

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		Twelve Months Ended	
	September 24, 2016	September 26, 2015	September 24, 2016	September 26, 2015
Net sales	\$ 46,852	\$ 51,501	\$ 215,639	\$ 233,715
Cost of sales ⁽¹⁾	29,039	30,953	131,376	140,089
Gross margin	17,813	20,548	84,263	93,626
Operating expenses:				
Research and development ⁽¹⁾	2,570	2,220	10,045	8,067
Selling, general and administrative ⁽¹⁾	3,482	3,705	14,194	14,329
Total operating expenses	6,052	5,925	24,239	22,396
Operating income	11,761	14,623	60,024	71,230
Other income/(expense), net	427	439	1,348	1,285
Income before provision for income taxes	12,188	15,062	61,372	72,515
Provision for income taxes	3,174	3,938	15,685	19,121
Net income	\$ 9,014	\$ 11,124	\$ 45,687	\$ 53,394

Earnings per share:				
Basic	\$ 1.68	\$ 1.97	\$ 8.35	\$ 9.28
Diluted	\$ 1.67	\$ 1.96	\$ 8.31	\$ 9.22

Shares used in computing earnings per share:				
Basic	5,366,912	5,646,916	5,470,820	5,753,421
Diluted	5,393,333	5,682,519	5,500,281	5,793,069

Cash dividends declared per share	\$ 0.57	\$ 0.52	\$ 2.18	\$ 1.98
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⁽¹⁾ Includes share-based compensation expense as follows:

Cost of sales	\$ 186	\$ 145	\$ 769	\$ 575
Research and development	\$ 476	\$ 390	\$ 1,889	\$ 1,536
Selling, general and administrative	\$ 368	\$ 380	\$ 1,552	\$ 1,475

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

	<u>September 24, 2016</u>	<u>September 26, 2015</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 20,484	\$ 21,120
Short-term marketable securities	46,671	20,481
Accounts receivable, less allowances of \$53 and \$63, respectively	15,754	16,849
Inventories	2,132	2,349
Vendor non-trade receivables	13,545	13,494
Other current assets	8,283	15,085
Total current assets	106,869	89,378
Long-term marketable securities	170,430	164,065
Property, plant and equipment, net	27,010	22,471
Goodwill	5,414	5,116
Acquired intangible assets, net	3,206	3,893
Other non-current assets	8,757	5,422
Total assets	\$ 321,686	\$ 290,345
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 37,294	\$ 35,490
Accrued expenses	22,027	25,181
Deferred revenue	8,080	8,940
Commercial paper	8,105	8,499
Current portion of long-term debt	3,500	2,500
Total current liabilities	79,006	80,610
Deferred revenue, non-current	2,930	3,624
Long-term debt	75,427	53,329
Other non-current liabilities	36,074	33,427
Total liabilities	193,437	170,990
Commitments and contingencies		
Shareholders' equity:		
Common stock and additional paid-in capital, \$0.00001 par value: 12,600,000 shares authorized; 5,336,166 and 5,578,753 shares issued and outstanding, respectively	31,251	27,416
Retained earnings	96,364	92,284
Accumulated other comprehensive income/(loss)	634	(345)
Total shareholders' equity	128,249	119,355
Total liabilities and shareholders' equity	\$ 321,686	\$ 290,345

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

	Twelve Months Ended	
	September 24, 2016	September 26, 2015
Cash and cash equivalents, beginning of the period	\$ 21,120	\$ 13,844
Operating activities:		
Net income	45,687	53,394
Adjustments to reconcile net income to cash generated by operating activities:		
Depreciation and amortization	10,505	11,257
Share-based compensation expense	4,210	3,586
Deferred income tax expense	4,938	1,382
Changes in operating assets and liabilities:		
Accounts receivable, net	1,095	611
Inventories	217	(238)
Vendor non-trade receivables	(51)	(3,735)
Other current and non-current assets	1,090	(179)
Accounts payable	1,791	5,400
Deferred revenue	(1,554)	1,042
Other current and non-current liabilities	(2,104)	8,746
Cash generated by operating activities	<u>65,824</u>	<u>81,266</u>
Investing activities:		
Purchases of marketable securities	(142,428)	(166,402)
Proceeds from maturities of marketable securities	21,258	14,538
Proceeds from sales of marketable securities	90,536	107,447
Payments made in connection with business acquisitions, net	(297)	(343)
Payments for acquisition of property, plant and equipment	(12,734)	(11,247)
Payments for acquisition of intangible assets	(814)	(241)
Payments for strategic investments	(1,388)	—
Other	(110)	(26)
Cash used in investing activities	<u>(45,977)</u>	<u>(56,274)</u>
Financing activities:		
Proceeds from issuance of common stock	495	543
Excess tax benefits from equity awards	407	749
Payments for taxes related to net share settlement of equity awards	(1,570)	(1,499)
Payments for dividends and dividend equivalents	(12,150)	(11,561)
Repurchases of common stock	(29,722)	(35,253)
Proceeds from issuance of term debt, net	24,954	27,114
Repayments of term debt	(2,500)	—
Change in commercial paper, net	(397)	2,191
Cash used in financing activities	<u>(20,483)</u>	<u>(17,716)</u>
Increase/(Decrease) in cash and cash equivalents	(636)	7,276
Cash and cash equivalents, end of the period	<u>\$ 20,484</u>	<u>\$ 21,120</u>
Supplemental cash flow disclosure:		
Cash paid for income taxes, net	\$ 10,444	\$ 13,252
Cash paid for interest	\$ 1,316	\$ 514