

# Apple rockets to most profitable quarter ever

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In this Sept. 23, 2009 file photo, a customer walks near a screen showing an iPhone at a local store in Seoul, South Korea. Apple Inc. rocketed to its most profitable quarter ever over the holidays, as huge sales of the iPhone \_ and a new way the company accounts for the device \_ led to a nearly 50 percent jump in net income. (AP Photo/ Lee Jin-man, File)

(AP) -- Apple's holiday quarter was especially sweet this year, but Wall Street's response was muted as investors puzzled through an accounting change and lighter-than-expected iPhone sales.

Apple Inc. posted its most profitable quarter yet in the October-through-December period after selling twice as many iPhones and 33 percent more Macintosh computers as the year before.

But the company also changed how it accounts for revenue and [profit](#) from the iPhone, making it difficult for investors to see at a glance whether [Apple](#) lived up to Wall Street's forecast.

Shares of Apple crept up less than 1 percent in extended trading after ending the regular session Monday ahead \$5.32, or 2.7 percent, at \$203.07.

Apple's shining report reflected the company's ability to lure shoppers without deep cuts to its premium prices, despite tough economic times. The iPhone's rollout in several major new markets, including China and South Korea, helped Apple double sales of the hot gadget to 8.7 million. Still, Shaw Wu, an analyst for Kaufman Bros., was expecting Apple to sell about 800,000 more of the popular smart phone. He attributed the lower number to possible component shortages.

Mac sales were also strong, and while the 21 million iPods Apple sold marked an 8 percent decline, analysts were expecting it. Sales of the iPod have suffered as the iPhone, which has iPod features built in, has grown in popularity.

Apple's numbers also got a boost from an accounting change. Apple started putting [iPhone](#) revenue and profit on its books when the gadget is sold, rather than deferring those results over the presumed life of the device.

Analysts hadn't factored the change into their estimates for the quarter. Wu said that until he goes back to re-crunch the numbers, he is basing his opinion on the number of iPhones, Macs and [iPods](#) Apple sold in the quarter, and on the nearly \$6 billion increase in Apple's cash stockpile.

"That number looked pretty solid," Wu said.

Apple, which is based in Cupertino, said Monday it earned \$3.4 billion, or \$3.67 per share, in the latest quarter, which ended Dec. 26. In the same period of 2008, had the same accounting standards been in place, it would have had net income of \$2.3 billion, or \$2.50 per share.

Revenue was \$15.7 billion, a 32 percent jump from \$11.9 billion in the same period last year. Apple's chief financial officer, Peter Oppenheimer, said during a conference call that half of the company's revenue growth could be attributed to the accounting change, but Apple was silent on the change's effects on net income.

For the current quarter, Apple said it expects earnings of \$2.06 to \$2.18 per share on revenue of \$11.0 billion to \$11.4 billion.

Analysts' estimates for the current quarter don't include the accounting change. On average, they had been predicting profit of \$1.77 per share and revenue of \$10.4 billion in the current quarter, according to Thomson Reuters.

Apple offered no clues about what it plans to unveil Wednesday in San Francisco, although analysts expect the new product to be a tablet-style computer. CEO Steve Jobs indicated that investors should expect a significant event.

"The new products we are planning to release this year are very strong, starting this week with a major new product that we're really excited about," Jobs said in a statement.

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