

Dear shareholders,

It is an honor to write to you this year about our excellent financial performance. As a company that strives to offer a high-quality buying experience for consumers, we value our relationship with customers. We are dedicated to providing our customers with the best products on the market, as well as ensuring that we are leading the industry of technology.

The fiscal year 2012 was a defining year for Apple. Here are some of the highlights:

- **Total revenue** was \$156.5 billion, an increase of 45 percent.
- **Operating income** was \$55.2 billion, an increase of 64 percent.
- **Total net income** was \$41.7 billion, an increase of 61 percent.
- **Total diluted earnings per share** were \$44.2, an increase of 60 percent.

We have attributed a large amount of our success to our sales personnel, who allowed us to inform more customers about our products than ever before. These informational sales personnel helped us to reach a widespread market with our newest additions, the iPad and the iPhone 4s. In 2012, the iPad alone accounted for nearly \$22.9 billion in sales. With the addition of every product we produce, the company is seeing growing revenues, from app sales in our iTunes store as all of our products are integrated with its software. We are also very proud of our ever-reaching global base, as our international sales soared to a record high.

We have also seen large improvements in our operations. For many years we have successfully outsourced the manufacturing of all of our hardware products. This method of production has allowed our company to maintain high margins and decrease our operating costs. This can be seen in our record high operating income and net income.

In addition to our manufacturing techniques, our sales techniques help to lower costs and raise our operating income and net income. Most of our sales are completed through retail stores and online. While Apple does own and operate its own chain of Apple Stores, only a small percentage of our income is generated through these stores. This means that we are able to allocate less money to our own store for inventory and wages and still get high sales numbers through our other sales methods.

Throughout the last year we have seen growth in our market, even when other companies have seen large decreases. We have been able to sell a proportionally higher amount of product with a small amount of additional capital. We believe our sales will only be going up from here, especially with the launch of the iPhone 5, for which we project record sales. The iPhone 5 will be the highest quality phone on the market and will provide customers with the newest

innovations in software, using our new iOS 6 and increasingly innovative hardware, as our thinnest and lightest phone to date.

Our goal for the year ahead is to remain the leader of the consumer technology market, as well as the educational market. We will continue to offer the highest quality products available.

I assure you that every move we make as a company is highly strategic and thoughtfully executed as we push for innovative technology. I thank you for joining us on the journey ahead.

Warm regards,

Tim Cook
CEO, Apple