APPLE INC

FORM 10-Q
(Quarterly Report)

Filed 04/25/12 for the Period Ending 03/31/12

Address	ONE INFINITE LOOP CUPERTINO, CA 95014
Telephone	(408) 996-1010
CIK	0000320193
Symbol	AAPL
SIC Code	3571 - Electronic Computers
Industry	Computer Hardware
Sector	Technology
Fiscal Year	09/29

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

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2012

or

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

For the transition period from _______to _______.

Commission file number: 000-10030

APPLE INC.
(Exact name of Registrant as specified in its charter)

California **(State or other jurisdiction of incorporation or organization)**	**94-2404110** **(I.R.S. Employer Identification No.)**
1 Infinite Loop **Cupertino, California** **(Address of principal executive offices)**	**95014** **(Zip Code)**

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

935,062,000 shares of common stock issued and outstanding as of April 13, 2012

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

APPLE INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(in millions, except number of shares which are reflected in thousands and per share amounts)

	Three Months Ended		Six Months Ended	
	March 31, 2012	March 26, 2011	March 31, 2012	March 26, 2011
Net sales	$ 39,186	$ 24,667	$ 85,519	$ 51,408
Cost of sales	20,622	14,449	46,252	30,892
Gross margin	18,564	10,218	39,267	20,516
Operating expenses:				
Research and development	841	581	1,599	1,156
Selling, general and administrative	2,339	1,763	4,944	3,659
Total operating expenses	3,180	2,344	6,543	4,815
Operating income	15,384	7,874	32,724	15,701
Other income and expense	148	26	285	162
Income before provision for income taxes	15,532	7,900	33,009	15,863
Provision for income taxes	3,910	1,913	8,323	3,872
Net income	$ 11,622	$ 5,987	$ 24,686	$ 11,991
Earnings per common share:				
Basic	$ 12.45	$ 6.49	$ 26.48	$ 13.02
Diluted	$ 12.30	$ 6.40	$ 26.17	$ 12.83
Shares used in computing earnings per share:				
Basic	933,582	923,196	932,265	921,245
Diluted	944,893	935,944	943,185	934,549

See accompanying Notes to Condensed Consolidated Financial Statements.

APPLE INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(in millions, except number of shares which are reflected in thousands)

	March 31, 2012	September 24, 2011
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 10,121	$ 9,815
Short-term marketable securities	18,417	16,137
Accounts receivable, less allowances of $83 and $53, respectively	7,042	5,369
Inventories	1,102	776
Deferred tax assets	2,253	2,014
Vendor non-trade receivables	6,727	6,348
Other current assets	5,050	4,529
Total current assets	50,712	44,988
Long-term marketable securities	81,638	55,618
Property, plant and equipment, net	8,847	7,777
Goodwill	1,141	896
Acquired intangible assets, net	3,604	3,536
Other assets	4,992	3,556
Total assets	$ 150,934	$ 116,371
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	$ 17,011	$ 14,632
Accrued expenses	9,778	9,247
Deferred revenue	5,247	4,091
Total current liabilities	32,036	27,970
Deferred revenue - non-current	2,446	1,686
Other non-current liabilities	13,954	10,100
Total liabilities	48,436	39,756
Commitments and contingencies		
Shareholders' equity:		
Common stock, no par value; 1,800,000 shares authorized; 934,982 and 929,277 shares issued and outstanding, respectively	14,850	13,331
Retained earnings	87,124	62,841
Accumulated other comprehensive income	524	443
Total shareholders' equity	102,498	76,615
Total liabilities and shareholders' equity	$ 150,934	$ 116,371

See accompanying Notes to Condensed Consolidated Financial Statements.

APPLE INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(in millions)

	Six Months Ended	
	March 31, 2012	March 26, 2011
Cash and cash equivalents, beginning of the period	$ 9,815	$ 11,261
Operating activities:		
Net income	24,686	11,991
Adjustments to reconcile net income to cash generated by operating activities:		
Depreciation, amortization and accretion	1,461	790
Share-based compensation expense	844	586
Deferred income tax expense	2,915	1,563
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,663)	(288)
Inventories	(326)	121
Vendor non-trade receivables	(379)	(883)
Other current and non-current assets	(1,510)	(1,886)
Accounts payable	2,809	1,626
Deferred revenue	1,916	698
Other current and non-current liabilities	778	1,674
Cash generated by operating activities	31,531	15,992
Investing activities:		
Purchases of marketable securities	(85,022)	(42,260)
Proceeds from maturities of marketable securities	7,702	10,211
Proceeds from sales of marketable securities	49,052	21,705
Payments made in connection with business acquisitions, net of cash acquired	(350)	0
Payments for acquisition of property, plant and equipment	(2,778)	(1,838)
Payments for acquisition of intangible assets	(160)	(81)
Other	(48)	12
Cash used in investing activities	(31,604)	(12,251)
Financing activities:		
Proceeds from issuance of common stock	377	494
Excess tax benefits from equity awards	636	740
Taxes paid related to net share settlement of equity awards	(634)	(258)
Cash generated by financing activities	379	976
Increase in cash and cash equivalents	306	4,717
Cash and cash equivalents, end of the period	$ 10,121	$ 15,978
Supplemental cash flow disclosure:		
Cash paid for income taxes, net	$ 4,835	$ 1,913

See accompanying Notes to Condensed Consolidated Financial Statements.

Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1 – Summary of Significant Accounting Policies

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 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, Macintosh ("Mac"), and iPod compatible products including application software and various accessories through its online and retail stores. The Company sells to consumers, small and mid-sized businesses, and education, enterprise and government customers.

Basis of Presentation and Preparation

The accompanying condensed consolidated financial statements include the accounts of the Company. Intercompany accounts and transactions have been eliminated. The preparation of these condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in these condensed consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates. Prior period costs associated with the Company's high-profile retail stores have been reclassified to conform to the current period's presentation. Refer to Note 7, "Segment Information and Geographic Data," of this Form 10-Q.

These condensed consolidated financial statements and accompanying notes should be read in conjunction with the Company's annual consolidated financial statements and the notes thereto for the fiscal year ended September 24, 2011, included in its Annual Report on Form 10-K (the "2011 Form 10-K"). The Company's fiscal year is the 52 or 53-week period that ends on the last Saturday of September. The Company's fiscal year 2012 will include 53-weeks and ends on September 29, 2012. An additional week has been included in the first quarter of 2012 to realign the Company's fiscal quarters more closely to calendar quarters. Unless otherwise stated, references to particular years or quarters refer to the Company's fiscal years ended in September and the associated quarters of those fiscal years.

Earnings Per Common Share

Basic earnings per common share is computed by dividing income available to common shareholders by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per common share is computed by dividing income available to common shareholders by the weighted-average number of shares of common stock outstanding during the period increased to include the number of additional shares of common stock that would have been outstanding if the potentially dilutive securities had been issued. Potentially dilutive securities include outstanding stock options, shares to be purchased under the Company's employee stock purchase plan and unvested restricted stock units ("RSUs"). The dilutive effect of potentially dilutive securities is reflected in diluted earnings per common share by application of the treasury stock method. Under the treasury stock method, an increase in the fair market value of the Company's common stock can result in a greater dilutive effect from potentially dilutive securities.

The following table sets forth the computation of basic and diluted earnings per common share for the three- and six-month periods ended March 31, 2012 and March 26, 2011 (in thousands, except net income in millions and per share amounts):

	Three Months Ended		Six Months Ended	
	March 31, 2012	March 26, 2011	March 31, 2012	March 26, 2011
Numerator:				
Net income	$ 11,622	$ 5,987	$ 24,686	$ 11,991
Denominator:				
Weighted-average shares outstanding	933,582	923,196	932,265	921,245
Effect of dilutive securities	11,311	12,748	10,920	13,304
Weighted-average diluted shares	944,893	935,944	943,185	934,549
Basic earnings per common share	$ 12.45	$ 6.49	$ 26.48	$ 13.02
Diluted earnings per common share	$ 12.30	$ 6.40	$ 26.17	$ 12.83

The number of potentially dilutive securities excluded from the computation of diluted earnings per common share because their effect would have been antidilutive was not significant for the three- and six-month periods ended March 31, 2012 and March 26, 2011.

Fair Value Measurements

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 **–** Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs that are generally unobservable and typically reflect management’s estimate of assumptions that market participants would use in pricing the asset or liability.

Note 2 – Financial Instruments

Cash, Cash Equivalents and Marketable Securities

The following tables show the Company's cash and available-for-sale securities' adjusted cost, gross unrealized gains, gross unrealized losses and fair value by significant investment category recorded as cash and cash equivalents or short-term or long-term marketable securities as of March 31, 2012 and September 24, 2011 (in millions):

	March 31, 2012						
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Short-Term Marketable Securities	Long-Term Marketable Securities
Cash	$ 2,911	$ 0	$ 0	$ 2,911	$ 2,911	$ 0	$ 0
Level 1:							
Money market funds	1,513	0	0	1,513	1,513	0	0
Mutual funds	1,255	8	(5)	1,258	0	1,258	0
Subtotal	2,768	8	(5)	2,771	1,513	1,258	0
Level 2:							
U.S. Treasury securities	18,469	10	(17)	18,462	1,278	3,831	13,353
U.S. agency securities	21,130	35	(8)	21,157	1,827	2,781	16,549
Non-U.S. government securities	5,326	78	(4)	5,400	0	1,661	3,739
Certificates of deposit and time deposits	2,885	2	0	2,887	986	339	1,562
Commercial paper	2,545	0	0	2,545	1,497	1,048	0
Corporate securities	43,391	307	(32)	43,666	85	6,856	36,725
Municipal securities	4,792	53	(5)	4,840	24	640	4,176
Mortgage and asset-backed securities	5,535	7	(5)	5,537	0	3	5,534
Subtotal	104,073	492	(71)	104,494	5,697	17,159	81,638
Total	$ 109,752	$ 500	$ (76)	$ 110,176	$ 10,121	$ 18,417	$ 81,638

	September 24, 2011						
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Short-Term Marketable Securities	Long-Term Marketable Securities
Cash	$ 2,903	$ 0	$ 0	$ 2,903	$ 2,903	$ 0	$ 0
Level 1:							
Money market funds	1,911	0	0	1,911	1,911	0	0
Mutual funds	1,227	0	(34)	1,193	0	1,193	0
Subtotal	3,138	0	(34)	3,104	1,911	1,193	0
Level 2:							
U.S. Treasury securities	10,717	39	(3)	10,753	1,250	2,149	7,354
U.S. agency securities	13,467	24	(3)	13,488	225	1,818	11,445
Non-U.S. government securities	5,559	11	(2)	5,568	551	1,548	3,469
Certificates of deposit and time deposits	4,175	2	(2)	4,175	728	977	2,470
Commercial paper	2,853	0	0	2,853	2,237	616	0
Corporate securities	35,241	132	(114)	35,259	10	7,241	28,008
Municipal securities	3,411	56	0	3,467	0	595	2,872
Subtotal	75,423	264	(124)	75,563	5,001	14,944	55,618
Total	$ 81,464	$ 264	$ (158)	$ 81,570	$ 9,815	$ 16,137	$ 55,618

The net unrealized gains as of March 31, 2012 and September 24, 2011 are related primarily to long-term marketable securities. The Company may sell certain of its marketable securities prior to their stated maturities for strategic reasons including, but not limited to, anticipation of credit deterioration and duration management. The Company recognized no significant net realized gains or losses during the three- and six-month periods ended March 31, 2012 and March 26, 2011 related to such sales. The maturities of the Company's long-term marketable securities generally range from one to five years.

As of March 31, 2012 and September 24, 2011, gross unrealized losses related to individual securities that had been in a continuous loss position for 12 months or longer were not significant.

The Company considers the declines in market value of its marketable securities investment portfolio to be temporary in nature. The Company typically invests in highly-rated securities, and its policy generally limits the amount of credit exposure to any one issuer. The Company's investment policy requires investments to generally be investment grade, with the primary objective of minimizing the potential risk of principal loss. Fair values were determined for each individual security in the investment portfolio. When evaluating an investment for other-than-temporary impairment, the Company reviews factors such as the length of time and extent to which fair value has been below its cost basis, the financial condition of the issuer and any changes thereto, and the Company's intent to sell, or whether it is more likely than not it will be required to sell the investment before recovery of the investment's cost basis. During the three- and six-month periods ended March 31, 2012 and March 26, 2011, the Company did not recognize any significant impairment charges. As of March 31, 2012, the Company does not consider any of its investments to be other-than-temporarily impaired.

Derivative Financial Instruments

The Company uses derivatives to partially offset its business exposure to foreign currency exchange risk. The Company may enter into foreign currency forward and option contracts to offset some of the foreign exchange risk on expected future cash flows on certain forecasted revenue and cost of sales, on net investments in certain foreign subsidiaries, and on certain existing assets and liabilities.

To help protect gross margins from fluctuations in foreign currency exchange rates, certain of the Company's subsidiaries whose functional currency is the U.S. dollar hedge a portion of forecasted foreign currency revenue. The Company's subsidiaries whose functional currency is not the U.S. dollar and who sell in local currencies may hedge a portion of forecasted inventory purchases not denominated in the subsidiaries' functional currencies. The Company typically hedges portions of its forecasted foreign currency exposure associated with revenue and inventory purchases generally up to six months.

To help protect the net investment in a foreign operation from adverse changes in foreign currency exchange rates, the Company may enter into foreign currency forward and option contracts to offset the changes in the carrying amounts of these investments due to fluctuations in foreign currency exchange rates.

The Company may also enter into foreign currency forward and option contracts to partially offset the foreign currency exchange gains and losses generated by the re-measurement of certain assets and liabilities denominated in non-functional currencies. However, the Company may choose not to hedge certain foreign currency exchange exposures for a variety of reasons including, but not limited to, accounting considerations and the prohibitive economic cost of hedging particular exposures. There can be no assurance the hedges will offset more than a portion of the financial impact resulting from movements in foreign currency exchange rates.

The Company records all derivatives on the Condensed Consolidated Balance Sheets at fair value. The Company's accounting policies for these instruments are based on whether the instruments are designated as hedge or non-hedge instruments. The effective portions of cash flow hedges are recorded in accumulated other comprehensive income ("AOCI") until the hedged item is recognized in earnings. The effective portions of net investment hedges are recorded in other comprehensive income as a part of the cumulative translation adjustment. The ineffective portions of cash flow hedges and net investment hedges are recorded in other income and expense. Derivatives that are not designated as hedging instruments are adjusted to fair value through earnings in the financial statement line item the derivative relates to.

The Company had a net deferred gain associated with cash flow hedges of approximately $105 million and $290 million, net of taxes, recorded in AOCI as of March 31, 2012 and September 24, 2011, respectively. Deferred gains and losses associated with cash flow hedges of foreign currency revenue are recognized as a component of net sales in the same period as the related revenue is recognized, and deferred gains and losses related to cash flow hedges of inventory purchases are recognized as a component of cost of sales in the same period as the related costs are recognized. Substantially all of the Company's hedged transactions as of March 31, 2012 are expected to occur within six months.

Derivative instruments designated as cash flow hedges must be de-designated as hedges when it is probable the forecasted hedged transaction will not occur in the initially identified time period or within a subsequent two-month time period. Deferred gains and losses in AOCI associated with such derivative instruments are reclassified immediately into other income and expense. Any subsequent changes in fair value of such derivative instruments are reflected in other income and expense unless they are re-designated as hedges of other transactions. The Company did not recognize any significant net gains or losses related to the loss of hedge designation on discontinued cash flow hedges during the three- and six-month periods ended March 31, 2012 and March 26, 2011.

The Company's unrealized net gains and losses on net investment hedges, included in the cumulative translation adjustment account of AOCI, were not significant as of March 31, 2012 and September 24, 2011, respectively. The ineffective portions and amounts excluded from the effectiveness test of net investment hedges are recorded in other income and expense.

During the three and six months ended March 31, 2012 and March 26, 2011, the gain/loss recognized in other income and expense for foreign currency forward and option contracts not designated as hedging instruments was not significant. These amounts represent the net gain or loss on the derivative contracts and do not include changes in the related exposures, which generally offset a portion of the gain or loss on the derivative contracts.

The following table shows the notional principal amounts of the Company's outstanding derivative instruments and credit risk amounts associated with outstanding or unsettled derivative instruments as of March 31, 2012 and September 24, 2011 (in millions):

	March 31, 2012		September 24, 2011	
	Notional Principal	Credit Risk Amounts	Notional Principal	Credit Risk Amounts
Instruments qualifying as accounting hedges:				
Foreign exchange contracts	$ 20,505	$ 336	$ 13,705	$ 537
Instruments other than accounting hedges:				
Foreign exchange contracts	$ 13,585	$ 43	$ 9,891	$ 56

The notional principal amounts for outstanding derivative instruments provide one measure of the transaction volume outstanding and does not represent the amount of the Company's exposure to credit or market loss. The credit risk amounts represent the Company's gross exposure to potential accounting loss on derivative instruments that are outstanding or unsettled if all counterparties failed to perform according to the terms of the contract, based on then-current currency exchange rates at each respective date. The Company's gross exposure on these transactions may be further mitigated by collateral received from certain counterparties. The Company's exposure to credit loss and market risk will vary over time as a function of currency exchange rates. Although the table above reflects the notional principal and credit risk amounts of the Company's foreign exchange instruments, it does not reflect the gains or losses associated with the exposures and transactions that the foreign exchange instruments are intended to hedge. The amounts ultimately realized upon settlement of these financial instruments, together with the gains and losses on the underlying exposures, will depend on actual market conditions during the remaining life of the instruments.

The Company generally enters into master netting arrangements, which reduce credit risk by permitting net settlement of transactions with the same counterparty. To further limit credit risk, the Company generally enters into collateral security arrangements that provide for collateral to be received or posted when the net fair value of certain financial instruments fluctuates from contractually established thresholds. The Company presents its derivative assets and derivative liabilities at their gross fair values. The Company received cash collateral related to the derivative instruments under its collateral security arrangements of $217 million and $288 million as of March 31, 2012 and September 24, 2011, respectively. These amounts are classified as accrued expenses in the Condensed Consolidated Balance Sheets. The Company did not have any derivative instruments with credit risk-related contingent features that would require it to post additional collateral as of March 31, 2012 or September 24, 2011.

The following tables show the Company's derivative instruments measured at gross fair value as reflected in the Condensed Consolidated Balance Sheets as of March 31, 2012 and September 24, 2011 (in millions):

	March 31, 2012		
	Fair Value of Derivatives Designated as Hedge Instruments	Fair Value of Derivatives Not Designated as Hedge Instruments	Total Fair Value
Derivative assets (a):			
Foreign exchange contracts	$ 308	$ 43	$ 351
Derivative liabilities (b):			
Foreign exchange contracts	$ 129	$ 27	$ 156

	September 24, 2011		
	Fair Value of Derivatives Designated as Hedge Instruments	Fair Value of Derivatives Not Designated as Hedge Instruments	Total Fair Value
Derivative assets (a):			
Foreign exchange contracts	$ 460	$ 56	$ 516
Derivative liabilities (b):			
Foreign exchange contracts	$ 72	$ 37	$ 109

(a) The fair value of derivative assets is measured using Level 2 fair value inputs and is recorded as other current assets in the Condensed Consolidated Balance Sheets.

(b) The fair value of derivative liabilities is measured using Level 2 fair value inputs and is recorded as accrued expenses in the Condensed Consolidated Balance Sheets.

The following table shows the pre-tax effect of the Company's derivative instruments designated as cash flow and net investment hedges in the Condensed Consolidated Statements of Operations for the three- and six-month periods ended March 31, 2012 and March 26, 2011 (in millions):

	Three Month Periods						
	Gains/(Losses) Recognized in OCI - Effective Portion (e)		Gains/(Losses) Reclassified from AOCI into Income - Effective Portion (e)		Gains/(Losses) Recognized - Ineffective Portion and Amount Excluded from Effectiveness Testing		
	March 31, 2012	March 26, 2011	March 31, 2012 (a)	March 26, 2011 (b)	Location	March 31, 2012	March 26, 2011
Cash flow hedges:							
Foreign exchange contracts	$ (32)	$ (216)	$ 146	$ (90)	Other income and expense	$ (140)	$ (140)
Net investment hedges:							
Foreign exchange contracts	0	(11)	0	0	Other income and expense	0	0
Total	$ (32)	$ (227)	$ 146	$ (90)		$ (140)	$ (140)

	Six Month Periods						
	Gains/(Losses) Recognized in OCI - Effective Portion (e)		Gains/(Losses) Reclassified from AOCI into Income - Effective Portion (e)		Gains/(Losses) Recognized - Ineffective Portion and Amount Excluded from Effectiveness Testing		
	March 31, 2012	March 26, 2011	March 31, 2012 (c)	March 26, 2011 (d)	Location	March 31, 2012	March 26, 2011
Cash flow hedges:							
Foreign exchange contracts	$ 103	$ (282)	$ 384	$ (539)	Other income and expense	$ (209)	$ (119)
Net investment hedges:							
Foreign exchange contracts	7	(14)	0	0	Other income and expense	1	0
Total	$ 110	$ (296)	$ 384	$ (539)		$ (208)	$ (119)

(a) Includes gains/(losses) reclassified from AOCI into net income for the effective portion of cash flow hedges, of which $154 million and $(8) million were recognized within net sales and cost of sales, respectively, within the Condensed Consolidated Statement of Operations for the three months ended March 31, 2012. There were no amounts reclassified from AOCI into net income for the effective portion of net investment hedges for the three months ended March 31, 2012.

