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IT HARDWARE AND STORAGE

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NASDAQ: AAPL
PRICE: \$88.00
RATING: BUY

AAPL: AN APPLE IN INVESTORS' EYES; INITIATING WITH A BUY RATING AND \$110 PRICE TARGET

Investment Conclusion: We are initiating coverage of PC company and consumer electronic powerhouse, Apple, Inc., with a Buy rating and a \$110 price target. Apple has a very impressive desktop and notebook offering that continues to grow faster than the industry and command higher ASPs, an iPod franchise that dominates the category and represented almost half of total Company revenues in the strongest quarter in its history, Dec. '06, a new OS due out shortly that is expected to help facilitate operating both Mac OS X and Windows OS through virtualization software, an upcoming iPhone offering in the ~1B unit total cellphone market, and numerous other products and initiatives in-place and on-going which should continue the successful metamorphosis of Apple Computer into Apple, Inc, a full-blown consumer electronics powerhouse that successfully combines hardware and media offerings. We believe that new product offerings expected this year will continue to drive growth for Apple and are establishing a price target of \$110, which is based upon 30x (Apple's forward estimated organic earnings growth rate) our C2007 EPS estimate—ex interest income and options expense, plus ~\$13.50 in cash per share.

- **New product offerings.** For 2007, Apple has announced the iPhone, Apple TV, and a new Mac operating system software called Leopard (OS X v.10.5). We expect updated/additional versions of the iPhone in 2008 or before, an upcoming solid state drive ultra-thin notebook, and an update to the iPod lines in the back half of 2007 or in 2008 as well. Although nothing specific has been announced, we expect to continue to see hardware and offerings that address the growing digital home (could gaming be next?) into 2008 from the Company as well.
- **Mac franchise is solid and Leopard OS should help drive revenues.** The Mac line of PCs continues to shine, especially since the successful migration to the Intel line of processors, completed early last year. In CQ4 for example, Mac notebook units grew +65% y/y, compared to Dell on the lowest end of the spectrum, at an anemic +2% y/y. Apple continues to grow its Mac franchise above industry growth rates, coupled with above average ASPs, and gained market share in the notebook segment last year (+2% in the US according to IDC). The Leopard OS is expected in March/April of 2007 and we believe it will contribute to additional software sales as previous versions have, and help drive continued Mac growth above industry rates in part due to the expected virtualization feature that will allow Mac OS X and Windows OS to run simultaneously (and switch back-and-forth without rebooting).
- **iPods continue to dominate and grow.** 2006 was a record year for iPods at 46.4M units sold worldwide. According to NPD Tech World and to Nielsen respectively, Apple

Stock Data

12-Month Price Target	\$110.00
52-Week Range	\$97.80 - 50.16
10-Day Avg. Daily Volume	30,377,500

Revenues

FY ends September	2006A	2007E	2008E
Revenue (MM)	\$19,315.0	\$23,262.1	\$30,220.9
Previous Estimate (MM)	-	NE	NE
Price/Revenue	4.0x	3.3x	2.6x
EV/Revenue	3.4x	2.8x	2.2x
Secular Growth Rate			30%

Capitalization

Shares Outstanding (MM)	883.3
Market Capitalization (MM)	\$77,730.1
Enterprise Value (MM)	\$65,861.1
Debt/Total Cap. (12/30/06)	0.0%
Cash (12/30/06) (MM)	\$11,869.0
Net Cash/Share (12/30/06)	\$13.44

Pro Forma EPS

	Q1	Q2	Q3	Q4	Fiscal Year EPS	Previous Estimate	P/E
	\$0.65	\$0.47	\$0.53	\$0.62	\$2.27	-	38.8x
	\$1.14 A	\$0.63	\$0.61	\$0.87	\$3.25	NE	27.1x
		\$0.85	\$0.83	\$0.97	\$4.20	NE	21.0x

Please see the [Important Disclosures Section](#) at the end of this report.

NC indicates no change from current estimate. NE indicates no estimate. NM indicates not meaningful.

Sources: WR Hambrecht + Co estimates and company reports

commanded a 72% market share for mp3 players in December and has an 85% market share for online music sales. The iPod hardware and iTunes music/video store remain the dominate choices in the marketplace for consumers. Our checks show strong CQ1 performance of the Shuffle in the seasonally weak quarter as well.

- **Retail distribution strategy paying off.** Apple sold more than \$1.1B through its retail distribution network in CQ4. The profit margins are impressive, and the Apple stores are an important component of the Apple story in our opinion (see Exhibit 6).
- **Valuation reasonable given growth rates.** Apple currently trades at 24.0x our C2007 EPS estimate of \$3.67, or 23.2x C2007 EPS estimate ex-interest income and options expense, plus \$13.40 in net cash. This represents a P/E/G ratio of approximately 0.7x for C2007. We are establishing a price target of \$110 which is 30x (Apple's forward estimated organic earnings growth rate) our C2007 EPS estimate – ex interest income and options expense, plus ~\$13.50 in cash.

INVESTMENT OVERVIEW

We are initiating coverage of PC company and consumer electronic powerhouse, Apple, Inc., with a Buy rating and a \$110 price target. Apple has a very impressive desktop and notebook offering that continues to grow faster than the industry and command higher ASPs, an iPod franchise that dominates the category and represented almost half of total Company revenues in the strongest quarter in its history, Dec. '06, a new OS due out shortly that is expected to help facilitate operating both Mac OS X and Windows OS through virtualization software, an upcoming iPhone offering in the ~1B unit total cellphone market, and numerous other products and initiatives in-place and on-going which should continue the successful metamorphosis of Apple Computer into Apple, Inc, a full-blown consumer electronics powerhouse that successfully combines hardware and media offerings. We believe that new product offerings expected this year will continue to drive growth for Apple and are establishing a price target of \$110, which is based upon 30x (Apple's forward estimated organic earnings growth rate) our C2007 EPS estimate—ex interest income and options expense, plus ~\$13.50 in cash per share.

COMPANY DESCRIPTION

Apple incorporated in 1977 and designs, manufacturers and distributes PCs and related software, peripherals, services, digital music players and related accessories and services. The Company's products include Macintosh desktop and notebooks, Mac operating system, iPods and iTunes store, Xserve server and storage products, and a variety of professional and consumer software applications. Apple sells to consumer, education, business, creative professional, and government customers through a variety of channels, including through its retail stores, online, direct sales force, wholesalers and resellers.

SEGMENT ANALYSIS

EXHIBIT 1: SEGMENT REVENUE – COMMON SIZE

Revenue %	Q2 3/27/2004	Q3 6/26/2004	Q4 9/25/2004	Q1 12/25/2004	Q2 3/25/2005	Q3 6/25/2005	Q4 9/24/2005	Q1 12/31/2005	Q2 4/1/2006	Q3 7/1/2006	Q4 9/30/2006	Q1 12/30/2006
Desktop Revenue	35.9%	38.1%	32.3%	28.7%	24.8%	24.0%	21.4%	15.9%	19.1%	16.1%	18.0%	13.4%
Portable Revenue	24.9%	24.6%	20.1%	17.3%	21.3%	20.5%	22.4%	14.1%	17.0%	26.6%	27.8%	20.4%
Total Mac revenue	60.8%	62.7%	52.4%	46.0%	46.1%	44.5%	43.8%	30.0%	36.1%	42.7%	45.8%	33.9%
iPod Revenue	13.8%	12.4%	22.9%	34.7%	31.3%	31.3%	33.0%	50.5%	39.3%	34.3%	32.2%	48.2%
iPhone Revenue												
Other Music Related Revenue	3.1%	3.6%	4.2%	5.1%	6.7%	6.8%	7.2%	8.5%	11.1%	10.5%	9.3%	8.9%
Peripherals + Other H/W Revenue	12.5%	10.9%	11.6%	8.1%	8.6%	7.6%	8.0%	5.3%	6.1%	5.4%	6.1%	4.2%
Software/Services	9.8%	10.4%	9.0%	6.1%	7.4%	9.8%	8.0%	5.7%	7.4%	7.2%	6.5%	4.9%
Total Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company filings

Macintosh PCs: The desktop category currently includes the Mac Pro, iMac, and Mac Mini computers, as well as the Xserve servers. The portable category currently includes MacBook and MacBook Pro notebook computers. Apple successfully completed its transition to Intel-based processors in all of its computer lines in August 2006, with servers completed by November 2006. Apple has taken market share, particularly in notebooks during the past year, as we illustrate in Exhibit 8. .

MACBOOK



iMAC



Source: Apple

EXHIBIT 2: APPLE UNIT SHIPMENT TRENDS

Apple Inc. > Segment Analysis

	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
For the fiscal period ending:	3/27/2004	6/26/2004	9/25/2004	12/25/2004	3/25/2005	6/25/2005	9/24/2005	12/31/2005	4/1/2006	7/1/2006	9/30/2006	12/30/2006
Units (thousands)												
Desktops	331	393	369	623	608	687	602	667	614	529	624	637
Portables	418	483	467	423	462	495	634	587	498	798	986	969
Total Mac units	749	876	836	1,046	1,070	1,182	1,236	1,254	1,112	1,327	1,610	1,606
Unit Growth												
Desktop - Q/Q	-17.5%	18.7%	-6.1%	68.8%	-2.4%	13.0%	-12.4%	10.8%	-7.9%	-13.8%	18.0%	2.1%
Portables - Q/Q	-2.3%	15.6%	-3.3%	-9.4%	9.2%	7.1%	28.1%	-7.4%	-15.2%	60.2%	23.6%	-1.7%
Total Mac - Q/Q	-9.7%	17.0%	-4.6%	25.1%	2.3%	10.5%	4.6%	1.5%	-11.3%	19.3%	21.3%	-0.2%
Desktop - Y/Y	2.8%	33.7%	-6.8%	55.4%	83.7%	74.8%	63.1%	7.1%	1.0%	-23.0%	3.7%	-4.5%
Portables - Y/Y	7.5%	1.3%	19.4%	-1.2%	10.5%	2.5%	35.8%	38.8%	7.8%	61.2%	55.5%	65.1%
Total Mac - Y/Y	5.3%	13.6%	6.2%	26.2%	42.9%	34.9%	47.8%	19.9%	3.9%	12.3%	30.3%	28.1%

Source: Company filings

iPods: Currently Apple has a 1GB shuffle, 2, 4, and 8GB Nano, and a 30GB and 80GB video iPod offering. During the past two years, the iPod has grown to about half of the Company's revenues in the December quarter and represented ~40% of sales for C2006.

