



Apple's Strategy for Long-Term Growth

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CFO

Forward-Looking Information

Please note that some of the information you will hear during today's presentation may consist of forward-looking statements and that actual results could differ materially from these statements. More information on potential factors that could affect the Company's financial results is included from time to time in the Company's public reports filed with the SEC, including the Company's Form 10-Q for the quarter ended June 28th, 2003 and the Company's Form 10-K for the 2003 fiscal year to be filed with the SEC. The Company assumes no obligation to update any forward-looking statements or information, which speak as of their respective dates.

Agenda

Investing for Long-Term Growth: 2001-2003

Market Update

- Consumer
- Education
- Creative
- Small Business
- Enterprise/Government

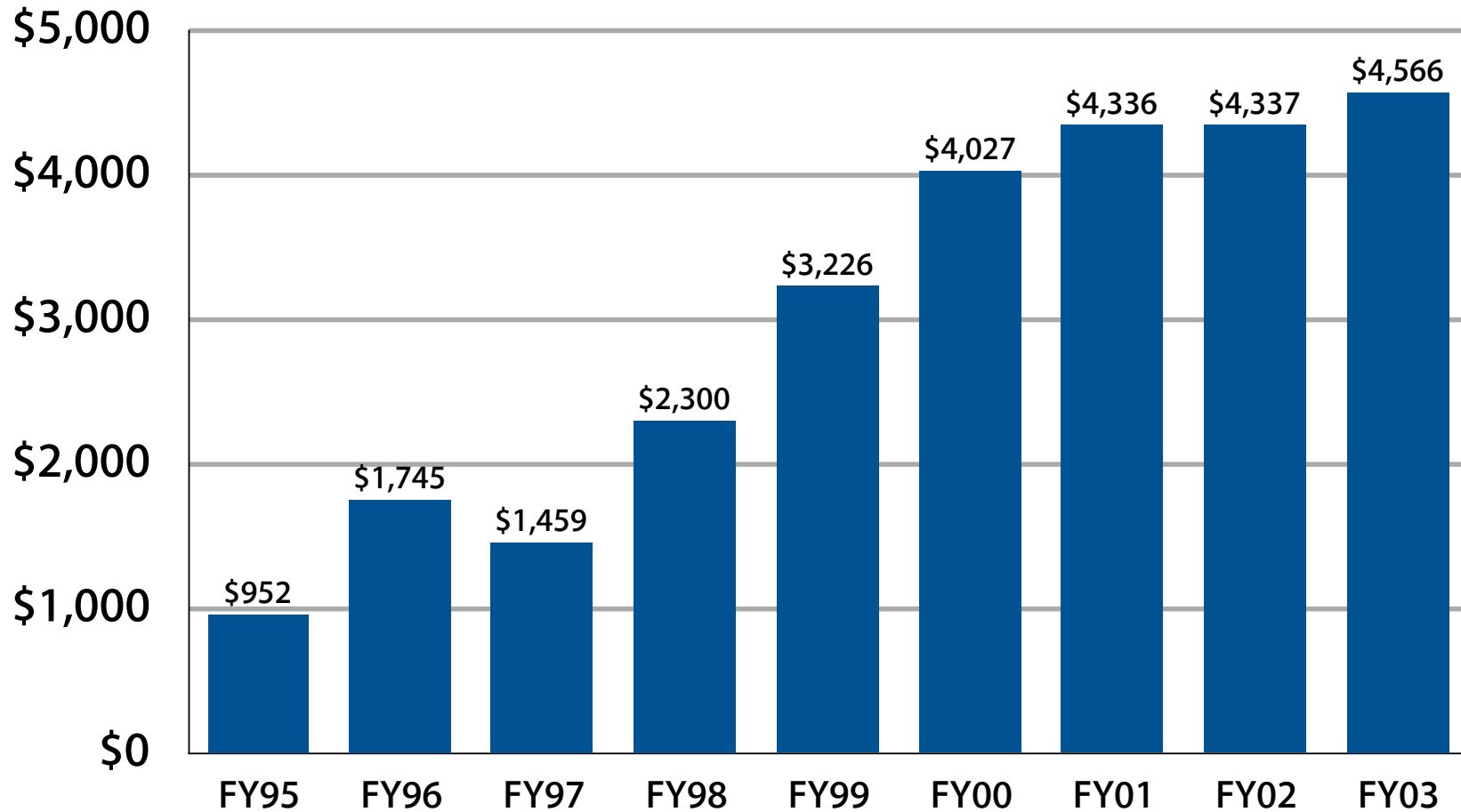


Investing for Long-Term Growth

Cash

Cash balances were up \$229 million in FY03

(\$=Mil)



Investing Through the Downturn

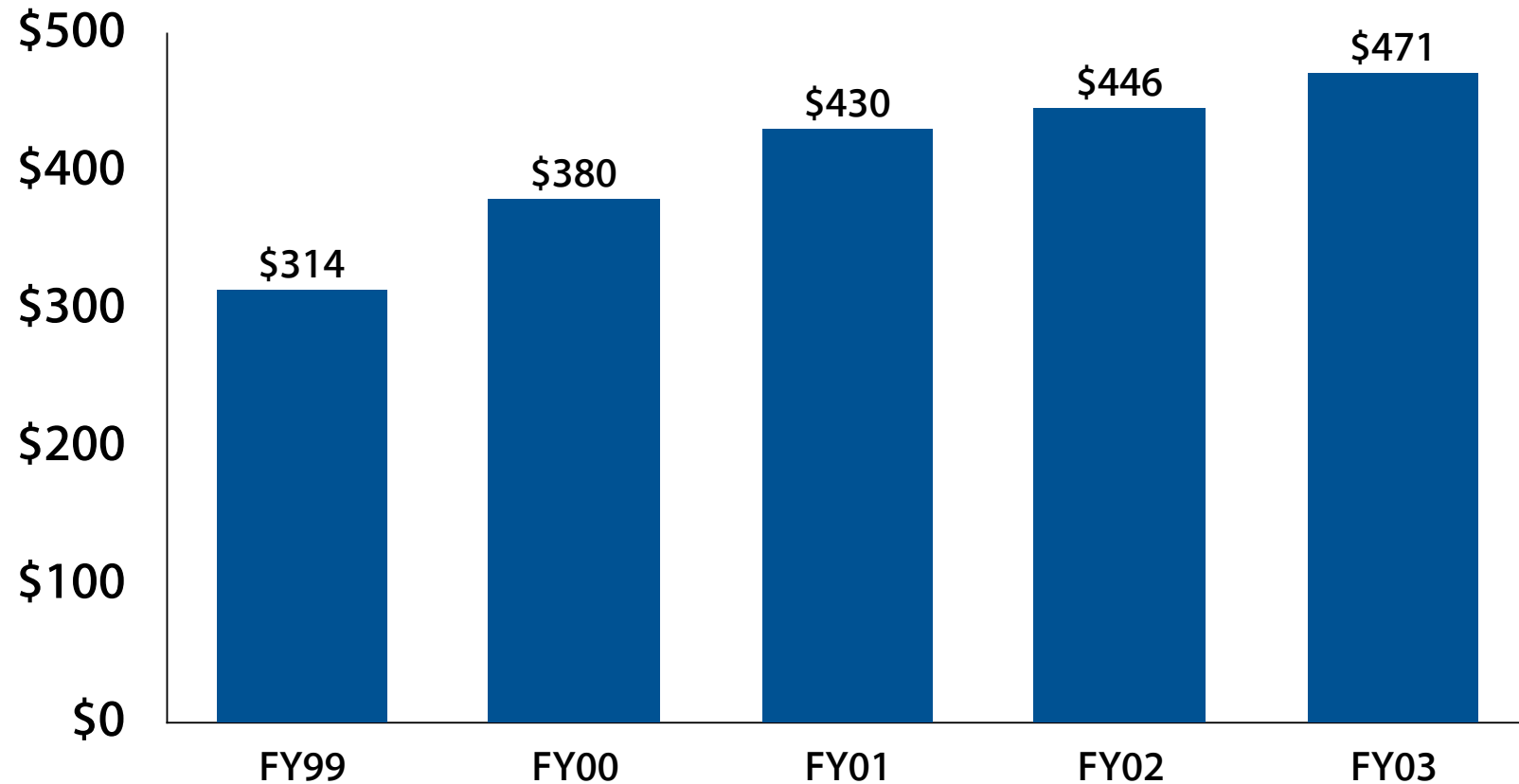
FY2001 to FY2003

	FY01	FY02	FY03
Revenue (millions)	\$5,363	\$5,742	\$6,207
Gross Margin	23.0%	27.9%	27.5%
Operating Expense (millions)	\$1,579	\$1,586	\$1,709
Net Income (Loss) (millions)	\$(25)	\$65	\$69