(b) Includes gains/(losses) reclassified from AOCI into net income for the effective portion of cash flow hedges, of which $(24) million and $(66) million were recognized within net sales and cost of sales, respectively, within the Condensed Consolidated Statement of Operations for the three months ended March 26, 2011. There were no amounts reclassified from AOCI into net income for the effective portion of net investment hedges for the three months ended March 26, 2011.

(c) Includes gains/(losses) reclassified from AOCI into net income for the effective portion of cash flow hedges, of which $341 million and $43 million were recognized within net sales and cost of sales, respectively, within the Condensed Consolidated Statement of Operations for the six months ended March 31, 2012. There were no amounts reclassified from AOCI into net income for the effective portion of net investment hedges for the six months ended March 31, 2012.

(d) Includes gains/(losses) reclassified from AOCI into net income for the effective portion of cash flow hedges, of which $(281) million and $(258) million were recognized within net sales and cost of sales, respectively, within the Condensed Consolidated Statement of Operations for the six months ended March 26, 2011. There were no amounts reclassified from AOCI into net income for the effective portion of net investment hedges for the six months ended March 26, 2011.

(e) Refer to Note 5, “Shareholders’ Equity and Share-based Compensation” of this Form 10-Q, which summarizes the activity in AOCI related to derivatives.

Accounts Receivable

The Company has considerable trade receivables outstanding with its third-party cellular network carriers, wholesalers, retailers, value-added resellers, small and mid-sized businesses, and education, enterprise and government customers that are not covered by collateral, third-party financing arrangements or credit insurance. As of March 31, 2012, there was one customer that accounted for 13% of the Company’s trade receivables. There were no customers that accounted for 10% or more of the Company’s trade receivables as of September 24, 2011. The Company’s cellular network carriers accounted for 47% and 52% of trade receivables as of March 31, 2012 and September 24, 2011, respectively.

Additionally, the Company has non-trade receivables from certain of its manufacturing vendors. Vendor non-trade receivables from two of the Company's vendors accounted for 60% and 19% of non-trade receivables as of March 31, 2012 and two of the Company's vendors accounted for 53% and 29% of non-trade receivables as of September 24, 2011.

Note 3 – Condensed Consolidated Financial Statement Details

The following tables show the Company's condensed consolidated financial statement details as of March 31, 2012 and September 24, 2011 (in millions):

Property, Plant and Equipment

	March 31, 2012	September 24, 2011
Land and buildings	$ 2,156	$ 2,059
Machinery, equipment and internal-use software	8,645	6,926
Office furniture and equipment	210	184
Leasehold improvements	2,930	2,599
Gross property, plant and equipment	13,941	11,768
Accumulated depreciation and amortization	(5,094)	(3,991)
Net property, plant and equipment	$ 8,847	$ 7,777

Accrued Expenses

	March 31, 2012	September 24, 2011
Deferred margin on component sales	$ 1,746	$ 2,038
Accrued warranty and related costs	1,678	1,240
Accrued taxes	1,299	1,140
Accrued marketing and selling expenses	561	598
Accrued compensation and employee benefits	551	590
Other current liabilities	3,943	3,641
Total accrued expenses	$ 9,778	$ 9,247

Non-Current Liabilities

	March 31, 2012	September 24, 2011
Deferred tax liabilities	$ 11,704	$ 8,159
Other non-current liabilities	2,250	1,941
Total other non-current liabilities	$ 13,954	$ 10,100

Note 4 – Income Taxes

As of March 31, 2012, the Company recorded gross unrecognized tax benefits of $1.7 billion, of which $705 million, if recognized, would affect the Company's effective tax rate. As of September 24, 2011, the total amount of gross unrecognized tax benefits was $1.4 billion, of which $563 million, if recognized, would affect the Company's effective tax rate. The Company's total gross unrecognized tax benefits are classified as other non-current liabilities in the Condensed Consolidated Balance Sheets. The Company had $278 million and $261 million of gross interest and penalties accrued as of March 31, 2012 and September 24, 2011, respectively, which are classified as other non-current liabilities in the Condensed Consolidated Balance Sheets.

Management believes that an adequate provision has been made for any adjustments that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty. If any issues addressed in the Company's tax audits are resolved in a manner not consistent with management's expectations, the Company could be required to adjust its provision for income tax in the period such resolution occurs. Although timing of the resolution and/or closure of audits is not certain, the Company does not believe it is reasonably possible that its unrecognized tax benefits would materially change in the next 12 months.

Note 5 – Shareholders' Equity and Share-based Compensation

Preferred Stock

The Company has five million shares of authorized preferred stock, none of which is issued or outstanding. Under the terms of the Company's Restated Articles of Incorporation, the Board of Directors is authorized to determine or alter the rights, preferences, privileges and restrictions of the Company's authorized but unissued shares of preferred stock.

Comprehensive Income

Comprehensive income consists of two components, net income and other comprehensive income. Other comprehensive income refers to revenue, expenses, gains and losses that under GAAP are recorded as an element of shareholders' equity but are excluded from net income. The Company's other comprehensive income consists of foreign currency translation adjustments from those subsidiaries not using the U.S. dollar as their functional currency, unrealized gains and losses on marketable securities classified as available-for-sale, and net deferred gains and losses on certain derivative instruments accounted for as cash flow hedges.

The following table presents the components of comprehensive income, net of taxes, during the three- and six-month periods ended March 31, 2012 and March 26, 2011 (in millions):

	Three Months Ended		Six Months Ended	
	March 31, 2012	March 26, 2011	March 31, 2012	March 26, 2011
Net income	$ 11,622	$ 5,987	$ 24,686	$ 11,991
Other comprehensive income:				
Change in unrecognized gains/losses on derivative instruments	(118)	(82)	(185)	161
Change in foreign currency translation	9	74	3	90
Change in unrealized gains/losses on marketable securities	249	20	263	(79)
Total comprehensive income	$ 11,762	$ 5,999	$ 24,767	$ 12,163

The following table summarizes activity in other comprehensive income related to derivatives, net of taxes, held by the Company during the three- and six-month periods ended March 31, 2012 and March 26, 2011 (in millions):

	Three Months Ended		Six Months Ended	
	March 31, 2012	March 26, 2011	March 31, 2012	March 26, 2011
Change in fair value of derivatives	$ (21)	$ (140)	$ 66	$ (183)
Adjustment for net gains/losses realized and included in net income	(97)	58	(251)	344
Change in unrecognized gains/losses on derivative instruments	$ (118)	$ (82)	$ (185)	$ 161

The following table shows the components of AOCI, net of taxes, as of March 31, 2012 and September 24, 2011 (in millions):

	March 31, 2012	September 24, 2011
Net unrealized gains/losses on marketable securities	$ 393	$ 130
Net unrecognized gains/losses on derivative instruments	105	290
Cumulative foreign currency translation	26	23
Accumulated other comprehensive income	$ 524	$ 443

Equity Awards

A summary of the Company’s RSU activity and related information for the six months ended March 31, 2012 is as follows (in thousands, except weighted-average grant date fair value amounts):

	Number of RSUs	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value
Balance at September 24, 2011	14,446	$ 231.49	
RSUs granted	6,585	$ 398.64	
RSUs vested	(3,485)	$ 176.83	
RSUs cancelled	(632)	$ 229.97	
Balance at March 31, 2012	16,914	$ 307.88	$ 10,140,707

RSUs that vested during the three- and six-month periods ended March 31, 2012 had fair values of $625 million and $1.6 billion, respectively, as of their applicable vesting dates. RSUs that vested during the three- and six-month periods ended March 26, 2011 had fair values of $69 million and $728 million, respectively, as of their applicable vesting dates.

A summary of the Company’s stock option activity and related information for the six months ended March 31, 2012 is as follows (in thousands, except weighted-average exercise price amounts and weighted-average remaining contractual term in years):

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance at September 24, 2011	11,866	$ 108.64		
Options granted	0	$ 0		
Options assumed	41	$ 30.92		
Options cancelled	(22)	$ 102.91		
Options exercised	(3,243)	$ 85.54		
Balance at March 31, 2012	8,642	$ 116.95	2.12	4,170,553
Exercisable at March 31, 2012	8,436	$ 116.67	2.06	4,073,404
Expected to vest after March 31, 2012	206	$ 128.57	4.39	97,150

Aggregate intrinsic value represents the value of the Company’s closing stock price on the last trading day of the fiscal period in excess of the weighted-average exercise price multiplied by the number of options outstanding or exercisable. The total intrinsic value of options at the time of exercise was $719 million and $1.2 billion for the three- and six-month periods ended March 31, 2012, respectively, and $875 million and $1.8 billion for the three- and six-month periods ended March 26, 2011, respectively.

The Company had approximately 39.1 million shares reserved for future issuance under the Company's stock plans as of March 31, 2012. RSUs granted are deducted from the shares available for grant under the Company's stock plans utilizing a factor of two times the number of RSUs granted. Similarly, RSUs cancelled are added back to the shares available for grant under the Company's stock plans utilizing a factor of two times the number of RSUs cancelled.

Share-based Compensation

Share-based compensation cost for RSUs is measured based on the closing fair market value of the Company's common stock on the date of grant. Share-based compensation cost for stock options and employee stock purchase plan rights ("stock purchase rights") is estimated at the grant date and offering date, respectively, based on the fair-value as calculated by the Black-Scholes Merton ("BSM") option-pricing model. The BSM option-pricing model incorporates various assumptions including expected volatility, expected life and interest rates. The expected volatility is based on the historical volatility of the Company's common stock over the most recent period commensurate with the estimated expected life of the Company's stock options and other relevant factors including implied volatility in market traded options on the Company's common stock. The Company bases its expected life assumption on its historical experience and on the terms and conditions of the stock awards it grants to employees. The Company recognizes share-based compensation cost as expense on a straight-line basis over the requisite service period.

During the three- and six-month periods ended March 31, 2012, in conjunction with certain business combinations, the Company assumed 41,000 stock options with a weighted-average fair value per share of $400.79.

The weighted-average fair value of stock purchase rights per share was $105.25 and $96.83 during the three- and six-month periods ended March 31, 2012, respectively, and was $68.95 and $65.15 during the three- and six-month periods ended March 26, 2011, respectively.

The following table provides a summary of the share-based compensation expense included in the Condensed Consolidated Statements of Operations for the three- and six-month periods ended March 31, 2012 and March 26, 2011 (in millions):

	Three Months Ended		Six Months Ended	
	March 31, 2012	March 26, 2011	March 31, 2012	March 26, 2011
Cost of sales	$ 63	$ 51	$ 126	$ 103
Research and development	168	104	328	217
Selling, general and administrative	193	132	390	266
Total share-based compensation expense	$ 424	$ 287	$ 844	$ 586

The income tax benefit related to share-based compensation expense was $156 million and $301 million for the three- and six-month periods ended March 31, 2012, respectively, and $140 million and $236 million for the three- and six-month periods ended March 26, 2011, respectively. As of March 31, 2012, the total unrecognized compensation cost related to outstanding stock options and RSUs expected to vest was $4.4 billion, which the Company expects to recognize over a weighted-average period of 3.48 years.

Employee Benefit Plans

Rule 10b5-1 Trading Plans

During the three-month period ended March 31, 2012, executive officers Timothy D. Cook, Peter Oppenheimer, D. Bruce Sewell, Philip W. Schiller, and Jeffrey E. Williams, and director Arthur D. Levinson had trading plans adopted in accordance with Rule 10b5-1(c)(1) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). A trading plan is a written document that pre-establishes the amounts, prices and dates (or formula for determining the amounts, prices and dates) of future purchases or sales of the Company's stock, including shares acquired pursuant to the Company's employee equity plans.

Dividend and Stock Repurchase Program

In March 2012, the Board of Directors of the Company approved a dividend policy pursuant to which it plans to make, subject to subsequent declaration, quarterly dividends of $2.65 per share, beginning in the fourth quarter of 2012. Additionally, in March 2012, the Company's Board of Directors authorized a program to repurchase up to $10 billion of the Company's common stock beginning in 2013. The repurchase program is expected to be executed over a three-year period with the primary objective to neutralize the impact of dilution from future employee equity grants and employee stock purchase programs. The repurchase program does not obligate the Company to acquire any specific number of shares.

Note 6 – Commitments and Contingencies

Accrued Warranty and Indemnification

The following table presents changes in the Company's accrued warranties and related costs for the three- and six-month periods ended March 31, 2012 and March 26, 2011 (in millions):

	Three Months Ended		Six Months Ended	
	March 31, 2012	March 26, 2011	March 31, 2012	March 26, 2011
Beginning accrued warranty and related costs	$ 1,676	$ 904	$ 1,240	$ 761
Cost of warranty claims	(464)	(249)	(865)	(502)
Accruals for product warranty	466	448	1,303	844
Ending accrued warranty and related costs	$ 1,678	$ 1,103	$ 1,678	$ 1,103

The Company generally does not indemnify end-users of its operating system and application software against legal claims that the software infringes third-party intellectual property rights. Other agreements entered into by the Company sometimes include indemnification provisions under which the Company could be subject to costs and/or damages in the event of an infringement claim against the Company or an indemnified third-party. However, the Company has not been required to make any significant payments resulting from such an infringement claim asserted against it or an indemnified third-party and, in the opinion of management, does not have a potential liability related to unresolved infringement claims subject to indemnification that would materially adversely affect its financial condition or operating results. Therefore, the Company did not record a liability for infringement costs as of either March 31, 2012 or September 24, 2011.

The Company has entered into indemnification agreements with its directors and executive officers. Under these agreements, the Company has agreed to indemnify such individuals to the fullest extent permitted by law against liabilities that arise by reason of their status as directors or officers and to advance expenses incurred by such individuals in connection with related legal proceedings. It is not possible to determine the maximum potential amount of payments the Company could be required to make under these agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each claim. However, the Company maintains directors and officers liability insurance coverage to reduce its exposure to such obligations, and payments made under these agreements historically have not been material.

Concentrations in the Available Sources of Supply of Materials and Product

Although most components essential to the Company's business are generally available from multiple sources, a number of components are currently obtained from single or limited sources, which subjects the Company to significant supply and pricing risks. Many components that are available from multiple sources are at times subject to industry-wide shortages and significant commodity pricing fluctuations. In addition, the Company has entered into various agreements for the supply of components; however, there can be no guarantee that the Company will be able to extend or renew these agreements on similar terms, or at all. Therefore, the Company remains subject to significant risks of supply shortages and price increases that can materially adversely affect its financial condition and operating results.

The Company and other participants in the mobile communication and media device and personal computer industries also compete for various components with other industries that have experienced increased demand for their products. The Company also uses some custom components that are not common to the rest of these industries, and new products introduced by the Company often utilize custom components available from only one source. When a component or product uses new technologies, initial capacity constraints may exist until the suppliers' yields have matured or manufacturing capacity has increased. If the Company's supply of components for a new or existing product were delayed or constrained, or if an outsourcing partner delayed shipments of completed products to the Company, the Company's financial condition and operating results could be materially adversely affected. The Company's business and financial performance could also be materially adversely affected depending on the time required to obtain sufficient quantities from the original source, or to identify and obtain sufficient quantities from an alternative source. Continued availability of these components at acceptable prices, or at all, may be affected if those suppliers concentrated on the production of common components instead of components customized to meet the Company's requirements.

Substantially all of the Company's hardware products are manufactured by outsourcing partners that are primarily located in Asia. A significant concentration of this manufacturing is currently performed by a small number of outsourcing partners, often in single locations. Certain of these outsourcing partners are the sole-sourced suppliers of components and manufacturer for many of the Company's products. Although the Company works closely with its outsourcing partners on manufacturing schedules, the Company's operating results could be adversely affected if its outsourcing partners were unable to meet their production commitments. The Company's purchase commitments typically cover its requirements for periods up to 150 days.

Long-Term Supply Agreements

The Company has entered into long-term agreements to secure the supply of certain inventory components. Under certain of these agreements, which expire between 2012 and 2022, the Company has made prepayments for the future purchase of inventory components and has agreed to acquire capital equipment to use in the manufacturing of such components.

As of March 31, 2012, the Company had a total of $3.3 billion of inventory component prepayments outstanding, of which $653 million is classified as other current assets and $2.6 billion is classified as other assets in the Condensed Consolidated Balance Sheets. The Company had a total of $2.3 billion of inventory component prepayments outstanding as of September 24, 2011. The Company's outstanding prepayments will be applied to certain inventory component purchases made during the term of each respective agreement. During the three- and six-month periods ended March 31, 2012, the Company utilized $542 million and $593 million of inventory component prepayments, respectively.

Additionally, as of March 31, 2012, the Company had outstanding off-balance sheet commitments under certain long-term supply agreements to make inventory component prepayments and to acquire capital equipment to use in the manufacturing of such components of $1.4 billion.

Other Off-Balance Sheet Commitments

The Company leases various equipment and facilities, including retail space, under noncancelable operating lease arrangements. The Company does not currently utilize any other off-balance sheet financing arrangements. The major facility leases are typically for terms not exceeding 10 years and generally provide renewal options for terms not exceeding five additional years. Leases for retail space are for terms ranging from five to 20 years, the majority of which are for 10 years, and often contain multi-year renewal options. As of March 31, 2012, the Company's total future minimum lease payments under noncancelable operating leases were $3.7 billion, of which $2.8 billion related to leases for retail space.

The Company utilizes several outsourcing partners to manufacture sub-assemblies for the Company's products and to perform final assembly and testing of finished products. These outsourcing partners acquire components and build product based on demand information supplied by the Company, which typically covers periods up to 150 days. The Company also obtains individual components for its products from a wide variety of individual suppliers. Consistent with industry practice, the Company acquires components through a combination of purchase orders, supplier contracts, and open orders based on projected demand information. As of March 31, 2012, the Company had outstanding off-balance sheet third-party manufacturing commitments and component purchase commitments of $13.0 billion.

In addition to the off-balance sheet commitments mentioned above, the Company had outstanding obligations of $2.4 billion as of March 31, 2012, which were comprised mainly of commitments to acquire capital assets, including product tooling and manufacturing process equipment, and commitments related to advertising, research and development, Internet and telecommunications services and other obligations.

Contingencies

The Company is subject to various legal proceedings and claims that have arisen in the ordinary course of business and have not been fully adjudicated, certain of which are discussed in Part II, Item 1 of this Form 10-Q under the heading "Legal Proceedings" and in Part II, Item 1A of this Form 10-Q under the heading "Risk Factors." In the opinion of management, there was not at least a reasonable possibility the Company may have incurred a material loss, or a material loss in excess of a recorded accrual, with respect to loss contingencies. However, the outcome of litigation is inherently uncertain. Therefore, although management considers the likelihood of such an outcome to be remote, if one or more of these legal matters were resolved against the Company in the same reporting period for amounts in excess of management's expectations, the Company's condensed consolidated financial statements of a particular reporting period could be materially adversely affected.

Note 7 – Segment Information and Geographic Data

The Company reports segment information based on the "management" approach. The management approach designates the internal reporting used by management for making decisions and assessing performance as the source of the Company's reportable segments.

The Company manages its business primarily on a geographic basis. Accordingly, the Company determined its reportable operating segments, which are generally based on the nature and location of its customers, to be the Americas, Europe, Japan, Asia-Pacific and Retail. The results of the Americas, Europe, Japan and Asia-Pacific segments do not include 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 in 12 countries, including the U.S. Each reportable operating segment provides similar hardware and software products and similar services. The accounting policies of the various segments are the same as those described in Note 1, "Summary of Significant Accounting Policies" of this Form 10-Q and in the Notes to Consolidated Financial Statements in Part II, Item 8 of the Company's 2011 Form 10-K.

The Company evaluates the performance of its operating segments based on net sales and operating income. Net sales for geographic segments are generally based on the location of customers, while Retail segment net sales are based on sales from the Company's retail stores. Operating income for each segment includes net sales to third parties, related cost of sales and operating expenses directly attributable to the segment. Advertising expenses are generally included in the geographic segment in which the expenditures are incurred. Operating income for each segment excludes other income and expense and certain expenses managed outside the operating segments. Costs excluded from segment operating income include various corporate expenses such as manufacturing costs and variances not included in standard costs, research and development, corporate marketing expenses, share-based compensation expense, income taxes, various nonrecurring charges, and other separately managed general and administrative costs. Prior to 2012, the Company allocated to corporate expenses certain costs associated with its high-profile retail stores that have been designed and built to promote brand awareness and serve as vehicles for corporate sales and marketing activities. Beginning in 2012, the Company no longer allocates these costs to corporate expenses and reclassified $25 million and $49 million of such costs from corporate to Retail segment expenses for the three- and six-month periods ended March 26, 2011, respectively. The Company does not include intercompany transfers between segments for management reporting purposes. Segment assets exclude corporate assets, such as cash and cash equivalents, short-term and long-term marketable securities, other long-term investments, manufacturing and corporate facilities, product tooling and manufacturing process equipment, miscellaneous corporate infrastructure, goodwill and other acquired intangible assets. Except for the Retail segment, capital asset purchases for long-lived assets are not reported to management by segment.

