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IT HARDWARE AND  
STORAGE

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NASDAQ: AAPL  
PRICE: \$153.08  
RATING: BUY

**AAPL: PROPRIETARY VIZU WEB POLL DATA SHOWS SLOWING IPOD AND IPHONE TRENDS**

**Investment Conclusion:** We conducted an internet poll using web polling company Vizu to gather global consumer data to better gauge consumer buying trends for the iPod and the iPhone in 2008. The poll was comprised of four separate questions that were answered independently, with two questions attributed to the iPod and two to the iPhone. The population sample contained a little more than 100 voters, with a margin of error of plus or minus 10% at 95% confidence. Our results, not surprisingly, indicate weak consumer buying trends for those two Apple products in 2008; however, they also indicate that many people actually did buy an iPod or an iPhone in CQ1. Given the weakening economic outlook coupled with consumer trends in discretionary spending, both products have strong non-buying trends at around 80% in the absence of someone changing his or her mind if new models become cheaper and have enough new functionality to put someone over the edge. As such, we see iPod and iPhone buying trends likely declining in the short term (CQ2) and likely slower demand overall in 2008 in aggregate.

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

**Stock Data**

12-Month Price Target	\$218.00
52-Week Range	\$202.96 - 89.60
10-Day Avg. Daily Volume	35,083,612

**Capitalization**

Shares Outstanding (MM)	900.1
Market Capitalization (MM)	\$137,780.3
Enterprise Value (MM)	\$119,332.3
Debt/Total Cap. (12/29/07)	0.0%
Cash (12/29/07) (MM)	\$18,448.0
Net Cash/Share (12/29/07)	\$20.50

**Revenues**

FY ends September	2006A	2007A	2008E
Revenue (MM)	\$19,315.0	\$24,006.0	\$31,411.8
Previous Estimate (MM)	-	-	NC
Price/Revenue	7.1x	5.7x	4.4x
EV/Revenue	6.2x	5.0x	3.8x
Secular Growth Rate			30%

**Pro Forma EPS**

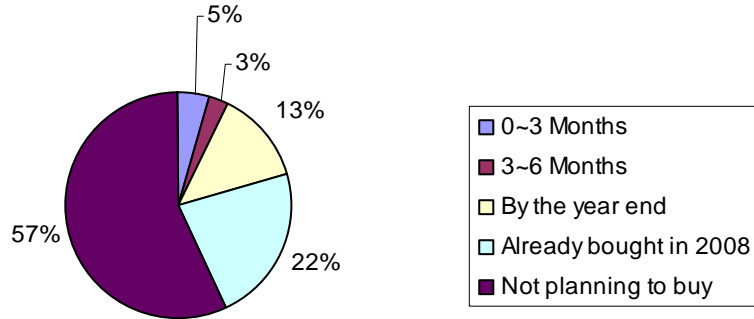
	2006A	2007A	2008E
Q1	\$0.65	\$1.14	\$1.76 A
Q2	\$0.47	\$0.87	\$0.98
Q3	\$0.53	\$0.92	\$0.96
Q4	\$0.62	\$1.01	\$1.10
Fiscal Year EPS	\$2.27	\$3.93	\$4.80
Previous Estimate	-	-	NC
P/E	67.5x	38.9x	31.9x

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

Sources: WR Hambrecht + Co estimates and company reports

For the iPod population sample, 79% of the respondents either already bought an iPod in CQ1 or were not planning on buying one this year. This indicates decent CQ1 buying (22% surveyed), but little pent-up demand, in our view.

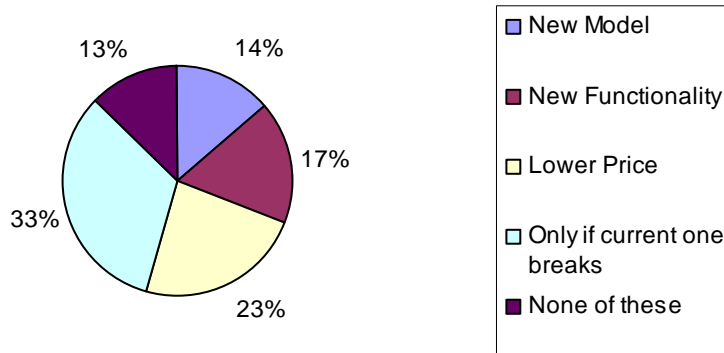
### iPod Consumer Buying Trend



Source: WR Hambrecht Vizu Poll

The second iPod question gave further granularity regarding factors that would cause someone to change their mind. Although the factors were widespread, combining those not buying or who would only buy if currently one broke was substantial at 46%. This shows us that Apple still has levers with new models (e.g., functionality—GPS, Bluetooth, etc, lower prices, etc.) to build demand from a little over half of the respondents.