Apple's R&D Investment

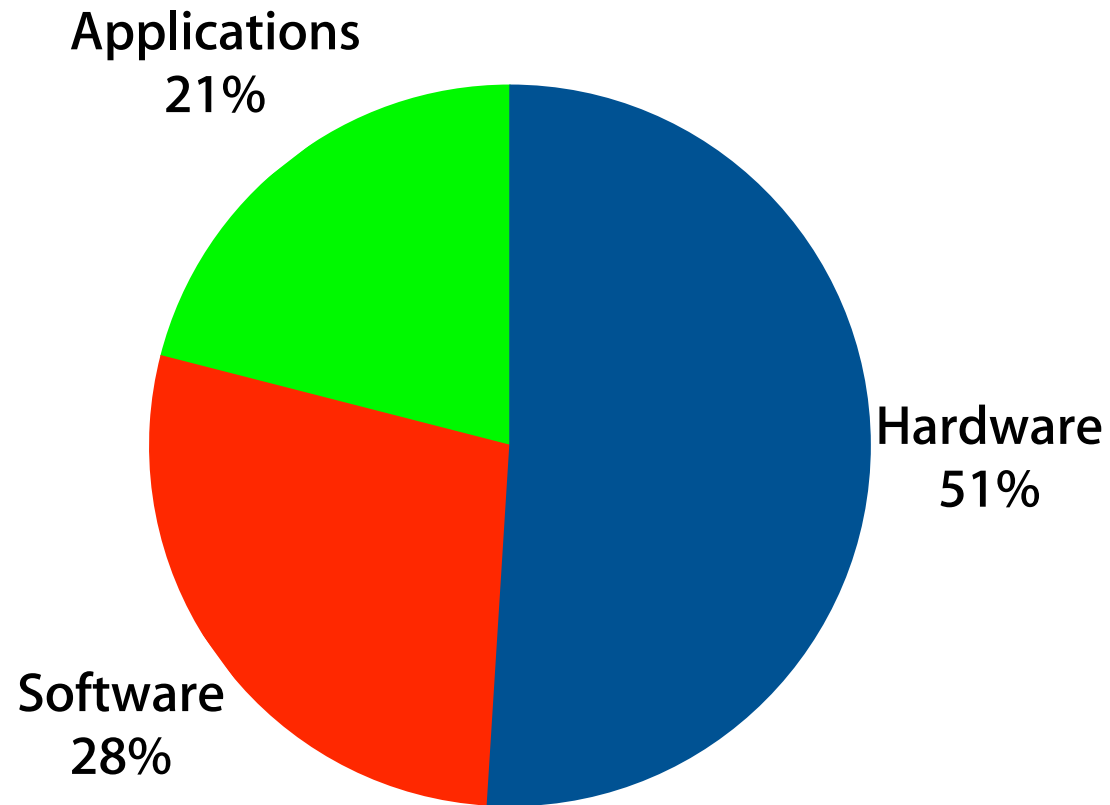
R&D investment is up 50% from FY99
R&D headcount is close to 2,500

(\$=Mil)



Apple's R&D Investment

FY03 R&D expense breakdown

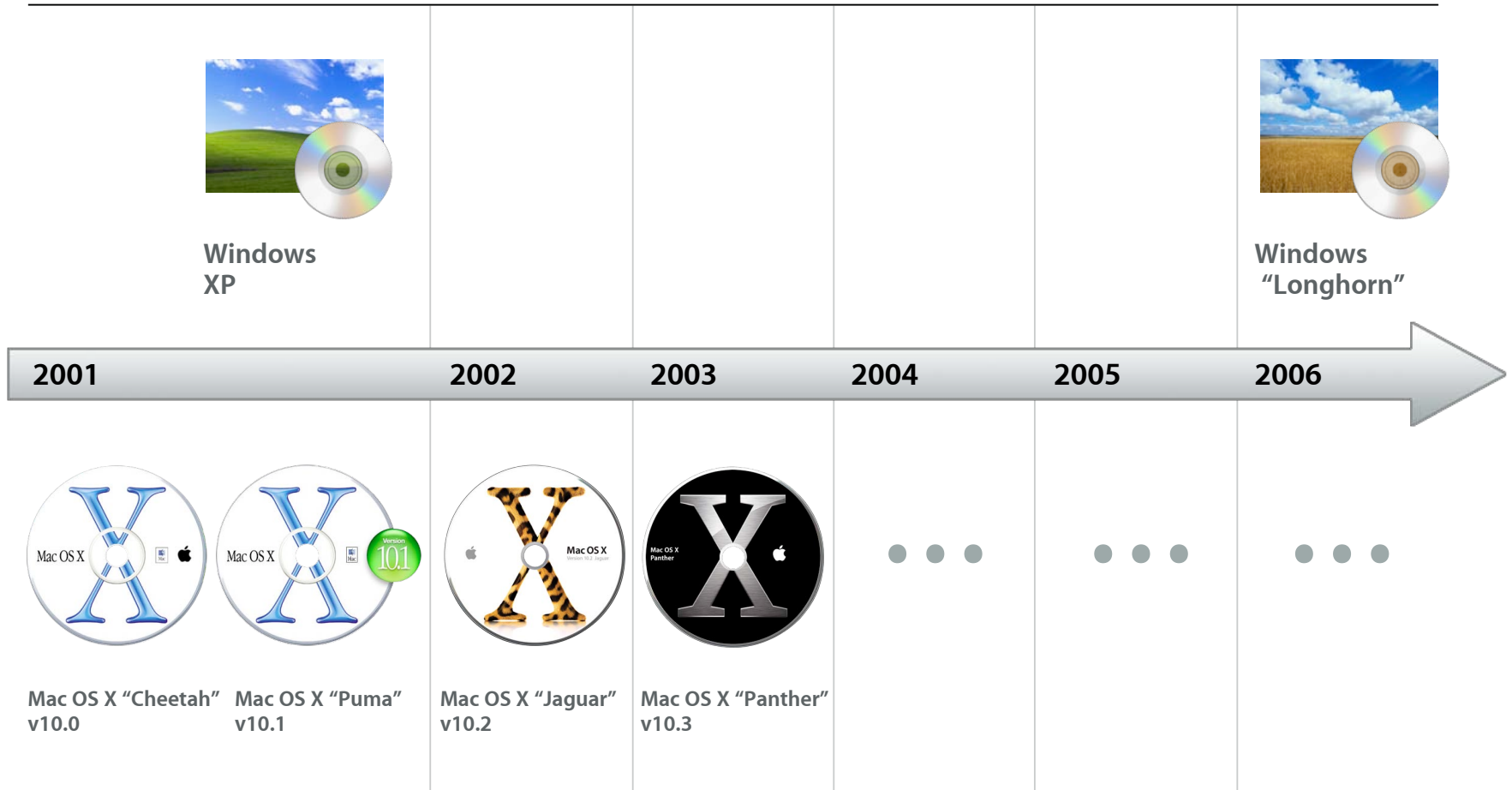


Power Mac G5

**World's first 64-bit
personal computer**



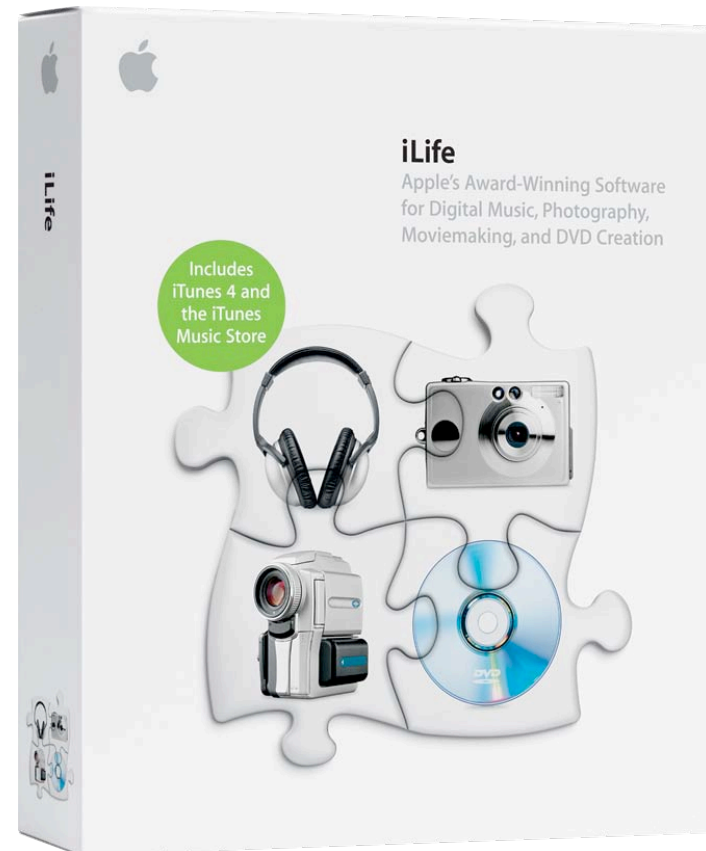
Blazing Pace of Innovation



iLife

Bundled free with all Macs

- **Four incredible applications**
 - iTunes
 - iPhoto
 - iMovie
 - iDVD
- **Brand-new features**
- **Unprecedented integration**



The iPod and the iTunes Music Store

The most popular selling MP3 player combined with a revolutionary way to buy music

Now available for Windows!