The following table shows information by operating segment for the three- and six-month periods ended March 31, 2012 and March 26, 2011 as follows (in millions):

	Three Months Ended		Six Months Ended	
	March 31, 2012	March 26, 2011	March 31, 2012	March 26, 2011
Americas:				
Net sales	$ 13,182	$ 9,323	$ 30,896	$ 18,541
Operating income	$ 5,606	$ 3,755	$ 12,867	$ 6,654
Europe:				
Net sales	$ 8,807	$ 6,027	$ 20,063	$ 13,283
Operating income	$ 3,887	$ 2,551	$ 8,555	$ 5,307
Japan:				
Net sales	$ 2,645	$ 1,383	$ 6,195	$ 2,816
Operating income	$ 1,527	$ 689	$ 3,524	$ 1,261
Asia-Pacific:				
Net sales	$ 10,153	$ 4,743	$ 17,850	$ 9,730
Operating income	$ 4,774	$ 2,045	$ 8,078	$ 4,087
Retail:				
Net sales	$ 4,399	$ 3,191	$ 10,515	$ 7,038
Operating income	$ 1,149	$ 782	$ 3,003	$ 1,788

A reconciliation of the Company's segment operating income to the condensed consolidated financial statements for the three- and six-month periods ended March 31, 2012 and March 26, 2011 is as follows (in millions):

	Three Months Ended		Six Months Ended	
	March 31, 2012	March 26, 2011	March 31, 2012	March 26, 2011
Segment operating income	$ 16,943	$ 9,822	$ 36,027	$ 19,097
Share-based compensation expense	(424)	(287)	(844)	(586)
Other corporate expenses, net (a)	(1,135)	(1,661)	(2,459)	(2,810)
Total operating income	$ 15,384	$ 7,874	$ 32,724	$ 15,701

(a) Other corporate expenses include research and development, corporate marketing expenses, manufacturing costs and variances not included in standard costs, and other separately managed general and administrative expenses.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This section and other parts of this Form 10-Q contain forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. Forward-looking statements can be identified by words such as "anticipates," "expects," "believes," "plans," "will," "would," "could," and similar terms. Forward-looking statements are not guarantees of future performance and the Company's actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed in Part II, Item 1A, "Risk Factors" of this Form 10-Q, which are incorporated herein by reference. The following discussion should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended September 24, 2011 (the "2011 Form 10-K") filed with the U.S. Securities and Exchange Commission (the "SEC") and the condensed consolidated financial statements and notes thereto included elsewhere in this Form 10-Q. All information presented herein is based on the Company's fiscal calendar. Unless otherwise stated, references in this report to particular years or quarters refer to the Company's fiscal years ended in September and the associated quarters of those fiscal years. Each of the terms the "Company" and "Apple" as used herein refers collectively to Apple Inc. and its wholly-owned subsidiaries, unless otherwise stated. The Company assumes no obligation to revise or update any forward-looking statements for any reason, except as required by law.

Available Information

The Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are filed with the SEC. Such reports and other information filed by the Company with the SEC are available on the Company's website at http://www.apple.com/investor when such reports are available on the SEC website. The public may read and copy any materials filed by the Company with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at http://www.sec.gov . The contents of these websites are not incorporated into this filing. Further, the Company's references to the URLs for these websites are intended to be inactive textual references only.

Executive Overview

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™, iBookstore™, 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 and various accessories through its online and retail stores. The Company sells to consumers, small and mid-sized businesses, and education, enterprise and government customers.

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. 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 Mac applications. 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.

The Company participates in several highly competitive markets, including mobile communications and media devices with its iPhone, iPad and iPod product families; personal computers with its Mac computers; and distribution of third-party digital content and applications through the iTunes Store, App Store, iBookstore, and Mac App Store. While the Company is widely recognized as a leading innovator in the markets where it competes, these markets are highly competitive and subject to aggressive pricing. To remain competitive, the Company believes that continual investment in research and development and marketing and advertising is critical to the development and sale of innovative products and technologies. The Company's research and development spending is focused on investing in new hardware and software products, and in further developing its existing products, including iPhone, iPad, Mac, and iPod hardware; iOS and Mac OS X operating systems; and a variety of application software and online services.

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.

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 various 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 its Mac computers; server software; and application software for consumer, education, and business customers.

In March 2012, the Company introduced the third generation iPad and an updated version of Apple TV. The Company also introduced iPhoto ® for iOS, and provided updates to iMovie ® , GarageBand ® and iWork ® for iOS.

A detailed discussion of the Company's other products may be found in Part I, Item 1, "Business," of the Company's 2011 Form 10-K.

Future Quarterly Dividends and Stock Repurchase Program

In March 2012, the Company announced its plans to initiate a quarterly dividend of $2.65 per share of common stock beginning in the fourth quarter of 2012, subject to declaration by its Board of Directors. The Company further announced that the Board of Directors has authorized a program to repurchase up to $10 billion of the Company's common stock, commencing in 2013.

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles ("GAAP") and the Company's discussion and analysis of its financial condition and operating results require the Company's management to make judgments, assumptions, and estimates that affect the amounts reported in its condensed consolidated financial statements and accompanying notes. Note 1, "Summary of Significant Accounting Policies" in the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q and in the Notes to Consolidated Financial Statements in Part II, Item 8 of the Company's 2011 Form 10-K describes the significant accounting policies and methods used in the preparation of the Company's condensed consolidated financial statements. Management bases its estimates on historical experience and on various other assumptions it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates and such differences may be material.

Management believes the Company's critical accounting policies and estimates are those related to revenue recognition, valuation and impairment of marketable securities, inventory valuation and inventory purchase commitments, warranty costs, income taxes, and legal and other contingencies. Management considers these policies critical because they are both important to the portrayal of the Company's financial condition and operating results, and they require management to make judgments and estimates about inherently uncertain matters. The Company's senior management has reviewed these critical accounting policies and related disclosures with the Audit and Finance Committee of the Company's Board of Directors.

Revenue Recognition

Net sales consist primarily of revenue from the sale of hardware, software, digital content and applications, peripherals, and service and support contracts. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collection is probable. Product is considered delivered to the customer once it has been shipped and title and risk of loss have been transferred. For most of the Company's product sales, these criteria are met at the time the product is shipped. For online sales to individuals, for some sales to education customers in the U.S., and for certain other sales, the Company defers recognition of revenue until the customer receives the product because the Company retains a portion of the risk of loss on these sales during transit. The Company recognizes revenue from the sale of hardware products, software bundled with hardware that is essential to the functionality of the hardware, and third-party digital content sold on the iTunes Store in accordance with general revenue recognition accounting guidance. The Company recognizes revenue in accordance with industry specific software accounting guidance for the following types of sales transactions: (i) standalone sales of software products, (ii) sales of software upgrades and (iii) sales of software bundled with hardware not essential to the functionality of the hardware.

For multi-element arrangements that include hardware products containing software essential to the hardware product's functionality, undelivered software elements that relate to the hardware product's essential software, and undelivered non-software services, the Company allocates revenue to all deliverables based on their relative selling prices. In such circumstances, the Company uses a hierarchy to determine the selling price to be used for allocating revenue to deliverables: (i) vendor-specific objective evidence of fair value ("VSOE"), (ii) third-party evidence of selling price ("TPE") and (iii) best estimate of the selling price ("ESP"). VSOE generally exists only when the Company sells the deliverable separately and is the price actually charged by the Company for that deliverable. ESPs reflect the Company's best estimates of what the selling prices of elements would be if they were sold regularly on a stand-alone basis.

For sales of iPhone, iPad, and Apple TV, for sales of iPod touch beginning in June 2010, and for sales of Mac beginning in June 2011, the Company has indicated it may from time-to-time provide future unspecified software upgrades and features free of charge to customers. In June 2011, the Company announced it would begin providing various non-software services to owners of qualifying versions of iOS devices and Mac. Because the Company has neither VSOE nor TPE for these unspecified software upgrade rights or the non-software services, revenue is allocated to these rights and services based on the Company's ESPs. Amounts allocated to the unspecified software upgrade rights and non-software services are deferred and recognized on a straight-line basis over the estimated lives of each of these devices, which range from 24 to 48 months. The Company's process for determining ESPs involves management's judgment. The Company's process considers multiple factors that may vary over time depending upon the unique facts and circumstances related to each deliverable. If the facts and circumstances underlying the factors considered change, including the estimated or actual costs incurred to provide non-software services or the estimated lives of the related devices, or should future facts and circumstances lead the Company to consider additional factors, the Company's ESP for software upgrades and non-software services related to future sales of these devices could change. If the estimated life of one or more of the devices should change, the future rate of amortization of the revenue allocated to the software upgrade rights would also change.

The Company records reductions to revenue for estimated commitments related to price protection and for customer incentive programs, including reseller and end-user rebates, and other sales programs and volume-based incentives. For transactions involving price protection, the Company recognizes revenue net of the estimated amount to be refunded, provided the refund amount can be reasonably and reliably estimated and the other conditions for revenue recognition have been met. The Company's policy requires that, if refunds cannot be reliably estimated, revenue is not recognized until reliable estimates can be made or the price protection lapses. For customer incentive programs, the estimated cost of these programs is recognized at the later of the date at which the Company has sold the product or the date at which the program is offered. The Company also records reductions to revenue for expected future product returns based on the Company's historical experience. Future market conditions and product transitions may require the Company to increase customer incentive programs and incur incremental price protection obligations that could result in additional reductions to revenue at the time such programs are offered. Additionally, certain customer incentive programs require management to estimate the number of customers who will actually redeem the incentive. Management's estimates are based on historical experience and the specific terms and conditions of particular incentive programs. If a greater than estimated proportion of customers redeem such incentives, the Company would be required to record additional reductions to revenue, which would have a negative impact on the Company's results of operations.

Valuation and Impairment of Marketable Securities

The Company's investments in available-for-sale securities are reported at fair value. Unrealized gains and losses related to changes in the fair value of securities are recognized in accumulated other comprehensive income, net of tax, in the Company's Condensed Consolidated Balance Sheets. Changes in the fair value of available-for-sale securities impact the Company's net income only when such securities are sold or an other-than-temporary impairment is recognized. Realized gains and losses on the sale of securities are determined by specific identification of each security's cost basis. The Company regularly reviews its investment portfolio to determine if any security is other-than-temporarily impaired, which would require the Company to record an impairment charge in the period any such determination is made. In making this judgment, the Company evaluates, among other things, the duration and extent to which the fair value of a security is less than its cost, the financial condition of the issuer and any changes thereto, and the Company's intent to sell, or whether it is more likely than not it will be required to sell, the security before recovery of the its amortized cost basis. The Company's assessment on whether a security is other-than-temporarily impaired could change in the future due to new developments or changes in assumptions related to any particular security.

Inventory Valuation and Inventory Purchase Commitments

The Company must order components for its products and build inventory in advance of product shipments. The Company records a write-down for inventories of components and products, including third-party products held for resale, which have become obsolete or are in excess of anticipated demand or net realizable value. The Company performs a detailed review of inventory each fiscal quarter that considers multiple factors including demand forecasts, product life cycle status, product development plans, current sales levels, and component cost trends. The industries in which the Company competes are subject to a rapid and unpredictable pace of product and component obsolescence and demand changes. If future demand or market conditions for the Company's products are less favorable than forecasted or if unforeseen technological changes negatively impact the utility of component inventory, the Company may be required to record additional write-downs, which would negatively affect its results of operations in the period when the write-downs were recorded.

The Company records accruals for estimated cancellation fees related to component orders that have been cancelled or are expected to be cancelled. Consistent with industry practice, the Company acquires components through a combination of purchase orders, supplier contracts, and open orders based on projected demand information. These commitments typically cover the Company's requirements for periods up to 150 days. If there is an abrupt and substantial decline in demand for one or more of the Company's products or an unanticipated change in technological requirements for any of the Company's products, the Company may be required to record additional accruals for cancellation fees that would negatively affect its results of operations in the period when the cancellation fees are identified and recorded.

Warranty Costs

The Company provides for the estimated cost of hardware and software warranties at the time the related revenue is recognized based on historical and projected warranty claim rates, historical and projected cost-per-claim, and knowledge of specific product failures that are outside of the Company’s typical experience. Each quarter, the Company reevaluates its estimates to assess the adequacy of its recorded warranty liabilities considering the size of the installed base of products subject to warranty protection and adjusts the amounts as necessary. If actual product failure rates or repair costs differ from estimates, revisions to the estimated warranty liabilities would be required and could materially affect the Company’s results of operations.

Income Taxes

The Company records a tax provision for the anticipated tax consequences of the reported results of operations. The provision for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled. The Company records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

The Company recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Management believes it is more likely than not that forecasted income, including income that may be generated as a result of certain tax planning strategies, together with future reversals of existing taxable temporary differences, will be sufficient to fully recover the deferred tax assets. In the event that the Company determines all or part of the net deferred tax assets are not realizable in the future, the Company will make an adjustment to the valuation allowance that would be charged to earnings in the period such determination is made. In addition, the calculation of tax liabilities involves significant judgment in estimating the impact of uncertainties in the application of GAAP and complex tax laws. Resolution of these uncertainties in a manner inconsistent with management’s expectations could have a material impact on the Company’s financial condition and operating results.

Legal and Other Contingencies

As discussed in Part II, Item 1 of this Form 10-Q under the heading “Legal Proceedings” and in Note 6, “Commitments and Contingencies” in the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q, the Company is subject to various legal proceedings and claims that arise in the ordinary course of business. The Company records a liability when it is probable that a loss has been incurred and the amount is reasonably estimable. There is significant judgment required in both the probability determination and as to whether an exposure can be reasonably estimated. In the opinion of management, there was not at least a reasonable possibility the Company may have incurred a material loss, or a material loss in excess of a recorded accrual, with respect to loss contingencies for legal and other contingencies. However, the outcome of legal proceedings and claims brought against the Company are subject to significant uncertainty. Therefore, although management considers the likelihood of such an outcome to be remote, if one or more of these legal matters were resolved against the Company in the same reporting period for amounts in excess of management’s expectations, the Company’s condensed consolidated financial statements of a particular reporting period could be materially adversely affected.

Fiscal Period

The Company's fiscal year is the 52 or 53-week period that ends on the last Saturday of September. The Company's fiscal year 2012 will include 53-weeks and will end on September 29, 2012. A 14 th week has been included in the first quarter of 2012, as is done approximately every six years to realign the Company's fiscal quarters more closely to calendar quarters. The first quarter of 2011 spanned 13 weeks. Inclusion of the 14 th week in the first quarter of 2012 increased the Company's overall net sales and operating expenses for the six months ended March 31, 2012.

Net Sales

The following table summarizes net sales by operating segment and net sales and unit sales by product during the three- and six-month periods ended March 31, 2012 and March 26, 2011 (dollars in millions and units in thousands):

	Three Months Ended			Six Months Ended		
	March 31, 2012	March 26, 2011	Change	March 31, 2012	March 26, 2011	Change
Net Sales by Operating Segment :						
Americas net sales	$13,182	$ 9,323	41%	$30,896	$18,541	67%
Europe net sales	8,807	6,027	46%	20,063	13,283	51%
Japan net sales	2,645	1,383	91%	6,195	2,816	120%
Asia-Pacific net sales	10,153	4,743	114%	17,850	9,730	83%
Retail net sales	4,399	3,191	38%	10,515	7,038	49%
Total net sales	$39,186	$24,667	59%	$85,519	$51,408	66%
Net Sales by Product :						
Mac Desktops (a)(i)	$ 1,563	$ 1,441	8%	$ 3,499	$ 3,172	10%
Mac Portables (b)(i)	3,510	3,535	(1)%	8,172	7,234	13%
Total Mac net sales	5,073	4,976	2%	11,671	10,406	12%
iPod (c)(i)	1,207	1,600	(25)%	3,735	5,025	(26)%
Other music related products and services (d)	2,151	1,634	32%	4,178	3,065	36%
iPhone and related products and services (e)(i)	22,690	12,298	85%	47,107	22,766	107%
iPad and related products and services (f)(i)	6,590	2,836	132%	15,743	7,444	111%
Peripherals and other hardware (g)	643	580	11%	1,409	1,173	20%
Software, service and other sales (h)	832	743	12%	1,676	1,529	10%
Total net sales	$39,186	$24,667	59%	$85,519	$51,408	66%
Unit Sales by Product :						
Mac Desktops	1,199	1,009	19%	2,678	2,236	20%
Mac Portables	2,818	2,751	2%	6,537	5,658	16%
Total Mac unit sales	4,017	3,760	7%	9,215	7,894	17%
iPod unit sales	7,673	9,017	(15)%	23,070	28,463	(19)%
iPhone unit sales	35,064	18,647	88%	72,108	34,882	107%
iPad unit sales	11,798	4,694	151%	27,232	12,025	126%

(a) Includes revenue from iMac, Mac mini and Mac Pro sales.

(b) Includes revenue from MacBook, MacBook Air and MacBook Pro sales.

(c) Includes revenue from iPod sales.

(d) Includes revenue from sales from the iTunes Store, App Store, and iBookstore in addition to sales of iPod services and Apple-branded and third-party iPod accessories.

(e) Includes revenue from sales of iPhone, iPhone services, and Apple-branded and third-party iPhone accessories.

(f) Includes revenue from sales of iPad, iPad services, and Apple-branded and third-party iPad accessories.

(g) Includes revenue from sales of displays, networking products, and other hardware.

(h) Includes revenue from sales of Apple-branded and third-party Mac software, and services.

(i) Includes amortization of related revenue deferred for non-software services and embedded software upgrade rights.

Net sales during the second quarter and first six months of 2012 increased $14.5 billion or 59%, and $34.1 billion or 66%, respectively, compared to the same periods in 2011. Several factors contributed positively to this increase, including the addition of the 14 th week in the first quarter of 2012 as well as the following:

- Net sales of iPhone and related products and services were $22.7 billion and $47.1 billion in the second quarter and first six months of 2012, respectively, representing an increase of 85% and 107%, compared to the same periods in 2011, respectively. iPhone unit sales totaled 35.1 million and 72.1 million during the second quarter and first six months of 2012, respectively. iPhone year-over-year net sales growth reflects strong demand for iPhone in all of the Company's operating segments and primarily due to the launch of iPhone 4S and expanded distribution with new carriers and resellers. Net sales of iPhone and related products and services were 58% and 50% of the Company's total net sales for the second quarter of 2012 and 2011, respectively, and were 55% and 44% of the Company's total net sales during the first six months of 2012 and 2011, respectively.

- Net sales of iPad and related products and services were $6.6 billion and $15.7 billion in the second quarter and first six months of 2012, respectively, representing an increase of 132% and 111% compared to the same periods in 2011, respectively. Unit sales of iPad were 11.8 million and 27.2 million during the second quarter and first six months of 2012, respectively. The year-over-year increase in net sales and unit sales were driven by strong iPad demand in all of the Company's operating segments, the launch of the new iPad in March 2012, and expanded distribution with new carriers and resellers. The Company distributes iPad through its direct channels, certain cellular network carriers' distribution channels and certain third-party resellers. Net sales of iPad and related products and services were 17% and 11% of the Company's total net sales for the second quarter of 2012 and 2011, respectively, and were 18% and 14% of the Company's total net sales during the first six months of 2012 and 2011, respectively.

- Mac net sales were $5.1 billion and $11.7 billion in the second quarter and first six months of 2012, respectively, representing an increase of 2% and 12% compared to the same periods in 2011. Mac unit sales increased 257,000 or 7% and 1.3 million or 17% in the second quarter and first six months of 2012, respectively. Mac portable system unit sales increased 67,000 or 2% during the second quarter of 2012 and increased 879,000 or 16% during the first six months of 2012, due to the higher demand for MacBook Air. The increase in Mac portable system unit sales was lower than the year-over-year increase in earlier periods largely due to the launch of a new MacBook Pro line in the second quarter of 2011 without a comparable product transition in the second quarter of 2012. Mac desktop system unit sales increased 190,000 or 19% during the second quarter of 2012 and increased 442,000 or 20% during the first six months of 2012, due primarily to strong demand for iMac. Mac net sales were 13% and 20% of the Company's total net sales for the second quarter of 2012 and 2011, respectively, and were 14% and 20% of the Company's total net sales during the first six months of 2012 and 2011, respectively.

