

Exhibit A



FORM 10-K

APPLE COMPUTER INC – AAPL

Filed: December 03, 2004 (period: September 25, 2004)

Annual report which provides a comprehensive overview of the company for the past year

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 25, 2004

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-10030

APPLE COMPUTER, INC.

(Exact name of registrant as specified in its charter)

CALIFORNIA
(State or other jurisdiction
of incorporation or organization)

942404110
(I.R.S. Employer
Identification No.)

1 Infinite Loop
Cupertino, California
(Address of principal executive offices)

95014
(Zip Code)

Registrant's telephone number, including area code: (408) 996-1010

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, no par value
(Titles of classes)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference to Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant, as of March 27, 2004, was approximately \$8,336,330,708 based upon the closing price reported for such date on the NASDAQ National Market. For purposes of this disclosure, shares of Common Stock held by persons who hold more than 5% of the outstanding shares of Common Stock and shares held by executive officers and directors of the registrant have been excluded because such persons may be deemed to be affiliates. This determination of executive officer or affiliate status is not necessarily a conclusive determination for other purposes.

402,057,856 shares of Common Stock Issued and Outstanding as of November 19, 2004

Five fiscal years ended September 25, 2004

(In millions, except share and per share amounts)

	2004	2003	2002	2001	2000
Net sales	\$ 8,279	\$ 6,207	\$ 5,742	\$ 5,363	\$ 7,983
Net income (loss)	\$ 276	\$ 69	\$ 65	\$ (25)	\$ 786
Earnings (loss) per common share:					
Basic	\$ 0.74	\$ 0.19	\$ 0.18	\$ (0.07)	\$ 2.42
Diluted	\$ 0.71	\$ 0.19	\$ 0.18	\$ (0.07)	\$ 2.18
Cash dividends declared per common share	\$ —	\$ —	\$ —	\$ —	\$ —
Shares used in computing earnings (loss) per share (in thousands):					
Basic	371,590	360,631	355,022	345,613	324,568
Diluted	387,311	363,466	361,785	345,613	360,324
Cash, cash equivalents, and short-term investments	\$ 5,464	\$ 4,566	\$ 4,337	\$ 4,336	\$ 4,027
Total assets	\$ 8,050	\$ 6,815	\$ 6,298	\$ 6,021	\$ 6,803
Long-term debt (including current maturities)	\$ —	\$ 304	\$ 316	\$ 317	\$ 300
Total liabilities	\$ 2,974	\$ 2,592	\$ 2,203	\$ 2,101	\$ 2,696
Shareholders' equity	\$ 5,076	\$ 4,223	\$ 4,095	\$ 3,920	\$ 4,107

Net gains before taxes related to the Company's non-current debt and equity investments of \$4 million, \$10 million, \$75 million, and \$367 million were recognized in 2004, 2003, 2001, and 2000, respectively. A net loss before taxes related to the Company's non-current debt and equity investments of \$42 million was recognized in 2002. In 2002, the Company acquired Emagic resulting in a charge of approximately \$1 million for acquired in-process technologies with no alternative future use. The Company recognized a similar charge of \$11 million in 2001 related to its acquisition of PowerSchool. Net charges related to Company restructuring actions of \$23 million, \$26 million, \$30 million, and \$8 million were recognized in 2004, 2003, 2002, and 2000, respectively. During 2000, the Company recognized the cost of a special executive bonus for the Company's Chief Executive Officer for past services in the form of an aircraft with a total cost to the Company of approximately \$90 million. In 2002, of the original \$90 million accrual, \$2 million remained unspent and was reversed. In 2003, settlement of the Company's forward stock purchase agreement resulted in a gain of \$6 million. Favorable cumulative-effect type adjustments, net of taxes, of \$1 million and \$12 million were recognized in 2003 and 2001, respectively.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This section and other parts of this Form 10-K contain forward-looking statements that involve risks and uncertainties. Forward-looking statements can also be identified by words such as "anticipates," "expects," "believes," "plans," "predicts," and similar terms. Forward-looking statements are not guarantees of future performance and the Company's actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in the subsection entitled "Factors That May Affect Future Results and Financial Condition" below. The following discussion should be read in conjunction with the consolidated financial statements and notes thereto included in Item 8 of this Form 10-K. All information presented herein is based on the Company's fiscal calendar. The Company assumes no obligation to revise or update any forward-looking statements for any reason, except as required by law.