Apple Retail Stores



74 Stores Open by December 31, 2003



Retail Store Investment & Results

Investment

- 71 stores open today
- 3 more stores targeted before year-end
- First international store in Tokyo November 30th
- \$293 million in CAPEX through FY03
- ~1,300 employees

Q4'03 Results

- \$193 million in revenue
- Segment profit of \$1 million
- \$35 million manufacturing profit
- 4.3 million visitors to our stores (5.2K/store/week)



Market Update

Apple's Key Markets

Consumer



Education



Creative



Business





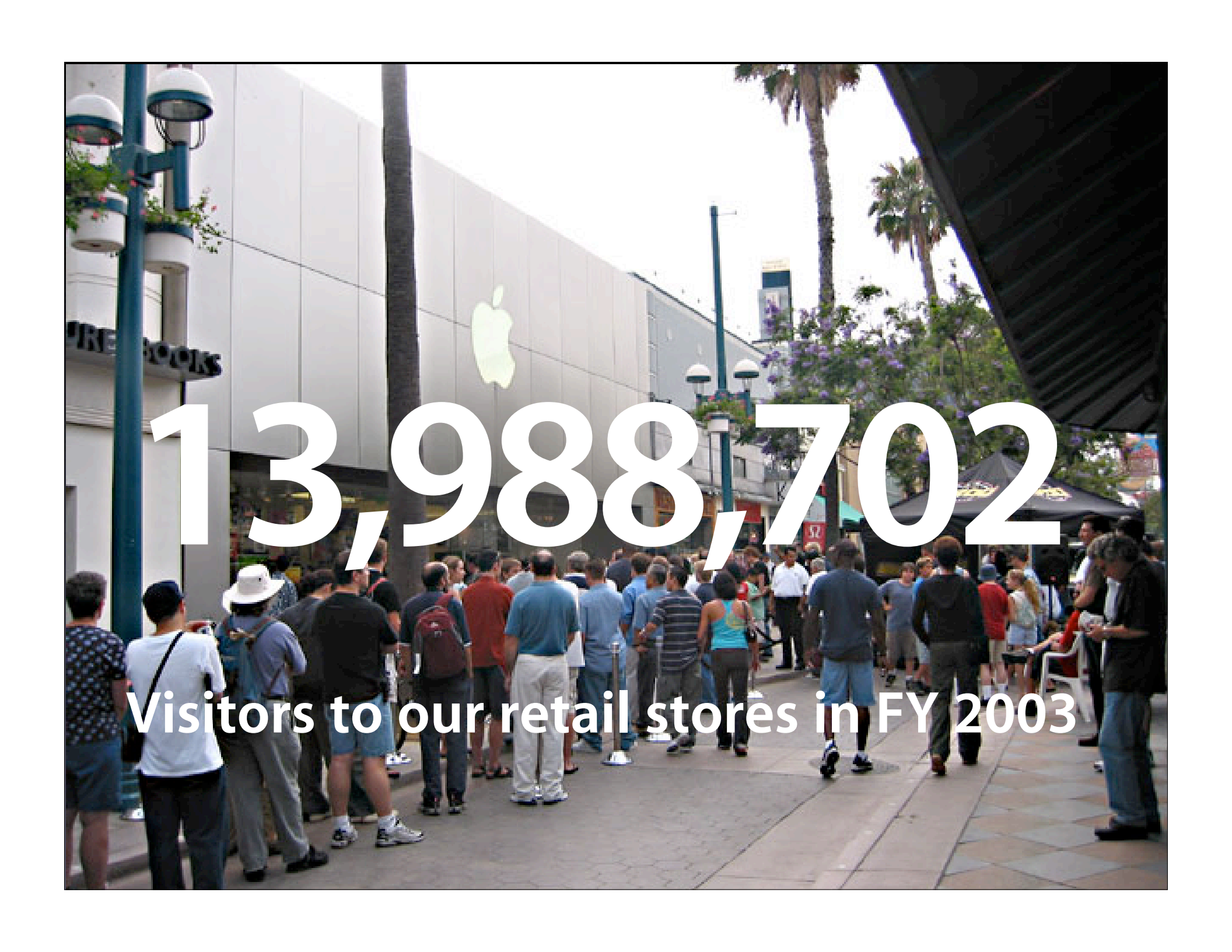
Consumer

Consumer Market

Firing on all cylinders

The Digital Lifestyle Vision



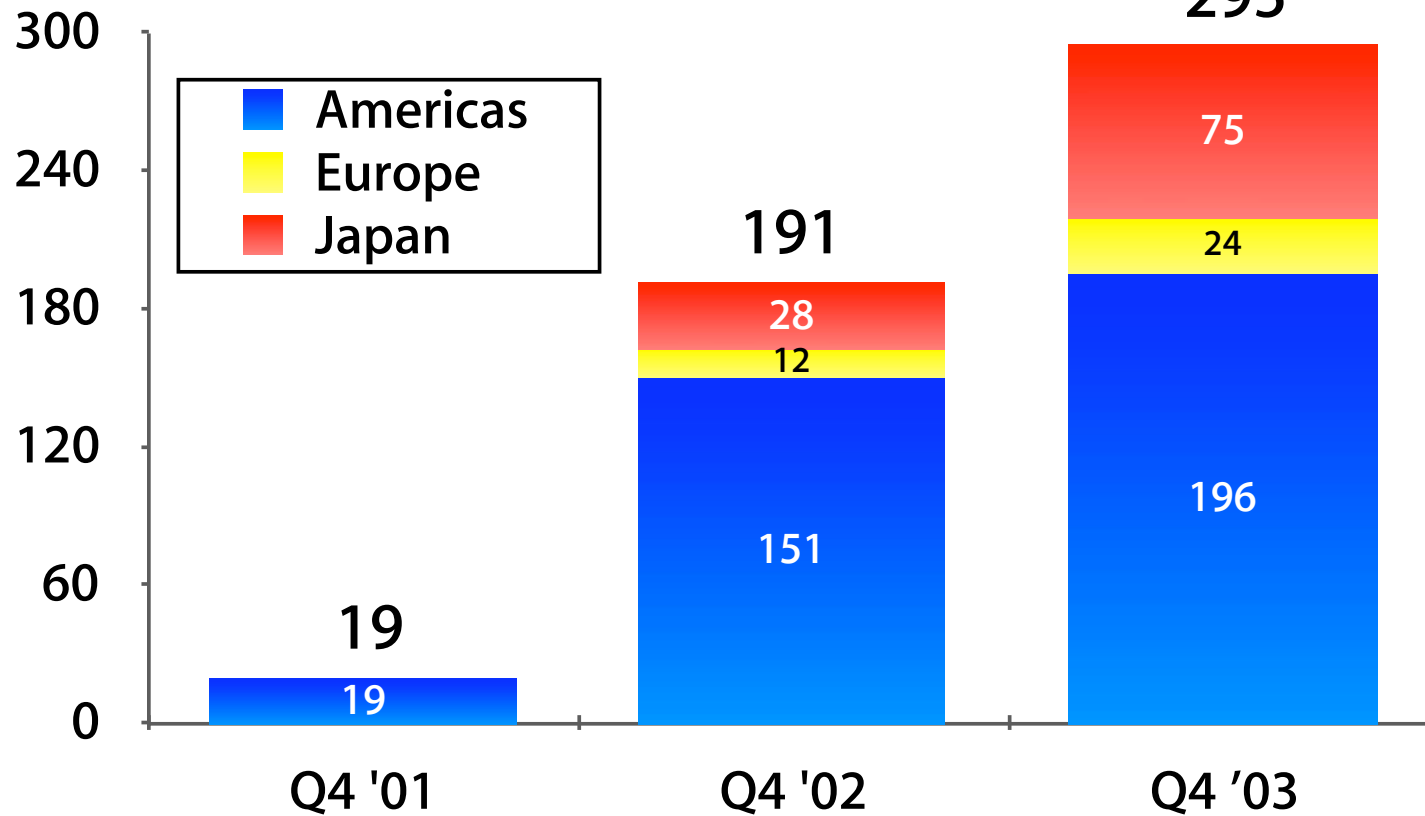


13,988,702

Visitors to our retail stores in FY 2003

International ASC Expansion

(Headcount)



Great Marketing



Pods unite.

iPod

New 20GB and
40GB models.
For Mac and Windows.



Firing on All Cylinders



Pods unite.

