

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 27, 2014	December 28, 2013
Net sales	\$ 74,599	\$ 57,594
Cost of sales ⁽¹⁾	44,858	35,748
Gross margin	29,741	21,846
Operating expenses:		
Research and development ⁽¹⁾	1,895	1,330
Selling, general and administrative ⁽¹⁾	3,600	3,053
Total operating expenses	5,495	4,383
Operating income	24,246	17,463
Other income/(expense), net	170	246
Income before provision for income taxes	24,416	17,709
Provision for income taxes	6,392	4,637
Net income	\$ 18,024	\$ 13,072
Earnings per share:		
Basic	\$ 3.08	\$ 2.08
Diluted	\$ 3.06	\$ 2.07
Shares used in computing earnings per share:		
Basic	5,843,082	6,272,504
Diluted	5,881,803	6,310,161
Cash dividends declared per common share.....	\$ 0.47	\$ 0.44
⁽¹⁾ Includes share-based compensation expense as follows:		
Cost of sales.....	\$ 140	\$ 109
Research and development.....	\$ 374	\$ 289
Selling, general and administrative.....	\$ 374	\$ 283

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

	December 27, 2014	September 27, 2014
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 19,478	\$ 13,844
Short-term marketable securities	12,985	11,233
Accounts receivable, less allowances of \$87 and \$86, respectively	16,709	17,460
Inventories	2,283	2,111
Deferred tax assets	5,046	4,318
Vendor non-trade receivables	13,267	9,759
Other current assets	13,635	9,806
Total current assets	83,403	68,531
Long-term marketable securities	145,492	130,162
Property, plant and equipment, net	20,392	20,624
Goodwill	4,629	4,616
Acquired intangible assets, net	4,370	4,142
Other assets	3,608	3,764
Total assets	\$ 261,894	\$ 231,839
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	\$ 38,001	\$ 30,196
Accrued expenses	22,724	18,453
Deferred revenue	8,987	8,491
Commercial paper	3,899	6,308
Total current liabilities	73,611	63,448
Deferred revenue – non-current	3,480	3,031
Long-term debt	32,504	28,987
Other non-current liabilities	28,971	24,826
Total liabilities	138,566	120,292
Commitments and contingencies		
Shareholders' equity:		
Common stock and additional paid-in capital, \$0.00001 par value: 12,600,000 shares authorized; 5,826,419 and 5,866,161 shares issued and outstanding, respectively	24,187	23,313
Retained earnings	97,178	87,152
Accumulated other comprehensive income/(loss)	1,963	1,082
Total shareholders' equity	123,328	111,547
Total liabilities and shareholders' equity	\$ 261,894	\$ 231,839

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

	Three Months Ended	
	December 27, 2014	December 28, 2013
Cash and cash equivalents, beginning of the period.....	\$ 13,844	\$ 14,259
Operating activities:		
Net income	18,024	13,072
Adjustments to reconcile net income to cash generated by operating activities:		
Depreciation and amortization	2,575	2,144
Share-based compensation expense.....	888	681
Deferred income tax expense.....	2,197	1,253
Changes in operating assets and liabilities:		
Accounts receivable, net.....	751	(1,098)
Inventories	(172)	(358)
Vendor non-trade receivables	(3,508)	(3,459)
Other current and non-current assets.....	(1,648)	(319)
Accounts payable.....	9,003	8,191
Deferred revenue	945	1,368
Other current and non-current liabilities.....	4,667	1,195
Cash generated by operating activities.....	<u>33,722</u>	<u>22,670</u>
Investing activities:		
Purchases of marketable securities.....	(44,915)	(48,397)
Proceeds from maturities of marketable securities.....	2,807	5,556
Proceeds from sales of marketable securities.....	24,166	30,302
Payments made in connection with business acquisitions, net.....	(23)	(525)
Payments for acquisition of property, plant and equipment	(3,217)	(1,985)
Payments for acquisition of intangible assets.....	(48)	(59)
Other	65	5
Cash used in investing activities.....	<u>(21,165)</u>	<u>(15,103)</u>
Financing activities:		
Proceeds from issuance of common stock.....	80	134
Excess tax benefits from equity awards	264	280
Taxes paid related to net share settlement of equity awards	(512)	(365)
Dividends and dividend equivalents paid	(2,801)	(2,769)
Repurchase of common stock.....	(5,030)	(5,029)
Proceeds from issuance of long-term debt, net	3,485	0
Repayments of commercial paper, net	(2,409)	0
Cash used in financing activities	<u>(6,923)</u>	<u>(7,749)</u>
Increase/(decrease) in cash and cash equivalents.....	5,634	(182)
Cash and cash equivalents, end of the period	<u>\$ 19,478</u>	<u>\$ 14,077</u>
Supplemental cash flow disclosure:		
Cash paid for income taxes, net	\$ 3,869	\$ 3,387
Cash paid for interest.....	\$ 202	\$ 161