Executive Overview

Apple designs, manufactures and markets personal computers and related software, services, peripherals and networking solutions. The Company also designs, develops and markets a line of portable digital music

liabilities, will be sufficient to fully recover the remaining deferred tax assets. In the event that all or part of the net deferred tax assets are determined not to be realizable in the future, an adjustment to the valuation allowance would be charged to earnings in the period such determination is made. Similarly, if the Company subsequently realizes deferred tax assets that were previously determined to be unrealizable, the respective valuation allowance would be reversed, resulting in a positive adjustment to earnings or a decrease in goodwill in the period such determination is made. In addition, the calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of complex tax laws. Resolution of these uncertainties in a manner inconsistent with management's expectations could have a material impact on the Company's results of operations and financial position.

Net Sales

Net sales and Macintosh unit sales by operating segment and net sales and unit sales by product follow (net sales in millions and Macintosh unit sales in thousands):

	<u>2004</u>	<u>Change</u>	<u>2003</u>	<u>Change</u>	<u>2002</u>
<u>Net Sales by Operating Segment:</u>					
Americas net sales	\$ 4,019	26 %	\$ 3,181	2 %	\$ 3,131
Europe net sales	1,799	37 %	1,309	5 %	1,251
Japan net sales	677	(3)%	698	(2)%	710
Retail net sales	1,185	91 %	621	119 %	283
Other segments net sales (a)	599	51 %	398	8 %	367
	<u> </u>		<u> </u>		<u> </u>
Total net sales	\$ 8,279	33 %	\$ 6,207	8 %	\$ 5,742
	<u> </u>		<u> </u>		<u> </u>
<u>Unit Sales by Operating Segment:</u>					
Americas Macintosh unit sales	1,682	4 %	1,620	(6)%	1,728
Europe Macintosh unit sales	773	13 %	684	(5)%	722
Japan Macintosh unit sales	291	(14)%	339	(12)%	386
Retail Macintosh unit sales	314	68 %	187	103 %	92
Other segments Macintosh unit sales (a)	230	26 %	182	5 %	173
	<u> </u>		<u> </u>		<u> </u>
Total Macintosh unit sales	3,290	9 %	3,012	(3)%	3,101
	<u> </u>		<u> </u>		<u> </u>
<u>Net Sales by Product:</u>					
Power Macintosh net sales (b)	\$ 1,419	15 %	\$ 1,237	(10)%	\$ 1,380
PowerBook net sales	1,589	22 %	1,299	56 %	831
iMac net sales (c)	954	(23)%	1,238	(15)%	1,448
iBook net sales	961	34 %	717	(18)%	875
	<u> </u>		<u> </u>		<u> </u>
Total Macintosh net sales	4,923	10 %	4,491	(1)%	4,534
iPod	1,306	279 %	345	141 %	143
Other Music Products (d)	278	672 %	36	800 %	4
Peripherals and Other Hardware (e)	951	38 %	691	31 %	527
Software (f)	502	39 %	362	18 %	307
Service and other sales	319	13 %	282	24 %	227
	<u> </u>		<u> </u>		<u> </u>
Total net sales	\$ 8,279	33 %	\$ 6,207	8 %	\$ 5,742
	<u> </u>		<u> </u>		<u> </u>

Unit Sales by Product:

Power Macintosh unit sales (b)	709	6 %	667	(13)%	766
PowerBook unit sales	785	30 %	604	69 %	357
iMac unit sales (c)	916	(16)%	1,094	(16)%	1,301
iBook unit sales	880	36 %	647	(4)%	677
	<hr/>		<hr/>		<hr/>
Total Macintosh unit sales	3,290	9 %	3,012	(3)%	3,101
	<hr/>		<hr/>		<hr/>
Net sales per Macintosh unit sold (g)	\$ 1,496	0 %	\$ 1,491	2 %	\$ 1,462
	<hr/>		<hr/>		<hr/>
iPod unit sales	4,416	370 %	939	146 %	381
	<hr/>		<hr/>		<hr/>

Notes:

- (a) Other Segments include Asia Pacific and FileMaker.
- (b) Includes Xserve product line.
- (c) Includes eMac product line.
- (d) Other Music Products consists of iTunes Music Store sales, iPod-related services, and Apple-branded and third-party iPod-related accessories.
- (e) Net sales of Peripherals and Other Hardware include sales of Apple-branded and third-party displays, wireless connectivity and networking solutions, and other hardware accessories.
- (f) Net sales of Software include sales of Apple-branded operating system and application software and sales of third-party software.
- (g) Net sales per Macintosh unit sold is derived by dividing total Macintosh net sales by total Macintosh unit sales.