Great sales experience

+

Killer digital apps

+

Great marketing

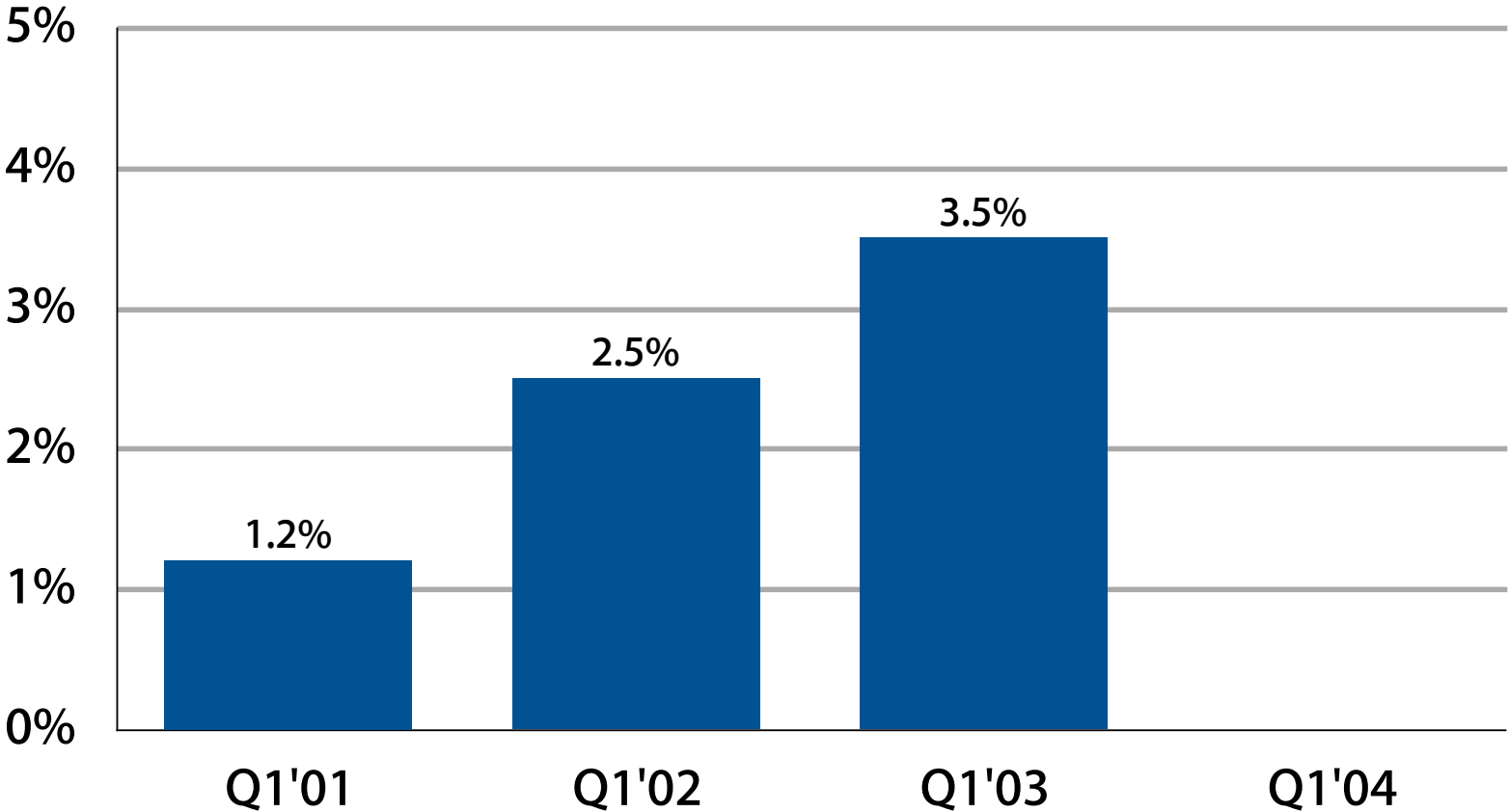
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Great hardware

U.S. Consumer Market Share

Steady market share gains

(Market Share)

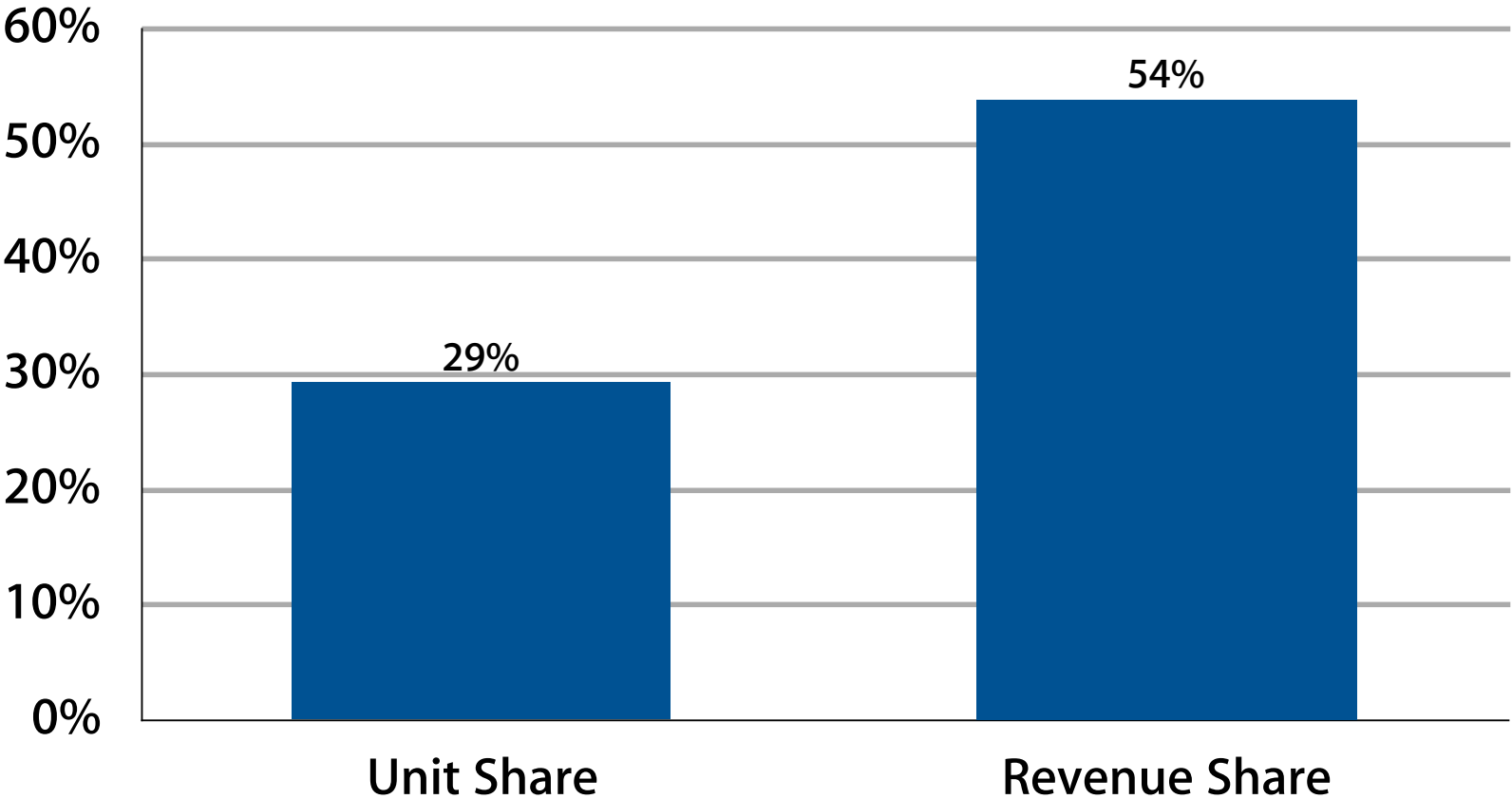


Source: IDC WW PC Tracker, September 2003

U.S. iPod Market Share

Fiscal Q4'03 Market Share

(Market Share)