- Net sales of other music related products and services were $2.2 billion and $4.2 billion in the second quarter and first six months of 2012, respectively, representing an increase of 32% and 36% compared to the same periods in 2011, respectively. This increase was due primarily to growth of the iTunes Store which generated total net sales of $1.9 billion and $3.6 billion for the second quarter and the first six months of 2012, respectively, compared to net sales of $1.4 billion and $2.5 billion during the same periods in 2011, respectively. The strong results of the iTunes Store reflect growth of the iTunes App Store, continued growth in the installed base of iPhone, iPad, and iPod customers, and the expansion of third-party audio, video and book content available for sale or rent via the iTunes Store. Net sales of other music related products and services were 5% of the Company's total net sales for both the second quarter of 2012 and first six months of 2012 compared to 7% and 6% in the same periods in 2011, respectively.

Partially offsetting the positive factors contributing to the overall increase in net sales was a decrease in iPod net sales and unit sales experienced across all operating segments. iPod net sales decreased by $393 million and $1.3 billion during the second quarter and first six months of 2012, respectively, representing decreases of 25% and 26% compared to the same periods in 2011, respectively. Similarly, iPod unit sales decreased by 15% and 19% in the second quarter of 2012 and first six months of 2012, respectively, compared to the same periods in 2011, respectively. Declines in net sales and unit sales of iPod reflect the general contraction of the overall market for MP3 players. Net sales of iPod were 3% and 6% of the Company's total net sales for the second quarter of 2012 and 2011, respectively, and were 4% and 10% of the Company's total net sales during the first six months of 2012 and 2011, respectively.

Segment Operating Performance

The Company manages its business primarily on a geographic basis. The Company's reportable operating segments consist of the Americas, Europe, Japan, Asia-Pacific and Retail. The results of the Americas, Europe, Japan and Asia-Pacific 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 in 12 countries. 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 Note 7, "Segment Information and Geographic Data" in the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q.

Americas

During the second quarter of 2012, net sales in the Americas increased $3.9 billion or 41% compared to the second quarter of 2011, and increased $12.4 billion or 67% during the first six months of 2012 compared to the same period in 2011. The growth in net sales during the second quarter and first six months of 2012 was primarily driven by increased demand for iPhone following the successful launch of iPhone 4S in the first quarter of 2012, strong demand for iPad during the first quarter of 2012 and the successful launch of the new iPad in the second quarter of 2012, and higher sales from the iTunes Store. The Americas segment accounted for 34% and 38% of the Company's total net sales in the second quarter of 2012 and 2011, respectively, and 36% of the Company's total net sales for the first six months of both 2012 and 2011.

Europe

During the second quarter of 2012, net sales in Europe increased $2.8 billion or 46% compared to the second quarter of 2011, and increased $6.8 billion or 51% during the first six months of 2012 compared to the same period in 2011. The growth in net sales during the second quarter and first six months of 2012 was primarily driven by increased demand for iPhone following the successful launch of iPhone 4S in the first quarter of 2012, strong demand for iPad during the first quarter of 2012 and the successful launch of the new iPad in the second quarter of 2012, and higher sales from the iTunes Store. The Europe segment accounted for 22% and 24% of the Company's total net sales in the second quarter of 2012 and 2011, respectively, and 24% and 26% of total net sales for the first six months in 2012 and 2011, respectively.

Japan

During the second quarter of 2012, net sales in Japan increased $1.3 billion or 91% compared to the second quarter of 2011, and increased $3.4 billion or 120% during the first six months of 2012 compared to the same period in 2011. The growth in net sales during the second quarter and first six months of 2012 was primarily driven by increased demand for iPhone following the successful launch of iPhone 4S in the first quarter of 2012, strong demand for iPad during the first quarter of 2012 and the successful launch of the new iPad in the second quarter of 2012, and strength in the Japanese Yen relative to the U.S. dollar. The Japan segment accounted for 7% and 6% of the Company's total net sales in the second quarter of 2012 and 2011, respectively, and 7% and 5% of total net sales in the first six months of 2012 and 2011, respectively.

Asia-Pacific

During the second quarter of 2012, net sales in Asia-Pacific increased $5.4 billion or 114% compared to the second quarter of 2011, and increased $8.1 billion or 83% during the first six months of 2012 compared to the same period in 2011. The growth in net sales during the second quarter and first six months of 2012 was mainly due to increased demand for iPhone, the successful launch of iPhone 4S in mainland China during the second quarter of 2012, strong demand for iPad during the first quarter of 2012, and the successful launch of the new iPad in selected countries in Asia-Pacific during the second quarter of 2012. The Asia-Pacific segment accounted for 26% and 19% of the Company's total net sales for the second quarter of 2012 and 2011, respectively, and 21% and 19% of total net sales in the first six months of 2012 and 2011, respectively.

Retail

Retail net sales increased $1.2 billion or 38% during the second quarter of 2012 compared to the second quarter of 2011, and increased $3.5 billion or 49% during the first six months of 2012 compared to the same period in 2011. The growth in net sales during the second quarter and first six months of 2012 was driven primarily by increased demand for iPhone following the successful launch of iPhone 4S in the first quarter of 2012, strong demand for iPad during the first quarter of 2012 and the successful launch of the new iPad in the second quarter of 2012, and higher Mac net sales. The Retail segment accounted for 11% and 13% of total net sales in the second quarter of 2012 and 2011, respectively, and 12% and 14% of total net sales for the first six months of 2012 and 2011, respectively.

The Company opened two new retail stores during the second quarter of 2012, ending the quarter with 363 stores open compared to 323 stores at the end of the second quarter of 2011. With an average of 361 stores and 323 stores open during the second quarters of 2012 and 2011, respectively, average revenue per store increased 23% to $12.2 million in the second quarter of 2012 compared to the second quarter of 2011. Average revenue per store increased 33% to $29.2 million for the first six months of 2012 compared to the same period in 2011.

The Retail segment reported operating income of $1.1 billion during the second quarter of 2012 compared to operating income of $782 million during the second quarter of 2011, and reported operating income of $3.0 billion during the first six months of 2012 compared to $1.8 billion during the first six months of 2011. The year-over-year increase in Retail operating income was primarily attributable to higher overall net sales and leverage of fixed costs on higher net sales.

Expansion of the Retail segment has required and will continue to require a substantial investment in fixed assets and related infrastructure, operating lease commitments, personnel, and other operating expenses. Capital asset purchases associated with the Retail segment since inception totaled $3.1 billion through the second quarter of 2012. As of March 31, 2012, the Retail segment had approximately 42,200 full-time equivalent employees and had outstanding lease commitments associated with retail space and related facilities of $2.8 billion. The Company would incur substantial costs if it were to close multiple retail stores and such costs could adversely affect the Company's financial condition and operating results.

Gross Margin

Gross margin for the three- and six-month periods ended March 31, 2012 and March 26, 2011 was as follows (dollars in millions):

	Three Months Ended		Six Months Ended	
	March 31, 2012	March 26, 2011	March 31, 2012	March 26, 2011
Net sales	$ 39,186	$ 24,667	$ 85,519	$ 51,408
Cost of sales	20,622	14,449	46,252	30,892
Gross margin	$ 18,564	$ 10,218	$ 39,267	$ 20,516
Gross margin percentage	47.4%	41.4%	45.9%	39.9%

The gross margin percentage in the second quarter of 2012 was 47.4% compared to 41.4% in the second quarter of 2011. The gross margin percentage for the first six months of 2012 was 45.9% compared to 39.9% in the first six months of 2011. The year-over-year increase in gross margin was largely driven by favorable sales mix towards products with higher gross margins, particularly iPhone, lower commodity and other product costs, and leverage of fixed costs on higher net sales.

The Company expects to experience decreases in its gross margin percentage in future periods, as compared to levels achieved during the first half of 2012, largely due to a higher mix of new and innovative products with flat or reduced pricing that have higher cost structures and deliver greater value to customers and a stronger U.S. dollar, and potential future component cost and other cost increases.

The foregoing statements regarding the Company's expected gross margin percentage in future periods are forward-looking and could differ from actual results because of several factors including, but not limited to certain of those set forth below in Part II, Item 1A, "Risk Factors" of this Form 10-Q under the subheading " *Future operating results depend upon the Company's ability to obtain components in sufficient quantities* ," which is incorporated herein by reference. In general, gross margins and margins on individual products will remain under downward pressure due to a variety of factors, including continued industry wide global product pricing pressures, increased competition, compressed product life cycles, product transitions and potential increases in the cost of components, as well as potential increases in the costs of outside manufacturing services and a potential shift in the Company's sales mix towards products with lower gross margins. In response to competitive pressures, the Company expects it will continue to take product pricing actions, which would adversely affect gross margins. Gross margins could also be affected by the Company's ability to manage product quality and warranty costs effectively and to stimulate demand for certain of its products. Due to the Company's significant international operations, financial results can be significantly affected in the short-term by fluctuations in exchange rates.

Operating Expenses

Operating expenses for the three- and six-month periods ended March 31, 2012 and March 26, 2011 were as follows (dollars in millions):

	Three Months Ended		Six Months Ended	
	March 31, 2012	March 26, 2011	March 31, 2012	March 26, 2011
Research and development	$ 841	$ 581	$ 1,599	$ 1,156
Percentage of net sales	2%	2%	2%	2%
Selling, general and administrative	$ 2,339	$ 1,763	$ 4,944	$ 3,659
Percentage of net sales	6%	7%	6%	7%

Research and Development Expense ("R&D")

R&D expense increased $260 million or 45% to $841 million during the second quarter of 2012 compared to the same period of 2011 and increased $443 million or 38% to $1.6 billion during the first six months of 2012 compared to the same period in 2011. These increases were due primarily to an increase in headcount and related expenses to support expanded R&D activities.

Although total R&D expense increased 45% and 38% during the second quarter and first six months of 2012, respectively, compared to the same periods in 2011, it remained fairly consistent as a percentage of net sales given the year-over-year growth in the Company's net sales during the second quarter and first six months of 2012 of 59% and 66%, respectively. The Company continues to believe that focused investments in R&D are critical to its future growth and competitive position in the marketplace and are directly related to timely development of new and enhanced products that are central to the Company's core business strategy. As such, the Company expects to make further investments in R&D, including increases in related headcount, to remain competitive.

Selling, General and Administrative Expense ("SG&A")

SG&A expense increased $576 million or 33% to $2.3 billion during second quarter of 2012 compared to the same period of 2011, and increased $1.3 billion or 35% to $4.9 billion during the first six months of 2012 compared to the same period in 2011. These increases were due primarily to the Company's continued expansion of its Retail segment, increase in headcount and related expenses, higher spending on marketing and advertising programs, and increased variable costs associated with the overall growth of the Company's net sales.

Other Income and Expense

Total other income and expense increased $122 million or 469% to $148 million during second quarter of 2012 compared to the same period in 2011, and increased $123 million or 76% to $285 million during the first six months of 2012 compared to the same period in 2011. The overall increase in other income and expense during the second quarter of 2012 compared to the same period in 2011 was primarily attributable to higher interest and dividend income on the Company's higher cash, cash equivalents and marketable securities balances. The overall increase in other income and expense during the first six months of 2012 compared to the same period in 2011 was primarily attributable to higher interest and dividend income and net realized gains on sales of marketable securities, partially offset by higher premium expenses on foreign exchange contracts. The weighted-average interest rate earned by the Company on its cash, cash equivalents and marketable securities increased to 1.01% in the second quarter of 2012 from 0.76% in the second quarter of 2011.

Provision for Income Taxes

The Company's effective tax rate for the three- and six-month periods ended March 31, 2012 was approximately 25.2% for both periods, compared to approximately 24.2% and 24.4% for the three- and six-month periods ended March 26, 2011, respectively. The Company's effective rate for both periods differs from the statutory federal income tax rate of 35% due primarily to certain undistributed foreign earnings for which no U.S. taxes are provided because such earnings are intended to be indefinitely reinvested outside the U.S. The higher effective tax rate during the first six months of 2012 compared to the same period in 2011 is due primarily to a lower proportion of foreign earnings in the current year and the recognition of a tax benefit as a result of legislation enacted during the first quarter of 2011 retroactively reinstating the research and development tax credit through December 2011.

The Internal Revenue Service (the "IRS") has completed its field audit of the Company's federal income tax returns for the years 2004 through 2006 and proposed certain adjustments. The Company has contested certain of these adjustments through the IRS Appeals Office. The IRS is currently examining the years 2007 through 2009. All IRS audit issues for years prior to 2004 have been resolved. In addition, the Company is subject to audits by state, local, and foreign tax authorities. Management believes that adequate provisions have been made for any adjustments that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty. If any issues addressed in the Company's tax audits are resolved in a manner not consistent with management's expectations, the Company could be required to adjust its provision for income taxes in the period such resolution occurs.

Liquidity and Capital Resources

The following table presents selected financial information and statistics as of March 31, 2012 and September 24, 2011 (in millions):

	March 31, 2012	September 24, 2011
Cash, cash equivalents and marketable securities	$ 110,176	$ 81,570
Accounts receivable, net	$ 7,042	$ 5,369
Inventories	$ 1,102	$ 776
Working capital	$ 18,676	$ 17,018

As of March 31, 2012, the Company had $110.2 billion in cash, cash equivalents and marketable securities, an increase of $28.6 billion from September 24, 2011. The principal component of this net increase was the cash generated by operating activities of $31.5 billion, which was partially offset by payments made for acquisition of property, plant and equipment and intangible assets of $2.9 billion, and payments made in connection with business acquisitions, net of cash acquired, of $350 million.

The Company's marketable securities investment portfolio is invested primarily in highly rated securities and its policy generally limits the amount of credit exposure to any one issuer. The Company's investment policy requires investments to generally be investment grade with the objective of minimizing the potential risk of principal loss. As of March 31, 2012 and September 24, 2011, $74.0 billion and $54.3 billion, respectively, of the Company's cash, cash equivalents and marketable securities were held by foreign subsidiaries and are generally based in U.S. dollar-denominated holdings. Amounts held by foreign subsidiaries are generally subject to U.S. income taxation on repatriation to the U.S. The Company believes its existing balances of cash, cash equivalents and marketable securities will be sufficient to satisfy its working capital needs, capital asset purchases, outstanding commitments, common stock repurchases, dividends on its common stock and other liquidity requirements associated with its existing operations over the next 12 months.

Capital Assets

The Company's capital expenditures were $2.2 billion during the first six months of 2012 consisting of $362 million for retail store facilities and $1.8 billion for other capital expenditures, including product tooling and manufacturing process equipment, and other corporate facilities and infrastructure. The Company's actual cash payments for capital expenditures during the first six months of 2012 were $2.8 billion, of which $353 million related to retail store facilities.

The Company anticipates utilizing approximately $8.0 billion for capital expenditures during 2012, including approximately $900 million for retail store facilities and approximately $7.1 billion for other capital expenditures, including product tooling and manufacturing process equipment, and corporate facilities and infrastructure, including information systems hardware, software and enhancements.

During 2012, the Company expects to open about 40 new stores, approximately three quarters of which will be located outside of the U.S.

Dividend and Stock Repurchase Program

In March 2012, the Board of Directors of the Company approved a dividend policy pursuant to which it plans to make, subject to subsequent declaration, quarterly dividends of $2.65 per share, beginning in the fourth quarter of 2012. Additionally, in March 2012, the Company's Board of Directors authorized a program to repurchase up to $10 billion of the Company's common stock beginning in 2013. The repurchase program is expected to be executed over a three-year period with the primary objective to neutralize the impact of dilution from future employee equity grants and employee stock purchase programs. The repurchase program does not obligate the Company to acquire any specific number of shares. The Company anticipates that it will utilize approximately $45 billion of domestic cash to pay dividends, repurchase shares, and to remit withheld taxes related to net share settlement of RSUs in the first three years of the dividend and stock repurchase programs. The Company anticipates the cash used for future dividends and the repurchase program will come primarily from current domestic cash and from on-going U.S. operating activities and the cash generated from such activities.

Off-Balance Sheet Arrangements and Contractual Obligations

The Company has not entered into any transactions with unconsolidated entities whereby the Company has financial guarantees, subordinated retained interests, derivative instruments, or other contingent arrangements that expose the Company to material continuing risks, contingent liabilities, or any other obligation under a variable interest in an unconsolidated entity that provides financing, liquidity, market risk, or credit risk support to the Company.

Lease Commitments

The Company's major facility leases are typically for terms not exceeding 10 years and generally provide renewal options for terms not exceeding five additional years. Leases for retail space are for terms ranging from five to 20 years, the majority of which are for 10 years, and often contain multi-year renewal options. As of March 31, 2012, the Company's total future minimum lease payments under noncancelable operating leases were $3.7 billion, of which $2.8 billion related to leases for retail space.

Long-Term Supply Agreements

As of March 31, 2012, the Company had outstanding off-balance sheet commitments under certain long-term supply agreements to make inventory component prepayments and to acquire capital equipment to be used to manufacture such components of $1.4 billion.

Purchase Commitments with Outsourcing Partners and Component Suppliers

The Company utilizes several outsourcing partners to manufacture sub-assemblies for the Company's products and to perform final assembly and testing of finished products. These outsourcing partners acquire components and build product based on demand information supplied by the Company, which typically covers periods up to 150 days. The Company also obtains individual components for its products from a wide variety of individual suppliers. Consistent with industry practice, the Company acquires components through a combination of purchase orders, supplier contracts, and open orders based on projected demand information. As of March 31, 2012, the Company had outstanding off-balance sheet third-party manufacturing commitments and component purchase commitments of $13.0 billion.

Other Obligations

In addition to the off-balance sheet commitments mentioned above, the Company had outstanding obligations of $2.4 billion as of March 31, 2012, that were comprised mainly of commitments to acquire capital assets, including product tooling and manufacturing process equipment, and commitments related to advertising, research and development, Internet and telecommunications services and other obligations.

The Company's other non-current liabilities in the Condensed Consolidated Balance Sheets consist primarily of deferred tax liabilities, gross unrecognized tax benefits and the related gross interest and penalties. As of March 31, 2012, the Company had non-current deferred tax liabilities of $11.7 billion. Additionally, as of March 31, 2012, the Company had gross unrecognized tax benefits of $1.7 billion and an additional $278 million for gross interest and penalties classified as non-current liabilities. At this time, the Company is unable to make a reasonably reliable estimate of the timing of payments in individual years due to uncertainties in the timing of tax audit outcomes.

Indemnification

The Company generally does not indemnify end-users of its operating system and application software against legal claims that the software infringes third-party intellectual property rights. Other agreements entered into by the Company sometimes include indemnification provisions under which the Company could be subject to costs and/or damages in the event of an infringement claim against the Company or an indemnified third-party. However, the Company has not been required to make any significant payments resulting from such an infringement claim asserted against it or an indemnified third-party. In the opinion of management, there was not at least a reasonable possibility the Company may have incurred a material loss with respect to indemnification of end-users of its operating system or application software for infringement of third-party intellectual property rights. The Company did not record a liability for infringement costs related to indemnification as of March 31, 2012 or September 24, 2011.

The Company has entered into indemnification agreements with its directors and executive officers. Under these agreements, the Company has agreed to indemnify such individuals to the fullest extent permitted by law against liabilities that arise by reason of their status as directors or officers and to advance expenses incurred by such individuals in connection with related legal proceedings. It is not possible to determine the maximum potential amount of payments the Company could be required to make under these agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each claim. However, the Company maintains directors and officers liability insurance coverage to reduce its exposure to such obligations, and payments made under these agreements historically have not been material.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company’s market risk disclosures set forth in Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” of its 2011 Form 10-K have not changed materially for the six months ended March 31, 2012.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Based on an evaluation under the supervision and with the participation of the Company’s management, the Company’s principal executive officer and principal financial officer have concluded that the Company’s disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act were effective as of March 31, 2012 to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to the Company’s management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company’s internal control over financial reporting during the second quarter of 2012, which were identified in connection with management’s evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is subject to the various legal proceedings and claims discussed below as well as certain other legal proceedings and claims that have not been fully resolved and that have arisen in the ordinary course of business. In the opinion of management, there was not at least a reasonable possibility the Company may have incurred a material loss, or a material loss in excess of a recorded accrual, with respect to loss contingencies. However, the outcome of legal proceedings and claims brought against the Company are subject to significant uncertainty. Therefore, although management considers the likelihood of such an outcome to be remote, if one or more of these legal matters were resolved against the Company in the same reporting period for amounts in excess of management’s expectations, the Company’s condensed consolidated financial statements of a particular reporting period could be materially adversely affected. See the risk factors “ *The Company is frequently the subject of intellectual property litigation, and could be found to have infringed on intellectual property rights* ” and “ *The Company could be impacted by unfavorable results of legal proceedings* ” in Part II, Item 1A, “Risk Factors” of this Form 10-Q. The Company settled certain matters during the second quarter of 2012 that did not individually or in the aggregate have a material impact on the Company’s financial condition and results of operations.

The Apple iPod iTunes Antitrust Litigation (formerly Charoensak v. Apple Computer, Inc. and Tucker v. Apple Computer, Inc.); Somers v. Apple Inc.

