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Apple Reports Record Third Quarter Results

iPhone, Apple Watch, Mac & App Store Drive Revenue Growth of 33%

CUPERTINO, California — July 21, 2015 — Apple® today announced financial results for its fiscal 2015 third quarter ended June 27, 2015. The Company posted quarterly revenue of \$49.6 billion and quarterly net profit of \$10.7 billion, or \$1.85 per diluted share. These results compare to revenue of \$37.4 billion and net profit of \$7.7 billion, or \$1.28 per diluted share, in the year-ago quarter. Gross margin was 39.7 percent compared to 39.4 percent in the year-ago quarter. International sales accounted for 64 percent of the quarter's revenue.

The growth was fueled by record third quarter sales of iPhone® and Mac®, all-time record revenue from services and the successful launch of Apple Watch™.

"We had an amazing quarter, with iPhone revenue up 59 percent over last year, strong sales of Mac, all-time record revenue from services, driven by the App Store, and a great start for Apple Watch," said Tim Cook, Apple's CEO. "The excitement for Apple Music has been incredible, and we're looking forward to releasing iOS 9, OS X El Capitan and watchOS 2 to customers in the fall."

"In the third quarter our year-over-year growth rate accelerated from the first half of fiscal 2015, with revenue up 33 percent and earnings per share up 45 percent," said Luca Maestri, Apple's CFO. "We generated very strong operating cash flow of \$15 billion, and we returned over \$13 billion to shareholders through our capital return program."

Apple is providing the following guidance for its fiscal 2015 fourth quarter:

- revenue between \$49 billion and \$51 billion
- gross margin between 38.5 percent and 39.5 percent
- operating expenses between \$5.85 billion and \$5.95 billion
- other income/(expense) of \$400 million
- tax rate of 26.3 percent

Apple's board of directors has declared a cash dividend of \$.52 per share of the Company's common stock. The dividend is payable on August 13, 2015, to shareholders of record as of the close of business on August 10, 2015.

Apple will provide live streaming of its Q3 2015 financial results conference call beginning at 2:00 p.m. PDT on July 21, 2015 at www.apple.com/quicktime/qtv/earningsq315. This webcast will also be available for replay for approximately two weeks thereafter.

This press release contains forward-looking statements including without limitation those about the Company's estimated revenue, gross margin, operating expenses, other



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income/(expense), and tax rate. These statements involve risks and uncertainties, and actual results may differ. Risks and uncertainties include without limitation the effect of competitive and economic factors, and the Company's reaction to those factors, on consumer and business buying decisions with respect to the Company's products; continued competitive pressures in the marketplace; the ability of the Company to deliver to the marketplace and stimulate customer demand for new programs, products, and technological innovations on a timely basis; the effect that product introductions and transitions, changes in product pricing or mix, and/or increases in component costs could have on the Company's gross margin; the inventory risk associated with the Company's need to order or commit to order product components in advance of customer orders; the continued availability on acceptable terms, or at all, of certain components and services essential to the Company's business currently obtained by the Company from sole or limited sources; the effect that the Company's dependency on manufacturing and logistics services provided by third parties may have on the quality, quantity or cost of products manufactured or services rendered: risks associated with the Company's international operations; the Company's reliance on third-party intellectual property and digital content; the potential impact of a finding that the Company has infringed on the intellectual property rights of others; the Company's dependency on the performance of distributors, carriers and other resellers of the Company's products; the effect that product and service quality problems could have on the Company's sales and operating profits: the continued service and availability of key executives and employees; war, terrorism, public health issues, natural disasters, and other circumstances that could disrupt supply, delivery, or demand of products; and unfavorable results of legal proceedings. More information on potential factors that could affect the Company's financial results is included from time to time in the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of the Company's public reports filed with the SEC, including the Company's Form 10-K for the fiscal year ended September 27, 2014, its Form 10-Q for the fiscal quarter ended December 27, 2014, its Form 10-O for the fiscal quarter ended March 28, 2015, and its Form 10-Q for the fiscal quarter ended June 27, 2015 to be filed with the SEC. The Company assumes no obligation to update any forward-looking statements or information, which speak as of their respective dates.

Apple revolutionized personal technology with the introduction of the Macintosh in 1984. Today, Apple leads the world in innovation with iPhone, iPad, the Mac and Apple Watch. Apple's three software platforms — iOS, OS X and watchOS — provide seamless experiences across all Apple devices and empower people with breakthrough services including the App Store, Apple Music, Apple Pay and iCloud. Apple's 100,000 employees are dedicated to making the best products on earth, and to leaving the world better than we found it.