Source: Apple estimate

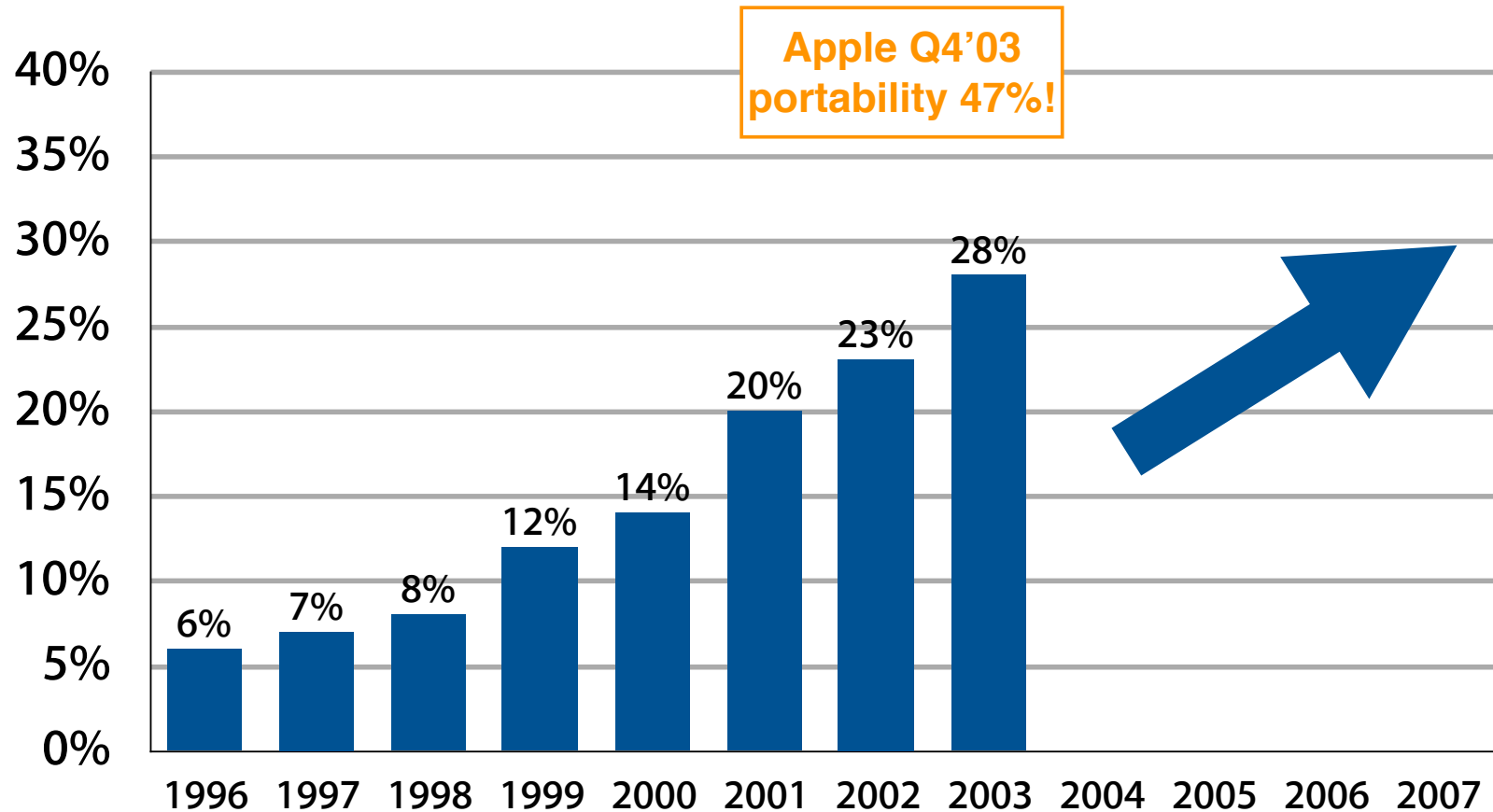


Education

U.S. Education Portability Trends

Portables are growing while desktops are flat (2003-2007)

(Portable shipment ratio)



Source: IDC WW PC Tracker, September 2003

One-to-One Initiatives

Large-scale deployments are gaining momentum

State of Maine 38K iBooks







Henrico Co. VA 25K+ iBooks

Schaumburg, IL 5K iBooks

Eastern Township, Quebec 5K iBooks



Henrico County, VA Results

Metric	Change
Fully accredited status	19% 
Standards of learning	
World History	14 points 
U.S. History	20 points 
Core curriculum	9 of 11 
Drop-out rate	1.5% 
Graduates continuing their education	2.5% 

Lowest Ever!

Source: *The School Administrator*, April 2003

Best Higher Education Quarter in 7 Years





The new PowerBooks. Now available in three sizes. Meet the entire PowerBook® G4 family. The 12" PowerBook is the only ultra-compact portable with a slot-loading CD/DVD-burning SuperDrive™. The 17" PowerBook offers the largest, most stunning display to ever grace a notebook. And the family is now joined

by an all-new 15" model, which shares its siblings' all-aluminum design and strikes an unprecedented balance of power and portability. Regardless of which one you pick, all are available with turbocharged PowerPC G4 processors, SuperDrive and the fastest speeds in wireless networking. So, how much PowerBook do you want?

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Higher Education

1,100 Power Mac G5s = 1 world-class super computer at a fraction of the cost



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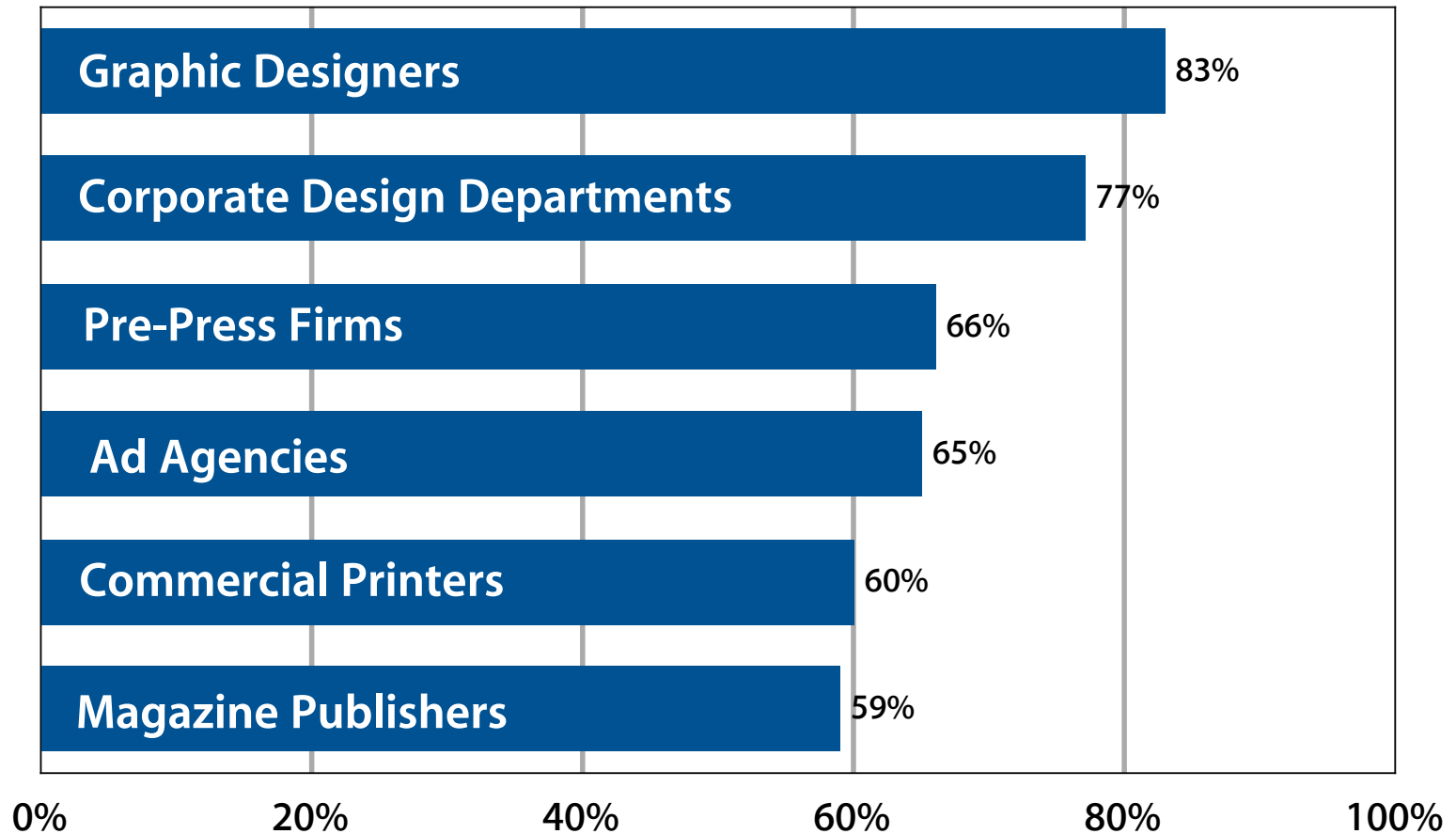