VIDEO IPOD



IPOD NANO



IPOD SHUFFLE



Source: Apple

EXHIBIT 3: IPOD UNIT SHIPMENT TRENDS

	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
For the fiscal period ending:	3/27/2004	6/26/2004	9/25/2004	12/25/2004	3/25/2005	6/25/2005	9/24/2005	12/31/2005	4/1/2006	7/1/2006	9/30/2006	12/30/2006
Units (thousands)												
iPods	807	860	2,016	4,580	5,311	6,155	6,451	14,043	8,526	8,111	8,729	21,066
iPod - Q/Q	10.1%	6.6%	134.4%	127.2%	16.0%	15.9%	4.8%	117.7%	-39.3%	-4.9%	7.6%	141.3%
iPod - Y/Y	908.8%	182.9%	500.0%	524.8%	558.1%	615.7%	220.0%	206.6%	60.5%	31.8%	35.3%	50.0%

Source: Company filings

iPhone: This product has not launched yet, but we have a separate revenue line in our forecast model, with revenues assumed to begin in CQ2 with an expected June launch. Apple has forecast that it expects to sell 10M units by the end of 2008. We are modeling 13.5M currently.

IPHONE



Source: Apple

Other music related: This represents iTunes Store sales, iPod services, and Apple-branded and third party iPod accessories. We calculate the attach rates to the current installed base of iPods as well as quarterly unit sales to be fairly anemic. We believe that embedded in these numbers is a trend illustrating the lack of critical mass that iTunes has as the primary source of most users' content, as well as the likely high rate of ongoing piracy (illegal copying and downloading) in the marketplace.

EXHIBIT 4: OTHER MUSIC REVENUE ATTACHED TO IPOD SALES

	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
For the fiscal period ending:	3/27/2004	6/26/2004	9/25/2004	12/25/2004	3/25/2005	6/25/2005	9/24/2005	12/31/2005	4/1/2006	7/1/2006	9/30/2006	12/30/2006
Other Music Rev/Ipod units sold	\$ 74.3	\$ 84.9	\$ 48.6	\$ 38.6	\$ 40.7	\$ 39.2	\$ 41.1	\$ 35.0	\$ 56.9	\$ 56.3	\$ 51.8	\$ 30.1
Other Music Rev/Ipod installed base	\$ 24.2	\$ 21.9	\$ 18.3	\$ 17.8	\$ 14.2	\$ 11.3	\$ 9.5	\$ 11.7	\$ 9.6	\$ 7.8	\$ 6.7	\$ 7.2

Source: Company filings, WR Hambrecht + Co estimates. Numbers are in actual \$US.

Peripherals + Other Hardware: This includes Apple-branded and third-party displays, wireless connectivity and networking solutions, and other hardware accessories.

Software/Services: This segment is Apple's operating system, application software, third-party software, AppleCare, and Internet services.

PRICING TRENDS

EXHIBIT 5: PRICING TRENDS

	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
<i>ASP Calculations (\$ USD)</i>	3/27/2004	6/26/2004	9/25/2004	12/25/2004	3/25/2005	6/25/2005	9/24/2005	12/31/2005	4/1/2006	7/1/2006	9/30/2006	12/30/2006
Desktop	2,069	1,952	2,057	1,607	1,321	1,230	1,307	1,367	1,357	1,333	1,393	1,499
Portables	1,136	1,027	1,011	1,428	1,496	1,455	1,300	1,383	1,484	1,455	1,363	1,502
Total Mac	1,549	1,442	1,472	1,534	1,396	1,324	1,303	1,375	1,414	1,406	1,375	1,501
iPod	327	290	266	264	191	179	188	207	201	185	179	163
iPhone												
Desktop - Q/Q	4.1%	-5.7%	5.4%	-21.9%	-17.8%	-6.9%	6.3%	4.6%	-0.8%	-1.8%	4.5%	7.7%
Portables - Q/Q	3.0%	-9.6%	-1.6%	41.3%	4.7%	-2.7%	-10.6%	6.4%	7.3%	-2.0%	-6.3%	10.2%
Total Mac - Q/Q	1.2%	-6.9%	2.1%	4.2%	-9.0%	-5.2%	-1.6%	5.5%	2.8%	-0.5%	-2.3%	9.2%
iPod - Q/Q	-6.3%	-11.5%	-8.0%	-0.7%	-27.8%	-6.1%	4.8%	10.1%	-2.9%	-8.2%	-3.2%	-8.9%
Desktop - Y/Y	3.2%	-3.9%	6.3%	-19.2%	-36.2%	-37.0%	-36.4%	-14.9%	2.7%	8.4%	6.5%	9.6%
Portables - Y/Y	-2.4%	-1.4%	-8.7%	29.5%	31.6%	41.6%	28.6%	-3.1%	-0.8%	0.0%	4.9%	8.5%
Total Mac - Y/Y	0.2%	1.6%	-3.3%	0.2%	-9.8%	-8.2%	-11.5%	-10.4%	1.2%	6.2%	5.5%	9.2%
iPod - Y/Y	-15.6%	-20.7%	-26.6%	-24.3%	-41.6%	-38.1%	-29.5%	-21.7%	5.3%	3.0%	-4.9%	-21.4%

Source: Company filings, WR Hambrecht + Co estimates

Apple's desktops and notebooks continue to command a premium above the average PC in the market. Additionally, ASPs for both desktops and notebooks increased last year due to the ability to charge more for higher configurations and Intel-based systems. This is very impressive compared to trends at companies like Dell. iPod ASPs continue to trend downward in 2006 partly due to a price cut of \$50 on the highest end video iPod, but more because of the mix of Shuffle's that are sold compared to the other models, in our opinion.

RETAIL STORES

EXHIBIT 6: RETAIL TRENDS

	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
<i>Retail Statistics (\$M USD)</i>	3/27/2004	6/26/2004	9/25/2004	12/25/2004	3/25/2005	6/25/2005	9/24/2005	12/31/2005	4/1/2006	7/1/2006	9/30/2006	12/30/2006
Retail Revenue	266	270	376	561	571	555	663	1,072	636	715	936	1,139
Average Stores	76	79	81	95	102	105	117	130	138	146	158	169
Retail Profit	5	7	18	45	42	29	35	90	29	29	50	89
Manufacturing Profit	45	48	68	99	102	101	133	199	128	148	188	232
Revenue/Store	3.50	3.42	4.64	5.91	5.60	5.29	5.67	8.25	4.61	4.90	5.92	6.74
Retail Profit/Store	0.02	0.03	0.05	0.08	0.07	0.05	0.05	0.08	0.05	0.04	0.05	0.08
Retail Profit Margin	1.9%	2.6%	4.8%	8.0%	7.4%	5.2%	5.3%	8.4%	4.6%	4.1%	5.3%	7.8%
Total Profit/Store	0.19	0.20	0.23	0.26	0.25	0.23	0.25	0.27	0.25	0.25	0.25	0.28
Total Store Profit Margin	18.8%	20.4%	22.9%	25.7%	25.2%	23.4%	25.3%	27.0%	24.7%	24.8%	25.4%	28.2%

Source: Company filings, WR Hambrecht + Co estimates

These statistics we have compiled and calculated show the power of Apple's growing retail franchise. Apple's stores accounted for 16% of the total Company's revenues last quarter, and top \$1B in quarterly revenue. The Company discloses the retail profit as well as the allocated manufacturing profit in order to compare the profitability versus other channels. The profitability of the stores is very impressive, and illustrates how important this distribution channel is for Apple. As of last quarter total distribution points for iPods were 40,000 and Macs had 7,500.

GEOGRAPHIC BREAKDOWN

EXHIBIT 7: GEOGRAPHIC BREAKDOWN AND TRENDS

<i>Geographic Breakdown</i>	Q2 3/27/2004	Q3 6/26/2004	Q4 9/25/2004	Q1 12/25/2004	Q2 3/25/2005	Q3 6/25/2005	Q4 9/24/2005	Q1 12/31/2005	Q2 4/1/2006	Q3 7/1/2006	Q4 9/30/2006	Q1 12/30/2006
America Mac units	361	472	471	476	477	595	636	515	494	642	781	625
Europe Mac units	187	191	155	320	276	283	259	387	316	301	342	491
Japan Mac units	76	82	56	64	102	76	71	81	82	79	62	70
Retail Mac units	70	73	98	119	144	144	202	193	154	216	323	308
Other Segment Mac units	55	58	56	67	71	84	68	78	66	89	102	112
Total Mac units	749	876	836	1,046	1,070	1,182	1,236	1,254	1,112	1,327	1,610	1,606
America Mac units - Q/Q	-4.5%	30.7%	-0.2%	1.1%	0.2%	24.7%	6.9%	-19.0%	-4.1%	30.0%	21.7%	-20.0%
Europe Mac units - Q/Q	-22.1%	2.1%	-18.8%	106.5%	-13.8%	2.5%	-8.5%	49.4%	-18.3%	-4.7%	13.6%	43.6%
Japan Mac units -Q/Q	-1.3%	7.9%	-31.7%	14.3%	59.4%	-25.5%	-6.6%	14.1%	1.2%	-3.7%	-21.5%	12.9%
Retail Mac units - Q/Q	-4.1%	4.3%	34.2%	21.4%	21.0%	0.0%	40.3%	-4.5%	-20.2%	40.3%	49.5%	-4.6%
Other Segment Mac units - Q/Q	-9.8%	5.5%	-3.4%	19.6%	6.0%	18.3%	-19.0%	14.7%	-15.4%	34.8%	14.6%	9.8%
Total Mac units - Q/Q	-9.7%	17.0%	-4.6%	25.1%	2.3%	10.5%	4.6%	1.5%	-11.3%	19.3%	21.3%	-0.2%
America net sales %	46.1%	50.5%	50.9%	46.9%	44.5%	49.4%	48.2%	47.0%	48.7%	50.1%	47.5%	49.2%
Europe net sales %	23.5%	20.3%	18.0%	24.3%	21.7%	21.1%	21.2%	21.6%	22.2%	20.6%	20.4%	24.0%
Japan net sales %	9.1%	8.5%	7.4%	5.3%	8.8%	6.4%	6.1%	6.2%	7.1%	5.9%	5.9%	4.0%
Retail net sales %	13.9%	13.4%	16.0%	16.1%	17.6%	15.8%	18.0%	18.6%	14.6%	16.4%	19.4%	16.0%
Other Segment net sales %	7.3%	7.2%	7.7%	7.4%	7.4%	7.3%	6.6%	6.6%	7.5%	7.1%	6.8%	6.8%
Total net sales %	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company filings

Apple's revenues are derived heavily from the Americas and their retail channel (own stores) as the above chart illustrates. Japan has been a particular area of weakness for the Company as revenues for Macs specifically are greatly underperforming other areas of the world. IDC statistics do not point to any material loss of market share in PCs in the Japanese market, just a very soft PC market in general in Japan in recent quarters.