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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			Nine Months Ended				
	_	June 27, 2015	June 28, 2014		June 27, 2015		June 28, 2014	
Net sales	\$	49,605	\$	37,432	s	182,214	\$	140,672
Cost of sales (1)	_	29,924	_	22,697		109,136	_	86,144
Gross margin		19,681	_	14,735	_	73,078		54,528
Operating expenses: Research and development (1)		2,034 3,564		1,603 2,850		5,847 10,624		4,355 8,835
Total operating expenses	_	5,598	_	4,453	_	16,471	_	13,190
Operating income	_	14,083	_	10,282	_	56,607	_	41,338
Other income/(expense), net		390		202		846		673
Income before provision for income taxes	_	14,473	_	10,484	_	57,453	_	42,011
Provision for income taxes		3,796		2,736		15,183		10,968
Net income	\$	10,677	\$	7,748	\$	42,270	\$	31,043
Earnings per share:								
Basic	\$	1.86	\$	1.29	\$	7.30	\$	5.06
Diluted	\$	1.85	\$	1.28	\$	7.25	\$	5.03
Shares used in computing earnings per share:								
Basic		5,729,886		6,012,635		5,788,922		6,136,147
Diluted		5,773,099		6,051,711		5,829,920		6,172,857
Cash dividends declared per share	\$	0.52	\$	0.47	\$	1.46	\$	1.35
(1) Includes share-based compensation expense as follows:								
Cost of sales	\$	148	\$	115	\$	430	\$	334
Research and development	\$	388	\$	313	\$	1,146	\$	902
Selling, general and administrative	\$	320	\$	296	\$	1,095	\$	865

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

	June 27, 2015		September 27, 2014		
ASSETS:					
Current assets:					
Cash and cash equivalents		15,319	\$	13,844	
Short-term marketable securities		19,384		11,233	
Accounts receivable, less allowances of \$83 and \$86, respectively		10,370		17,460	
Inventories	****	2,042		2,111	
Deferred tax assets		5,010		4,318	
Vendor non-trade receivables	****	9,537		9,759	
Other current assets		9,291		9,806	
Total current assets		70,953		68,531	
Long-term marketable securities		168,145		130,162	
Property, plant and equipment, net		21,149		20,624	
Goodwill		5,044		4,616	
Acquired intangible assets, net		3,779		4.142	
Other assets		4,081		3,764	
Total assets		273,151	\$	231,839	
LIABILITIES AND SHAREHOLDER: Current liabilities: Accounts payable		26,474	\$	30,196	
Current liabilities: Accounts payable Accounts payable Accrued expenses Deferred revenue Commercial paper Current portion of long-term debt Total current liabilities Deferred revenue, non-current Long-term debt Other non-current liabilities	\$	22,724 9,088 4,499 2,500 65,285 3,474 47,419 31,296	\$	18,453 8,491 6,308 0 63,448 3,031 28,987 24,826	
Current liabilities: Accounts payable Commercial paper Current portion of long-term debt Total current liabilities Deferred revenue, non-current Long-term debt Total liabilities Total liabilities Commitments and contingencies Shareholders' equity: Common stock and additional paid-in capital, \$0.00001 par value: 12,600,000 shares authorized; \$,705,400 and 5,866,161 shares issued and outstanding, respectively. Retained earnings	\$	22,724 9,088 4,499 2,500 65,285 3,474 47,419 31,296 147,474	\$	18,453 8,491 6,308 0 63,448 3,031 28,987 24,826 120,292	
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Apple Inc. UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (In millions)

		Nine Mont	ths Ended			
		June 27, 2015		June 28, 2014		
Cash and cash equivalents, beginning of the period	\$	13,844	\$	14,259		
Operating activities: Net income		42.270		31.043		
Adjustments to reconcile net income to cash generated by operating activities:				0.,0.0		
Depreciation and amortization		8,138		5,977		
Share-based compensation expense		2,671		2,101		
Deferred income tax expense		2,820		3,154		
Changes in operating assets and liabilities:						
Accounts receivable, net		7,090		2,314		
Inventories.		69		170		
Vendor non-trade receivables		222		1,486		
Other current and non-current assets		2,286		931		
Accounts payable		(3,263)		(2,531)		
Deferred revenue		1,040		1,394		
Other current and non-current liabilities		4,448		424		
Cash generated by operating activities		67,791		46,463		
Investing activities:						
Purchases of marketable securities		(137,524)		(160,662)		
Proceeds from maturities of marketable securities		9,916		15,111		
Proceeds from sales of marketable securities		80,635		126,827		
Payments made in connection with business acquisitions, net		(230)		(898)		
Payments for acquisition of property, plant and equipment		(7,629)		(5,745)		
Payments for acquisition of intangible assets		(201)		(216)		
Other		134		7		
Cash used in investing activities		(54,899)		(25,576)		
Financing activities:		324				
Proceeds from issuance of common stock				435		
Excess tax benefits from equity awards		684 (1,332)		562		
Taxes paid related to net share settlement of equity awards		(8,597)		(839)		
Dividends and dividend equivalents paid		(22,000)		(8,297)		
Repurchase of common stock		21,312		(28,000)		
Proceeds from issuance of long-term debt, net				11,960		
Change in commercial paper, net		(1,808)		2,010		
Cash used in financing activities		(11,417)		(22,169)		
Increase/(decrease) in cash and cash equivalents		1,475		(1,282)		
Cash and cash equivalents, end of the period	\$	15,319	\$	12,977		
Supplemental cash flow disclosure:						
Cash paid for income taxes, net	\$	10,604	\$	8,013		
Cash paid for interest	\$	427	\$	322		

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http://www.apple.com/pr/library/2015/07/21Apple-Reports-Record-Third-Quarter-Results.html

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