Creative

Mac Installed Base is Strong

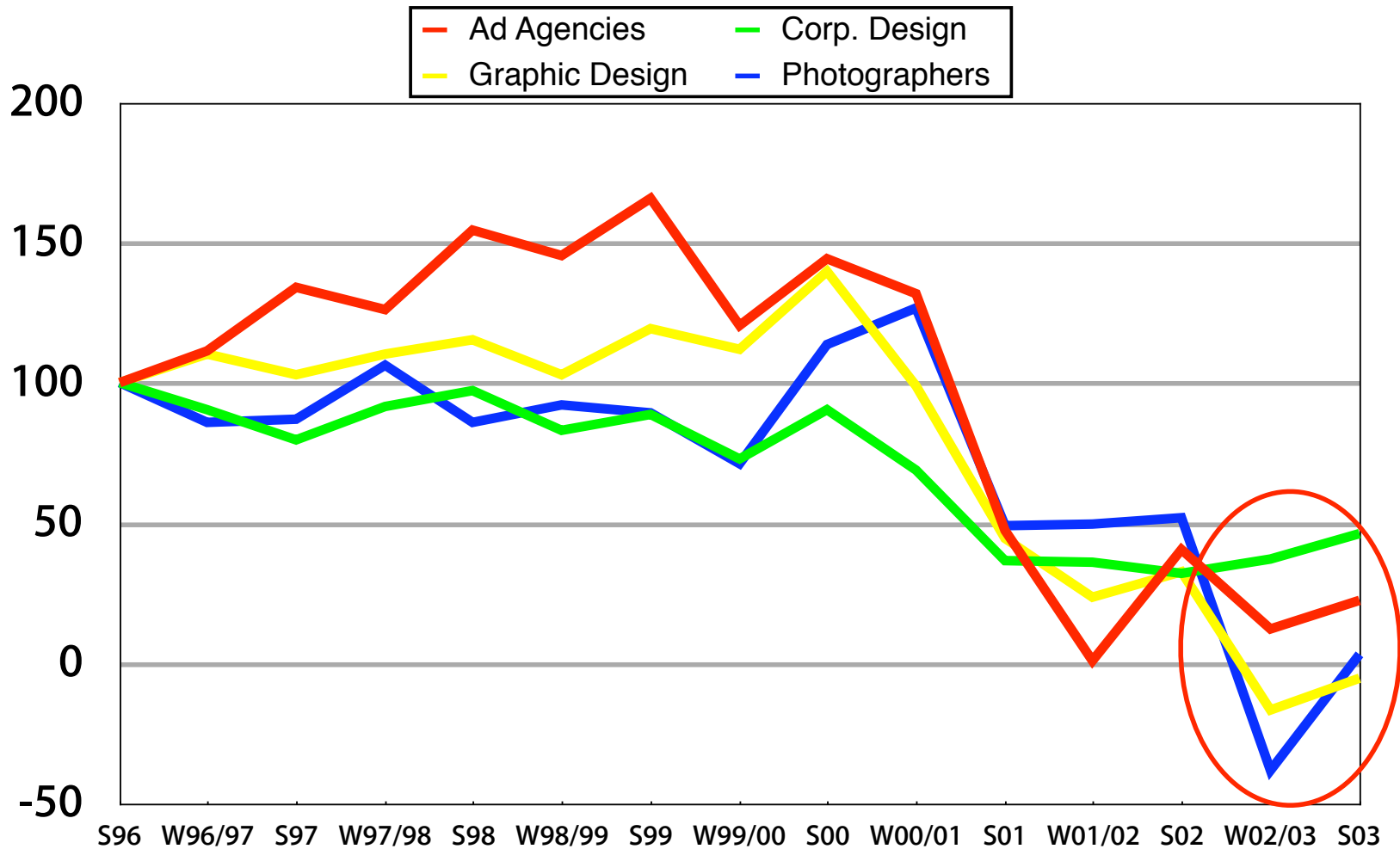
Macintosh installed base market share



Source: TrendWatch Graphic Arts U.S. Market Surveys www.trendwatchgraphicsarts.com Spring 2002

D&P: Business Conditions Index

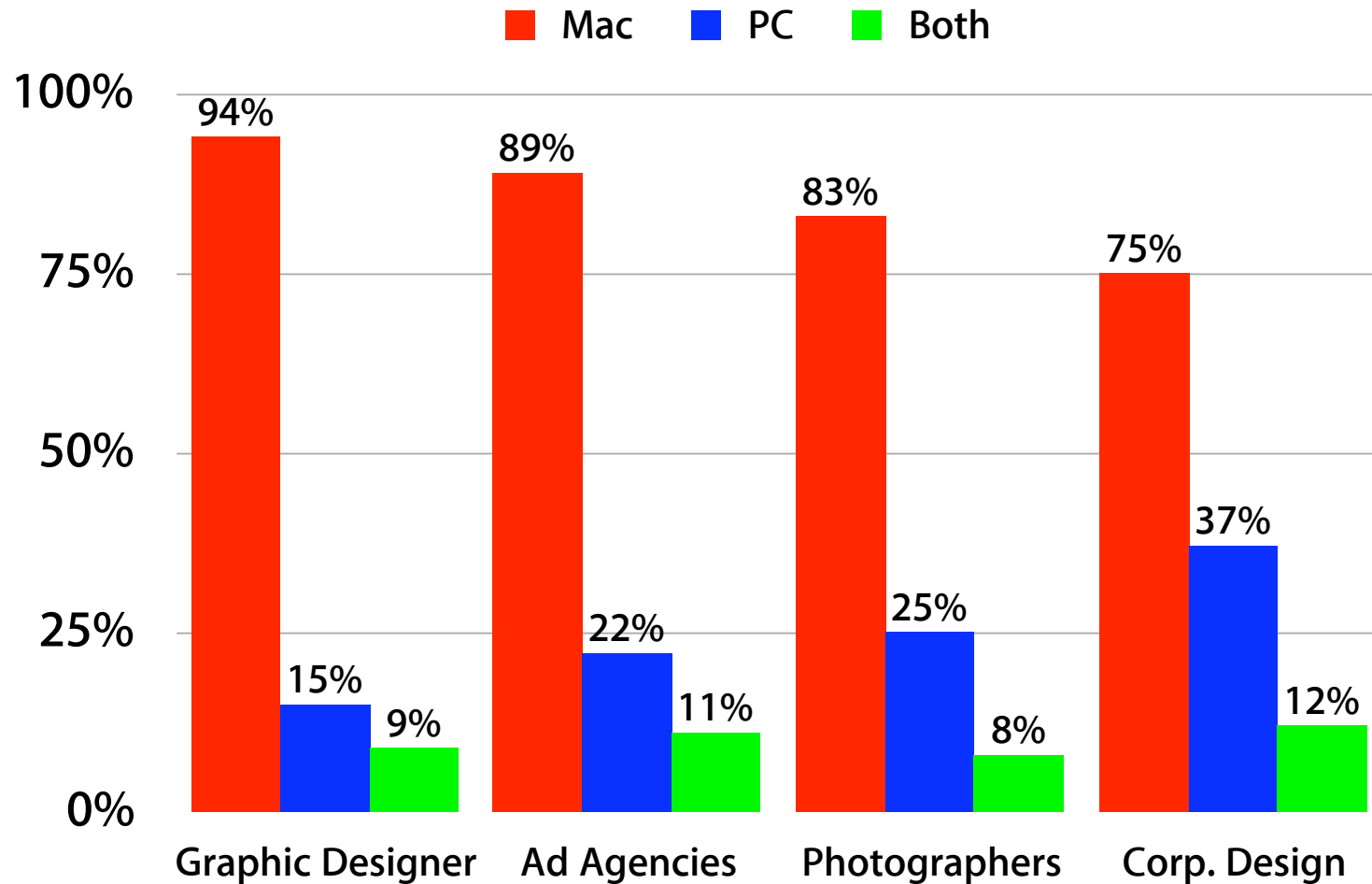
Business outlook is looking up



Source: TrendWatch Graphic Arts U.S. Market Surveys www.trendwatchgraphicsarts.com Spring 2003

Intention to Buy Mac Remains High

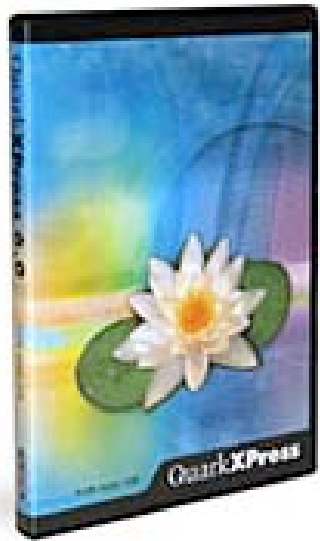
Of those firms who have budgeted for and expect to acquire workstations in the next 12 months . . .



Source: TrendWatch Graphic Arts U.S. Market Surveys www.trendwatchgraphicsarts.com Spring 2003

Time for an Upgrade!