COMPETITION AND MARKET SHARE

EXHIBIT 8: TOP FIVE VENDORS US PC SHIPMENTS, Q4:06 (THOUSANDS)

Rank	Vendor	Q406 shipments	Q406 Mkt Shr	Q405 shipments	Q405 Mkt Shr	Q406/Q405 Change
1	Dell	4,783	27.9%	5,741	33.3%	-16.7%
2	HP	4,115	24.0%	3,549	20.6%	15.9%
3	Gateway	1,138	6.6%	1,145	6.6%	-0.6%
4	Apple	808	4.7%	614	3.6%	31.6%
5	Toshiba	804	4.7%	703	4.1%	14.4%
Others		5,502	32.1%	5,487	31.8%	0.3%
Total		17,150	100.0%	17,240	100.0%	-0.5%

Source: IDC, January 2007

In the US, Apple's desktop and notebook market share is approximately 3.1% and 7.1%, respectively, as of Q4:06 according to IDC. For all of 2006, year-over-year market share in the US was essentially flat in desktops and up 2% in notebooks.

Apple's worldwide desktop unit shipments declined 6.2% and worldwide notebooks units increased 49.3% from C2005 to C2006. According to Q4:06 IDC data, the Company has a 1.7% and 3.9% respective market share in global desktop and notebook units. The Company's estimated total 2006 market share in desktops remained essentially flat, while notebooks may have increased very slightly (essentially flat).

Overall, Apple's strongest market for its PCs continues to be US consumer notebooks, where Apple continues to grow very strongly and continues to gain market share versus competitors.

Regarding mp3 players and online music downloads, we would point to two third-party companies that are often referenced. According to NPD Tech World, Apple commanded a 72% market share for mp3 players in December. Also, according to Nielsen, iTunes has approximately an 85% market share for online music sales. The iPod hardware and iTunes music/video store remain the dominate choices in the marketplace for consumers.

COMPANY AND INDUSTRY OUTLOOK

PCs: We continue to feel that the opportunity for the PC industry in the US consumer segment is growth between 10-15% in 2007, and further growth of 8-12% in 2008 based upon a gradual adoption of Windows Vista building throughout 2007 and into 2008.

IDC forecast in December 2006 that worldwide PC shipments would grow 11.2% y/y in 2007.

For Apple specifically, we are modeling total unit growth of 18.5% for all Macs in 2007, which includes an assumption for 4% growth in desktops and 29% growth in notebooks. We are also forecasting relatively stable ASPs for both desktops and notebooks in our model for 2007.

iPods: We forecast that iPods will continue to reach record levels in our forecast led by new product introductions over time, international expansion, and further penetration in the marketplace. We forecast 62M iPod shipments in 2007, up 33%+ y/y in our earnings model. The rate of growth is slowing due to the law of large numbers, but there remains good growth ahead in our opinion. We also forecast that ASPs will continue to fall, due to lower component costs (mainly flash memory) likely leading to lower ASPs over time, and a continued mix that we expect to remain in favor of lower capacity iPods like the Shuffle.

iPhone: It is challenging to forecast a brand new device that is fairly expensive in terms of consumer electronic devices or other subsidized carrier-driven cellphones that consumers are used to receiving. The Company has forecast 10M unit sales by the end of CY08. Our checks show strong initial demand for the product and we are optimistic about initial sales, but feel that the price may have to come down quickly to spur demand. It is possible consumers may demand features like UMTS (3G) and not just EDGE, or removable flash slots before plunking down \$500-\$600 for a Phone with iPod, Internet, and camera capabilities. We are forecasting 5M units to be sold this year, beginning in June with an initial 500k units in that month.

These three product lines represent approximately 80% of 2007 revenue in our model. We also forecast iTunes music sales with Apple TV, Software, and other peripherals/hardware in our full model.

EXHIBIT 9: WRH+CO UNIT AND ASP FORECAST

For the fiscal period ending:	Q2 E 3/31/2007	Q3 E 6/30/2007	Q4 E 9/30/2007	Q1 E 12/31/2007	Q2 E 3/31/2008	Q3 E 6/30/2008	Q4 E 9/30/2008	Q1 E 12/31/2008
Units (thousands)								
Desktops	550	600	650	700	600	650	700	750
Portables	900	900	1,100	1,300	1,100	1,000	1,300	1,500
Total Mac units	1,450	1,500	1,750	2,000	1,700	1,650	2,000	2,250
iPods	12,000	10,000	10,000	30,000	15,000	13,000	13,000	39,000
iPhone		500	2,000	2,500	1,500	2,000	2,500	2,500
ASP Calculations (\$ USD)								
Desktop	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Portables	1,450	1,450	1,450	1,500	1,450	1,450	1,450	1,500
Total Mac	1,431	1,430	1,431	1,465	1,432	1,430	1,433	1,467
iPod	150	140	135	145	140	135	130	120
iPhone		549	549	549	449	449	449	449

Source: WR Hambrecht + Co estimates

FINANCIAL OUTLOOK

Apple's guidance for its March quarter is revenue between \$4.8-4.9B, 29.5% GM (includes \$8M of options expense), and EPS of \$0.54-\$0.56 (including \$0.05 of options expense). The Company has not given any financial guidance for FY or CY 2007.

We are introducing estimates of \$5.02B in revenue, 31% GM, and \$0.63 EPS for March, \$26.5B in revenue and \$3.67 EPS for C2007, and \$30.9B in revenue and \$4.21 EPS for C2008. We forecast upside to margins in CQ1 versus guidance due to the large price declines in component prices memory which should benefit the iPod segment with Shuffles selling so well, and the Mac segment due to lower DRAM and other component pricing in the quarter.

EXHIBIT 10: INVENTORY + CASH CONVERSION

Quarter ending:	<u>12/05</u>	<u>3/06</u>	<u>6/06</u>	<u>9/06</u>	<u>12/06</u>
Avg. Days Sales Out.	19.0	22.9	20.3	22.0	18.4
Avg. Days Inventory Out.	4.8	6.7	6.2	6.4	5.3
Avg. Days Payable Out.	54.8	74.5	69.2	78.5	67.7
Avg. Cash Conversion Cycle	(31.0)	(44.9)	(42.6)	(50.1)	(44.0)

Source: Company financials

Apple has been able to maintain a negative cash conversion cycle by stretching its payables as we would expect to see for a PC/hardware company. This negative cash conversion cycle is a positive as it eliminates the drain that working capital can put on the business as revenues grow.

Apple's balance sheet is pristine; it has no debt and ~\$13.50 in cash per share as of 12/31/06.

VALUATION

Fundamental and Historical

Apple currently trades at 24.0x our C2007 EPS estimate of \$3.67, or 23.2x C2007 EPS estimate ex-interest income plus \$13.40 in net cash. This represents a P/E/G ratio of approximately 0.7x for C2007. During the past five years, Apple's forward PE has ranged from 22x to 88x with a mean of 42.8x and a median of 40.0x.

From an EV/Revenue perspective, Apple currently trades at 2.5x our C2007 Revenue estimate of \$26.51B. During the past five years, Apple has ranged from 0.1x to 3.2x forward EV/Revenues with a mean of 1.3x and median of 0.9x.

From an EV/EBITDA perspective, Apple currently trades at 14.1x our C2007 EBITDA estimate of \$4.66B. During the past five years, Apple has ranged from 2x to 27x NTM EV/EBITDA with a mean of 14x and a median of 15x.

Looking at all three of these metrics, we have mixed results. Apple is near fully-valued on a EV/EBITDA basis, over-valued on an EV/Revenue basis, and under-valued on a forward PE basis looking at where it has traded historically.

Relative

In the comparable companies table (attached at the end), we examine at the relative valuation of Apple to the other public PC OEMs Dell, Hewlett-Packard, Gateway, and the Lenovo Group, and probably more appropriately, to a peer group of faster growing media/consumer companies more like Apple is today—Google, Yahoo, eBay, and Research in Motion. Using the media/consumer companies, Apple appears to be under-valued on all metrics we look at. We would argue that this is a more appropriate comp group given the current growth rates, revenue profile, and product portfolio of Apple.

In summary, we believe that new product offerings expected this year will continue to drive growth for Apple and are establishing a price target of \$110, which is based upon 30x (Apple's forward estimated organic earnings growth rate) our C2007 EPS estimate—ex interest income and options expense, plus ~\$13.50 in cash per share.

RISK FACTORS

- **Ability to introduce new products.** The ability to introduce new consumer products, notebooks, PCs and peripherals that consumers will buy is an ongoing risk.
- **Competition.** The PC Industry has a few large branded companies and many smaller branded and generic manufacturers. The industry is highly competitive, subject to intense pricing competition, periods of inventory gluts, sensitivity from customer tastes and preferences, and short product life cycles.
- **Dependence on suppliers of components.** The Company relies on many components to assemble its iPods, PCs and other products, and could be affected if components are in short supply or prices vary more than expectations.
- **Ability to sustain high growth rates and valuation.** Apple faces the law of large numbers in its iPod segment and must continue to grow at high rates to sustain its multiple.
- **Dependence on consumer discretionary spending.** Any material slowdown in domestic or global economic growth, and subsequent consumer discretionary spending, could materially impact its business.

