

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

| | <u>Three Months Ended</u> | | <u>Six Months Ended</u> | |
|--|---------------------------|--------------------------|--------------------------|--------------------------|
| | March 28, <u>2009</u> | March 29, <u>2008</u> | March 28, <u>2009</u> | March 29, <u>2008</u> |
| Net sales..... | \$ 8,163 | \$ 7,512 | \$ 18,330 | \$ 17,120 |
| Cost of sales ⁽¹⁾ | <u>5,192</u> | <u>5,038</u> | <u>11,827</u> | <u>11,314</u> |
| Gross margin..... | <u>2,971</u> | <u>2,474</u> | <u>6,503</u> | <u>5,806</u> |
| Operating expenses: | | | | |
| Research and development ⁽¹⁾ | 319 | 273 | 634 | 519 |
| Selling, general, and administrative ⁽¹⁾ | <u>985</u> | <u>886</u> | <u>2,076</u> | <u>1,846</u> |
| Total operating expenses | <u>1,304</u> | <u>1,159</u> | <u>2,710</u> | <u>2,365</u> |
| Operating income | 1,667 | 1,315 | 3,793 | 3,441 |
| Other income and expense | <u>63</u> | <u>162</u> | <u>221</u> | <u>362</u> |
| Income before provision for income taxes | 1,730 | 1,477 | 4,014 | 3,803 |
| Provision for income taxes..... | <u>525</u> | <u>432</u> | <u>1,204</u> | <u>1,177</u> |
| Net income..... | \$ <u>1,205</u> | \$ <u>1,045</u> | \$ <u>2,810</u> | \$ <u>2,626</u> |
| Earnings per common share: | | | | |
| Basic..... | \$ 1.35 | \$ 1.19 | \$ 3.16 | \$ 2.99 |
| Diluted..... | \$ 1.33 | \$ 1.16 | \$ 3.11 | \$ 2.92 |
| Shares used in computing earnings per share: | | | | |
| Basic..... | 891,180 | 879,546 | 890,161 | 877,704 |
| Diluted..... | 902,993 | 899,329 | 902,243 | 899,783 |
| ⁽¹⁾ Includes stock-based compensation expense as follows: | | | | |
| Cost of sales | \$ 29 | \$ 20 | \$ 57 | \$ 38 |
| Research and development | \$ 67 | \$ 47 | \$ 127 | \$ 86 |
| Selling, general, and administrative..... | \$ 85 | \$ 65 | \$ 167 | \$ 118 |

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share amounts)

| | March 28, 2009 | September 27, 2008 |
|--|------------------|--------------------|
| ASSETS: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 4,466 | \$ 11,875 |
| Short-term marketable securities | 20,547 | 10,236 |
| Accounts receivable, less allowances of \$60 and \$47, respectively | 1,932 | 2,422 |
| Inventories | 312 | 509 |
| Deferred tax assets | 1,539 | 1,447 |
| Other current assets | <u>5,057</u> | <u>5,822</u> |
| Total current assets | 33,853 | 32,311 |
| Long-term marketable securities | 3,865 | 2,379 |
| Property, plant and equipment, net | 2,546 | 2,455 |
| Goodwill | 207 | 207 |
| Acquired intangible assets, net | 268 | 285 |
| Other assets | <u>2,498</u> | <u>1,935</u> |
| Total assets | \$ <u>43,237</u> | \$ <u>39,572</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY: | | |
| Current liabilities: | | |
| Accounts payable | \$ 3,976 | \$ 5,520 |
| Accrued expenses | 2,761 | 3,719 |
| Deferred revenue | <u>7,014</u> | <u>4,853</u> |
| Total current liabilities | 13,751 | 14,092 |
| Deferred revenue – non-current | 3,460 | 3,029 |
| Other non-current liabilities | <u>1,715</u> | <u>1,421</u> |
| Total liabilities | <u>18,926</u> | <u>18,542</u> |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Common stock, no par value; 1,800,000,000 shares authorized; 891,911,821 and 888,325,973 shares issued and outstanding, respectively | 7,643 | 7,177 |
| Retained earnings | 16,653 | 13,845 |
| Accumulated other comprehensive income | <u>15</u> | <u>8</u> |
| Total shareholders' equity | <u>24,311</u> | <u>21,030</u> |
| Total liabilities and shareholders' equity | \$ <u>43,237</u> | \$ <u>39,572</u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

