

Company background

[Business](#), [Company](#)



Company Background Apple Inc. and its wholly-owned subsidiaries (collectively “ Apple” or the “ Company”) designs, manufactures and markets mobile communication and media devices, personal computers, and portable digital music players, and sells a variety of related software, services, peripherals, networking solutions, and third-party digital content and applications. The Company’s products and services include iPhone ® , iPad ® , Mac ® , iPod ® , Apple TV ® , a portfolio of consumer and professional software applications, the iOS and Mac OS ® X operating systems, iCloud ® , and a variety of accessory, service and support offerings. The Company also sells and delivers digital content and applications through the iTunes Store ® , App Store SM , iBookstore SM , and Mac App Store. The Company sells its products worldwide through its retail stores, online stores, and direct sales force, as well as through third-party cellular network carriers, wholesalers, retailers, and value-added resellers. In addition, the Company sells a variety of third-party iPhone, iPad, Mac and iPod compatible products, including application software, printers, storage devices, speakers, headphones, and various other accessories and peripherals, through its online and retail stores. The Company sells to consumers, small and mid-sized businesses (“ SMB”), and education, enterprise and government customers. The Company’s fiscal year is the 52 or 53-week period that ends on the last Saturday of September. Unless otherwise stated, all information presented in this Form 10-K is based on the Company’s fiscal calendar. The Company is a California corporation established in 1977. Business Strategy The Company is committed to bringing the best user experience to its customers through its innovative

hardware, software, peripherals, and services. The Company's business strategy leverages its unique ability to design and develop its own operating systems, hardware, application software, and services to provide its customers new products and solutions with superior ease-of-use, seamless integration, and innovative design. The Company believes continual investment in research and development and marketing and advertising is critical to the development and sale of innovative products and technologies. As part of its strategy, the Company continues to expand its platform for the discovery and delivery of third-party digital content and applications through the iTunes Store. As part of the iTunes Store, the Company's App Store and iBookstore allow customers to discover and download applications and books through either a Mac or Windows-based computer or through " iOS devices, " namely iPhone, iPad and iPod touch ® . In January 2011, the Company opened the Mac App Store to allow customers to easily discover, download and install applications for their Macs. The Company also supports a community for the development of third-party software and hardware products and digital content that complement the Company's offerings. The Company's strategy also includes expanding its distribution network to effectively reach more customers and provide them with a high-quality sales and post-sales support experience. Consumer and Small and Mid-Sized Business The Company believes a high-quality buying experience with knowledgeable salespersons who can convey the value of the Company's products and services greatly enhances its ability to attract and retain customers. The Company sells many of its products and resells third-party products in most of its major markets directly to consumers and businesses

through its retail and online stores. The Company has also invested in programs to enhance reseller sales by placing high quality Apple fixtures, merchandising materials and other resources within selected third-party reseller locations. Through the Apple Premium Reseller Program, certain third-party resellers focus on the Apple platform by providing a high level of product expertise, integration and support services. The Company's retail stores are typically located at high-traffic locations in quality shopping malls and urban shopping districts. By operating its own stores and locating them in desirable high-traffic locations, the Company is better positioned to ensure a high quality customer buying experience and attract new customers. The stores are designed to simplify and enhance the presentation and marketing of the Company's products and related solutions. To that end, retail store configurations have evolved into various sizes to accommodate market-specific demands. The Company believes providing direct contact with its customers is an effective way to demonstrate the advantages of its products over those of its competitors. The stores employ experienced and knowledgeable personnel who provide product advice, service and training. The stores offer a wide selection of third-party hardware, software, and other accessories and peripherals that complement the Company's products.

Enterprise and Government The Company also sells its hardware and software products to enterprise and government customers in each of its geographic segments. The Company's products are deployed in these markets because of their power, productivity, ease of use and the simplicity of seamless integration into information technology environments. The Company's products are compatible with thousands of third-party business

applications and services, and its tools enable the development and secure deployment of custom applications as well as remote device administration.