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- **International risk.** Apple is subject to FX, country, political and economic risk internationally.
 - **Reliance on third-party digital content and third party software developers.**
 - **Mac OS long-term viability?** The Mac operating system is on a small number of PCs relative to total global units sold. The long-term future of the operating system is uncertain given the relatively small installed base.
 - **Legal risks.** Apple has a host of lawsuits that it is engaged in. Please see the Company's 10-K filings for full details.
 - **On-going stock option industry-wide investigations.** Although Apple is not under any SEC investigation, it is possible that Steve Jobs or other management could be implicated in future investigations regarding Apple, Pixar, or other company involvement.

IT Hardware + Storage

FYE	Company	Ticker	Rating	Price	Price	EV	Mkt. Cap.	Revenue (\$M)			Rev Growth		EV / Rev			EBITDA (\$M)		EV / EBITDA		EPS			EPS Growth		Price / Earnings			5 YR	PEG				
				Target	03/08/07	(\$MM)	(\$M)	CY06A	CY07E	CY08E	06-07	07-08	'06A	'07E	'08E	CY07E	CY08E	'07E	'08E	CY06A	CY07E	CY08E	06-07	07-08	'06A	'07E	'08E	Gr. (%)	'07	'08			
HDD Storage																																	
Mar	TDK Corp.	TSE:6762	NR		9,350.00	968,951	1,237,377	839,124	884,294	893,100	5%	1%	1.2x	1.1x	1.1x	158,000.0	165,850.0	6.1x	5.8x	439.07	504.74	541.46	15%	7%	21x	19x	17x	20%	0.9x	0.8x			
Mar	NHK Spring Co. Ltd.	TSE:5991	NR		1,183.00	346,741	288,730	427,000	464,500	500,000	9%	8%	0.8x	0.7x	0.7x	53,000.0	59,000.0	6.5x	5.9x	67.60	82.50	89.30	22%	8%	18x	14x	13x	35%	0.4x	0.4x			
Sept	Hutchinson Technology Inc.	HTCH	SELL	\$18.00	\$22.78	683	592	725	755	813	4%	8%	0.9x	0.9x	0.8x	141.1	173.1	4.8x	3.9x	0.72	0.69	1.68	-4%	143%	32x	33x	14x	12%	2.8x	1.1x			
		KOMG	HOLD	NE	\$31.84	919	992	938	979	1,055	4%	8%	1.0x	0.9x	0.9x	239.4	257.5	3.8x	3.6x	4.52	3.75	4.16	-17%	11%	7x	8x	8x	13%	0.6x	0.6x			
June	Western Digital Corp.	WDC	BUY	\$26.00	\$18.14	3,282	4,027	4,906	5,395	NA	10%	NA	0.7x	0.6x	NA	623.3	NA	5.3x	NA	1.98	2.04	-	3%	NM	9x	9x	NM	12%	0.7x	NM			
June	Seagate Technology	STX	BUY	\$36.00	\$24.30	14,037	13,310	10,607	12,101	NA	14%	NA	1.3x	1.2x	NA	2,411.3	NA	5.8x	NA	1.09	2.41	-	120%	NM	22x	10x	NM	14%	0.7x	NM			
												MEDIAN			7%	8%	1.0x	0.9x	0.9x			5.5x	4.9x			9%	10%	19x	12x	13x	13%	0.7x	0.7x
												AVERAGE			8%	6%	1.0x	0.9x	0.9x			5.4x	4.8x			23%	42%	18x	16x	13x	18%	1.0x	0.7x
Enterprise Storage																																	
	International Business Machines Corp.	IBM	NR		\$93.00	153,455	140,014	90,797	95,286	98,491	5%	3%	1.7x	1.6x	1.6x	18,587.4	19,241.2	8.3x	8.0x	6.06	6.71	7.36	11%	10%	15x	14x	13x	11%	1.3x	1.2x			
Apr	Network Appliance Inc.	NTAP	NR		\$37.72	12,388	13,996	2,575	3,373	4,221	31%	25%	4.8x	3.7x	2.9x	526.4	729.0	23.5x	17.0x	0.73	0.95	1.21	30%	27%	52x	40x	31x	24%	1.7x	1.3x			
Mar	QLogic Corp.	QLGC	NR		\$16.91	2,300	2,690	571	649	739	14%	14%	4.0x	3.5x	3.1x	253.8	289.8	9.1x	7.9x	0.81	0.87	1.02	8%	17%	21x	19x	17x	14%	1.3x	1.2x			
June	Emulex Corp.	ELX	NR		\$17.71	1,276	1,541	409	496	546	21%	10%	3.1x	2.6x	2.3x	158.1	174.2	8.1x	7.3x	0.98	1.13	1.27	15%	12%	18x	16x	14x	14%	1.2x	1.0x			
		RACK	BUY*	\$25.00	\$16.17	311	462	360	452	570	26%	26%	0.9x	0.7x	0.5x	39.1	63.1	8.0x	4.9x	0.94	0.77	1.11	-18%	44%	17x	21x	15x	23%	0.9x	0.6x			
	EMC Corp.	EMC	NR		\$13.12	27,611	27,659	11,115	12,727	14,255	15%	12%	2.5x	2.2x	1.9x	2,812.6	3,175.2	9.8x	8.7x	0.54	0.66	0.79	22%	20%	24x	20x	17x	15%	1.3x	1.1x			
												MEDIAN			18%	13%	2.8x	2.4x	2.1x			8.7x	8.0x			13%	18%	19x	20x	16x	15%	1.3x	1.1x
												AVERAGE			19%	15%	2.8x	2.4x	2.1x			11.1x	9.0x			12%	21%	25x	22x	18x	17%	1.3x	1.1x
Peripherals																																	
	Universal Electronics Inc.	UEIC	HOLD		\$26.54	302	372	236	275	311	17%	13%	1.3x	1.1x	1.0x	31.2	35.1	9.7x	8.6x	0.94	1.16	1.33	24%	15%	28x	23x	20x	21%	1.1x	1.0x			
June	Synaptics Inc.	SYNA	NR		\$23.40	490	610	210	280	349	33%	25%	2.3x	1.8x	1.4x	NA	NA	NA	NA	0.97	1.20	1.77	24%	47%	24x	19x	13x	18%	1.1x	0.8x			
Mar	Logitech International SA	SWX:LOGN	NR		32.75	5,548	5,982	2,038	2,294	2,620	13%	14%	2.7x	2.4x	2.1x	327.4	382.7	16.9x	14.5x	1.17	1.43	1.68	22%	18%	28x	23x	19x	20%	1.1x	1.0x			
		LXK	NR		\$59.38	5,232	5,701	5,117	5,123	5,209	0%	2%	1.0x	1.0x	1.0x	673.1	706.0	7.8x	7.4x	4.10	3.86	4.19	-6%	9%	14x	15x	14x	8%	1.8x	1.7x			
	Electronics for Imaging, Inc.	EFII	NR		\$22.66	1,009	1,288	561	619	669	10%	8%	1.8x	1.6x	1.5x	149.1	162.3	6.8x	6.2x	1.20	1.38	1.54	15%	12%	19x	16x	15x	11%	1.5x	1.3x			
												MEDIAN			13%	13%	1.8x	1.6x	1.4x			8.7x	8.0x			22%	15%	24x	19x	15x	18%	1.1x	1.0x
												AVERAGE			15%	12%	1.8x	1.6x	1.4x			10.3x	9.2x			16%	20%	23x	19x	16x	16%	1.3x	1.1x
Media/Consumer																																	
	Google Inc.	GOOG	NR		\$454.72	130,441	141,398	10,540	15,621	20,664	48%	32%	12.4x	8.4x	6.3x	6,811.8	9,090.4	19.1x	14.3x	10.59	14.33	18.46	35%	29%	43x	32x	25x	35%	0.9x	0.7x			
	Yahoo! Inc.	YHOO	NR		\$30.71	39,382	41,659	4,549	5,309	6,353	17%	20%	8.7x	7.4x	6.2x	2,133.6	2,605.1	18.5x	15.1x	0.50	0.54	0.70	7%	31%	61x	57x	44x	27%	2.1x	1.6x			
	eBay Inc.	EBAY	NR		\$31.02	39,274	42,466	5,915	7,261	8,582	23%	18%	6.6x	5.4x	4.6x	2,834.9	3,396.6	13.9x	11.6x	1.05	1.29	1.53	22%	19%	30x	24x	20x	22%	1.1x	0.9x			
Feb	Research In Motion Ltd.	RIMM	NR		\$136.57	24,217	25,369	2,648	4,060	4,853	53%	20%	9.1x	6.0x	5.0x	1,214.3	1,460.0	19.9x	16.6x	3.00	4.28	5.35	43%	25%	46x	32x	26x	25%	1.3x	1.0x			
Sept	Apple, Inc.	AAPL	BUY	\$110.00	\$88.00	63,735	75,845	20,681	26,509	30,941	28%	17%	3.1x	2.4x	2.1x	4,661.1	5,312.9	13.7x	12.0x	2.76	3.67	4.21	33%	15%	32x	24x	21x	22%	1.1x	1.0x			
												MEDIAN			28%	20%	8.7x	6.0x	5.0x			18.5x	14.3x			33%	25%	43x	32x	25x	25%	1.1x	1.0x
												AVERAGE			34%	21%	8.0x	5.9x	4.8x			17.0x	13.9x			28%	24%	42x	34x	27x	26%	1.3x	1.0x
PCs																																	
	Gateway Inc.	GTW	BUY	\$2.70	\$2.05	651	762	3,981	4,345	4,574	9%	5%	0.2x	0.1x	0.1x	91.1	108.1	7.1x	6.0x	0.07	0.16	0.20	137%	24%	30x	13x	10x	7%	1.7x	1.4x			
Sept	Apple, Inc.	AAPL	BUY		\$88.00	63,735	75,845	20,681	26,509	30,941	28%	17%	3.1x	2.4x	2.1x	4,661.1	5,312.9	13.7x	12.0x	2.76	3.67	4.21	33%	15%	32x	24x	21x	22%	1.1x	1.0x			
		Lenovo Group Ltd.	SEHK:992	NR	2.86	10,842	25,418	111,174	120,585	128,194	8%	6%	0.1x	0.1x	0.1x	3,819.5	4,239.5	2.8x	2.6x	0.11	0.18	0.21	67%	15%	26x	16x	14x	26%	0.6x	0.5x			
Oct	Hewlett-Packard Co.	HPQ	NR		\$40.27	103,892	108,750	93,302	100,167	105,658	7%	5%	1.1x	1.0x	1.0x	11,349.5	12,595.2	9.2x	8.2x	2.39	2.71	3.02	13%	11%	17x	15x	13x	12%	1.3x	1.1x			
Jan	Dell Inc.	DELL	NR		\$22.26	43,095	50,566	57,425	58,220	61,900	1%	6%	0.8x	0.7x	0.7x	3,827.5	4,556.3	11.3x	9.5x	1.11	1.18	1.51	7%	28%	20x	19x	15x	12%	1.6x	1.2x			
												MEDIAN			8%	6%	0.8x	0.7x	0.7x			9.2x	8.2x			33%	15%	26x	16x	14x	12%	1.3x	1.1x
												AVERAGE			11%	8%	1.0x	0.9x	0.8x			8.8x	7.7x			48%	18%	25x	17x	15x	16%	1.2x	1.0x

Note: TDK and NHK data is all in Japanese Yen, Lenovo data is all in Hong Kong Dollars, Logitech is in Swiss Francs. NHK Data for CY extrapolated from FY.