| | <u>Six Months Ended</u> | |
|--|-------------------------|-----------------------|
| | <u>March 28, 2009</u> | <u>March 29, 2008</u> |
| Cash and cash equivalents, beginning of the period..... | \$ <u>11,875</u> | \$ <u>9,352</u> |
| Operating Activities: | | |
| Net income | 2,810 | 2,626 |
| Adjustments to reconcile net income to cash generated by operating activities: | | |
| Depreciation, amortization, and accretion..... | 330 | 222 |
| Stock-based compensation expense | 351 | 242 |
| Deferred income tax (benefit)/expense..... | (31) | 6 |
| Loss on disposition of property, plant, and equipment | 8 | 10 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net..... | 490 | 44 |
| Inventories..... | 197 | (18) |
| Other current assets..... | 859 | (444) |
| Other assets | (456) | (150) |
| Accounts payable..... | (1,527) | (740) |
| Deferred revenue | 2,592 | 1,585 |
| Other liabilities..... | <u>(844)</u> | <u>597</u> |
| Cash generated by operating activities | <u>4,779</u> | <u>3,980</u> |
| Investing Activities: | | |
| Purchases of marketable securities | (23,483) | (12,740) |
| Proceeds from maturities of marketable securities | 6,280 | 6,683 |
| Proceeds from sales of marketable securities..... | 5,457 | 1,676 |
| Purchases of other long-term investments | (54) | (17) |
| Payment for acquisition of property, plant, and equipment..... | (439) | (384) |
| Payment for acquisition of intangible assets..... | (30) | (63) |
| Other | <u>(55)</u> | <u>21</u> |
| Cash used in investing activities..... | <u>(12,324)</u> | <u>(4,824)</u> |
| Financing Activities: | | |
| Proceeds from issuance of common stock..... | 122 | 233 |
| Excess tax benefits from stock-based compensation | 47 | 445 |
| Cash used to net share settle equity awards | <u>(33)</u> | <u>(116)</u> |
| Cash generated by financing activities | <u>136</u> | <u>562</u> |
| Decrease in cash and cash equivalents..... | <u>(7,409)</u> | <u>(282)</u> |
| Cash and cash equivalents, end of the period..... | \$ <u>4,466</u> | \$ <u>9,070</u> |
| Supplemental cash flow disclosure: | | |
| Cash paid for income taxes, net..... | \$ 1,828 | \$ 753 |

UNAUDITED CONSOLIDATED SCHEDULE OF DEFERRED REVENUE
(In millions)

| | March 28, 2009 | December 27, 2008 | September 27, 2008 |
|--|------------------|-------------------|--------------------|
| Deferred revenue - current: | | | |
| iPhone and Apple TV | \$ 5,467 | \$ 4,666 | \$ 3,518 |
| AppleCare | 659 | 602 | 599 |
| Other | <u>888</u> | <u>967</u> | <u>736</u> |
| Total deferred revenue - current | <u>7,014</u> | <u>6,235</u> | <u>4,853</u> |
| Deferred revenue - non-current: | | | |
| iPhone and Apple TV | 2,676 | 2,627 | 2,262 |
| AppleCare | 638 | 683 | 651 |
| Other | <u>146</u> | <u>130</u> | <u>116</u> |
| Total deferred revenue - non-current | <u>3,460</u> | <u>3,440</u> | <u>3,029</u> |
| Total deferred revenue | \$ <u>10,474</u> | \$ <u>9,675</u> | \$ <u>7,882</u> |

UNAUDITED RECONCILIATION OF NON-GAAP TO GAAP RESULTS OF OPERATIONS

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

Three Months Ended March 28, 2009

| | <u>As Reported in accordance with GAAP</u> | | <u>Non-GAAP Adjustments</u> | | <u>Non-GAAP</u> |
|---|--|----|---------------------------------|----|-----------------|
| Net sales..... | \$ 8,163 | \$ | 893 (a) | \$ | 9,056 |
| Cost of sales | 5,192 | | 240 (b) | | 5,432 |
| Gross margin..... | 2,971 | | 653 (c) | | 3,624 |
| Operating expenses..... | 1,304 | | - | | 1,304 |
| Operating income | 1,667 | | 653 (c) | | 2,320 |
| Net income..... | \$ 1,205 | \$ | 455 (d) | \$ | 1,660 |
| Earnings per diluted common share..... | \$ 1.33 | \$ | 0.51 (e) | \$ | 1.84 |
| Shares used in computing diluted earnings per share | 902,993 | | | | 902,993 |

Footnotes:

- (a) Non-GAAP adjustment to net sales reflect (i) the reversal of the current period's amortization of deferred revenue derived from iPhone handsets and Apple TV units shipped in current and prior periods and (ii) the inclusion of amounts generally due to Apple at the time of sale related to iPhone handsets and Apple TV units shipped in the current period.
- (b) Non-GAAP adjustment to cost of sales reflect (i) the reversal of the current period's amortization of deferred cost related to iPhone handsets and Apple TV units shipped in current and prior periods and (ii) the inclusion of the total cost of iPhone handsets and Apple TV units shipped in the current period. In addition, the non-GAAP adjustment to cost of sales reflects the estimate of the warranty expense in the period when the related product is sold, rather than when the expense is incurred. The non-GAAP adjustment to cost of sales does not reflect the cost of providing unspecified additional software products and upgrades.
- (c) Non-GAAP adjustments to gross margin and operating income are the difference between non-GAAP adjustments to net sales and non-GAAP adjustments to cost of sales [(a) - (b)].
- (d) Represents the after-tax effect of the non-GAAP adjustments to gross margin and operating income. The tax effect on the non-GAAP adjustments to gross margin and operating income is estimated by applying the period's effective tax rate to the non-GAAP adjustments. The tax effect on the non-GAAP

adjustments is \$198 million for the three months ended March 28, 2009. The non-GAAP adjustment to net income does not reflect any changes to the Company's other income and expense.

- (e) Represents the per share impact of the non-GAAP adjustments to net income.