These related cases have been filed on January 3, 2005, July 21, 2006 and December 31, 2007 in the United States District Court for the Northern District of California on behalf of a purported class of direct and indirect purchasers of iPods and iTunes Store content, alleging various claims including alleged unlawful tying of music and video purchased on the iTunes Store with the purchase of iPods and unlawful acquisition or maintenance of monopoly market power and unlawful acquisition or maintenance of monopoly market power under §§1 and 2 of the Sherman Act, the Cartwright Act, California Business & Professions Code §17200 (unfair competition), the California Consumer Legal Remedies Act and California monopolization law. Plaintiffs are seeking unspecified compensatory and punitive damages for the class, treble damages, injunctive relief, disgorgement of revenues and/or profits and attorneys fees. Plaintiffs are also seeking DRM free versions of any songs downloaded from iTunes or an order requiring the Company to license its DRM to all competing music players. The cases are currently pending.

Apple eBooks Antitrust Litigation (United States of America v. Apple Inc., et al.)

On April 11, 2012, the U.S. Department of Justice ("DOJ") filed a civil antitrust action against the Company and five major book publishers in the U.S. District Court for the Southern District of New York, alleging an unreasonable restraint of interstate trade and commerce in violation of §1 of the Sherman Act and seeking, among other things, injunctive relief, the District Court's declaration that the Company's agency agreements with the publishers are null and void and/or the District Court's reformation of such agreements to strike most favored nation pricing clauses. The DOJ's complaint asserts, among other things, that the decision by the five publishers to shift to an agency model to sell eBooks and their agreements with the Company were an attempt to "raise, fix and stabilize retail e-book prices, to end price competition among e-book retailers, and to limit retail price competition." The Company denies the DOJ's allegations and intends to vigorously contest the lawsuit.

Item 1A. Risk Factors

The following description of risk factors includes any material changes to and supersedes the description of risk factors associated with the Company's business previously disclosed in Part I, Item 1A, "Risk Factors," of the Company's 2011 Form 10-K. The business, financial condition and operating results of the Company can be affected by a number of factors, whether currently known or unknown, including but not limited to those described below, any one or more of which could, directly or indirectly, cause the Company's actual results of operations and financial condition to vary materially from past, or from anticipated future, results of operations and financial condition. Any of these factors, in whole or in part, could materially and adversely affect the Company's business, financial condition, results of operations and common stock price.

Because of the following factors, as well as other factors affecting the Company's financial condition and operating results, past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods.

Global economic conditions could materially adversely affect the Company.

The Company's operations and performance depend significantly on worldwide economic conditions. Uncertainty about global economic conditions poses a risk as consumers and businesses postpone spending in response to tighter credit, unemployment, negative financial news and/or declines in income or asset values, which could have a material negative effect on demand for the Company's products and services. Demand also could differ materially from the Company's expectations because the Company generally raises prices on goods and services sold outside the U.S. to correspond with the effect of a strengthening of the U.S. dollar. Other factors that could influence demand include increases in fuel and other energy costs, conditions in the real estate and mortgage markets, unemployment, labor and healthcare costs, access to credit, consumer confidence, and other macroeconomic factors affecting consumer spending behavior. These and other economic factors could materially adversely affect demand for the Company's products and services.

In the event of financial turmoil affecting the banking system and financial markets, additional consolidation of the financial services industry, or significant financial service institution failures, there could be a new or incremental tightening in the credit markets, low liquidity, and extreme volatility in fixed income, credit, currency, and equity markets. This could have a number of effects on the Company's business, including the insolvency or financial instability of outsourcing partners or suppliers or their inability to obtain credit to finance development and/or manufacture products resulting in product delays; inability of customers, including channel partners, to obtain credit to finance purchases of the Company's products; and failure of derivative counterparties and other financial institutions. Other income and expense also could vary materially from expectations depending on gains or losses realized on the sale or exchange of financial instruments; impairment charges resulting from revaluations of debt and equity securities and other investments; interest rates; cash balances; and changes in fair value of derivative instruments. Increased volatility in the financial markets and overall economic uncertainty would increase the risk of the actual amounts realized in the future on the Company's financial instruments differing significantly from the fair values currently assigned to them.

Global markets for the Company's products and services are highly competitive and subject to rapid technological change, and the Company may be unable to compete effectively in these markets.

The Company's products and services compete in highly competitive global markets characterized by aggressive price cutting, with resulting downward pressure on gross margins, frequent introduction of new products, short product life cycles, evolving industry standards, continual improvement in product price/performance characteristics, rapid adoption of technological and product advancements by competitors, and price sensitivity on the part of consumers.

The Company's ability to compete successfully depends heavily on its ability to ensure a continuing and timely introduction of innovative new products and technologies to the marketplace. The Company believes it is unique in that it designs and develops nearly the entire solution for its products, including the hardware, operating system, numerous software applications, and related services. As a result, the Company must make significant investments in research and development and as such, the Company currently holds a significant number of patents and copyrights and has registered and/or has applied to register numerous patents, trademarks and service marks. By contrast, many of the Company's competitors seek to compete primarily through aggressive pricing and very low cost structures. If the Company is unable to continue to develop and sell innovative new products with attractive margins or if other companies infringe on the Company's intellectual property, the Company's ability to maintain a competitive advantage could be negatively affected.

The Company markets certain mobile communication and media devices based on the iOS mobile operating system and also markets related third-party digital content and applications. The Company faces substantial competition in these markets from companies that have significant technical, marketing, distribution and other resources, as well as established hardware, software and digital content supplier relationships. Additionally, the Company faces significant price competition as competitors reduce their selling prices and attempt to imitate the Company's product features and applications within their own products or, alternatively, collaborate with each other to offer solutions that are more competitive than those they currently offer. The Company also competes with illegitimate ways to obtain third-party digital content and applications. The Company has entered the mobile communications and media device markets, and some of its competitors in these markets have greater experience, product breadth and distribution channels than the Company. Because some current and potential competitors have substantial resources and/or experience and a lower cost structure, they may be able to provide such products and services at little or no profit or even at a loss. The Company also expects competition to intensify as competitors attempt to imitate the Company's approach to providing these components seamlessly within their individual offerings or work collaboratively to offer integrated solutions. The Company's financial condition and operating results depend substantially on the Company's ability to continually improve iOS and iOS devices in order to maintain their functional and design advantages.

The Company is the only authorized maker of hardware using Mac OS X, which has a minority market share in the personal computer market. This market is dominated by computer makers using competing operating systems, most notably Windows. In the market for personal computers and peripherals, the Company faces a significant number of competitors, many of which have broader product lines, lower priced products, and a larger installed customer base. Consolidation in this market has resulted in larger and potentially stronger competitors. Price competition has been particularly intense as competitors selling Windows-based personal computers have aggressively cut prices and lowered product margins. An increasing number of Internet devices that include software applications and are smaller and simpler than traditional personal computers compete for market share with the Company's existing products. The Company's financial condition and operating results depend substantially on its ability to continually improve the Mac platform to maintain its functional and design advantages.

There can be no assurance the Company will be able to continue to provide products and services that compete effectively.

To remain competitive and stimulate customer demand, the Company must successfully manage frequent product introductions and transitions.

Due to the highly volatile and competitive nature of the industries in which the Company competes, the Company must continually introduce new products, services and technologies, enhance existing products and services, and effectively stimulate customer demand for new and upgraded products. The success of new product introductions depends on a number of factors including but not limited to timely and successful product development, market acceptance, the Company’s ability to manage the risks associated with new products and production ramp issues, the availability of application software for new products, the effective management of purchase commitments and inventory levels in line with anticipated product demand, the availability of products in appropriate quantities and costs to meet anticipated demand, and the risk that new products may have quality or other defects in the early stages of introduction. Accordingly, the Company cannot determine in advance the ultimate effect of new product introductions and transitions.

The Company faces substantial inventory and other asset risk in addition to purchase commitment cancellation risk.

The Company records a write-down for product and component inventories that have become obsolete or exceed anticipated demand or net realizable value and accrues necessary cancellation fee reserves for orders of excess products and components. The Company also reviews its long-lived assets for impairment whenever events or changed circumstances indicate the carrying amount of an asset may not be recoverable. If the Company determines that impairment has occurred, it records a write-down equal to the amount by which the carrying value of the assets exceeds its fair market value. Although the Company believes its provisions related to inventory, capital assets, other assets and purchase commitments are currently adequate, no assurance can be given that the Company will not incur additional related charges given the rapid and unpredictable pace of product obsolescence in the industries in which the Company competes.

The Company must order components for its products and build inventory in advance of product announcements and shipments. Consistent with industry practice, components are normally acquired through a combination of purchase orders, supplier contracts, open orders and, where appropriate, inventory component prepayments, in each case based on projected demand. Such purchase commitments typically cover forecasted component and manufacturing requirements for periods up to 150 days. Because the Company’s markets are volatile, competitive and subject to rapid technology and price changes, there is a risk the Company will forecast incorrectly and order or produce excess or insufficient amounts of components or products, or not fully utilize firm purchase commitments.

Future operating results depend upon the Company’s ability to obtain components in sufficient quantities.

Because the Company currently obtains components from single or limited sources, the Company is subject to significant supply and pricing risks. Many components that are available from multiple sources are at times subject to industry-wide shortages and significant commodity pricing fluctuations. The Company has entered into various agreements for the supply of components; there can be no guarantee that the Company will be able to extend or renew these agreements on similar terms, or at all. The follow-on effects from the credit crisis on the Company’s suppliers, referred to in “ *Global economic conditions could materially adversely affect the Company”* above, also could affect the Company’s ability to obtain components . Therefore, the Company remains subject to significant risks of supply shortages and price increases. The Company expects to experience decreases in its gross margin percentage in future periods, as compared to levels achieved during the first half of 2012, largely due to a higher mix of new and innovative products with flat or reduced pricing that have higher cost structures and deliver greater value to customers and a stronger U.S. dollar, and potential future component cost and other cost increases.

The Company and other participants in the mobile communication and media device, and personal computer industries compete for various components with other industries that have experienced increased demand for their products. The Company uses some custom components that are not common to the rest of these industries. The Company’s new products often utilize custom components available from only one source. When a component or product uses new technologies, initial capacity constraints may exist until the suppliers’ yields have matured or manufacturing capacity has increased. Continued availability of these components at acceptable prices, or at all, may be affected if those suppliers decided to concentrate on the production of common components instead of components customized to meet the Company’s requirements. The supply of components for a new or existing product could be delayed or constrained, or a key manufacturing vendor could delay shipments of completed products to the Company.

The Company depends on component and product manufacturing and logistical services provided by outsourcing partners, many of whom are located outside of the U.S.

Substantially all of the Company’s manufacturing is performed in whole or in part by a few outsourcing partners primarily located in Asia. The Company has also outsourced much of its transportation and logistics management. While these arrangements may lower operating costs, they also reduce the Company’s direct control over production and distribution. It is uncertain what effect such diminished control will have on the quality or quantity of products or services, or the Company’s flexibility to respond to changing conditions. Although arrangements with these partners may contain provisions for warranty expense reimbursement, the Company may remain responsible to the consumer for warranty service in the event of product defects and could experience an unanticipated product defect or warranty liability. While the Company relies on its partners to adhere to its supplier code of conduct, material violations of the supplier code of conduct could occur.

The supply and manufacture of many critical 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. Manufacturing or logistics in these locations or transit to final destinations may be disrupted for a variety of reasons including, but not limited to, natural and man-made disasters, information technology system failures, military actions or economic, business, labor, environmental, public health, or political issues.

The Company relies on third-party intellectual property and digital content, which may not be available to the Company on commercially reasonable terms or at all.

Many of the Company’s products include third-party intellectual property, which requires licenses from those third parties. Based on past experience and industry practice, the Company believes such licenses generally can be obtained on reasonable terms. There is however no assurance that the necessary licenses can be obtained on acceptable terms or at all.

The Company also contracts with third parties to offer their digital content through the iTunes Store. The licensing arrangements with these third parties are short-term and do not guarantee the continuation or renewal of these arrangements on reasonable terms, if at all. Some third-party content providers currently or in the future may offer competing products and services, and could take action to make it more difficult or impossible for the Company to license their content in the future. Other content owners, providers or distributors may seek to limit the Company’s access to, or increase the cost of, such content. The Company may be unable to continue to offer a wide variety of content at reasonable prices with acceptable usage rules, or continue to expand its geographic reach.

Many third-party content providers require the Company to provide digital rights management (“DRM”) and other security solutions. If these requirements change, the Company may have to develop or license new technology to provide these solutions. There is no assurance the Company will be able to develop or license such solutions at a reasonable cost and in a timely manner. In addition, certain countries have passed or may propose legislation that would force the Company to license its DRM, which could lessen the protection of content and subject it to piracy and also could affect arrangements with the Company’s content providers.

The Company is frequently the subject of intellectual property litigation, and could be found to have infringed on intellectual property rights.

Technology companies, including many of the Company’s competitors, frequently enter into litigation based on allegations of patent infringement or other violations of intellectual property rights. In addition, patent holding companies seek to monetize patents they have purchased or otherwise obtained. As the Company has grown, the intellectual property rights claims against it have increased and may continue to increase. In particular, the Company’s cellular enabled products compete with mobile communication and media device companies that hold significant patent portfolios, and the number of patent claims against the Company has significantly increased. The Company is vigorously defending infringement actions in courts in a number of U.S. jurisdictions and before the U.S. International Trade Commission, as well as internationally in Europe and Asia. The plaintiffs in these actions frequently seek injunctions and substantial damages.

Regardless of the scope or validity of such patents or other intellectual property rights, or the merits of any claims by potential or actual litigants, the Company may have to engage in protracted litigation. If the Company is found to infringe one or more patents or other intellectual property rights, regardless of whether it can develop non-infringing technology, it may be required to pay substantial damages or royalties to a third-party, or it may be subject to a temporary or permanent injunction prohibiting the Company from marketing or selling certain products.

In certain cases, the Company may consider the desirability of entering into licensing agreements, although no assurance can be given that such licenses can be obtained on acceptable terms or that litigation will not occur. These licenses may also significantly increase the Company's operating expenses.

In management's opinion, there is not at least a reasonable possibility the Company may have incurred a material loss, or a material loss in excess of a recorded accrual, with respect to loss contingencies, including matters related to infringement of intellectual property rights. However, the outcome of litigation is inherently uncertain. Therefore, although management considers the likelihood of such an outcome to be remote, if one or more of these legal matters were resolved against the Company in the same reporting period for amounts in excess of management's expectations, the Company's condensed consolidated financial statements of a particular reporting period could be materially adversely affected.

The Company's future performance depends in part on support from third-party software developers.

The Company believes decisions by customers to purchase its hardware products depend in part on the availability of third-party software applications and services. There is no assurance that third-party developers will continue to develop and maintain software applications and services for the Company's products. If third-party software applications and services cease to be developed and maintained for the Company's products, customers may choose not to buy the Company's products.

With respect to its Mac products, the Company believes the availability of third-party software applications and services depends in part on the developers' perception and analysis of the relative benefits of developing, maintaining, and upgrading such software for the Company's products compared to Windows-based products. This analysis may be based on factors such as the perceived strength of the Company and its products, the anticipated revenue that may be generated, continued acceptance by customers of Mac OS X, and the costs of developing such applications and services. If the Company's minority share of the global personal computer market causes developers to question the Company's prospects, developers could be less inclined to develop or upgrade software for the Company's products and more inclined to devote their resources to developing and upgrading software for the larger Windows market.

With respect to iOS devices, the Company relies on the continued availability and development of compelling and innovative software applications, which are distributed through a single distribution channel, the App Store. The absence of multiple distribution channels, which are available for competing platforms, may limit the availability and acceptance of third-party applications by the Company's customers, thereby causing developers to reduce or curtail development for the iOS platform. In addition, iOS devices are subject to rapid technological change, and, if third-party developers are unable to or choose not to keep up with this pace of change, third-party applications might not successfully operate and may result in dissatisfied customers. As with applications for the Company's Mac products, the availability and development of these applications also depend on developers' perceptions and analysis of the relative benefits of developing software for the Company's products rather than its competitors' products, including devices that use competing platforms. If developers focus their efforts on these competing platforms, the availability and quality of applications for the Company's devices may suffer.

The Company depends on the performance of distributors, carriers and other resellers.

The Company distributes its products through wholesalers, resellers, national and regional retailers, and value-added resellers, many of whom distribute products from competing manufacturers. The Company also sells many of its products and third-party products in most of its major markets directly to education customers, cellular network carriers' distribution channels, resellers and consumers through its online and retail stores.

Carriers providing cellular network service for iPhone typically subsidize users' purchase of the device. There is no assurance that such subsidies will be continued at all or in the same amounts upon renewal of the Company's agreements with these carriers or in agreements the Company enters into with new carriers.

Many resellers have narrow operating margins and have been negatively affected in the past by weak economic conditions. Some resellers have perceived the expansion of the Company's direct sales as conflicting with their business interests as distributors and resellers of the Company's products. Such a perception could discourage resellers from investing resources in the distribution and sale of the Company's products or lead them to limit or cease distribution of those products. The Company has invested and will continue to invest in programs to enhance reseller sales, including staffing selected resellers' stores with Company employees and contractors and improving product placement displays. These programs could require a substantial investment while providing no assurance of return or incremental revenue. The financial condition of these resellers could weaken, these resellers could stop distributing the Company's products, or uncertainty regarding demand for the Company's products could cause resellers to reduce their ordering and marketing of the Company's products.

The Company's Retail business has required and will continue to require a substantial investment and commitment of resources and is subject to numerous risks and uncertainties.

The Company's retail stores have required substantial fixed investment in equipment and leasehold improvements, information systems, inventory and personnel. The Company also has entered into substantial operating lease commitments for retail space. Certain stores have been designed and built to serve as high-profile venues to promote brand awareness and serve as vehicles for corporate sales and marketing activities. Because of their unique design elements, locations and size, these stores require substantially more investment than the Company's more typical retail stores. Due to the high fixed cost structure associated with the Retail segment, a decline in sales or the closure or poor performance of individual or multiple stores could result in significant lease termination costs, write-offs of equipment and leasehold improvements, and severance costs.

Many factors unique to retail operations, some of which are beyond the Company's control, pose risks and uncertainties. These risks and uncertainties include, but are not limited to, macro-economic factors that could have a negative effect on general retail activity, as well as the Company's inability to manage costs associated with store construction and operation, inability to sell third-party products at adequate margins, failure to manage relationships with its existing retail channel partners, more challenging environment in managing retail operations outside the U.S., costs associated with unanticipated fluctuations in the value of retail inventory, and inability to obtain and renew leases in quality retail locations at a reasonable cost.

Investment in new business strategies and initiatives could disrupt the Company's ongoing business and present risks not originally contemplated.

The Company has invested, and in the future may invest, in new business strategies or acquisitions. Such endeavors may involve significant risks and uncertainties, including distraction of management from current operations, insufficient revenue to offset liabilities assumed and expenses associated with the strategy, inadequate return of capital, and unidentified issues not discovered in the Company's due diligence. These new ventures are inherently risky and may not be successful.

The Company's products and services experience quality problems from time to time that can result in decreased sales and operating margin.

The Company sells complex hardware and software products and services that can contain design and manufacturing defects. Sophisticated operating system software and applications, such as those sold by the Company, often contain "bugs" that can unexpectedly interfere with the software's intended operation. The Company's online services may from time to time experience outages, service slowdowns, or errors. Defects may also occur in components and products the Company purchases from third parties. There can be no assurance the Company will be able to detect and fix all defects in the hardware, software and services it sells. Failure to do so could result in lost revenue, significant warranty and other expenses, and harm to the Company's reputation.

The Company is subject to laws and regulations worldwide, changes to which could increase the Company's costs and individually or in the aggregate adversely affect the Company's business.

The Company is subject to laws and regulations affecting its domestic and international operations in a number of areas. These U.S. and foreign laws and regulations affect the Company's activities including, but not limited to, areas of labor, advertising, digital content, consumer protection, real estate, billing, e-commerce, promotions, quality of services, telecommunications, mobile communications and media, television, intellectual property ownership and infringement, tax, import and export requirements, anti-corruption, foreign exchange controls and cash repatriation restrictions, data privacy requirements, anti-competition, environmental, health, and safety.

By way of example, laws and regulations related to mobile communications and media devices in the many jurisdictions in which the Company operates are extensive and subject to change. Such changes could include, among others, restrictions on the production, manufacture, distribution, and use of the device, locking the device to a carrier's network, or mandating the use of the device on more than one carrier's network. These devices are also subject to certification and regulation by governmental and standardization bodies, as well as by cellular network carriers for use on their networks. These certification processes are extensive and time consuming, and could result in additional testing requirements, product modifications, delays in product shipment dates, or preclude the Company from selling certain products.