Note: RACK is covered by Ryan Hutchinson at WRH + Co. Estimates shown are consensus estimates from Reuters.

Source: Capital IQ, FactSet, Reuters, Firstcall, WRH + Co estimates.

Apple Inc. > Historical and Projected Income Statement
In millions of the reported currency (except per share items)

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 E	Q3 E	Q4 E	Q1 E	Q2 E	Q3 E	Q4 E	Q1 E	FY 2006 A	FY 2007 E	FY 2008 E	CY 2006 A	CY 2007 E	CY 2008 E
For the fiscal period ending:	12/25/2004	3/25/2005	6/25/2005	9/24/2005	12/31/2005	4/1/2006	7/1/2006	9/30/2006	12/30/2006	3/31/2007	6/30/2007	9/30/2007	12/31/2007	3/31/2008	6/30/2008	9/30/2008	12/31/2008	9/24/2006	9/24/2007	9/24/2008	12/25/2006	12/25/2007	12/25/2008
Desktop Revenue	1,001.0	803.0	845.0	787.0	912.0	833.0	705.0	869.0	955.0	770.0	840.0	910.0	980.0	840.0	910.0	980.0	1,050.0	3,319.0	3,475.0	3,710.0	3,362.0	3,500.0	3,780.0
Portable Revenue	604.0	691.0	720.0	824.0	812.0	739.0	1,161.0	1,344.0	1,455.0	1,305.0	1,305.0	1,595.0	1,950.0	1,595.0	1,450.0	1,885.0	2,250.0	4,056.0	5,660.0	6,880.0	4,699.0	6,155.0	7,180.0
Total Mac revenue	1,605.0	1,494.0	1,565.0	1,611.0	1,724.0	1,572.0	1,866.0	2,213.0	2,410.0	2,075.0	2,145.0	2,505.0	2,930.0	2,435.0	2,360.0	2,865.0	3,300.0	7,375.0	9,135.0	10,590.0	8,061.0	9,655.0	10,960.0
iPod Revenue	1,211.0	1,014.0	1,103.0	1,212.0	2,906.0	1,714.0	1,497.0	1,559.0	3,427.0	1,800.0	1,400.0	1,372.5	1,098.0	1,372.5	673.5	898.0	1,122.5	7,676.0	7,977.0	9,895.0	8,197.0	8,900.0	10,225.0
iPhone Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Music Related Revenue (inclds Apple TV)	177.0	216.0	241.0	265.0	491.0	485.0	457.0	452.0	634.0	495.0	444.9	459.8	444.9	459.8	549.9	579.8	1,229.8	1,885.0	2,033.6	2,719.4	2,028.0	2,359.4	2,989.4
Peripherals + Other H/W Revenue	284.0	280.0	266.0	296.0	303.0	264.0	236.0	297.0	297.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	1,100.0	1,197.0	1,200.0	1,094.0	1,200.0	1,200.0
Software/Services	213.0	239.0	345.0	294.0	325.0	324.0	314.0	316.0	347.0	350.0	400.0	450.0	450.0	400.0	450.0	450.0	450.0	1,279.0	1,547.0	1,750.0	1,301.0	1,650.0	1,750.0
Total Revenue	3,490.0	3,243.0	3,520.0	3,678.0	5,749.0	4,359.0	4,370.0	4,837.0	7,115.0	5,020.0	4,964.4	6,162.8	10,362.3	6,538.4	6,312.9	7,007.3	11,082.3	19,315.0	23,262.1	30,220.9	20,681.0	26,509.4	30,940.9
Y/Y change	74.0%	69.9%	74.8%	56.5%	64.7%	34.4%	24.1%	31.5%	23.8%	15.2%	13.6%	27.4%	45.6%	30.2%	27.2%	13.7%	6.9%	38.6%	20.4%	29.9%	27.7%	28.2%	16.7%
Q/Q change	48.5%	-7.1%	8.5%	4.5%	56.3%	-24.2%	0.3%	10.7%	47.1%	-29.4%	-1.1%	24.1%	68.1%	-36.9%	-3.4%	11.0%	58.2%	-	-	-	-	-	-
Cost Of Goods Sold	2,494.0	2,274.0	2,476.0	2,642.0	4,180.0	3,057.0	3,039.0	3,420.0	4,889.0	3,463.8	3,475.0	4,283.1	7,150.0	4,576.9	4,419.0	4,905.1	7,757.6	13,696.0	16,111.0	21,051.0	14,405.0	18,371.9	21,658.6
Gross Profit	996.0	969.0	1,044.0	1,036.0	1,569.0	1,302.0	1,331.0	1,417.0	2,226.0	1,556.2	1,489.3	1,879.7	3,212.3	1,961.5	1,893.9	2,102.2	3,324.7	5,619.0	7,151.1	9,169.9	6,276.0	8,137.5	9,282.3
Selling General & Admin Exp.	28.5%	29.9%	29.7%	28.2%	27.3%	29.9%	30.5%	29.3%	31.3%	31.0%	30.0%	30.5%	31.0%	30.0%	30.0%	30.0%	30.0%	29.1%	30.7%	30.3%	30.3%	30.7%	30.0%
R & D Exp.	462.0	438.0	463.0	462.0	608.0	568.0	565.0	603.0	690.0	637.5	645.4	677.9	1,036.2	784.6	757.5	770.8	1,108.2	2,344.0	2,650.8	3,349.2	2,426.0	2,997.0	3,421.2
	13.2%	13.5%	13.2%	12.6%	10.6%	13.0%	12.9%	12.5%	9.7%	12.7%	13.0%	11.0%	10.0%	12.0%	12.0%	11.0%	10.0%	12.1%	11.4%	11.1%	11.7%	11.3%	11.1%
	121.0	119.0	143.0	145.0	167.0	163.0	163.0	166.0	168.0	150.6	148.9	184.9	310.9	196.2	189.4	210.2	332.5	659.0	652.4	906.6	660.0	795.3	928.2
	3.5%	3.7%	4.1%	3.9%	2.9%	3.7%	3.7%	3.4%	2.4%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.4%	2.8%	3.0%	3.2%	3.0%	3.0%
Other Operating Expense/(Income)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Exp.	583.0	557.0	606.0	607.0	775.0	731.0	728.0	769.0	858.0	788.1	794.3	862.8	1,347.1	980.8	946.9	981.0	1,440.7	3,003.0	3,303.2	4,255.8	3,086.0	3,792.3	4,349.4
Operating Income	413.0	412.0	438.0	429.0	794.0	571.0	603.0	648.0	1,368.0	768.1	695.0	1,016.9	1,865.2	980.8	946.9	1,121.2	1,884.0	2,616.0	3,847.9	4,914.1	3,190.0	4,345.1	4,932.9
	11.8%	12.7%	12.4%	11.7%	13.8%	13.1%	13.8%	13.4%	19.2%	15.3%	14.0%	16.5%	18.0%	15.0%	15.0%	16.0%	17.0%	13.5%	16.5%	16.3%	15.4%	16.4%	15.9%
Interest (Expense)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Invest. Income	28.0	39.0	51.0	65.0	88.0	87.0	99.0	120.0	133.0	152.0	159.1	167.7	181.8	195.8	205.9	216.8	232.0	394.0	611.8	800.3	439.0	660.6	850.6
Net Interest Inc. (Exp.)	28.0	39.0	51.0	65.0	88.0	87.0	99.0	120.0	133.0	152.0	159.1	167.7	181.8	195.8	205.9	216.8	232.0	394.0	611.8	800.3	439.0	660.6	850.6
Other Non-Operating Inc. (Exp.)	(2.0)	(6.0)	(5.0)	(5.0)	(7.0)	(11.0)	(8.0)	(3.0)	(7.0)	(7.0)	(7.0)	(7.0)	(7.0)	(7.0)	(7.0)	(7.0)	(7.0)	(29.0)	(28.0)	(28.0)	(29.0)	(28.0)	(28.0)
EBT	439.0	445.0	484.0	489.0	875.0	647.0	694.0	765.0	1,494.0	913.0	847.1	1,177.6	2,040.0	1,169.6	1,145.9	1,330.9	2,109.0	2,981.0	4,431.7	5,686.4	3,600.0	4,977.7	5,755.4
Income Tax Expense	12.6%	13.7%	13.8%	13.3%	15.2%	14.8%	15.9%	15.8%	21.0%	18.2%	17.1%	19.1%	19.7%	17.9%	18.2%	19.0%	19.0%	15.4%	19.1%	18.8%	17.4%	18.8%	18.6%
	134.0	144.0	153.0	49.0	266.0	195.0	189.0	179.0	444.0	292.2	237.2	329.7	571.2	327.5	320.8	372.7	590.5	829.0	1,303.1	1,592.2	1,007.0	1,430.3	1,611.5
	30.5%	32.4%	31.6%	10.0%	30.4%	30.1%	27.2%	23.4%	29.7%	32.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	28.0%	27.8%	29.4%	28.0%	110.5%	116.0%	112.0%
Net Income-Pro Forma	305.0	301.0	331.0	440.0	609.0	452.0	505.0	586.0	1,050.0	620.8	609.9	847.9	1,468.8	842.1	825.0	958.3	1,518.5	2,152.0	3,128.7	4,094.2	2,593.0	3,547.5	4,143.9
Stock-Based Compensation	(10.0)	(15.0)	(12.0)	(12.0)	(44.0)	(42.0)	(37.0)	(40.0)	(46.0)	(64.0)	(62.0)	(64.0)	(70.0)	(74.0)	(78.0)	(82.0)	(90.0)	(163.0)	(236.0)	(304.0)	(165.0)	(260.0)	(324.0)
Net Income-Pro Forma w/ Options	295.0	286.0	319.0	428.0	565.0	410.0	468.0	546.0	1,004.0	556.8	547.9	783.9	1,398.8	768.1	747.0	876.3	1,428.5	1,989.0	2,892.7	3,790.2	2,428.0	3,287.5	3,819.9
Total Extraordinary Items	-	-	-	-	-	-	4.0	(4.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income-GAAP	295.0	286.0	319.0	428.0	565.0	410.0	472.0	542.0	1,004.0	556.8	547.9	783.9	1,398.8	768.1	747.0	876.3	1,428.5	1,989.0	2,892.7	3,790.2	2,428.0	3,287.5	3,819.9
Convert Int Exp - Add back	8.5%	8.8%	9.1%	11.6%	9.8%	9.4%	10.8%	11.2%	14.1%	11.1%	11.0%	12.7%	13.5%	11.7%	11.8%	12.5%	12.9%	10.3%	12.4%	12.5%	11.7%	12.4%	12.3%
Diluted EPS - Pro Forma	0.364	0.351	0.385	0.508	0.697	0.514	0.576	0.667	1.189	0.698	0.684	0.946	1.632	0.934	0.913	1.058	1.669	2.454	3.516	4.536	2.946	3.960	4.573
Diluted EPS - Pro Forma w/ Options	0.352	0.334	0.371	0.494	0.646	0.467	0.534	0.621	1.137	0.626	0.614	0.875	1.554	0.852	0.826	0.967	1.570	2.268	3.251	4.199	2.759	3.669	4.215
Diluted EPS - Pro Forma Ex Options, Ex Interest Inc	0.330	0.306	0.325	0.433	0.596	0.415	0.463	0.530	1.038	0.527	0.505	0.759	1.430	0.716	0.685	0.818	1.414	2.005	2.829	3.650	2.447	3.221	3.633
Diluted EPS - GAAP	0.352	0.334	0.371	0.494	0.646	0.467	0.539	0.617	1.137	0.626	0.614	0.875	1.554	0.852	0.826	0.967	1.570	2.268	3.251	4.199	2.759	3.669	4.215
Weighted Avg. Basic Shares Out.	789.0	808.2	815.1	821.4	830.8	840.9	851.4	854.2	857.7	860.0	862.0	864.0	870.0	872.0	874.0	876.0	880.0	844.3	860.9	873.0	851.0	864.0	875.5
Weighted Avg. Diluted Shares Out.	838.2	857.0	860.8	866.4	874.2	878.5	876.4	878.8	883.3	890.0	892.0	896.0	900.0	902.0	904.0	906.0	910.0	877.0	890.3	903.0	879.2	894.5	905.5
Balance Sheet/Cash Flow - Highlights																							
Total Cash & ST Investments	6,448.0	7,057.0	7,526.0	8,261.0	8,707.0	8,226.0	9,176.0	10,110.0	11,869.0	12,444.8	13,013.8	13,824.7	15,260.5	16,073.6	16,873.6	17,810.9	19,312.3	10,110.0	13,824.7	17,810.9	11,869.0	15,260.5	19,312.3
Total Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash + ST Investments per diluted share	7.7	8.2	8.7	9.5	10.0	9.4	10.5	11.5	13.4	14.0	14.6	15.4	17.0	17.8	18.7	19.7	21.2	11.5	15.4	19.7	13.4	17.0	21.2
Total Equity	5,790.0	6,386.0	6,821.0	7,428.0	8,380.0	8,662.0	9,330.0	9,984.0	11,228.0	11,784.8	12,332.8	13,116.7	14,515.5	15,283.6	16,030.6	16,906.9	18,335.3	9,984.0	13,116.7	16,906.9	11,228.0	14,515.5	18,335.3
D&A	41.0	41.0	46.0	51.0	52.0	50.0	57.0	66.0	74.0	80.0	84.0	88.0	92.0	96.0	100.0	104.0	108.0	225.0	326.0	392.0	247.0	344.0	408.0
Capex	58.0	43.0	63.0	96.0	82.0	193.0	237.0	145.0	142.0	125.0	125.0	125.0	125.0	125.0	125.0	125.0	125.0	657.0	517.0	500.0	717.0	500.0	500.0
EBITDA	452.0	447.0	479.0	475.0	839.0	610.0	652.0	711.0	1,435.0	841.1	772.0	1,097.9	1,950.2	1,069.8	1,039.9	1,218.2	1,985.0	2,812.0	4,145.9	5,278.1	3,408.0	4,661.1	5,312.9

