

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions, except share amounts)

	<u>September 29, 2007</u>	<u>September 30, 2006</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$9,352	\$6,392
Short-term investments	6,034	3,718
Accounts receivable, less allowances of \$47 and \$52, respectively	1,637	1,252
Inventories	346	270
Deferred tax assets	782	607
Other current assets	<u>3,805</u>	<u>2,270</u>
Total current assets	21,956	14,509
Property, plant and equipment, net	1,832	1,281
Goodwill	38	38
Acquired intangible assets, net	299	139
Other assets	<u>1,222</u>	<u>1,238</u>
Total assets	<u>\$25,347</u>	<u>\$17,205</u>
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$4,970	\$3,390
Accrued expenses	<u>4,329</u>	<u>3,053</u>
Total current liabilities	9,299	6,443
Non-current liabilities	<u>1,516</u>	<u>778</u>
Total liabilities	<u>10,815</u>	<u>7,221</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock, no par value; 1,800,000,000 shares authorized; 872,328,972 and 855,262,568 shares issued and outstanding, respectively	5,368	4,355
Retained earnings	9,101	5,607
Accumulated other comprehensive income	<u>63</u>	<u>22</u>
Total shareholders' equity	<u>14,532</u>	<u>9,984</u>
Total liabilities and shareholders' equity	<u>\$25,347</u>	<u>\$17,205</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except share and per share amounts)

	Three Months Ended		Twelve Months Ended	
	September 29, 2007	September 30, 2006	September 29, 2007	September 30, 2006
Net sales	\$6,217	\$4,837	\$24,006	\$19,315
Cost of sales ⁽¹⁾	<u>4,127</u>	<u>3,425</u>	<u>15,852</u>	<u>13,717</u>
Gross margin	<u>2,090</u>	<u>1,412</u>	<u>8,154</u>	<u>5,598</u>
Operating expenses:				
Research and development ⁽¹⁾	207	179	782	712
Selling, general, and administrative ⁽¹⁾	<u>823</u>	<u>625</u>	<u>2,963</u>	<u>2,433</u>
Total operating expenses.....	<u>1,030</u>	<u>804</u>	<u>3,745</u>	<u>3,145</u>
Operating income	1,060	608	4,409	2,453
Other income and expense	<u>170</u>	<u>113</u>	<u>599</u>	<u>365</u>
Income before provision for income taxes.....	1,230	721	5,008	2,818
Provision for income taxes	<u>326</u>	<u>179</u>	<u>1,512</u>	<u>829</u>
Net income	<u>\$ 904</u>	<u>\$ 542</u>	<u>\$ 3,496</u>	<u>\$ 1,989</u>
Earnings per common share:				
Basic	\$1.04	\$0.63	\$4.04	\$2.36
Diluted	\$1.01	\$0.62	\$3.93	\$2.27
Shares used in computing earnings per share (in thousands):				
Basic	870,881	854,187	864,595	844,058
Diluted	895,666	878,757	889,292	877,526
⁽¹⁾ Stock-based compensation expense was allocated as follows:				
Cost of sales	\$ 10	\$ 5	\$ 35	\$ 21
Research and development	\$ 21	\$ 13	\$ 77	\$ 53
Selling, general, and administrative	\$ 37	\$ 22	\$ 130	\$ 89

UNAUDITED CONSOLIDATED SCHEDULE OF DEFERRED REVENUE

(in millions)

	September 29, <u>2007</u>	June 30, <u>2007</u>	March 31, <u>2007</u>	September 30, <u>2006</u>
Deferred revenue-current:				
iPhone and Apple TV.....	\$ 346	\$ 92	\$ 10	\$ -
AppleCare	430	399	373	333
Other	<u>634</u>	<u>572</u>	<u>520</u>	<u>385</u>
Total deferred revenue-current	<u>1,410</u>	<u>1,063</u>	<u>903</u>	<u>718</u>
Deferred revenue-non-current:				
iPhone and Apple TV.....	290	88	10	-
AppleCare	495	435	392	355
Other	<u>45</u>	<u>38</u>	<u>31</u>	<u>28</u>
Total deferred revenue-non-current	<u>830</u>	<u>561</u>	<u>433</u>	<u>383</u>
Total deferred revenue	<u>\$2,240</u>	<u>\$1,624</u>	<u>\$1,336</u>	<u>\$1,101</u>