Compliance with these laws, regulations and similar requirements may be onerous and expensive, and they may be inconsistent from jurisdiction to jurisdiction, further increasing the cost of compliance. This increases the costs of doing business, and any such costs, which may rise in the future as a result of changes in these laws and regulations or in their interpretation could individually or in the aggregate make the Company's products and services less attractive to the Company's customers, delay the introduction of new products in one or more regions, or cause the Company to change or limit its business practices. The Company has implemented policies and procedures designed to ensure compliance with these laws and regulations, but there can be no assurance that the Company's employees, contractors, or agents will not violate such laws and regulations or the Company's policies.

The Company's success depends largely on the continued service and availability of key personnel.

Much of the Company's future success depends on the continued availability and service of key personnel, including its CEO, executive team and highly skilled employees. Experienced personnel in the technology industry are in high demand and competition for their talents is intense, especially in the Silicon Valley, where most of the Company's key personnel are located.

The Company's business may be impacted by political events, war, terrorism, public health issues, natural disasters and other circumstances.

War, terrorism, geopolitical uncertainties, public health issues, and other business interruptions have caused and could cause damage or disruption to international commerce and the global economy, and thus could have a strong negative effect on the Company, its suppliers, logistics providers, manufacturing vendors and customers, including channel partners. The Company's business operations are subject to interruption by natural disasters, fire, power shortages, nuclear power plant accidents, terrorist attacks, and other hostile acts, labor disputes, public health issues, and other events beyond its control. Such events could decrease demand for the Company's products, make it difficult or impossible for the Company to make and deliver products to its customers, including channel partners, or to receive components from its suppliers, and create delays and inefficiencies in the Company's supply chain. Should major public health issues, including pandemics, arise, the Company could be negatively affected by more stringent employee travel restrictions, additional limitations in freight services, governmental actions limiting the movement of products between regions, delays in production ramps of new products, and disruptions in the operations of the Company's manufacturing vendors and component suppliers. The majority of the Company's research and development activities, its corporate headquarters, information technology systems, and other critical business operations, including certain component suppliers and manufacturing vendors, are in locations that could be affected by natural disasters. In the event of a natural disaster, losses, significant recovery time and substantial expenditures could be required to resume operations.

The Company's business and reputation may be impacted by information technology system failures or network disruptions.

The Company may be subject to information technology system failures and network disruptions. These may be caused by natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism or war, computer viruses, physical or electronic break-ins, or similar events or disruptions. System redundancy may be ineffective or inadequate, and the Company's disaster recovery planning may not be sufficient for all eventualities. Such failures or disruptions could prevent access to the Company's online stores and services, preclude retail store transactions, compromise Company or customer data, and result in delayed or cancelled orders. System failures and disruptions could also impede the manufacturing and shipping of products, delivery of online services, transactions processing and financial reporting.

The Company may be subject to breaches of its information technology systems, which could damage the Company's reputation, business partner and customer relationships, and access to online stores and services. Such breaches could subject the Company to significant reputational, financial, legal, and operational consequences.

The Company's business requires it to use and store customer, employee, and business partner personally identifiable information ("PII"). This may include names, addresses, phone numbers, email addresses, contact preferences, tax identification numbers, and payment account information. Although malicious attacks to gain access to PII affect many companies across various industries, the Company may be at a relatively greater risk of being targeted because of its high profile and the amount of PII managed.

The Company requires user names and passwords in order to access its information technology systems. The Company also uses encryption and authentication technologies to secure the transmission and storage of data. These security measures may be compromised as a result of third-party security breaches, employee error, malfeasance, faulty password management, or other irregularity, and result in persons obtaining unauthorized access to Company data or accounts. Third parties may attempt to fraudulently induce employees or customers into disclosing user names, passwords or other sensitive information, which may in turn be used to access the Company's information technology systems. To help protect customers and the Company, the Company monitors accounts and systems for unusual activity and may freeze accounts under suspicious circumstances, which may result in the delay or loss of customer orders.

The Company devotes significant resources to network security, data encryption, and other security measures to protect its systems and data, but these security measures cannot provide absolute security. The Company may experience a breach of its systems and may be unable to protect sensitive data. Moreover, if a computer security breach affects the Company's systems or results in the unauthorized release of PII, the Company's reputation and brand could be materially damaged and use of the Company's products and services could decrease. The Company would also be exposed to a risk of loss or litigation and possible liability.

The Company's business is subject to a variety of U.S. and international laws, rules, policies and other obligations regarding data protection.

The Company is subject to federal, state and international laws relating to the collection, use, retention, security and transfer of PII. In many cases, these laws apply not only to third-party transactions, but also to transfers of information between the Company and its subsidiaries, and among the Company, its subsidiaries and other parties with which the Company has commercial relations. Several jurisdictions have passed new laws in this area, and other jurisdictions are considering imposing additional restrictions. These laws continue to develop and may be inconsistent from jurisdiction to jurisdiction. Complying with emerging and changing international requirements may cause the Company to incur substantial costs or require the Company to change its business practices. Noncompliance could result in penalties or significant legal liability.

The Company's privacy policy and related practices concerning the use and disclosure of data are posted on its website. Any failure by the Company, its suppliers or other parties with whom the Company does business to comply with its posted privacy policy or with other federal, state or international privacy-related or data protection laws and regulations could result in proceedings against the Company by governmental entities or others.

The Company is also subject to payment card association rules and obligations under its contracts with payment card processors. Under these rules and obligations, if information is compromised, the Company could be liable to payment card issuers for the cost of associated expenses and penalties. In addition, if the Company fails to follow payment card industry security standards, even if no customer information is compromised, the Company could incur significant fines or experience a significant increase in payment card transaction costs.

The Company expects its quarterly revenue and operating results to fluctuate.

The Company’s profit margins vary among its products and its distribution channels. The Company’s software, accessories, and service and support contracts generally have higher gross margins than certain of the Company’s other products. Gross margins on the Company’s hardware products vary across product lines and can change over time as a result of product transitions, pricing and configuration changes, and component, warranty, and other cost fluctuations. The Company’s direct sales generally have higher associated gross margins than its indirect sales through its channel partners. In addition, the Company’s gross margin and operating margin percentages, as well as overall profitability, may be materially adversely impacted as a result of a shift in product, geographic or channel mix, new products, component cost increases, strengthening U.S. dollar, or price competition. The Company has typically experienced greater net sales in the first fiscal quarter compared to other fiscal quarters due to increased holiday seasonal demand. The Company could be subject to unexpected developments late in a quarter, such as lower-than-anticipated demand for the Company’s products, issues with new product introductions, an internal systems failure, or failure of one of the Company’s logistics, components supply, or manufacturing partners.

The Company’s stock price is subject to volatility.

The Company’s stock continues to experience substantial price volatility. Additionally, the Company, the technology industry, and the stock market as a whole have experienced extreme price and volume fluctuations that have affected stock prices in ways that may have been unrelated to these companies’ operating performance. The Company believes its stock price reflects high future growth and profitability expectations. If the Company fails to meet these expectations its stock price may significantly decline, which could have a material adverse impact on investor confidence and employee retention.

The Company’s business is subject to the risks of international operations.

The Company derives a significant portion of its revenue and earnings from its international operations. Compliance with applicable U.S. and foreign laws and regulations, such as import and export requirements, anti-corruption laws, tax laws, foreign exchange controls and cash repatriation restrictions, data privacy requirements, environmental laws, labor laws, and anti-competition regulations, increases the costs of doing business in foreign jurisdictions. Although the Company has implemented policies and procedures to comply with these laws and regulations, a violation by the Company’s employees, contractors, or agents could nevertheless occur.

The Company also could be significantly affected by other risks associated with international activities including, but not limited to, economic and labor conditions, increased duties, taxes and other costs, political instability, and changes in the value of the U.S. dollar versus local currencies. Margins on sales of the Company’s products in foreign countries, and on sales of products that include components obtained from foreign suppliers, could be materially adversely affected by foreign currency exchange rate fluctuations and by international trade regulations, including duties, tariffs and antidumping penalties. The Company is also exposed to credit and collectability risk on its trade receivables with customers in certain international markets. There can be no assurance the Company can effectively limit its credit risk and avoid losses.

The Company's primary exposure to movements in foreign currency exchange rates relate to non-U.S. dollar denominated sales and operating expenses worldwide. Weakening of foreign currencies relative to the U.S. dollar will adversely affect the U.S. dollar value of the Company's foreign currency-denominated sales and earnings, and generally will lead the Company to raise international pricing, potentially reducing demand for the Company's products. In some circumstances, due to competition or other reasons, the Company may decide not to raise local prices to the full extent of the dollar's strengthening, or at all, which would adversely affect the U.S. dollar value of the Company's foreign currency denominated sales and earnings. Conversely, a strengthening of foreign currencies, while generally beneficial to the Company's foreign currency-denominated sales and earnings, could cause the Company to reduce international pricing and incur losses on its foreign currency derivative instruments, thereby limiting the benefit. Additionally, strengthening of foreign currencies may also increase the Company's cost of product components denominated in those currencies, thus adversely affecting gross margins.

The Company has used derivative instruments, such as foreign currency forward and option contracts, to hedge certain exposures to fluctuations in foreign currency exchange rates. The use of such hedging activities may not offset any or more than a portion of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place.

The Company is exposed to credit risk and fluctuations in the market values of its investment portfolio.

The Company has not recognized any significant losses on its cash, cash equivalents and marketable securities, but could experience significant declines in the market value of its investment portfolio. Given the global nature of its business, the Company has both domestic and international investments. Credit ratings and pricing of these investments can be negatively affected by liquidity, credit deterioration, financial results, economic risk, political risk, sovereign risk or other factors. As a result, the value and liquidity of the Company's cash, cash equivalents and marketable securities could decline and result in a significant impairment.

The Company is exposed to credit risk on its trade accounts receivable, vendor non-trade receivables and prepayments related to long-term supply agreements. This risk is heightened during periods when economic conditions worsen.

The Company distributes its products through third-party cellular network carriers, wholesalers, retailers and value-added resellers. A substantial majority of the Company's outstanding trade receivables are not covered by collateral or credit insurance. The Company's exposure to credit and collectability risk on its trade receivables is higher in certain international markets and its ability to mitigate such risks may be limited. Cellular network carriers accounted for a significant portion of the Company's trade receivables as of March 31, 2012. The Company also has unsecured vendor non-trade receivables resulting from purchases of components by outsourcing partners and other vendors that manufacture sub-assemblies or assemble final products for the Company. Two vendors accounted for a significant portion of the Company's non-trade receivables as of March 31, 2012. In addition, the Company has made prepayments associated with long-term supply agreements to secure supply of inventory components. While the Company has procedures to monitor and limit exposure to credit risk on its trade and vendor non-trade receivables as well as long-term prepayments, there can be no assurance such procedures will effectively limit its credit risk and avoid losses.

The Company could be impacted by unfavorable results of legal proceedings.

The Company is subject to various legal proceedings and claims that have not yet been fully resolved and that have arisen in the ordinary conduct of business, and additional claims may arise in the future. Results of legal proceedings are subject to significant uncertainty and, regardless of the merit of the claims, litigation may be expensive, time-consuming, disruptive to the Company's operations, and distracting to management. In recognition of these considerations, the Company may enter into arrangements to settle litigation.

Although management considers the likelihood of such an outcome to be remote, if one or more of these legal matters were resolved against the Company in the same reporting period for amounts in excess of management's expectations, the Company's condensed consolidated financial statements of a particular reporting period could be materially adversely affected. Further, such an outcome could result in significant compensatory, punitive or trebled monetary damages, disgorgement of revenue or profits, remedial corporate measures or injunctive relief against the Company that could materially adversely affect its financial condition and operating results.

The Company could be subject to changes in its tax rates, the adoption of new U.S. or international tax legislation or exposure to additional tax liabilities.

The Company is subject to taxes in the U.S. and numerous foreign jurisdictions. The Company's future effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation. The Company is also subject to the examination of its tax returns by the Internal Revenue Service and other tax authorities. The Company regularly assesses the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of its provision for taxes. There can be no assurance as to the outcomes from these examinations.

Item 6. Exhibits

Index to Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference: Form	Incorporated by Reference: Filing Date/ Period End Date
3.1	Restated Articles of Incorporation, filed with the Secretary of State of the State of California on July 10, 2009.	10-Q	6/27/09
3.2	By-Laws of the Registrant, as amended through April 20, 2011.	10-Q	3/26/11
4.1	Form of Stock Certificate of the Registrant.	10-Q	12/30/06
10.1*	Employee Stock Purchase Plan, as amended through March 8, 2010.	10-Q	3/27/10
10.2*	Form of Indemnification Agreement between the Registrant and each director and executive officer of the Registrant.	10-Q	6/27/09
10.3*	1997 Director Stock Plan, as amended through February 25, 2010.	8-K	3/1/10
10.4*	2003 Employee Stock Plan, as amended through February 25, 2010.	8-K	3/1/10
10.5*	Form of Restricted Stock Unit Award Agreement effective as of August 28, 2007.	10-K	9/29/07
10.6*	Form of Restricted Stock Unit Award Agreement effective as of November 11, 2008.	10-Q	12/27/08
10.7*	Form of Restricted Stock Unit Award Agreement effective as of November 16, 2010.	10-Q	12/25/10
10.8**	Form of Restricted Stock Unit Award Agreement effective as of April 6, 2012.		
14.1**	Business Conduct Policy of the Registrant dated January 2012.		
31.1**	Rule 13a-14(a) / 15d-14(a) Certification of Chief Executive Officer.		
31.2**	Rule 13a-14(a) / 15d-14(a) Certification of Chief Financial Officer.		
32.1***	Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer.		
101.INS	XBRL Instance Document		
101.SCH	XBRL Taxonomy Extension Schema Document		
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document		
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document		
101.LAB	XBRL Taxonomy Extension Label Linkbase Document		
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document		

* Indicates management contract or compensatory plan or arrangement.

** Filed herewith.

*** Furnished herewith.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

April 25, 2012	APPLE INC.
	By: /s/ Peter Oppenheimer
	Peter Oppenheimer Senior Vice President, Chief Financial Officer

Exhibit 10.8

APPLE INC.
2003 EMPLOYEE STOCK PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT

NOTICE OF GRANT

Name:	____________________________(the “Participant”)
Employee ID:	____________________________
Grant Number:	____________________________
No. of Units Subject to Award:	____________________________
Award Date:	____________________________(the “Award Date”)
Vesting Commencement Date:	The first day after the Award Date that is the 15 th day of a calendar month.
Vesting Schedule:	[______________]

This restricted stock unit award (the “Award”) is granted under and governed by the terms and conditions of the Apple Inc. 2003 Employee Stock Plan and the Terms and Conditions of Restricted Stock Unit Award, which are attached hereto and incorporated herein by reference.

You do not have to accept the Award. If you wish to decline your Award, you should promptly notify Apple Inc.’s Stock Plan Group of your decision at stock@apple.com . If you do not provide such notification within thirty (30) days after the Award Date, you will be deemed to have accepted your Award on the terms and conditions set forth herein.

TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AWARD

1. General. These Terms and Conditions of Restricted Stock Unit Award (these " **Terms** ") apply to a particular restricted stock unit award (the " **Award** ") granted by Apple Inc., a California corporation (the " **Company** "), and are incorporated by reference in the Notice of Grant (the " **Grant Notice** ") corresponding to that particular grant. The recipient of the Award identified in the Grant Notice is referred to as the " **Participant** ." The effective date of grant of the Award as set forth in the Grant Notice is referred to as the " **Award Date** ." The Award was granted under and is subject to the provisions of the Apple Inc. 2003 Employee Stock Plan (the " **Plan** "). Capitalized terms are defined in the Plan if not defined herein. The Award has been granted to the Participant in addition to, and not in lieu of, any other form of compensation otherwise payable or to be paid to the Participant. The Grant Notice and these Terms are collectively referred to as the " **Award Agreement** " applicable to the Award.

2. Stock Units. As used herein, the term " **Stock Unit** " shall mean a non-voting unit of measurement which is deemed for bookkeeping purposes to be equivalent to one outstanding share of the Company's Common Stock (" **Share** ") solely for purposes of the Plan and this Award Agreement. The Stock Units shall be used solely as a device for the determination of the payment to eventually be made to the Participant if such Stock Units vest pursuant to this Award Agreement. The Stock Units shall not be treated as property or as a trust fund of any kind.

3. Vesting. Subject to Section 8 below, the Award shall vest and become nonforfeitable as set forth in the Grant Notice. (Each vesting date set forth in the Grant Notice is referred to herein as a " **Vesting Date** ").

4. Continuance of Employment. The vesting schedule requires continued employment or service through each applicable Vesting Date as a condition to the vesting of the applicable installment of the Award and the rights and benefits under this Award Agreement. Employment or service for only a portion of the vesting period, even if a substantial portion, will not entitle the Participant to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in Section 8 below or under the Plan.

Nothing contained in this Award Agreement or the Plan constitutes an employment or service commitment by the Company, affects the Participant's status as an employee at will who is subject to termination with or without cause, confers upon the Participant any right to remain employed by or in service to the Company or any Subsidiary, interferes in any way with the right of the Company or any Subsidiary at any time to terminate such employment or services, or affects the right of the Company or any Subsidiary to increase or decrease the Participant's other compensation or benefits. Nothing in this paragraph, however, is intended to adversely affect any independent contractual right of the Participant without his consent thereto.

5. Dividend and Voting Rights.

(a) **Limitations on Rights Associated with Units**. The Participant shall have no rights as a shareholder of the Company, no dividend rights (except as expressly provided in Section 5(b) with respect to

Dividend Equivalent Rights) and no voting rights, with respect to the Stock Units or any Shares underlying or issuable in respect of such Stock Units until such Shares are actually issued to and held of record by the Participant. No adjustments will be made for dividends or other rights of a holder for which the record date is prior to the date of issuance of the stock certificate or book entry evidencing such Shares.

(b) **Dividend Equivalent Rights Distributions**. As of any date that the Company pays an ordinary cash dividend on its Common Stock, the Company shall credit the Participant with a dollar amount equal to (i) the per share cash dividend paid by the Company on its Common Stock on such date, multiplied by (ii) the total number of Stock Units (with such total number adjusted pursuant to Section 11 of the Plan) subject to the Award that are outstanding immediately prior to the record date for that dividend (a "**Dividend Equivalent Right**"). Any Dividend Equivalent Rights credited pursuant to the foregoing provisions of this Section 5(b) shall be subject to the same vesting, payment and other terms, conditions and restrictions as the original Stock Units to which they relate; provided, however, that the amount of any vested Dividend Equivalent Rights shall be paid in cash. No crediting of Dividend Equivalent Rights shall be made pursuant to this Section 5(b) with respect to any Stock Units which, immediately prior to the record date for that dividend, have either been paid pursuant to Section 7 or terminated pursuant to Section 8.

6. Restrictions on Transfer. Except as provided in Section 4(c) of the Plan, neither the Award, nor any interest therein or amount or Shares payable in respect thereof may be sold, assigned, transferred, pledged or otherwise disposed of, alienated or encumbered, either voluntarily or involuntarily.

7. Timing and Manner of Payment of Stock Units. On or as soon as administratively practical following each Vesting Date of the applicable portion of the total Award pursuant to Section 3 or Section 8 (and in all events not later than two and one-half (2 1/2) months after such vesting event), the Company shall deliver to the Participant a number of Shares (either by delivering one or more certificates for such Shares or by entering such Shares in book entry form, as determined by the Company in its discretion) equal to the number of Stock Units subject to this Award that vest on the applicable Vesting Date, less Tax-Related Items (as defined in Section 11 below), unless such Stock Units terminate prior to the given Vesting Date pursuant to Section 8. The Company's obligation to deliver Shares or otherwise make payment with respect to vested Stock Units is subject to the condition precedent that the Participant or other person entitled under the Plan to receive any Shares with respect to the vested Stock Units deliver to the Company any representations or other documents or assurances required pursuant to Section 13(c) of the Plan. The Participant shall have no further rights with respect to any Stock Units that are paid or that terminate pursuant to Section 8.

8. Effect of Termination of Employment. The Participant's Stock Units (as well as the related Dividend Equivalent Rights) shall terminate to the extent such units have not become vested prior to the first date the Participant is no longer employed by or providing services to the Company or one of its Subsidiaries (the "**Severance Date**"), regardless of the reason for the termination of the Participant's employment with the Company or a Subsidiary, whether with or without cause, voluntarily or involuntarily; provided, however, that in the event such termination of employment is due to the Participant's death or Disability, (a) the Award shall vest with respect to the number of Stock Units determined by multiplying (i) the number of then-outstanding and unvested Stock Units subject to the Award that would have otherwise vested pursuant to Section 3 on the next Vesting Date following the Severance Date but for such termination of employment, by (ii) a fraction, the numerator of which shall be the number of whole calendar months that have elapsed between the Vesting Date that immediately preceded the Severance Date (or, in the case of a termination prior to the initial Vesting Date, the Vesting Commencement Date) and the Severance Date, and the denominator of which shall be the number of whole calendar months between the Vesting Date that immediately preceded the Severance Date (or, in the case of a termination prior to the initial Vesting Date, the Vesting Commencement Date) and the next Vesting Date following the Severance Date that would have occurred but for such termination of employment; and (b) any Stock Units (as well as the related Dividend Equivalent Rights) that are not vested after giving effect to the foregoing clause (a) shall terminate. If any unvested Stock Units are terminated hereunder, such Stock Units (as well as the related Dividend Equivalent Rights) shall automatically terminate and be cancelled as of the applicable Severance Date without payment of any consideration by the Company and without any other action by the Participant, or the Participant's beneficiary or personal representative, as the case may be.