Business Organization The Company manages its business primarily on a geographic basis. Accordingly, the Company has determined that its reportable operating segments, which are generally based on the nature and location of its customers, consist of the Americas, Europe, Japan, Asia-Pacific and Retail. The results of the Americas, Europe, Japan and Asia-Pacific reportable segments do not include the results of the Retail segment. The Americas segment includes both North and South America. The Europe segment includes European countries, as well as the Middle East and Africa. The Asia-Pacific segment includes Australia and Asian countries, other than Japan. The Retail segment operates Apple retail stores worldwide. Each reportable operating segment provides similar hardware and software products and similar services. Further information regarding the Company's operating segments may be found in Part II, Item 7 of this Form 10-K under the subheading " Segment Operating Performance, " and in Part II, Item 8 of this Form 10-K in Notes to Consolidated Financial Statements in Note 8, " Segment Information and Geographic Data. "

Products The Company offers a range of mobile communication and media devices, personal computing products, and portable digital music players, as well as a variety of related software, services, peripherals, networking solutions and third-party hardware and software products. In addition, the Company offers its own software products, including iOS, the Company's proprietary mobile operating system; Mac OS X, the Company's proprietary operating system software for the Mac; server software and application software for consumer,

SMB, and education, enterprise and government customers. The Company's primary products are discussed below. iPhone iPhone combines a mobile phone, an iPod, and an Internet communications device in a single handheld product. Based on the Company's Multi-Touch™ user interface, iPhone features desktop-class email, web browsing, searching, and maps and is compatible with both Macs and Windows-based computers. iPhone automatically syncs content from users' iTunes libraries, as well as contacts, bookmarks, and email accounts. iPhone allows customers to access the iTunes Store to download audio and video files, as well as a variety of other digital content and applications. In October 2011, the Company launched iPhone 4S, its latest version of iPhone, which includes Siri™, a voice activated intelligent assistant. In addition to the Company's own iPhone accessories, third-party iPhone compatible accessories are available through the Company's online and retail stores and from third parties. iPad iPad is a multi-purpose mobile device for browsing the web, reading and sending email, viewing photos, watching videos, listening to music, playing games, reading e-books and more. iPad is based on the Company's Multi-Touch technology and allows customers to connect with their applications and content in a more interactive way. iPad allows customers to access the iTunes Store to download audio and video files, as well as a variety of other digital content and applications. In March 2011, the Company introduced iPad 2, its second-generation iPad. In addition to the Company's own iPad accessories, third-party iPad compatible accessories are available through the Company's online and retail stores and from third parties. Mac Hardware Products The Company offers a range of personal computing products

including desktop and portable computers, related devices and peripherals, and third-party hardware products. The Company's Mac desktop and portable systems feature Intel microprocessors, the Mac OS X Lion operating system and the iLife ® suite of software for creation and management of digital photography, music, movies, DVDs and websites. The Company's desktop computers include iMac Mac Pro and Mac mini. The iMac desktop computer has an all-in-one design that incorporates a display, processor, graphics card, storage, memory and other components inside a single enclosure. The Mac Pro desktop computer is targeted at business and professional customers and is designed to meet the performance, expansion, and networking needs of the most demanding Mac user. The Mac mini is a desktop computer in a compact enclosure. . iPod The Company's iPod line of portable digital music and media players includes iPod touch, iPod nano ® , iPod shuffle ® and iPod classic ® . All iPods work with iTunes. In addition to the Company's own iPod accessories, third-party iPod compatible accessories are available, through the Company's online and retail stores or from third parties. The iPod touch, based on iOS, is a flash-memory-based iPod with a widescreen display and a Multi-Touch user interface. iPod touch allows customers to access the iTunes Store to download audio and video content, as well as a variety of digital applications. The iPod nano is a flash-memory-based iPod that features the Company's Multi-Touch interface allowing customers to navigate their music collection by tapping or swiping the display. The iPod nano features a polished aluminum and glass enclosure with a built-in clip. The iPod shuffle is a flash-memory-based iPod that features a clickable control pad to control music playback and VoiceOver

technology enabling customers to hear song titles, artists and playlist names. The iPod classic is a hard-drive based portable digital music and video player. iTunes® iTunes is an application that supports the purchase, download, organization and playback of digital audio and video files and is available for both Mac and Windows-based computers. iTunes 10 is the latest version of iTunes and features AirPlay® wireless music playback, Genius Mixes, Home Sharing, and improved syncing functionality with iOS devices.