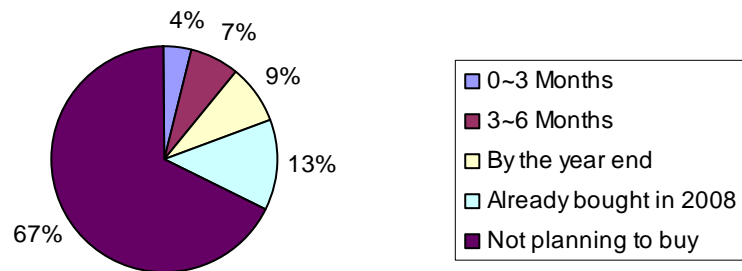
### Reasons Affecting iPod Buying Trends



Source: WR Hambrecht Vizu Poll

For the iPhone poll, those who already bought and are not expected to buy comprised 80% of the polled sample. However, about one in eight people (13%) already bought an iPhone in CQ1, indicating to us decent demand in the quarter.

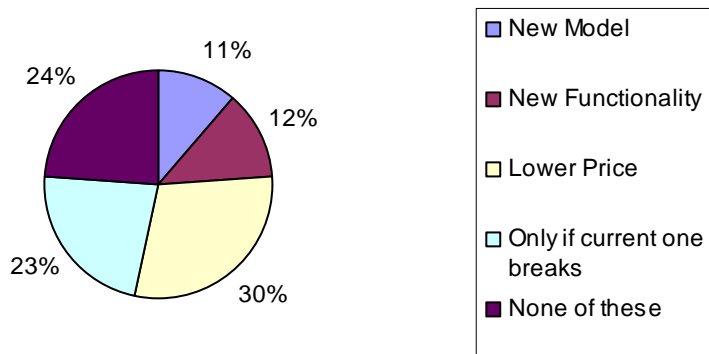
### iPhone Consumer Buying Trend



Source: WR Hambrecht Vizu Poll

Reasons affecting future iPhone buying trends were similar to the iPod trends in respect to approximately one half of all respondents possibly changing their minds and buying one if the phone gained more functionality or had a lower price. Given that we expect Apple to release its second generation iPhone around the June timeframe, it is possible to jumpstart demand if the new model includes enough new functionality, lower price, etc., to sway some of the two-thirds of respondents that are not currently planning to buy an iPhone.

### Reasons Affecting iPhone Buying Trends



Source: WR Hambrecht Vizu Poll

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Conclusion: the data shows that Apple is still selling iPhones and iPods to many people post the holidays in CQ1. However, given the weakening economic outlook coupled with consumer trends in discretionary spending, both products have strong non-buying trends at around 80% in the absence of someone changing his or her mind if new models are cheaper and have enough new functionality to put someone over the edge. As such, we see iPod and iPhone buying trends likely declining in the short term (CQ2) and likely slower demand overall in 2008 in aggregate.

## COMPANY DESCRIPTION

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

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## RISK FACTORS

**Ability to Introduce New Products.** The ability to introduce new consumer products, notebooks, PCs, and peripherals that consumers will buy is an ongoing risk.

**Competition.** The PC industry has a few large branded companies and many smaller branded and generic manufacturers. The industry is highly competitive, subject to intense pricing competition, periods of inventory gluts, sensitivity from customer tastes and preferences, and short product life cycles.

**Dependence on Suppliers of Components.** The Company relies on many components to assemble its iPods, PCs, and other products, and could be affected if components are in short supply or prices vary more than expectations.

**Ability to Sustain High Growth Rates and Valuation.** Apple faces the law of large numbers in its iPod segment and must continue to grow at high rates to sustain its multiple.

**Dependence on Consumer Discretionary Spending.** Any material slowdown in domestic or global economic growth and subsequent consumer discretionary spending could materially impact its business.

**International Risk.** Apple is subject to foreign exchange, country, political, and economic risk internationally.

**Reliance on Third Party Digital Content and Third Party Software Developers.**

**Mac OS Long-term Viability?** The Mac operating system is on a small number of PCs relative to total global units sold. The long-term future of the operating system is uncertain given the relatively small installed base.

**Legal Risks.** Apple has a host of lawsuits that it is engaged in. Please see the Company's 10-K filings for full details.

**Ongoing Stock Option Industry-wide Investigations.** Although Apple is not under any SEC investigation, it is possible that Steve Jobs or other management could face civil action in the future.