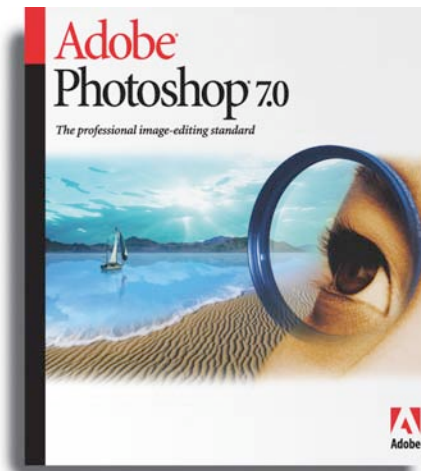
QuarkXPress 6.0



PowerMac G5



Photoshop 7.0

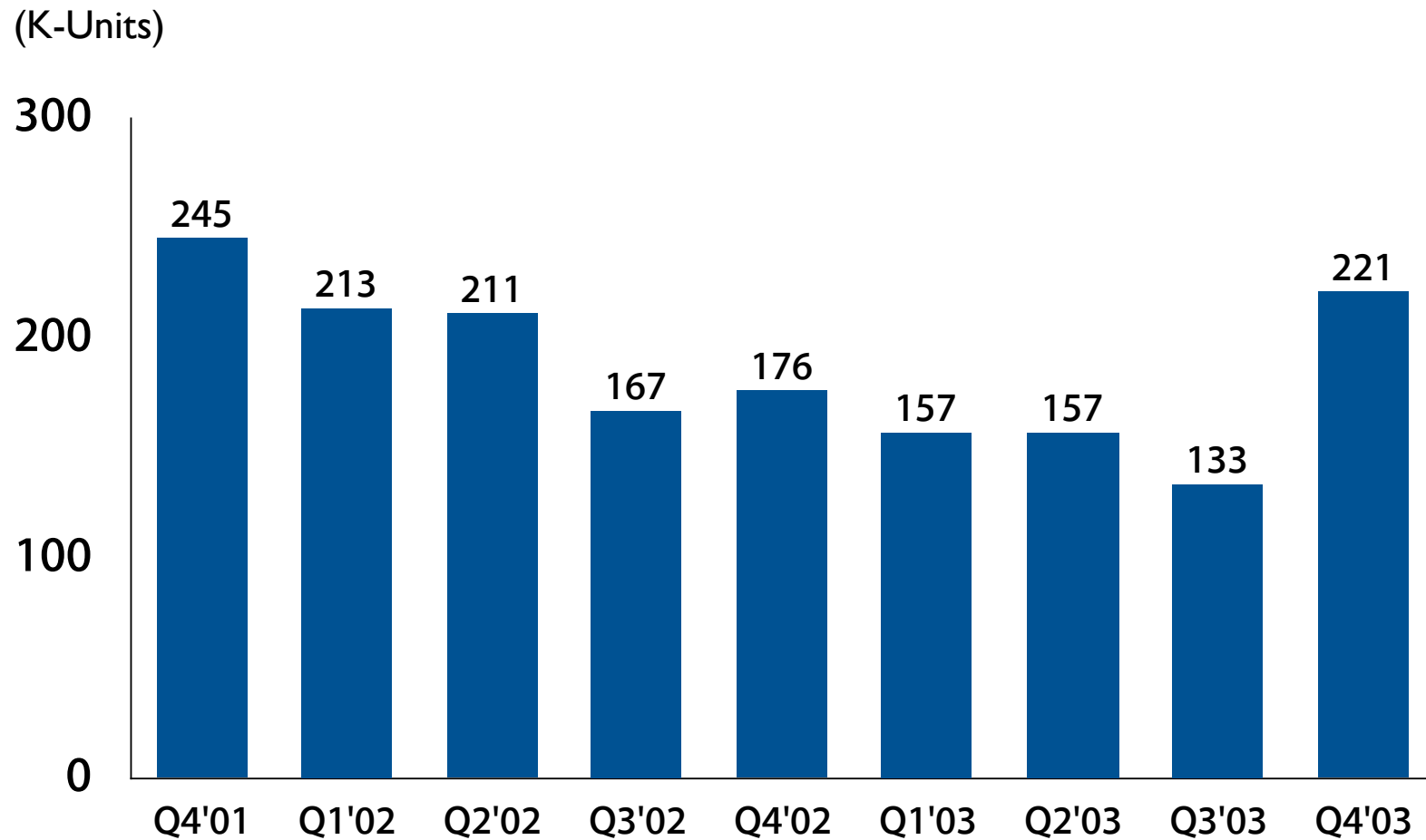


Mac OS X Panther



Power Mac Unit Sales

Best quarter in two years





Small Business

QuickBooks is Back and on Mac OS X

QuickBooks Pro File Edit Lists Activities Reports Window Help Mon 5:02 PM

Estimates Invoices Timesheet P.O. Checks Bills Accounts Reports Customers Vendors Item List Reminders Payroll

Did you know the Report Finder can help you preview a report before you create it?

Checking

Date	Number	Payee	Payment	✓	Deposit	Balance
	Type	Account	Memo			
06/14/03	877	Martino Plumbing			1,100.00	21,492.22
	BILLPMT	Accounts Payable	5-487			
06/14/03	878	Montgomery Electric			2,650.00	18,842.22
	BILLPMT	Accounts Payable				
06/14/03	879	Rocha Roofing			8,000.00	10,842.22
	BILLPMT	Accounts Payable				
06/15/03	Phone trans	Great Statewide Bank			2,027.12	8,815.10
	LIAB CHK	-split-	941 tax deposit, 4th qtr.			
06/15/03	880	Cal Telephone			47.45	8,767.65
	CHK	Telephone				
06/15/03	To Print	Seargeant Insurance			351.00	8,416.65
	CHK	Insurance:Workers' Com	Workers' Compensation			
06/15/03	To Print	Hennessy Metal			400.00	8,016.65
	CHK	Cleaning				
6/21/03	<i>Number</i>	<i>Payee</i>	<i>Memo</i>		<i>Payment</i>	<i>Deposit</i>
		<i>Account</i>	<i>Memo</i>			
Ending balance						8,016.65

Total 1,950.00

1-Line

Message

Memo

Next

Prev

Receipts...

Change Title...

Save as PDF...

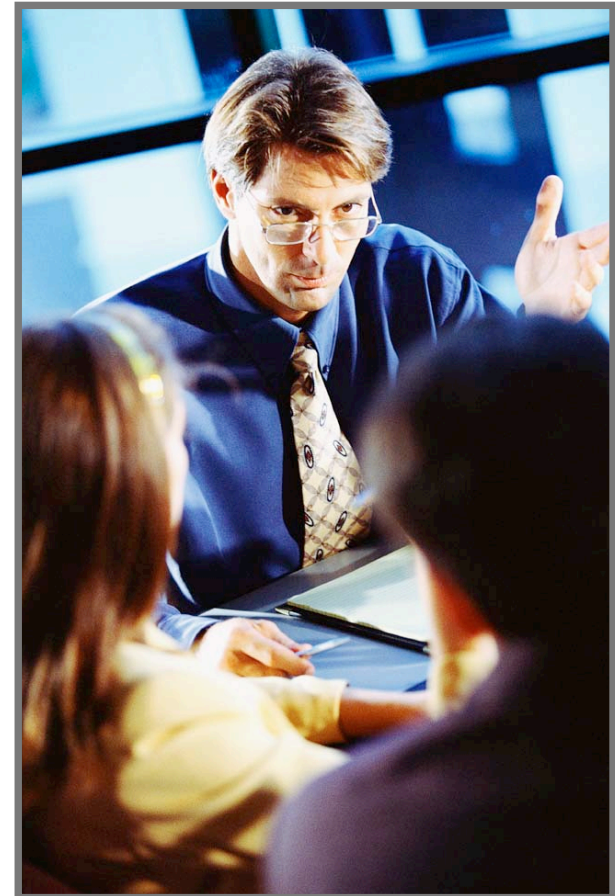
Print

To be printed

Small Business Runs Better on a Mac

A Mac lets you focus on your business, not your computer

- Same software, minus the crashes and the viruses.
- Get a marketing department free with every Mac.
- Connect to any network. IT department not required.
- It's easy on the bottom line.