9. Recoupment. Notwithstanding any other provision herein, the Award and any Shares or other amount or property that may be issued, delivered or paid in respect of the Award, as well as any consideration that may be received in respect of a sale or other disposition of any such Shares or property, shall be subject to any recoupment, "clawback" or similar provisions of applicable law, as well as any recoupment or "clawback" policies of the Company that may be in effect from time to time. In addition, the Company may require the Participant to deliver or otherwise repay to the Company the Award and any Shares or other amount or property that may be issued, delivered or paid in respect of the Award, as well as any consideration that may be received in respect of a sale or other disposition of any such Shares or property, if the Company reasonably determines that one or more of the following has occurred:

(a) during the period of the Participant's employment or service with the Company or any of its Subsidiaries (the "**Employment Period**"), the Participant has committed a felony (under the laws of the United States or any relevant state, or a similar crime or offense under the applicable laws of any relevant foreign jurisdiction);

(b) during the Employment Period or at any time thereafter, the Participant has committed or engaged in a breach of confidentiality, or an unauthorized disclosure or use of inside information, customer lists, trade secrets or other confidential information of the Company or any of its Subsidiaries;

(c) during the Employment Period or at any time thereafter, the Participant has committed or engaged in an act of theft, embezzlement or fraud, or materially breached any agreement to which the Participant is a party with the Company or any of its Subsidiaries.

10. Adjustments Upon Specified Events. Upon the occurrence of certain events relating to the Company's stock contemplated by Section 11 of the Plan (including, without limitation, an extraordinary cash dividend on such stock), the Committee shall make adjustments in accordance with such section in the number of Stock Units then outstanding and the number and kind of securities that may be issued in respect of the Award. No such adjustment shall be made with respect to any ordinary cash dividend for which Dividend Equivalent Rights are credited pursuant to Section 5(b).

11. Responsibility for Taxes . Regardless of any action the Company and/or the Participant's employer (the " **Employer** ") take with respect to any or all income tax (including U.S. federal, state and local tax and/or non-U.S. tax), social insurance, payroll tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to the Participant or deemed by the Company or the Employer to be an appropriate charge to the Participant even if technically due by the Company or the Employer (" **Tax-Related Items** "), the Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and may exceed the amount actually withheld by the Company or the Employer. The Participant further acknowledges that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including the grant of the Stock Units, the vesting of the Stock Units, the delivery of Shares, the subsequent sale of any Shares acquired at vesting and the receipt of any dividends and/or dividend equivalents; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if the Participant is or becomes subject to tax in more than one jurisdiction, the Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to the relevant taxable or tax withholding event, as applicable, the Participant shall pay or make arrangements satisfactory to the Company and/or the Employer to satisfy all withholding and payment on account obligations of the Company and/or the Employer. In this regard, the Participant authorizes the Company and/or the Employer, at its discretion and pursuant to such procedures as it may specify from time to time, to satisfy withholding and all other obligations with regard to all Tax-Related Items legally payable by the Participant by one or a combination of the following:

(a) withholding from any wages or other cash compensation payable to the Participant by the Company and/or the Employer;

(b) withholding otherwise deliverable Shares and/or from otherwise payable Dividend Equivalent Rights to be issued or paid upon vesting/settlement of the Award;

(c) arranging for the sale of Shares otherwise deliverable to the Participant (on the Participant's behalf and at the Participant's direction pursuant to this authorization), including selling shares as part of a block trade with other Participants in the Plan; or

(d) withholding from the proceeds of the sale of Shares acquired upon vesting/settlement of the Award.

To avoid negative accounting treatment, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates. If the obligation for Tax-Related Items is satisfied by withholding a number of Shares as described herein, for tax purposes, the Participant is deemed to have been issued the full number of Shares subject to the Award, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Participant's participation in the Plan. The Participant shall pay to the Company and/or the Employer any amount of Tax-Related Items that the Company and/or the Employer may be required to withhold or account for as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to deliver to the Participant any Shares pursuant to the Participant's Award if the Participant fails to comply with the Participant's obligations in connection with the Tax-Related Items as described in this Section.

12. Electronic Delivery and Acceptance . The Company may, in its sole discretion, deliver any documents related to the Award by electronic means or request the Participant's consent to participate in the Plan by electronic means. The Participant hereby consents to receive all applicable documentation by electronic delivery and to participate in the Plan through an on-line (and/or voice activated) system established and maintained by the Company or a third party vendor designated by the Company.

13. Data Privacy . The Participant acknowledges and consents to the collection, use, processing and transfer of personal data as described in this Section 13. The Company, its related entities, and the Participant's employer hold certain personal information about the Participant, including the Participant's name, home address and telephone number, date of birth, social security number or other employee identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all options or any other entitlement to Shares awarded, canceled, purchased, vested, unvested or outstanding in the Participant's favor, for the purpose of managing and administering the Plan (" **Data** "). The Company and its related entities may transfer Data amongst themselves as necessary for the purpose of implementation, administration and management of the Participant's participation in the Plan, and the Company and its related entities may each further transfer Data to any third parties assisting the Company or any such related entity in the implementation, administration and management of the Plan. The Participant acknowledges that the transferors and transferees of such Data may be located anywhere in the world and hereby authorizes each of them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Participant's participation in the Plan, including any transfer of such Data as may be required for the administration of the Plan and/or the subsequent holding of Shares on the Participant's behalf to a broker or to other third party with whom the Participant may elect to deposit any Shares acquired under the Plan (whether pursuant to the Award or otherwise).

14. Notices . Any notice to be given under the terms of this Award Agreement shall be in writing and addressed to the Company at its principal office to the attention of the Secretary, and to the Participant at the Participant's last address reflected on the Company's records, or at such other address as either party may hereafter designate in writing to the other. Any such notice shall be given only when received, but if the Participant is no longer an employee of the Company, shall be deemed to have been duly given by the Company when enclosed in a properly sealed envelope addressed as aforesaid, registered or certified, and deposited (postage and registry or certification fee prepaid) in a post office or branch post office regularly maintained by the United States Government.

15. Plan. The Award and all rights of the Participant under this Award Agreement are subject to the terms and conditions of the provisions of the Plan, incorporated herein by reference. The Participant agrees to be bound by the terms of the Plan and this Award Agreement. The Participant acknowledges having read and understood the Plan, the Prospectus for the Plan, and this Award Agreement. Unless otherwise expressly provided in other sections of this Award Agreement, provisions of the Plan that confer discretionary authority on the Board or the Committee do not (and shall not be deemed to) create any rights in the Participant unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Board or the Committee so conferred by appropriate action of the Board or the Committee under the Plan after the date hereof.

16. Entire Agreement. This Award Agreement and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Plan and this Award Agreement may be amended pursuant to Section 15 of the Plan. Such amendment must be in writing and signed by the Company. The Company may, however, unilaterally waive any provision hereof in writing to the extent such waiver does not adversely affect the interests of the Participant hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof.

17. Limitation on the Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Award Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. The Participant shall have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the Stock Units, and rights no greater than the right to receive the Common Stock as a general unsecured creditor with respect to Stock Units, as and when payable hereunder.

18. Counterparts. This Award Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

19. Section Headings. The section headings of this Award Agreement are for convenience of reference only and shall not be deemed to alter or affect any provision hereof.

20. Governing Law and Choice of Venue. This Award Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California without regard to conflict of law principles thereunder.

For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by this grant or this Award Agreement, the parties hereby submit to the exclusive jurisdiction of the State of California and agree that such litigation shall be conducted only in the courts of

Santa Clara County, California, or the federal courts for the Northern District of California, and no other courts, where this grant is made and/or to be performed.

21. Construction. It is intended that the terms of the Award will not result in the imposition of any tax liability pursuant to Section 409A of the Code. This Award Agreement shall be construed and interpreted consistent with that intent.

22. Severability. The provisions of this Award Agreement are severable and if any one of more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

23. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Participant's participation in the Plan, on the Stock Units and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

Exhibit 14.1

Business Conduct

The way we do business worldwide

Business Conduct

The way we do business worldwide

Apple conducts business ethically, honestly, and in full compliance with all laws and regulations. This applies to every business decision in every area of the company worldwide.

Apple's Principles of Business Conduct

Apple's success is based on creating innovative, high-quality products and services and on demonstrating integrity in every business interaction. Apple's principles of business conduct define the way we do business worldwide. These principles are:

- **Honesty.** Demonstrate honesty and high ethical standards in all business dealings.
- **Respect.** Treat customers, suppliers, employees, and others with respect and courtesy.
- **Confidentiality.** Protect the confidentiality of Apple's information and the information of our customers, suppliers, and employees.
- **Compliance.** Ensure that business decisions comply with all applicable laws and regulations.

Your Responsibilities

Apple's Business Conduct Policy and principles apply to employees, independent contractors, consultants, and others who do business with Apple. All such individuals are expected to comply with Apple's Business Conduct Policy and principles and with all applicable legal requirements. Apple retains the right to discipline (up to and including termination of employment) or end working relationships with those who do not comply.

If you have knowledge of a possible violation of Apple's Business Conduct Policy or principles, other Apple policies, or legal or regulatory requirements, you are required to notify either your manager (provided your manager is not involved in the violation), Human Resources, Legal, Internal Audit, Finance, or the Business Conduct Helpline. If you have knowledge of a potential violation and fail to report it, you may be subject to disciplinary action.

When facing a tough decision:

- **Use good judgment.** Apply Apple's principles of business conduct, review our policies, review legal requirements, and then decide what to do.
- **Need some help?** When in doubt about how to proceed, discuss pending decisions with your manager, your Human Resources representative, or the Legal Department. If you need more support, contact the Business Conduct Helpline.

Retaliation is Not Tolerated

Apple will not retaliate—and will not tolerate retaliation—against any individual for filing a good-faith complaint with management, HR, Legal, Internal Audit, Finance, or the Business Conduct Helpline, or for participating in the investigation of any such complaint.

Contents

Customer Focus

Every product we make and every service we provide is for our customers. Focus on providing innovative, high-quality products and services and on demonstrating integrity in every business interaction. Always apply Apple's principles of business conduct.

To what extent may I use an existing customer list to market other Apple products or services?
Before using a customer list for marketing, sales, or other activities, talk to your manager or the Legal Department. Using an existing customer list may or may not be appropriate.

Customer and Third-Party Information

Customers, suppliers, and others disclose confidential information to Apple for business purposes. It is the responsibility of every Apple employee to protect and maintain the confidentiality of this information. Failure to protect customer and third-party information may damage relations with customers, suppliers, or others and may result in legal liability. See the Apple Customer Privacy Policy.

Where can I learn more about information protection and nondisclosure agreements?
View the Apple policy on Confidential, Proprietary, and Trade Secret Information.

Where can I get a nondisclosure agreement?
In the U.S., see the forms Apple provides for nondisclosure agreements. Outside the U.S., consult your local Apple Legal representative.

Nondisclosure Agreements

When dealing with a supplier, vendor, or other third party, never share confidential information without your manager's approval. Also, never share confidential information outside Apple (for example, with vendors, suppliers, or others) unless a nondisclosure agreement is in place. These agreements document the need to maintain the confidentiality of the information. Original copies of nondisclosure agreements must be forwarded to the Legal Department. Always limit the amount of confidential information shared to the minimum necessary to address the business need.

As long as the information helps Apple, why is the source of business intelligence an issue?
Obtaining information illegally or unethically could damage Apple's reputation and in some cases could subject Apple to legal liability. For example, using illegally or unethically obtained information in a bid to the government could result in disqualification from future bidding and in criminal charges.

Obtaining and Using Business Intelligence

Apple legitimately collects information on customers and markets in which we operate. Apple does not seek business intelligence by illegal or unethical means, and competitors may not be contacted for the purpose of obtaining business intelligence. Sometimes information is obtained accidentally or is provided to Apple by unknown sources. In such cases, it may be unethical to use the information, and you should immediately contact your manager, the Legal Department, or the Business Conduct Helpline to determine how to proceed.

Third-Party Intellectual Property

It is Apple's policy not to knowingly use the intellectual property of any third party without permission or legal right. If you are told or suspect that Apple may be infringing an intellectual property right, including patents, copyrights, trademarks, or trade secrets owned by a third party, you should contact the Legal Department.

May I keep my personal music on my computer at work?
If you are authorized to make copies of the music for personal use (for example, you own the original CD or you purchased the music on iTunes), you may keep the music on your computer.

Copyright-Protected Content

Never use or copy software, music, videos, publications, or other copyright-protected content at work or for business purposes unless you or Apple are legally permitted to use or make copies of the protected content. Never use Apple facilities or equipment to make or store unauthorized copies.

Customer and Business Relationships

Are business meals, travel, and entertainment considered gifts?
Yes. Anything of value given or received is considered a gift.

Can I avoid these rules if I pay for gifts to customers or business associates myself?
No. If the gift is given for business reasons and you are representing Apple, the gift rules apply.

Giving and Receiving Business Gifts

Employees may not give or receive gifts or entertainment to or from current or potential vendors, suppliers, customers, or other business associates unless all of the following conditions are met:

- **Nominal value.** The value of the gift is less than US$150. Exceptions must be approved by your Vice President (for Vice President–level employees, exceptions must be approved by your manager).
- **Customary.** The item is a customary business gift and would not embarrass Apple if publicly disclosed. Cash is never an acceptable gift. Giving or receiving cash is viewed as a bribe or kickback and is always against Apple policy.
- **No favored treatment.** The purpose of the gift is not to obtain special or favored treatment.
- **Legal.** Giving or accepting the gift is legal in the location and under the circumstances where given.
- **Recipient is not a government official.** Never provide a gift, including meals, entertainment, or other items of value, to a U.S. or foreign government official without checking with Government Affairs in advance. See page 7 for more information on gifts to government officials.

This policy does not preclude Apple as an organization from receiving and evaluating complimentary products or services. It is not intended to preclude Apple from giving equipment to a company or organization, provided the gift is openly given, consistent with legal requirements, and in Apple's business interests. The policy also does not preclude the attendance of Apple employees at business-related social functions, if attendance is approved by management and does not create a conflict of interest.

Important Note: Certain departments, including Operations, Retail, AppleCare, Hardware, Industrial Design, Finance, Facilities, FileMaker and IS&T have more restrictive gift policies, which prohibit giving or receiving gifts altogether. Employees in these departments must adhere to the stricter policies.

What is an example of a kickback?
Apple provides discounts to certain customers. However, if a customer gets an inappropriate discount, and a sales representative gets a payment in return, this is a kickback.

What is an example of a side deal?
In a sales environment, a side deal may involve a guarantee to accept back unsold products or other special agreements to encourage certain customers to place larger orders. Such a side deal, whether written or oral, can impact Apple's potential liability with respect to that transaction and may make it inappropriate for Apple to recognize revenue on the products sold, affecting the accuracy of Apple's books and records. Side deals or side letters made outside of Apple's formal contracting and approvals process are strictly prohibited.

Kickbacks

Kickbacks are payments or items of value given to individuals in connection with the purchase or sale of products or services, typically for providing a discount in a sales agreement. Employees are prohibited from giving or receiving kickbacks.

Side Deals or Side Letters

All of the terms and conditions of agreements entered into by Apple must be formally documented. Contract terms and conditions define the key attributes of Apple's rights, obligations, and liabilities and can also dictate the accounting treatment given to a transaction. Making business commitments outside of the formal contracting process, through side deals, side letters, or otherwise, is unacceptable. You should not make any oral or written commitments that create a new agreement or modify an existing agreement without approval through the formal contracting process. In particular, all commitments must have visibility to Finance so Apple can ensure it is properly accounting for each transaction. If you have knowledge of any side deal, side letter, or agreement made outside of the formal contracting process, you should report it immediately to your manager, your Human Resources representative, or the Legal Department. You may also contact the Business Conduct Helpline.

What can I do if a reseller complains to me about low prices at another reseller?
Advise the reseller that you can't discuss or attempt to influence pricing of other parties, since this could violate antitrust laws.

How should I handle customer inquiries about resellers and service providers?
Apple resellers and service providers are key members of the Apple family. They promote and sell Apple products, and they provide service and support to Apple customers. Accordingly, you should never make disparaging remarks to customers about resellers or service providers.

Competition and Trade Practices

Laws regulating competition and trade practices vary around the world, but certain activities, such as price fixing and agreeing with a competitor to allocate customers, are almost always illegal and are absolutely prohibited under Apple policy.

You should not:

- Agree with competitors or exchange information with competitors on prices, policies, contract terms, costs, inventories, marketing plans, or capacity plans.
- Agree with a competitor that the competitor will sell goods and services to Customer A (and you will not), and that you will sell goods and services to Customer B (and your competitor will not).
- Agree with resellers on the resale pricing of Apple products without Legal Department approval.
- Require vendors to purchase Apple products in order to sell products or services to Apple.
- Describe the products or services of competitors inaccurately to promote Apple products or services.
- Engage in any pricing or other practices that could defraud a supplier or others.
- Violate fair bidding practices, including bidding quiet periods, or provide information to benefit one vendor over other vendors.

What is an example of an endorsement?
A friend writes a great book on software design and asks you to endorse the book by making a statement on the back cover. If you make such an endorsement, don't include your job title or affiliation with Apple.

Endorsements

When representing Apple, never endorse a product or service of another business or an individual, unless the endorsement has been approved by your manager and Corporate Communications. This does not apply to statements you may make in the normal course of business about third-party products that are sold by Apple.

Open Source Software

Open source software is software for which the source code is available without charge under a free software or open source license. Before using or modifying any open source software for Apple infrastructure or as part of an Apple product or service development effort, you must review Apple's Open Source Policy and contact the Legal Department for approval using the forms referenced in that policy.

Tell me more about pricing products that are sold to governments.
Governments shouldn't be charged more for our products or services than Apple charges other customers for the same products or services. There are laws that make it a crime to overcharge the U.S. government. Some other countries have similar laws.

Can I avoid a gift limitation by paying for a gift, such as lunch or golf, myself?
No. If you are representing Apple, any gift to a government employee would be viewed as coming from Apple.

What is considered a gift to a U.S. or foreign official?
In most cases, anything of value that is given is considered a gift. This includes items such as meals, golf, entertainment, and product samples. Cash is never an acceptable gift. Typically, giving cash is viewed as a bribe or kickback and is against Apple policy.

Who is considered a government official?
Any official or employee of a government, a public international organization (such as the European Commission), any department or agency thereof, or any person acting in an official capacity. It can also include employees of a state-run or state-owned business, such as a public utility or university.

Governments as Customers

Governments are unique customers for Apple. Governments often place special bidding, pricing, disclosure, and certification requirements on firms with which they do business. Discuss these requirements with Government Affairs or your local Apple Legal representative before bidding for government business. For example, Apple may have to certify that it is supplying the government with the lowest price charged to Apple's commercial customers. Apple may also have to certify that its prices have been arrived at independently—that is, without collaboration with a third party.

Gifts to U.S. Officials

It may be illegal to give a gift, even an inexpensive meal or a T-shirt, to a government employee. The rules vary depending on the location and job position of the government employee (for example, rules may vary by state, school district, and city, and there may be different rules for various elected and nonelected officials).

To prevent violations, review planned gifts to government officials with Government Affairs in advance of giving a gift.

Gifts to Non-U.S. Officials

In many countries it is considered common courtesy to provide token/ceremonial gifts to government officials on certain occasions to help build relationships. Check local requirements and review any such gifts exceeding US$25 in advance with the Legal Department. For meals, the US$25 limit does not necessarily apply. Check here for value limits by country on meals to non-U.S. public officials and employees. Meals at any value should be avoided with officials from government agencies where Apple has a pending application, proposal, or other business.

No Bribery or Corruption

Offering or giving anything of value to a government official for the purpose of obtaining or retaining business or to secure any improper advantage is illegal. Apple personnel shall not offer or accept bribes or use other inappropriate means to obtain an undue or improper advantage, or otherwise violate U.S. or international anticorruption laws and regulations (e.g., the U.S. Foreign Corrupt Practices Act).

For additional information, see Apple's Foreign Corrupt Practices Act Policy.

Political Contributions

Apple contributes selectively to political candidates and committees. All corporate political contributions, whether monetary or in-kind (such as the donation/lending of equipment or technical services to a campaign), must be approved in advance by Apple Government Affairs. Employees may not use Apple assets (including employee work time, or use of Apple premises, equipment, or funds) to personally support candidates and campaigns. It is illegal for Apple to reimburse an employee for a contribution. For more information, see the Apple Corporate Political Compliance Policy and the Political Contributions and Expenditures Policy.