Source: Company Financials, WR Hambrecht + Co estimates

Apple Inc. > Segment Analysis & Forecas

	Q2		Q3		Q4		Q1		Q2		Q3		Q4		Q1		Q2 E		Q3 E		Q4 E		Q1 E		Q2 E		Q3 E		Q4 E		Q1 E		
For the fiscal period ending:	3/27/2004	6/26/2004	9/25/2004	12/25/2004	3/25/2005	6/25/2005	9/24/2005	12/31/2005	4/1/2006	7/1/2006	9/30/2006	12/30/2006	3/31/2007	6/30/2007	9/30/2007	12/31/2007	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2008	6/30/2008	9/30/2008	12/31/2008	
Units (thousands)																																	
Desktops	331	393	369	623	608	687	602	667	614	529	624	637	550	600	650	700	600	650	700	750													
Portables	418	483	467	423	462	495	634	587	498	798	986	969	900	900	1,100	1,300	1,100	1,000	1,300	1,500													
Total Mac units	749	876	836	1,046	1,070	1,182	1,236	1,254	1,112	1,327	1,610	1,606	1,450	1,500	1,750	2,000	1,700	1,650	2,000	2,250													
iPods	807	860	2,016	4,580	5,311	6,155	6,451	14,043	8,526	8,111	8,729	21,066	12,000	10,000	10,000	30,000	15,000	13,000	13,000	39,000													
iPhone														500	2,000	2,500	1,500	2,000	2,500	2,500													
Revenue (\$M USD)																																	
Desktop Revenue	685	767	759	1,001	803	845	787	912	833	705	869	955	770	840	910	980	840	910	980	1,050													
Portable Revenue	475	496	472	604	691	720	824	812	739	1,161	1,344	1,455	1,305	1,305	1,595	1,950	1,595	1,450	1,885	2,250													
Total Mac revenue	1,160	1,263	1,231	1,605	1,494	1,565	1,611	1,724	1,572	1,866	2,213	2,410	2,075	2,145	2,505	2,930	2,435	2,360	2,865	3,300													
iPod Revenue	264	249	537	1,211	1,014	1,103	1,212	2,906	1,714	1,497	1,559	3,427	1,800	1,400	1,350	4,350	2,100	1,755	1,690	4,680													
iPhone Revenue													-	275	1,098	1,373	674	898	1,123	1,123													
Other Music Related Revenue (inclds A	60	73	98	177	216	241	265	491	485	457	452	634	495	445	460	960	630	550	580	1,230													
Peripherals + Other H/W Revenue	238	219	272	284	280	266	296	303	264	236	297	297	300	300	300	300	300	300	300	300													
Software/Services	187	210	212	213	239	345	294	325	324	314	316	347	350	400	450	450	400	450	450	450													
Total Revenues	1,909	2,014	2,350	3,490	3,243	3,520	3,678	5,749	4,359	4,370	4,837	7,115	5,020	4,964	6,163	10,362	6,538	6,313	7,007	11,082													
Revenue %																																	
Desktop Revenue	35.9%	38.1%	32.3%	28.7%	24.8%	24.0%	21.4%	15.9%	19.1%	16.1%	18.0%	13.4%	15.3%	16.9%	14.8%	9.5%	12.8%	14.4%	14.0%	9.5%													
Portable Revenue	24.9%	24.6%	20.1%	17.3%	21.3%	20.5%	22.4%	14.1%	17.0%	26.6%	27.8%	20.4%	26.0%	26.3%	25.9%	18.8%	24.4%	23.0%	26.9%	20.3%													
Total Mac revenue	60.8%	62.7%	52.4%	46.0%	46.1%	44.5%	43.8%	30.0%	36.1%	42.7%	45.8%	33.9%	41.3%	43.2%	40.6%	28.3%	37.2%	37.4%	40.9%	29.8%													
iPod Revenue	13.8%	12.4%	22.9%	34.7%	31.3%	31.3%	33.0%	50.5%	39.3%	34.3%	32.2%	48.2%	35.9%	28.2%	21.9%	42.0%	32.1%	27.8%	24.1%	42.2%													
iPhone Revenue																																	
Other Music Related Revenue	3.1%	3.6%	4.2%	5.1%	6.7%	6.8%	7.2%	8.5%	11.1%	10.5%	9.3%	8.9%	9.9%	9.0%	7.5%	9.3%	9.6%	8.7%	8.3%	11.1%													
Peripherals + Other H/W Revenue	12.5%	10.9%	11.6%	8.1%	8.6%	7.6%	8.0%	5.3%	6.1%	5.4%	6.1%	4.2%	6.0%	6.0%	4.9%	2.9%	4.6%	4.8%	4.3%	2.7%													
Software/Services	9.8%	10.4%	9.0%	6.1%	7.4%	9.8%	8.0%	5.7%	7.4%	7.2%	6.5%	4.9%	7.0%	8.1%	7.3%	4.3%	6.1%	7.1%	6.4%	4.1%													
Total Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%													
Other Music Rev/iPod units sold	\$ 74.3	\$ 84.9	\$ 48.6	\$ 38.6	\$ 40.7	\$ 39.2	\$ 41.1	\$ 35.0	\$ 56.9	\$ 56.3	\$ 51.8	\$ 30.1	\$ 40.0	\$ 40.0	\$ 40.0	\$ 30.0	\$ 40.0	\$ 40.0	\$ 40.0	\$ 30.0													
Other Music Rev/iPod installed base	\$ 24.2	\$ 21.9	\$ 18.3	\$ 17.8	\$ 14.2	\$ 11.3	\$ 9.5	\$ 11.7	\$ 9.6	\$ 7.8	\$ 6.7	\$ 7.2	\$ 4.9	\$ 4.0	\$ 3.8	\$ 6.4	\$ 3.8	\$ 3.1	\$ 3.0	\$ 5.3													
ASP Calculations (\$ USD)																																	
Desktop	2,069	1,952	2,057	1,607	1,321	1,230	1,307	1,367	1,357	1,333	1,393	1,499	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400													
Portables	1,136	1,027	1,011	1,428	1,496	1,455	1,300	1,383	1,484	1,455	1,363	1,502	1,450	1,450	1,450	1,500	1,450	1,450	1,450	1,500													
Total Mac	1,549	1,442	1,472	1,534	1,396	1,324	1,303	1,375	1,414	1,406	1,375	1,501	1,431	1,430	1,431	1,465	1,432	1,430	1,433	1,467													
iPod	327	290	266	264	191	179	188	207	201	185	179	163	150	140	135	145	140	135	130	120													
iPhone													549	549	549	549	449	449	449	449													
Desktop - Q/Q	4.1%	-5.7%	5.4%	-21.9%	-17.8%	-6.9%	6.3%	4.6%	-0.8%	-1.8%	4.5%	7.7%	-6.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%													
Portables - Q/Q	3.0%	-9.6%	-1.6%	41.3%	4.7%	-2.7%	-10.6%	6.4%	7.3%	-2.0%	-6.3%	10.2%	-3.4%	0.0%	0.0%	3.4%	-3.3%	0.0%	0.0%	3.4%													
Total Mac - Q/Q	1.2%	-6.9%	2.1%	4.2%	-9.0%	-5.2%	-1.6%	5.5%	2.8%	-0.5%	-2.3%	9.2%	-4.6%	-0.1%	0.1%	2.3%	-2.2%	-0.1%	0.2%	2.4%													
iPod - Q/Q	-6.3%	-11.5%	-8.0%	-0.7%	-27.8%	-6.1%	4.8%	10.1%	-2.9%	-8.2%	-3.2%	-8.9%	-7.8%	-6.7%	-3.6%	7.4%	-3.4%	-3.6%	-3.7%	-7.7%													
Desktop - Y/Y	3.2%	-3.9%	6.3%	-19.2%	-36.2%	-37.0%	-36.4%	-14.9%	2.7%	8.4%	6.5%	9.6%	3.2%	5.0%	0.5%	-6.6%	0.0%	0.0%	0.0%	0.0%													