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

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 E	Q3 E	Q4 E	Q1 E	FY 2006 A	FY 2007 E	FY 2008 E	CY 2006 A	CY 2007 E	CY 2008 E
<b>For the fiscal period ending:</b>	<b>12/31/2005</b>	<b>4/1/2006</b>	<b>7/1/2006</b>	<b>9/30/2006</b>	<b>12/30/2006</b>	<b>3/31/2007</b>	<b>6/30/2007</b>	<b>9/30/2007</b>	<b>12/29/2007</b>	<b>3/31/2008</b>	<b>6/30/2008</b>	<b>9/30/2008</b>	<b>12/31/2008</b>	<b>9/24/2006</b>	<b>9/24/2007</b>	<b>9/24/2008</b>	<b>12/25/2006</b>	<b>12/31/2007</b>	<b>12/31/2008</b>
Desktop Revenue	912.0	833.0	705.0	869.0	955.0	914.0	956.0	1,195.0	1,515.0	1,160.0	1,087.5	1,305.0	1,232.5	3,319.0	4,020.0	5,067.5	3,362.0	4,580.0	4,785.0
Portable Revenue	812.0	739.0	1,161.0	1,344.0	1,455.0	1,354.0	1,577.0	1,908.0	2,037.0	2,030.0	2,030.0	2,240.0	2,660.0	4,056.0	6,294.0	8,337.0	4,699.0	6,876.0	8,960.0
Total Mac revenue	1,724.0	1,572.0	1,866.0	2,213.0	2,410.0	2,268.0	2,533.0	3,103.0	3,552.0	3,190.0	3,117.5	3,545.0	3,892.5	7,375.0	10,314.0	13,404.5	8,061.0	11,456.0	13,745.0
iPod Revenue	2,906.0	1,714.0	1,497.0	1,559.0	3,427.0	1,689.0	1,570.0	1,619.0	3,997.0	1,925.0	1,925.0	2,080.0	4,650.0	7,676.0	8,305.0	9,927.0	8,197.0	8,875.0	10,580.0
iPhone Revenue	-	-	-	-	-	-	5.0	118.0	241.0	292.7	392.7	486.4	636.4	-	123.0	1,412.8	-	364.0	1,808.3
Other Music Related Revenue (inclds Apple TV)	491.0	485.0	457.0	452.0	634.0	653.0	608.0	601.0	808.0	799.9	829.8	969.8	1,559.8	1,885.0	2,496.0	3,407.5	2,028.0	2,670.0	4,159.3
Peripherals + Other HW Revenue	303.0	264.0	236.0	297.0	297.0	309.0	308.0	346.0	382.0	350.0	350.0	350.0	350.0	1,100.0	1,260.0	1,432.0	1,094.0	1,345.0	1,400.0
Software/Services	325.0	324.0	314.0	316.0	347.0	345.0	386.0	430.0	628.0	300.0	450.0	450.0	450.0	1,279.0	1,508.0	1,828.0	1,301.0	1,789.0	1,650.0
<b>Total Revenue</b>	<b>5,749.0</b>	<b>4,359.0</b>	<b>4,370.0</b>	<b>4,837.0</b>	<b>7,115.0</b>	<b>5,264.0</b>	<b>5,410.0</b>	<b>6,217.0</b>	<b>9,608.0</b>	<b>6,857.6</b>	<b>7,065.0</b>	<b>7,881.2</b>	<b>11,538.7</b>	<b>19,315.0</b>	<b>24,006.0</b>	<b>31,411.8</b>	<b>20,681.0</b>	<b>26,499.0</b>	<b>33,342.6</b>
Y/Y change	64.7%	34.4%	24.1%	31.5%	23.8%	20.8%	23.8%	28.5%	35.0%	30.3%	30.6%	26.8%	20.1%	38.6%	24.3%	30.8%	27.7%	28.1%	25.8%
Q/Q change	56.3%	-24.2%	0.3%	10.7%	47.1%	-26.0%	2.8%	14.9%	54.5%	-28.6%	3.0%	11.6%	46.4%	-	-	-	-	-	-
<b>Cost Of Goods Sold</b>	<b>4,180.0</b>	<b>3,057.0</b>	<b>3,039.0</b>	<b>3,420.0</b>	<b>4,889.0</b>	<b>3,406.0</b>	<b>3,405.0</b>	<b>4,117.0</b>	<b>6,258.0</b>	<b>4,560.3</b>	<b>4,768.9</b>	<b>5,359.2</b>	<b>7,615.6</b>	<b>13,696.0</b>	<b>15,817.0</b>	<b>20,946.4</b>	<b>14,405.0</b>	<b>17,186.0</b>	<b>22,304.0</b>