Mac App Store In January 2011, the Company opened the Mac App Store allowing customers to discover, download and install applications for their Macs. The Mac App Store offers applications in education, games, graphics and design, lifestyle, productivity, utilities and other categories. The Company's Mac OS X operating system software and iLife and iWork® application software are also available on the Mac App Store. iCloud In October 2011, the Company launched iCloud, its new cloud service, which stores music, photos, applications, contacts, calendars, and documents and wirelessly pushes them to multiple iOS devices, Macs and Windows-based computers. iCloud's features include iTunes in the Cloud, Photo Stream, Documents in the Cloud, Contacts, Calendar, Mail, automatic downloads and purchase history for applications and iBooks, and iCloud Backup. Users can sign up for free access to iCloud using a device running iOS 5 or a Mac running Mac OS X Lion.

Software Products and Computer Technologies The Company offers a range of software products for consumer, SMB, education, enterprise and government customers, including the Company's proprietary iOS and Mac OS X operating system software; server software; professional application software; and consumer, education, and business oriented

application software. Operating System Software iOS iOS is the Company's mobile operating system that serves as the foundation for iOS devices. In October 2011, the Company released iOS 5, which supports iCloud and includes new features such as Notification Center, a way to view and manage notifications in one place; iMessage™, a messaging service that allows users to send text messages, photos and videos between iOS devices; and Newsstand, a way to purchase and organize newspaper and magazine subscriptions. Mac OS X Mac OS X, the operating system for Macs, is built on an open-source UNIX-based foundation. Mac OS X Lion is the eighth major release of Mac OS X and became available in July 2011. Mac OS X Lion includes support for new Multi-Touch gestures; iCloud integration; system-wide support for full screen applications; Mission Control™, a way to view everything running on a user's Mac; the Mac App Store; Launchpad™, a new home for a user's applications; and a redesigned Mail application. Application Software iLife iLife '11 is the latest version of the Company's consumer-oriented digital lifestyle application suite included with all Mac computers. iLife features iPhoto®, iMovie®, iDVD®, GarageBand®, and iWeb™. iPhoto is the Company's consumer-oriented digital photo application and iMovie is the Company's consumer-oriented digital video editing software application. iDVD is the Company's consumer-oriented software application that enables customers to turn iMovie files, QuickTime files, and digital pictures into interactive DVDs. GarageBand is the Company's consumer-oriented music creation application that allows customers to play, record and create music. iWeb allows customers to create online photo albums, blogs and podcasts, and to customize websites using editing tools. iWork iWork '09

is the latest version of the Company's integrated productivity suite designed to help users create, present, and publish documents, presentations, and spreadsheets. iWork '09 includes Pages ® '09 for word processing and page layout, Keynote ® '09 for presentations, and Numbers ® '09 for spreadsheets. The Company also has a Multi-Touch version of each iWork application designed specifically for use on iOS devices.

Other Application Software The Company also sells various other application software, including Final Cut Pro ® , Logic Studio ® , Logic ® Express 9, Logic Studio ® Pro, and its FileMaker ® Pro database software.

Displays & Peripheral Products The Company manufactures the Apple LED Cinema Display™ and Thunderbolt Display. The Company also sells a variety of Apple-branded and third-party Mac-compatible and iOS-compatible peripheral products, including printers, storage devices, computer memory, digital video and still cameras, and various other computing products and supplies.

Apple TV Apple TV allows customers to watch movies and television shows on their high definition television. Content from iTunes, Netflix, YouTube, and Flickr as well as music, photos, videos, and podcasts from a Mac or Windows-based computer can also be wirelessly streamed to a television through Apple TV. With the release of iCloud in October 2011, content purchased on Apple TV can be re-downloaded on iOS devices.

