, <u>2008</u>	June 30, <u>2007</u>	June 28, <u>2008</u>	June 30, <u>2007</u>
Net sales.....	\$ 7,464	\$ 5,410	\$ 24,584	\$ 17,789
Cost of sales ⁽¹⁾	<u>4,864</u>	<u>3,415</u>	<u>16,178</u>	<u>11,725</u>
Gross margin.....	<u>2,600</u>	<u>1,995</u>	<u>8,406</u>	<u>6,064</u>
Operating expenses:				
Research and development ⁽¹⁾	292	208	811	575
Selling, general, and administrative ⁽¹⁾	<u>916</u>	<u>746</u>	<u>2,762</u>	<u>2,140</u>
Total operating expenses	<u>1,208</u>	<u>954</u>	<u>3,573</u>	<u>2,715</u>
Operating income.....	1,392	1,041	4,833	3,349
Other income and expense.....	<u>118</u>	<u>155</u>	<u>480</u>	<u>429</u>
Income before provision for income taxes.....	1,510	1,196	5,313	3,778
Provision for income taxes	<u>438</u>	<u>378</u>	<u>1,615</u>	<u>1,186</u>
Net income	\$ <u>1,072</u>	\$ <u>818</u>	\$ <u>3,698</u>	\$ <u>2,592</u>
Earnings per common share:				
Basic.....	\$ 1.21	\$ 0.94	\$ 4.20	\$ 3.01
Diluted	\$ 1.19	\$ 0.92	\$ 4.10	\$ 2.92
Shares used in computing earnings per share (in thousands):				
Basic	883,738	866,806	879,753	862,500
Diluted	903,167	890,671	901,028	887,095
⁽¹⁾ Includes stock-based compensation expense as follows:				
Cost of sales.....	\$ 21	\$ 10	\$ 59	\$ 25
Research and development.....	\$ 47	\$ 20	\$ 133	\$ 56
Selling, general, and administrative	\$ 65	\$ 35	\$ 183	\$ 93

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share amounts)

	June 28, 2008	September 29, 2007
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 9,373	\$ 9,352
Short-term investments	11,401	6,034
Accounts receivable, less allowances of \$44 and \$47, respectively	1,603	1,637
Inventories	545	346
Deferred tax assets	1,131	782
Other current assets	<u>3,945</u>	<u>3,805</u>
Total current assets	27,998	21,956
Property, plant and equipment, net.....	2,177	1,832
Goodwill.....	38	38
Acquired intangible assets, net.....	291	299
Other assets.....	<u>1,205</u>	<u>1,222</u>
Total assets	\$ <u>31,709</u>	\$ <u>25,347</u>
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 3,683	\$ 4,970
Accrued expenses	<u>5,535</u>	<u>4,310</u>
Total current liabilities	9,218	9,280
Non-current liabilities	<u>2,869</u>	<u>1,535</u>
Total liabilities	<u>12,087</u>	<u>10,815</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock, no par value; 1,800,000,000 shares authorized; 885,746,656 and 872,328,972 shares issued and outstanding, respectively	6,831	5,368
Retained earnings.....	12,714	9,101
Accumulated other comprehensive income.....	<u>77</u>	<u>63</u>
Total shareholders' equity.....	<u>19,622</u>	<u>14,532</u>
Total liabilities and shareholders' equity.....	\$ <u>31,709</u>	\$ <u>25,347</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Nine Months Ended	
	June 28, 2008	June 30, 2007
Cash and cash equivalents, beginning of the period	\$ 9,352	\$ 6,392
Operating Activities:		
Net income.....	3,698	2,592
Adjustments to reconcile net income to cash generated by operating activities:		
Depreciation, amortization, and accretion	339	224
Stock-based compensation expense.....	375	174
Provision for deferred income taxes	41	206
Loss on disposition of property, plant, and equipment	15	7
Changes in operating assets and liabilities:		
Accounts receivable, net.....	34	(158)
Inventories	(199)	19
Other current assets.....	(100)	(363)
Other assets.....	101	254
Accounts payable	(1,226)	270
Deferred revenue	1,823	523
Other liabilities	400	26
Cash generated by operating activities	<u>5,301</u>	<u>3,774</u>
Investing Activities:		
Purchases of short-term investments	(17,153)	(9,587)
Proceeds from maturities of short-term investments	9,378	4,246
Proceeds from sales of short-term investments	2,367	2,420
Purchases of long-term investments.....	(31)	(6)
Payment for acquisition of property, plant, and equipment.....	(688)	(530)
Payment for acquisition of intangible assets	(89)	(222)
Other	20	34
Cash used in investing activities	<u>(6,196)</u>	<u>(3,645)</u>
Financing Activities:		
Proceeds from issuance of common stock	411	294
Excess tax benefits from stock-based compensation.....	621	303
Cash used to net share settle equity awards	(116)	-
Cash generated by financing activities	<u>916</u>	<u>597</u>
Increase in cash and cash equivalents	<u>21</u>	<u>726</u>
Cash and cash equivalents, end of the period.....	\$ <u>9,373</u>	\$ <u>7,118</u>
Supplemental cash flow disclosure:		
Cash paid for income taxes, net	\$ 1,022	\$ 688

UNAUDITED CONSOLIDATED SCHEDULE OF DEFERRED REVENUE
(In millions)

	June 28, 2008	March 29, 2008	September 29, 2007
Deferred revenue-current:			
iPhone and Apple TV	\$ 1,389	\$ 1,170	\$ 346
AppleCare	547	504	430
Other	<u>791</u>	<u>742</u>	<u>615</u>
Total deferred revenue-current.....	<u>2,727</u>	<u>2,416</u>	<u>1,391</u>
Deferred revenue-non-current:			
iPhone and Apple TV	632	763	290
AppleCare	597	559	495
Other	<u>107</u>	<u>87</u>	<u>64</u>
Total deferred revenue-non-current.....	<u>1,336</u>	<u>1,409</u>	<u>849</u>
Total deferred revenue	\$ <u>4,063</u>	\$ <u>3,825</u>	\$ <u>2,240</u>