<b>Gross Profit</b>	<b>1,569.0</b>	<b>1,302.0</b>	<b>1,331.0</b>	<b>1,417.0</b>	<b>2,226.0</b>	<b>1,858.0</b>	<b>2,005.0</b>	<b>2,100.0</b>	<b>3,350.0</b>	<b>2,297.3</b>	<b>2,296.1</b>	<b>2,522.0</b>	<b>3,923.2</b>	<b>5,619.0</b>	<b>8,189.0</b>	<b>10,465.4</b>	<b>6,276.0</b>	<b>9,313.0</b>	<b>11,038.6</b>
Selling General & Admin Exp.	27.3%	29.9%	30.5%	29.3%	31.3%	35.3%	37.1%	33.8%	34.9%	33.5%	32.5%	32.0%	34.0%	29.1%	34.1%	33.3%	30.3%	35.1%	33.1%
R & D Exp.	167.0	163.0	163.0	166.0	168.0	163.0	188.0	186.0	207.0	205.7	247.3	275.8	288.5	659.0	705.0	935.8	660.0	744.0	1,017.3
Other Operating Expense/(Income)	2.9%	3.7%	3.7%	3.4%	2.4%	3.1%	3.5%	3.0%	2.2%	3.0%	3.5%	3.5%	2.5%	3.4%	2.9%	3.0%	3.2%	2.8%	3.1%
<b>Total Operating Exp.</b>	<b>775.0</b>	<b>731.0</b>	<b>728.0</b>	<b>769.0</b>	<b>858.0</b>	<b>809.0</b>	<b>899.0</b>	<b>972.0</b>	<b>1,114.0</b>	<b>994.4</b>	<b>1,095.1</b>	<b>1,142.8</b>	<b>1,442.3</b>	<b>3,003.0</b>	<b>3,538.0</b>	<b>4,346.2</b>	<b>3,086.0</b>	<b>3,794.0</b>	<b>4,674.5</b>
<b>Operating Income</b>	<b>794.0</b>	<b>571.0</b>	<b>603.0</b>	<b>648.0</b>	<b>1,368.0</b>	<b>1,049.0</b>	<b>1,106.0</b>	<b>1,128.0</b>	<b>2,236.0</b>	<b>1,302.9</b>	<b>1,201.0</b>	<b>1,379.2</b>	<b>2,480.8</b>	<b>2,616.0</b>	<b>4,651.0</b>	<b>6,119.2</b>	<b>3,190.0</b>	<b>5,519.0</b>	<b>6,364.0</b>
Interest (Expense)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and Invest. Income	88.0	87.0	99.0	120.0	133.0	158.0	155.0	170.0	200.0	189.5	199.2	209.4	224.2	394.0	616.0	798.0	439.0	683.0	822.2
<b>Net Interest Inc. (Exp.)</b>	<b>88.0</b>	<b>87.0</b>	<b>99.0</b>	<b>120.0</b>	<b>133.0</b>	<b>158.0</b>	<b>155.0</b>	<b>170.0</b>	<b>200.0</b>	<b>189.5</b>	<b>199.2</b>	<b>209.4</b>	<b>224.2</b>	<b>394.0</b>	<b>616.0</b>	<b>798.0</b>	<b>439.0</b>	<b>683.0</b>	<b>822.2</b>
Other Non-Operating Inc. (Exp.)	(7.0)	(11.0)	(8.0)	(3.0)	(7.0)	(10.0)	-	-	-	(7.0)	(7.0)	(7.0)	(7.0)	(29.0)	(17.0)	(21.0)	(29.0)	(10.0)	(28.0)
<b>EBT</b>	<b>875.0</b>	<b>647.0</b>	<b>694.0</b>	<b>765.0</b>	<b>1,494.0</b>	<b>1,197.0</b>	<b>1,261.0</b>	<b>1,298.0</b>	<b>2,436.0</b>	<b>1,485.4</b>	<b>1,393.2</b>	<b>1,581.6</b>	<b>2,698.0</b>	<b>2,981.0</b>	<b>5,250.0</b>	<b>6,896.2</b>	<b>3,600.0</b>	<b>6,192.0</b>	<b>7,158.2</b>
Income Tax Expense	15.2%	14.8%	15.9%	15.8%	21.0%	22.7%	23.3%	20.9%	25.4%	21.7%	19.7%	20.1%	23.4%	15.4%	21.9%	22.0%	17.4%	23.4%	21.5%
<b>Net Income-Pro Forma</b>	<b>609.0</b>	<b>452.0</b>	<b>505.0</b>	<b>586.0</b>	<b>1,050.0</b>	<b>833.0</b>	<b>883.0</b>	<b>972.0</b>	<b>1,691.0</b>	<b>1,024.9</b>	<b>975.3</b>	<b>1,107.1</b>	<b>1,888.6</b>	<b>2,152.0</b>	<b>3,738.0</b>	<b>4,798.3</b>	<b>2,593.0</b>	<b>4,379.0</b>	<b>4,995.9</b>
Stock-Based Compensation	(44.0)	(42.0)	(37.0)	(40.0)	(46.0)	(63.0)	(65.0)	(68.0)	(110.0)	(135.0)	(100.0)	(100.0)	(150.0)	(163.0)	(242.0)	(445.0)	(165.0)	(306.0)	(485.0)