Fiscal Year 2004 versus 2003

During fiscal 2004, net sales increased 33% or \$2.1 billion from fiscal 2003. Several factors have contributed favorably to net sales during 2004:

- Net sales of Macintosh systems increased \$432 million or 10% during fiscal 2004 compared to 2003 while net sales per Macintosh unit sold remained relatively flat on a year-over-year basis. Unit sales of Macintosh systems increased 278,000 units or 9% during fiscal 2004 compared to 2003. These increases in net sales and unit sales were a result of strong demand for all of the Company's Macintosh systems, except for the iMac. The Company's portable systems, consisting of the PowerBook and iBook, produced the strongest revenue and unit growth during fiscal 2004 compared to 2003 of approximately 26% and 33%, respectively. Unit sales of portable systems accounted for 51% of all Macintosh systems sold during fiscal 2004 compared to only 42% during 2003. The Company believes that these results reflect an overall trend in the industry towards portable systems. Performance of the Company's Power Macintosh systems also yielded positive results in fiscal 2004, including a 15% and 6% increase in net sales and unit sales, respectively. The increase in year-to-date Power Macintosh sales is due primarily to the introduction of the Power Mac G5, which began shipping at the end of fiscal 2003. Although Power Macintosh sales have increased from the prior year, sales of this product were constrained in the second half of 2004 as a result of manufacturing problems at IBM, the Company's sole supplier of the PowerPC G5 processor.

- Net sales of iPods rose \$961 million or 279% during fiscal 2004 compared to 2003. Unit sales of iPods totaled 4.4 million in fiscal 2004, which represents an increase of 370% from the 939,000 iPod units sold in fiscal 2003. Strong demand for the iPods during fiscal 2004 continued to be



FORM 10-K

APPLE INC – AAPL

Filed: December 01, 2005 (period: September 24, 2005)

Annual report which provides a comprehensive overview of the company for the past year

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- EX-10.B.19 (MATERIAL CONTRACTS)
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EX-31.2 (302 CERTIFICATION)

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 24, 2005

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-10030

APPLE COMPUTER, INC.

(Exact name of registrant as specified in its charter)

CALIFORNIA
(State or other jurisdiction
of incorporation or organization)

942404110
(I.R.S. Employer
Identification No.)

1 Infinite Loop
Cupertino, California
(Address of principal executive offices)

95014
(Zip Code)

Registrant's telephone number, including area code: **(408) 996-1010**

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, no par value
(Titles of classes)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant, as of March 26, 2005, was approximately \$29,434,521,480 based upon the closing price reported for such date on the NASDAQ National Market. For purposes of this disclosure, shares of Common Stock held by persons who hold more than 5% of the outstanding shares of Common Stock and shares held by executive officers and directors of the registrant have been excluded because such persons may be deemed to be affiliates. This determination of executive officer or affiliate status is not necessarily a conclusive determination for other purposes.

842,767,948 shares of Common Stock Issued and Outstanding as of November 18, 2005

Item 6. Selected Financial Data

The following selected financial information has been derived from the audited consolidated financial statements. The information set forth below is not necessarily indicative of results of future operations, and should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes thereto included in Item 8 of this Form 10-K in order to fully understand factors that may affect the comparability of the information presented below.