Product Support and Services AppleCare ® offers a range of support options for the Company's customers. These options include assistance that is built into software products, printed and electronic product manuals, online support including comprehensive product information as well as technical assistance, and the AppleCare Protection Plan ("APP"). APP is a fee-based

service that typically includes two to three years of phone support and hardware repairs and dedicated web-based support resources. Markets and Distribution The Company's customers are primarily in the consumer, SMB, and education, enterprise and government markets. The Company uses a variety of direct and indirect distribution channels, such as its retail stores, online stores, and direct sales force, and third-party cellular network carriers, wholesalers, retailers, and value-added resellers. The Company believes that sales of its innovative and differentiated products are enhanced by knowledgeable salespersons who can convey the value of the hardware and software integration, and demonstrate the unique solutions that are available on its products. The Company further believes providing direct contact with its targeted customers is an effective way to demonstrate the advantages of its products over those of its competitors and providing a high-quality sales and after-sales support experience is critical to attracting new and retaining existing customers. To ensure a high-quality buying experience for its products in which service and education are emphasized, the Company continues to expand and improve its distribution capabilities by expanding the number of its own retail stores worldwide. Additionally, the Company has invested in programs to enhance reseller sales by placing high quality Apple fixtures, merchandising materials and other resources within selected third-party reseller locations. Through the Apple Premium Reseller Program, certain third-party resellers focus on the Apple platform by providing a high level of integration and support services, and product expertise. No single customer accounted for more than 10% of net sales in 2011 or 2010. One of the Company's customers accounted for 11% of net

sales in 2009. Competition The markets for the Company's products and services are highly competitive and the Company is confronted by aggressive competition in all areas of its business. These markets are characterized by frequent product introductions and rapid technological advances that have substantially increased the capabilities and use of mobile communication and media devices, personal computers, and other digital electronic devices. The Company's competitors who sell mobile devices and personal computers based on other operating systems have aggressively cut prices and lowered their product margins to gain or maintain market share. The Company's financial condition and operating results can be adversely affected by these and other industry-wide downward pressures on gross margins. Principal competitive factors important to the Company include price, product features, relative price/performance, product quality and reliability, design innovation, a strong third-party software and peripherals ecosystem, marketing and distribution capability, service and support, and corporate reputation. The Company is focused on expanding its market opportunities related to mobile communication and media devices. These industries are highly competitive and include several large, well-funded and experienced participants. The Company expects competition in these industries to intensify significantly as competitors attempt to imitate some of the features of the Company's products and applications within their own products or, alternatively, collaborate with each other to offer solutions that are more competitive than those they currently offer. These industries are characterized by aggressive pricing practices, frequent product introductions, evolving design approaches

and technologies, rapid adoption of technological and product advancements by competitors, and price sensitivity on the part of consumers and businesses. The Company's digital content services have faced significant competition from other companies promoting their own digital music and content products and services, including those offering free peer-to-peer music and video services. The Company believes it offers superior innovation and integration of the entire solution including the hardware (iPhone, iPad, Mac, and iPod), software (iTunes), and distribution of digital content and applications (iTunes Store, App Store, iBookstore and Mac App Store). Some of the Company's current and potential competitors have substantial resources and may be able to provide such products and services at little or no profit or even at a loss to compete with the Company's offerings. The Company's future financial condition and operating results depend on the Company's ability to continue to develop and offer new innovative products and services in each of the markets it competes in. Research and Development Because the industries in which the Company competes are characterized by rapid technological advances, the Company's ability to compete successfully depends heavily upon its ability to ensure a continual and timely flow of competitive products, services and technologies to the marketplace. The Company continues to develop new technologies to enhance existing products and to expand the range of its product offerings through research and development, licensing of intellectual property and acquisition of third-party businesses and technology. Total research and development expense was \$2.4 billion, \$1.8 billion and \$1.3 billion in 2011, 2010 and 2009, respectively. Patents, Trademarks, Copyrights and Licenses

The Company currently holds rights to patents and copyrights relating to certain aspects of its iPhone, iPad, Mac and iPod devices, peripherals, software and services. The Company has registered or has applied for trademarks and service marks in the U. S. and a number of foreign countries. Although the Company believes the ownership of such patents, copyrights, trademarks and service marks is an important factor in its business and that its success does depend in part on the ownership thereof, the Company relies primarily on the innovative skills, technical competence and marketing abilities of its personnel. The Company regularly files patent applications to protect inventions arising from its research and development, and is currently pursuing thousands of patent applications around the world. Over time, the Company has accumulated a large portfolio of issued patents in the U. S. and worldwide. The Company holds copyrights relating to certain aspects of its products and services. No single patent or copyright is solely responsible for protecting the Company's products. The Company believes the duration of its patents is adequate relative to the expected lives of its products. Due to the fast pace of innovation and product development, the Company's products are often obsolete before the patents related to them expire, and sometimes are obsolete before the patents related to them are even granted. Many of the Company's products are designed to include intellectual property obtained from third parties. While it may be necessary in the future to seek or renew licenses relating to various aspects of its products and business methods, based upon past experience and industry practice, the Company believes such licenses generally could be obtained on commercially reasonable terms; however, there is no guarantee that such