<b>Net Income-Pro Forma w/ Options</b>	<b>565.0</b>	<b>410.0</b>	<b>468.0</b>	<b>546.0</b>	<b>1,004.0</b>	<b>770.0</b>	<b>818.0</b>	<b>904.0</b>	<b>1,581.0</b>	<b>889.9</b>	<b>875.3</b>	<b>1,007.1</b>	<b>1,738.6</b>	<b>1,989.0</b>	<b>3,496.0</b>	<b>4,353.3</b>	<b>2,428.0</b>	<b>4,073.0</b>	<b>4,510.9</b>
Total Extraordinary Items	-	-	4.0	(4.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Income-GAAP</b>	<b>565.0</b>	<b>410.0</b>	<b>472.0</b>	<b>542.0</b>	<b>1,004.0</b>	<b>770.0</b>	<b>818.0</b>	<b>904.0</b>	<b>1,581.0</b>	<b>889.9</b>	<b>875.3</b>	<b>1,007.1</b>	<b>1,738.6</b>	<b>1,989.0</b>	<b>3,496.0</b>	<b>4,353.3</b>	<b>2,428.0</b>	<b>4,073.0</b>	<b>4,510.9</b>
Convert Int Exp - Add back	9.8%	9.4%	10.8%	11.2%	14.1%	14.6%	15.1%	14.5%	16.5%	13.0%	12.4%	12.8%	15.1%	10.3%	14.6%	13.9%	11.7%	15.4%	13.5%
<b>Diluted EPS - Pro Forma</b>	<b>0.697</b>	<b>0.514</b>	<b>0.576</b>	<b>0.667</b>	<b>1.189</b>	<b>0.939</b>	<b>0.991</b>	<b>1.085</b>	<b>1.879</b>	<b>1.131</b>	<b>1.072</b>	<b>1.211</b>	<b>2.053</b>	<b>2.454</b>	<b>4.205</b>	<b>5.293</b>	<b>2.946</b>	<b>4.895</b>	<b>5.467</b>
Diluted EPS - Pro Forma w/ Options	0.646	0.467	0.534	0.621	1.137	0.868	0.918	1.009	1.757	0.982	0.962	1.102	1.890	2.268	3.933	4.803	2.759	4.553	4.936
Diluted EPS - Pro Forma Ex Options, Ex Interest Inc.	0.596	0.415	0.463	0.530	1.038	0.761	0.817	0.895	1.657	0.922	0.853	0.982	1.809	2.005	3.512	4.414	2.447	4.131	4.566
Diluted EPS - GAAP	0.646	0.467	0.539	0.617	1.137	0.868	0.918	1.009	1.757	0.982	0.962	1.102	1.890	2.268	3.933	4.803	2.759	4.553	4.936
Weighted Avg. Basic Shares Out.	830.8	840.9	851.4	854.2	857.7	863.0	866.8	870.9	875.9	882.0	886.0	890.0	896.0	844.3	864.6	883.5	851.0	869.1	888.5
Weighted Avg. Diluted Shares Out.	874.2	878.5	876.4	878.8	883.3	886.7	890.7	895.7	900.1	906.0	910.0	914.0	920.0	877.0	889.1	907.5	879.2	893.3	912.5
<b>Balance Sheet/Cash Flow - Highlights</b>																			
Total Cash & ST Investments	8,707.0	8,226.0	9,176.0	10,110.0	11,869.0	12,577.0	13,767.0	15,386.0	18,448.0	19,443.9	20,394.2	21,480.3	23,351.9	10,110.0	15,386.0	21,480.3	11,869.0	18,448.0	23,351.9
Total Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash + ST Investments per diluted share	10.0	9.4	10.5	11.5	13.4	14.2	15.5	17.2	20.5	21.5	22.4	23.5	25.4	11.5	17.2	23.5	13.4	20.5	25.4
Total Equity	8,380.0	8,682.0	9,330.0	9,984.0	11,228.0	12,261.0	13,404.0	14,532.0	16,804.0	17,693.9	18,569.2	19,576.3	21,314.9	9,984.0	14,532.0	19,576.3	11,228.0	16,804.0	21,314.9
D&A	52.0	50.0	57.0	66.0	74.0	69.0	81.0	93.0	106.0	96.0	100.0	104.0	108.0	225.0	317.0	406.0	247.0	349.0	408.0
Capex	82.0	193.0	237.0	145.0	142.0	105.0	283.0	292.0	224.0	125.0	125.0	125.0	125.0	657.0	822.0	599.0	717.0	904.0	500.0
EBITDA	839.0	610.0	652.0	711.0	1,435.0	1,108.0	1,187.0	1,221.0	2,342.0	1,391.9	1,294.0	1,476.2	2,581.8	2,812.0	4,951.0	6,504.2	3,408.0	5,858.0	6,744.0

