

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****APPLE INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

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

	Three Months Ended		Nine Months Ended	
	June 25, 2011	June 26, 2010	June 25, 2011	June 26, 2010
Net sales	\$ 28,571	\$ 15,700	\$ 79,979	\$ 44,882
Cost of sales	16,649	9,564	47,541	26,710
Gross margin	11,922	6,136	32,438	18,172
Operating expenses:				
Research and development	628	464	1,784	1,288
Selling, general and administrative	1,915	1,438	5,574	3,946
Total operating expenses	2,543	1,902	7,358	5,234
Operating income	9,379	4,234	25,080	12,938
Other income and expense	172	58	334	141
Income before provision for income taxes	9,551	4,292	25,414	13,079
Provision for income taxes	2,243	1,039	6,115	3,374
Net income	\$ 7,308	\$ 3,253	\$ 19,299	\$ 9,705
Earnings per common share:				
Basic	\$ 7.89	\$ 3.57	\$ 20.91	\$ 10.69
Diluted	\$ 7.79	\$ 3.51	\$ 20.63	\$ 10.51
Shares used in computing earnings per share:				
Basic	926,108	912,197	922,917	907,762
Diluted	937,810	927,361	935,688	923,341

See accompanying Notes to Condensed Consolidated Financial Statements.

APPLE INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(in millions, except share amounts)

	<u>June 25, 2011</u>	<u>September 25, 2010</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 12,091	\$ 11,261
Short-term marketable securities	16,304	14,359
Accounts receivable, less allowances of \$55 in each period	6,102	5,510
Inventories	889	1,051
Deferred tax assets	1,892	1,636
Vendor non-trade receivables	5,369	4,414
Other current assets	4,251	3,447
Total current assets	46,898	41,678
Long-term marketable securities	47,761	25,391
Property, plant and equipment, net	6,749	4,768
Goodwill	741	741
Acquired intangible assets, net	1,169	342
Other assets	3,440	2,263
Total assets	<u>\$ 106,758</u>	<u>\$ 75,183</u>
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 15,270	\$ 12,015
Accrued expenses	7,597	5,723
Deferred revenue	3,992	2,984
Total current liabilities	26,859	20,722
Deferred revenue - non-current	1,407	1,139
Other non-current liabilities	9,149	5,531
Total liabilities	<u>37,415</u>	<u>27,392</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock, no par value; 1,800,000,000 shares authorized; 926,903,779 and 915,970,050 shares issued and outstanding, respectively	12,715	10,668
Retained earnings	56,239	37,169
Accumulated other comprehensive income/(loss)	389	(46)
Total shareholders' equity	<u>69,343</u>	<u>47,791</u>
Total liabilities and shareholders' equity	<u>\$ 106,758</u>	<u>\$ 75,183</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

APPLE INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(in millions)

	Nine Months Ended	
	June 25, 2011	June 26, 2010
Cash and cash equivalents, beginning of the period	\$ 11,261	\$ 5,263
Operating activities:		
Net income	19,299	9,705
Adjustments to reconcile net income to cash generated by operating activities:		
Depreciation, amortization and accretion	1,271	698
Stock-based compensation expense	870	655
Deferred income tax expense	2,232	1,298
Changes in operating assets and liabilities:		
Accounts receivable, net	(592)	(79)
Inventories	162	(487)
Vendor non-trade receivables	(955)	(1,256)
Other current and non-current assets	(1,551)	(1,001)
Accounts payable	2,480	2,812
Deferred revenue	1,276	806
Other current and non-current liabilities	2,608	(239)
Cash generated by operating activities	<u>27,100</u>	<u>12,912</u>
Investing activities:		
Purchases of marketable securities	(75,133)	(41,318)
Proceeds from maturities of marketable securities	16,396	19,758
Proceeds from sales of marketable securities	34,301	14,048
Payments made in connection with business acquisitions, net of cash acquired	0	(615)
Payments for acquisition of property, plant and equipment	(2,615)	(1,245)
Payments for acquisition of intangible assets	(266)	(63)
Other	34	(36)
Cash used in investing activities	<u>(27,283)</u>	<u>(9,471)</u>
Financing activities:		
Proceeds from issuance of common stock	577	733
Excess tax benefits from equity awards	915	652
Taxes paid related to net share settlement of equity awards	(479)	(384)
Cash generated by financing activities	<u>1,013</u>	<u>1,001</u>
Increase in cash and cash equivalents	830	4,442
Cash and cash equivalents, end of the period	<u>\$ 12,091</u>	<u>\$ 9,705</u>
Supplemental cash flow disclosure:		
Cash paid for income taxes, net	\$ 2,563	\$ 2,657

See accompanying Notes to Condensed Consolidated Financial Statements.