licenses could be obtained at all. Because of technological changes in the industries in which the Company competes, current extensive patent coverage, and the rapid rate of issuance of new patents, it is possible that certain components of the Company's products and business methods may unknowingly infringe existing patents or intellectual property rights of others. From time to time, the Company has been notified that it may be infringing certain patents or other intellectual property rights of third parties.

Foreign and Domestic Operations and Geographic Data The U. S. represents the Company's largest geographic market. Approximately 39% of the Company's net sales in 2011 came from sales to customers inside the U. S. Final assembly of the Company's products is currently performed in the Company's manufacturing facility in Ireland, and by outsourcing partners, primarily located in Asia. The supply and manufacture of a number of components is performed by sole-sourced outsourcing partners in the U. S., Asia and Europe. Single-sourced outsourcing partners in Asia perform final assembly of substantially all of the Company's hardware products. Margins on sales of the Company's products in foreign countries, and on sales of products that include components obtained from foreign suppliers, can be adversely affected by foreign currency exchange rate fluctuations and by international trade regulations, including tariffs and antidumping penalties.

Information regarding financial data by geographic segment is set forth in Part II, Item 7 and Item 8 of this Form 10-K and in Notes to Consolidated Financial Statements in Note 8, " Segment Information and Geographic Data."

Seasonal Business The Company has historically experienced increased net sales in its first fiscal quarter compared to other quarters in its fiscal year

due to increased holiday seasonal demand. This historical pattern should not be considered a reliable indicator of the Company's future net sales or financial performance. Warranty The Company offers a limited parts and labor warranty on most of its hardware products. The basic warranty period is typically one year from the date of purchase by the original end-user. The Company also offers a 90-day basic warranty for its service parts used to repair the Company's hardware products. In addition, consumers may purchase the APP, which extends service coverage on many of the Company's hardware products in most of its major markets. Employees As of September 24, 2011, the Company had approximately 60, 400 full-time equivalent employees and an additional 2, 900 full-time equivalent temporary employees and contractors. APPLE INC. (Exact name of registrant as specified in its charter) Ratio Analysis | 2008 | 2009 | 2010 | 2011 | | Liquidity Ratios | a. Current Ratio: A liquidity ratio that measures a company's ability to pay short-term obligations. The Current Ratio formula is: Also known as " liquidity ratio", " cash asset ratio" and " cash ratio". | Current Asset/Current Liability | 32311/14092 | 36265/19282 | 41678/20722 | 44988/27970 | | 2. 293 | 1. 881 | 2. 011 | 1. 609 | industry average | 2. 00 | 1. 8 | 2. 1 | 1. 5 | Current Ratio Comparisons : Ratio is stronger than the industry average. | | b. Acid Test Ratio: A stringent indicator that determines whether a firm has enough short-term assets to cover its immediate liabilities without selling inventory. The acid-test ratio is far more strenuous than the working capital ratio, primarily because the working capital ratio allows for the inclusion of inventory assets. Calculated by: | (Current Asset-Average inventory)/Current Liability | (32311-509)/14092 |

(36265-482)/19282 | (41678-753)/20722 | (44988-913. 5)/27970 | | 2. 257 |
 1. 86 | 1. 961 | 1. 581 | industry average | 2. 20 | 1. 80 | 2. 00 | 1. 50 | Acid
 Test Ratio Comparisons : Ratio is weaker than the industry average in first 3
 years but stringer at last year. | | Summary of the Liquidity Ratio

