

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 31, 2016	December 26, 2015
Net sales	\$ 78,351	\$ 75,872
Cost of sales ⁽¹⁾	48,175	45,449
Gross margin	30,176	30,423
Operating expenses:		
Research and development ⁽¹⁾	2,871	2,404
Selling, general and administrative ⁽¹⁾	3,946	3,848
Total operating expenses	6,817	6,252
Operating income	23,359	24,171
Other income/(expense), net	821	402
Income before provision for income taxes	24,180	24,573
Provision for income taxes	6,289	6,212
Net income	\$ 17,891	\$ 18,361
Earnings per share:		
Basic	\$ 3.38	\$ 3.30
Diluted	\$ 3.36	\$ 3.28
Shares used in computing earnings per share:		
Basic	5,298,661	5,558,930
Diluted	5,327,995	5,594,127
Cash dividends declared per share	\$ 0.57	\$ 0.52
⁽¹⁾ Includes share-based compensation expense as follows:		
Cost of sales	\$ 229	\$ 204
Research and development	\$ 589	\$ 466
Selling, general and administrative	\$ 438	\$ 408

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

	<u>December 31, 2016</u>	<u>September 24, 2016</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 16,371	\$ 20,484
Short-term marketable securities	44,081	46,671
Accounts receivable, less an allowance of \$53 in each period	14,057	15,754
Inventories	2,712	2,132
Vendor non-trade receivables	13,920	13,545
Other current assets	12,191	8,283
Total current assets	<u>103,332</u>	<u>106,869</u>
Long-term marketable securities	185,638	170,430
Property, plant and equipment, net	26,510	27,010
Goodwill	5,423	5,414
Acquired intangible assets, net	2,848	3,206
Other non-current assets	7,390	8,757
Total assets	<u>\$ 331,141</u>	<u>\$ 321,686</u>
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 38,510	\$ 37,294
Accrued expenses	23,739	22,027
Deferred revenue	7,889	8,080
Commercial paper	10,493	8,105
Current portion of long-term debt	3,499	3,500
Total current liabilities	<u>84,130</u>	<u>79,006</u>
Deferred revenue, non-current	3,163	2,930
Long-term debt	73,557	75,427
Other non-current liabilities	37,901	36,074
Total liabilities	<u>198,751</u>	<u>193,437</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock and additional paid-in capital, \$0.00001 par value: 12,600,000 shares authorized; 5,255,423 and 5,336,166 shares issued and outstanding, respectively	32,144	31,251
Retained earnings	100,001	96,364
Accumulated other comprehensive income/(loss)	245	634
Total shareholders' equity	<u>132,390</u>	<u>128,249</u>
Total liabilities and shareholders' equity	<u>\$ 331,141</u>	<u>\$ 321,686</u>

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

	Three Months Ended	
	December 31, 2016	December 26, 2015
Cash and cash equivalents, beginning of the period	\$ 20,484	\$ 21,120
Operating activities:		
Net income	17,891	18,361
Adjustments to reconcile net income to cash generated by operating activities:		
Depreciation and amortization	2,987	2,954
Share-based compensation expense	1,256	1,078
Deferred income tax expense	1,452	1,592
Other	(274)	110
Changes in operating assets and liabilities:		
Accounts receivable, net	1,697	3,896
Inventories	(580)	(102)
Vendor non-trade receivables	(375)	1,826
Other current and non-current assets	(1,446)	(1,058)
Accounts payable	2,460	(852)
Deferred revenue	42	(29)
Other current and non-current liabilities	1,946	(313)
Cash generated by operating activities	<u>27,056</u>	<u>27,463</u>
Investing activities:		
Purchases of marketable securities	(54,272)	(47,836)
Proceeds from maturities of marketable securities	6,525	3,514
Proceeds from sales of marketable securities	32,166	28,262
Payments made in connection with business acquisitions, net	(17)	(86)
Payments for acquisition of property, plant and equipment	(3,334)	(3,612)
Payments for acquisition of intangible assets	(86)	(394)
Payments for strategic investments	—	(126)
Other	(104)	(172)
Cash used in investing activities	<u>(19,122)</u>	<u>(20,450)</u>
Financing activities:		
Proceeds from issuance of common stock	—	1
Excess tax benefits from equity awards	178	224
Payments for taxes related to net share settlement of equity awards	(629)	(597)
Payments for dividends and dividend equivalents	(3,130)	(2,969)
Repurchases of common stock	(10,851)	(6,863)
Change in commercial paper, net	2,385	(1,240)
Cash used in financing activities	<u>(12,047)</u>	<u>(11,444)</u>
Increase/(Decrease) in cash and cash equivalents	<u>(4,113)</u>	<u>(4,431)</u>
Cash and cash equivalents, end of the period	<u>\$ 16,371</u>	<u>\$ 16,689</u>
Supplemental cash flow disclosure:		
Cash paid for income taxes, net	\$ 3,510	\$ 3,398
Cash paid for interest	\$ 497	\$ 396