

**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)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>June 26, 2010</u>	<u>June 27, 2009</u>	<u>June 26, 2010</u>	<u>June 27, 2009</u>
Net sales	\$ 15,700	\$ 9,734	\$ 44,882	\$ 30,698
Cost of sales	9,564	5,751	26,710	18,581
Gross margin	<u>6,136</u>	<u>3,983</u>	<u>18,172</u>	<u>12,117</u>
Operating expenses:				
Research and development	464	341	1,288	975
Selling, general and administrative	<u>1,438</u>	<u>1,010</u>	<u>3,946</u>	<u>3,086</u>
Total operating expenses	<u>1,902</u>	<u>1,351</u>	<u>5,234</u>	<u>4,061</u>
Operating income	4,234	2,632	12,938	8,056
Other income and expense	58	60	141	281
Income before provision for income taxes	4,292	2,692	13,079	8,337
Provision for income taxes	<u>1,039</u>	<u>864</u>	<u>3,374</u>	<u>2,634</u>
Net income	<u>\$ 3,253</u>	<u>\$ 1,828</u>	<u>\$ 9,705</u>	<u>\$ 5,703</u>
Earnings per common share:				
Basic	\$ 3.57	\$ 2.05	\$ 10.69	\$ 6.40
Diluted	\$ 3.51	\$ 2.01	\$ 10.51	\$ 6.30
Shares used in computing earnings per share:				
Basic	912,197	893,712	907,762	891,345
Diluted	927,361	909,160	923,341	904,549

See accompanying Notes to Condensed Consolidated Financial Statements.

## APPLE INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(In millions, except share amounts)

	June 26, 2010	September 26, 2009
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 9,705	\$ 5,263
Short-term marketable securities	14,583	18,201
Accounts receivable, less allowances of \$52 in each period	3,447	3,361
Inventories	942	455
Deferred tax assets	1,216	1,135
Vendor non-trade receivables	2,952	1,696
Other current assets	3,188	1,444
Total current assets	<u>36,033</u>	<u>31,555</u>
Long-term marketable securities	21,551	10,528
Property, plant and equipment, net	3,990	2,954
Goodwill	714	206
Acquired intangible assets, net	318	247
Other assets	2,119	2,011
Total assets	<u>\$ 64,725</u>	<u>\$ 47,501</u>
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 8,469	\$ 5,601
Accrued expenses	4,452	3,852
Deferred revenue	2,691	2,053
Total current liabilities	<u>15,612</u>	<u>11,506</u>
Deferred revenue – non-current	1,021	853
Other non-current liabilities	4,981	3,502
Total liabilities	<u>21,614</u>	<u>15,861</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock, no par value; 1,800,000,000 shares authorized; 913,482,347 and 899,805,500 shares issued and outstanding, respectively	10,133	8,210
Retained earnings	32,870	23,353
Accumulated other comprehensive income	108	77
Total shareholders' equity	<u>43,111</u>	<u>31,640</u>
Total liabilities and shareholders' equity	<u>\$ 64,725</u>	<u>\$ 47,501</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

## APPLE INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In millions)

	Nine Months Ended	
	June 26, 2010	June 27, 2009
Cash and cash equivalents, beginning of the period	\$ 5,263	\$ 11,875
Operating activities:		
Net income	9,705	5,703
Adjustments to reconcile net income to cash generated by operating activities:		
Depreciation, amortization and accretion	698	531
Stock-based compensation expense	655	530
Deferred income tax expense	1,298	772
Loss on disposition of property, plant and equipment	14	18
Changes in operating assets and liabilities:		
Accounts receivable, net	(79)	(264)
Inventories	(487)	129
Vendor non-trade receivables	(1,256)	788
Other current assets	(944)	62
Other assets	(71)	(602)
Accounts payable	2,812	(648)
Deferred revenue	806	323
Other liabilities	(239)	(293)
Cash generated by operating activities	<u>12,912</u>	<u>7,049</u>
Investing activities:		
Purchases of marketable securities	(41,318)	(34,696)
Proceeds from maturities of marketable securities	19,758	12,780
Proceeds from sales of marketable securities	14,048	9,117
Purchases of other long-term investments	(10)	(61)
Payments made in connection with business acquisitions, net of cash acquired	(615)	0
Payments for acquisition of property, plant and equipment	(1,245)	(685)
Payments for acquisition of intangible assets	(63)	(56)
Other	(26)	(62)
Cash used in investing activities	<u>(9,471)</u>	<u>(13,663)</u>
Financing activities:		
Proceeds from issuance of common stock	733	288
Excess tax benefits from stock-based compensation	652	124
Taxes paid related to net share settlement of equity awards	(384)	(68)
Cash generated by financing activities	<u>1,001</u>	<u>344</u>
Increase/(decrease) in cash and cash equivalents	<u>4,442</u>	<u>(6,270)</u>
Cash and cash equivalents, end of the period	<u>\$ 9,705</u>	<u>\$ 5,605</u>
Supplemental cash flow disclosure:		
Cash paid for income taxes, net	\$ 2,657	\$ 2,490