Comparisons * Strong current ratio and weak acid-test ratio indicates a
 potential problem in the inventories account. * Note that this industry has a
 relatively high level of inventories. | Financial Leverage Ratios | a. Debt to
 equity: A measure of a company's financial leverage calculated by dividing
 its total liabilities by stockholders' equity. It indicates what proportion of
 equity and debt the company is using to finance its assets. Note: Sometimes
 only interest-bearing, long-term debt is used instead of total liabilities in the
 calculation. Also known as the Personal Debt/Equity Ratio, this ratio can be
 applied to personal financial statements as well as corporate ones. | Total
 debt/Shareholders ' Equity | 18542/21030 | 26019/27832 | 27392/47791 |
 39756/76615 | | 0. 882 | 0. 935 | 0. 573 | 0. 519 | industry average | . 89 | .
 95 | . 55 | . 50 | Debt to equity Ratio Comparisons : Has average debt
 utilization relative to the industry average. | | b. Debt to total asset: A metric
 used to measure a company's financial risk by determining how much of the
 company's assets have been financed by debt. Calculated by adding short-
 term and long-term debt and then dividing by the company's total assets. |
 Total debt/Total asset | 18542/39572 | 26019/53851 | 27392/75183 |
 39756/116371 | | 0. 469 | 0. 483 | 0. 364 | 0. 342 | industry average | . 45 | .
 50 | . 35 | . 35 | Debt to total asset Ratio Comparisons : Has average debt
 utilization relative to the industry average. | | c. Total Capitalization: The
 capitalization ratio measures the debt component of a company's capital

structure, or capitalization (i. e., the sum of long-term debt liabilities and shareholders' equity) to support a company's operations and growth. | | | Debt/capitalization | 18542/25480 | 26019/34569 | 27392/54461 | 39756/88401 | | . 73 | . 75 | . 50 | . 45 | industry average | . 75 | . 75 | . 50 | . 45 | Total Capitalization Ratio Comparisons : Has average long-term debt utilization relative to the industry average. | | Coverage Ratios | a. Interest Coverage: A ratio used to determine how easily a company can pay interest on outstanding debt. The interest coverage ratio is calculated by dividing a company's earnings before interest and taxes (EBIT) of one period by the company's interest expenses of the same period: | EBIT/Interest charges | 6895/2242 | 7984/2360 | 18540 | 34205 | | 3. 075 | 3. 383 | - | - | industry average | 3. 2 | 3. 5 | - | - | Interest Coverage Ratio Comparisons : Has below average interest coverage relative to the industry average. | | Summary of the Coverage Trend Analysis * The interest coverage ratio for Apple Inc. has been falling since 2008. It has been below industry averages for the past two years. * This indicates that low earnings (EBIT) may be a potential problem for BW. * Note, we know that debt levels are in line with the industry averages. | Activity ratios | a. Receivable Turnover: An accounting measure used to quantify a firm's effectiveness in extending credit as well as collecting debts. The receivables turnover ratio is an activity ratio, measuring how efficiently a firm uses its assets. Formula: Some companies' reports will only show sales - this can affect the ratio depending on the size of cash sales. | Annual net credit sales/ Average receivables | 32497/2422 | 36537/3361 | 65225/5510 | 108249/5369 | | 13. 417 | 10. 871 | 11. 838 | 20. 162 | industry average | 15 | 10 | 13 | 20 | Receivable Turnover

Ratio Comparisons : Ratio is stronger than the industry average. | | b.

Average collection period: The approximate amount of time that it takes for a business to receive payments owed, in terms of receivables, from its customers and clients. Calculated as: $\text{Days} = \frac{\text{Total amount of days in period}}{\text{Average amount of accounts receivables}} \times \frac{\text{Credit Sales}}{\text{Total amount of net credit sales during period}}$ | Days in year/receiveable turnover |

365/13. 417 | 365/10. 871 | 365/11. 838 | 365/20. 162 | | 27. 204 | 33. 576 | 30. 833 | 18. 103 | industry average | 25 | 36 | 30 | 20 | Average collection

period Ratio Comparisons : Has improved the average collection period to that of the industry average. | | c. Inventory turnover: A ratio showing how

many times a company's inventory is sold and replaced over a period. The days in the period can then be divided by the inventory turnover formula to calculate the days it takes to sell the inventory on hand or " inventory

turnover days." | $\text{Cost of goods sold}/\text{Average inventory}$ | 21334/509 |

25683/482 | 39541/753 | 64431/913. 5 | | 41. 914 | 53. 28 | 52. 51 | 70. 53 | industry average | 42 | 53 | 53 | 70 | Inventory turnover Ratio Comparisons :

Has relatively good turnover. | | d. Total asset turnover: The amount of sales generated for every dollar's worth of assets. It is calculated by dividing sales

in dollars by assets in dollars. Formula: This ratio is more useful for growth

companies to check if in fact they are growing revenue in proportion to sales.