Source: Company Financials, WR Hambrecht + Co estimates

Apple Inc. > Segment Analysis & Forecast

For the fiscal period ending:	Q1 12/31/2005	Q2 4/1/2006	Q3 7/1/2006	Q4 9/30/2006	Q1 12/30/2006	Q2 3/31/2007	Q3 6/30/2007	Q4 9/30/2007	Q1 12/29/2007	Q2 E 3/31/2008	Q3 E 6/30/2008	Q4 E 9/30/2008	Q1 E 12/31/2008
<b>Units (thousands)</b>													
Desktops	667	614	529	624	637	626	634	817	977	800	750	900	850
Portables	587	498	798	986	969	891	1,130	1,347	1,324	1,450	1,450	1,600	1,900
Total Mac units	1,254	1,112	1,327	1,610	1,606	1,517	1,764	2,164	2,301	2,250	2,200	2,500	2,750
iPods	14,043	8,526	8,111	8,729	21,066	10,549	9,815	10,200	22,121	11,000	11,000	13,000	30,000
iPhone							270	1,119	2,315	1,500	2,000	2,500	4,000
<b>Revenue (\$M USD)</b>													
Desktop Revenue	912	833	705	869	955	914	956	1,195	1,515	1,160	1,088	1,305	1,233
Portable Revenue	812	739	1,161	1,344	1,455	1,354	1,577	1,908	2,037	2,030	2,030	2,240	2,660
Total Mac revenue	1,724	1,572	1,866	2,213	2,410	2,268	2,533	3,103	3,552	3,190	3,118	3,545	3,893
iPod Revenue	2,906	1,714	1,497	1,559	3,427	1,689	1,570	1,619	3,997	1,925	1,925	2,080	4,650
iPhone Revenue						-	5	118	241	293	393	486	636
Other Music Related Revenue (incl. s. f.)	491	485	457	452	634	653	608	601	808	800	830	970	1,560
Peripherals + Other H/W Revenue	303	264	236	297	297	309	308	346	382	350	350	350	350
Software/Services	325	324	314	316	347	345	386	430	628	300	450	450	450
Total Revenues	5,749	4,359	4,370	4,837	7,115	5,264	5,410	6,217	9,608	6,858	7,065	7,881	11,539
<b>Revenue %</b>													
Desktop Revenue	15.9%	19.1%	16.1%	18.0%	13.4%	17.4%	17.7%	19.2%	15.8%	16.9%	15.4%	16.6%	10.7%
Portable Revenue	14.1%	17.0%	26.6%	27.8%	20.4%	25.7%	29.1%	30.7%	21.2%	29.6%	28.7%	28.4%	23.1%
Total Mac revenue	30.0%	36.1%	42.7%	45.8%	33.9%	43.1%	46.8%	49.9%	37.0%	46.5%	44.1%	45.0%	33.7%
iPod Revenue	50.5%	39.3%	34.3%	32.2%	48.2%	32.1%	29.0%	26.0%	41.6%	28.1%	27.2%	26.4%	40.3%
iPhone Revenue						0.1%	1.9%	2.5%	4.3%	5.6%	6.2%	5.5%	
Other Music Related Revenue	8.5%	11.1%	10.5%	9.3%	8.9%	12.4%	11.2%	9.7%	8.4%	11.7%	11.7%	12.3%	13.5%
Peripherals + Other H/W Revenue	5.3%	6.1%	5.4%	6.1%	4.2%	5.9%	5.7%	5.6%	4.0%	5.1%	5.0%	4.4%	3.0%
Software/Services	5.7%	7.4%	7.2%	6.5%	4.9%	6.6%	7.1%	6.9%	6.5%	4.4%	6.4%	5.7%	3.9%
Total Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Other Music Rev/Ipod units sold	\$ 35.0	\$ 56.9	\$ 56.3	\$ 51.8	\$ 30.1	\$ 61.9	\$ 61.9	\$ 58.9	\$ 36.5	\$ 70.0	\$ 70.0	\$ 70.0	\$ 50.0
Other Music Rev/Ipod installed base	\$ 11.7	\$ 9.6	\$ 7.8	\$ 6.7	\$ 7.2	\$ 6.6	\$ 5.6	\$ 5.1	\$ 5.7	\$ 5.3	\$ 5.1	\$ 5.5	\$ 7.6
Cash iPhone Revenue - est							148	515	1,019	660	800	750	1,200
Deferred iPhone Revenue - est							142	562	1,370	1,737	2,145	2,408	2,972
<b>ASP Calculations (\$ USD)</b>													
Desktop	1,367	1,357	1,333	1,393	1,499	1,460	1,508	1,463	1,551	1,450	1,450	1,450	1,450
Portables	1,383	1,484	1,455	1,363	1,502	1,520	1,396	1,416	1,539	1,400	1,400	1,400	1,400
Total Mac	1,375	1,414	1,406	1,375	1,501	1,495	1,436	1,434	1,544	1,418	1,417	1,418	1,415
iPod	207	201	185	179	163	160	160	159	181	175	175	160	155
iPhone							549	460	440	440	400	300	300
Desktop - Q/Q	4.6%	-0.8%	-1.8%	4.5%	7.7%	-2.6%	3.3%	-3.0%	6.0%	-6.5%	0.0%	0.0%	0.0%
Portables - Q/Q	6.4%	7.3%	-2.0%	-6.3%	10.2%	1.2%	-8.2%	1.5%	8.6%	-9.0%	0.0%	0.0%	0.0%
