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CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except share amounts which are reflected in thousands and per share amounts)

<u>Three years ended September 25, 2010</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net sales	\$ 65,225	\$ 42,905	\$ 37,491
Cost of sales	39,541	25,683	24,294
Gross margin	<u>25,684</u>	<u>17,222</u>	<u>13,197</u>
Operating expenses:			
Research and development	1,782	1,333	1,109
Selling, general and administrative	5,517	4,149	3,761
Total operating expenses	<u>7,299</u>	<u>5,482</u>	<u>4,870</u>
Operating income	18,385	11,740	8,327
Other income and expense	155	326	620
Income before provision for income taxes	18,540	12,066	8,947
Provision for income taxes	4,527	3,831	2,828
Net income	<u>\$ 14,013</u>	<u>\$ 8,235</u>	<u>\$ 6,119</u>
Earnings per common share:			
Basic	\$ 15.41	\$ 9.22	\$ 6.94
Diluted	\$ 15.15	\$ 9.08	\$ 6.78
Shares used in computing earnings per share:			
Basic	909,461	893,016	881,592
Diluted	924,712	907,005	902,139

See accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED BALANCE SHEETS
(In millions, except share amounts)

	<u>September 25, 2010</u>	<u>September 26, 2009</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 11,261	\$ 5,263
Short-term marketable securities	14,359	18,201
Accounts receivable, less allowances of \$55 and \$52, respectively	5,510	3,361
Inventories	1,051	455
Deferred tax assets	1,636	1,135
Vendor non-trade receivables	4,414	1,696
Other current assets	3,447	1,444
Total current assets	<u>41,678</u>	<u>31,555</u>
Long-term marketable securities	25,391	10,528
Property, plant and equipment, net	4,768	2,954
Goodwill	741	206
Acquired intangible assets, net	342	247
Other assets	2,263	2,011
Total assets	<u>\$ 75,183</u>	<u>\$ 47,501</u>
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 12,015	\$ 5,601
Accrued expenses	5,723	3,852
Deferred revenue	2,984	2,053
Total current liabilities	<u>20,722</u>	<u>11,506</u>
Deferred revenue – non-current	1,139	853
Other non-current liabilities	5,531	3,502
Total liabilities	<u>27,392</u>	<u>15,861</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock, no par value; 1,800,000,000 shares authorized; 915,970,050 and 899,805,500 shares issued and outstanding, respectively	10,668	8,210
Retained earnings	37,169	23,353
Accumulated other comprehensive (loss)/income	(46)	77
Total shareholders' equity	<u>47,791</u>	<u>31,640</u>
Total liabilities and shareholders' equity	<u>\$ 75,183</u>	<u>\$ 47,501</u>

See accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In millions, except share amounts which are reflected in thousands)

	Common Stock		Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Shareholders' Equity
	Shares	Amount			
Balances as of September 29, 2007	872,329	\$ 5,368	\$ 9,100	\$ 63	\$ 14,531
Cumulative effect of change in accounting principle	0	45	11	0	56
Components of comprehensive income:					
Net income	0	0	6,119	0	6,119
Change in foreign currency translation	0	0	0	(28)	(28)
Change in unrealized loss on available-for-sale securities, net of tax	0	0	0	(63)	(63)
Change in unrealized gain on derivative instruments, net of tax	0	0	0	19	19
Total comprehensive income					6,047
Stock-based compensation	0	513	0	0	513
Common stock issued under stock plans, net of shares withheld for employee taxes	15,888	460	(101)	0	359
Issuance of common stock in connection with an asset acquisition	109	21	0	0	21
Tax benefit from employee stock plan awards	0	770	0	0	770
Balances as of September 27, 2008	888,326	7,177	15,129	(9)	22,297
Components of comprehensive income:					
Net income	0	0	8,235	0	8,235
Change in foreign currency translation	0	0	0	(14)	(14)
Change in unrealized loss on available-for-sale securities, net of tax	0	0	0	118	118
Change in unrealized gain on derivative instruments, net of tax	0	0	0	(18)	(18)
Total comprehensive income					8,321
Stock-based compensation	0	707	0	0	707
Common stock issued under stock plans, net of shares withheld for employee taxes	11,480	404	(11)	0	393
Tax benefit from employee stock plan awards, including transfer pricing adjustments	0	(78)	0	0	(78)
Balances as of September 26, 2009	899,806	8,210	23,353	77	31,640
Components of comprehensive income:					
Net income	0	0	14,013	0	14,013
Change in foreign currency translation	0	0	0	7	7
Change in unrealized gain on available-for-sale securities, net of tax	0	0	0	123	123
Change in unrealized gain on derivative instruments, net of tax	0	0	0	(253)	(253)
Total comprehensive income					13,890
Stock-based compensation	0	876	0	0	876
Common stock issued under stock plans, net of shares withheld for employee taxes	16,164	703	(197)	0	506
Tax benefit from employee stock plan awards, including transfer pricing adjustments	0	879	0	0	879
Balances as of September 25, 2010	915,970	\$10,668	\$37,169	\$ (46)	\$ 47,791

See accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

<u>Three years ended September 25, 2010</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash and cash equivalents, beginning of the year	\$ 5,263	\$ 11,875	\$ 9,352
Operating activities:			
Net income	14,013	8,235	6,119
Adjustments to reconcile net income to cash generated by operating activities:			
Depreciation, amortization and accretion	1,027	734	496
Stock-based compensation expense	879	710	516
Deferred income tax expense	1,440	1,040	398
Loss on disposition of property, plant and equipment	24	26	22
Changes in operating assets and liabilities:			
Accounts receivable, net	(2,142)	(939)	(785)
Inventories	(596)	54	(163)
Vendor non-trade receivables	(2,718)	586	110
Other current assets	(1,514)	163	(384)
Other assets	(120)	(902)	289
Accounts payable	6,307	92	596
Deferred revenue	1,217	521	718
Other liabilities	778	(161)	1,664
Cash generated by operating activities	<u>18,595</u>	<u>10,159</u>	<u>9,596</u>
Investing activities:			
Purchases of marketable securities	(57,793)	(46,724)	(22,965)
Proceeds from maturities of marketable securities	24,930	19,790	11,804
Proceeds from sales of marketable securities	21,788	10,888	4,439
Purchases of other long-term investments	(18)	(101)	(38)
Payments made in connection with business acquisitions, net of cash acquired	(638)	0	(220)
Payments for acquisition of property, plant and equipment	(2,005)	(1,144)	(1,091)
Payments for acquisition of intangible assets	(116)	(69)	(108)
Other	(2)	(74)	(10)
Cash used in investing activities	<u>(13,854)</u>	<u>(17,434)</u>	<u>(8,189)</u>
Financing activities:			
Proceeds from issuance of common stock	912	475	483
Excess tax benefits from stock-based compensation	751	270	757
Taxes paid related to net share settlement of equity awards	(406)	(82)	(124)
Cash generated by financing activities	<u>1,257</u>	<u>663</u>	<u>1,116</u>
Increase/(decrease) in cash and cash equivalents	<u>5,998</u>	<u>(6,612)</u>	<u>2,523</u>
Cash and cash equivalents, end of the year	<u>\$ 11,261</u>	<u>\$ 5,263</u>	<u>\$ 11,875</u>
Supplemental cash flow disclosure:			
Cash paid for income taxes, net	\$ 2,697	\$ 2,997	\$ 1,267

See accompanying Notes to Consolidated Financial Statements.