Also known as the Asset Turnover Ratio. | $\text{Net sales}/\text{total asset}$ |

32479/39571 | 42905/53851 | 65225/75183 | 108249/116371 | | . 821 | . 797 | . 868 | . 930 | industry average | . 82 | . 80 | . 85 | . 90 | Total asset turnover

Ratio Comparisons : Has relatively strong turnover. | | Profitability Ratios | a.

Net profit margin: A ratio of profitability calculated as net income divided by

revenues, or net profits divided by sales. It measures how much out of every dollar of sales a company actually keeps in earnings. | Net profit after tax/Net sales | 4834/32479 | 8235/42905 | 14013/65225 | 25922/108249 | | .149 | .192 | .215 | .239 | industry average | .15 | .20 | .20 | .24 | Net profit margin Ratio Comparisons : Has average Net Profit Margin. | | b. Return on investment: " Return on investment(ROI) rate of return (ROR), also known as 'rate of profit' or sometimes just 'return', is the ratio of money gained or lost (whether realized or unrealized) on an investment relative to the amount of money invested. Similar financial measures with variations on how 'investment' is defined: * Return on assets (ROA), * Return on net assets (RONA), * Return on capital employed (ROCE) * Return on invested capital (ROIC) * Social return on investment (SROI) | NPAT/Total asset | 4834/39572 | 8235/53851 | 14013/75183 | 25922/116371 | | .122 | .153 | .187 | .223 | industry average | .125 | .15 | .18 | .20 | Return on investment Ratio Comparisons : Has strong Return on Investment. | | c. Return on equity: The amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. ROE is expressed as a percentage and calculated as: Return on Equity = Net Income/Shareholder's Equity Net income is for the full fiscal year (before dividends paid to common stock holders but after dividends to preferred stock.) Shareholder's equity does not include preferred shares. Also known as " return on net worth" (RONW). | NPAT/Shareholders equity | 25922/21030 | 8235/27832 | 14013/477931 | 25922/76615 | | .229 | .296 | .293 | .338 |

industry average | . 23 | . 29 | . 29 | . 350 | Return on equity Ratio

Comparisons : Has average Return on equity. | | Summary of the Profitability

Trend Analyses * The profitability ratios for Apple Inc. have ALL been average

since 2008. Each has been below the industry averages for the past four

years. * This indicates that COGS and administrative costs may both be too

high and a potential problem for Apple Inc. * Note, this result is consistent

with the low interest coverage ratio. | Summary of Ratio Analyses *

Inventories are too high. * May be paying off creditors (accounts payable) too

soon. * COGS may be too high. * Selling, general, and administrative costs

may be too high. | Common Size Analysis- Particulars | 2008 | 2009 | 2010 |

2011 | | 2008 | 2009 | 2010 | 2011 | Assets | | | | | | | | | Current assets: | | | |

| | | | | Cash & cash equivalents | 11875 | 5263 | 11261 | 9815 | | 30. 01 | 9.

77 | 14. 98 | 8. 43 | Short term marketable securities | 10236 | 18201 | 14359

| 16137 | | 25. 87 | 33. 80 | 19. 10 | 13. 87 | A/R | 2422 | 3361 | 5510 | 5369 |

| 6. 12 | 6. 24 | 7. 33 | 4. 61 | Inventories | 509 | 455 | 1051 | 776 | | 1. 29 | .

85 | 1. 40 | . 67 | Differed tax assets | 1447 | 2101 | 1636 | 2014 | | 3. 66 | 3.

90 | 2. 18 | 1. 73 | Vendor non-trade receivables | - | - | 4414 | 6348 | | - | - |

5. 87 | 5. 46 | Other current assets | 5822 | 6884 | 3447 | 4529 | | 14. 71 | 12.