Five fiscal years ended September 24, 2005					
(In millions, except share and per share amounts)					
	2005	2004	2003	2002	2001
Net sales	\$ 13,931	\$ 8,279	\$ 6,207	\$ 5,742	\$ 5,363
Net income (loss)	\$ 1,335	\$ 276	\$ 69	\$ 65	\$ (25)
Earnings (loss) per common share:					
Basic	\$ 1.65	\$ 0.37	\$ 0.10	\$ 0.09	\$ (0.04)
Diluted	\$ 1.56	\$ 0.36	\$ 0.09	\$ 0.09	\$ (0.04)
Cash dividends declared per common share	\$ —	\$ —	\$ —	\$ —	\$ —
Shares used in computing earnings (loss) per share (in thousands):					
Basic	808,439	743,180	721,262	710,044	691,226
Diluted	856,780	774,622	726,932	723,570	691,226
Cash, cash equivalents, and short-term investments	\$ 8,261	\$ 5,464	\$ 4,566	\$ 4,337	\$ 4,336
Total assets	\$ 11,551	\$ 8,050	\$ 6,815	\$ 6,298	\$ 6,021
Long-term debt (including current maturities)	\$ —	\$ —	\$ 304	\$ 316	\$ 317
Total liabilities	\$ 4,085	\$ 2,974	\$ 2,592	\$ 2,203	\$ 2,101
Shareholders' equity	\$ 7,466	\$ 5,076	\$ 4,223	\$ 4,095	\$ 3,920

Net gains before taxes related to the Company's non-current debt and equity investments of \$4 million, \$10 million, and \$75 million were recognized in 2004, 2003, and 2001, respectively. A net loss before taxes related to the Company's non-current debt and equity investments of \$42 million was recognized in 2002. In 2002, the Company acquired Emagic resulting in a charge of approximately \$1 million for acquired in-process technologies with no alternative future use. The Company recognized a similar charge of \$11 million in 2001 related to its acquisition of PowerSchool. Net charges related to Company restructuring actions of \$23 million, \$26 million, and \$30 million were recognized in 2004, 2003, and 2002, respectively. In 2003, settlement of the Company's forward stock purchase agreement resulted in a gain of \$6 million. Net income during 2005 benefited by \$81 million from the reversal of certain tax contingency reserves and adjustments to net deferred tax assets, including reductions to valuation allowances. Favorable cumulative-effect type adjustments from the adoption of new accounting standards, net of taxes, of \$1 million and \$12 million were recognized in 2003 and 2001, respectively.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This section and other parts of this Form 10-K contain forward-looking statements that involve risks and uncertainties. Forward-looking statements can also be identified by words such as "anticipates," "expects," "believes," "plans," "predicts," and similar terms. Forward-looking statements are not guarantees of future performance and the Company's actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in the subsection entitled "Factors That May Affect Future Results and Financial Condition" below. The following discussion should be read in conjunction with the consolidated financial statements and notes thereto included in Item 8 of this Form 10-K. All information presented herein is based on the Company's fiscal

Net Sales

Net sales and Macintosh unit sales by operating segment and net sales and unit sales by product follow (net sales in millions and unit sales in thousands):

	September 24, 2005	Change	September 25, 2004	Change	September 27, 2003
<u>Net Sales by Operating Segment:</u>					
Americas net sales	\$ 6,590	64 %	\$ 4,019	26 %	\$ 3,181
Europe net sales	3,073	71 %	1,799	37 %	1,309
Japan net sales	920	36 %	677	(3)%	698
Retail net sales	2,350	98 %	1,185	91 %	621
Other Segments net sales (a)	998	67 %	599	51 %	398
Total net sales	<u>\$ 13,931</u>	68 %	<u>\$ 8,279</u>	33 %	<u>\$ 6,207</u>
<u>Unit Sales by Operating Segment:</u>					
Americas Macintosh unit sales	2,184	30 %	1,682	4 %	1,620
Europe Macintosh unit sales	1,138	47 %	773	13 %	684
Japan Macintosh unit sales	313	8 %	291	(14)%	339
Retail Macintosh unit sales	609	94 %	314	68 %	187
Other Segments Macintosh unit sales (a)	290	26 %	230	26 %	182
Total Macintosh unit sales	<u>4,534</u>	38 %	<u>3,290</u>	9 %	<u>3,012</u>
<u>Net Sales by Product:</u>					
Desktops (b)	\$ 3,436	45 %	\$ 2,373	(4)%	\$ 2,475
Portables (c)	2,839	11 %	2,550	26 %	2,016
Total Macintosh net sales	6,275	27 %	4,923	10 %	4,491
iPod	4,540	248 %	1,306	279 %	345
Other music related products and services (d)	899	223 %	278	672 %	36
Peripherals and other hardware (e)	1,126	18 %	951	38 %	691
Software, service, and other sales (f)	1,091	33 %	821	27 %	644
Total net sales	<u>\$ 13,931</u>	68 %	<u>\$ 8,279</u>	33 %	<u>\$ 6,207</u>
<u>Unit Sales by Product:</u>					
Desktops (b)	2,520	55 %	1,625	(8)%	1,761
Portables (c)	2,014	21 %	1,665	33 %	1,251
Total Macintosh unit sales	<u>4,534</u>	38 %	<u>3,290</u>	9 %	<u>3,012</u>
Net sales per Macintosh unit sold (g)	<u>\$ 1,384</u>	(7)%	<u>\$ 1,496</u>	0 %	<u>\$ 1,491</u>
iPod unit sales	<u>22,497</u>	409 %	<u>4,416</u>	370 %	<u>939</u>
Net sales per iPod unit sold (h)	<u>\$ 202</u>	(32)%	<u>\$ 296</u>	(19)%	<u>\$ 367</u>

