

Apple Inc.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except share amounts which are reflected in thousands and per share amounts)

	Three Months Ended	
	December 25, 2010	December 26, 2009
Net sales	\$ 26,741	\$ 15,683
Cost of sales ⁽¹⁾	<u>16,443</u>	<u>9,272</u>
Gross margin.....	<u>10,298</u>	<u>6,411</u>
Operating expenses:		
Research and development ⁽¹⁾	575	398
Selling, general and administrative ⁽¹⁾	<u>1,896</u>	<u>1,288</u>
Total operating expenses	<u>2,471</u>	<u>1,686</u>
Operating income.....	7,827	4,725
Other income and expense.....	<u>136</u>	<u>33</u>
Income before provision for income taxes	7,963	4,758
Provision for income taxes	<u>1,959</u>	<u>1,380</u>
Net income	\$ <u>6,004</u>	\$ <u>3,378</u>
Earnings per common share:		
Basic.....	\$ 6.53	\$ 3.74
Diluted.....	\$ 6.43	\$ 3.67
Shares used in computing earnings per share:		
Basic.....	919,294	903,542
Diluted.....	933,154	919,783
⁽¹⁾ Includes stock-based compensation expense as follows:		
Cost of sales	\$ 52	\$ 37
Research and development.....	\$ 113	\$ 74
Selling, general and administrative.....	\$ 134	\$ 94

Apple Inc.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except share amounts)

	December 25, 2010	September 25, 2010
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 10,734	\$ 11,261
Short-term marketable securities	16,243	14,359
Accounts receivable, less allowances of \$62 and \$55, respectively	6,027	5,510
Inventories	885	1,051
Deferred tax assets.....	1,724	1,636
Vendor non-trade receivables	4,847	4,414
Other current assets.....	<u>3,467</u>	<u>3,447</u>
Total current assets.....	43,927	41,678
Long-term marketable securities	32,730	25,391
Property, plant and equipment, net.....	5,868	4,768
Goodwill.....	741	741
Acquired intangible assets, net.....	522	342
Other assets.....	<u>2,954</u>	<u>2,263</u>
Total assets	\$ 86,742	\$ 75,183
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 14,301	\$ 12,015
Accrued expenses	5,953	5,723
Deferred revenue.....	<u>3,541</u>	<u>2,984</u>
Total current liabilities	23,795	20,722
Deferred revenue - non-current	1,216	1,139
Other non-current liabilities	<u>7,065</u>	<u>5,531</u>
Total liabilities.....	<u>32,076</u>	<u>27,392</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock, no par value; 1,800,000,000 shares authorized; 921,035,475 and 915,970,050 shares issued and outstanding, re- spectively	11,502	10,668
Retained earnings.....	43,050	37,169
Accumulated other comprehensive income/(loss)	<u>114</u>	<u>(46)</u>
Total shareholders' equity	<u>54,666</u>	<u>47,791</u>
Total liabilities and shareholders' equity	\$ 86,742	\$ 75,183

Apple Inc.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	<u>Three Months Ended</u>	
	<u>December 25, 2010</u>	<u>December 26, 2009</u>
Cash and cash equivalents, beginning of the period.....	\$ 11,261	\$ 5,263
Operating activities:		
Net income.....	6,004	3,378
Adjustments to reconcile net income to cash generated by operating activities:		
Depreciation, amortization and accretion.....	356	209
Stock-based compensation expense	299	205
Deferred income tax expense.....	823	425
Changes in operating assets and liabilities:		
Accounts receivable, net.....	(517)	271
Inventories	166	(121)
Vendor non-trade receivables	(433)	(95)
Other current and non-current assets.....	(558)	(369)
Accounts payable.....	2,346	956
Deferred revenue.....	634	606
Other current and non-current liabilities	<u>653</u>	<u>316</u>
Cash generated by operating activities.....	<u>9,773</u>	<u>5,781</u>
Investing activities:		
Purchases of marketable securities.....	(19,575)	(12,922)
Proceeds from maturities of marketable securities	3,279	6,216
Proceeds from sales of marketable securities.....	6,853	3,199
Payments for acquisition of property, plant and equipment...	(1,214)	(376)
Payments for acquisition of intangible assets.....	(49)	(5)
Other.....	<u>(23)</u>	<u>(70)</u>
Cash used in investing activities	<u>(10,729)</u>	<u>(3,958)</u>
Financing activities:		
Proceeds from issuance of common stock.....	208	374
Excess tax benefits from stock-based compensation.....	454	252
Taxes paid related to net share settlement of equity awards .	<u>(233)</u>	<u>(103)</u>
Cash generated by financing activities.....	<u>429</u>	<u>523</u>
(Decrease)/increase in cash and cash equivalents	<u>(527)</u>	<u>2,346</u>
Cash and cash equivalents, end of the period.....	\$ <u>10,734</u>	\$ <u>7,609</u>
Supplemental cash flow disclosure:		
Cash paid for income taxes, net.....	\$ 826	\$ 980