Dear Shareholders,

### 2011 was a great year for our business growth, but sadly, we lost our co-founder and chairman, Steve Jobs. Steve was a great innovator. His passing was a loss for the world of information technology. Together with the Apple team, Steve created numerous legendary products, such as the iMac, MacBook, iPhone, iPod and iPad. Under his leadership, Apple has become the symbol of innovative technology. We’ve vowed to continue his legacy of creating the next big technological advances.

At Apple, we have sustained growth every year, and this year was no exception. We are committed to continuing development of the newest products our customers want and delivering them with excellent customer service.

**Below is a brief recap of 2011:**

* Total revenue of $108.25 billion, a 66 percent increase from 2010. There was significant growth in the Asia-Pacific region, which has risen 44 percent since 2010.
* Operating income of $33.79 billion, an 83 percent jump from 2010.
* Net income of $25.92 billion, an 84 percent increase from 2010.
* Earnings per share of $27.68, an 82 percent rise from 2010.
* Stock price Between 2006 and 2011, Apple stock has grown 300 percent.

The financial performance of fiscal year 2011 surpassed our expectations. Even in a tough economy, Apple’s sales increased. In addition, Apple’s stock price jumped from $396 to $495, a 34 percent increase from 2010. Between 2006 and 2011, Apple stock has grown 300 percent, which shows Apple’s unwavering position in the high-technology market. At Apple, our initiative is resulting in the latest technologies while expanding our existing product lines. Throughout 2011, we launched several new models and are proud to announce a new partnership with Verizon.

**Here are our key accomplishments this year:**

* Mac App Store: We’ve created a platform allowing customers to download applications for their computers according to their needs. The new software brought more user-friendly way of accessing software applicants.
* Verizon iPhone: We are glad to announce the collaboration between Apple and Verizon. Our new partnership enables Apple users to change mobile carriers. This change increased market accessibility for Apple products as well, and this move also helped diversify our client base.
* New MacBook Air: It’s lighter, faster and more efficient. The product line expansion increases the market share of the personal computer line. This gives us an advantage over our competitors with students, one of the largest market segments of portable computers.
* iPad 2: Our iPad created a buzz when we first launched it in 2010. This year, we launched a thinner and lighter iPad 2. We were also able to cut the price of our iPads to stay competitive and attract early technology adopters.

**Apple’s competitive advantages**

What has made Apple products special is that we are distinguished from other brands. Our seamless design and unique operating system have built a solid brand loyalty among the largest customer base in the world. To maximize our profits, we will continue to hold the high standards. With advances in the Mac, iPod, iPhone and iPad, Apple has dominated the laptop, music, smartphone and tablet industries. At Apple, we have been successful in finding our niche in a variety of market categories.

**Future outlook**

Our total research and development expense last year was $2.4 billion, a 33 percent increase from 2010. Our total net income in 2011 increased by 84 percent, which indicates that our investments in the research and development division are paying off, and we will continue to invest towards developing technology our customers are interested in.

Our goal for the following years is to continue leading the technology industry. To continue growth, next year we will be announcing:

* Partnership with mobile carriers: Because of the success of our partnership with Verizon, we plan to collaborate with more mobile carriers and further expand market accessibility of Apple products.
* Launch of the new iPhone: Because of our innovations, our iPhone product launches are a highlight of the cellphone industry. Currently, iPhone and related products account for 43 percent of Apple’s total net sales, which have risen 10 percent from 2010. We expect to increase 15 percent by designing the next iPhone with more innovative features.
* Expansion of Apple stores: Apple puts customers first. The retail Apple stores is the most direct way to serve our customers. We plan to open more Apple stores both nationally and internationally that allow people to learn about Apple products, provide high-quality sales and offer exceptional after sales experience.

We anticipate continued growth in the technology industry. We listen to our customers’, employees’ and shareholders’ feedback to create the “next big thing.”

Your support leads Apple to be better each day. On behalf of everyone at Apple, thank you.

Sincerely,

Tim Cook

CEO, Apple