Notes:

- (a) Other Segments include Asia Pacific and FileMaker.
- (b) Includes iMac, eMac, Mac mini, Power Mac and Xserve product lines.
- (c) Includes iBook and PowerBook product lines.
- (d) Consists of iTunes Music Store sales, iPod services, and Apple-branded and third-party iPod accessories.
- (e) Includes sales of Apple-branded and third-party displays, wireless connectivity and networking solutions, and other hardware accessories.
- (f) Includes sales of Apple-branded operating system, application software, third-party software, AppleCare, and Internet services.
- (g) Derived by dividing total Macintosh net sales by total Macintosh unit sales.
- (h) Derived by dividing total iPod net sales by total iPod unit sales.



FORM 10-K

APPLE INC – AAPL

Filed: December 29, 2006 (period: September 30, 2006)

Annual report which provides a comprehensive overview of the company for the past year

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- Item 1B. Unresolved Staff Comments
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SIGNATURES

EX-21 (EX-21)

EX-23.1 (EX-23)

EX-31.1 (EX-31)

EX-31.2 (EX-31)

EX-32.1 (EX-32)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 10-K

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended September 30, 2006

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 000-10030

APPLE COMPUTER, INC.

(Exact name of registrant as specified in its charter)

CALIFORNIA

(State or other jurisdiction
of incorporation or organization)

1 Infinite Loop

Cupertino, California

(Address of principal executive offices)

942404110

(I.R.S. Employer
Identification No.)

95014

(Zip Code)

Registrant's telephone number, including area code: **(408) 996-1010**

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, no par value

(Title of class)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant, as of April 1, 2006, was approximately \$45,716,583,100 based upon the closing price reported for such date on the NASDAQ Global Select Market. For purposes of this disclosure, shares of Common Stock held by persons who hold more than 5% of the outstanding shares of Common Stock and shares held by executive officers and directors of the registrant have been excluded because such persons may be deemed to be affiliates. This determination of executive officer or affiliate status is not necessarily a conclusive determination for other purposes.

859,273,757 shares of Common Stock Issued and Outstanding as of December 13, 2006

The Company has not amended its previously-filed Annual Reports on Form 10-K or Quarterly Reports on Form 10-Q for the periods affected by this restatement. The financial information that has been previously filed or otherwise reported for these periods is superseded by the information in this Annual Report on Form 10-K, and the financial statements and related financial information contained in such previously-filed reports should no longer be relied upon.

