## 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)

	De	ecember 31, 2016	Se	ptember 24, 2016
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		103,332		106,869
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	\$	331,141	\$	321,686
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		84,130		79,006
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		198,751		193,437
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,		32,144		31,251
respectivelv Retained earnings		100,001		96,364
Accumulated other comprehensive income/(loss)		245		634
Total shareholders' equity		132,390		128,249
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Total liabilities and shareholders' equity	\$	331,141	φ	321,686

## Apple Inc. UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

		Three Months Ended	
	De	cember 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		27,056	27,463
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		(19,122)	(20,450
		(10,122)	(20, 100
Financing activities:			4
Proceeds from issuance of common stock		170	1
Excess tax benefits from equity awards		178	224
Payments for taxes related to net share settlement of equity awards  Payments for dividends and dividend equivalents		(629) (3,130)	(597
Repurchases of common stock		(10,851)	(2,969 (6,863
Change in commercial paper, net		2,385	
• • • • • • • • • • • • • • • • • • • •			(1,240
Cash used in financing activities		(12,047)	(11,444
Increase/(Decrease) in cash and cash equivalents		(4,113)	(4,431
Cash and cash equivalents, end of the period	\$	16,371	16,689
Supplemental cash flow disclosure:			
Cash paid for income taxes, net	\$	3,510 \$	3,398
Cash paid for interest	\$	497 \$	396