Portables - Y/Y	-2.4%	-1.4%	-8.7%	29.5%	31.6%	41.6%	28.6%	-3.1%	-0.8%	0.0%	4.9%	8.5%	-2.3%	-0.3%	6.4%	-0.1%	0.0%	0.0%	0.0%	0.0%													
Total Mac - Y/Y	0.2%	1.6%	-3.3%	0.2%	-9.8%	-8.2%	-11.5%	-10.4%	1.2%	6.2%	5.5%	9.2%	1.2%	1.7%	4.1%	-2.4%	0.1%	0.0%	0.1%	0.1%													
iPod - Y/Y	-15.6%	-20.7%	-26.6%	-24.3%	-41.6%	-38.1%	-29.5%	-21.7%	5.3%	3.0%	-4.9%	-21.4%	-25.4%	-24.1%	-24.4%	-10.9%	-6.7%	-3.6%	-3.7%	-17.2%													
Unit Growth																																	
Desktop - Q/Q	-17.5%	18.7%	-6.1%	68.8%	-2.4%	13.0%	-12.4%	10.8%	-7.9%	-13.8%	18.0%	2.1%	-13.7%	9.1%	8.3%	7.7%	-14.3%	8.3%	7.7%	7.1%													
Portables - Q/Q	-2.3%	15.6%	-3.3%	-9.4%	9.2%	7.1%	28.1%	-7.4%	-15.2%	60.2%	23.6%	-1.7%	-7.1%	0.0%	22.2%	18.2%	-15.4%	-9.1%	30.0%	15.4%													
Total Mac - Q/Q	-9.7%	17.0%	-4.6%	25.1%	2.3%	10.5%	4.6%	1.5%	-11.3%	19.3%	21.3%	-0.2%	-9.7%	3.4%	16.7%	14.3%	-15.0%	-2.9%	21.2%	12.5%													
iPod - Q/Q	10.1%	6.6%	134.4%	127.2%	16.0%	15.9%	4.8%	117.7%	-39.3%	-4.9%	7.6%	141.3%	-43.0%	-16.7%	0.0%	200.0%	-50.0%	-13.3%	0.0%	200.0%													
Desktop - Y/Y	2.8%	33.7%	-6.8%	55.4%	83.7%	74.8%	63.1%	7.1%	1.0%	-23.0%	3.7%	-4.5%	-10.4%	13.4%	4.2%	9.9%	9.1%	8.3%	7.7%	7.1%													
Portables - Y/Y	7.5%	1.3%	19.4%	-1.2%	10.5%	2.5%	35.8%	38.8%	7.8%	61.2%	55.5%	65.1%	80.7%	12.8%	11.6%	34.2%	22.2%	11.1%	18.2%	15.4%													
Total Mac - Y/Y	5.3%	13.6%	6.2%	26.2%	42.9%	34.9%	47.8%	19.9%	3.9%	12.3%	30.3%	28.1%	30.4%	13.0%	8.7%	24.5%	17.2%	10.0%</															

Apple, Inc. > Balance Sheet

In millions of the reported currency (except per share items)

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
For the fiscal period ending:	12/25/2004	3/25/2005	6/25/2005	9/24/2005	12/31/2005	4/1/2006	7/1/2006	9/30/2006	12/30/2006
ASSETS									
Cash And Equivalents	2,475.0	2,254.0	3,094.0	3,491.0	4,150.0	6,346.0	8,013.0	6,392.0	7,159.0
Short Term Investments	3,973.0	4,803.0	4,432.0	4,770.0	4,557.0	1,880.0	1,163.0	3,718.0	4,710.0
Total Cash & ST Investments	6,448.0	7,057.0	7,526.0	8,261.0	8,707.0	8,226.0	9,176.0	10,110.0	11,869.0
Accounts Receivable	865.0	888.0	827.0	895.0	1,331.0	861.0	1,089.0	1,252.0	1,621.0
Other Receivables	332.0	354.0	274.0	417.0	1,082.0	1,123.0	1,005.0	1,593.0	1,492.0
Total Receivables	1,197.0	1,242.0	1,101.0	1,312.0	2,413.0	1,984.0	2,094.0	2,845.0	3,113.0
Inventory	156.0	164.0	193.0	165.0	244.0	204.0	213.0	270.0	303.0
Prepaid Exp.	-	-	-	-	-	97.0	167.0	208.0	250.0
Deferred Tax Assets, Curr.	281.0	297.0	334.0	331.0	471.0	459.0	491.0	607.0	648.0
Other Current Assets	240.0	247.0	222.0	231.0	327.0	316.0	350.0	469.0	481.0
Total Current Assets	8,322.0	9,007.0	9,376.0	10,300.0	12,162.0	11,286.0	12,491.0	14,509.0	16,664.0
Gross Property, Plant & Equipment	1,352.0	1,370.0	1,409.0	1,481.0	1,547.0	1,731.0	1,954.0	2,075.0	2,200.0
Accumulated Depreciation	(617.0)	(628.0)	(645.0)	(664.0)	(692.0)	(726.0)	(757.0)	(794.0)	(838.0)
Net Property, Plant & Equipment	735.0	742.0	764.0	817.0	855.0	1,005.0	1,197.0	1,281.0	1,362.0
Long-term Investments	-	-	-	-	-	-	-	-	-
Goodwill	80.0	80.0	80.0	69.0	69.0	69.0	38.0	38.0	38.0
Other Intangibles	52.0	81.0	73.0	65.0	58.0	70.0	62.0	160.0	164.0
Deferred Tax Assets, LT	81.0	88.0	88.0	148.0	122.0	134.0	58.0	-	48.0
Other Long-Term Assets	92.0	113.0	107.0	117.0	915.0	1,347.0	1,268.0	1,217.0	1,185.0
Total Assets	9,362.0	10,111.0	10,488.0	11,516.0	14,181.0	13,911.0	15,114.0	17,205.0	19,461.0
LIABILITIES									
Accounts Payable	1,737.0	1,773.0	1,530.0	1,779.0	2,896.0	2,108.0	2,513.0	3,390.0	3,885.0
Accrued Exp.	501.0	504.0	531.0	772.0	615.0	648.0	665.0	1,191.0	1,163.0
Curr. Port. of LT Debt	-	-	-	-	-	-	-	-	-
Unearned Revenue, Current	398.0	427.0	467.0	527.0	630.0	634.0	978.0	1,070.0	1,282.0
Other Current Liabilities	588.0	648.0	595.0	409.0	919.0	1,066.0	867.0	820.0	1,007.0
Total Current Liabilities	3,224.0	3,352.0	3,123.0	3,487.0	5,060.0	4,456.0	5,023.0	6,471.0	7,337.0
Long-Term Debt	-	-	-	-	-	-	-	-	-
Unearned Revenue, Non-Current	217.0	231.0	251.0	281.0	298.0	300.0	324.0	355.0	376.0
Def. Tax Liability, Non-Curr.	122.0	132.0	283.0	308.0	430.0	460.0	423.0	381.0	504.0
Other Non-Current Liabilities	9.0	10.0	10.0	12.0	13.0	13.0	14.0	14.0	16.0
Total Liabilities	3,572.0	3,725.0	3,667.0	4,088.0	5,801.0	5,229.0	5,784.0	7,221.0	8,233.0
Pref. Stock, Convertible	-	-	-	-	-	-	-	-	-
Total Pref. Equity	-	-	-	-	-	-	-	-	-
Common Stock	2,911.0	3,195.0	3,299.0	3,564.0	3,815.0	4,014.0	4,249.0	4,355.0	4,594.0
Additional Paid In Capital	-	-	-	-	-	-	-	-	-
Retained Earnings	2,965.0	3,255.0	3,575.0	3,925.0	4,570.0	4,673.0	5,065.0	5,607.0	6,611.0
Treasury Stock	-	-	-	-	-	-	-	-	-
Comprehensive Inc. and Other	(86.0)	(64.0)	(53.0)	(61.0)	(5.0)	(5.0)	16.0	22.0	23.0
Total Common Equity	5,790.0	6,386.0	6,821.0	7,428.0	8,380.0	8,682.0	9,330.0	9,984.0	11,228.0
Total Equity	5,790.0	6,386.0	6,821.0	7,428.0	8,380.0	8,682.0	9,330.0	9,984.0	11,228.0
Total Liabilities And Equity	9,362.0	10,111.0	10,488.0	11,516.0	14,181.0	13,911.0	15,114.0	17,205.0	19,461.0
Supplemental Items									
Book Value/Share	7.16	7.76	8.24	8.90	9.91	10.22	10.94	11.67	13.05
TangBV/Share	6.99	7.56	8.05	8.74	9.76	10.06	10.82	11.44	12.82
Total Debt	-	-	-	-	-	-	-	-	-
Net Debt	(6,448.0)	(7,057.0)	(7,526.0)	(8,261.0)	(8,707.0)	(8,226.0)	(9,176.0)	(10,110.0)	(11,869.0)