Five fiscal years ended September 30, 2006					
(In millions, except share and per share amounts)					
	2006	2005	2004	2003	2002
		As Restated (1)	As Restated (1)	As Restated (2)	As Restated (2)
Net sales	\$ 19,315	\$ 13,931	\$ 8,279	\$ 6,207	\$ 5,742
Net income	\$ 1,989	\$ 1,328	\$ 266	\$ 57	\$ 42
Earnings per common share:					
Basic	\$ 2.36	\$ 1.64	\$ 0.36	\$ 0.08	\$ 0.06
Diluted	\$ 2.27	\$ 1.55	\$ 0.34	\$ 0.08	\$ 0.06
Cash dividends declared per common share	\$ —	\$ —	\$ —	\$ —	\$ —
Shares used in computing earnings per share (in thousands):					
Basic	844,058	808,439	743,180	721,262	710,044
Diluted	877,526	856,878	774,776	723,352	721,445
Cash, cash equivalents, and short-term investments	\$ 10,110	\$ 8,261	\$ 5,464	\$ 4,566	\$ 4,337
Total assets	\$ 17,205	\$ 11,516	\$ 8,039	\$ 6,817	\$ 6,305
Long-term debt (including current maturities)	\$ —	\$ —	\$ —	\$ 304	\$ 316
Total liabilities	\$ 7,221	\$ 4,088	\$ 2,976	\$ 2,594	\$ 2,205
Shareholders' equity	\$ 9,984	\$ 7,428	\$ 5,063	\$ 4,223	\$ 4,100

Net gains before taxes related to the Company's non-current debt and equity investments of \$4 million and \$10 million were recognized in 2004 and 2003, respectively. A net loss before taxes related to the Company's non-current debt and equity investments of \$42 million was recognized in 2002. Net charges related to Company restructuring actions of \$23 million, \$26 million, and \$30 million were recognized in 2004, 2003, and 2002, respectively. In 2003, settlement of the Company's forward stock purchase agreement resulted in a gain of \$6 million. Net income during 2005 benefited by \$81 million from the reversal of certain tax contingency reserves and adjustments to net deferred tax assets, including reductions to valuation allowances. Favorable cumulative-effect type adjustments from the adoption of new accounting standards, net of taxes of \$1 million was recognized in 2003.

- (1) See the "Explanatory Note" immediately preceding Part I, Item 1 and Note 2, "Restatement of Consolidated Financial Statements," in Notes to Consolidated Financial Statements of this Form 10-K.

- (2) The Selected Financial Data for 2003 and 2002 has been restated to reflect adjustments related to stock-based compensation expense and the associated tax impact as further described in the "Explanatory Note" immediately preceding Part I, Item 1 of this Form 10-K. As a result of these adjustments, net income was reduced by \$12 million and \$23 million for the years ended September 27, 2003 and September 28, 2002, respectively as follows:

	Fiscal Year Ended September 27, 2003			Fiscal Year Ended September 28, 2002		
	As Reported	Adjustments	As Restated	As Reported	Adjustments	As Restated
Net sales	\$ 6,207	\$ —	\$ 6,207	\$ 5,742	\$ —	\$ 5,742
Cost of sales	4,499	1	4,500	4,139	3	4,142
Gross margin	1,708	(1)	1,707	1,603	(3)	1,600
Total operating expenses	1,709	15	1,724	1,586	26	1,612
Operating income (loss)	(1)	(16)	(17)	17	(29)	(12)
Income before accounting changes	68	(12)	56	65	(23)	42
Cumulative effects of accounting changes, net of income taxes	1	—	1	—	—	—
Net income	\$ 69	\$ (12)	\$ 57	\$ 65	\$ (23)	\$ 42
Earnings (loss) per common share before accounting changes:						
Basic	\$ 0.09	\$ (0.01)	\$ 0.08	\$ 0.09	\$ (0.03)	\$ 0.06
Diluted	\$ 0.09	\$ (0.01)	\$ 0.08	\$ 0.09	\$ (0.03)	\$ 0.06
Earnings per common share:						
Basic	\$ 0.10	\$ (0.02)	\$ 0.08	\$ 0.09	\$ (0.03)	\$ 0.06
Diluted	\$ 0.09	\$ (0.01)	\$ 0.08	\$ 0.09	\$ (0.03)	\$ 0.06

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This section and other parts of this Form 10-K contain forward-looking statements that involve risks and uncertainties. Forward-looking statements can also be identified by words such as "anticipates," "expects," "believes," "plans," "predicts," and similar terms. Forward-looking statements are not guarantees of future performance and the Company's actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in the subsection entitled "Risk Factors" above. The following discussion should be read in conjunction with the consolidated financial statements and notes thereto included in Item 8 of this Form 10-K. All information presented herein is based on the Company's fiscal calendar. Unless otherwise stated, references in this report to particular years or quarters refer to the Company's fiscal years ended in September and the associated quarters of those fiscal years. The Company assumes no obligation to revise or update any forward-looking statements for any reason, except as required by law.