Total Mac - Q/Q	5.5%	2.8%	-0.5%	-2.3%	9.2%	-0.4%	-4.0%	-0.1%	7.7%	-8.2%	-0.1%	0.1%	-0.2%
iPod - Q/Q	10.1%	-2.9%	-8.2%	-3.2%	-8.9%	-1.6%	-0.1%	-0.8%	13.8%	-3.1%	0.0%	-8.6%	-3.1%
Desktop - Y/Y	-14.9%	2.7%	8.4%	6.5%	9.6%	7.6%	13.1%	5.0%	3.4%	-0.7%	-3.8%	-0.9%	-6.5%
Portables - Y/Y	-3.1%	-0.8%	0.0%	4.9%	8.5%	2.4%	-4.1%	3.9%	2.5%	-7.9%	0.3%	-1.2%	-9.0%
Total Mac - Y/Y	-10.4%	1.2%	6.2%	5.5%	9.2%	5.8%	2.1%	4.3%	2.9%	-5.2%	-1.3%	-1.1%	-8.3%
iPod - Y/Y	-21.7%	5.3%	3.0%	-4.9%	-21.4%	-20.4%	-13.3%	-11.1%	11.1%	9.3%	9.4%	0.8%	-14.2%
<b>Unit Growth</b>													
Desktop - Q/Q	10.8%	-7.9%	-13.8%	18.0%	2.1%	-1.7%	1.3%	28.9%	19.6%	-18.1%	-6.3%	20.0%	-5.6%
Portables - Q/Q	-7.4%	-15.2%	60.2%	23.6%	-1.7%	-8.0%	26.8%	19.2%	-1.7%	9.5%	0.0%	10.3%	18.8%
Total Mac - Q/Q	1.5%	-11.3%	19.3%	21.3%	-0.2%	-5.5%	16.3%	22.7%	6.3%	-2.2%	-2.2%	13.6%	10.0%
iPod - Q/Q	117.7%	-39.3%	-4.9%	7.6%	141.3%	-49.9%	-7.0%	3.9%	116.9%	-50.3%	0.0%	18.2%	130.8%
Desktop - Y/Y	7.1%	1.0%	-23.0%	3.7%	-4.5%	2.0%	19.8%	30.9%	53.4%	27.8%	18.3%	10.2%	-13.0%
Portables - Y/Y	38.8%	7.8%	61.2%	55.5%	65.1%	78.9%	41.6%	36.6%	36.6%	62.7%	28.3%	18.8%	43.5%
Total Mac - Y/Y	19.9%	3.9%	12.3%	30.3%	28.1%	36.4%	32.9%	34.4%	43.3%	48.3%	24.7%	15.5%	19.5%
iPod - Y/Y	206.6%	60.5%	31.8%	35.3%	50.0%	23.7%	21.0%	16.9%	5.0%	4.3%	12.1%	27.5%	35.6%
<b>Retail Statistics (\$M USD)</b>													
Retail Revenue	1,072	636	715	936	1,139	855	915	1,250	1,700				
Average Stores	130	138	146	158	169	172	180	190	201				
Retail Profit	90	29	29	50	89	32							
Manufacturing Profit	199	128	148	188	232	174	184	268	405				
Revenue/Store	8.25	4.61	4.90	5.92	6.74	4.97	5.08	6.58	8.46				
Retail Profit/Store	0.08	0.05	0.04	0.05	0.08	0.04	-	-	-				
Retail Profit Margin	8.4%	4.6%	4.1%	5.3%	7.8%	3.7%							
Total Profit/Store	0.27	0.25	0.25	0.25	0.28	0.24	0.20	0.21	0.24				
Total Store Profit Margin	27.0%	24.7%	24.8%	25.4%	28.2%	24.1%	20.1%	21.4%	23.8%				
<b>Geographic Breakdown</b>													
America Mac units	515	494	642	781	625	605	824	965	841				
Europe Mac units	387	316	301	342	491	433	393	499	705				
Japan Mac units	81	82	79	62	70	79	81	72	91				
Retail Mac units	193	154	216	323	308	275	330	473	504				
Other Segment Mac units	78	66	89	102	112	125	136	155	178				
Total Mac units	1,254	1,112	1,327	1,610	1,606	1,517	1,764	2,164	2,319				
America Mac units - Q/Q	-19.0%	-4.1%	30.0%	21.7%	-20.0%	-3.2%	36.2%	17.1%	-12.8%				
Europe Mac units - Q/Q	49.4%	-18.3%	-4.7%	13.6%	43.6%	-11.8%	-9.2%	27.0%	41.3%				
Japan Mac units -Q/Q	14.1%	1.2%	-3.7%	-21.5%	12.9%	12.9%	2.5%	-11.1%	26.4%				
Retail Mac units - Q/Q	-4.5%	-20.2%	40.3%	49.5%	-4.6%	-10.7%	20.0%	43.3%	6.6%				
Other Segment Mac units - Q/Q	14.7%	-15.4%	34.8%	14.6%	9.8%	11.6%	8.8%	14.0%	14.8%				
Total Mac units - Q/Q	1.5%	-11.3%	19.3%	21.3%	-0.2%	-5.5%	16.3%	22.7%	7.2%				
America net sales %	47.0%	48.7%	50.1%	47.5%	49.2%	66.5%	64.7%	56.3%	36.4%				
Europe net sales %	21.6%	22.2%	20.6%	20.4%	24.0%	32.5%	31.6%	27.5%	17.8%				
Japan net sales %	6.2%	7.1%	5.9%	5.9%	4.0%	5.4%	5.3%	4.6%	3.0%				
Retail net sales %	18.6%	14.6%	16.4%	19.4%	16.0%	21.6%	21.1%	18.3%	11.9%				
Other Segment net sales %	6.6%	7.5%	7.1%	6.8%	6.8%	9.2%	8.9%	7.8%	5.0%				
Total net sales %	100.0%	100.0%	100.0%	100.0%	100.0%	135.2%	131.5%	114.4%	74.1%				

