

Apple's Profit Up On Sales Of iPods

Music Players Help Increase Interest in Macs

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Apple Computer Inc. reported yesterday that sales of its iPod music player increased six-fold in the second fiscal quarter from the comparable period last year and said the gadget's popularity is helping push computer sales.

The phenomenally selling music player was largely responsible for boosting Apple's quarterly profit to \$290 million, up from the \$46 million profit it reported a year ago. Revenue for the quarter was \$3.24 billion, up 70 percent.

Most consumer-electronics products experience a sales peak during the end-of-year holiday season before dropping off in January. But sales of the iPod increased in the first calendar quarter of this year because of the iPod Shuffle's introduction and price cuts on other models.

In the three months ended March 26, the company sold 5.3 million iPods, up from 4.6 million in the previous quarter and 807,000 year-over-year. Despite a program that has competitor Hewlett-Packard Co. selling iPods, the company said yesterday that less than 3 percent of the iPods sold in the quarter were sold through HP.

Company officials said the music player is steering new customers to Apple's computers, which have held under 5 percent of the U.S. computer market in recent years. Apple's computer sales in the second quarter were up 43 percent, with more than 1 million Macs sold.

Timothy D. Cook, Apple's executive vice president of worldwide sales and operations, said in a conference call with analysts yesterday that computer purchases surged, driven largely by first-time Mac buyers, who accounted for more than 40 percent of sales.

Tim Bajarin, principal analyst at the research firm Creative Strategies Inc. called the iPod's impact on Mac computer sales a "halo effect" and credited customer service at Apple's retail stores for the increase in computer sales. "These guys are really good at helping you not only focus on the iPod, but on how well it works with a Mac, too," he said.

From January 2004 to February 2005, Apple's stock price soared, to \$40 a share from about \$10, outpacing the rest of the tech sector. After a stock split in February, the share price has remained flat. The stock closed yesterday at \$41.04 on the Nasdaq Stock Market.

Apple announced this week that its latest major update for the Mac operating system, code-named Tiger, will be released on April 29. The software boasts 200 new features, according to the company, and will cost \$129.

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