The following information has been adjusted to reflect the restatement of the Company's financial results, which is more fully described in the "Explanatory Note" immediately preceding Part I, Item 1 and in Note 2, "Restatement of Consolidated Financial Statements" in Notes to Consolidated Financial Statements of this Form 10-K. The net of tax impact of the adjustments, which amounted to \$4 million in 2006, was recorded by the Company in its fourth quarter of 2006. The net of tax impact of the restatements on the Company's results of operations amounted to \$7 million and \$10 million in 2005 and 2004,

Net Sales

Net sales and Macintosh unit sales by operating segment and net sales and unit sales by product follow (net sales in millions and unit sales in thousands):

	September 30, 2006	Change	September 24, 2005	Change	September 25, 2004
Net Sales by Operating Segment:					
Americas net sales	\$ 9,307	41%	\$ 6,590	64%	\$ 4,019
Europe net sales	4,094	33%	3,073	71%	1,799
Japan net sales	1,208	31%	920	36%	677
Retail net sales	3,359	43%	2,350	98%	1,185
Other Segments net sales (a)	<u>1,347</u>	35%	<u>998</u>	67%	<u>599</u>
Total net sales	<u>\$ 19,315</u>	39%	<u>\$ 13,931</u>	68%	<u>\$ 8,279</u>
Unit Sales by Operating Segment:					
Americas Macintosh unit sales	2,432	11%	2,184	30%	1,682
Europe Macintosh unit sales	1,346	18%	1,138	47%	773
Japan Macintosh unit sales	304	(3)%	313	8%	291
Retail Macintosh unit sales	886	45%	609	94%	314
Other Segments Macintosh unit sales (a)	<u>335</u>	16%	<u>290</u>	26%	<u>230</u>
Total Macintosh unit sales	<u>5,303</u>	17%	<u>4,534</u>	38%	<u>3,290</u>
Net Sales by Product:					
Desktops (b)	\$ 3,319	(3)%	\$ 3,436	45%	\$ 2,373
Portables (c)	<u>4,056</u>	43%	<u>2,839</u>	11%	<u>2,550</u>
Total Macintosh net sales	7,375	18%	6,275	27%	4,923
iPod	7,676	69%	4,540	248%	1,306
Other music related products and services (d)	1,885	110%	899	223%	278
Peripherals and other hardware (e)	1,100	(2)%	1,126	18%	951
Software, service, and other sales (f)	<u>1,279</u>	17%	<u>1,091</u>	33%	<u>821</u>
Total net sales	<u>\$ 19,315</u>	39%	<u>\$ 13,931</u>	68%	<u>\$ 8,279</u>
Unit Sales by Product:					
Desktops (b)	2,434	(3)%	2,520	55%	1,625
Portables (c)	<u>2,869</u>	42%	<u>2,014</u>	21%	<u>1,665</u>
Total Macintosh unit sales	<u>5,303</u>	17%	<u>4,534</u>	38%	<u>3,290</u>
Net sales per Macintosh unit sold (g)	<u>\$ 1,391</u>	1%	<u>\$ 1,384</u>	(7)%	<u>\$ 1,496</u>
iPod unit sales	<u>39,409</u>	75%	<u>22,497</u>	409%	<u>4,416</u>
Net sales per iPod unit sold (h)	<u>\$ 195</u>	(3)%	<u>\$ 202</u>	(32)%	<u>\$ 296</u>

Notes:

- (a) Other Segments include Asia Pacific and FileMaker.
- (b) Includes iMac, eMac, Mac mini, Mac Pro, Power Mac, and Xserve product lines.
- (c) Includes MacBook, iBook, MacBook Pro, and PowerBook product lines.
- (d) Consists of iTunes Store sales, iPod services, and Apple-branded and third-party iPod accessories.
- (e) Includes sales of Apple-branded and third-party displays, wireless connectivity and networking solutions, and other hardware accessories.
- (f) Includes sales of Apple-branded operating system, application software, third-party software, AppleCare, and Internet services.
- (g) Derived by dividing total Macintosh net sales by total Macintosh unit sales.
- (h) Derived by dividing total iPod net sales by total iPod unit sales.