

Apple Inc.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except number of shares which are reflected in thousands and per share amounts)

	Three Months Ended		Nine Months Ended	
	June 25, 2016	June 27, 2015	June 25, 2016	June 27, 2015
Net sales	\$ 42,358	\$ 49,605	\$ 168,787	\$ 182,214
Cost of sales ⁽¹⁾	26,252	29,924	102,337	109,136
Gross margin	16,106	19,681	66,450	73,078
Operating expenses:				
Research and development ⁽¹⁾	2,560	2,034	7,475	5,847
Selling, general and administrative ⁽¹⁾	3,441	3,564	10,712	10,624
Total operating expenses	6,001	5,598	18,187	16,471
Operating income	10,105	14,083	48,263	56,607
Other income/(expense), net	364	390	921	846
Income before provision for income taxes	10,469	14,473	49,184	57,453
Provision for income taxes	2,673	3,796	12,511	15,183
Net income	\$ 7,796	\$ 10,677	\$ 36,673	\$ 42,270
Earnings per share:				
Basic	\$ 1.43	\$ 1.86	\$ 6.66	\$ 7.30
Diluted	\$ 1.42	\$ 1.85	\$ 6.62	\$ 7.25
Shares used in computing earnings per share:				
Basic	5,443,058	5,729,886	5,505,456	5,788,922
Diluted	5,472,781	5,773,099	5,535,931	5,829,920
Cash dividends declared per share	\$ 0.57	\$ 0.52	\$ 1.61	\$ 1.46
⁽¹⁾ Includes share-based compensation expense as follows:				
Cost of sales	\$ 188	\$ 148	\$ 583	\$ 430
Research and development	\$ 479	\$ 388	\$ 1,413	\$ 1,146
Selling, general and administrative	\$ 387	\$ 320	\$ 1,184	\$ 1,095

Apple Inc.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except number of shares which are reflected in thousands and par value)

	<u>June 25, 2016</u>	<u>September 26, 2015</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 18,237	\$ 21,120
Short-term marketable securities	43,519	20,481
Accounts receivable, less allowances of \$55 and \$63, respectively	11,714	16,849
Inventories	1,831	2,349
Vendor non-trade receivables	7,328	13,494
Other current assets	11,132	15,085
Total current assets	<u>93,761</u>	<u>89,378</u>
Long-term marketable securities	169,764	164,065
Property, plant and equipment, net	25,448	22,471
Goodwill	5,261	5,116
Acquired intangible assets, net	3,506	3,893
Other non-current assets	7,862	5,556
Total assets	<u>\$ 305,602</u>	<u>\$ 290,479</u>
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 26,318	\$ 35,490
Accrued expenses	20,820	25,181
Deferred revenue	8,352	8,940
Commercial paper	12,496	8,499
Current portion of long-term debt	3,500	2,500
Total current liabilities	<u>71,486</u>	<u>80,610</u>
Deferred revenue, non-current	3,064	3,624
Long-term debt	68,939	53,463
Other non-current liabilities	35,572	33,427
Total liabilities	<u>179,061</u>	<u>171,124</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock and additional paid-in capital, \$0.00001 par value: 12,600,000 shares authorized; 5,393,165 and 5,578,753 shares issued and outstanding, respectively	30,106	27,416
Retained earnings	96,542	92,284
Accumulated other comprehensive income/(loss)	(107)	(345)
Total shareholders' equity	<u>126,541</u>	<u>119,355</u>
Total liabilities and shareholders' equity	<u>\$ 305,602</u>	<u>\$ 290,479</u>

Apple Inc.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Nine Months Ended	
	June 25, 2016	June 27, 2015
Cash and cash equivalents, beginning of the period	\$ 21,120	\$ 13,844
Operating activities:		
Net income	36,673	42,270
Adjustments to reconcile net income to cash generated by operating activities:		
Depreciation and amortization	7,957	8,138
Share-based compensation expense	3,180	2,671
Deferred income tax expense	5,191	2,820
Changes in operating assets and liabilities:		
Accounts receivable, net	5,135	7,090
Inventories	518	69
Vendor non-trade receivables	6,166	222
Other current and non-current assets	1,143	2,286
Accounts payable	(9,622)	(3,263)
Deferred revenue	(1,148)	1,040
Other current and non-current liabilities	(5,495)	4,448
Cash generated by operating activities	<u>49,698</u>	<u>67,791</u>
Investing activities:		
Purchases of marketable securities	(112,068)	(137,524)
Proceeds from maturities of marketable securities	14,915	9,916
Proceeds from sales of marketable securities	69,926	80,635
Payments made in connection with business acquisitions, net	(146)	(230)
Payments for acquisition of property, plant and equipment	(8,757)	(7,629)
Payments for acquisition of intangible assets	(753)	(201)
Payments for strategic investments	(1,376)	—
Other	(321)	134
Cash used in investing activities	<u>(38,580)</u>	<u>(54,899)</u>
Financing activities:		
Proceeds from issuance of common stock	247	324
Excess tax benefits from equity awards	391	684
Payments for taxes related to net share settlement of equity awards	(1,361)	(1,332)
Payments for dividends and dividend equivalents	(9,058)	(8,597)
Repurchases of common stock	(23,696)	(22,000)
Proceeds from issuance of term debt, net	17,984	21,312
Repayments of term debt	(2,500)	—
Change in commercial paper, net	3,992	(1,808)
Cash used in financing activities	<u>(14,001)</u>	<u>(11,417)</u>
Increase/(decrease) in cash and cash equivalents	<u>(2,883)</u>	<u>1,475</u>
Cash and cash equivalents, end of the period	<u>\$ 18,237</u>	<u>\$ 15,319</u>
Supplemental cash flow disclosure:		
Cash paid for income taxes, net	\$ 8,990	\$ 10,604
Cash paid for interest	\$ 892	\$ 427