

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	
	December 26, 2015	December 27, 2014
Net sales.....	\$ 75,872	\$ 74,599
Cost of sales ⁽¹⁾	45,449	44,858
Gross margin	<u>30,423</u>	<u>29,741</u>
Operating expenses:		
Research and development ⁽¹⁾	2,404	1,895
Selling, general and administrative ⁽¹⁾	3,848	3,600
Total operating expenses	<u>6,252</u>	<u>5,495</u>
Operating income	24,171	24,246
Other income/(expense), net.....	402	170
Income before provision for income taxes	24,573	24,416
Provision for income taxes.....	6,212	6,392
Net income.....	<u>\$ 18,361</u>	<u>\$ 18,024</u>
Earnings per share:		
Basic.....	\$ 3.30	\$ 3.08
Diluted	\$ 3.28	\$ 3.06
Shares used in computing earnings per share:		
Basic.....	5,558,930	5,843,082
Diluted	5,594,127	5,881,803
Cash dividends declared per share	\$ 0.52	\$ 0.47
⁽¹⁾ Includes share-based compensation expense as follows:		
Cost of sales	\$ 204	\$ 140
Research and development	\$ 466	\$ 374
Selling, general and administrative.....	\$ 408	\$ 374

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

	<u>December 26, 2015</u>	<u>September 26, 2015</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 16,689	\$ 21,120
Short-term marketable securities	21,385	20,481
Accounts receivable, less allowances of \$63 in each period	12,953	16,849
Inventories	2,451	2,349
Vendor non-trade receivables	11,668	13,494
Other current assets	11,073	15,085
Total current assets	76,219	89,378
Long-term marketable securities	177,665	164,065
Property, plant and equipment, net	22,300	22,471
Goodwill	5,202	5,116
Acquired intangible assets, net	3,924	3,893
Other non-current assets	7,974	5,556
Total assets	\$ 293,284	\$ 290,479
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 33,312	\$ 35,490
Accrued expenses	24,032	25,181
Deferred revenue	8,989	8,940
Commercial paper	7,259	8,499
Current portion of long-term debt	2,500	2,500
Total current liabilities	76,092	80,610
Deferred revenue, non-current	3,546	3,624
Long-term debt	53,204	53,463
Other non-current liabilities	32,175	33,427
Total liabilities	165,017	171,124
Commitments and contingencies		
Shareholders' equity:		
Common stock and additional paid-in capital, \$0.00001 par value: 12,600,000 shares authorized; 5,544,487 and 5,578,753 shares issued and outstanding, respectively	28,253	27,416
Retained earnings	101,494	92,284
Accumulated other comprehensive income/(loss)	(1,480)	(345)
Total shareholders' equity	128,267	119,355
Total liabilities and shareholders' equity	\$ 293,284	\$ 290,479

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

	Three Months Ended	
	December 26, 2015	December 27, 2014
Cash and cash equivalents, beginning of the period.....	\$ 21,120	\$ 13,844
Operating activities:		
Net income.....	18,361	18,024
Adjustments to reconcile net income to cash generated by operating activities:		
Depreciation and amortization.....	2,954	2,575
Share-based compensation expense	1,078	888
Deferred income tax expense	1,592	2,197
Changes in operating assets and liabilities:		
Accounts receivable, net.....	3,896	751
Inventories	(102)	(172)
Vendor non-trade receivables	1,826	(3,508)
Other current and non-current assets	(893)	(1,648)
Accounts payable.....	(852)	9,003
Deferred revenue	(29)	945
Other current and non-current liabilities	(368)	4,667
Cash generated by operating activities.....	<u>27,463</u>	<u>33,722</u>
Investing activities:		
Purchases of marketable securities.....	(47,836)	(44,915)
Proceeds from maturities of marketable securities	3,514	2,807
Proceeds from sales of marketable securities	28,262	24,166
Payments made in connection with business acquisitions, net.....	(86)	(23)
Payments for acquisition of property, plant and equipment.....	(3,612)	(3,217)
Payments for acquisition of intangible assets.....	(394)	(48)
Other	(298)	65
Cash used in investing activities	<u>(20,450)</u>	<u>(21,165)</u>
Financing activities:		
Proceeds from issuance of common stock.....	1	80
Excess tax benefits from equity awards.....	224	264
Payments for taxes related to net share settlement of equity awards ..	(597)	(512)
Payments for dividends and dividend equivalents	(2,969)	(2,801)
Repurchase of common stock.....	(6,863)	(5,030)
Proceeds from issuance of term debt, net.....	0	3,485
Change in commercial paper, net.....	(1,240)	(2,409)
Cash used in financing activities	<u>(11,444)</u>	<u>(6,923)</u>
Increase/(decrease) in cash and cash equivalents	(4,431)	5,634
Cash and cash equivalents, end of the period.....	<u>\$ 16,689</u>	<u>\$ 19,478</u>
Supplemental cash flow disclosure:		
Cash paid for income taxes, net	\$ 3,398	\$ 3,869
Cash paid for interest.....	\$ 396	\$ 202