Charitable Donations

Employees are encouraged to support charitable causes of their choice, as long as that support is provided without the use or furnishing of Apple assets (including employee work time, or use of Apple premises, equipment, or funds). Any charitable donations involving Apple assets require the approval of the Chief Executive Officer or Chief Financial Officer. For additional information, see Finance Policy 1.10.

What should I do if I'm interested in hiring a current or recent government employee?
Contact Government Affairs before beginning any negotiations to hire a current or recent government, military or other public sector employee as an Apple employee or consultant.

Hiring Government Employees

Laws often limit the duties and types of services that former government, military or other public sector employees may perform as employees or consultants of Apple. Employment negotiations with government employees are prohibited while the employees are participating in a matter involving Apple's interests.

Trade Restrictions and Export Controls

Many countries periodically impose restrictions on exports and other dealings with certain other countries, persons, or groups. Export laws may control trading of commodities or technologies that are considered to be strategically important because they have the potential to be used for military purposes. Laws may cover travel to or from a sanctioned country, imports or exports, new investments, and other related topics. Certain laws also prohibit support of boycott activities. See Apple's Export Control policy for more information.

If your work involves the sale or shipment of products, technologies, or services across international borders, check with the Export Department to ensure compliance with any laws or restrictions that apply.

How do I get more information regarding Apple's environmental, health, and safety programs?
Visit the Environment+Safety site.

Environment, Health, and Safety (EHS)

Apple operates in a manner that conserves the environment and protects the safety and health of our employees. Conduct your job safely and consistent with applicable EHS requirements. Use good judgment and always put the environment, health, and safety first. Be proactive in anticipating and dealing with EHS risks.

In keeping with our commitment to the safety of our people, Apple will not tolerate workplace violence. For additional information, review Apple's Workplace Violence policy.

What if I want to get more involved in community activities?
Contact Community Affairs. This group promotes, supports, and facilitates employees' involvement in community volunteer activities. Outside the U.S., check with your local Public Relations team.

Community Activities

At Apple, we comply with all laws and regulations and operate in ways that benefit the communities in which we conduct business. Apple encourages you to uphold this commitment to the community in all your activities.

If you hold an elected or appointed public office while employed at Apple, advise Government Affairs. Excuse yourself from involvement in any decisions that might create or appear to create a conflict of interest.

Responsibilities to Apple

What are assets?
Assets include Apple's extremely valuable proprietary information (such as intellectual property, confidential business plans, unannounced product plans, sales and marketing strategies, and other trade secrets); as well as physical assets like cash, equipment, supplies, and product inventory.

Where can I learn more about information protection and nondisclosure agreements?
View the Apple policy on Confidential, Proprietary, and Trade Secret Information.

Protecting Apple's Assets and Information

As an Apple employee you must protect Apple's property and abide by the following guidelines:

- Follow all security procedures and be on the lookout for any instances you believe could lead to loss, misuse, or theft of company property.
- Protect physical assets such as equipment, supplies, cash, and charge cards.
- Use extreme care to protect Apple's proprietary information from improper disclosure to third parties. This information includes technical product information, information related to current and future products and services, confidential market research, sales and marketing plans, nonpublic earnings or financial data, and organizational charts and information.
- Follow procurement policies and procedures when acquiring goods or services on behalf of Apple, avoiding any real or apparent conflict of interest. For more information on procurement policies and procedures, talk to your manager or visit Apple Procurement.
- Use Apple's assets in a manner that prevents damage, waste, misuse, or theft. Use assets only for legal and ethical purposes.
- Dispose of assets only with appropriate approval and in compliance with applicable policies. Before disposing of assets, discuss your plans with your manager.

If I believe that it is appropriate to disclose confidential proprietary information to a vendor or other third party, what should I do?
First, verify that there is a business need for the disclosure. Second, obtain your manager's approval for the disclosure. Third, be sure that a nondisclosure agreement is in place with the vendor or third party, and that you forward the original copy of the agreement to the Legal Department. If you are still unsure, check with the Legal Department before making the disclosure.

Confidential Apple Information

One of Apple's greatest assets is information about our products and services, including future product offerings. Never disclose confidential operational, financial, trade secret, or other business information without verifying with your manager that such disclosure is appropriate. Typically, disclosure of this information is very limited, and the information may be shared with vendors, suppliers, or other third parties only after a nondisclosure agreement is in place. Even within Apple, confidential information should be shared only on a need-to-know basis. The Intellectual Property Agreement you signed when you joined Apple defines your duty to protect information.

How do I identify confidential Apple information in documents?
Mark these documents "Apple Confidential."

What if I have a specific question on the use of the Apple name, names of products or services, or the Apple logo?
Please direct questions about the Apple corporate identity to corpID@apple.com.

The Apple Identity and Trademarks

The Apple name, names of products (such as iPhone), names of services (such as AppleCare), tag lines (such as "Don't steal music"), and logos (such as the familiar Apple logo) collectively create the Apple identity. Before publicly using the Apple name, product names, service names, tag lines, or the Apple logo, review Apple's corporate identity guidelines on how names and logos can be used and presented (for example, the size of the Apple logo and the amount of white space surrounding the logo). Before using the product names, service names, tag lines, or logos of third parties, check with the Legal Department.

How can I find out more about patents?
Visit Apple's Patent Information site.

Apple Inventions, Patents, and Copyrights

Apple's practice is to consider for patenting the inventions of its employees, regardless of whether the inventions are implemented in actual products. If you are involved in product development, you should contact the Legal Department regarding the patentability of your work. Be alert to possible infringement of Apple's patents and bring any possible infringements directly to the Legal Department.

If you create original material for Apple that requires copyright protection, such as software, place Apple's copyright notice on the work and submit a copyright disclosure form to the Legal Department. For more information, visit the Apple Copyright Information site.

Activities Related to Technical Standards

There are numerous organizations that develop or promote technical standards (e.g., W3C, OASIS, INCITS, IEEE, ETSI). Before engaging in activities related to technical standards, including, for example, joining a standards organization or working group, contributing technology to a standard, or using a standard in the development of an Apple product, employees must receive management and Legal approval. For additional information, see Apple's Standards Legal Policy.

Accuracy of Records and Reports

Accurate records are critical to meeting Apple's legal, financial, and management obligations. Ensure that all records and reports, including customer information, technical and product information, correspondence, and public communications, are full, fair, accurate, timely, and understandable.

Never misstate facts, omit critical information, or modify records or reports in any way to mislead others, and never assist others in doing so.

How can I learn more about procedures for meals and travel?
See Apple's Travel policy or talk to your manager.

Business Expenses

All employees must observe policies and procedures regarding business expenses, such as meal and travel expenses, and submit accurate expense reimbursement requests. Guidelines on daily meal expenses vary worldwide.

Establishing Bank Accounts

All Apple bank accounts must be approved and established by Apple's Treasury Department. All payments must be made by recordable and traceable methods. For more information, contact the Treasury Department.

Loans, Advances, and Guarantees

Other than through established corporate programs, such as programs for employee relocation and the cashless exercise of stock options, Apple does not provide loans or advances of corporate funds to its employees, officers, Board members, or their families and does not guarantee their obligations.

If I suspect money laundering, what should I do?
Advise your manager or contact the Apple Legal Department.

Money Laundering

Money laundering is the process by which individuals or organizations try to conceal illicit funds or make these funds look legitimate. If you are in a position to deal directly with customers or vendors, the following examples may be indications of potential money laundering:

- Attempts to make large payments in cash
- Payments by someone who is not a party to the contract
- Requests to pay more than provided for in the contract
- Payments made in currencies other than those specified in the contract
- Payments from an unusual, nonbusiness account

Tell me more about "legal holds."
In a litigation case or other legal matter, Apple may be required to produce documents. In these cases the Legal Department may put a "legal hold" on certain documents to prevent the documents from being destroyed, altered, or modified. If it is found that Apple has failed to retain or produce required documents, penalties or adverse rulings may result. Adverse rulings in major litigation cases can cost Apple a significant amount of money. Failure of employees to retain and preserve documents placed on a legal hold may result in discipline or discharge.

Document Retention and Legal Hold

As an Apple employee, you have a responsibility to manage documents and make decisions on document retention. The definition of "document" is extremely broad. For example, every email or other electronic file, every customer record, and every transaction involves the creation of a document. Different documents have different retention periods. Check with your manager or contact Records Management to determine the appropriate retention period for documents in your area.

At times, Apple may need to retain documents beyond the period they would normally be retained. The most common reasons are litigation or other legal matters. In these situations, retention and preservation of documents is critical. If you have documents that may be required for litigation or other legal matters, the Legal Department will place those documents on a "legal hold," meaning the documents cannot be altered, destroyed, deleted, or modified in any manner. Legal will notify the individuals most closely identified with the documents about the legal hold and will provide instructions for retaining the documents. Recipients of a legal hold must ensure that these instructions are followed. A legal hold remains in effect until you are notified by the Legal Department in writing.

Individual Conduct

Can you give an example of conflicts of interest or potential divided loyalty?
Your brother-in-law owns a business, that business is being considered as a vendor for Apple, and you are one of the decision makers.

Conflicts of Interest

A conflict of interest is any activity that is inconsistent with or opposed to Apple's best interests, or that gives the appearance of impropriety or divided loyalty. Avoid any situation that creates a real or perceived conflict of interest. Use good judgment, and if you are unsure about a potential conflict, talk to your manager, contact Human Resources, check with the Legal Department, or contact the Business Conduct Helpline.

Do not conduct Apple business with family members or others with whom you have a significant personal relationship. In rare cases where exceptions may be appropriate, written approval from the Senior Vice President for your organization is required.

You shouldn't use your position at Apple to obtain favored treatment for yourself, family members, or others with whom you have a significant relationship. This applies to product purchases or sales, investment opportunities, hiring, promoting, selecting contractors or suppliers, and any other business matter. This does not apply to special purchase plans offered by Apple. If you believe you have a potential conflict involving a family member or other individual, disclose it to your manager.

Am I allowed to develop outside iPhone or iPad apps on my own time?
No. Employees are not permitted to have any involvement in the development of outside iPhone or iPad apps, either alone or jointly with others.

May I occasionally use my Apple email address for my outside business?
Limited personal use of your Apple email is permitted for activities such as sending a brief message to a friend. You may never use your Apple email for an outside business.

I'm working on an invention on my own time. Does Apple need to know?
If your invention relates to your job at Apple or could compete with current or reasonably anticipated future products or services of Apple, disclose the invention to your manager.

May I serve on the board of directors of an outside enterprise or organization?
If you plan to serve on a board, you must obtain approval from your manager and the Senior Vice President for your organization. In addition, Vice Presidents and Executive Team members must obtain the approval of their manager and the CEO before they can accept a position on the board of directors of a private or publicly traded company (other than nonprofit entities).

Outside Employment and Inventions

Full-time Apple employees must notify their manager before taking any other employment. In addition, any employee (full-time or part-time) who obtains additional outside employment, has an outside business, or is working on an invention must comply with the following rules.

Do not:

- Use any time at work or any Apple assets for your other job, outside business, or invention. This includes using Apple workspace, telephones, computers, Internet access, copy machines, and any other Apple assets or services.
- Use your position at Apple to solicit work for your outside business or other employer, to obtain favored treatment, or to pressure others to assist you in working on your invention.
- Use confidential Apple information to benefit your other employer, outside business, or invention.
- Participate in an outside employment activity that could have an adverse effect on your ability to perform your duties at Apple.
- Participate in an outside business or outside employment, or develop an invention, that is in an area of Apple's present or reasonably anticipated future business.

Before participating in inventions or businesses that are in the same area as your work for Apple or that compete with or relate to present or reasonably anticipated Apple products or services, you must have written permission from your manager, an Apple product law attorney, and the Senior Vice President of your organization. For additional information, see Apple's policy on Conflicts of Interest.

I have stock in companies that do business with Apple. Is this a problem?
It's unlikely that this is a problem. However, it could be a concern if (1) you're influencing a transaction between Apple and the company, and (2) the transaction is significant enough to potentially affect the value of your investment.

Personal Investments

Many Apple employees have investments in publicly traded stock or privately held businesses. These personal investments may give rise to a conflict of interest if you are involved in or attempt to influence transactions between Apple and a business in which you are invested. If a real or apparent conflict arises, disclose the conflict to your manager. The manager will help determine whether a conflict exists and, if appropriate, the best approach to eliminate the conflict.

Workplace Relationships

Personal relationships in the workplace may present an actual or perceived conflict of interest where one individual in the relationship may be in a position to make or influence employment decisions regarding the other. If you find yourself in such a relationship, you must notify Human Resources so they may assist you in resolving any potential conflicts. Employees should not allow their relationships to disrupt the workplace or interfere with their work or judgment. For additional information, see Apple's policy on Personal Relationships.

How do I know whether information is material?
Determining what constitutes material information is a matter of judgment. In general, information is material if it would likely be considered important by an investor buying or selling the particular stock.

Does Apple's policy apply to buying or selling stock in other companies?
Yes. For example, say you learn about a customer's nonpublic expansion plans through discussions about hardware purchases. If you purchase stock in the customer's company or advise others to do so, it could be viewed as insider trading.

Buying and Selling Stock

Never buy or sell stock while you are in possession of information obtained through your employment at Apple that has not been publicly announced and could have a material effect on the value of the stock. This applies to decisions to buy or sell Apple securities and to investments in other companies. It is also against Apple policy and may be illegal to give others, such as friends and family, tips on when to buy or sell stock while you are in possession of material, nonpublic information concerning that stock.

In addition, employees are prohibited from investing in derivatives of Apple's securities. This includes, but is not limited to, trading in put or call options related to securities of the company.

Members of Apple's Board of Directors, executive officers, and certain other individuals are subject to blackout periods during which they are prohibited from trading in Apple stock. If you are subject to these restrictions, you will be notified by the Legal Department. Even if you are not subject to blackout periods, you may never buy or sell stock while you are in possession of material, nonpublic information.

Review Apple's Insider Trading policy. Specific questions on buying and selling stock should be referred to the Legal Department.

What is harassment?
Harassment can be verbal, visual, or physical in nature. Specific examples of prohibited harassing conduct include, but are not limited to: slurs, jokes, statements, notes, letters, electronic communication, pictures, drawings, posters, cartoons, gestures, and unwelcome physical contact that are based on an individual's protected class.

Need more information?
In the U.S., refer to Apple's Harassment policy. Outside the U.S., contact Human Resources.

Harassment and Discrimination

Apple encourages a creative, culturally diverse, and supportive work environment. Apple does not tolerate harassment or discrimination based on factors such as race, color, sex, sexual orientation, gender identity characteristics or expression, religion, national origin, age, marital status, disability, medical condition, veteran status, or pregnancy. Additional restrictions may apply based on regional laws and regulations.

These requirements apply to interactions with employees, customers, suppliers, and applicants for employment and any other interactions where you represent Apple.

If you feel that you have been harassed or discriminated against or have witnessed such behavior, report the situation to a manager or to Human Resources. You may also contact the Business Conduct Helpline.

Where can I learn more about policies on confidential employee information?
View the Apple Safe Harbor Privacy Policy.

Confidential Employee Information

As part of your job, you may have access to personal information regarding other Apple employees or applicants, including information regarding their employment history, personal contact information, compensation, health information, or performance and disciplinary matters. This information is confidential and should be shared only with those who have a business need to know. It should not be shared outside Apple unless there is a legal or business reason to share the information and you have approval from your manager.

Is personal information on my computer system private?
Limited personal use of Apple equipment and systems is allowed, but subject to local regulations, Apple may monitor equipment and systems. If in doubt, check with the Legal Department.

Privacy

Subject to rules or regulations affecting an employee’s rights, Apple may monitor or search its work environments, including equipment, networks, mail, and electronic systems, without notice. Apple monitors facilities and equipment to promote safety, prevent unlawful activity, investigate misconduct, manage information systems, comply with legal guidelines, and for other business purposes.

If I make a presentation on my own time, may I accept a payment?
That depends. If you are representing Apple, you may not accept payment. If you are on your own time and are not representing Apple, you may be allowed to accept payment. Before accepting this type of opportunity, check with your manager, Human Resources, or the Business Conduct Helpline.

Public Speaking and Press Inquiries

All public speaking engagements that relate to Apple’s business or products must be preapproved by your manager and Corporate Communications. If you receive approval to make a public presentation at a business meeting or conference, you may not request or accept any form of personal compensation from the organization that requested the presentation. This does not prohibit accepting reimbursement for expenses, if approved by your manager.

All inquiries from the press or the financial analyst community must be referred to Corporate Communications or the Investor Relations Department.

Publishing Articles

If you author an article or other publication, do not identify yourself in the publication as an employee of Apple without prior approval from Corporate Communications. This could be viewed as an endorsement by Apple.

What if I have a substance abuse issue?
Help yourself and Apple by taking action. Talk to your Human Resources representative or, in the U.S., view information on the Employee Assistance Program.

Substance Abuse

Employees are prohibited from manufacturing, distributing, dispensing, possessing, using, or being under the influence of illegal drugs in the workplace. Use of alcohol or medications on the job or before work can cause safety issues, damage customer relations, and hurt productivity and innovation. Use good judgment and keep in mind that you are expected to perform to your full ability when working for Apple. View Apple’s policy on Drugs in the Workplace.

Your Obligation to Take Action

Always apply Apple's principles of business conduct, follow Apple policies, and comply with laws and regulations. When you are unsure, take the initiative to investigate the right course of action. Check with your manager, Human Resources, Legal, Internal Audit, or Finance, and review our policies on AppleWeb. If you would like to talk with someone outside your immediate area, consider contacting the Business Conduct Helpline.

If you know about a possible violation of Apple's Business Conduct Policy or legal or regulatory requirements, you are required to notify your manager (provided your manager is not involved in the violation), Human Resources, Legal, Internal Audit, Finance, or the Business Conduct Helpline. Failure to do so may result in disciplinary action.

Employees must cooperate fully in any Apple investigation and must keep their knowledge and participation confidential to help safeguard the integrity of the investigation.

Business Conduct Helpline

The Business Conduct Helpline is available 24/7 to all employees worldwide to help answer your questions on business conduct issues, policies, regulations, and compliance with legal requirements. It also allows you to advise Apple of situations that may require investigation or management attention.

The Business Conduct Helpline is committed to keeping your issues and identity confidential. If you would be more comfortable doing so, you may contact the Helpline anonymously. Your information will be shared only with those who have a need to know, such as those involved in answering your questions or investigating and correcting issues you raise. Note that if your information involves accounting, finance, or auditing, the law may require that necessary information be shared with the Audit and Finance Committee of Apple's Board of Directors.

Due to legal restrictions, anonymous use of the Business Conduct Helpline is not encouraged in certain countries (e.g., France).

Apple will not retaliate—and will not tolerate retaliation—against any individual for their good-faith use of the Business Conduct Helpline.

Information on contacting the Business Conduct Helpline—including via email, toll-free telephone, and web access—is available on AppleWeb.

Policies and References

Alcohol in the Workplace

Books and Publications

Business Conduct Helpline

Buying and Selling Stock: Blackout Periods

Buying and Selling Stock: Insider Trading

Community Affairs

Confidential, Proprietary, and Trade Secret Information

Copyright Information

Copyright Policy

Corporate Identity Guidelines

Customer Privacy Policy

Diversity

Employee Assistance Program (U.S. only)

Environment+Safety

Equal Employment Opportunity

Export Control

Foreign Corrupt Practices Act Policy

Government Affairs

Policies and References (continued)

Harassment

Information Security

Intellectual Property

Legal Department Contacts

Mail and Electronic Communications

Name and Logo Use Questions: corpID@apple.com

Nondisclosure and Confidentiality Agreements

Open Communication

Open Source Software

Outside Business Activities

Patent Information

Patent Policy

Personal Relationships

Political Compliance

Procurement

Reasonable Accommodation

Records Management

Safe Harbor Privacy Policy

Standards Legal Policy

Trademarks

Travel Policy

Exhibit 31.1

CERTIFICATION

I, Timothy D. Cook, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Apple Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 25, 2012

By: /s/ Timothy D. Cook
Timothy D. Cook
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Peter Oppenheimer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Apple Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 25, 2012

By: /s/ Peter Oppenheimer
Peter Oppenheimer
Senior Vice President,
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Timothy D. Cook, certify, as of the dates hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Apple Inc. on Form 10-Q for the period ended March 31, 2012 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents in all material respects the financial condition and results of operations of Apple Inc. at the dates and for the periods indicated.

Date: April 25, 2012

By: /s/ Timothy D. Cook
Timothy D. Cook
Chief Executive Officer

I, Peter Oppenheimer, certify, as of the dates hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Apple Inc. on Form 10-Q for the period ended March 31, 2012 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents in all material respects the financial condition and results of operations of Apple Inc. at the dates and for the periods indicated.

Date: April 25, 2012

By: /s/ Peter Oppenheimer
Peter Oppenheimer
Senior Vice President,
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Apple Inc. and will be retained by Apple Inc. and furnished to the Securities and Exchange Commission or its staff upon request.