Source: Company Financials, WR Hambrecht + Co estimates

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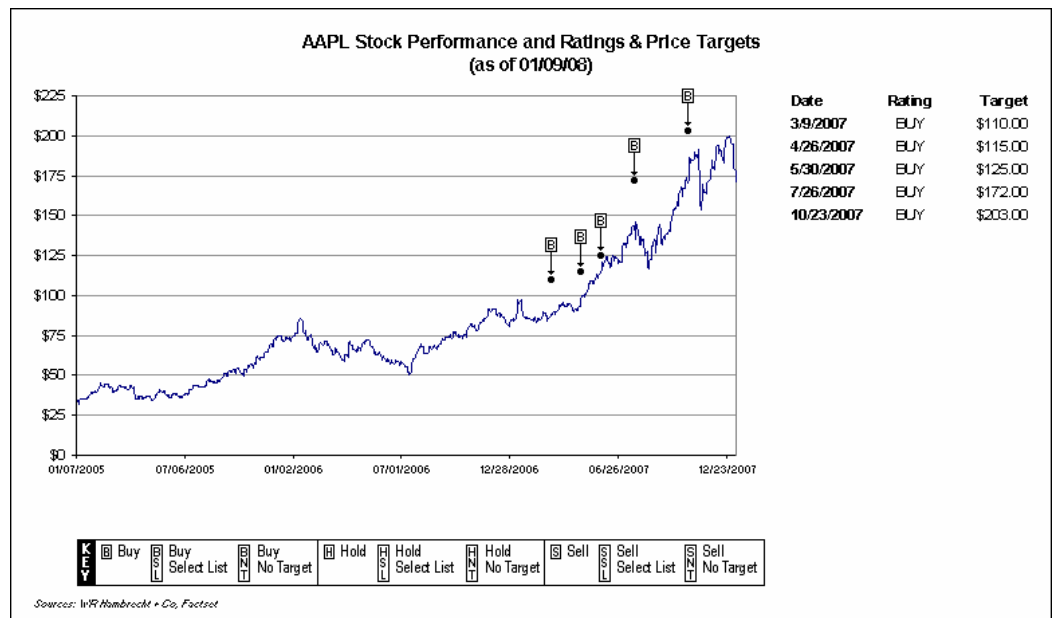
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At the time this report was published, WR Hambrecht + Co made a market in the securities of Apple, Inc. (AAPL).

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## VALUATION METHODS TO DETERMINE PRICE TARGET

Our Apple, Inc. (AAPL), price target of \$218 is based on 43x our CY:08 estimates – ex-interest income and options expense, plus cash.

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## OBTAINING CURRENT DISCLOSURES

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