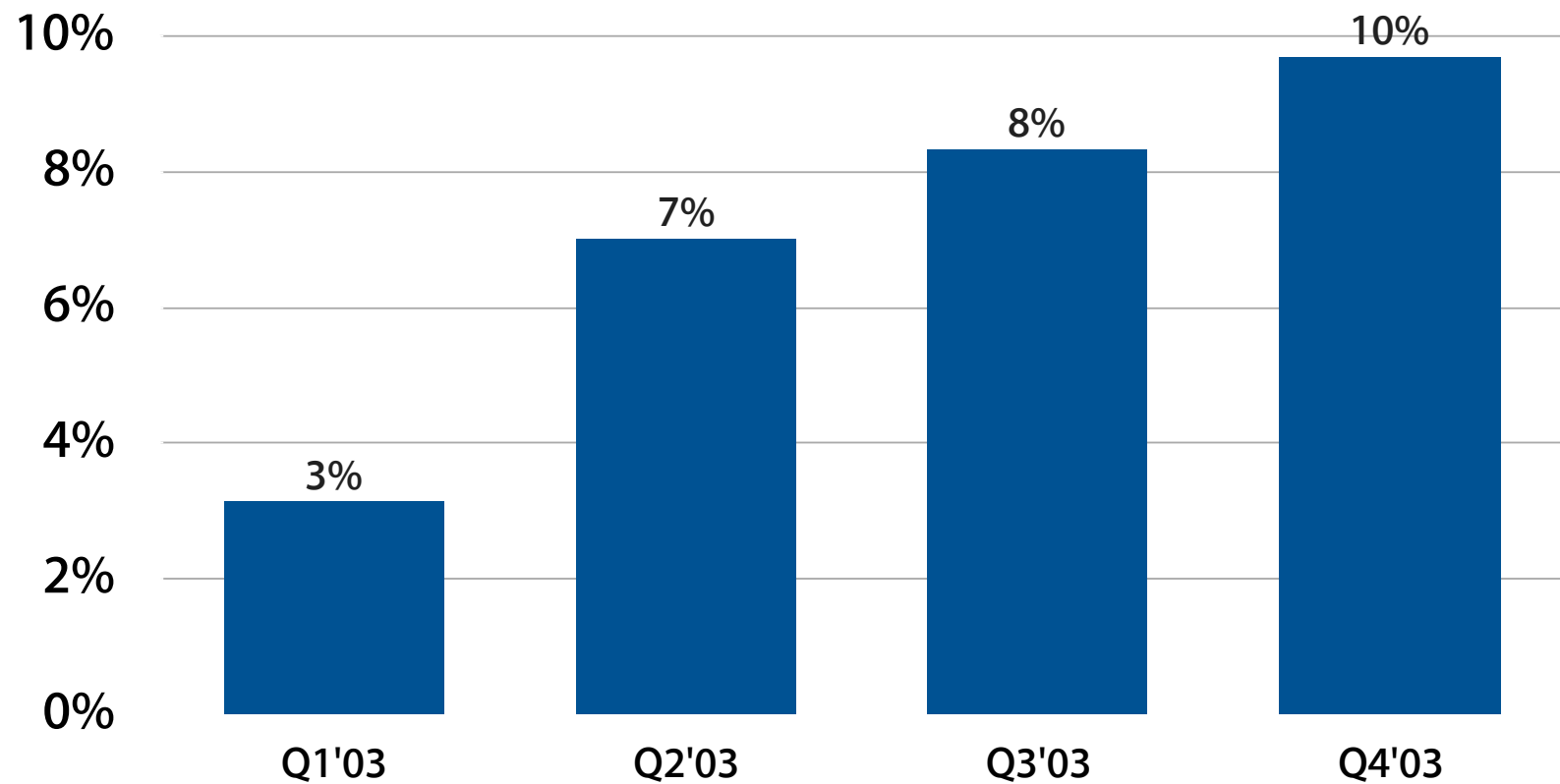
Leveraging the Apple Store

Business specialists now in every Apple Store



Small Business Results in Retail

Business sales as a percent of total Apple Retail sales





Business/Government

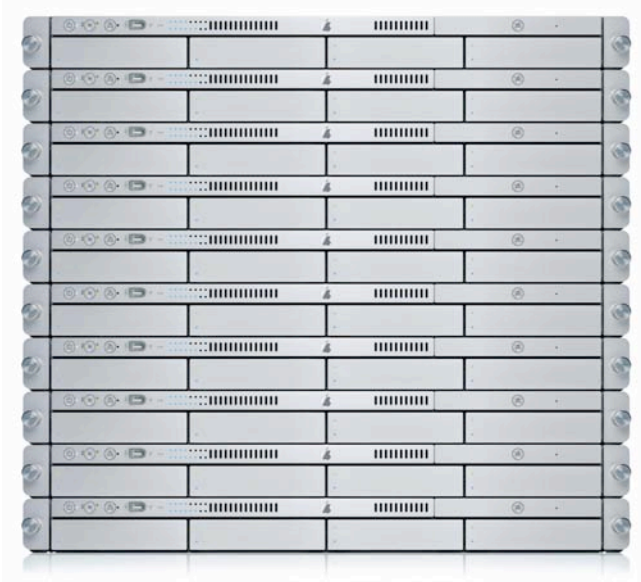
Mac Advantage in Business

Power of UNIX, simplicity of Macintosh

- Stable and robust UNIX platform
- Standards-based
- Windows compatibility
- Networking made simple
- Xcode development tools
- UNIX-grade security
- Risk management (virtual virus immunity)
- Favorable total cost of ownership

We Mean Business

Xserve



**Rack optimized 1U
FireWire 800
Up to 720 GB storage
Unlimited clients
Starting at \$2,799**

Xserve RAID

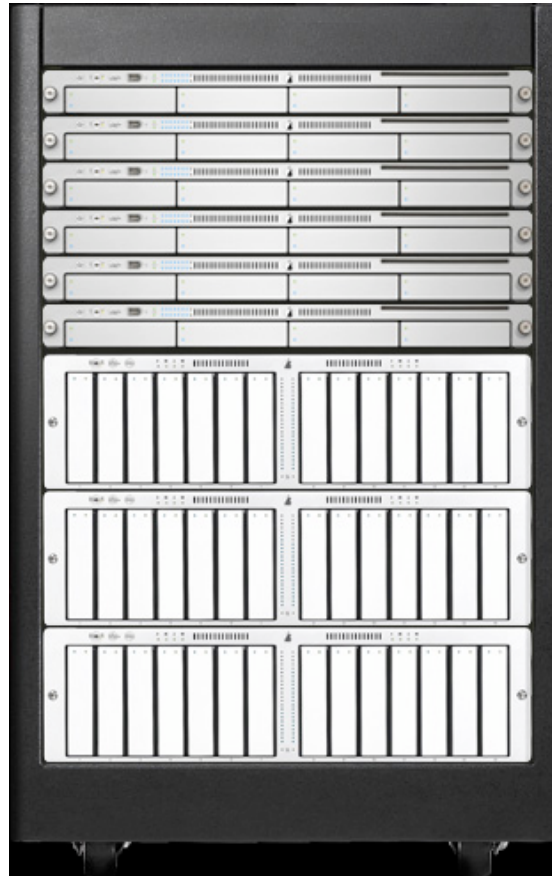


**Rack optimized 3U
2.52 TB storage capacity
Full redundancy
Remote monitoring
Starting at \$5,999**

Renewed Interest from Business

“We strongly advise IT to look at Mac clients, Xserve, Xserve RAID and Panther without prejudice.”

Tom Yager, Infoworld 8/18/03



Renewed Interest from Government

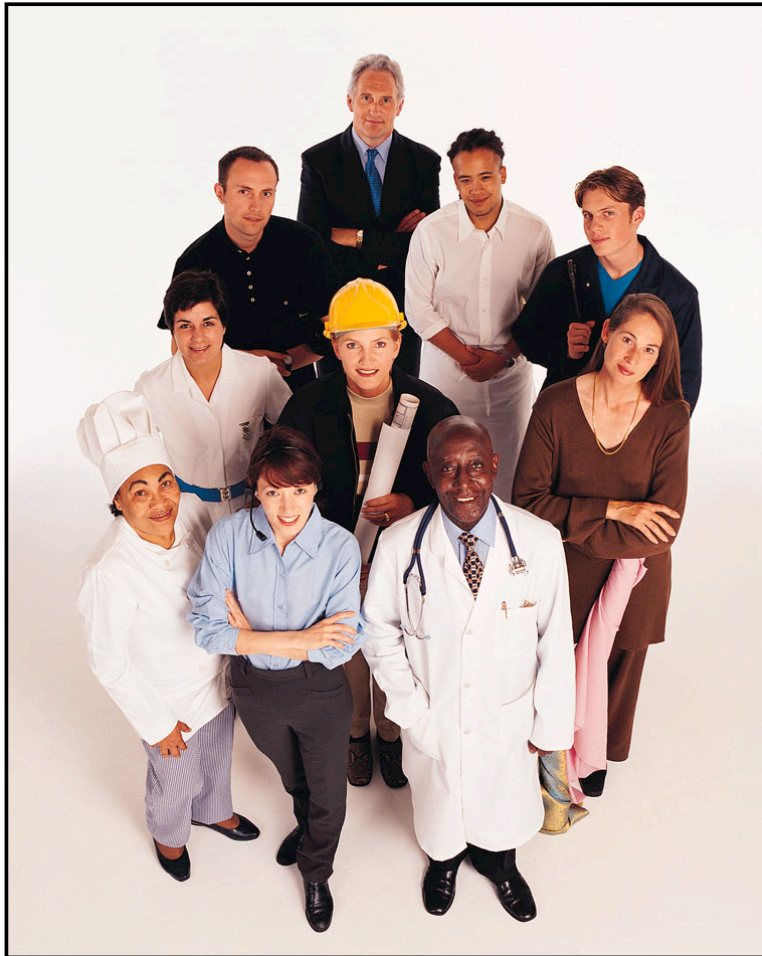


- UNIX foundation opening doors
- Security features of Mac OS X
- Direct sales up 49% Y/Y in FY03

Enterprise Direct Sales



Employee Purchase Program (EPP)



- **Advocacy**
- **Exposure**
- **>100 Programs**



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