Source: Company Financials, Capital IQ

Apple, Inc. > Cash Flow Statement

In millions of the reported currency (except per share items)

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1		2004	2005	2006
For the fiscal period ending:	12/25/2004	3/25/2005	6/25/2005	9/24/2005	12/31/2005	4/1/2006	7/1/2006	9/30/2006	12/30/2006		9/25/2004	9/24/2005	9/30/2006
Net Income	295.0	290.0	315.0	428.0	565.0	410.0	472.0	542.0	1,004.0		266.0	1,328.0	1,989.0
Depreciation & Amort.	41.0	41.0	46.0	13.0	52.0	50.0	57.0	21.0	74.0		126.0	141.0	180.0
Amort. of Goodwill and Intangibles	-	-	-	38.0	-	-	-	45.0	-		24.0	38.0	45.0
Depreciation & Amort., Total	41.0	41.0	46.0	51.0	52.0	50.0	57.0	66.0	74.0		150.0	179.0	225.0
(Gain) Loss From Sale Of Assets	2.0	2.0	2.0	3.0	-	3.0	(2.0)	10.0	5.0		7.0	9.0	11.0
(Gain) Loss On Sale Of Invest.	-	-	-	-	-	-	-	-	-		(5.0)	-	-
Asset Writedown & Restructuring Costs	-	-	-	-	-	-	-	-	-		-	-	-
Stock-Based Compensation	10.0	10.0	17.0	12.0	44.0	42.0	37.0	40.0	46.0		46.0	49.0	163.0
Tax Benefit from Stock Options	140.0	135.0	4.0	149.0	-	-	-	-	-		83.0	428.0	-
Other Operating Activities	(8.0)	21.0	(13.0)	50.0	70.0	13.0	118.0	(148.0)	73.0		19.0	50.0	53.0
Change in Acc. Receivable	(91.0)	(23.0)	61.0	(68.0)	(436.0)	470.0	(228.0)	(163.0)	(369.0)		(8.0)	(121.0)	(357.0)
Change In Inventories	(55.0)	(8.0)	(29.0)	28.0	(79.0)	40.0	(9.0)	(57.0)	(33.0)		(45.0)	(64.0)	(105.0)
Change in Acc. Payable	286.0	36.0	(243.0)	249.0	1,117.0	(788.0)	405.0	877.0	495.0		297.0	328.0	1,611.0
Change In Other Working Capital	155.0	32.0	312.0	(150.0)	(1,050.0)	(365.0)	157.0	(112.0)	518.0		124.0	349.0	(1,370.0)
Cash from Ops.	775.0	536.0	472.0	752.0	283.0	(125.0)	1,007.0	1,055.0	1,813.0		934.0	2,535.0	2,220.0
Capital Expenditure	(58.0)	(43.0)	(63.0)	(96.0)	(82.0)	(193.0)	(237.0)	(145.0)	(142.0)		(176.0)	(260.0)	(657.0)
Sale of Property, Plant, and Equipment	-	-	-	-	-	-	-	-	-		-	-	-
Cash Acquisitions	-	-	-	-	-	-	-	-	-		-	-	-
Divestitures	-	-	-	-	-	-	40.0	-	-		-	-	40.0
Sale (Purchase) of Intangible assets	-	-	-	-	-	-	-	-	(115.0)		-	-	-
Invest. in Marketable & Equity Securt.	(1,478.0)	(834.0)	378.0	(341.0)	211.0	2,680.0	706.0	(2,565.0)	(992.0)		(1,323.0)	(2,275.0)	1,032.0
Net (Inc.) Dec. in Loans Originated/Sold	-	-	-	-	-	-	-	-	-		-	-	-
Other Investing Activities	13.0	(32.0)	(10.0)	8.0	(36.0)	(25.0)	22.0	(19.0)	15.0		11.0	(21.0)	(58.0)
Cash from Investing	(1,523.0)	(909.0)	305.0	(429.0)	93.0	2,462.0	531.0	(2,729.0)	(1,234.0)		(1,488.0)	(2,556.0)	357.0
Short Term Debt Issued	-	-	-	-	-	-	-	-	-		-	-	-
Long-Term Debt Issued	-	-	-	-	-	-	-	-	-		-	-	-
Total Debt Issued	-	-	-	-	-	-	-	-	-		-	-	-
Short Term Debt Repaid	-	-	-	-	-	-	-	-	-		-	-	-
Long-Term Debt Repaid	-	-	-	-	-	-	-	-	-		(300.0)	-	-
Total Debt Repaid	-	-	-	-	-	-	-	-	-		(300.0)	-	-
Issuance of Common Stock	254.0	152.0	63.0	74.0	134.0	78.0	74.0	32.0	101.0		427.0	543.0	318.0
Repurchase of Common	-	-	-	-	-	(353.0)	(1.0)	(1.0)	-		-	-	(355.0)
Total Dividends Paid	-	-	-	-	-	-	-	-	-		-	-	-
Special Dividend Paid	-	-	-	-	-	-	-	-	-		-	-	-
Other Financing Activities	-	-	-	-	149.0	134.0	56.0	22.0	87.0		-	-	361.0
Cash from Financing	254.0	152.0	63.0	74.0	283.0	(141.0)	129.0	53.0	188.0		127.0	543.0	324.0
Net Change in Cash	(494.0)	(221.0)	840.0	397.0	659.0	2,196.0	1,667.0	(1,621.0)	767.0		(427.0)	522.0	2,901.0
Supplemental Items													
Cash Interest Paid	-	-	-	-	-	-	-	-	-		10.0	-	-
Cash Taxes Paid	37.0	10.0	61.0	-	22.0	62.0	24.0	86.0	114.0		(7.0)	17.0	194.0
Change in Net Working Capital	(290.0)	(52.0)	129.0	(175.0)	(157.0)	209.0	(312.0)	(364.0)	(470.0)		(328.0)	(388.0)	(624.0)
Net Debt Issued	-	-	-	-	-	-	-	-	-		(300.0)	-	-

Source: Company Financials, Capital IQ

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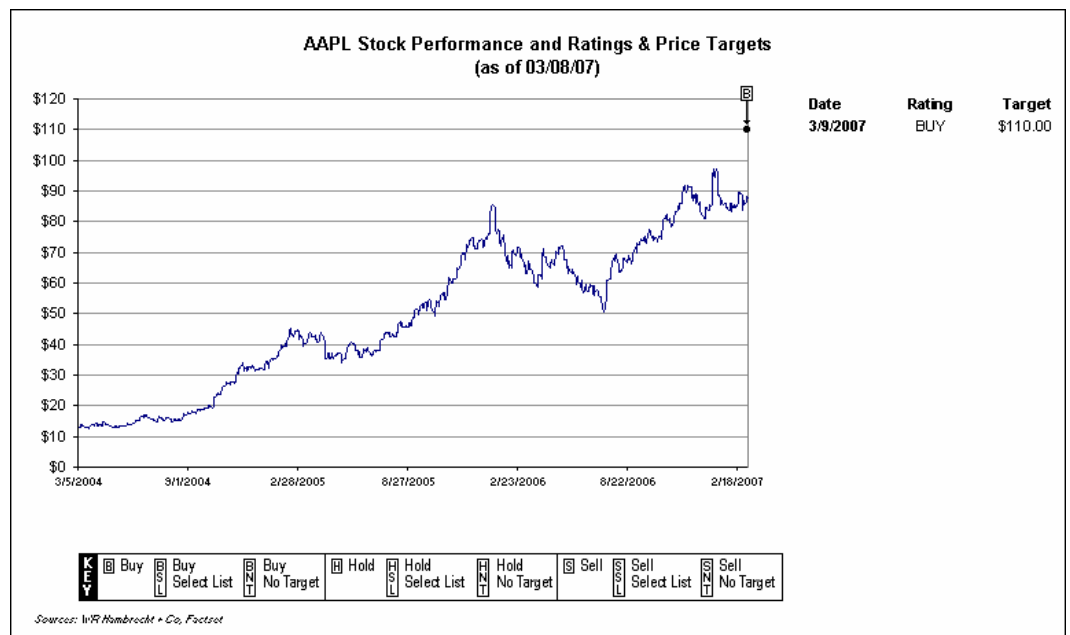
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At the time this report was published, WR Hambrecht + Co made a market in the securities of Apple (AAPL).

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