78 | 4. 59 | 3. 89 | Total current assets | 32311 | 36265 | 41678 | 44988 | |

81. 04 | 67. 34 | 55. 435 | 38. 659 | Long-term marketable securities | 2379 |

10528 | 5391 | 55618 | | 6. 01 | 19. 55 | 7. 171 | 47. 794 | Property, plant and

equipment, net | 2455 | 2954 | 4786 | 7777 | | 6. 20 | 5. 486 | 6. 336 | 6. 683

| Goodwill | 207 | 206 | 741 | 896 | | . 52 | . 383 | . 986 | . 769 | Acquired

intangible assets, net | 285 | 247 | 342 | 3536 | | . 72 | . 495 | . 455 | 3. 039 |

Other assets | 1935 | 3651 | 2263 | 3556 | | 4. 890 | 6. 780 | 3. 010 | 3. 056 |

Total assets | 39572 | 53851 | 75183 | 116371 | | 100 | 100 | 100 | 100 | | | | |
 | | | | | LIABILITIES AND SHAREHOLDERS' EQUITY: | | | | | | | | | Current
 liabilities: | | | | | | | | Accounts payable | 5520 | 5601 | 12015 | 14632 | |
 13. 942 | 10. 401 | 15. 981 | 12. 574 | Accrued expenses | 3719 | 3376 | 5723
 | 9247 | | 9. 398 | 6. 269 | 7. 612 | 7. 946 | Deferred revenue | 4853 | 10305 |
 2984 | 4091 | | 12. 264 | 19. 136 | 3. 969 | 3. 516 | Total current liabilities |
 14092 | 19282 | 20722 | 27970 | | 35. 611 | 35. 806 | 27. 562 | 24. 035 |
 Deferred revenue — non-current | 3029 | 4485 | 1139 | 1686 | | 7. 654 | 8.
 329 | 1. 515 | 1. 449 | Other non-current liabilities | 1421 | 2252 | 5531 |
 10100 | | 3. 591 | 4. 182 | 7. 357 | 8. 679 | Total liabilities | 18542 | 26019 |
 27392 | 39756 | | 46. 856 | 48. 317 | 36. 434 | 34. 163 | Commitments and
 contingencies Shareholders' equity: | | | | | | | | Common stock, no par
 value; 1, 800, 000 shares authorized; 929, 277 and 915, 970 shares issued
 and outstanding, respectively | 7177 | 8210 | 10668 | 13331 | | 18. 137 | 15.
 246 | 14. 189 | 11. 456 | Retained earnings | 13845 | 19538 | 37169 | 62841 |
 | 34. 987 | 36. 282 | 49. 438 | 54. 001 | Accumulated other comprehensive
 income/(loss) | 8 | 84 | (46) | 443 | | . 020 | . 156 | (. 061) | . 381 | Total
 shareholders' equity | 21030 | 27832 | 47791 | 76615 | | 53. 144 | 51. 683 |
 63. 566 | 65. 837 | Total liabilities and shareholders' equity | 39572 | 53851 |
 75183 | 116371 | | 100 | 100 | 100 | 100 | Index Analysis- Particulars | 2008 |
 2009 | 2010 | 2011 | | 2008 | 2009 | 2010 | 2011 | Assets | | | | | | | | | |
 Current assets: | | | | | | | | Cash & cash equivalents | 11875 | 5263 | 11261
 | 9815 | | 100 | 14. 513 | 27. 019 | 21. 897 | Short term marketable securities
 | 10236 | 18201 | 14359 | 16137 | | 100 | 39. 204 | 34. 452 | 35. 870 | A/R |
 2422 | 3361 | 5510 | 5369 | | 100 | 9. 27 | 13. 221 | 11. 934 | Inventories |

19538 | 37169 | 62841 | | 100 | 36. 282 | 49. 438 | 54. 001 | Accumulated
other comprehensive income/(loss) | 8 | 84 | (46) | 443 | | 100 | . 156 | (.
061) | . 381 | Total shareholders' equity | 21030 | 27832 | 47791 | 76615 | |
100 | 51. 683 | 63. 566 | 65. 837 | Total liabilities and shareholders' equity |
39572 | 53851 | 75183 | 116371 | | 100 | 100 | 100 | 100 |